

Alibaba sets IPO share price, aims to raise \$25 billion, but investors get warning

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Chinese online retail giant Alibaba priced its stock at \$68 on Thursday, setting in motion a record-breaking public offering of up to \$25 billion.

The company, set to begin trading Friday on the New York Stock Exchange, priced at the top of the range of \$66-\$68 per share announced earlier this week, according to documents filed with U.S. regulators.

The amount raised by the initial public offering (IPO) would be \$25.02 billion if options are exercised for additional demand, breaking the 2010 record of China's AgBank of \$22.1 billion.

Alibaba founder Jack Ma was expected to ring the opening bell on Wall Street for the market debut, according to persons familiar with the IPO.

Alibaba would have a market value of around \$168 billion based on the price, making it bigger than U.S. rival Amazon.

The IPO allows investors to get a piece of the huge Chinese market, but it also will fuel Alibaba's expansion plans.

Alibaba's consumer services are similar to a mix of those offered by U.S. Internet titans eBay, PayPal and Amazon, and it also operates services for wholesalers. It is known for the giant Chinese online marketplace Taobao, among other services.

The company earlier this year announced plans for a U.S. marketplace called 11 Main, which is currently in a test phase.

Alibaba Group made a profit of nearly \$2 billion on revenue of \$2.5 billion in the quarter ending June 30. Revenue rose 46 percent from the same period a year earlier.

Alibaba decided to list in New York because it wanted an alternative class share structure to give selected minority shareholders extra control over the board; the Hong Kong bourse declined to change its rules to allow this.

The Chinese firm will trade on the New York Stock Exchange under the symbol "BABA."

A U.S. government panel has warned of risks to investors because of a complex corporate structure — Alibaba is registered in the Cayman Islands and controlled by a partnership through a series of shell companies.

Harvard law professor and governance specialist Lucian Bebchuk meanwhile warned that the structure, which allows inside minority shareholder control at Alibaba, is worrisome.

“With an absolute lock on control and a limited fraction of the equity capital, the Alibaba insiders will have substantial incentives to divert value from Alibaba to other entities,” Bebchuk said in a New York Times blog this week.

The IPO is also a major event for U.S.-based Yahoo, which bought a 40 percent stake in the Chinese online giant in 2005 for \$1 billion and still holds 22.4 percent of Alibaba. The California company is expected to walk away with some \$10 billion paring that stake down to 16.3 percent.