Alibaba to split into 6 groups, separate IPOs expected

March 28 2023, by Peter CATTERALL

Alibaba is one of China's most prominent tech giants.

Alibaba announced Tuesday that it would split into six business groups in one of the most significant overhauls of a leading Chinese tech firm to date.

The Hangzhou-based firm is one of China's most prominent tech giants, with business operations spanning cloud computing, e-commerce, logistics, media and entertainment, and artificial intelligence.

Daniel Zhang, the company's chairman and CEO, said in a statement that the restructuring would enable each separate business to pursue its own fundraising and public listing plans.

Alibaba said the moves were intended to "unlock shareholder value and foster market competitiveness".

Under the new arrangement, each of the six newly established units will be managed by its own CEO and board of directors.

A key exception to the restructuring is Taobao Tmall Commerce Group—the operator of one of China's top online purchasing platforms—which will remain wholly owned by Alibaba Group.

Zhang will remain in his post as CEO of the company, although day-to-day operations of the individual business units will be ceded to the new management bodies.

The company said the new structure would bring greater market visibility to the value of its diverse business operations.

These changes will not affect Alibaba shares currently listed in New York and Hong Kong, the firm said.

Aiming for a more "nimble structure", the reorganization will also involve cuts to the firm's middle and back office functions.

The internet giant has faced unprecedented headwinds in recent years as Beijing has imposed tighter restrictions on the domestic tech industry.

Combined revenue at China's internet companies shrank by just over one percent to 1.46 trillion yuan ($212 billion) in 2022, the first contraction in almost a decade, according to data from the Ministry of Industry and Information Technology.

Seeking agility

Alibaba's decision to restructure comes on the heels of a promise by Beijing to support the private sector.

During China's annual parliamentary session held earlier this month, new premier Li Qiang assured that the domestic business environment would be improved and that market fairness would be ensured.

The session also saw officials set an annual economic growth target of "around five percent" for 2023, one of the lowest in decades as China emerged from strict zero-COVID rules that dragged on its GDP.

But Li—one of Chinese President Xi Jinping's most trusted allies—has said that goal would be hard to attain.

Alibaba founder Jack Ma has kept a low profile since late 2020, when a speech he made attacking Chinese regulators was followed by Beijing pulling the plug on Alibaba affiliate Ant Group's planned IPO.

Having ballooned into a sprawling corporate behemoth since its founding in 1999, the company has been seeking new ways to drive growth and reinvigorate its development.

Referring to the plan as a "transformation", Zhang said in the statement that it would make Alibaba "more agile, enhance decision-making, and enable faster responses to market changes".

Ma has been spotted around the world over the past two years, but made a rare public appearance in China on Monday after his fall from grace.

Ant Group said in January that Ma had ceded control of the company, adjusting its ownership structure so that "no shareholder, alone or jointly with other parties, will have control over Ant Group".

The celebrity entrepreneur has recently emphasized the need for Alibaba to embrace artificial intelligence technology, as new tools such as ChatGPT appear poised to reshape the global industry.

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