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IDEA

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Alibaba Group Holding | Asia Pacific

Bar Was High, but Checking 10 Boxes

BABA suggests mid-teens ROIC and <3-yr payback (better than MSe). Management offers bullish outlook with cloud rev +50% YoY (then further accelerates in 3Q-4Q), cloud margin to expand QoQ, and e-ecom CMR/EBITA improve QoQ. Raising non-GAAP EPS, Top Pick.

Key Takeaways

- AI capex yields ROIC of "mid-teens" with <3-year payback (better than MSe), and further improving.
- Beginning of earnings upgrade cycle, we raise F2027e EBITA by 10%
- F2Q total rev +8% YoY, EBITA Rmb25bn. CMR -6% YoY (LFL +2%); E-com ex-QC EBITA flat YoY (QC loss Rmb9bn); Cloud +50% with improving margin QoQ.

Expectations were elevated ahead of results, with broad-based weakness seen across sector post-results so far. However, we see BABA checking all 10 boxes that investors were looking for:

- **Higher-than-MSe ROIC:** Management indicated mid-teens ROIC on AI infrastructure investments, above MSe's 13% base case, with <3-year payback, potentially shortening to 2–2.5 years as margins improve and proprietary chip deployment increases. With a 5-year server useful life, this implies ~2 years of positive FCF after payback. Cash flow should remain positive even after full depreciation, as A100s purchased in 2020 and V100s in 2018 remain fully utilized.
- **Cloud revenue growth +50% YoY in 2Q, and accelerates in 3Q-4Q:** Driven by robust AI demand across compute, storage, MaaS and AI applications. AI-related revenue maintained triple-digit growth, reaching RMB12.4bn in 1Q (35% of cloud), equivalent to US$7.3bn annualized, and BABA expects it to approach a US$10bn annualized run-rate in 2Q. Management also reiterated its US$100bn cloud revenue target by 2030, but said it could be reached earlier.
- **Cloud margin to continue expanding QoQ:** Cloud margin expanded to 11.6% in 1Q, and management guides for steadily QoQ improvement in coming quarters, driven by higher-margin MaaS mix and continued exit from lower-margin businesses. BABA sees better visibility to achieve its long-term margin target of 20%, potentially earlier than expected. (continued on p2)

MORGAN STANLEY ASIA LIMITED+
Gary Yu
Equity Analyst
Gary.Yu@morganstanley.com +852 2848-6918
Joanne Lau
Research Associate
Joanne.CY.Lau@morganstanley.com +852 3963-1592
Eddy Wang, CFA
Equity Analyst
Eddy.Wang@morganstanley.com +852 2239-7339

Alibaba Group Holding (BABA.N, BABA UN)
Top Pick

China Internet and Other Services | China

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	US$180.00
Up/downside to price target (%)	38
Shr price, close (Aug 20, 2026)	US$130.53
52-Week Range	US$192.67-92.87
Sh out, dil, curr (mn)	2,475
Mkt cap, curr (mn)	US$323,079
EV, curr (mn)	US$228,116
Avg daily trading value (mn)	US$293

Fiscal Year Ending	03/26	03/27e	03/28e	03/29e
EPS (Rmb)**	44.00	28.76	44.61	63.66
Prior EPS (Rmb)**	-	30.3	45.3	63.2
Revenue, net (Rmb bn)	1,024	1,113	1,227	1,354
Net income (Rmb bn)**	106	73	111	158
P/E**	19.7	30.5	19.7	13.8
EV/EBITDA	16.1	10.4	6.4	4.5
EV/revenue*	1.9	1.9	1.8	1.6
P/BV	2.0	1.9	1.8	1.6

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
* = GAAP or approximated based on GAAP
e = Morgan Stanley Research estimates

1QF27 Earnings Review

- **MaaS ARR at RMB16bn+ as of August:** This has doubled from Rmb8bn in May, and management now expects to exceed RMB30bn by year-end. While most current ARR comes from Qwen, hosting a broad range of 3P models on Bailian should increase platform adoption, with similar gross margins for 1P and 3P models.
- **T-Head is critical to BABA's full AI stack:** BABA has manufactured and shipped >500k T-Head chips. Next-generation chips will begin development in 2H26, targeting substantially higher compute performance and interconnect bandwidth. T-Head should lower hardware costs, improve cloud gross margins and potentially shorten AI capex payback periods. BABA sees T-Head as among top 2 local chips suppliers in China.
- **CMR / E-com EBITA (ex-QC) to improve QoQ:** This should ease market concerns around macro weakness. We estimate LFL CMR growth of +2% (vs. +1% in 1Q), in line with industry data. Ecom EBITA ex-QC should remain broadly stable YoY.
- **QC losses to continue narrowing QoQ:** We estimate QC losses of RMB10bn in 1Q and expect this to narrow to Rmb9bn in 2Q despite peak summer season, driven by volume growth and continued UE improvement. Management reiterated its F2029 profitability target and expects QC to contribute 30% of platform GMV longer term.
- **AI labs & apps losses to peak in 1Q:** The RMB13.8bn loss related to model training should peak in 1Q (<50% related to model training). We estimate losses narrowing to RMB12bn in 2Q and remaining broadly stable thereafter.
- **Annual capex <RMB270bn (annualizing 1Q):** Management reiterated that this quarter's RMB68bn capex should not be annualized due to seasonality in GPU deliveries. RMB190bn cumulative spend against the RMB380bn three-year plan. We expect FY27 capex of RMB250bn.
- **FCF positive in FY29:** While negative FCF widened further in 1Q due to higher AI investments, we expect FCF to turn positive in FY29, supported by the ~3-year AI infrastructure payback period and investment being most heavily front-loaded over these two years. BABA is also getting customer prepayment to fund capex payment.

Reiterate OW (Top Pick); Maintain PT at US$180: We raise our adjusted EBITA by 10% in F27 to reflect higher cloud contributions, narrower AI labs/apps loss (previously All others), and stable e-comm with QC savings. Our DCF-derived PT implies 17x F29e P/E.

- **Key Results takeaways:**
- Total revenues +9% YoY, in line. CMR -7% (+1% LFL), in line.
- Cloud revenue +45% (external revenue +45%, in line). AI Lab revenue was Rmb3.3bn.
- Adj. EBITA was Rmb27.3bn, -30% YoY, beat MSe by 5%. Clou (+4.4 ppt YoY)%, in line; AI labs and apps adj. EBITA loss of R
- Capex was Rmb68bn (vs. Rmb27bn in 4Q), annualizing Rmb2

- Repurchased 1.7 million ADSs for US$162 million.

Published in: Alibaba Group Holding: 1QF27: Cloud & CMR In-line; Capex Hike as Expected (20 Aug 2026)

Exhibit 1: Summary of 1QF27 results

Alibaba Group YE Mar RMB mn	Jun-25 1Q26 Actual	Jun-26 1Q27 Actual	YoY %	1Q27e Mse	Diff %	1Q27 Consensus	Diff %
Revenue	247,652	268,953	8.6%	**269,045**	**0.0%**	**269,075**	**0.0%**
Income from operations	34,988	15,161	-56.7%	22,281	-32.0%	20,592	-26.4%
Adjusted EBITA	38,844	27,329	-29.6%	**26,099**	**4.7%**	**25,588**	**6.8%**
Non-GAAP net profit	33,510	20,715	-38.2%	**24,148**	**-14.2%**	**25,245**	**-17.9%**
Adj. EBITA margin	15.7%	10.2%	-5.5 ppts	9.7%	**0.5 ppts**	9.5%	**0.7 ppts**
Non-GAAP net profit margin	13.5%	7.7%	-5.8 ppts	9.0%	-1.3 ppts	9.4%	-1.7 ppts
By Segment	**1Q26**	**1Q27**	**YoY**	**1Q27e**	**Diff**	**1Q27**	**Diff**
Revenue							
Total Alibaba E-commerce Group	198,812	205,862	3.5%				
Alibaba China E-commerce Group	120,874	110,900	-8.3%				
Customer management (CMR)	89,199	82,547	-7.5%	83,004	-0.6%	85,737	-3.7%
Quick commerce	36,725	53,295	45.1%				
International E-commerce	28,177	27,761	-1.5%		n.a.		
Global Wholesale	13,036	13,906	6.7%				
AI Cloud and Compute Services	33,418	48,437	44.9%	48,427	0.0%	47,815	1.3%
AI Labs and Applications	2,882	3,338	15.8%				
All others	28,629	28,803	0.6%				
Unallocated	519	783	50.9%				
Inter-segment elimination	(16,608)	(18,270)					
Consolidated revenue	**247,652**	**268,953**	**8.6%**	**269,045**	0.0%	**269,075**	**0.0%**
Adjusted EBITA							
Alibaba E-commerce Group	39,988	39,749	-0.6%				
AI Cloud and Compute Services	2,419	5,628	132.7%	5,628		5,300	6.2%
AI Labs and Applications	(3,224)	(13,861)					
All others	687	(3,343)					
Unallocated	(419)	(163)				(750)	
Inter-segment elimination	(607)	(681)				(601)	
Consolidated adjusted EBITA	**38,844**	**27,329**	**-29.6%**	**26,099**	**4.7%**	**25,588**	**6.8%**
Adjusted EBITA margin							
Alibaba E-commerce Group	20.1%	19.3%	-0.8 ppts				
AI Cloud and Compute Services	7.2%	11.6%	4.4 ppts	11.6%	**-0.0 ppts**	1.6%	10.0 ppts
AI Labs and Applications	NA	NA					
All others	2.4%	-11.6%	-14.0 ppts				
Consolidated adjusted EBITA margin	**15.7%**	**10.2%**	**-5.5 ppts**	**9.7%**	**0.5 ppts**	**9.5%**	**0.7 ppts**

Source: Company data, VisibleAlpha consensus, Morgan Stanley Research (E) estimates.

Estimate Changes

Exhibit 2: Estimate changes

Years Ending December 31 Rmb mn	New 2027E	2028E	2029E	Old 2027E	2028E	2029E	Change 2027E	2028E	2029E
Revenue	1,112,674	1,227,102	1,353,539	1,124,656	1,239,461	1,366,835	-1.1%	-1.0%	-1.0%
Net income attributable to Alibaba Group Holding	73,193	110,520	157,671	75,018	112,322	156,539	-2.4%	-1.6%	0.7%
Adjusted EBITA	105,091	143,241	198,024	95,184	142,744	197,398	10.4%	0.3%	0.3%
Adjusted EBITDA	173,635	266,319	356,999	154,006	230,628	307,550	12.7%	15.5%	16.1%
Adjusted Net Profit	92,584	122,696	170,075	89,038	126,823	171,460	4.0%	-3.3%	-0.8%
Adjusted NP to Ordinary shareholders	95,604	124,761	172,170	89,412	126,828	171,411	6.9%	-1.6%	0.4%
GAAP EPS for consensus (Rmb)	28.76	44.61	63.66	30.27	45.34	63.20	-5.0%	-1.6%	0.7%
Non-GAAP Diluted EPS (Rmb)	37.82	50.37	69.52	36.08	51.20	69.21	4.8%	-1.6%	0.4%
yoy %									
Revenue	8.7%	10.3%	10.3%	9.9%	10.2%	10.3%	-1.2 ppts	0.1 ppts	0.0 ppts
Adjusted EBITA	2.5%	8.7%	16.7%	-0.6%	11.0%	16.7%	3.2 ppts	-2.3 ppts	-0.0 ppts
Adjusted NP to Ordinary shareholders	48.1%	30.5%	38.0%	38.5%	41.8%	35.2%	9.6 ppts	-11.3 ppts	2.8 ppts

Source: Morgan Stanley Research estimates.

We raise our adjusted EBITA by 10% and non-GAAP EPS by 5% in F27 to reflect higher cloud contributions, narrower AI labs/apps loss (previously All others), and stable e-comm with QC savings (GAAP EPS was lowered because of impairment/provision in 1Q). Our DCF-derived PT implies 17x F29e P/E.

Valuation Methodology

Our DCF-derived PT is unchanged at US$180

DCF is our primary valuation methodology. We think this is a prudent approach to capture the company's long-term earnings and overall cash flow outlook. Our key DCF assumptions – WACC of 10% and terminal growth rate of 3% – are unchanged.

Exhibit 3: DCF matrix – unlevered free cash flow

Years Ending March 31	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Rmb mn			Scenario	0									
DCF													
Adjusted EBITA (non-GAAP; incl. SBC)	146,482	159,095	65,236	93,121	130,590	184,676	227,068	266,112	289,250	312,429	335,732	359,375	383,539
D&A	22,912	36,123	42,039	75,121	129,664	165,627	195,865	220,764	239,823	254,728	266,886	277,901	288,113
Capex	(32,929)	(85,972)	(126,937)	(250,352)	(257,691)	(270,708)	(279,750)	(281,771)	(284,531)	(288,593)	(296,055)	(303,700)	(311,576)
Taxes	(23,680)	(31,306)	(22,804)	(20,487)	(26,118)	(33,242)	(40,872)	(47,900)	(52,065)	(56,237)	(60,432)	(64,687)	(69,037)
Licensed copyrights	(9,054)	(5,912)	(6,403)	(6,435)	(6,596)	(6,728)	(6,829)	(6,897)	(6,966)	(7,036)	(7,106)	(7,177)	(7,249)
Non-controlling interests	8,409	3,494	3,777	400	400	400	400	400	400	400	400	400	400
Working capital	(4,695)	(18,076)	(16,144)	(5,756)	(6,608)	(12,594)	(9,886)	(12,431)	(7,706)	(7,779)	(7,895)	(8,050)	(8,266)
Unlevered FCF (FCFF)	**107,445**	**57,446**	**(61,236)**	**(114,387)**	**(36,359)**	**27,433**	**85,996**	**138,278**	**178,205**	**207,912**	**231,531**	**254,062**	**275,925**
% YoY	-11.3%	-46.5%	-206.6%	86.8%	-68.2%	-175.4%	213.5%	60.8%	28.9%	16.7%	11.4%	9.7%	8.6%
% of revenue	11.4%	5.8%	-6.0%	-10.3%	-3.0%	2.0%	5.8%	8.8%	10.8%	11.9%	12.5%	13.0%	13.3%
WACC				**10.0%**									
TGR				**3.0%**									

Source: Company data, Morgan Stanley Research (E) estimates.

Financial Summary

Exhibit 4: Financial summary

INCOME STATEMENT

Years Ending December 31 Rmb mn	2024	2025	2026	2027E	2028E	2029E
Total revenue	**941,168**	**996,347**	**1,023,670**	**1,112,674**	**1,227,102**	**1,353,539**
Cost of revenue	586,323	598,285	616,136	694,429	772,528	822,914
Gross profit	**354,845**	**398,062**	**407,534**	**418,245**	**454,575**	**530,625**
S&M expenses	115,141	144,021	245,023	201,643	185,505	191,014
R&D expenses	52,256	57,151	66,533	86,081	97,114	109,525
G&A expenses	40,966	38,556	32,590	37,688	41,366	45,410
Total Operating expenses	**241,495**	**257,918**	**359,232**	**336,634**	**326,129**	**347,664**
Income/(loss) from operations (GA	**191,668**	**202,325**	**113,483**	**173,635**	**266,319**	**356,999**
Adjusted EBITA	**165,028**	**173,065**	**76,416**	**105,091**	**143,241**	**198,024**
Adjusted EBITDA	**191,668**	**202,325**	**113,483**	**173,635**	**266,319**	**356,999**
Non-operating items	(11,754)	14,550	79,237	14,072	5,304	3,932
Profit before tax	101,596	155,455	129,387	95,972	133,750	186,893
Net Profit (GAAP)	**79,741**	**129,470**	**105,904**	**73,193**	**110,520**	**157,671**
Net Profit (non-GAAP)	**158,587**	**158,005**	**64,539**	**95,604**	**124,761**	**172,170**
GAAP EPS for consensus (Rmb)	**31.24**	**53.59**	**44.00**	**28.76**	**44.61**	**63.66**
Diluted EPS (Rmb)	**62.23**	**65.41**	**26.80**	**37.82**	**50.37**	**69.52**
Diluted EPS (US$)	**8.76**	**9.16**	**3.78**	**5.53**	**7.45**	**10.30**

KPI & FINANCIAL RATIOS

Years Ending December 31	2024	2025	2026	2027E	2028E	2029E
China GMV (Rmb bn)	7,626	7,984	8,160	8,241	8,406	8,658
% Growth	4.5%	4.7%	2.2%	1.0%	2.0%	3.0%
Customer Management Revenue (R	304,009	326,769	343,867	-	-	-
% Growth	4.3%	7.5%	5.2%	-100.0%	#DIV/0!	#DIV/0!
Monetization rate	**3.99%**	**4.09%**	**4.21%**	**0.00%**	**0.00%**	**0.00%**
Net Cash (Rmb mn)	366,429	260,828	144,680	105,473	126,831	198,380
Dividend yield	1.4%	1.6%	0.8%	0.9%	1.0%	1.5%
FCF yield	**7.2%**	**3.4%**	**-2.1%**	**-4.4%**	**-0.7%**	**2.2%**
P/B	197.0%	201.3%	194.1%	183.1%	168.4%	151.1%
ROE (non-GAAP)	14.3%	14.5%	5.9%	8.3%	10.1%	12.6%
ROIC	**10.9%**	**10.8%**	**3.7%**	**5.8%**	**7.7%**	**10.0%**

BALANCE SHEET

Years Ending December 31 Rmb mn	2024	2025	2026	2027E	2028E	2029E
Cash and cash equivalents	248,125	145,487	131,530	65,382	26,175	47,533
Restricted cash and escow receivables	38,299	43,781	42,038	42,038	42,038	42,038
Short-term investments	262,955	228,826	155,310	105,310	105,310	105,310
Equity securities and other investments	59,949	53,780	30,054	30,054	30,054	30,054
Prepayments, receivables and other assets	143,536	202,175	251,837	276,471	307,952	343,079
Current assets	**752,864**	**674,049**	**610,769**	**519,254**	**511,529**	**568,014**
PP&E	185,161	203,348	282,699	463,269	598,388	711,895
Intangible assets	26,950	20,911	16,983	14,161	12,027	10,387
Goodwill	259,679	255,501	247,378	242,920	242,920	242,920
Equity securities and other investments	220,942	356,818	449,942	449,942	449,942	449,942
Investments in equity method investees	203,131	210,169	206,803	210,108	213,968	218,439
Prepayments, receivables and other assets	116,102	83,431	94,996	104,494	114,735	124,782
Non-current assets	**1,011,965**	**1,130,178**	**1,298,801**	**1,484,893**	**1,631,979**	**1,758,365**
Total assets	**1,764,829**	**1,804,227**	**1,909,570**	**2,004,147**	**2,143,508**	**2,326,379**
Short-term debts	29,001	22,562	28,224	28,224	28,224	28,224
Accrued expenses, accounts payables and ot	297,883	332,537	359,893	378,356	402,814	425,149
Other current liabilities	94,623	80,247	88,281	95,032	103,712	113,303
Current liabilities	**421,507**	**435,346**	**476,398**	**501,613**	**534,751**	**566,677**
Long-term debts	141,775	208,141	231,772	231,772	231,772	231,772
Other liabilities	88,948	70,634	75,130	77,052	79,535	81,964
Non-current liabilities	**230,723**	**278,775**	**306,902**	**308,824**	**311,307**	**313,736**
Total liabilities	**652,230**	**714,121**	**783,300**	**810,437**	**846,057**	**880,413**
Non-controlling interests	115,327	68,535	57,539	56,839	56,139	55,439
Additional paid-in capital	397,999	381,379	385,086	385,086	385,086	385,086
Accumulated other comprehensive income/(lo	3,598	3,393	(13,070)	(1,100)	11,551	24,899
Retained earnings	597,897	645,478	708,382	764,252	855,742	991,309
Total shareholders' equity	986,544	1,009,858	1,060,886	1,128,726	1,232,867	1,381,782
Total equity	**1,101,871**	**1,078,393**	**1,118,425**	**1,185,565**	**1,289,006**	**1,437,221**
Total liabilities, mezzanine equity and equi	**1,764,829**	**1,804,227**	**1,909,570**	**2,004,147**	**2,143,508**	**2,326,379**

CASH FLOW STATEMENT

Years Ending December 31 Rmb mn	2024	2025	2026	2027E	2028E	2029E
Net income	71,332	125,976	102,127	72,793	110,120	157,271
Depreciation (PP&E) and operating lease (lan	26,640	29,260	37,067	68,544	123,078	158,975
Amortization (intangible assets and licensed c	17,864	13,199	10,051	9,257	8,730	8,367
Other non-cash adjustments	80,506	19,062	(50,485)	13,123	8,791	8,877
Changes in working capital	(13,749)	(23,988)	(22,547)	(12,191)	(13,203)	(19,321)
Operating cash flow	**182,593**	**163,509**	**76,213**	**151,527**	**237,516**	**314,169**
Acquisition of PP&E and land use rights	(32,087)	(85,972)	(126,063)	(250,352)	(257,691)	(270,708)
Investing cash flow	**(21,824)**	**(185,415)**	**(67,336)**	**(200,352)**	**(257,691)**	**(270,708)**
Issuance/repurchase of ordinary shares	(87,902)	(86,652)	(17,968)	-	-	-
Dividends paid	(17,946)	(29,077)	(33,732)	(17,323)	(19,030)	(22,104)
Financing cash flow	**(108,244)**	**(76,215)**	**(20,573)**	**(17,323)**	**(19,030)**	**(22,104)**
Net change in cash	**56,914**	**(97,156)**	**(15,700)**	**(66,148)**	**(39,206)**	**21,357**
Beginning cash balance	229,510	286,424	189,268	173,568	107,420	68,213
Ending cash balance	286,424	189,268	173,568	107,420	68,213	89,571

Source: Company data, Morgan Stanley Research (E) estimates.

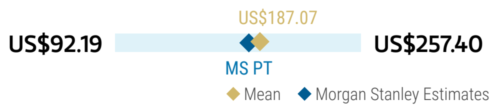
Risk Reward – Alibaba Group Holding (BABA.N) Top Pick

Core business reacceleration and cloud growth driven by GenAI adoption; OW

PRICE TARGET US$180.00

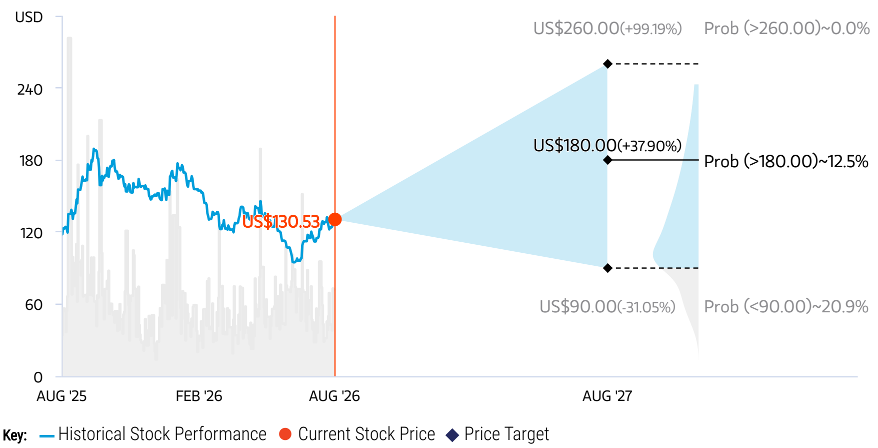
Base case, discounted cash flow model. Key assumptions include a 10% WACC and 3% terminal growth rate, in line with our Chinese Internet coverage range.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)

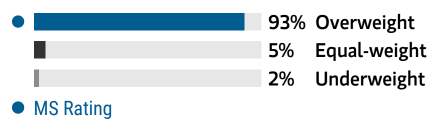


Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 20 Aug 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

- We expect Alibaba, having the largest cloud infrastructure in China, to win share in the current evolutionary AI cycle in China.
- We see fundamental business reacceleration with improvement in monetization.
- The online regulatory environment appears to be easing; we view Alibaba as a key beneficiary as a China proxy.
- The potential spinoff of the proprietary chip business, T-Head, could unlock value.
- Our price target implies a target F28e non-GAAP P/E of 23x.
- Strong cash flow-generating capabilities, dividends, and continued share buybacks could provide downside support.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth:	*Positive*
Self-help:	*Positive*
Technology Diffusion:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE US$260.00

27x bull case non-GAAP F2028e EPS

Total revenue CAGR of 11% over F26-31e

Total adjusted EBITA CAGR of 39% over F26-31e

20% discount on net cash

BASE CASE US$180.00

23x base case non-GAAP F2028e EPS

Total revenue CAGR of 9% over F26-31e

Total adjusted EBITA CAGR of 30% over F26-31e

30% discount on net cash

BEAR CASE US$90.00

19x bear case non-GAAP F2028e EPS

Total revenue CAGR of 6% over F26-31e

Total adjusted EBITA CAGR of 16% over F26-31e

50% discount on net cash

Risk Reward – Alibaba Group Holding (BABA.N)

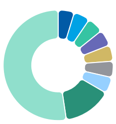
KEY EARNINGS INPUTS

Drivers	Mar 2026	Mar 2027e	Mar 2028e	Mar 2029e
China retail marketplaces GMV (Rmb, mn)	8,160	8,241	8,406	8,658
Take rate (%)	4.2	0.0	0.0	0.0

INVESTMENT DRIVERS

- Revenue growth, especially in core e-commerce in China
- Monetization rate (i.e., Alibaba's Chinese retail marketplace revenue/GMV)
- Non-GAAP EBITA margins

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

RISKS TO PT/RATING

RISKS TO UPSIDE

- Better core e-commerce monetization, driving earnings growth upside
- Faster enterprise digitalization, re-accelerating cloud revenue growth
- Stronger AI demand to drive cloud revenue

RISKS TO DOWNSIDE

- More intense competition
- Higher-than-expected reinvestment costs
- Weaker consumption amid a slower post-Covid recovery
- Slower pace of enterprise digitalization pace
- Regulation - additional scrutiny of Internet platforms

OWNERSHIP POSITIONING

Inst. Owners, % Active	80.3%
HF Sector Long/Short Ratio	1.7x
HF Sector Net Exposure	10.6%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Mar 2027e

	Low	Morgan Stanley Estimates	Mean	High
Sales / Revenue (Rmb, mn)	1,064,603.0	1,112,674.3	1,124,517.9	1,158,000.0
EBITDA (Rmb, mn)	112,412.1	156,140	157,879.1	212,479.1
Net income (Rmb, mn)		73,193	107,203.5	154,953.0
EPS (Rmb)		28.8	44.2	64.3

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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(as of July 31, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1529	42%	442	47%	29%	750	43%
Equal-weight/Hold	1582	43%	396	42%	25%	773	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	560	15%	97	10%	17%	217	12%
Total	3,674		936			1741	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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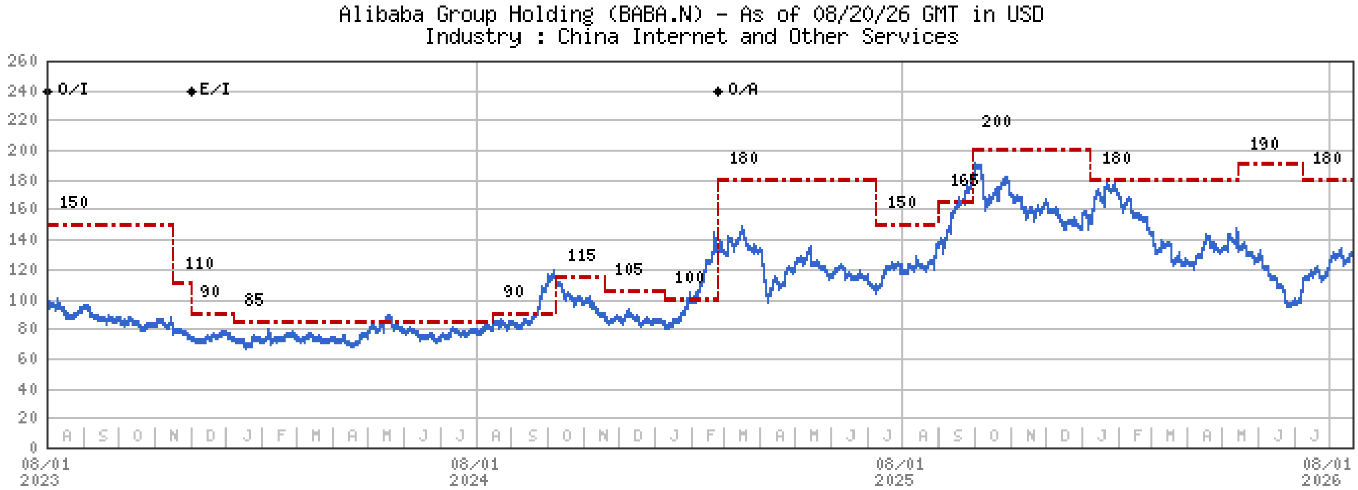
Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 8/1/21 : O/A; 9/20/21 : O/I; 12/1/23 : E/I; 2/24/25 : O/A

Price Target History: 7/6/21 : 270; 9/20/21 : 220; 11/19/21 : 180; 1/8/22 : 165; 2/25/22 : 145; 3/21/22 : 140; 9/29/22 : 110; 10/28/22 : 90; 11/18/22 : 100; 1/9/23 : 150; 11/17/23 : 110; 12/1/23 : 90; 1/8/24 : 85; 8/16/24 : 90; 10/9/24 : 115; 11/18/24 : 105; 1/9/25 : 100; 2/24/25 : 180; 7/9/25 : 150; 9/1/25 : 165; 9/29/25 : 200; 1/8/26 : 180; 5/14/26 : 190; 7/8/26 : 180

Source: Morgan Stanley Research   Date Format : MM/DD/YY   Price Target   No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst)   Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Autohome Inc (ATHM.N)	E (02/09/2023)	US$22.12
Full Truck Alliance Co. Ltd (YMM.N)	O (07/05/2023)	US$8.62
JD.com, Inc. (JD.O)	U (11/10/2025)	US$29.41
Kanzhun Ltd (BZ.O)	O (08/04/2021)	US$15.78
KE Holdings Inc (BEKE.N)	O (03/16/2022)	US$16.99
PDD Holdings Inc (PDD.O)	O (03/02/2023)	US$89.52
Vipshop Holdings Ltd (VIPS.N)	E (02/24/2022)	US$14.30
Gary Yu		
Alibaba Group Holding (BABA.N)	O (02/24/2025)	US$130.53
Baidu Inc (BIDU.O)	U (08/19/2026)	US$91.97
Meituan (3690.HK)	O (08/29/2024)	HK$85.85
Tencent Holdings Ltd. (0700.HK)	O (03/19/2020)	HK$451.40
Rebecca Xu		
HUYA Inc (HUYA.N)	E (05/16/2024)	US$2.17
IQIYI Inc (IQ.O)	E (01/19/2023)	US$1.03
JOYY Inc. (JOYY.O)	E (06/02/2022)	US$73.77
Weibo Corp (WB.O)	U (05/17/2024)	US$7.19
Yang Liu		
Bilibili Inc (BILI.O)	O (04/13/2026)	US$16.66
Kuaishou Technology (1024.HK)	E (08/20/2026)	HK$33.64
NetEase, Inc (NTES.O)	O (01/08/2025)	US$119.81
Tongcheng Travel Holdings (0780.HK)	O (01/04/2019)	HK$13.35
Trip.com Group Ltd (TCOM.O)	O (05/17/2021)	US$46.43

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.