Universidad Politécnica de Cartagena

Master Thesis

Title: Alibaba's Management Style: A Case Study Of Mergers and Acquisitions

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1. Abstract

This report introduces Alibaba listed companies, mainly to introduce and analyze Alibaba's financial statements and mergers and acquisitions in the past five years. Use SWOT analysis to analyze the advantages and disadvantages of Alibaba's adoption of this acquisition, and what better opportunities and development prospects will be in the future. Through the horizontal and vertical analysis and financial ratio analysis of Alibaba's 2015-2019 financial statements, the company's financial status is diagnosed and recommendations are made. In the booming Internet industry, Alibaba acquired the acquisition of more than $4.5 billion in Youku Tudou and created a "first acquisition" of the Chinese Internet. This report specifically discusses the difference in profitability of Youku Tudou before and after the merger. According to the financial statements of Alibaba and Youku Tudou, the financial performance of Alibaba before and after the merger was analyzed. Finally, through the analysis and comparison of the data ratio, Alibaba's acquisition was summarized and comments were made.

2. Introduction

The content of this paper is to analyze and diagnose the management of Alibaba's business and its governance mechanism. First of all, this report introduces the basic situation, business scope and strategic positioning of Alibaba Group. Through the collection of 2015-2019 data analysis financial statements, summarize the financial situation of Alibaba in the past five years, and through the ratio analysis, put forward relevant development proposals. Through SWOT analysis, the main focus is on Alibaba's own strength and comparison with competitors, while opportunity and threat analysis will focus on the external environment and corporate change. In the analysis, all internal factors should be combined, and then external forces should be used to evaluate these factors. Enterprises can expand their scale through their own accumulation, but they will encounter bottlenecks when they develop to a certain extent. M&A is one of the effective ways to rapidly expand the scale. In the booming Internet industry, Alibaba acquired Youku Tudou for more than $4.5 billion in mergers and acquisitions, creating the "biggest acquisition" of the Chinese Internet. In terms of research, the implementation of mergers and acquisitions by enterprises is mainly the pursuit of financial results brought about by mergers and acquisitions. Whether mergers and acquisitions achieve the expected results is the standard for measuring the success of mergers and acquisitions. The report combines specific M&A cases, compares changes in financial performance, and conducts research and judgment on the future development of Alibaba.

3.Alibaba’s introduction

Founded in 1998, Alibaba is a very mature company. Alibaba Group has over 100,000 employees, which is a very large size company.Alibaba has attracted more than 2.1 million merchants to enter the market and is currently the world's largest online market for B2B online transactions. Since its inception, Alibaba has always adhered to the strategic positioning of “To make it easy to do business anywhere”. In the era of a general decline in the growth rate of large Internet companies around the world, Alibaba's latest quarterly earnings report still has a revenue growth rate of more than 60%. It is the only company in the world with the largest growth rate of more than 50%. In the case of trade wars and domestic consumption growth, Alibaba's growth rate is still ranked first among these large Internet companies (including Amazon, Google, Apple, Facebook, Microsoft, Tencent and other companies). The market value exceeds 400 billion US dollars.

Due to the development trend of China's outbound tourism rockets in recent years and the large-scale popularization of mobile payment, Alipay, as China's most popular mobile payment method, has begun to develop overseas. It is precisely because of the frequent outbound travel of Chinese tourists and the booming overseas travel market that Alibaba's Alipay mobile payment overseas marketing has become one of the most important marketing strategies. Whether you are an overseas Chinese student or a Chinese tourist, you can now see the icon that supports Alipay payment at famous attractions and shopping centers around the world. According to Alibaba's official website, in 2017, Alipay was the first to receive support from six European countries. As of this year, Alipay has signed agreements with more than 100 European banks and has cooperated with more than 20 countries in Europe.

4.Alibaba’s financial report analysis

4.1 Horizontal and vertical analysis of balance sheet

Table 1.Horizontal analysis of balance sheet

	2015-Mar	2016-Mar	2017-Mar	2018-Mar	2019-Mar
Assets					
Cash and cash equivalents	42.36%	29.31%	28.36%	27.79%	19.69%
Short-term investments	6.97%	2.44%	1.39%	1.52%	1.37%
Total cash	49.33%	31.75%	29.75%	29.31%	21.05%
Receivables	4.37%	3.22%	4.22%	3.54%	3.10%
Total current assets	55.63%	36.79%	36.01%	35.82%	28.01%
Goodwill	16.42%	22.40%	24.75%	22.61%	27.45%
Intangible assets	2.57%	1.47%	2.78%	3.83%	7.07%
Deferred income taxes	0.06%	0.01%	0.08%	0.30%	0.26%
Other long-term assets	1.54%	1.64%	1.51%	2.05%	2.64%
Total non-current assets	44.37%	63.21%	63.99%	64.18%	71.99%
Total assets	100.00%	100.00%	100.00%	100.00%	100.00%
Total current liabilities	15.53%	14.28%	18.50%	18.94%	21.52%
Total non-current liabilities	27.53%	26.18%	26.49%	30.05%	27.47%
Total liabilities	43.06%	40.46%	44.99%	48.99%	48.99%

（Source: The data is from https://www.holdle.com/us_stocks/BABA.）

Table 2. Vertical analysis of balance sheet

	2016-2015	2017-2016	2018-2017	2019-2018
Assets				
Cash and cash equivalents	-0.64%	14.73%	16.20%	-2.40%
Short-term investments	-33.46%	-11.37%	21.35%	9.50%
Total cash	-4.26%	13.17%	16.46%	-1.70%
Receivables	2.51%	29.10%	8.55%	8.23%
Total current assets	-2.91%	15.30%	16.92%	2.55%
Total non-current assets	34.06%	16.93%	17.33%	20.30%
Total assets	17.59%	16.34%	17.18%	14.74%
Total non-current liabilities	15.14%	16.90%	23.23%	10.33%
Total liabilities	14.55%	21.45%	21.28%	14.75%
Total stockholders' equity	19.74%	12.47%	13.50%	14.73%
Total liabilities and stockholders' equity	17.59%	16.34%	17.18%	14.74%

（Source: The data is from https://www.holdle.com/us_stocks/BABA.）

Through the horizontal and vertical analysis of the balance sheet, we can see that Alibaba's total assets continue to grow from 2015 to 2018，which is referred in Table 2.Although the growth rate slowed down in 2018, Alibaba's overall development is in good condition. This is still a trend of growth. Among the total assets, the proportion of non-current assets is higher than that of current assets, indicating that Alibaba's asset liquidity is weak, solvency declines, financial risks increase, and liabilities increase substantially. However, the total liabilities are lower than the total assets, which is referred to Table 1. There are no major problems. Although Alibaba's shareholder equity growth rate is lower than total assets, it can be seen that Alibaba's debt burden is intensified and the overall structure is unstable. But in general, shareholders' equity and assets are rising, which also reflects the positive development trend of return on equity.

4.2 Horizontal and vertical analysis of Income statement

Table 3.Vertical analysis of income statement

	2016-2015	2017-2016	2018-2017	2019-2018
Revenue	14.06%	22.02%	22.52%	20.18%
Cost of revenue	18.08%	26.78%	28.56%	31.81%
Gross profit	12.10%	19.33%	18.36%	8.52%
Total operating expenses	12.35%	15.88%	17.90%	21.24%
Net income	49.31%	-24.13%	18.95%	15.66%
EBITDA	39.06%	-7.85%	24.14%	4.73%

（Source: The data is from https://www.holdle.com/us_stocks/BABA.）

Table 4.Horizontal analysis of income statement

	2015-Mar	2016-Mar	2017-Mar	2018-Mar	2019-Mar
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of revenue	31.28%	33.97%	37.58%	42.77%	54.91%
Gross profit	68.72%	66.03%	62.42%	57.23%	45.09%
Sales, General and administrative	21.41%	20.28%	18.04%	17.40%	17.16%
Other operating expenses	16.30%	16.13%	14.02%	11.72%	12.60%
Total operating expenses	37.71%	36.41%	32.06%	29.11%	29.76%
Operating income	31.02%	29.62%	30.36%	28.12%	15.32%
Other income (expense)	15.01%	52.85%	9.25%	13.43%	11.59%
Income before income taxes	42.42%	80.55%	37.93%	40.12%	25.53%
Net income from continuing operations	31.91%	70.48%	26.05%	24.54%	21.29%
Net income	31.84%	70.65%	27.59%	25.61%	23.32%
Net income available to common shareholders	31.71%	70.65%	27.59%	25.57%	23.25%
EBITDA	51.82%	89.10%	48.65%	50.34%	36.75%

（Source: The data is from https://www.holdle.com/us_stocks/BABA.）

Alibaba’s net profit is generally on the rise,except for a significant decline in 2016-2017, the net profit in 2018 has increased significantly, but shareholders’ equity has not been greatly affected, and it is still increasing year by year,which is referred to table 3.However, through the horizontal and vertical analysis of the Income statement, the increase in cost of revenue and the increase in the proportion led to a slowdown in revenue growth. Even in 2019, the proportion of cost of revenue exceeded 50% of revenue.Although the profit has been increasing year by year, it shows that Alibaba's operation scale is expanding continuously, the development momentum is good, and the cost increase is efficient, which has no negative impact on the company.

4.3 Cash flow statement analysis

Table 5. Cash flow statement

	2015	2016	2017	2018	2019
Net cash provided by operating activities	41217	56836	80326	125171	150975
Net cash used for investing activities	-53454	-42831	-78364	-83890	-151060
Net cash provided by (used for) financing activities	87497	-15846	32914	20359	-7392
Net change in cash	75148	-1375	36918	55573	-4232
Operating cash flow	41217	56836	80326	125171	150975
Capital expenditure	-7705	-10845	-17546	-29836	-49643
Free cash flow	33512	45991	62780	95335	101332

（Source: The data is from https://www.holdle.com/us_stocks/BABA，the data unit is RMB million.）

It can be seen from the table 5 that the net cash inflow of the company's operating activities has maintained a high growth, indicating that the main business development is in good condition and maintains a high-speed growth.

The net cash outflow of investment activities decreased in addition to 2015-2016, and the rest has maintained a substantial increase, indicating that the company has made more investments and is increasing, especially in 2017-2018.

The net cash inflow from financing activities decreased sharply in 2016 and 2019, but the growth in the remaining years became positive. This indicates that the financing activities in 2016 and 2019 are more expenditure funds, but the overall financing inflows are net. The amount is decreasing. Cash and cash equivalents also maintained a growing trend, but were slightly flat relative to other projects. Although the impact of exchange rate changes is very large, the impact is small because the

total number is small.
Corporate value is positively related to corporate free cash flow. Alibaba Group's free cash flow is increasing year by year. Since free cash flow is also one of the important indicators for shareholders to value the company, many investors have the ability to generate free cash flow. The first place in the survey indicators reflects the increasing value of Alibaba's investment.

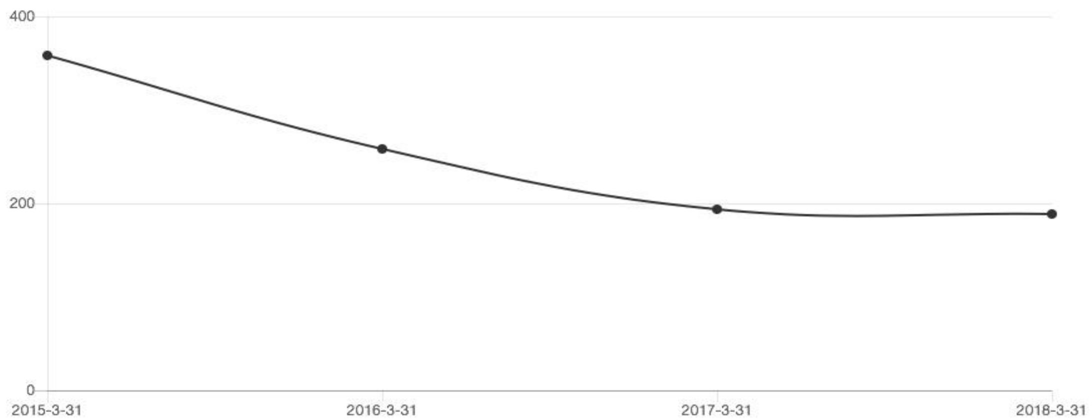
4.4 Financial ratio analysis

Table 6.Financial ratios

		2015	2016	2017	2018
Liquidity	current ratio	358	258	194	189
	quick ratio	358	258	193	186
Leverage	debt to asset ratio	38.4	31.5	36.6	39.1
	Equity ratio	56.9	59.6	55	51
Activities	Accounts receivable turnover rate (times)	7	8.5	7.3	9.8
	Average number of days received	51.4	42.4	49.3	36.7
Profitability	Return on equity	16.7	32.9	15.7	17.5
	Return on asset	9.5	19.6	8.6	8.9

(Source: Calculated by Alibaba Financial Report)

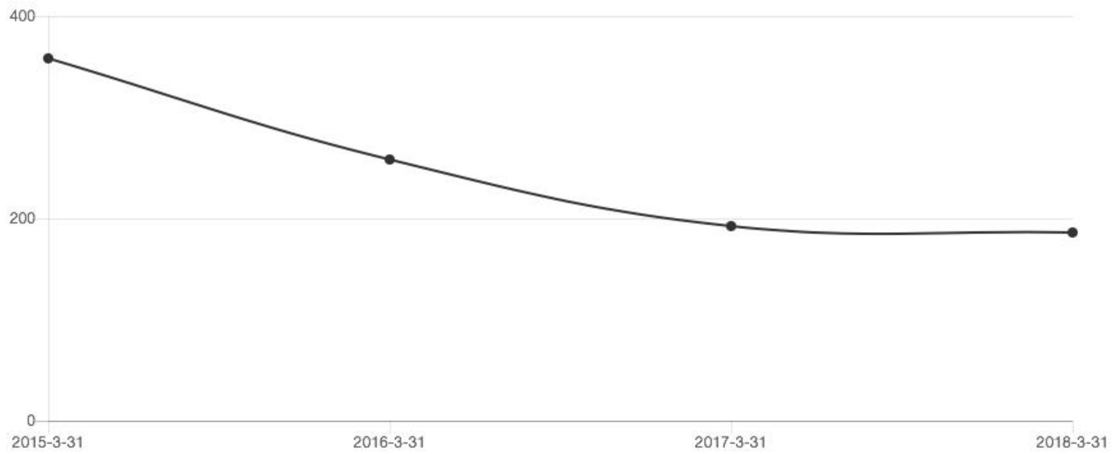
Graph 1. Current ratio



（Source：own made.）

Current ratio: Alibaba's current ratio is generally declining,according to graph 1.In 2017-2018, it shows that the liquidity of corporate assets has weakened and the short-term solvency has weakened.However, Alibaba's current ratio is generally within a reasonable range, and current assets are on average more than twice the current liabilities,which is referred to table 6. The decline in the current ratio within a reasonable range also shows that Alibaba effectively uses liquid assets and improves its profitability.

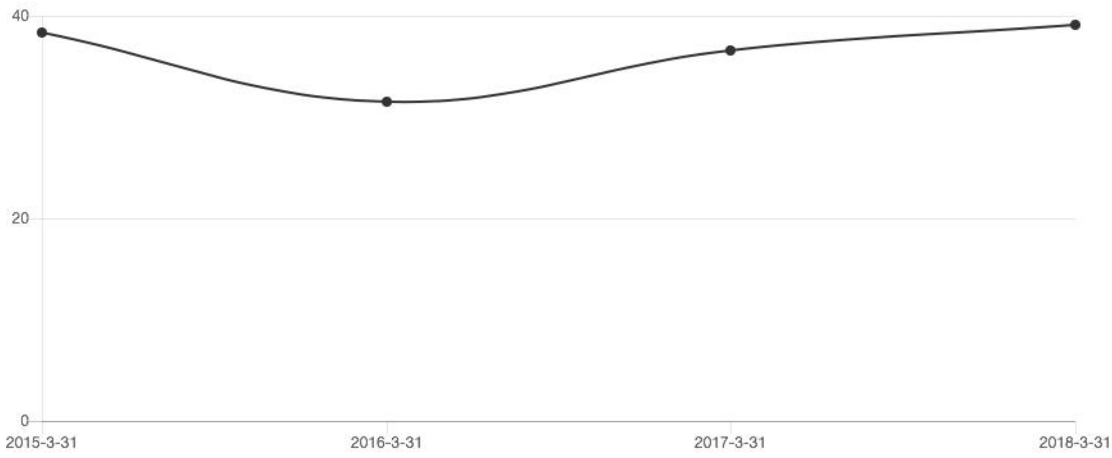
Graph 2.Quick ratio



（Source：own made.）

Quick ratio : Alibaba's quick ratio is generally declining.Through Alibaba's balance sheet, it can be seen that accounts receivable are on the rise year by year, which also shows that Alibaba has problems in accounts receivable, but the quick ratio is also falling within a reasonable range. Explain that Alibaba is poorly managed in this part of accounts receivable, and its liquidity level and short-term solvency are still reasonable.

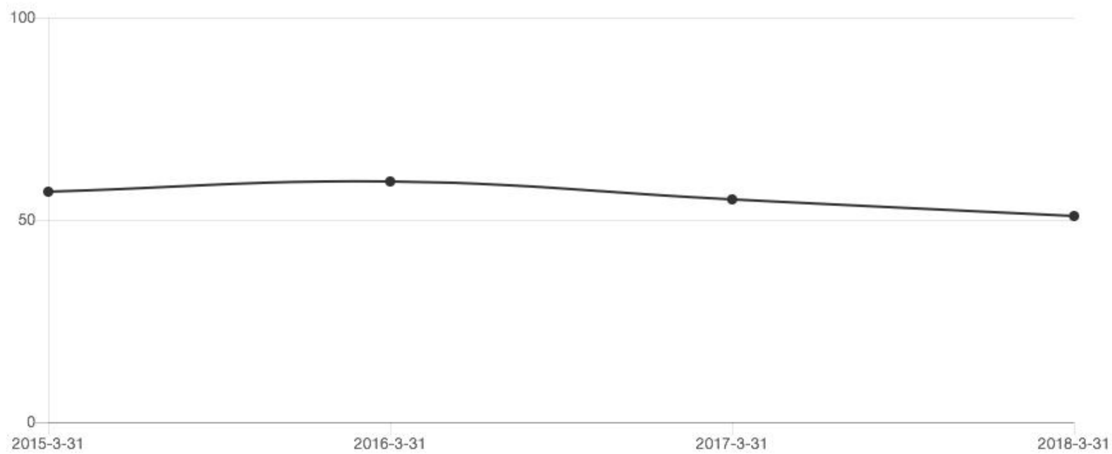
Graph 3.Debt to asset ratio



（Source：own made.）

Debt to asset ratio ：As can be seen from the graph 3, Alibaba's asset-liability ratio declined in 2015-2016, indicating that financial risks have declined during this period and long-term solvency is strong, but in 2016-2018, Alibaba's asset-liability ratio is on the rise, and then Combined with the horizontal and vertical analysis of the balance sheet, it is found that the proportion of liabilities to total assets has increased since 2016, indicating that during this period, Alibaba's financial risks have increased and long-term solvency has begun to decline.

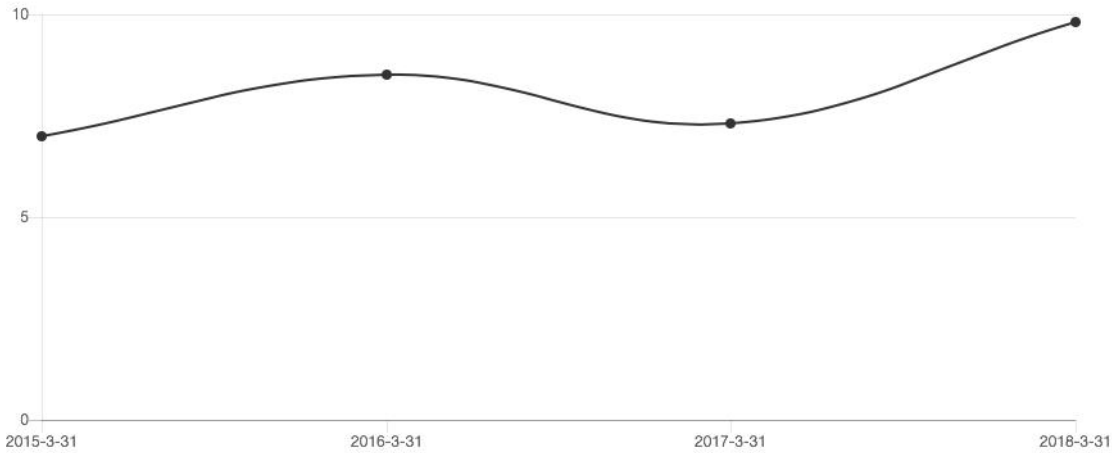
Graph 4.Equity ratio



（Source：own made.）

Equity ratio : Alibaba's equity ratio showed an increasing trend in 2015-2016, and began to decline in 2016-2018, indicating that Alibaba's shareholders are very optimistic about the company's development, but the subsequent decline in the ratio, the proportion of debt to asset ratio is rising, which is referred in graph 3, it is likely that shareholders are not optimistic about the company's prospects, making the debt to asset ratio increase, increasing the financial risk of the company, but the equity ratio is basically stable at 50%, which is a reasonable range and has no significant impact on the company's long-term development.

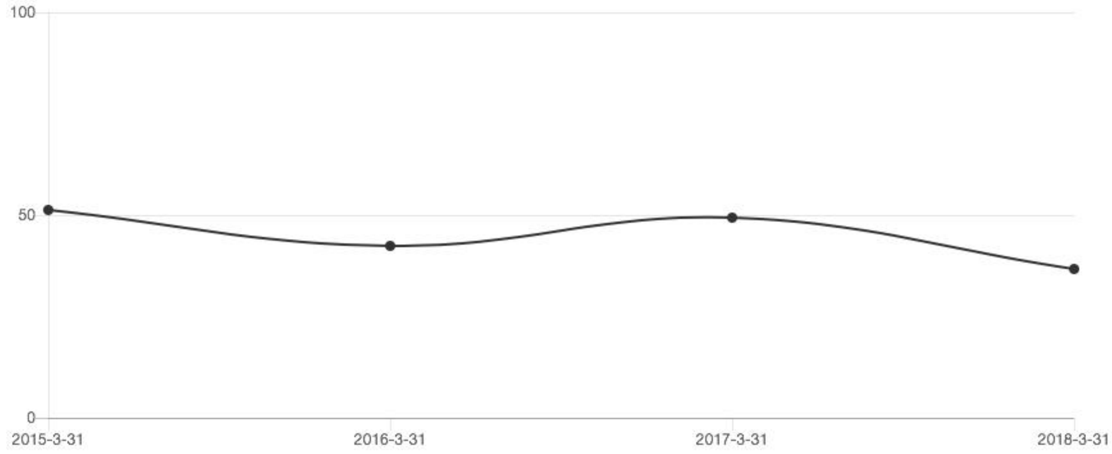
Graph 5.Accounts receivable turnover



（Source：own made.）

Accounts receivable turnover : Alibaba's accounts receivable turnover rate showed an overall upward trend, except for a slight decline in 2017, but there was a significant increase in 2018. Accounts receivable showed an increase in turnover rate, indicating rapid collection and shorter age; Strong liquidity of assets and strong short-term solvency; can reduce bad debt losses.

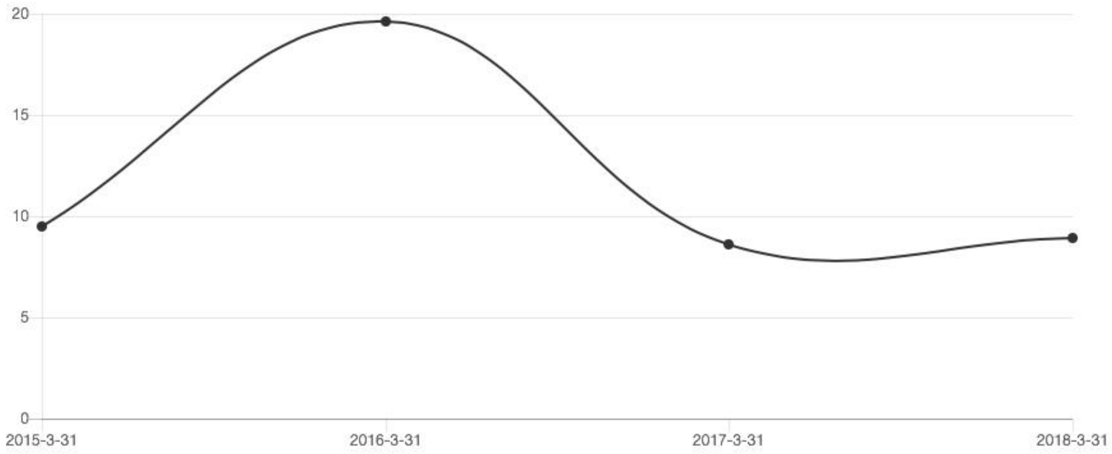
Graph 6.Average number of days received



（Source：own made.）

Average number of days received ： Alibaba's Average number of days received is generally declining, except for growth in 2017, but it has started to decline significantly in 2018, indicating that the company's ability to recover funds is very strong. Cash receipt means no credit, and there is steady flow of funds at any time. The time for enterprises to lack money is very small, the capital reserve can be supplemented at any time, there is no capital turnover period, and cash collection means that they have the dominant position in the transaction, and they are in a leading position in peer competition, and their stocks are more investment value.

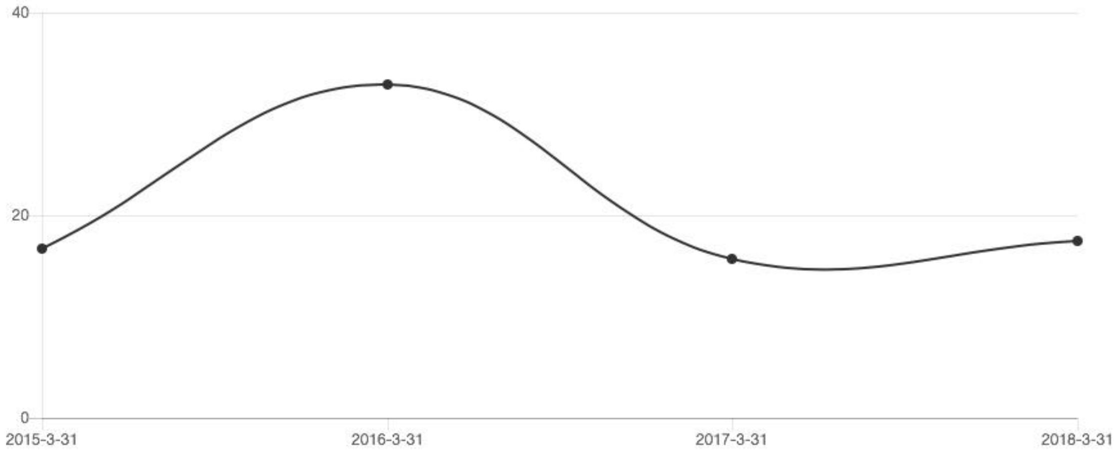
Graph 7.Return on asset



（Source：own made.）

Return on asset : Alibaba's return on total assets has increased significantly in 2016, and it has remained stable for the remaining three years, indicating that Alibaba is very profitable in 2016, and its return on investment is the highest. There is also a growing trend in 2018, indicating that the profitability of Alibaba began to increase.

Graph 8. Return on equity



(Source: own made.)

Return on equity: After a significant increase in 2016, it began to decline, but there was growth in 2018. In 2016, Alibaba's return on equity exceeded 30%, which is referred to the graph, indicating that it has excellent investment value in this year, and each of Alibaba's The financial indicators should be very good. Although they started to decline after 2016, but they all remained above 15%, indicating that the investment income is higher than the cost of capital and it is still worth investing.

5. Alibaba's merger and acquisition case analysis

5.1 The concept of M&A.

M&A represents the organizational strategy of buying, selling, segmenting and combining different companies (Depamphilis, 2009). The concepts of mergers and acquisitions are divided into broad and narrow senses. First, a merger in a broad sense refers to the acquisition of assets or equity by another company. In a narrow sense, a merger is a company that acquires the equity of another company or other company. Therefore, mergers and acquisitions are divided into two different types: Merger: Once a merger occurs, whether it is an asset merger or an equity merger, it means that the merger does not exist and merges into a company. Acquisition: A dominant company acquires part or all of the assets of another company, but the acquired company has not disappeared and two or more companies have merged into one new company. After the merger, multiple legal persons became a legal person.From a financial point of view, the shares of the acquired company have not been canceled, but are still traded on the market (DePamphilis, 2009).

5.2 Motivation of M&A

With the rapid development of economic globalization, more and more companies are undergoing cross-border mergers and acquisitions. In other words, M&A is a strategic goal, the company's motivation
Growth (Kreitl & Oberndorfer, 2004).The essence of mergers and acquisitions is dissatisfaction, in order to seek greater development and external expansion. Mergers and acquisitions are also a high-risk, high-reward behavior. In the actual enterprise case, the motivations of M&A are summarized as follows:

- **The company hopes to form a scale economy and reduce production costs.**

Once the enterprise has formed economies of scale, the most significant effect is to reduce the cost of each link, whether it is the initial procurement of raw materials, production and sales links or management.

- **Increase the proportion of market share.**

Through the formation of economies of scale, the production level of enterprises will be greatly improved, the supply will also increase, the proportion of market share will be significantly improved, and the industry status of enterprises will also increase.

- **Obtain mature production technology, management talents or brands.**

It is an adventurous behavior for companies to develop advanced production technologies from scratch or to develop a very prestigious and well-known brand. It is an adventurous behavior. However, through mergers and acquisitions, companies can save a lot of money. Cost, whether it is time or assets.M&A is the ability to quickly and directly access resources, to a certain extent, to help companies reduce production costs and subsequent costs, and to avoid the possibility of failing to create new brands.

- **Cross-industry development to achieve diversified development of enterprises.**

Through investment in different industries, enterprises directly expand their business scope, while also diversifying investment risks and occupying a wider market share.

5.3 M&A process

- **Preliminary preparation stage.**

Enterprises need to initially plan the target enterprise characteristics of the acquisition according to the needs of future strategic development, and conduct target search in the market according to these characteristics, such as what industry the target market belongs to, what production technology or mature brand, and preliminary evaluation and Comparison.

- **Program design phase.**

Based on the preliminary evaluation and screening results of the previous period, we conducted in-depth analysis and designed various merger and acquisition plans, including the scope of mergers and acquisitions (assets, debts, contracts, customers, etc.), merger and acquisition procedures, payment costs, payment methods, and so on.

- **Negotiation signing phase.**

By modifying the finalization of the M&A plan, the acquisition of the proposal or the letter of intent for the core content serves as the basis for negotiations with the target company. Whether the proposal or letter of intent is beneficial to the acquisition of the parties directly determines the success of the negotiation results.

- **Takeover and integration phase.**

For complexity reasons, leadership and management issues grow as companies grow in size (Johnson et al., 2004).The acquirer shall carry out large-scale integration of the personnel, management mode and even corporate culture of the target enterprise.Diagnosing a company's culture is a subjective and explanatory process, so an in-depth understanding of history and current activities is required (Buono & Bowditch, 2003). and the strategic development of the target enterprise shall be consistent with the acquirer. Most importantly, corporate plans and future goals need to be clarified, and business tasks need to be renegotiated because there may be uncertainty at all levels of the company (Allen & Renjen, 2009). Therefore, the final link directly determines the success of this acquisition.

5.4 Alibaba's M&A background and Youku Tudou's background

On November 6, 2015, Alibaba officially acquired all outstanding shares of Youku Tudou and signed an agreement. Youku Tudou is one of the leading companies in the online video industry in China and is committed to the overall development of the online video industry. On August 23, 2012, Youku(China's first video network, listed on the New York Stock Exchange in 2010) and Tudou(the earliest video network in China, listed on NASDAQ in 2011) merged to achieve 100% equity swap. Youku Tudou has a wealth of content resources and a strong technology platform. Youku Tudou has more than 400 million users per month, which means that one-third of Chinese people have become users of Youku Tudou. In fact, as early as October 16 of the same year, Alibaba issued a non-binding offer to the Youku Tudou board.

The acquisition is known as the "first acquisition" on the Chinese Internet, because Alibaba paid for the purchase of Youku Tudou for $4.77 billion in mergers and acquisitions, and actually paid a total of $3.67 billion in cash, compared to the previous Youku Tudou account. There are $1.1 billion in cash. In other words, the unit price of the acquisition is 27.60 US dollars per share. Alibaba's purchase price rose by 35.1% compared to the previous day's closing price of Youku's privatization offer.

Youku Tudou was officially acquired by Alibaba on April 6, 2016, not only delisting from the US New York Stock Exchange, but also completing privatization transactions.

It has become a wholly-owned subsidiary of Alibaba, and will fully develop in order to achieve the goal of listing A-shares in China within five years.

5.5 Motivation of Alibaba's M&A

In order to make the back-end data of each company's back-to-back data unimpeded, Alibaba has already invested in Youku Tudou long ago. In preparation for this complete acquisition, Alibaba will rely on its subsidiary Youku Tudou for more comprehensive and in-depth business development in development, multi-screen distribution and precision advertising.

- Attract users and occupy more market share.

From the shopping website to the video website, from various social software to news and other media platforms, the number of online users in China and the whole world has increased year by year. Therefore, the booming development of the Internet market is bound to attract the attention of countless companies, and all major companies want to have a place in the Internet market.

- Achieve industry diversification, resource interoperability, and common progress.

In recent years, the video website industry has experienced rapid development as an emerging industry. The fundamental reason is that more and more consumers are more willing to use mobile phones or tablets to watch TV dramas or movies because of advances in technology. Since the expensive exclusive copyright is a high cost for the video website, Alibaba provides financial support and an advertising marketing platform, and the two parties will mutually benefit and win.

- Reduce the cost of trading.

Alibaba wants to enter the video website industry, the most suitable solution is to acquire professional technology and related resources directly through the acquisition of an influential and brand-oriented enterprise. If Alibaba chooses to create a video website, the risk is extremely high. First, it needs a long period of research and development. Then, it is a high marketing cost to win the popularity, and it has to occupy a large market share and can surpass other professions. The entire self-created process will inevitably consume a lot of manpower, material resources and financial resources. The results of time cost and opportunity cost are negative. Therefore, the choice of mergers and acquisitions can avoid the crisis from a great deal.

5.6 Comparative analysis of financial performance before and after Alibaba’s M&A.

Table 7. 2014 Youku Tudou and LeTv related financial indicators

2014	Operating income	Average amount of intangible assets	Intangible assets turnover%	Total assets turnover%	gross profit rate%	Return on equity%
Youku Tudou	4223.39	1265.53	3.34	0.25	19.50%	-5.85%
LeTv	6818.94	2990.76	2.28	0.98	15%	12%

Table 8. 2015 Youku Tudou and LeTv related financial indicators

2015	Operating income	Average amount of intangible assets	Intangible assets turnover%	Total assets turnover%	gross profit rate%	Return on equity%
Youku Tudou	1854.84	1472.1	1.26	0.11	16.8	-3.24
LeTv	13016.73	4134.62	3.17	1.01	15	15

（Source: Calculated by Youku Tudou Company and LeTV Financial Report, the data unit is RMB million.）

- Solvency performance

According to the investigation and research, Youku Tudou Company has a strong short-term solvency, and the long-term solvency is also relatively impressive compared with the same industry. Ali Group's short-term solvency and long-term solvency are relatively strong. According to Alibaba's 2015 and 2016 financial results, its debt to asset ratio are 38.4% and 31.5%, respectively, and the current ratio is 358% and 258%,which is referred to table 6.It can be seen that Ali's debt ratio is low. However, for the time being, the acquisition of Youku Tudou has not yet given the Ali Group the ability to repay its financial performance.

- Operational capability performance

Measuring the operational efficiency of online video companies can be expressed through the intangible asset turnover rate, because the most directly invisible to video companies is intangible assets. In order to calculate the intangible asset turnover rate of Youku Tudou, the operating income will be used as a numerator, and its operational capability index will be compared with LeTV. (LeTV is the same Internet company, mainly engaged in online video. It is comparable with Youku Tudou, which is comparable.)
According to table 7,LeTV's operating income was 6.818 billion RMB, and Youku Tudou's operating income was 4.23 billion RMB.According to table 8,LeTV's operating income was 13 billion RMB, and Youku Tudou's operating income was 1.854 billion RMB. In table 7, Youku Tudou's intangible asset turnover rate was 3.34, which was higher than LeTV's 2.28. In table 8, Youku Tudou's intangible asset turnover rate was 1.26, which was far lower than LeTV's 3.17, which was the operating efficiency of Youku Tudou in 2014. Not as good as before, and behind the peers, resulting in poor operation in 2015 and poor management. Compared with 2015, the intangible

assets turnover rate of the Alibaba Group in 2016 and 2017 has been decreasing, but the total asset turnover rate has increased. The following is the data for the past three years: the total intangible assets in 2014, 2015, 2016 and 217 were 6,575 million, 5,370 million, 14,108 million, and 27,465 million respectively.
Revenues were 76 204 million RMB, 101 143 million RMB, 158 273 million RMB and 250 266 million RMB respectively. Therefore, it can be inferred that the intangible assets turnover ratios in 2015, 2016 and 2017 were 16.93%, 16.25% and 12.03%, respectively, and the total asset turnover ratios were 0.33%, 0.36% and 0.41%, respectively. Although the intangible asset turnover rate has declined, the total asset turnover rate has shown an upward trend and does not affect Ali's overall operations. Alibaba's total assets in 2014 were 255 434 million RMB, total assets in 2015 were 364 450 million RMB, total assets in 2016 were 506 812 million RMB, and total assets in 2017 were 717 124 million RMB. From this comparison which are referred in table 7 and 8, it is known that this phenomenon is mainly caused by the excessive growth of the Ali Group's intangible assets.

- Profitability performance

According to table 7 and 8,LeTV's ROE is higher than Youku Tudou. LeTV has expanded its business through diversified business methods and increased its book profits through its affiliated transactions. Due to the single operation mode and lack of innovation over the years, Youku Tudou has caused the company to operate poorly in years.It is very difficult to make a profit, and its operating gross profit margin has also declined from 2014 to 2015,which are referred in table 7 and 8.Development is hopeless and has been losing money for years, so Youku Tudou wants to be sold.
In addition, the Ali Group's M&A of Youku Tudou is costly, not only because Youku Tudou have lost money for years, but also because Ali bought the weighted price premium of 44.5% of Youku Tudou's trading volume in March, not only to prepare for large-value impairment, but also to bear the losses caused by the profit of the Alibaba Group.

- Development capacity performance

In 2015, Youku Tudou's operating income reached RMB 1,854.84 million, far less than half of that in 2014,which is referred in table 8, so the result of the continued development of Youku Tudou was eliminated or acquired. The operating income of the Ali Group has been growing,from 2015 to 2017,which is referred in table 9.Its operating income increased by 33%, 57% and 58%, respectively; the operating profit growth rate was 26%, 65% and 44% respectively. It can be seen that the M&A of Youku Tudou has not affected Alibaba's growth ability, and the expansion of scale has made Alibaba's development situation very well.

Table 9. 2015-2017 Alibaba related financial indicators comparison.

	Intangible assets turnover%	Total assets turnover%	Operating income growth rate%	Operating profit growth rate%
2015	16.93	0.33	0.33	0.26
2016	16.25	0.36	0.57	0.65
2017	12.03	0.41	0.58	0.44

(Source: Calculated by Alibaba Financial Report)

Table 10. 2014-2017 Alibaba related financial indicators comparison.

	operating profit rate	Return on equity%	Market and sales expenses%
2014	0.34	0.15	0.1
2015	0.29	0.29	0.13
2016	0.3	0.13	0.19
2017	0.32	0.12	0.32

(Source: Calculated by Alibaba Financial Report)

5.7 Discussion on Alibaba's M&A

This M&A of Youku Tudou is not perfect. Although the transaction cost of Alibaba's access to resources is relatively low, from the profitability analysis, it can be found that the cost and expenses of the merger of the Ali Group have been rising, especially the market and sales expenses have increased,which is referred in table 10.Because Youku Tudou has been losing money before the merger, so Ali needs to invest a lot of money to support the development of Youku Tudou. Today, the online video industry is highly competitive, so it is important to improve the profitability of Youku Tudou after the merger.
At present, expensive proprietary copyrights are the main reason for the

widespread loss of Chinese video sites. Therefore, in order to improve profitability, many companies use online content to reduce operating costs and expand their business. The production of original web production content has become a new way of profiting for Youku Tudou. But in the short term, it will still cause a loss of profits.
Alibaba brings free broadband resources to Youku Tudou. The cost of video broadband accounts for a significant proportion of the cost of network video operations. Therefore, the M&A of Ali Group can bring free broadband resources to Youku Tudou, thus greatly reducing operating costs.
Ali Group can reduce advertising costs by advertising on its internal platform. Alibaba Group's business covers a wide range of online payment, social networking and other platforms, which can promote Youku Tudou well, because Alibaba's internal advertising procurement costs are lower, which is conducive to significantly reduce marketing costs, Ali Group can consider Promote business integration in this marketing segment.
Cultural integration between the two companies. At the time of the M&A, Ali Group announced that Youku Tudou will continue to operate independently in the future. The company's management team structure will remain the same, including the fact that the project will remain unchanged and external cooperation will remain the same. But I think this is only a temporary way to stabilize the people. Corporate culture reform is imperative for Ali. Actively promoting open, innovative and diversified corporate culture, the Ali Group needs to start with human resources. For the original employees of Youku Tudou, they do not accept innovators, ask them to fire and actively adjust. In an international context, competition will become more and more cruel. Only by continuously introducing new management experience can innovative technology win the future. Mergers and acquisitions are a favorable means for enterprises to grow and develop. By integrating resources through mergers and acquisitions, they can enhance competitiveness and expand market power.

6.Alibaba's SWOT analysis

The SWOT analysis is often used by companies to develop strategies and analyze competitors. Through SWOT analysis, companies can help companies collect resources and act at the best opportunities in their strengths and opportunities, and make the company's strategic positioning and future development path clearer. The analysis of strengths and weaknesses focuses on the strength of the company itself and its comparison with competitors, while the opportunity and threat analysis focuses on changes in the external environment and the possible impact on the company.

6.1 Strengths

- Alibaba's M&A of Youku Tudou.

Alibaba's M&A of Youku Tudou helped Alibaba's cross-industry development in the digital media entertainment industry. Since the M&A of Youku Tudou in 2015, Alibaba's revenue in the digital entertainment sector has increased significantly, but this year is also on the rise, so this M&A case helped Alibaba expand its business scope and enhance its comprehensive strength.

- Use the company's own advantages to reduce marketing costs.

Alibaba has great potential both in terms of domestic influence and international influence. The brand awareness and reputation are very good. Therefore, after the M&A of Youku Tudou, it is possible to advertise for Youku Tudou through multiple channels within the company. Alipay's publicity or Taobao's promotional activities can greatly reduce marketing expenses without outsourcing to other advertising public relations companies.

6.2 Weaknesses

- Costs continue to rise.

From the analysis of the income statement, it can be seen that since the M&A of Youku Tudou in 2015, Alibaba's cost and expense have been on the rise, especially in sales expenses. By reviewing the earnings report of Youku Tudou before 2015, you can know that it is in a state of loss. Obviously, this time Alibaba's acquisition must require a lot of resources for the development of Youku Tudou, which directly affects this aspect.

- No own logistics system.

In China, Jingdong Group is Alibaba's biggest competitor, and Jingdong's biggest advantage is logistics. With its fast logistics and authentic products, it has brought a good user experience to consumers. However, Alibaba has not built its own logistics system, and because of the huge number of stores, it has not managed to manage many products 100%. Quality, it is often mentioned that consumers of Taobao products will associate with fakes. Usually, some valuables, such as home appliances, computer phones and other Chinese consumers, prefer to buy on Jingdong.

6.3 Opportunities

- Take the acquisition and merger to cooperate with other international retailers.

Due to the increasing number of overseas students in China, the Chinese study market is growing stronger. Therefore, Alibaba should conduct strategic cooperation with foreign logistics companies or retailers to open up international markets and enhance overseas influence.

- Cooperation and mutual benefit.

Exclusive copyright is one of the most important weapons for each video website to seize market share. Each video website uses a certain TV series or movie of its own brand as a bargaining chip to attract many members' subscriptions, and the user's subscription volume is also The most important source of income for video sites. But expensive copyright fees are also one of the major reasons for the loss of many video sites. Alibaba's M&A of Youku Tudou has the ability to provide a lot of help in terms of funds and other resources to reduce cash flow pressure.

6.4 Threats

- Trade war between China and the United States.

The United States' tariff on China's exports to the United States, as Alibaba, which has grown stronger in overseas e-commerce, is bound to be greatly affected. The most obvious is the decline in the market value of the US stock price.

- Inconsistency between corporate culture integration.

One of the biggest challenges facing mergers and acquisitions is the cultural integration between two different companies. Each company has its own different cultural atmosphere and strategy. As an e-commerce company like Alibaba, it has advanced technology and cultural focus on innovation. It must always keep up with the development of the times. This time, as the target company's Youku Tudou, because of the perennial loss and lack of innovation ability, Youku Tudou's management team has a great responsibility, but Alibaba has not changed the management of Youku Tudou, but continues to let them operate independently. In the long run, this move will affect the future cooperation between the two parties, and even serious mistakes will lead to the failure of mergers and acquisitions.

7.Conclusions

With the continuous development of global e-commerce, China's e-commerce headed by Alibaba has formed a great economies of scale, and in the future it will become one of the main forces that China's economic growth cannot ignore. In 2019, Forbes released the ranking of the world's top 500, Alibaba's ranking rose from No.462 in 2017 to No.182 this year. In just three years, it has been growing rapidly and has tremendous growth potential in the future.

From a financial point of view, Alibaba Group has achieved good development in terms of short-term and long-term solvency, profitability and development capabilities. However, there are some problems in current assets, especially the trend of accounts receivable rising year by year. Alibaba should pay attention to the management of receivables. In the past few years, Alibaba has carried out many investment activities. Its own business and scale expansion have caused non-current assets to occupy a large amount of funds and cannot be realized as soon as possible, such as the M&A of Youku Tudou. In 2015, it spent $4.77 billion in cash. As can be seen from the 2015-2016 income statement, the M&A did not cause serious profit loss to Alibaba's future development, but net profit increased by 49.31%. However, Alibaba needs to worry that the horizontal and vertical analysis of the income statement shows that operating expenses have been increasing over the past five years, which directly led to a slowdown in net profit growth. Therefore, Alibaba should expand its scale while conducting effective cost control.

From a comprehensive development perspective, Alibaba is a promising and well-developed company regardless of shareholder equity, overall profit level and free cash flow.

In the future, Alibaba should establish its own logistics system, reduce logistics costs, and attach importance to comprehensive evaluation of merchants entering Taobao. Counterfeit goods and unscrupulous sellers are absolutely prohibited from entering Taobao.com for trading. In the past five years, the goodwill in Alibaba's balance sheet has been growing, which is the most important performance of e-commerce companies. Establish and improve its own credit guarantee system and improve its reputation, thereby enhancing the company's reputation and good corporate image.

Through Alibaba's M&A of Youku Tudou, I learned that in the context of this international competition, companies can only win by continuously introducing new management experience and technological innovation. Mergers and acquisitions are one of the most effective ways for companies to grow themselves and develop rapidly. By integrating resources through mergers and acquisitions, they can increase and expand their competitiveness and market share.The M&A case is the comprehensive strength of a company. M&A is a very complicated transaction process. The managers of the company must consider and evaluate all aspects, pay attention to the details of each link of the M&A,reduce the risk as much as possible and create more value for the company and shareholders.

8. Annexes

8.1 Income Statement

Fiscal year ends in March CNY in Million except per share data	2015-03	2016-03	2017-03	2018-03	2019-03
Revenue	76,204	101,143	158,273	250,266	376,844
Cost of revenue	23,834	34,355	59,483	107,044	206,929
Gross profit	52,370	66,788	98,790	143,222	169,915
▼ Operating expenses					
Sales, General and adm...	16,313	20,512	28,553	43,540	64,669
Other operating expens...	12,420	16,318	22,182	29,319	47,496
Total operating expens...	**28,733**	**36,830**	**50,735**	**72,859**	**112,165**
Operating income	23,637	29,958	48,055	70,363	57,750
Interest Expense	2,750	1,946	2,671	3,566	5,190
Other income (expense)	11,439	53,456	14,645	33,606	43,661
Income before income t...	32,326	81,468	60,029	100,403	96,221
Provision for income t...	6,416	8,449	13,776	18,199	16,553
Minority interest	59	(171)	(2,449)	(2,681)	(7,652)
Other income	(1,531)	(1,901)	(7,476)	(23,473)	(7,086)
Net income from contin...	24,320	71,289	41,226	61,412	80,234
Other	(59)	171	2,449	2,681	7,652
Net income	24,261	71,460	43,675	64,093	87,886
Preferred dividend	97	—	—	108	286
Net income available t...	24,164	71,460	43,675	63,985	87,600
Earnings per share					
Basic	10.33	29.07	17.52	25.06	33.95
Diluted	9.70	27.89	16.97	24.51	33.38
Weighted average share...					
Basic	2,337	2,458	2,493	2,553	2,580
Diluted	2,500	2,562	2,573	2,610	2,623
EBITDA	39,491	90,115	76,992	125,989	138,491

（Source: The data is from https://www.holdle.com/us_stocks/BABA，the data unit is RMB million.）

8.2 Horizontal analysis of Income statement

Fiscal year ends in March	2015-03	2016-03	2017-03	2018-03	2019-03
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of revenue	31.28%	33.97%	37.58%	42.77%	54.91%
Gross profit	68.72%	66.03%	62.42%	57.23%	45.09%
▼ Operating expenses					
Sales, General and adm...	21.41%	20.28%	18.04%	17.40%	17.16%
Other operating expens...	16.30%	16.13%	14.02%	11.72%	12.60%
Total operating expens...	**37.71%**	**36.41%**	**32.06%**	**29.11%**	**29.76%**
Operating income	31.02%	29.62%	30.36%	28.12%	15.32%
Interest Expense	3.61%	1.92%	1.69%	1.42%	1.38%
Other income (expense)	15.01%	52.85%	9.25%	13.43%	11.59%
Income before income t...	42.42%	80.55%	37.93%	40.12%	25.53%
Provision for income t...	8.42%	8.35%	8.70%	7.27%	4.39%
Minority interest	0.08%	(0.17%)	(1.55%)	(1.07%)	(2.03%)
Other income	(2.01%)	(1.88%)	(4.72%)	(9.38%)	(1.88%)
Net income from contin...	31.91%	70.48%	26.05%	24.54%	21.29%
Other	(0.08%)	0.17%	1.55%	1.07%	2.03%
Net income	31.84%	70.65%	27.59%	25.61%	23.32%
Preferred dividend	0.13%	—	—	0.04%	0.08%
Net income available t...	31.71%	70.65%	27.59%	25.57%	23.25%
Earnings per share					
Basic	10.33	29.07	17.52	25.06	33.95
Diluted	9.70	27.89	16.97	24.51	33.38
Weighted average share...					
Basic	2,337	2,458	2,493	2,553	2,580
Diluted	2,500	2,562	2,573	2,610	2,623
EBITDA	51.82%	89.10%	48.65%	50.34%	36.75%

（Source: The data is from https://www.holdle.com/us_stocks/BABA.）

8.3 Vertical analysis of Income statement

	2016-2015	2017-2016	2018-2017	2019-2018
Revenue	14.06%	22.02%	22.52%	20.18%
Cost of revenue	18.08%	26.78%	28.56%	31.81%
Gross profit	12.10%	19.33%	18.36%	8.52%
Sales, General and administrative	11.40%	16.39%	20.79%	19.53%
Other operating expenses	13.56%	15.23%	13.86%	23.66%
Total operating expenses	12.35%	15.88%	17.90%	21.24%
Operating income	11.79%	23.20%	18.84%	-9.85%
Interest Expense	-17.12%	15.70%	14.35%	18.55%
Other income (expense)	64.75%	-56.99%	39.30%	13.01%
Income before income taxes	43.19%	-15.15%	25.17%	-2.13%
Provision for income taxes	13.68%	23.97%	13.83%	-4.74%
Minority interest	205.36%	86.95%	4.52%	48.11%
Other income	10.78%	59.45%	51.69%	-53.62%
Net income from continuing operations	49.13%	-26.72%	19.67%	13.29%
Other	205.36%	86.95%	4.52%	48.11%
Net income	49.31%	-24.13%	18.95%	15.66%
Preferred dividend	-100.00%		100.00%	45.18%
Net income available to common shareholders	49.46%	-24.13%	18.86%	15.58%
Basic	47.56%	-24.79%	17.71%	15.07%
Diluted	48.39%	-24.34%	18.18%	15.32%
Basic	2.52%	0.71%	1.19%	0.53%
Diluted	1.22%	0.21%	0.71%	0.25%
EBITDA	39.06%	-7.85%	24.14%	4.73%

（Source: The data is from https://www.holdle.com/us_stocks/BABA.）

8.4 Balance sheet

Fiscal year ends in March CNY in Million except per share data	2015-03	2016-03	2017-03	2018-03	2019-03
▼ Assets					
▼ Current assets					
▼ Cash					
Cash and cash equivale...	108,193	106,818	143,736	199,309	189,976
Short-term investments	17,806	8,878	7,065	10,901	13,189
Total cash	**125,999**	**115,696**	**150,801**	**210,210**	**203,165**
Receivables	11,163	11,738	21,374	25,370	29,920
Inventories	—	—	—	4,535	8,534
Deferred income taxes	256	451	652	—	—
Prepaid expenses	662	1,677	4,176	5,760	11,738
Other current assets	4,029	4,508	5,513	10,980	16,916
Total current assets	**142,109**	**134,070**	**182,516**	**256,855**	**270,273**
▼ Non-current assets					
▼ Property, plant and eq...					
Land	3,105	2,876	4,691	9,377	6,419
Fixtures and equipment	10,259	13,772	19,311	35,909	57,076
Other properties	4,646	8,038	13,156	51,019	68,899
Property and equipment...	18,010	24,686	37,158	96,305	132,394
Accumulated Depreciati...	(5,766)	(8,181)	(12,261)	(20,439)	(33,945)
Property, plant and eq...	**12,244**	**16,505**	**24,897**	**75,866**	**98,449**
Equity and other inves...	48,488	120,853	151,820	177,892	241,544
Goodwill	41,933	81,645	125,420	162,149	264,935
Intangible assets	6,575	5,370	14,108	27,465	68,276
Deferred income taxes	157	30	386	2,182	2,533
Other long-term assets	3,928	5,977	7,665	14,715	19,066
Total non-current asse...	**113,325**	**230,380**	**324,296**	**460,269**	**694,803**
Total assets	**255,434**	**364,450**	**506,812**	**717,124**	**965,076**

▼ Liabilities and stockh...					
▼ Liabilities					
▼ Current liabilities					
Short-term debt	1,990	4,304	14,897	6,028	22,466
Taxes payable	3,368	3,733	7,674	16,071	21,133
Accrued liabilities	13,412	19,509	33,002	60,659	76,563
Deferred revenues	9,305	11,800	18,075	28,568	41,242
Other current liabilit...	11,597	12,693	20,123	24,484	46,265
Total current liabilit...	**39,672**	**52,039**	**93,771**	**135,810**	**207,669**
▼ Non-current liabilitie...					
Long-term debt	50,603	53,467	76,835	119,525	111,834
Deferred taxes liabili...	4,493	6,471	10,154	19,312	22,517
Deferred revenues	445	418	641	993	1,467
Minority interest	11,974	32,902	45,322	73,617	123,145
Other long-term liabil...	2,808	2,166	1,290	2,045	6,187
Total non-current liab...	**70,323**	**95,424**	**134,242**	**215,492**	**265,150**
Total liabilities	**109,995**	**147,463**	**228,013**	**351,302**	**472,819**
▼ Stockholders' equity					
Common stock	1	1	1	1	1
Other Equity	1,563	2,356	3,456	4,017	4,971
Additional paid-in cap...	117,142	132,206	164,585	186,764	231,783
Retained earnings	24,842	78,752	108,558	172,353	257,886
Treasury stock	—	—	(2,823)	(2,233)	—
Accumulated other comp...	1,891	3,672	5,022	4,920	(2,384)
Total stockholders' eq...	**145,439**	**216,987**	**278,799**	**365,822**	**492,257**
Total liabilities and ...	**255,434**	**364,450**	**506,812**	**717,124**	**965,076**

（Source: The data is from https://www.holdle.com/us_stocks/BABA, the data unit is RMB million.)

8.5 Horizontal analysis of Balance sheet

Fiscal year ends in March	2015-03	2016-03	2017-03	2018-03	2019-03
▼ Assets					
▼ Current assets					
▼ Cash					
Cash and cash equivale...	42.36%	29.31%	28.36%	27.79%	19.69%
Short-term investments	6.97%	2.44%	1.39%	1.52%	1.37%
Total cash	**49.33%**	**31.75%**	**29.75%**	**29.31%**	**21.05%**
Receivables	4.37%	3.22%	4.22%	3.54%	3.10%
Inventories	—	—	—	0.63%	0.88%
Deferred income taxes	0.10%	0.12%	0.13%	—	—
Prepaid expenses	0.26%	0.46%	0.82%	0.80%	1.22%
Other current assets	1.58%	1.24%	1.09%	1.53%	1.75%
Total current assets	**55.63%**	**36.79%**	**36.01%**	**35.82%**	**28.01%**
▼ Non-current assets					
▼ Property, plant and eq...					
Land	1.22%	0.79%	0.93%	1.31%	0.67%
Fixtures and equipment	4.02%	3.78%	3.81%	5.01%	5.91%
Other properties	1.82%	2.21%	2.60%	7.11%	7.14%
Property and equipment...	7.05%	6.77%	7.33%	13.43%	13.72%
Accumulated Depreciati...	(2.26%)	(2.24%)	(2.42%)	(2.85%)	(3.52%)
Property, plant and eq...	**4.79%**	**4.53%**	**4.91%**	**10.58%**	**10.20%**
Equity and other inves...	18.98%	33.16%	29.96%	24.81%	25.03%
Goodwill	16.42%	22.40%	24.75%	22.61%	27.45%
Intangible assets	2.57%	1.47%	2.78%	3.83%	7.07%
Deferred income taxes	0.06%	0.01%	0.08%	0.30%	0.26%
Other long-term assets	1.54%	1.64%	1.51%	2.05%	1.98%
Total non-current asse...	**44.37%**	**63.21%**	**63.99%**	**64.18%**	**71.99%**
Total assets	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

▼ Liabilities and stockh...					
▼ Liabilities					
▼ Current liabilities					
Short-term debt	0.78%	1.18%	2.94%	0.84%	2.33%
Taxes payable	1.32%	1.02%	1.51%	2.24%	2.19%
Accrued liabilities	5.25%	5.35%	6.51%	8.46%	7.93%
Deferred revenues	3.64%	3.24%	3.57%	3.98%	4.27%
Other current liabilit...	4.54%	3.48%	3.97%	3.41%	4.79%
Total current liabilit...	**15.53%**	**14.28%**	**18.50%**	**18.94%**	**21.52%**
▼ Non-current liabilitie...					
Long-term debt	19.81%	14.67%	15.16%	16.67%	11.59%
Deferred taxes liabili...	1.76%	1.78%	2.00%	2.69%	2.33%
Deferred revenues	0.17%	0.11%	0.13%	0.14%	0.15%
Minority interest	4.69%	9.03%	8.94%	10.27%	12.76%
Other long-term liabil...	1.10%	0.59%	0.25%	0.29%	0.64%
Total non-current liab...	**27.53%**	**26.18%**	**26.49%**	**30.05%**	**27.47%**
Total liabilities	**43.06%**	**40.46%**	**44.99%**	**48.99%**	**48.99%**
▼ Stockholders' equity					
Common stock	0.00%	0.00%	0.00%	0.00%	0.00%
Other Equity	0.61%	0.65%	0.68%	0.56%	0.52%
Additional paid-in cap...	45.86%	36.28%	32.47%	26.04%	24.02%
Retained earnings	9.73%	21.61%	21.42%	24.03%	26.72%
Treasury stock	—	—	(0.56%)	(0.31%)	—
Accumulated other comp...	0.74%	1.01%	0.99%	0.69%	(0.25%)
Total stockholders' eq...	**56.94%**	**59.54%**	**55.01%**	**51.01%**	**51.01%**
Total liabilities and ...	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

(Source: The data is from https://www.holdle.com/us_stocks/BABA.)

8.6 Vertical analysis of Balance sheet

	2016-2015	2017-2016	2018-2017	2019-2018
Cash and cash equivalents	-0.64%	14.73%	16.20%	-2.40%
Short-term investments	-33.46%	-11.37%	21.35%	9.50%
Total cash	-4.26%	13.17%	16.46%	-1.70%
Receivables	2.51%	29.10%	8.55%	8.23%
Inventories			100.00%	30.60%
Deferred income taxes	27.58%	18.22%	-100.00%	
Prepaid expenses	43.39%	42.70%	15.94%	34.16%
Other current assets	5.61%	10.03%	33.15%	21.28%
Total current assets	-2.91%	15.30%	16.92%	2.55%
Land	-3.83%	23.99%	33.31%	-100.00%
Fixtures and equipment	14.62%	16.74%	30.06%	22.76%
Other properties	26.74%	24.15%	59.00%	14.91%
Property and equipment, at cost	15.64%	20.17%	44.32%	13.35%
Accumulated Depreciation	17.32%	19.96%	25.01%	24.83%
Property, plant and equipment, net	14.82%	20.27%	50.58%	9.63%
Equity and other investments	42.73%	11.36%	7.91%	15.18%
Goodwill	32.14%	21.14%	12.77%	24.07%
Intangible assets	-10.09%	44.86%	32.13%	42.63%
Deferred income taxes	-67.91%	85.58%	69.94%	7.44%
Other long-term assets	20.69%	12.37%	31.50%	26.79%
Total non-current assets	34.06%	16.93%	17.33%	20.30%
Total assets	17.59%	16.34%	17.18%	14.74%
Short-term debt	36.77%	55.17%	-42.38%	57.69%

Taxes payable	5.14%	34.55%	35.36%	13.61%
Accrued liabilities	18.52%	25.70%	29.53%	11.59%
Deferred revenues	11.82%	21.00%	22.50%	18.15%
Other current liabilities	4.51%	22.64%	9.78%	30.79%
Total current liabilities	13.48%	28.62%	18.31%	20.92%
Long-term debt	2.75%	17.93%	21.74%	-3.32%
Deferred taxes liabilities	18.04%	22.15%	31.08%	7.66%
Deferred revenues	-3.13%	21.06%	21.54%	19.27%
Minority interest	46.64%	15.88%	23.79%	25.17%
Other long-term liabilities	-12.91%	-25.35%	22.64%	50.32%
Total non-current liabilities	15.14%	16.90%	23.23%	10.33%
Total liabilities	14.55%	21.45%	21.28%	14.75%
Other Equity	20.23%	18.93%	7.51%	10.61%
Additional paid-in capital	6.04%	10.91%	6.31%	10.76%
Retained earnings	52.04%	15.91%	22.71%	19.88%
Treasury stock		100.00%	-11.67%	-100.00%
Accumulated other comprehensive income	32.02%	15.53%	-1.03%	-288.01%
Total stockholders' equity	19.74%	12.47%	13.50%	14.73%
Total liabilities and stockholders' equity	17.59%	16.34%	17.18%	14.74%

（Source: The data is from https://www.holdle.com/us_stocks/BABA.）

8.7 Cash flow statement

Fiscal year ends in March CNY in Million except per share data	2015-03	2016-03	2017-03	2018-03	2019-03
▼ Cash Flows From Operat...					
Depreciation & amortiz...	4,415	6,701	14,292	22,020	37,080
Investment/asset impai...	175	2,319	3,155	3,111	13,710
Investments losses (ga...	(178)	(906)	(5,488)	(70)	(16,082)
Deferred income taxes	1,659	106	(1,088)	976	(2,197)
Stock based compensati...	13,028	16,082	15,995	20,075	37,491
Prepaid expenses	(2,253)	(4,012)	(8,237)	(14,765)	(10,185)
Accrued liabilities	10,578	8,104	5,312	23,158	24,355
Income taxes payable	1,410	1,237	4,698	6,610	3,060
Other working capital	(7,881)	2,463	5,486	7,079	15,020
Other non-cash items	20,264	24,742	46,201	56,977	48,723
Net cash provided by o...	**41,217**	**56,836**	**80,326**	**125,171**	**150,975**
▼ Cash Flows From Invest...					
Investments in propert...	(2,935)	(5,407)	(5,326)	(4,027)	(35,482)
Acquisitions, net	(34,857)	(24,209)	(67,692)	(48,104)	(47,022)
Purchases of investmen...	(12,930)	(15,363)	(4,925)	(13,184)	(72,487)
Sales/Maturities of in...	939	6,805	11,344	7,223	18,085
Purchases of intangibl...	—	—	—	—	(14,161)
Other investing charge...	(3,671)	(4,657)	(11,765)	(25,798)	7
Net cash used for inve...	**(53,454)**	**(42,831)**	**(78,364)**	**(83,890)**	**(151,060)**
▼ Cash Flows From Financ...					
Short-term borrowing	1,070	1,859	1,127	(4,199)	—
Long-term debt issued	156,781	765	28,381	46,996	12,116
Long-term debt repayme...	(131,807)	(146)	(175)	(9,452)	(16,347)
Common stock issued	61,831	693	14,694	399	354
Repurchases of treasur...	(270)	(19,795)	(13,182)	—	(10,872)
Cash dividends paid	(104)	—	—	—	—
Other financing activi...	(4)	778	2,069	(13,385)	7,357
Net cash provided by (...	**87,497**	**(15,846)**	**32,914**	**20,359**	**(7,392)**
Effect of exchange rat...	(112)	466	2,042	(6,067)	3,245
Net change in cash	75,148	(1,375)	36,918	55,573	(4,232)
Cash at beginning of p...	33,045	108,193	106,818	143,736	202,726
Cash at end of period	108,193	106,818	143,736	199,309	198,494
Free Cash Flow					
Operating cash flow	41,217	56,836	80,326	125,171	150,975
Capital expenditure	(7,705)	(10,845)	(17,546)	(29,836)	(49,643)
Free cash flow	33,512	45,991	62,780	95,335	101,332

（Source: The data is from https://www.holdle.com/us_stocks/BABA, the data unit is RMB million.）

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