Alibaba Group (BABA): Asia Leaders Conference 2026 Takeaways: Accelerating cloud with high AI capex return visibility; Buy

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Bottom line: We hosted Alibaba's management and Investor Relations team at our GS Asia Leaders Conference in Hong Kong.

Key takeaways:

1) Rationale of recent fund raising and future funding sources for AI investments, where management reiterated confidence in translating AI investments into revenue growth and shareholder returns. Looking ahead, Alibaba continues to see multiple internal funding sources, including strong cash generation from its core eCommerce operations (c.US$25bn annually ex. quick commerce investments that is halving annually), an enlarging cloud business with accelerating revenue growth and margin expansion, as well as working capital efficiency gains (including customer prepayments offsetting company prepayments for leased compute).

2) AI capex outlook and payback trajectory, where the company commented one should not simply annualize June-quarter capex run rate given quarterly fluctuations in compute supply. The elevated investment intensity is attributed to reinforcing Alibaba Cloud's first-mover advantage, supported by its full-stack IaaS/PaaS/MaaS offering and large existing customer base, with the objective of expanding its leading position in China AI cloud market (at c.40% share currently). Alibaba further highlighted a clear 3-year payback trajectory on AI infra investments (that could shorten further), supported by strong demand visibility, accelerating cloud adoption and continued margin expansion.

3) Cloud growth drivers and margin expansion trend. Management highlighted full-stack AI players like Alibaba are most well-positioned, as the model layer landscape is becoming increasingly fragmented, while the company remains confident in achieving its Rmb30bn MaaS ARR target by FY27 and US$100bn external cloud revenue by calendar year 2030. The company aims to grow its overseas cloud revenue (10%-20% revenue contribution currently) especially in ASEAN, Middle East, LatAm by leveraging its high-quality service and cost advantages, and highlighted its diverse customer base across AI models, EVs, biotech, traditional manufacturing, and embodied AI. In terms of cloud margin, the

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company noted the earlier price increase impact will increasingly contribute to faster top-line growth/margin improvement in the coming quarters, and the increase of PPU contribution will also contribute to medium-to-longer-term margin expansion (with medium-term cloud margin target of 20% well on track).

4) AI model/application monetization. In addition to scaling towards larger parameters models, the company also aims to develop a full suite of models (coding, world models, video models, etc.) at full scale. The company noted its current priority is on To-B given the clear monetization path. To-C offerings (primarily Qwen app) are unlikely to turn profitable for the time being, yet have strategic value in the potential agentic commerce era.

Price Target Risks and Methodology - Alibaba Group

Valuation methodology: We are Buy rated on BABA/9988.HK, with SOTP-based 12-month target prices of US$186/HK$180 per ADS/sh (FY27E-based).

Key risks: (1) Lower-than-expected GMV growth due to macro/competition; (2) Slower-than-expected monetization in China retail; (3) Weaker-than-expected execution in key strategic investments; and (4) Cloud revenue growth deceleration.

BABA	12m Price Target: **$186.00**	Price: **$114.02**	Upside: **63.1%**
9988.HK	12m Price Target: **HK$180.00**	Price: **HK$114.20**	Upside: **57.6%**

Buy

Market cap: $273.7bn
Enterprise value: $280.5bn
3m ADTV: $1.5bn
China
China Ecommerce & Logistics
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	3/26	3/27E	3/28E	3/29E
Revenue (Rmb mn)	1,023,670.0	1,116,372.5	1,235,411.8	1,374,081.8
EBITDA (Rmb mn)	113,483.0	166,137.7	248,260.9	321,796.7
EPS (Rmb)	27.36	44.99	59.86	81.48
P/E (X)	36.5	17.0	12.8	9.4
P/B (X)	2.2	1.6	1.5	1.3
Dividend yield (%)	1.4	2.0	2.3	2.5
N debt/EBITDA (ex lease,X)	(1.1)	(0.1)	0.1	(0.0)
CROCI (%)	3.2	9.6	13.4	15.9
FCF yield (%)	(2.3)	(6.0)	(2.1)	2.7

	6/26	9/26E	12/26E	3/27E
EPS (Rmb)	8.52	10.65	14.96	10.85

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 31 Aug 2026 close.