Goldman Sachs Research

Equity Research

4 May 2026 | 7:14AM HKT

NAVIGATING CHINA INTERNET/AI MODELS

Framing five key AI debates; Buy Alibaba (on CL); upgrade MiniMax to Buy

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With an accelerated pace of Chinese AI model launches, we focus on five key investor debates around the AI model narrative, **1)** China vs. US models: is the gap narrowing/widening, **2)** Chinese AI model competition: where are the moats, **3)** Pace of token proliferation: sustainability and cloud hyperscaler/FCF outlook, **4)** Pivot towards domestic chips: implications from chip supply/cost push, and **5)** Consumer AI Agent: OS-level vs. In-App agents and implications to apps. On the back of stronger ARR (Annualized Recurring Revenue) trends year-to-date, we lift our MiniMax 2026E-27E revenue forecasts and **upgrade MiniMax to Buy from Neutral.** We address key investor focuses around ARR trends, competition, multi-modal & lock-up expiry, and believe the 40% share price pullback since March-highs creates favorable risk-reward (vs. our broadly unchanged bear/base/bull valuations of HK$420/HK$1,000/HK$1,600 implying -41%/+40%/+124% compared with last close) given its unique AI full-modal footprint amongst AI independent players and its one of the most cost-efficient and flexible computing architectures.

We see positive read-across from US hyperscalers' 1Q cloud revenue acceleration (63%/40%/29% yoy growth at Google/Azure/AWS), and continue to expect solid Alibaba Cloud growth/outlook (GSe: +40% for the March quarter, accelerating from +36% in Dec quarter) with potential upside to China hyperscalers' capex (given cost push and domestic computing supply ramp up over 2H26-2027). We continue to rank **Cloud & Data Centers as our #1 preferred sub-sector (with key ideas: GDS, VNET, Alibaba and Kingsoft Cloud)** on proliferation of AI token demand with improving cloud pricing driven by enterprise/AI agent growth and consumer AI assistants. See also within the latest refresh to our Top AI/apps tracker, with Doubao AI app's widening lead in Consumer AI being the key highlight.

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