

Alibaba Equity Research Report

BABA : NYSE

Initial Coverage Report
November 11th, 2024

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Investment Recommendation

- I am recommending a long-term **buy** on Alibaba Group Holding [BABA] because the stock seems increasingly undervalued by the market by as much as c.40%, even when keeping growth in acquisitions into new markets/industries flat over the next 2-3 years
- **Investment Thesis:** The market has aggressively sold off on Alibaba, following the largest fine ever dealt by a regulator in history and a rigorous disruption to the e-commerce market through anti-monopolistic regulatory reforms that have seriously dented the firm's reputation and credibility. Three years on, and after a challenging cocktail of political, economical, market and regulatory headwinds, Alibaba seems back on track with a fresh management team in place that has a desire to rebuild trust with the Regime and continue to expand into international and domestic industries including AI, blockchain and Cloud. The Chinese e-commerce market expects to grow at a CAGR of 9-10% and it is believed that fresh stimulus will start to bring life into the Chinese economy, that has been stagnant for the last 2-3 years. As the largest digital retail commerce business in the world, Alibaba aims to retain its market dominance.
- **Valuation:** The company's share is currently trading at **\$95.55**. Using an average of intrinsic and relative valuations, I have determined a **target price for FY26E of \$134.95** – a **41%** premium to current price. Valuations ranged from **\$132.08** (lowest) using a DCF terminal EV/EBITDA multiple of **9x** to **\$139.95** (highest) using the current PE multiple of **24x** applied to FY2026 projected Earnings. These multiples are slightly higher than closest domestic competitors PDD and JD, but still 50% cheaper than its biggest global competitor Amazon that BABA is already undercutting in several markets. These multiples appear conservative with plenty of room for growth
- **Catalysts** in the next 1-2 years include a. ability to continue to show growth in core business and find innovative ways to compete with margins currently being captured by e.g close competitor PDD (reporting 4x BABA's net profit margins) b. any improvements in the economy or easing on regulatory reforms and government policy that promote and relax international trade c. expansion into AI, Cloud computing and innovative business lines to capitalise on existing success and diversify non-core returns d. improvements via the recent restructuring programme (first time in 24 years) through isolating business units into silos for focused growth and higher realised exits
- **Key Risks** still prevail from a regulatory, economic, geopolitical and market standpoint. Competition is fierce and the Chinese consumer has become more price conscious to fees and commissions paid on advertising and transactions

Company Profile: Alibaba Group Holding

(¥ CNY in Millions)



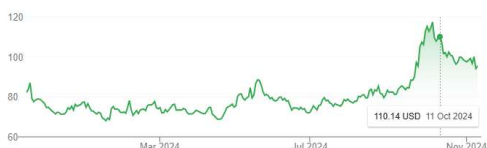
Nike

Industry: E-Commerce
 Headquarters: Zhejiang, China
 Employees: 204,891
 Founded: 1999

Financial Information⁽¹⁾

Current Share Price: \$95.55
Target Price: \$134.95
 Market Cap: ¥1,751,408
 FY24 Revenue: ¥941,168
 FY24 EBITDA: ¥153,388
 FY25E Revenue: ¥1,092,440
 FY25E EBITDA: ¥177,243
 FY26E Revenue: ¥1,255,530
 FY26E EBITDA: ¥218,731

One-Year Price History⁽¹⁾



Business Description

Alibaba Group Holding Ltd (BABA) is a Chinese e-commerce company that allows users to buy and sell goods on its platforms and has three primary businesses: a business-to-business (B2B) ecommerce platform, Alibaba.com; a business-to-consumer (B2C) platform, Tmall.com; and a consumer-to-consumer platform, Taobao. Alibaba's Taobao and Tmall combine to form the largest ecommerce company in China in 2023 (50.8% market share), followed by JD.com (15.9%) and Pinduoduo (13.2%).

Alibaba also operate a diverse portfolio of companies around the world offering digital media and entertainment, logistics and cloud computing services.

Business Segments

Alibaba operates through four key segments:

- **Taobao and Tmall Group** – Provide **43%** of the Group's revenues through both platforms and derived from advertising, memberships and direct commission fees from products sold.
- **Cloud computing** – Provides **10%** of the Group's revenues from Cloud services provided to domestic and international enterprise customers
- **Alibaba Digital Commerce** – Provides **10%** of the Group's revenues through International Retail and Wholesale advertising and membership fees on platforms including AliExpress, Lazada and Trendyol
- **Logistics, Entertainment and Other** - Provides **37%** of the Group's revenues from;
 - Cainiao logistics - Fees to connect merchants and third-party logistics service providers
 - Ele.Me – a type of groceries/food delivery service where merchants pay fee based on transaction value
 - Digital Media and Entertainment - Box office film subscriptions and online ticket sales (similar to Netflix)
 - Diversified Acquisitions of a range of companies in various industries

Alibaba 5-Year Timeline

- Lead-up to Ant Group \$34bn IPO - world's largest mobile (digital) payment platform Alipay
- IPO suspended 2 days before taking place after Jack Ma made negative statements about Chinese regulators and the governing political party, the Chinese Communist Party

- In April 2021, China's antitrust regulators hit Alibaba with a record \$2.75 billion fine – the biggest fine in history - and barred its e-commerce business from locking in its merchants with exclusive deals and using aggressive loss-leading promotions. The regulator asserted AB had been "abusing market dominance" since 2015 by preventing its merchants from using other online e-commerce platforms. The restriction on AB businesses eroded Alibaba's defenses against aggressive competitors like PDD Holdings and JD.com.
- China's economy struggled to expand through the COVID-19 pandemic with several unpredictable lockdowns.
- Alibaba's cloud business also struggled as the macro headwinds drove companies to rein in their software spending.

- Slowing Chinese economy, lower consumer spending and mounting competition from new e-commerce players as Chinese consumers become more value-conscious due to a weak economy.
- PDD taking market share with its emphasis on price and volume
- JD building an in-house fulfilment center to guarantee service quality



Performance and Forecasts

QoQ Growth	FY23	Q124	Q224	Q324	Q424	FY24	Q125	FY25E	FY26E	FY27E	FY2024 % of Revenues
Total Taobao and Tmall Group	413,206	N/A	(15%)	32%	(28%)	5.2%	21.6%	13.6%	10.5%	10.5%	43%
Cloud Computing	103,497	N/A	10%	2%	(9%)	2.8%	4.0%	6.0%	10.0%	14.0%	10%
Alibaba Digital Commerce	70,506	N/A	11%	16%	(4%)	45.5%	6.7%	45.6%	43.7%	40.8%	10%
Logistics Entertainment and Others	343,320	N/A	4%	4%	0%	8.4%	(0.2%)	9.1%	8.5%	9.1%	37%

100%

YoY Growth	FY2022	FY23	Q124	Q224	Q324	Q424	FY24	Q125	FY25E	FY26E	FY27E
Total Taobao and Tmall Group	429,930	413,206	114,953	97,654	129,070	93,216	434,893	113,373	494,114	546,090	603,239
<i>yoy growth %</i>	-11.9%	-3.9%					5.2%	-1.4%	13.6%	10.5%	10.5%
Cloud Computing	102,016	103,497	25,123	27,648	28,066	25,537	106,374	26,549	112,756	124,032	141,397
<i>yoy growth %</i>	69.7%	1.5%					2.8%	5.7%	6.0%	10.0%	14.0%
Alibaba Digital Commerce	62,185	70,506	22,123	24,511	28,516	27,448	102,598	29,293	149,393	214,729	302,399
<i>yoy growth %</i>	27.3%	13.4%					45.5%	32.4%	45.6%	43.7%	40.8%
Logistics Entertainment and Others	319,346	343,320	88,536	92,218	95,699	95,845	372,298	95,622	406,177	440,679	480,958
<i>yoy growth %</i>	165.4%	7.5%					8.4%	8.0%	9.1%	8.5%	9.1%
Total Revenues	913,477	930,529	250,735	242,031	281,351	242,046	1,016,163	264,837	1,162,440	1,325,530	1,527,992
<i>yoy growth %</i>	18.9%	1.9%					9.2%	5.6%	14.4%	14.0%	15.3%

Market leader

Excluding impacts of FX if translating into USD, BABA has performed fairly well over past 3 years and aside from 2023 and the last quarter of 2024 (March not December/Xmas), revenues have posted fairly strong growth across all business lines QoQ and the reported annual growth for FY2024 is in line with expected E-Commerce China market CAGR of 9-10%. No reason to believe BABA will trail the market following strong double-digit Q1

Taobao and Tmall

Main business line Taobao and Tmall has been the hardest hit as a result of Chinese economic slowdown, tighter regulatory requirements and stronger cost-cutting competition from JD and PDD. Negative growth showing some signs of slowing on an annual basis but quarterly still performing poorly vs historically. Expecting the business to pick up as confidence and relationships strengthen with PRC

Expanding diversified business lines

Excellent growth reported from logistics, cloud computing and international retail (Aliexpress) especially as the business expands internationally (45% growth YoY). Q424 is poor across board, but other quarters all showing positive growth especially the Cloud infrastructure business that continues to grow and invested in

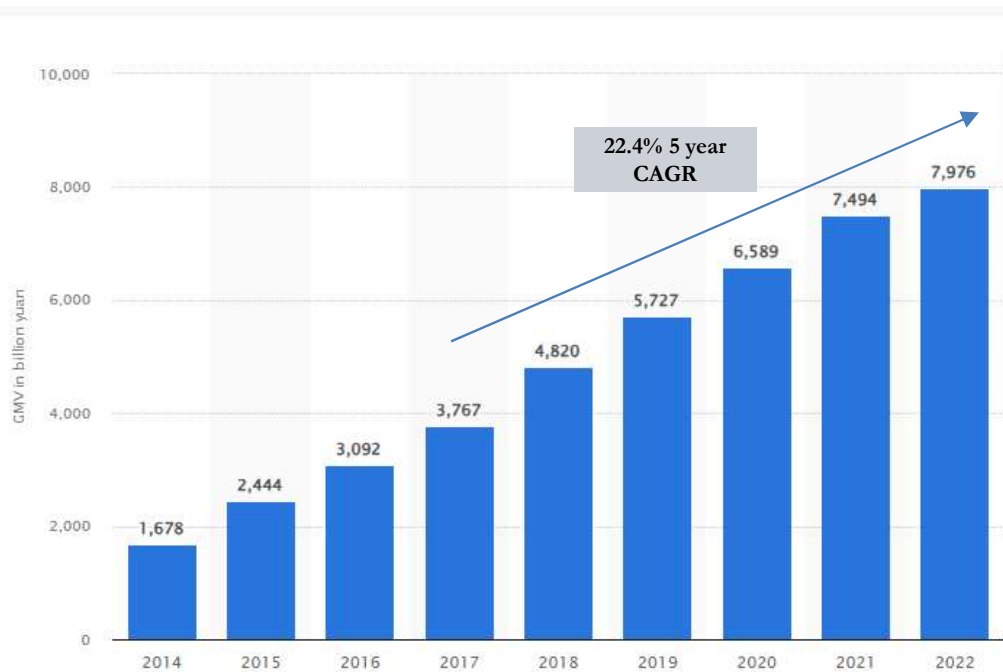
Performance and Forecasts

	FY2022	FY23	Q124	Q224	Q324	Q424	FY24	Q125	FY25E	FY26E	FY27E	Description of Segment	Assumption
Customer Management	316,029	291,541	79,661	68,661	92,113	63,574	304,009	80,115	340,200	367,416	396,809	Enabling vendors to advertise on the platforms. Revenues received from pay-per-click and commissions from products sold	5% based on total GMV of Taobao and Tmall Marketplace
Direct Sales and Other	96,795	103,811	30,167	23,899	31,649	24,690	110,405	27,306	131,387	155,020	181,594	Commissions from products sold on Tmall Supermarket and Tmall Global	At around 3.7% of Tmall growing at 25bps per year
China Commerce Retail	412,824	395,352	109,828	92,560	123,762	88,264	414,414	107,421	471,587	522,436	578,403		
China commerce wholesale	17,106	17,854	5,125	5,094	5,308	4,952	20,479	5,952	22,527	23,653	24,836	Revenue from membership fees which are primarily fixed annual fees from the sale of China TrustPass memberships for members to reach customers	Grew at 15% last year. Since QoQ we can see again more growth so assume 10% growth this year and 5% going forward as realistic as cannot continue double-digit growth
Total Taobao and Tmall Group	429,930	413,206	114,953	97,654	129,070	93,216	434,893	113,373	494,114	546,090	603,239		
Cloud computing	102,016	103,497	25,123	27,648	28,066	25,537	106,374	26,549	112,756	124,032	141,397	Cloud services to domestic and international enterprise customers	Currently \$14.7bn, whilst Amazon Cloud is at \$26bn. Growth is already doubling per year. Not unreasonable to assume that by 2027 Alibaba Cloud could be producing revenue of c. \$20bn
International commerce retail	43,679	50,933	17,138	18,978	23,260	22,278	81,654	23,691	126,564	189,846	275,276	Through AliExpress, Lazada and Trendyol receive advertising revenues and membership fees	Retail business is experiencing phenomenal YoY growth and will slightly slow but grow at heavy pace. Wholesale also growing at high single digits
International commerce wholesale	18,506	19,573	4,985	5,533	5,256	5,170	20,944	5,602	22,829	24,884	27,123		
Alibaba Digital Commerce	62,185	70,506	22,123	24,511	28,516	27,448	102,598	29,293	149,393	214,729	302,399		
Cainiao logistics services	66,808	77,512	23,164	22,823	28,476	24,557	99,020	26,811	118,824	136,648	157,145	Fees to connect merchants and third-party logistics service providers, volume based revenue	Double YoY growth seen. Conservatively growing next couple of years at 20% reducing by 5% per year
Local consumer services	44,890	50,249	14,450	15,564	15,160	14,628	59,802	16,229	71,762	86,115	103,338	Ele.Me - A type of Deliveroo/Uberats where merchants pay fee based on transaction value	Vibrant market that continues to see doubling of growth. 20% growth predicted next 3 years
Digital media and entertainment	18,105	18,444	5,381	5,779	5,040	4,945	21,145	5,581	23,260	25,585	28,144	Like Netflix, box office film subscriptions and online ticket sales	Saw 12% YoY growth after only 1.9% in 2023. Assume 10% growth
All Others	189,543	197,115	45,541	48,052	47,023	51,715	192,331	47,001	192,331	192,331	192,331	Direct sales revenue from acquisitions in Sun Art, Freshippo, Alibaba Health, Lingxi Games, Intime, Intelligent Information Platform, Fliggy, DingTalk and other businesses	Difficult to forecast as so diversified and has lost growth last year. Assume flat growth
Logistics, Entertainment and Others	319,346	343,320	88,536	92,218	95,699	95,845	372,298	95,622	406,177	440,679	480,958		
Inter-segment Elimination	(60,415)	(61,842)	(16,579)	(17,241)	(21,003)	(20,172)	(74,995)	(21,601)	(70,000)	(70,000)	(70,000)		
Total	853,062	868,687	234,156	224,790	260,348	221,874	941,168	243,236	1,092,440	1,255,530	1,457,992		

Chinese E-Commerce

Gross Market Value (billions RMB)	FY23	FY24	FY25E	FY26E	FY27E
Taobao Marketplace	4,250,000	4,500,000	4,860,000	5,248,800	5,668,704
Tmall	4,250,000	4,500,000	4,860,000	5,248,800	5,668,704
Total	8,500,000	9,000,000	9,720,000	10,497,600	11,337,408
Taobao Marketplace Growth			8.00%	8.00%	8.00%
Tmall Growth			8.00%	8.00%	8.00%

Alibaba Reported GMV to 2022 (post 2022 estimated above)



- **Taobao** and **Tsmall** are the **largest digital retail commerce business in the world** in terms of GMV (Analysys)
- **Cloud intelligence** Alibaba Group is the **world's fourth largest** and Asia Pacific's **largest** Infrastructure provider in 2023
- While Alibaba dominates ecommerce and cloud computing services in China, Amazon dominates those industries in all other growing markets
- However, as Alibaba has expanded internationally, the company has attempted to undercut Amazon's seller fees in order to attract new sellers
- **Growth Rate:** While the double-digit growth seen in the past decade is moderating, forecasts suggest that **China's e-commerce sector** will grow at around **8-10% annually** over the next few years
- **Total E-Commerce Market:** China's e-commerce market is expected to surpass \$2 trillion in sales in 2024, making it the **largest e-commerce market** with penetration of **28% globally**

SWOT Analysis

Strengths

- An e-commerce market leader domestically and internationally
- Low debt burden – leverage is at c.10% and stable dividend yield
- Healthy cash position
- Improving relationship with PRC following 3 years of ‘good behaviour’, which gives rise to potential easing of regulatory pressures since 2021 fine
- Alibaba announced the biggest restructuring in its 24-year history, split into six units and explore listings for most of them, as the government vowed to ease a sweeping regulatory crackdown and support private enterprises. This will allow the business to continue to focus on successful individual business lines more precisely and grow revenues before carving out
- Diversified enough to navigate against an uncertain Chinese economy through new acquisitions and innovative business ventures

Weaknesses

- The stock is down 80% since the large fine and anti-monopoly rules announcement of 2020, that has clearly scarred Alibaba in terms of reputation and credibility amongst its clients and investors
- Alibaba has, over time, relinquished market share to its two fiercest competitors through government intervention and improvements in anti-monopolistic practices and sanctions being placed on the firm
- Core e-commerce business line performance, however showing strong signs of rebounding
- Mature company with margins that have remained fairly stable for the past 3 years. Unpredictable growth trajectory

Opportunities

- Jack Ma lost almost half his wealth after scrutinizing Chinese regulators. His replacement and removal from the firm provides fresh leadership, relationship-building, co-operation and growth potential by new management
- China's State Administration of Market Regulation (SAMR) disclosed in September that Alibaba had achieved "good results" and that it would continue to "guide" the e-commerce giant to "regulate its operations and improve its compliance and quality". Co-operation with PRC should reduce regulatory red tapes on foreign investment into the firm and international markets
- Focus on expanding on the success of non-core business lines ;
 - Alibaba's live streaming service, Diantao is one of the most popular live commerce platforms
 - Innovations through AI, data analytics, blockchain
 - Leading way forward for Cloud infrastructure

Threats

- Geopolitical Tensions: Ongoing US-China tensions could affect Alibaba's international operations and cross-border trade
- Intense Competition: The rise of competitors both within China and internationally threatens Alibaba's market share
- As a global player operating in multiple jurisdictions, Alibaba must navigate a complex regulatory environment. Compliance with local laws, regulations, and data privacy requirements presents challenges that can impact the company's operations and profitability. Staying abreast of regulatory developments and proactively addressing compliance issues is crucial for Alibaba's success.
- Counterfeit retailers on its platform that could land Alibaba back in ‘hot water’ and undermine consumer confidence

DCF Valuation

Discounted Cash Flow Analysis - Alibaba

(in ¥ Millions, Except Per Share)

Alibaba - Cash Flow Projections	FY 2025E	FY 2026E	FY 2027E
Revenue:	1,092,440	1,255,530	1,457,992
EBIT	118,251	150,932	192,522
Depreciation and Amortisation	58,992	67,799	78,732
Taxes	(26,413)	(34,003)	(43,672)
Changes in Working Capital:	43,195	27,182	33,744
Capital Expenditure	(32,773)	(37,666)	(43,740)
Unlevered Free Cash Flows	161,252	174,243	217,585
Present Value of Free Cash Flow	148,082	146,943	168,508
<i>Free Cash Flow Growth Rate:</i>		8.1%	24.9%

Cost of equity	7.54%	
Risk-Free Rate	4.7%	US 10-yr Treasury yield
Equity Risk Premium:	8.0%	China Equity Risk Premium
Alibaba Beta (levered)	0.35	
Equity Value (\$)	1,751,408	136%
Debt Value (\$)	201,568	
Cash Value (\$)	666,676	
Net Debt Value (\$)	(465,108)	-36%
Cost of Debt	5%	
Tax Rate	24%	
WACC	8.89%	

Target Price as at FY 2026E

Terminal Value Assumptions	
EV/EBITDA Multiple	9.0 x

Value - EV/EBITDA	¥	\$
Sum of PV of Cash Flows:	295,025	\$40,976
Terminal Value	1,968,577	\$273,414
PV of Terminal Value:	1,660,146	\$230,576
Enterprise Value:	1,955,171	\$271,552
Net Debt/(Cash)	(465,108)	-\$64,598
Implied Equity Value :	2,420,279	\$336,150
Implied Price Per Share:	¥950.99	\$132.08
Current Share Price :	¥688.18	\$95.58
Premium/Discount %	38%	

Yuan to USD exchange rate

7.2

Multiples-Based Valuation

Alibaba - Multiples-Based Valuation (in ¥ Millions, Except Per Share Amounts)

Multiple-Based Valuation					
Valuation Date:	12/11/2024		Last Historical Year:	2023	
Company Name:	Alibaba		Based on a Target for:	2026	
	2022	2023	2024	2025	2026
	FY 2022	FY 2023	FY 2024E	FY 2025E	FY 2026E
EV / EBITDA (x)				9.0 x	9.0 x
P / E (x)				24.0 x	24.0 x
	2022	2023	2024	2025	2026
EV/EBITDA	FY 2022	FY 2023	FY 2024E	FY 2025E	FY 2026E
EBITDA					
Pension Expense					
EBITDA	152,754	140,636	153,388	177,243	218,731
<i>Multiple Applied</i>	9.0 x	9.0 x	9.0 x	9.0 x	9.0 x
EV	1,374,786	1,265,724	1,380,492	1,595,184	1,968,577
Less: Net Debt	453,659	400,212	251,959	-407,882	-465,108
Less: Minority Interest	15,170	7210	8677	0	0
Diluted Equity Value:	905,957	858,302	1,119,856	2,003,066	2,433,686
Diluted Shares Outstanding:	2,723	2,639	2,545	2,545	2,545
Implied Value Per Share	¥332.71	¥325.24	¥440.02	¥787.06	¥956.26
Current Value Per Share	¥688.18	¥688.18	¥688.18	¥688.18	¥688.18
<i>Upside v Current</i>	-52%	-53%	-36%	14%	39%
P/E	FY 2022	FY 2023	FY 2024E	FY 2025E	FY 2026E
Net Income	47,079	65,573	55,798	82,999	106,851
<i>Multiple Applied</i>	24.0 x	24.0 x	24.0 x	24.0 x	24.0 x
Diluted Equity Value:	1,129,896	1,573,752	1,339,152	1,991,985	2,564,412
Diluted Shares Outstanding:	2,723	2,639	2,545	2,545	2,545
Implied Value Per Share	¥414.95	¥596.34	¥526.19	¥782.71	¥1,007.63
Current Value Per Share	¥688.18	¥688.18	¥688.18	¥688.18	¥688.18
<i>Upside v Current</i>	-40%	-13%	-24%	14%	46%

Valuation Ranges

Method	Implied Price	USD
Relative - EV/EBITDA	¥956.26	\$132.81
Relative - P/E	¥1,007.63	\$139.95
DCF - Terminal Multiple	¥950.99	\$132.08

Target Price - Average	¥971.63	\$134.95
Current Share Price :	¥688.18	\$95.58
Premium/Discount %	41.2%	

The average price target for Celsius is \$120.88 based on
17 Wall Street Analysts 12-month price targets

The highest analyst price target is \$145.00, the lowest forecast is \$85.00

Alibaba - Net Present Value Sensitivity - DCF METHOD Terminal EBITDA Multiple

		Expected Return on Market						
		6.7%	8.7%	10.7%	12.7%	14.7%	16.7%	18.7%
Terminal EBITDA Multiple	3.0 x	¥532.97	¥527.20	¥521.59	¥516.12	¥510.78	¥505.59	¥500.52
	5.0 x	¥685.97	¥677.45	¥669.15	¥661.08	¥653.20	¥645.53	¥638.06
	7.0 x	¥838.96	¥827.69	¥816.72	¥806.03	¥795.62	¥785.48	¥775.59
	9.0 x	¥991.96	¥977.94	¥964.29	¥950.99	¥938.04	¥925.43	¥913.13
	11.0 x	¥1,144.96	¥1,128.19	¥1,111.86	¥1,095.95	¥1,080.46	¥1,065.37	¥1,050.67
	13.0 x	¥1,297.96	¥1,278.43	¥1,259.42	¥1,240.91	¥1,222.88	¥1,205.32	¥1,188.21

Peers Analysis

BABA Alibaba Group Hol... 95.42 +1.31%	JD JD.com, Inc. 39.02 +1.75%	PDD PDD Holdings Inc. 117.15 -0.56%	AMZN Amazon.com, Inc. 206.84 -0.64%
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As of 12 Nov 2024	BABA Alibaba Group Holding...	JD JD.com, Inc.	PDD PDD Holdings Inc.	AMZN Amazon.com, Inc.
Market Value	231.62B	59.71B	162.69B	2.17T

^ Price Ratios

As of 12 Nov 2024	BABA Alibaba Group Holding...	JD JD.com, Inc.	PDD PDD Holdings Inc.	AMZN Amazon.com, Inc.
Price to Earnings Per Share	24.54	14.14	12.52	44.20
Forward Price to Earnings Per Share	11.03	9.89	8.42	33.67
Price to Free Cash Flow Per Share	12.48	8.14	9.24	31.19
Price to Book Value Per Share	1.75	1.86	4.60	8.39
Price to Sales Ratio	1.81	0.40	3.62	3.56
EV/EBITDA	10.36	7.50	7.62	17.45

^ Margin

As of 12 Nov 2024	BABA Alibaba Group Holding...	JD JD.com, Inc.	PDD PDD Holdings Inc.	AMZN Amazon.com, Inc.
Operating Margin	12.14%	3.30%	28.57%	9.77%
Gross Margin	37.90%	15.20%	62.44%	18.79%
Profit Margin	7.33%	2.81%	28.93%	8.04%

Technological Innovation and Diversification through Acquisitions

Technological Innovation and Its Impact on Revenue

Through continuous technological innovation, Alibaba has improved the user experience on its platforms, making it easier and more convenient for consumers to shop online. Features such as personalized recommendations, one-click purchasing, and seamless payment systems have contributed to increased user engagement and higher conversion rates.

Furthermore, Alibaba has leveraged emerging technologies such as artificial intelligence, big data analytics, and blockchain to optimize its operations and enhance value for merchants. These innovations have streamlined processes, reduced costs, and improved efficiency, ultimately leading to higher revenue and profitability for the company.

Business Innovation and Market Expansion

In addition to technological innovation, Alibaba has embraced business innovation to expand its market reach and capitalize on new opportunities. The company has ventured into new sectors such as finance, logistics, healthcare, and entertainment, diversifying its revenue streams and strengthening its position as a key player in the digital economy.

Alibaba's international expansion efforts have also been a key driver of growth. The company has successfully entered and established a strong presence in markets outside of China, including Southeast Asia, India, and Europe. By adapting its business model to local market conditions and leveraging strategic partnerships, Alibaba has been able to replicate its success on a global scale.

Appendix

Income Statement Projections

Alibaba - Financial Statements
(in RMB millions, Except Per Share Amounts in RMB and Share Counts in Millions)

Income Statement	FY 2021	FY 2022	FY 2023	FY2024	FY 2025E	FY 2026E	FY 2027E
Revenue							
Total Taobao and Tmall Group	488,005	429,930	413,206	434,893	494,114	546,090	603,239
<i>Revenue Growth</i>	0%	-12%	-4%	5%	14%	11%	10%
Cloud Computing	60,120	102,016	103,497	106,374	112,756	124,032	141,397
<i>Revenue Growth</i>	-4%	70%	1%	3%	6%	10%	14%
Alibaba Digital Commerce	48,851	62,185	70,506	102,598	149,393	214,729	302,399
<i>Revenue Growth</i>	1%	27%	13%	46%	46%	44%	41%
Logistics Entertainment and Others	120,313	319,346	343,320	372,298	406,177	440,679	480,958
<i>Revenue Growth</i>	8%	165%	8%	8%	9%	8%	9%
Total revenues	717,289	913,477	930,529	1,016,163	1,162,440	1,325,530	1,527,992
<i>Revenue Growth</i>	2%	27%	2%	9%	14%	14%	15%
Inter-segment Elimination		-60,415	-61,842	-74,995	-70,000	-70,000	-70,000
Cost of Goods sold							
Total Cost of Revenues	409,981	533,725	543,985	583,311	677,313	765,873	874,795
<i>Cost of revenues as a % of revenue</i>	57%	63%	63%	62%	62%	61%	60%
Gross profit							
Total Gross Profit	307,308	319,337	324,702	357,857	415,127	489,657	583,197
<i>Gross margin</i>	43%	37%	37%	38%	38%	39%	40%
Operating Expenses							
Selling General and Admin Expenses	167,510	225,728	193,520	241,495	269,181	306,947	353,830
Stock-Based Compensation	50,120	23,971	30,831	18,546	21,849	25,111	29,160
Total Operating Expenses	217,630	249,699	224,351	260,041	291,030	332,058	382,990
<i>Opex margin</i>	30%	27%	24%	26%	25%	25%	25%
Operating Income	89,678	69,638	100,351	97,816	124,097	157,599	200,207
<i>Operating margin</i>	13%	8%	11%	10%	11%	12%	13%
Other Income/Expenses							
Finance Income	80,376	-5,179	-5,248	-3,807	-5,847	-6,667	-7,685
Finance Expense	4,476	4,909	5,918	7,947	8,838	10,078	11,618
Net Finance Credit	75,900	-10,088	-11,166	-11,754	-14,685	-16,745	-19,303
Share of results of equity method investees	6,984	14,344	-8,063	-7,735	0	0	0
Net Income Before Tax	172,562	73,894	81,122	78,327	109,412	140,854	180,904
<i>Growth of PBT</i>	8%	(57%)	10%	(3%)	35%	29%	28%
Provision for income taxes	-29,278	-26,815	-15,549	-22,529	-26,413	-34,003	-43,672
<i>Effective tax rate</i>	(17%)	(36%)	(19%)	(29%)	(24%)	(24%)	(24%)
Net Income	143,284	47,079	65,573	55,798	82,999	106,851	137,232
<i>Net Profit margin</i>	20%	5%	7%	5%	7%	8%	9%
Minority interest	7,294	15,170	7,210	8,677	0	0	0
Profit for year attributable to ordinary shareholders	150,578	62,249	72,783	64,475	82,999	106,851	137,232