



Flash Note: Alibaba Group (BABA US)

快讯：阿里巴巴集团 (BABA US)

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15 November 2019

Alibaba Group Launches Hong Kong Initial Public Offering, With Maximum Offer Price of HK\$188.00

阿里巴巴集团在香港首次公开发行股票，最高发售价为港币 188.00 元

- **What happened:** Alibaba Group (the "Company") officially announced the launch of its Hong Kong offering (the "Public Retail Offering") on 13 November 2019. According to the prospectus supplement of the proposed IPO disclosed at market close on 14 November 2019 (US Time), the Company will offer a global offering (the "Offering") of 500,000,000 new ordinary shares and listing of its ordinary shares on the Main Board of The Stock Exchange of Hong Kong Limited (SEHK) under the stock code "09988 HK". The Offering initially comprises 12,500,000 new shares under the Public Retail Offering and 487,500,000 new shares for subscription globally, in which the total number of shares available under the Public Retail Offering could be adjusted to up a maximum of 50,000,000 new shares subject to the level of oversubscription, if any. The offer price for the Public Retail Offer will be no more than HK\$188.00 per share and shares will be traded in board lots of 100 shares each. In addition, the Company expects to grant the international underwriters an over-allotment option to purchase up to an additional 75,000,000 new Shares.
- **Comments and views:** According to the Company's 2QFY2020 financial results, the Company had approximately 2,599 mn ADS. The new shares are expected to reach 550 mn in the Offering if oversubscription occurs, representing approximately 68.8 mn of ADS or 2.6% of existing ADS. Therefore, a limited dilution effect is expected in terms of earnings per ADS and book value per ADS. In our view, it could be a limited and short-term impact. In addition, we think the Offering not only strengthens the Company's financial position, but will also lure more potential investors, who are mostly in the same time-zone location. Currently, core commerce is still the main revenue contributor of the Company, but new areas of business are still being invested in and expanding market share. Therefore it is positive for the Company to strengthen its financial position despite the strong free cash flow they already have. Moreover, the Offering creates a new investing channel for investors; this helps some Asian investors to remove trading time limitation, thus increasing willingness to participate in the Offering. Especially for Chinese investors, they have deep knowledge about the Company; hence the true value of the Company might be released in the Offering. At the same time, the secondary listing in Hong Kong may help the Company to somehow diversify risk from US-Sino trade tension, since there expectations that the US government could restrict investment in US-listed Chinese stocks. In conclusion, we think the Offering may not have material impact on the Company's fundamentals or operations. Meanwhile, we think the positive impacts of the Offering have already been priced in for the short term, as there have been expectations of a secondary listing for some time.
- **Investment suggestion:** As at 14 November 2019, the Company's ADS price in the US was trading at US\$182.80. We maintain the Company's target price at US\$213.00 with investment rating as "Buy". In the short term, we think the Company's share price in Hong Kong will be stronger than that in the US due to stronger demand from Asian investors. In the mid-to-long term, we still expect there will be a price spread between in the US and Hong Kong, but we expect this to gradually diminish, mainly due to the mixed effect of i) different demand from local investors, ii) the spread of foreign currency, iii) different understanding and views from Asian investors, and iv) more passive investment caused by potential picks of Hong Kong index-tracking funds.
- **事件描述:** 阿里巴巴集团（“公司”）正式宣布于 2019 年 11 月 13 日在香港发行股票（“本次公开零售发售”）。根据在 2019 年 11 月 14 日（美国时间）收市时披露的招股说明书补充文件，公司将在全球发售（“本次发行”）500,000,000 股新普通股并将其普通股在香港联合交易所有限公司（联交所）主板上市。股票代码“09988 HK”。本次发行初始由公开零售发行下的 12,500,000 股新股和全球认购的 487,500,000 股新股组成，根据任何超额认购的水平，公开零售发行下可发行的股份总数可以调整为最多 50,000,000 股新股。公开发售的要约价将不超过每股 188.00 港元，股份将以每 100 股为单位买卖。此外，公司预计授予国际包销商超额配股权，并可要求购买额外发行的 75,000,000 股新股份。

- **观点评论:** 根据公司 2020 财年第二季度的财务业绩, 公司拥有约 2,599 百万股的 ADS。如果发生超额认购, 预计新增股份在本次发行将达到 550 百万股, 约相当于 68.8 百万股 ADS, 占现有 ADS 的 2.6%。因此, 就每股 ADS 收益和每股 ADS 的账面价值而言, 预期稀释作用有限。我们认为, 这可能是有限的短期影响。此外, 我们认为此次发行不仅可以增强公司的财务状况, 还可以吸引更多的潜在投资者, 他们大多在同时区的地区。目前, 核心商务仍是公司的主要收入来源, 但公司仍将对一些新业务进行投资并扩大其市场份额。因此, 尽管公司拥有强大的自由现金流, 但加强其财务状况仍是有利的。同时, 本次发行为投资者提供了新的投资渠道; 这有助于一些亚洲投资者消除交易时间上的限制, 从而增加了他们参与本次发行的意愿。特别是对于中国投资者, 他们对公司有深入的了解; 因此, 公司的真实价值可能会在本次发行中被释放。与此同时, 由于有传言称美国政府希望将投资限于在美国上市的中国股票, 因此在香港第二次上市可能会帮助公司以某种方式将中美贸易紧张局势的风险分散。总之, 我们认为本次发行不会对公司的基本面或运营产生重大影响。同时, 我们认为本次发行的正面影响已在短期内反映, 因为有关二次上市的传闻已传了一段时间。
- **投资建议:** 截至 2019 年 11 月 14 日, 公司在美国的 ADS 价格为 182.80 美元。我们维持公司目标价在 213.00 美元, 投资评级为“买入”。在短期内, 由于亚洲投资者的需求增加, 我们认为公司在香港的股价将强于美国。从中长期来看, 我们仍然预计美国和香港之间会有价差, 但预计会逐渐减少, 主要是由于以下因素的混合影响: i) 当地投资者的需求不同; ii) 外国货币价差; iii) 来自亚洲投资者的不同理解和看法以及 iv) 由于香港指数追踪基金的潜在标的而导致更多的被动投资。

Company Rating Definition

The Benchmark: NASDAQ Composite Index

Time Horizon: 6 to 18 months

| Rating | | Definition |
|------------|----|---|
| Buy | 买入 | Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable. |
| Accumulate | 收集 | Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable. |
| Neutral | 中性 | Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral. |
| Reduce | 减持 | Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable. |
| Sell | 卖出 | Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable. |

Sector Rating Definition

The Benchmark: NASDAQ Composite Index

Time Horizon: 6 to 18 months

| Rating | | Definition |
|--------------|------|--|
| Outperform | 跑赢大市 | Relative Performance > 5%; or the fundamental outlook of the sector is favorable. |
| Neutral | 中性 | Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral. |
| Underperform | 跑输大市 | Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable. |

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