

Ant Group bets on overseas Alipay expansion to resuscitate profits

Article

The news: Ant Group's profit plunged 63% year over year (YoY) in the three months ending June 30, 2022, per Bloomberg. (Ant Group reports earnings a quarter behind most

companies.) Performance changed dramatically from the same period last year, when profits **increased** an estimated 39% YoY.

Key context: Ant Group has been restructuring amid government crackdowns, which has complicated growth efforts and most likely hurt profits.

- Last September, Beijing ordered Ant Group to **spin off its loans business** from subsidiary **Alipay**. To comply, Ant Group set up **Chongqing Ant Consumer Finance Co.**, which houses short-term loan product Jiebei and virtual credit card Huabei—both of which have been **used by a half-billion people** in China.
- Regulators were reportedly concerned that Alipay was pushing these credit products to its vast app user base—compounding China’s growing household debt crisis. And the bulk of these loans were funded by commercial banks, creating unbalanced risk between Alipay and the banks.
- The new entity can extend credit from its own balance sheet or work with banks to extend joint loans. The government also has more transparency into who is obtaining loans.
- But the firm has struggled to court investors to fund its loans: It had to scale back a multibillion-dollar funding round after one of its biggest investors, **China Cinda Asset Management Co.**, abruptly pulled out of the investment plan. Chongqing Ant Consumer Finance Co. **is still trying to raise** 10.5 billion yuan (\$1.5 billion).

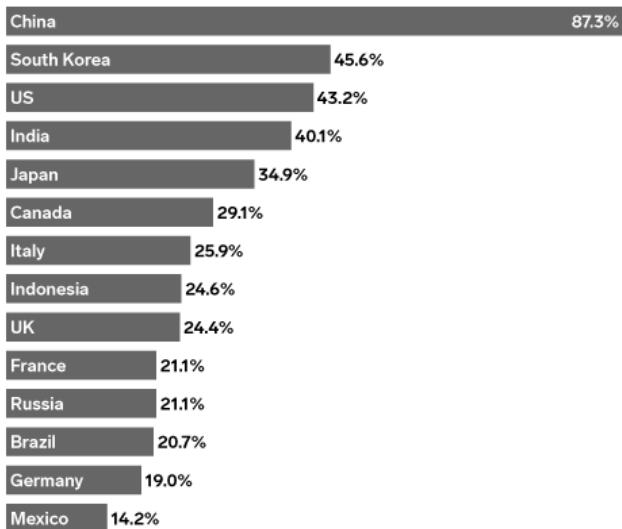
What’s next? Facing a tighter regulatory environment in China, Ant Group is looking for growth overseas.

- It’s been **ramping up Alipay+**—its merchant solutions suite that launched last year—across Asia-Pacific. Alipay+ lets merchants accept several popular mobile wallets with a single integration.
- The solution can help Ant Group rake in more revenues and mobile volume outside of China. We expect **298.8 million people in Asia (excluding China) will use proximity mobile payments** by the end of 2022, up from 269.7 million last year, per our forecasts.
- Earlier this month, Alipay+ introduced **D-Store**, a one-stop shop for brick-and-mortar merchants that want to bring their business online. Popular brands like **Burger King** have already adopted the solution.
- D-Store is likely to thrive as ecommerce grows and makes up a larger share of total retail sales across Asia. **Ecommerce sales in Asia-Pacific are expected to hit \$3.477 trillion** by the

end of 2022, [per](#) our forecasts.

Proximity Mobile Payment User Share in Select Countries, 2021

% of smartphone users



Note: ages 14+; mobile phone users who have made at least one proximity mobile payment transaction in the past six months; includes point-of-sale transactions made by using mobile phones as a payment method; excludes transactions made via tablet
Source: Insider Intelligence, July 2021

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