

Start-up investing helps Alibaba expand footprint outside China

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Alibaba Group Holding Ltd is becoming a more active start-up investor. The Chinese internet giant is willing to spend money in hopes of finding the next Snapchat or Lyft — so long as the target uses Alibaba's assets and services.

Alibaba made at least two dozen investments in private companies last year, according to research firm CB Insights. The number of deals has nearly doubled since 2013, and the e-commerce company has continued spreading money around the year.

Through a pair of not-for-profit funds set up in late 2015, Alibaba is looking to use venture capital to expand its reach beyond the mainland and get businesses hooked on its services early. Last November, Alibaba established a \$312-million fund to support Taiwanese entrepreneurs and a \$129 million fund targeting Hong Kong start-ups. Any returns from successful bets will be reinvested into the funds,



Jack Ma, Chairman, Alibaba

which are meant to encourage entrepreneurship in those regions, according to Alibaba.

Rewards

However, the funds could one day pay off for Alibaba in a different way. Entrepreneurs who apply for investment are required to use at least one of Alibaba's services. For instance, the company needs to sell through Alibaba's e-commerce marketplaces, such as Taobao or Tmall, or use Alibaba's cloud-computing service, which is trying to break into a market dominated by Amazon.com Inc, Alphabet Inc's Google and Microsoft Corp.

The Taiwan fund made at least two investments recently, according to people with

knowledge of the matter. Health2Sync, a start-up in Taiwan that makes an app for diabetics, raised \$3 million in a financing round led by Alibaba, said the people, who asked not to be identified because the matter is private. Alibaba also kicked \$2 million into iStaging, another Taiwanese start-up, which makes virtual and augmented reality software, the people said. The two investments were sourced and managed by WI Harper Group, a venture firm with operations in Taipei, San Francisco and Beijing.

While Alibaba is known for making high-profile investments in more mature startups such as Lyft Inc and Snapchat Inc, the company has been increasingly turning its attention to younger start-ups.

"It's a great way to keep your eyes on emerging technology and keep seeding capital on it overtime," said RJ Hottovy, an analyst at Morningstar Inc. "In an industry that moves quickly, it's good to take a smaller stake and see how it evolves."