Alibaba Group (BABA US & 9988 HK)

1QFY27 preview: The beginning of positive earnings revisions

China
Head of China Equity Research and Co-Head of Asia TMT Research
Alex Yao AC
(86 21) 6106 6505
alex.yao@jpmorgan.com
SAC Registration Number: S1730523020001
Nancy Liu
(86 21) 6106 6343
nancy.liu@jpmorgan.com
SAC Registration Number: S1730524090001
J.P. Morgan Securities (China) Company Limited

In our view, Alibaba's 1QFY27 results will be better than feared due to 1) a rapid narrowing of the loss in food delivery & quick commerce investment, 2) a continued revenue acceleration in cloud revenue with sequential margin increase, and 3) a sequential decline in the loss from All Others following the user acquisition spend for Qwen app during Chinese New Year. As a result, we raise our FY27 adj EPS forecast by 2%. This is the first time we have raised Alibaba earnings estimates since May 2025. We suggest investors are long into the print for 1) cloud's continuous margin improvement outlook and 2) further positive earnings revision potential.

- **E-commerce: Marketplace soft, tracking weak NBS data; quick commerce loss narrowing.** We expect CMR to decline 8% yoy in 1QFY27, reflecting 1) the weak macro, with NBS online physical goods GMV up only 0.2%/2.6% yoy in April/May, while total retail sales declined 0.6% yoy in May, the first sub-zero monthly print since 4Q22 (link), and 2) a 7-8ppts drag on CMR from the merchant incentive program (contra-revenue) due to heavier 618 subsidies (vs ~6ppts last quarter). Meanwhile, we expect quick commerce loss to sequentially narrow to slightly above Rmb10bn, from ~Rmb16bn last quarter. We see the subsidy cut as a proactive move after achieving sufficient economies of scale, also in line with SAMR's regulatory direction, elaborated in our recent note (link). We see room for faster-than-expected loss narrowing in the coming quarters.

- **Cloud: Growth accelerates further on AI demand.** We expect cloud revenue to rise ~45% YoY in 1QFY27, a further acceleration from 38% in Mar Q, and to be up 47% yoy for the full year. AI remains the key driver: AI-related products already accounted for ~30% of external cloud revenue in 4QFY26, and we believe demand should continue to outpace capacity. We see further room for cloud revenue acceleration with margin expansion, which could serve as a share price catalyst in coming quarters.

- **Forecast revisions.** We lower FY27 total revenue by 1%, reflecting the weaker-than-expected macro and consumption environment. Meanwhile, we raise adj EPS by 2%, primarily due to the faster-than-expected loss narrowing of quick commerce. We raise FY28 total revenue by 3% given the robust cloud revenue growth outlook, while keeping adj EPS unchanged. Our Dec-26 PTs are US$205/HK$200 (unchanged), still on 16x FY28E P/E.

Equity Ratings and Price Targets

Company	Ticker	Mkt Cap ($ mn)	Price CCY	Price	Rating Cur	Rating Prev	Price Target Cur	Price Target End Date	Price Target Prev	Price Target End Date
Alibaba Group Holding Limited (BABA)	BABA US	235,613	USD	98.14	OW	n/c	205.00	Dec-26	n/c	n/c
Alibaba Group Holding Limited	9988 HK	263,295	HKD	107.50	OW	n/c	200.00	Dec-26	n/c	n/c

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. n/c = no change. All prices as of 07 Jul 26 except for 9988 HK [08 Jul 26].

See page 9 for analyst certification and important disclosures, including non-US analyst disclosures.

Alex Yao
(86 21) 6106 6505
alex.yao@jpmorgan.com

J.P.Morgan

Table 1: Alibaba forecast revisions

YE 31 Mar			FY27E					FY28E		
Figures in RMB,mn	JPMe old	JPMe new	% change	Consensus	% delta	JPMe old	JPMe new	% change	Consensus	% delta
Net Revenue	1,140,819	1,132,297	*-1%*	1,122,000	*1%*	1,282,525	1,322,053	*3%*	1,256,000	*5%*
Gross profit	455,707	451,998	*-1%*	442,629	*2%*	517,060	532,606	*3%*	505,603	*5%*
EBITDA (non GAAP)	161,072	166,087	*3%*	154,249	*8%*	233,745	235,991	*1%*	209,411	*13%*
EBIT (GAAP)	101,363	106,733	*5%*	90,391	*18%*	170,721	171,407	*0%*	138,668	*24%*
EBIT (non GAAP)	118,442	123,777	*5%*		*na*	188,386	189,234	*0%*		*na*
PBT (GAAP)	191,750	197,121	*3%*	119,251	*65%*	271,643	272,329	*0%*	165,896	*64%*
Net income (GAAP)	121,991	124,808	*2%*	91,342	*37%*	175,856	176,007	*0%*	127,412	*38%*
Net income (Non-GAAP)	137,930	140,719	*2%*	107,389	*31%*	192,238	192,511	*0%*	146,606	*31%*
EPADS (GAAP)										
Diluted (RMB)	55.83	57.03	*2%*	36.44	*57%*	83.01	83.07	*0%*	53.97	*54%*
EPADS (Non GAAP)										
Diluted (RMB)	62.66	63.86	*2%*	44.08	*45%*	90.40	90.52	*0%*	62.73	*44%*
Margin analysis (%)										
Gross margin	39.9%	39.9%	*0%*	39.5%	*0.5%*	40.3%	40.3%	*0%*	40.3%	*0.0%*
non-GAAP EBITDA margin	14.1%	14.7%	*1%*		*na*	18.2%	17.9%	*0%*		*na*
EBIT margin (GAAP)	8.9%	9.4%	*1%*		*na*	13.3%	13.0%	*0%*		*na*
EBIT margin (non-GAAP)	10.4%	10.9%	*1%*		*na*	14.7%	14.3%	*0%*		*na*
Net margin (GAAP)	10.7%	11.0%	*0%*	8.1%	*2.9%*	13.7%	13.3%	*0%*	10.1%	*3.2%*
Net margin (non GAAP)	12.1%	12.4%	*0%*	9.6%	*2.9%*	15.0%	14.6%	*0%*	11.7%	*2.9%*

Source: J.P. Morgan estimates, Bloomberg Finance L.P (as of Jul 8, 2026).



Alex Yao
(86 21) 6106 6505
alex.yao@jpmorgan.com

J.P.Morgan

Alibaba Group Holding Limited (BABA)

Overweight

BABA,BABA US

Price (07 Jul 26): $98.14

Price Target (Dec-26): $205.00

China

Head of China Equity Research and Co-Head of Asia TMT Research

Alex Yao AC

(86 21) 6106 6505

alex.yao@jpmorgan.com

SAC Registration Number: S1730523020001

J.P. Morgan Securities (China) Company Limited

Quarterly Forecasts (FYE Mar)

Adj. EPS (Rmb)

	2026A	2027E	2028E
Q1	14.00	15.77	24.52
Q2	4.32	12.45	17.63
Q3	6.92	17.34	23.72
Q4	0.04	14.81	20.96
FY	25.23	60.36	86.84

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	19	25	15	16	23
Growth	83	75	44	63	25
Momentum	89	45	13	34	83
Quality	60	58	37	43	19
Low Vol	74	69	59	91	36
ESGQ	86	91	93	14	96

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

1QFY27 preview: The beginning of positive earnings revisions

In our view, Alibaba's 1QFY27 results will be better than feared due to 1) a rapid narrowing of the loss in food delivery & quick commerce investment, 2) a continued revenue acceleration in cloud revenue with sequential margin increase, and 3) a sequential decline in the loss from All Others following the user acquisition spend for Qwen app during Chinese New Year. As a result, we raise our FY27 adj EPS forecast by 2%. This is the first time we have raised Alibaba earnings estimates since May 2025. We suggest investors are long into the print for 1) cloud's continuous margin improvement outlook and 2) further positive earnings revision potential.

Investment Thesis, Valuation and Risks

Alibaba Group Holding Limited *(Overweight; Price Target: $205.00)*

Investment Thesis

In our view, Alibaba's 1QFY27 results will be better than feared due to 1) a rapid narrowing of the loss in food delivery & quick commerce investment, 2) a continued revenue acceleration in cloud revenue with sequential margin increase, and 3) a sequential decline in the loss from All Others following the user acquisition spend for Qwen app during Chinese New Year. As a result, we raise our FY27 adj EPS forecast by 2%. This is the first time we have raised Alibaba earnings estimates since May 2025. We suggest investors are long into the print for 1) cloud's continuous margin improvement outlook and 2) further positive earnings revision potential. Maintain OW.

Valuation

Our Dec-26 PT of US$205 is based on 16x FY28E P/E, the multiple for a 'tier-1 China internet asset'. We use sum-of-parts as a secondary valuation method, in which we assign 14x CY26E P/E to core e-commerce profit, and 6x CY26E P/S to the cloud business, which is a discount to the average of US-listed SaaS names.

Risks to Rating and Price Target

Key downside risks to our rating and price target include: 1) large Chinese internet companies such as Tencent and Baidu posing a threat to Alibaba's Local Services business; 2) investments in digital content are likely to have long gestation period, leading to long-term margin pressure; and 3) mobile monetization improving more slowly than expected, along with the sustainability of China's retail marketplace GMV and revenue growth in the longer run.

Alex Yao
(86 21) 6106 6505
alex.yao@jpmorgan.com

J.P.Morgan

Price Performance



	YTD	1m	3m	12m
Abs	-33.0%	-18.9%	-18.0%	-7.6%
Rel	-44.1%	-19.4%	-35.3%	-34.1%

Company Data

Shares O/S (mn)	2,401
52-week range ($)	192.67-91.99
Market cap ($ mn)	235,613
Exchange rate	1.00
Free float (%)	-
3M ADV (mn)	11.79
3M ADV ($ mn)	1,453.5
Volatility (90 Day)	41
Index	NASDAQ COMPOSITE
BBG ANR (Buy | Hold | Sell)	47|2|1

Key Metrics (FYE Mar)

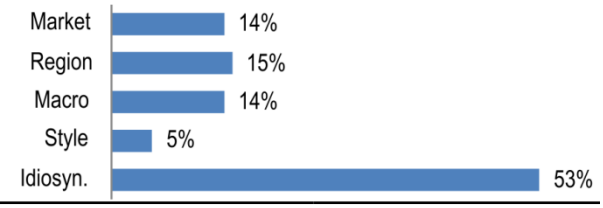
Rmb in millions	FY26A	FY27E	FY28E	FY29E
Financial Estimates				
Revenue	1,023,670	1,132,297	1,322,053	1,582,233
Adj. EBITDA	113,483	166,087	235,991	285,792
Adj. EBIT	76,416	123,777	189,234	232,998
Adj. net income	60,658	140,719	192,511	229,218
Adj. EPS	25.23	60.36	86.84	107.65
BBG EPS	32.14	44.08	62.73	-
Cashflow from operations	240,132	220,705	290,654	346,109
FCFF	32,712	(7,711)	44,022	88,638
Margins and Growth				
Revenue Growth Y/Y (%)	2.6%	10.6%	16.8%	19.7%
Gross margin	39.8%	39.9%	40.3%	40.7%
EBITDA margin	11.1%	14.7%	17.9%	18.1%
EBIT margin	7.5%	10.9%	14.3%	14.7%
Adj. EPS growth	(61.8%)	139.3%	43.9%	24.0%
Ratios				
Adj. tax rate	19.1%	32.5%	32.3%	32.3%
Interest cover	NM	NM	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	4.7%	5.8%	7.9%	8.6%
ROE	5.6%	11.6%	13.9%	14.3%
Valuation				
FCFF yield	2.0%	(0.5%)	3.0%	6.2%
Dividend yield	-	-	-	-
EV/Revenue	1.2	1.0	0.7	0.5
EV/EBITDA	10.7	6.8	4.1	2.7
Adj. P/E	26.4	11.0	7.7	6.2

Summary Investment Thesis and Valuation

In our view, Alibaba's 1QFY27 results will be better than feared due to 1) a rapid narrowing of the loss in food delivery & quick commerce investment, 2) a continued revenue acceleration in cloud revenue with sequential margin increase, and 3) a sequential decline in the loss from All Others following the user acquisition spend for Qwen app during Chinese New Year. As a result, we raise our FY27 adj EPS forecast by 2%. This is the first time we have raised Alibaba earnings estimates since May 2025. We suggest investors are long into the print for 1) cloud's continuous margin improvement outlook and 2) further positive earnings revision potential. Maintain OW.

Our Dec-26 PT of US$205 is based on 16x FY28E P/E, the multiple for a 'tier 1 China internet asset'. We use sum-of-parts as a secondary valuation method, in which we assign 14x CY26E P/E to core e-commerce profit, and 6x CY26E P/S to the cloud business, which is a discount to the average of US-listed SaaS names.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.48	0.44
Region: China	0.60	0.50
Macro:		
Generic 1st 'CO' Future	-0.33	-0.27
Citi Economic Surprise - EM	-0.60	-0.21
JP Morgan EMBI Global Spread	-0.35	-0.21
Quant Styles:		
LowVol	0.05	-0.25
Growth	-0.18	0.24
DivYld	0.12	-0.20

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Alex Yao
(86 21) 6106 6505
alex.yao@jpmorgan.com

J.P.Morgan

Alibaba Group Holding Limited (BABA): Summary of Financials

Income Statement	FY26A	FY27E	FY28E	FY29E
Revenue	**1,023,670**	**1,132,297**	**1,322,053**	**1,582,233**
COGS	(616,136)	(680,299)	(789,446)	(938,909)
Gross profit	**407,534**	**451,998**	**532,606**	**643,324**
SG&A	(278,105)	(273,575)	(283,845)	(338,415)
Adj. EBITDA	**113,483**	**166,087**	**235,991**	**285,792**
D&A	(42,146)	(45,854)	(50,894)	(57,745)
Adj. EBIT	**76,416**	**123,777**	**189,234**	**232,998**
Net Interest	77,719	86,470	96,613	107,201
Adj. PBT	**157,262**	**214,164**	**290,155**	**344,939**
Tax	(30,045)	(69,573)	(93,582)	(111,398)
Minority Interest	1,465	8,156	8,156	8,156
Adj. Net Income	**60,658**	**140,719**	**192,511**	**229,218**
Reported EPS	44.05	57.03	83.07	103.35
Adj. EPS	**25.23**	**60.36**	**86.84**	**107.65**
DPS	**-**	**-**	**-**	**-**
Payout ratio	-	-	-	-
Shares outstanding	2,404	2,331	2,217	2,129

Balance Sheet	FY26A	FY27E	FY28E	FY29E
Cash and cash equivalents	260,246	353,613	508,998	693,513
Accounts receivable	168,275	186,131	217,324	260,093
Inventories	-	-	-	-
Other current assets	326,387	326,387	326,387	326,387
Current assets	**754,908**	**866,131**	**1,052,709**	**1,279,993**
PP&E	285,889	368,131	453,579	559,007
LT investments	-	-	-	-
Other non current assets	916,825	906,875	896,391	885,130
Total assets	**1,957,622**	**2,141,137**	**2,402,679**	**2,724,131**
Short term borrowings	22,562	22,562	22,562	22,562
Payables	354,489	391,405	454,202	540,194
Other short term liabilities	93,277	94,544	96,758	99,793
Current liabilities	**470,328**	**508,511**	**573,522**	**662,549**
Long-term debt	208,141	208,141	208,141	208,141
Other long term liabilities	70,634	70,634	70,634	70,634
Total liabilities	**749,103**	**787,286**	**852,297**	**941,324**
Shareholders' equity	1,139,984	1,285,316	1,481,847	1,714,272
Minority interests	68,535	68,535	68,535	68,535
Total liabilities & equity	**1,957,622**	**2,141,137**	**2,402,679**	**2,724,131**
BVPS	**491.16**	**573.29**	**695.08**	**837.17**
y/y Growth	*12.9%*	*16.7%*	*21.2%*	*20.4%*
Net debt/(cash)	(237,684)	(331,051)	(486,436)	(670,951)

Cash Flow Statement	FY26A	FY27E	FY28E	FY29E
Cash flow from operating activities	**240,132**	**220,705**	**290,654**	**346,109**
o/w Depreciation & amortization	52,836	55,046	60,305	67,426
o/w Changes in working capital	68,882	20,326	33,818	46,258
Cash flow from investing activities	**(125,373)**	**(127,338)**	**(135,269)**	**(161,594)**
o/w Capital expenditure	(122,840)	(124,553)	(132,205)	(158,223)
as % of sales	*12.0%*	*11.0%*	*10.0%*	*10.0%*
Cash flow from financing activities	**0**	**0**	**0**	**0**
o/w Dividends paid	-	-	-	-
o/w Shares issued/(repurchased)	0	0	0	0
o/w Net debt issued/(repaid)	0	0	0	0
Net change in cash	**114,759**	**93,367**	**155,385**	**184,515**
Adj. Free cash flow to firm	**32,712**	**(7,711)**	**44,022**	**88,638**
y/y Growth	*(61.4%)*	*(123.6%)*	*(670.9%)*	*101.3%*

Ratio Analysis	FY26A	FY27E	FY28E	FY29E
Gross margin	39.8%	39.9%	40.3%	40.7%
EBITDA margin	11.1%	14.7%	17.9%	18.1%
EBIT margin	7.5%	10.9%	14.3%	14.7%
Net profit margin	5.9%	12.4%	14.6%	14.5%
ROE	5.6%	11.6%	13.9%	14.3%
ROA	3.2%	6.9%	8.5%	8.9%
ROCE	4.7%	5.8%	7.9%	8.6%
SG&A/Sales	27.2%	24.2%	21.5%	21.4%
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
Sales/Assets (x)	0.5	0.6	0.6	0.6
Assets/Equity (x)	1.7	1.7	1.6	1.6
Interest cover (x)	NM	NM	NM	NM
Operating leverage	(2136.0%)	584.1%	315.6%	117.5%
Tax rate	19.1%	32.5%	32.3%	32.3%
Revenue y/y Growth	2.6%	10.6%	16.8%	19.7%
EBITDA y/y Growth	(43.8%)	46.4%	42.1%	21.1%
EPS y/y Growth	(61.8%)	139.3%	43.9%	24.0%

Valuation	FY26A	FY27E	FY28E	FY29E
P/E (x)	26.4	11.0	7.7	6.2
P/BV (x)	1.4	1.2	1.0	0.8
EV/EBITDA (x)	10.7	6.8	4.1	2.7
Dividend Yield	-	-	-	-

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Mar. o/w - out of which

Alex Yao
(86 21) 6106 6505
alex.yao@jpmorgan.com

J.P.Morgan

Alibaba Group Holding Limited

Overweight

9988.HK,9988 HK

Price (08 Jul 26): HK$107.50

Price Target (Dec-26): HK$200.00

China

Head of China Equity Research and Co-Head of Asia TMT Research

Alex Yao AC

(86 21) 6106 6505

alex.yao@jpmorgan.com

SAC Registration Number: S1730523020001

J.P. Morgan Securities (China) Company Limited

Quarterly Forecasts (FYE Mar)

Adj. EPS (Rmb)	2026A	2027E	2028E
Q1	1.75	1.97	3.06
Q2	0.54	1.56	2.20
Q3	0.87	2.17	2.96
Q4	0.00	1.85	2.62
FY	3.15	7.55	10.86

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	15	20	12	15	21
Growth	85	76	69	72	23
Momentum	90	40	14	32	79
Quality	61	57	63	54	16
Low Vol	78	71	62	91	35
ESGQ	86	91	93	14	96

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

1QFY27 preview: The beginning of positive earnings revisions

In our view, Alibaba's 1QFY27 results will be better than feared due to 1) a rapid narrowing of the loss in food delivery & quick commerce investment, 2) a continued revenue acceleration in cloud revenue with sequential margin increase, and 3) a sequential decline in the loss from All Others following the user acquisition spend for Qwen app during Chinese New Year. As a result, we raise our FY27 adj EPS forecast by 2%. This is the first time we have raised Alibaba earnings estimates since May 2025. We suggest investors are long into the print for 1) cloud's continuous margin improvement outlook and 2) further positive earnings revision potential.

Investment Thesis, Valuation and Risks

Alibaba Group Holding Limited *(Overweight; Price Target: HK$200.00)*

Investment Thesis

In our view, Alibaba's 1QFY27 results will be better than feared due to 1) a rapid narrowing of the loss in food delivery & quick commerce investment, 2) a continued revenue acceleration in cloud revenue with sequential margin increase, and 3) a sequential decline in the loss from All Others following the user acquisition spend for Qwen app during Chinese New Year. As a result, we raise our FY27 adj EPS forecast by 2%. This is the first time we have raised Alibaba earnings estimates since May 2025. We suggest investors are long into the print for 1) cloud's continuous margin improvement outlook and 2) further positive earnings revision potential. Maintain OW.

Valuation

Our Dec-26 PT of HK$200 is based on our US$ PT, using a ratio of 8 ordinary shares per ADS and a USD/HKD exchange rate of 7.8.

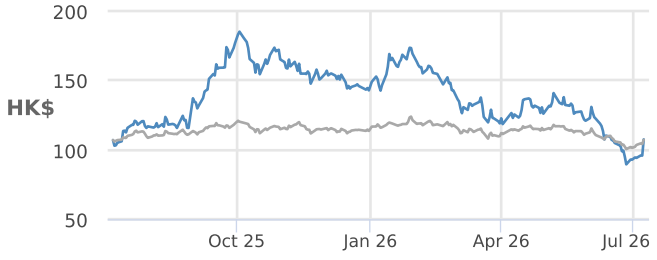
Risks to Rating and Price Target

Key downside risks to our rating and price target include: 1) large Chinese internet companies such as Tencent and Baidu posing a threat to Alibaba's Local Services business; 2) investments in digital content are likely to have a long gestation period, leading to long-term margin pressure; and 3) mobile monetization improving more slowly than expected, along with the sustainability of China's retail marketplace GMV and revenue growth in the longer run.

Alex Yao
(86 21) 6106 6505
alex.yao@jpmorgan.com

J.P.Morgan

Price Performance



— 9988.HK Price (HK$) — HSI (rebased)

	YTD	1m	3m	12m
Abs	-24.7%	-9.5%	-15.0%	0.5%
Rel	-19.1%	-7.7%	-8.5%	0.3%

Company Data

Shares O/S (mn)	19,206
52-week range (HK$)	186.20-88.65
Market cap ($ mn)	263,295
Exchange rate	7.84
Free float (%)	89.6%
3M ADV (mn)	90.41
3M ADV ($ mn)	1,376.9
Volatility (90 Day)	51
Index	HSI
BBG ANR (Buy | Hold | Sell)	50|0|1

Key Metrics (FYE Mar)

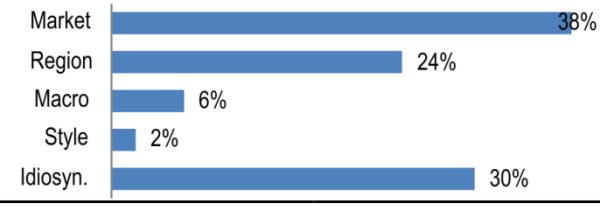
Rmb in millions	FY26A	FY27E	FY28E	FY29E
Financial Estimates				
Revenue	1,023,670	1,132,297	1,322,053	1,582,233
Adj. EBITDA	113,483	166,087	235,991	285,792
Adj. EBIT	76,416	123,777	189,234	232,998
Adj. net income	60,658	140,719	192,511	229,218
Adj. EPS	3.15	7.55	10.86	13.46
BBG EPS	4.02	5.51	7.84	-
Cashflow from operations	240,132	220,705	290,654	346,109
FCFF	32,712	(7,711)	44,022	88,638
Margins and Growth				
Revenue Growth Y/Y (%)	2.6%	10.6%	16.8%	19.7%
Gross margin	39.8%	39.9%	40.3%	40.7%
EBITDA margin	11.1%	14.7%	17.9%	18.1%
EBIT margin	7.5%	10.9%	14.3%	14.7%
Adj. EPS growth	(61.8%)	139.3%	43.9%	24.0%
Ratios				
Adj. tax rate	19.1%	32.5%	32.3%	32.3%
Interest cover	NM	NM	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	4.7%	5.8%	7.9%	8.6%
ROE	5.6%	11.6%	13.9%	14.3%
Valuation				
FCFF yield	1.8%	(0.4%)	2.7%	5.6%
Dividend yield	-	-	-	-
EV/Revenue	1.4	1.0	0.7	0.5
EV/EBITDA	12.4	6.8	4.1	2.7
Adj. P/E	29.5	12.3	8.6	6.9

Summary Investment Thesis and Valuation

In our view, Alibaba's 1QFY27 results will be better than feared due to 1) a rapid narrowing of the loss in food delivery & quick commerce investment, 2) a continued revenue acceleration in cloud revenue with sequential margin increase, and 3) a sequential decline in the loss from All Others following the user acquisition spend for Qwen app during Chinese New Year. As a result, we raise our FY27 adj EPS forecast by 2%. This is the first time we have raised Alibaba earnings estimates since May 2025. We suggest investors are long into the print for 1) cloud's continuous margin improvement outlook and 2) further positive earnings revision potential. Maintain OW.

Our Dec-26 PT of HK$200 is based on our US$ PT, using a ratio of 8 ordinary shares per ADS and a USD/HKD exchange rate of 7.8.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.68	0.61
Region: China	0.68	0.64
Macro:		
JPM Forecast Revision EM	0.14	0.22
Citi Economic Surprise - EM	-0.43	-0.21
JPM China A-shares Sentiment	-0.10	-0.18
Quant Styles:		
LowVol	-0.03	-0.25
DivYld	0.08	-0.17
Growth	-0.11	0.16

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Alex Yao
(86 21) 6106 6505
alex.yao@jpmorgan.com

J.P.Morgan

Alibaba Group Holding Limited: Summary of Financials

Income Statement	FY26A	FY27E	FY28E	FY29E
Revenue	**1,023,670**	**1,132,297**	**1,322,053**	**1,582,233**
COGS	(616,136)	(680,299)	(789,446)	(938,909)
Gross profit	**407,534**	**451,998**	**532,606**	**643,324**
SG&A	(278,105)	(273,575)	(283,845)	(338,415)
Adj. EBITDA	**113,483**	**166,087**	**235,991**	**285,792**
D&A	(42,146)	(45,854)	(50,894)	(57,745)
Adj. EBIT	**76,416**	**123,777**	**189,234**	**232,998**
Net Interest	77,719	86,470	96,613	107,201
Adj. PBT	**157,262**	**214,164**	**290,155**	**344,939**
Tax	(30,045)	(69,573)	(93,582)	(111,398)
Minority Interest	1,465	8,156	8,156	8,156
Adj. Net Income	**60,658**	**140,719**	**192,511**	**229,218**
Reported EPS	5.51	7.13	10.38	12.92
Adj. EPS	**3.15**	**7.55**	**10.86**	**13.46**
DPS	**-**	**-**	**-**	**-**
Payout ratio	-	-	-	-
Shares outstanding	19,235	18,651	17,735	17,034

Balance Sheet	FY26A	FY27E	FY28E	FY29E
Cash and cash equivalents	260,246	353,613	508,998	693,513
Accounts receivable	168,275	186,131	217,324	260,093
Inventories	-	-	-	-
Other current assets	326,387	326,387	326,387	326,387
Current assets	**754,908**	**866,131**	**1,052,709**	**1,279,993**
PP&E	285,889	368,131	453,579	559,007
LT investments	-	-	-	-
Other non current assets	916,825	906,875	896,391	885,130
Total assets	**1,957,622**	**2,141,137**	**2,402,679**	**2,724,131**
Short term borrowings	22,562	22,562	22,562	22,562
Payables	354,489	391,405	454,202	540,194
Other short term liabilities	93,277	94,544	96,758	99,793
Current liabilities	**470,328**	**508,511**	**573,522**	**662,549**
Long-term debt	208,141	208,141	208,141	208,141
Other long term liabilities	70,634	70,634	70,634	70,634
Total liabilities	**749,103**	**787,286**	**852,297**	**941,324**
Shareholders' equity	1,139,984	1,285,316	1,481,847	1,714,272
Minority interests	68,535	68,535	68,535	68,535
Total liabilities & equity	**1,957,622**	**2,141,137**	**2,402,679**	**2,724,131**
BVPS	**61.40**	**71.66**	**86.88**	**104.65**
y/y Growth	*12.9%*	*16.7%*	*21.2%*	*20.4%*
Net debt/(cash)	(237,684)	(331,051)	(486,436)	(670,951)

Cash Flow Statement	FY26A	FY27E	FY28E	FY29E
Cash flow from operating activities	**240,132**	**220,705**	**290,654**	**346,109**
o/w Depreciation & amortization	52,836	55,046	60,305	67,426
o/w Changes in working capital	68,882	20,326	33,818	46,258
Cash flow from investing activities	**(125,373)**	**(127,338)**	**(135,269)**	**(161,594)**
o/w Capital expenditure	(122,840)	(124,553)	(132,205)	(158,223)
as % of sales	*12.0%*	*11.0%*	*10.0%*	*10.0%*
Cash flow from financing activities	**0**	**0**	**0**	**0**
o/w Dividends paid	-	-	-	-
o/w Shares issued/(repurchased)	0	0	0	0
o/w Net debt issued/(repaid)	0	0	0	0
Net change in cash	**114,759**	**93,367**	**155,385**	**184,515**
Adj. Free cash flow to firm	**32,712**	**(7,711)**	**44,022**	**88,638**
y/y Growth	*(61.4%)*	*(123.6%)*	*(670.9%)*	*101.3%*

Ratio Analysis	FY26A	FY27E	FY28E	FY29E
Gross margin	39.8%	39.9%	40.3%	40.7%
EBITDA margin	11.1%	14.7%	17.9%	18.1%
EBIT margin	7.5%	10.9%	14.3%	14.7%
Net profit margin	5.9%	12.4%	14.6%	14.5%
ROE	5.6%	11.6%	13.9%	14.3%
ROA	3.2%	6.9%	8.5%	8.9%
ROCE	4.7%	5.8%	7.9%	8.6%
SG&A/Sales	27.2%	24.2%	21.5%	21.4%
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
Sales/Assets (x)	0.5	0.6	0.6	0.6
Assets/Equity (x)	1.7	1.7	1.6	1.6
Interest cover (x)	NM	NM	NM	NM
Operating leverage	(2136.0%)	584.1%	315.6%	117.5%
Tax rate	19.1%	32.5%	32.3%	32.3%
Revenue y/y Growth	2.6%	10.6%	16.8%	19.7%
EBITDA y/y Growth	(43.8%)	46.4%	42.1%	21.1%
EPS y/y Growth	(61.8%)	139.3%	43.9%	24.0%

Valuation	FY26A	FY27E	FY28E	FY29E
P/E (x)	29.5	12.3	8.6	6.9
P/BV (x)	1.5	1.3	1.1	0.9
EV/EBITDA (x)	12.4	6.8	4.1	2.7
Dividend Yield	-	-	-	-

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Mar. o/w - out of which