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## Ant Financial Crawls Back Into Bed With Alibaba

Feb. 2, 2018 5:30 AM ET11 comments

by: Doug Young

**Bottom line:** *Alibaba's purchase of 33 percent of Ant Financial looks like a shrewd move for both firms, making Ant more attractive in the run-up to an IPO likely to be one of the world's biggest this year.*

In what looks like a homecoming of sorts, e-commerce giant **Alibaba** (NYSE: BABA) has just announced it is **taking back a major stake in its Ant Financial affiliate**. Followers of this pair will know they have quite a long and complex relationship and were actually once part of the same company. But they were split apart around a decade ago for political reasons, which apparently aren't an issue anymore.

The other major plank to this story is Ant's own story, including the unusual way in which this deal was structured. The company, whose core asset is the popular **Alipay** electronic payments service, is gearing up for what could be one of the biggest fintech IPOs of this year, likely to raise several billion dollars in Hong Kong. Thus this particular move could be designed to draw more attention to this lesser-known Alibaba offspring, and also to relieve it of some of its financial burden in the run-up to that offering.

All that said, let's begin with a quick recount of the **history** between this pair, followed by the latest headlines and finally a look at the implications. As I've said above, Ant began life more than a **decade ago as the Alipay financial payments service**, which was designed to make it easier for people to pay for goods on Alibaba's e-commerce platforms.

**Alipay was spun off around 2011** because of China's rules forbidding foreign ownership of financial services providers. Many may remember that Alibaba was majority-owned by foreign entities at that time, since **Yahoo** had purchased **40 percent of the company** a few years earlier and **Japan's Softbank (OTCPK:SFTBY)** was also a major stakeholder. Alibaba owner **Jack Ma** remained a **major stakeholder in both companies** after the spin-off.

Since then, **Alipay** has been **folded into** a larger holding company, **Ant Financial**, which has also expanded into a number of other services. Those include its **Sesame Credit**, which offers consumer credit rating services, and **Yu'ebao**, the popular money-market

savings plan where Alipay users can park spare money in their accounts for higher returns. Ant has taken on quite a few major new investors since then, mostly major domestic entities.

## Comments (11)

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02 Feb 2018, 10:46 PM

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