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Alibaba Group Holding
BABA.N BABA US

Global Markets Research
21 May 2026

EQUITY: INTERNET & NEW MEDIA

Takeaways from Alibaba’s Cloud Summit

Quick Note

Rating Remains	Buy
Target price Remains	USD 207.00
Closing price 19 May 2026	USD 135.64

Qwen LLM and T-Head chips reinforce Alibaba’s full-stack AI strategy

AliCloud held its summit on 20 May for its business partners. This summit reinforced our positive view on Alibaba's (BABA) AI strategy. During the event, management presented a comprehensive, full-stack AI cloud strategy encompassing proprietary chips (T-Head series), large-scale cloud infrastructure, Qwen foundation models, the Bailian model-serving platform, and enterprise-grade agent infrastructure.

Alibaba's management emphasized that AI is transitioning from the chatbot era to the Agentic AI era. In this new phase, models extend beyond merely answering user questions; they must plan tasks, utilize tools, write code, retain context, interact with enterprise data, and execute multi-step workflows. We agree with management's assessment that this evolution creates substantial new demand not only for advanced models but also for underlying cloud infrastructure, specialized chips, and model-serving platforms.

We highlight three major takeaways from the summit:

Qwen LLM moving towards an agentic execution model

Alibaba released its new flagship model, Qwen 3.7-Max, which management stated has evolved from a standard natural-language model into an intelligent task center for agentic applications. Management noted that Qwen 3.7-Max ranked first among China-based models by Arena ranking.

The summit highlighted four major capabilities for Qwen 3.7-Max:

- **Strong base intelligence:** The latest iteration demonstrates enhanced natural language reasoning, broader knowledge, superior instruction-following, and stricter factual adherence.
- **Tool-calling:** Qwen 3.7-Max is capable of utilizing APIs, MCP (Model Context Protocol) services, browsers, code execution, and other tools to complete complex tasks.
- **Coding:** Management indicated that Qwen 3.7-Max moves beyond simple code generation to facilitate comprehensive software development workflows.
- **Long-horizon execution:** The model can handle multi-step tasks over extended time periods, demonstrating effective planning and self-correction.

Alibaba disclosed in its March quarter earnings call that Model-as-a-Service (MaaS) Annual Recurring Revenue (ARR) from external clients is projected to reach CNY10bn by June and could potentially approach CNY30bn by the end of 2026E. We view Qwen 3.7-Max and its future iterations as cornerstones for achieving or potentially exceeding these aggressive revenue targets.

Furthermore, Alibaba presented additional Qwen updates beyond text and coding, including Qwen 3.7-Plus-Preview (featuring enhanced visual agent capabilities) and Qwen 3.5-Omni (optimized for real-time multimodal interaction). We believe this expanding product portfolio will significantly broaden the potential usage scenarios for Alibaba's MaaS offerings.

T-Head’s chips improve the cost and supply curve

The summit highlighted several major updates regarding T-Head's (unlisted) Zhenwu chip series:

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- **New flagship chip (Zhenwu M890):** Management introduced the Zhenwu M890 as its next-generation train-inference integrated AI chip. The company stated it delivers 3x the performance of the prior generation and is explicitly designed for larger models, longer context windows, and more cost-efficient inference.
- **System-level integration (ICN Switch and Panjiu AL128):** Alibaba introduced the ICN Switch 1.0 (boasting 25.6 Tbps throughput) and the Panjiu AL128 (a 128-card supernode server). Management asserted this server architecture efficiently networks chips into a unified compute resource pool, supporting both large-scale model training and high-concurrency AI inference.
- **Commercial deployment at meaningful scale:** The company disclosed that the Zhenwu series has cumulatively shipped 560,000 chips, covering over 20 industries and 400 customers. Within smart driving, Zhenwu has deployed over 130,000 accelerator cards, served more than 30 customers, and validated compatibility with over 50 models. In financial services, the company cited over 100,000 cards deployed across more than 150 customers.
- **Software stack as a key enabler:** Alibaba highlighted T-HEAD SAIL as the foundational software stack for Zhenwu chips. The objective is to simplify usage for developers and enterprises by supporting mainstream AI frameworks and seamless model deployment. We view this as critical, as AI chip adoption is contingent not just on hardware specifications, but on the ability of customers to migrate models and workloads without significant friction.

Bottom Line: T-Head chips structurally improve AliCloud's cost and supply curve. We expect the combination of T-Head chips, the ICN Switch, and AL128 will enable Alibaba to support Qwen and third-party AI models with improved cost-efficiency, performance, and supply certainty. If Alibaba successfully migrates a greater share of AI inference workloads onto its proprietary infrastructure, it is well-positioned to improve the economics of its AI cloud and fortify its competitive standing in China's AI ecosystem. Notably, we believe management has also positioned T-Head chips as a strategic advantage amidst the broader chip supply shortages referenced in the recent earnings call.

Bailian evolving into an agent inference and monetization platform

Alibaba positioned Bailian as the primary commercialization layer for AliCloud’s AI capabilities. Management emphasized that in the agentic era, AI usage shifts away from single model calls. Instead, agents must understand goals, decompose tasks, invoke tools, access enterprise data, execute workflows, and sustain reasoning based on feedback. This paradigm creates longer decision chains, increased traffic, and substantially higher token consumption.

Against this backdrop, management indicated that Bailian is evolving beyond a standard model API service platform. Built atop AliCloud's infrastructure, T-Head compute supply, and Qwen (alongside other foundation models), Bailian is now positioned as a comprehensive agent inference service platform for enterprise clients.

Maintain Buy rating with TP of USD207

The AliCloud summit reinforces our positive outlook on Alibaba's AI Cloud business, which is underpinned by a robust full-stack AI platform. We believe the Qwen LLM provides a formidable model layer, particularly in agentic execution, coding, long-horizon workflows, and multimodal interaction. Concurrently, we think T-Head chips offer a clear path toward enhanced compute supply certainty and potentially lower inference costs. Ultimately, Bailian serves as the vital commercial interface to monetize these AI advancements, in our view.

We maintain Buy with TP of USD207 based on SOTP, representing CY27F (i.e., also FY28F) P/E of 21x vs 14x currently.

Appendix A-1

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Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Alibaba Group Holding	BABA US	USD 135.64	19-May-2026	Buy	N/A	A10

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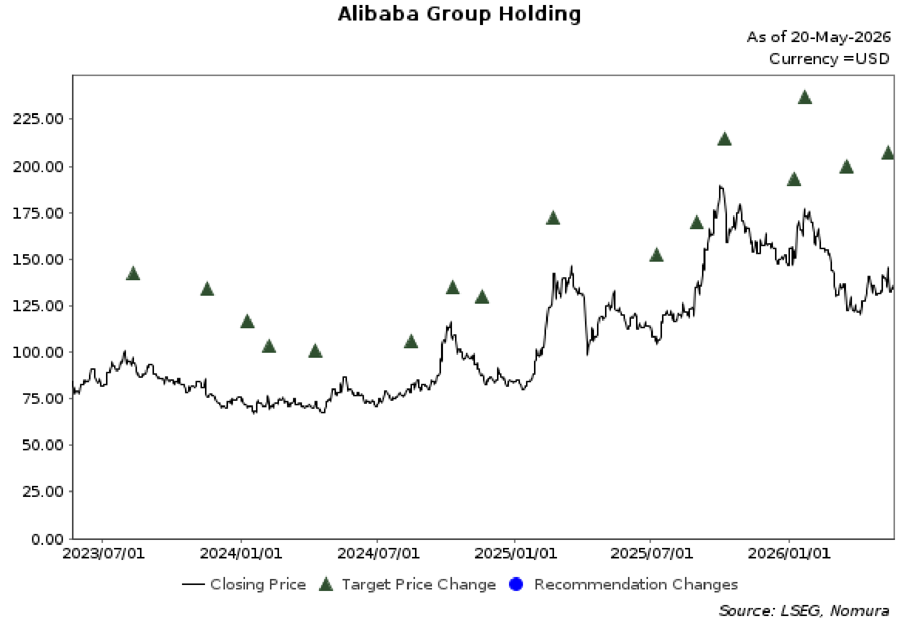
Alibaba Group Holding (BABA US) **USD 135.64 (19-May-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
14-May-26		207.00	141.12
20-Mar-26		200.00	122.41
23-Jan-26		237.00	173.23
09-Jan-26		193.00	150.96
08-Oct-25		215.00	181.12
01-Sep-25		170.00	135.00
09-Jul-25		152.00	103.83
21-Feb-25		172.00	142.62
18-Nov-24		130.00	88.65
10-Oct-24		135.00	108.42
16-Aug-24		106.00	82.52
09-Apr-24		101.00	71.80
08-Feb-24		103.00	69.63
10-Jan-24		117.00	70.25
17-Nov-23		134.00	76.34
11-Aug-23		142.00	94.16

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We value Alibaba's China Ecommerce Group at USD89bn, based on 5x FY27F P/E; its AliCloud business at USD339bn, based on 7x FY28F P/S; and its net valuation of non-core assets (including international ecommerce business) at USD40bn. The resulting TP is USD207. The benchmark index for this stock is Nasdaq Composite.
Risks that may impede the achievement of the target price Downside risks include: margin downside due to ramp-up in investments; regulatory risks related to the payment and internet finance industry, which could hurt Alibaba's main business and its value in Ant Group.

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