

China's new fintech empires

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Beti Cung,
CORPORATE STRATEGY, MICROSOFT



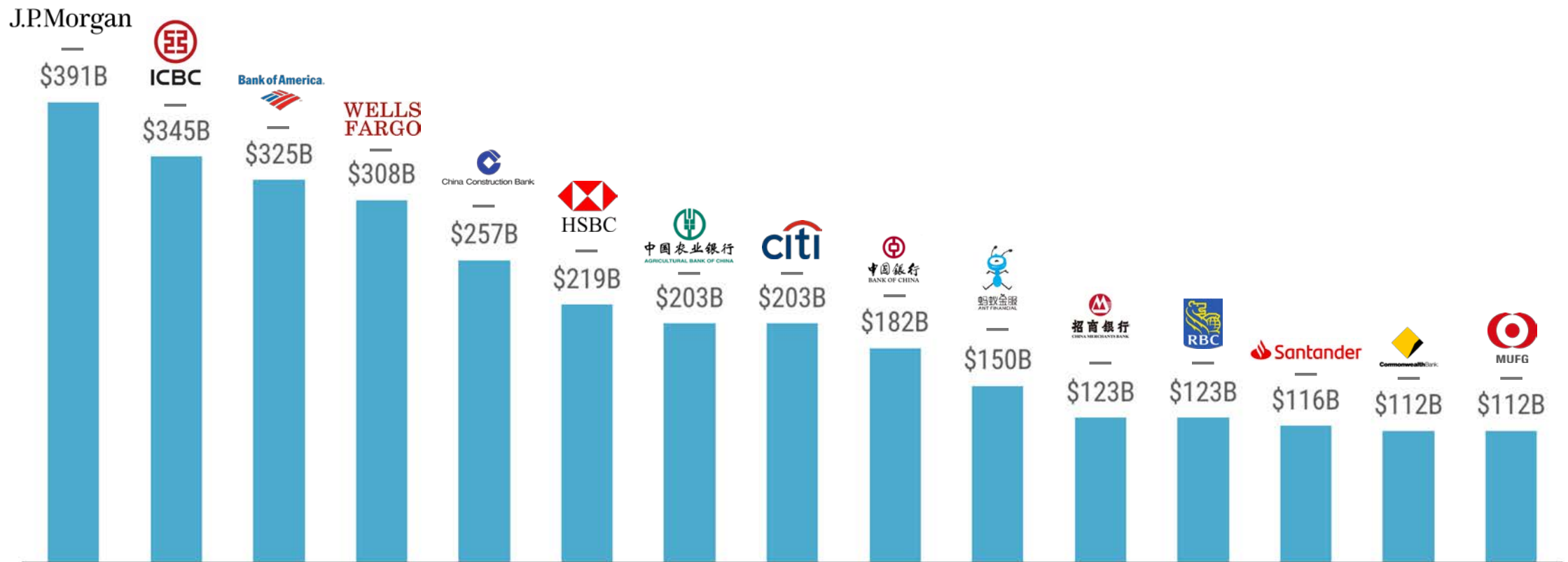


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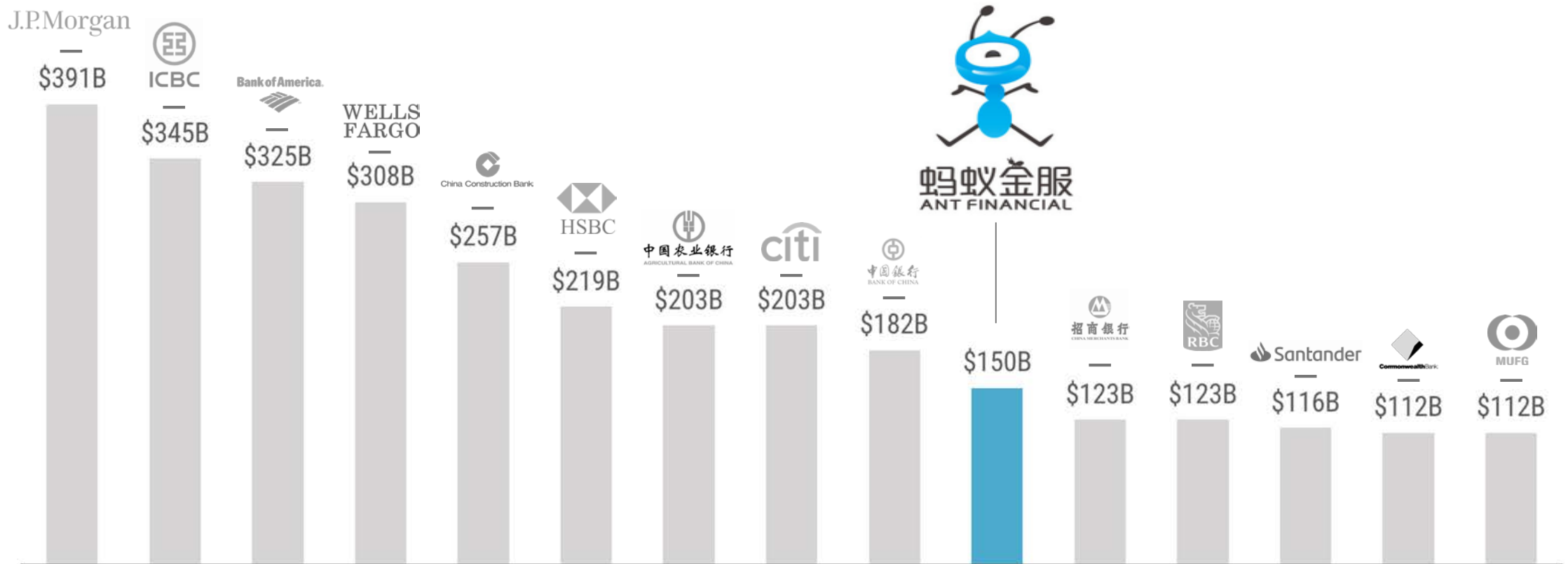
The CB Insights machine intelligence platform synthesizes, analyzes and visualizes millions of documents to deliver fact-based insights. It enables smart companies to predict trends, see competitors' strategies, explore new markets and reveal opportunities to capitalize on change.

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Does anything seem odd here?



Ant Financial's valuation now tops the market cap of leading global banks



Lets rewind. In 2008, Alipay was just a rapidly growing **online** payment service



ENABLING E-COMMERCE

As the designated online payment service for the 80M users on Alibaba's Taobao marketplace, consumers naturally adopted Alipay.



BYPASSING CREDIT CARDS

Because credit cards were not widely used in China, Alipay's escrow-based system and broad accessibility resonated with consumers.

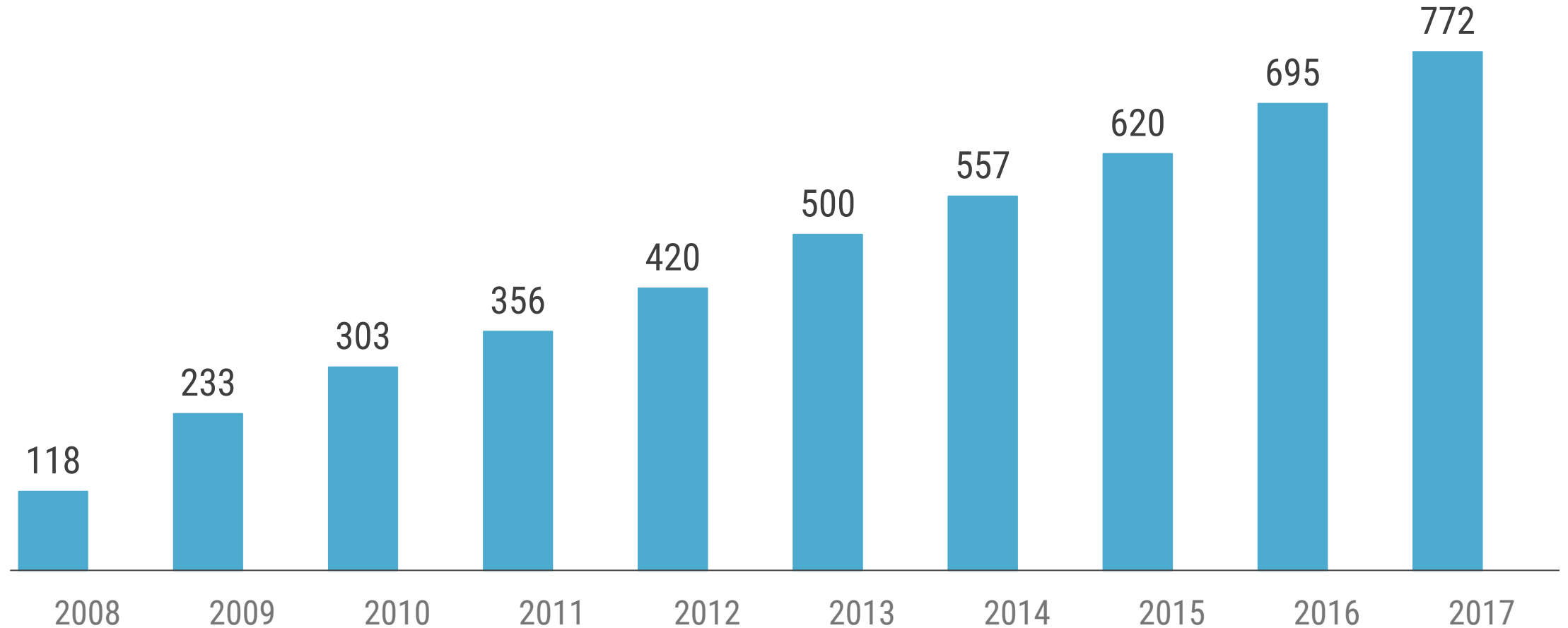


GROWTH BEYOND ALIBABA

By 2008, Alipay was increasingly becoming an accepted payment method for retailers and service providers outside Alibaba's ecosystem.

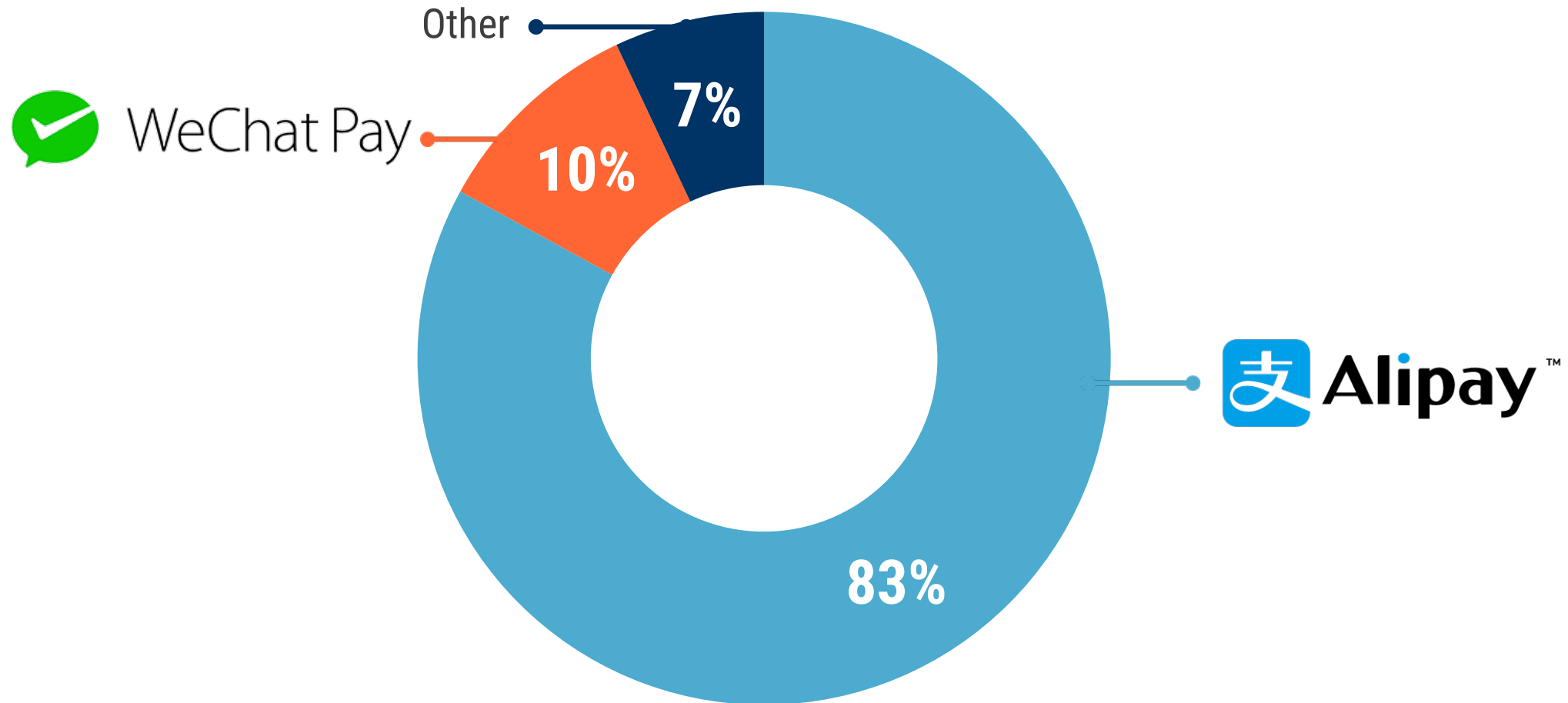
Then China's **mobile** Internet boom took place

From 2008 to 2014, mobile Internet users in China grew by more than 400 million.



For a while, Alipay was the only game in town

As Alipay transitioned from desktop to mobile, its share of China's total mobile payments transaction volume grew dominant.



Product innovation & online-to-offline propel WeChat Pay to emerge as Alipay's rival

WECHAT RED ENVELOPE

768M senders on 2018 Chinese New Year



DIDI CHUXING

7.4B rides completed in 2017



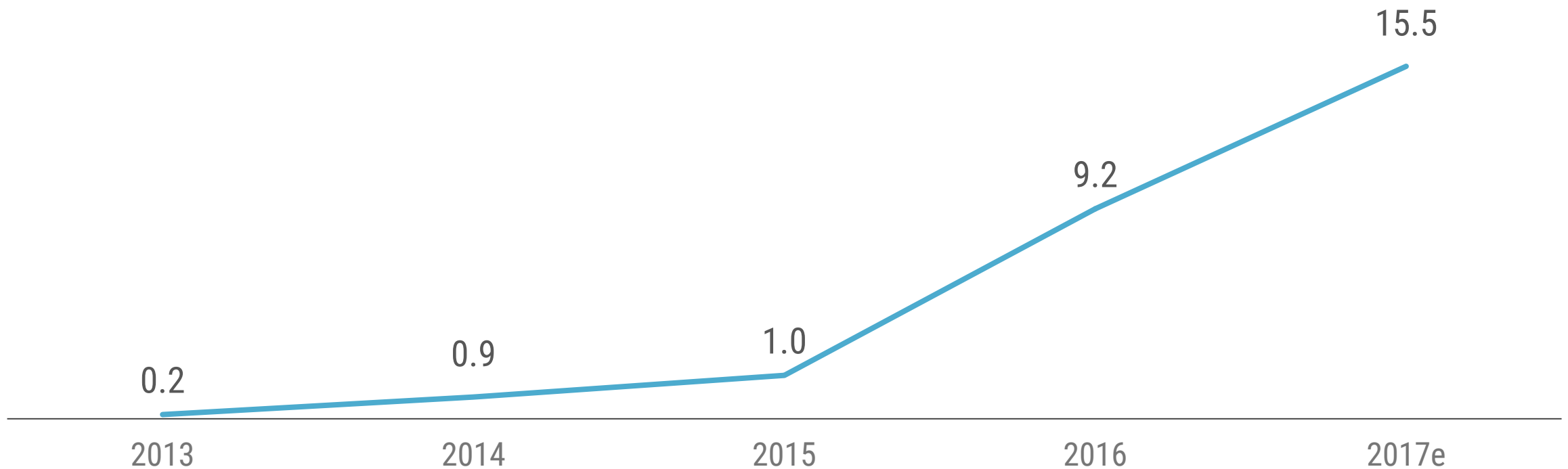
MEITUAN

18M daily on-demand delivery orders



Today, Alipay and WeChat Pay control 92% of China's fast-growing mobile payments universe

 **China's mobile payment volume continues to surge**
All values shown in USD Trillion



“We always **overestimate the change** that will occur in **the next two years** and **underestimate the change** that will occur in **the next ten.**”



Bill Gates
The Road Ahead, 1995

Alipay is now the modern gateway to an ecosystem of financial services

PAYMENTS



The crown jewel, Alipay, is now a mobile wallet that has **520M+ users**, and **110M+ partners across 15 countries**.

WEALTH MANAGEMENT



Yu'e Bao is a money market fund that invests spare change from Alipay wallets. The money market fund is **the largest in the world**, managing **\$233B** at the end of 2017.



Ant Fortune is a marketplace for other Ant Financial and third-party financial products. At the end of 2017, Ant Fortune had **330M users**.

INSURANCE



Ant Insurance Service has nearly **400M users** and is seeing premium growth of 43% YoY. Ant Financial's marketplace has **80+ insurance companies** selling thousands of products.

CREDIT SCORES



Zhima Credit creates a credit score based on social networks and payments history – among other factors. At the end of Q1'17, it had about **260M users**.

CONSUMER LENDING



Ant's consumer credit offering, Ant Credit Pay, has **100M active users**. In total, Ant Financial has lent **\$95B** to consumers through Q1'17.



Ant Cash Now allows Alipay users to borrow funds quickly, based on user risk profiles.

Two big challenges ahead:
Regulation
Going Global

China's tightening financial sector could hinder fintech development

China's giant money-market fund sharply lowers daily withdrawal limits

May 14, 2018 | **THE WALL STREET JOURNAL**

Ant Financial's Zhima Credit to stop serving unlicensed partners

February 12, 2018 | **Caixin**

China's got Jack Ma's finance giant in its crosshairs

May 7, 2018 | **Bloomberg**

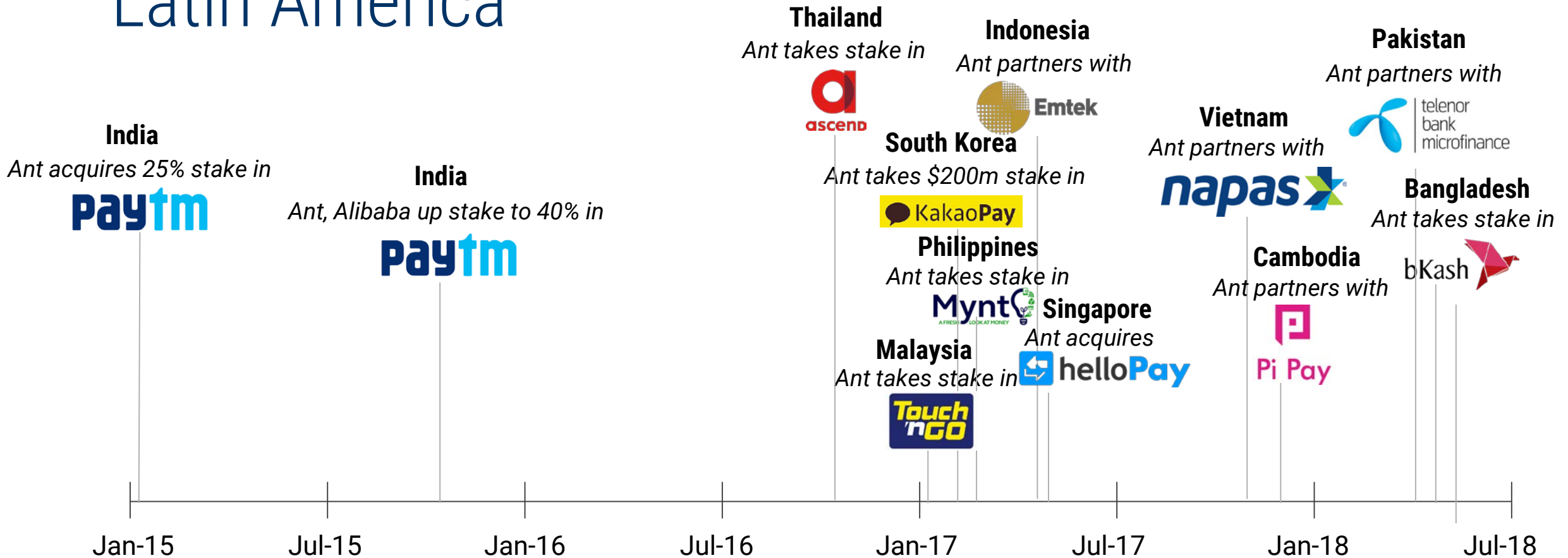
Tencent calls off China-wide test of credit scoring system

February 1, 2018 | **THE WALL STREET JOURNAL**

Alipay's owner apologizes for automatic credit system enrollment

January 4, 2018 | **Caixin**

Ant's global expansion moves from Asia to Latin America



Date

“If you have **a network of partners** that are all on the same technology stack, interoperability is not a problem. In the future, someone who uses the **Philippines version of Alipay could come to Hong Kong** and shop at any store that accepts Alipay. **That’s the vision.**”



Joseph Tsai
Co-founder, Alibaba Group

WHERE WE'RE HEADED NEXT

In the next 10 years,
Distribution + Data =
massive advantage as new
opportunities emerge

Over the next 10 years, the mobile payments war will be waged **offline**

“The most important opportunity on the horizon is helping **traditional business** to upgrade into a **New Retail** model...Online and offline will be a **single seamless experience**, not just in consumer interaction, but also in the entire business operation and execution.”



Daniel Zhang, CEO
November 2, 2016

■ Mentions in Earnings Calls



China's fintech giants will lead the way for innovation in offline payments

From ordering at Starbucks' 2,800 China locations...



...to getting groceries delivered **while you're shopping at Alibaba's Hema supermarket...**



...to self-service WeChat and facial scan payments at Carrefour 'smart stores'



Ant Financial and Tencent build out digital insurance strategy

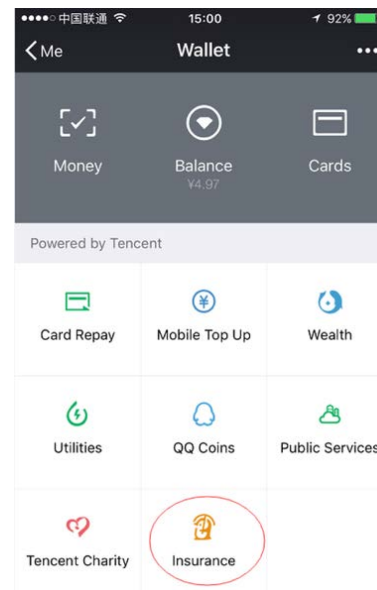
BACK-END IMPROVEMENT

Ant Financial's AI photo-estimating system handles **12 claims in 6 seconds**



PERSONALIZATION

Tencent's WeSure partners with insurers to launch specific policies for its users



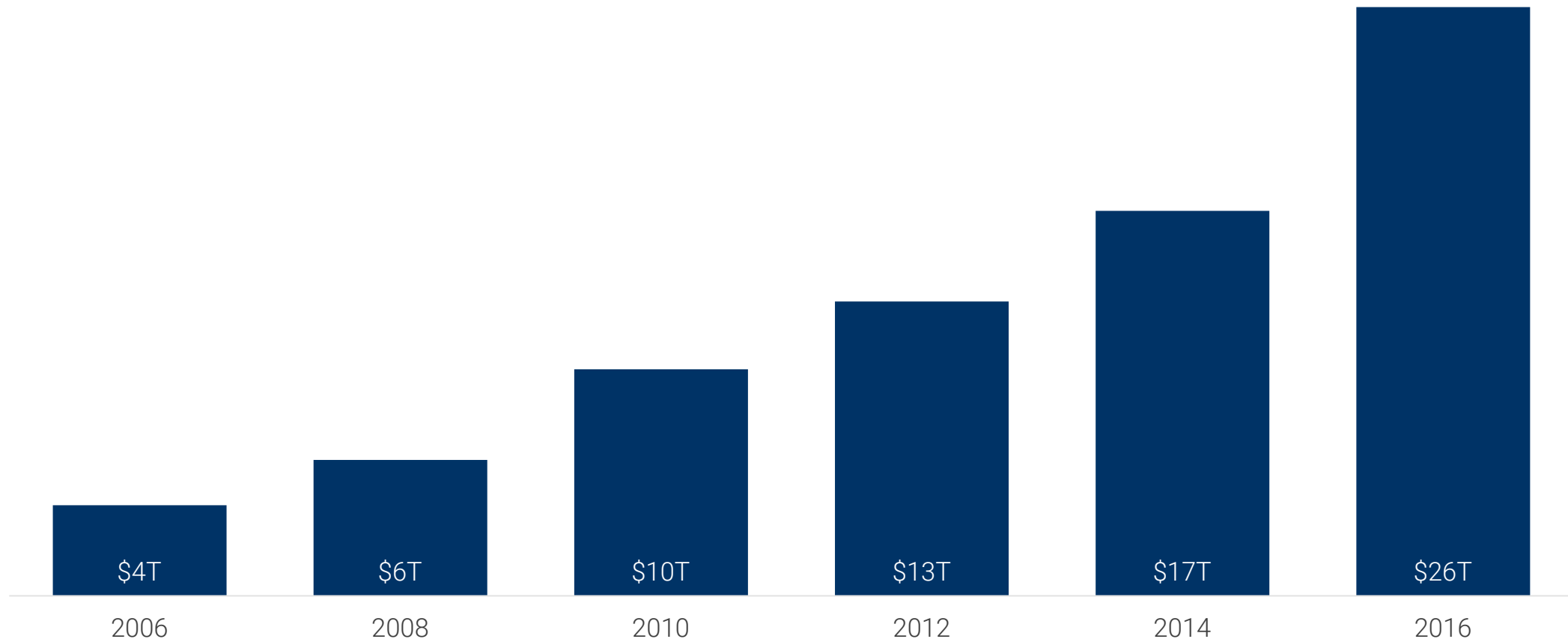
INNOVATION

Zhong An serves over **490M** customers by working with close to 200 **ecosystem partners**



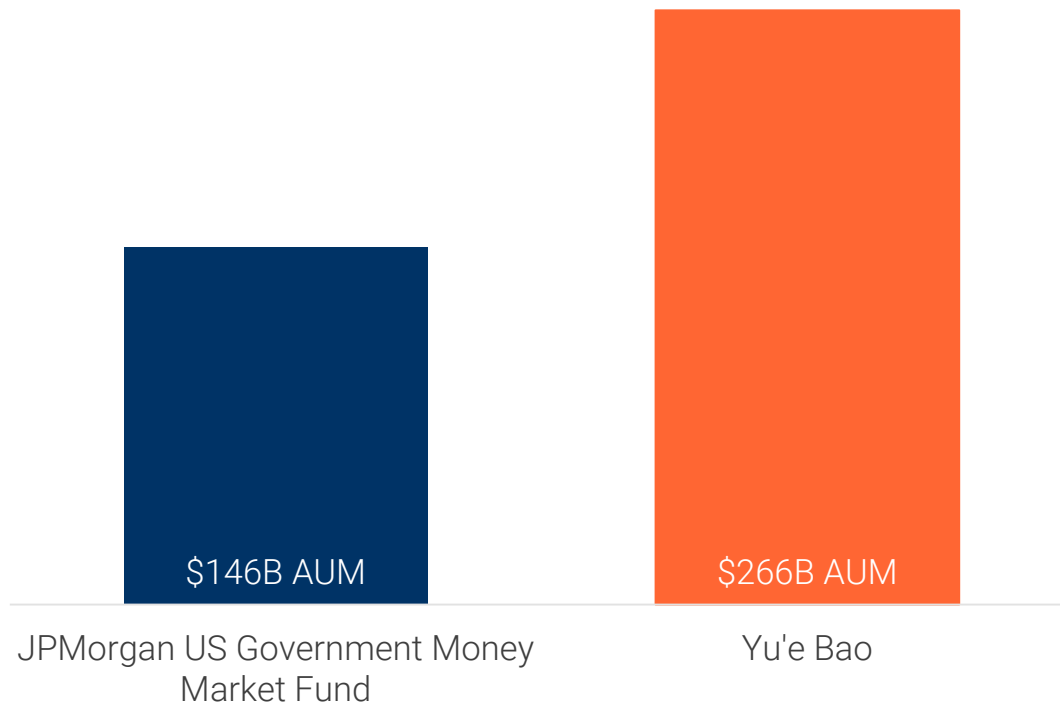
China is one of the biggest opportunities in the wealth management globally

Total individual investable assets in China grew to \$26 trillion in 2016



China's digital wealth management landscape will evolve from simple products to broader solutions

68% of total AUM in Ant Financial's wealth unit sit in Yu'e Bao, the largest money market fund in the world



Tencent is making more moves into distribution of products including equity investing and mutual funds

Three callout boxes with a hand-drawn style border, containing text about Tencent's financial activities. The top box is tilted and contains the text: 'Tencent gets a license to sell mutual funds to WeChat's 1B users in China' followed by 'January 4, 2018 | South China Morning Post'. The middle box is also tilted and contains: 'Tencent buys stake in Chinese broker CICC to face off with Alibaba' followed by 'September 20, 2017 | FINANCIAL TIMES'. The bottom box is horizontal and contains: 'Tencent leads \$146M to Chinese stock-trading app' followed by 'June 13, 2017 | AXIOS'.

Ant could become the largest B2C **and B2B** fintech company in China

Ant Financial signed three new bank partners in May to assist in their digital transformations and said it believes tech services will make up **65% of its revenue** in five years.

