Not for redistribution without written consent of Morgan Stanley

Morgan Stanley | RESEARCH

ASIA PACIFIC INSIGHT

*September 16, 2026 09:00 PM GMT*

## China Internet

# AI Advertising: From Attention to Outcomes

Our Sixth AlphaWise China Advertiser Survey shows that AI advertising shifts share before expanding TAM. AI should widen wallet-share dispersion and extend leading platforms deeper into commercial workflows, unlocking greater commerce upside. Key OWs: Alibaba, Tencent, Meituan; Key UWs: Baidu, Weibo.

AlphaWise α

## Key Takeaways

- As AI adoption deepens, money moves before the market expands. 72% of AI users reallocate existing ad budgets; 74% report more concentrated spending.
- AI widens rather than resets platform gaps. Douyin and Taobao/Tmall lead share gains; Tencent and Meituan benefit from integration and transaction loops.
- Gross identifiable AI monetization reaches Rmb291bn in 2030E; by 2040E, candidate-set ads reach Rmb319bn and commissions Rmb1.24tn.

**Two horizons: 2030 earnings bridge, 2040 mature state.** Through 2030, value should come mainly from yield gains, wallet reallocation and migration to higher-intent Search and Agent surfaces, with Rmb291bn of gross AI monetization. By 2040, as agentic workflows and closed-loop attribution mature, we estimate Rmb319bn of AI-mediated ad revenue and Rmb1.24tn of AI-attributed commissions; net TAM growth should be lower after legacy cannibalization and partner sharing.

**Commercial control rather than model leadership alone determines value capture. AI reaches platform revenue through three paths.** *1) Predictive AI lifts yield on existing surfaces*, with greater wallet gains for platforms that translate better matching into higher advertiser ROI. *2) Candidate-set layer upgrade as activity shifts to higher-value Search and Agent surfaces* (e.g Weixin Search/ Kuaishou Search, upcoming WeChat AI Agent, and standalone AI). Standalone and embedded AI can control the entry point; content platforms can convert attention into intent; and transaction platforms can move upstream into discovery. *3) Transaction layer upgrade to Merchant OS*, unlocking commissions and recurring merchant-workflow revenue, favoring platforms with checkout and outcome data.

**AI amplifies, rather than resets, platform advantage.** Douyin and Taobao/Tmall are the clearest structural share gainers; WeChat has meaningful protection and integration upside; Meituan benefits from transaction-loop economics. Kuaishou and Baidu remain recoverable, while Weibo, iQIYI and weak-context legacy inventory face more structural pressure.

**Key OWs: BABA, Tencent, Meituan. Key UWs: Baidu, Weibo.**

MORGAN STANLEY ASIA LIMITED+

Rebecca Xu
Equity Analyst
Rebecca.Xu@morganstanley.com +852 2848-7359

Gary Yu
Equity Analyst
Gary.Yu@morganstanley.com +852 2848-6918

Kathy Zhu
Research Associate
Kathy.Zhu@morganstanley.com +852 3963-2618

Yang Liu
Equity Analyst
Yang.Liu@morganstanley.com +852 2239-1911

Eddy Wang, CFA
Equity Analyst
Eddy.Wang@morganstanley.com +852 2239-7339

Joanne Lau
Research Associate
Joanne.CY.Lau@morganstanley.com +852 3963-1592

Tom Tang
Equity Analyst
Tom.Tang@morganstanley.com +852 3963-1860

Lydia Lin
Equity Analyst
Lydia.Lin@morganstanley.com +852 2239-1572

**CHINA INTERNET AND OTHER SERVICES**

**Asia Pacific**
Industry View **Attractive**

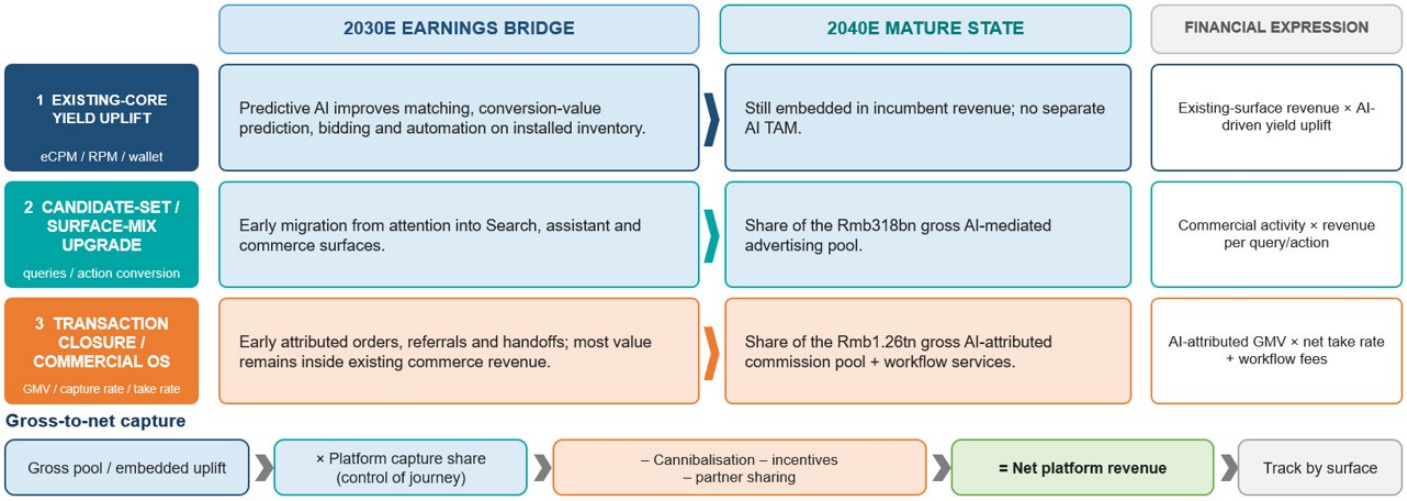
Morgan Stanley does and seeks to do business with companies covered in Morgan Stanley Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of Morgan Stanley Research. Investors should consider Morgan Stanley Research as only a single factor in making their investment decision.

**For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.**

+= Analysts employed by non-U.S. affiliates are not registered with FINRA, may not be associated persons of the member and may not be subject to FINRA restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

# Key Charts

**Exhibit 1:** AI monetization has three routes across two horizons



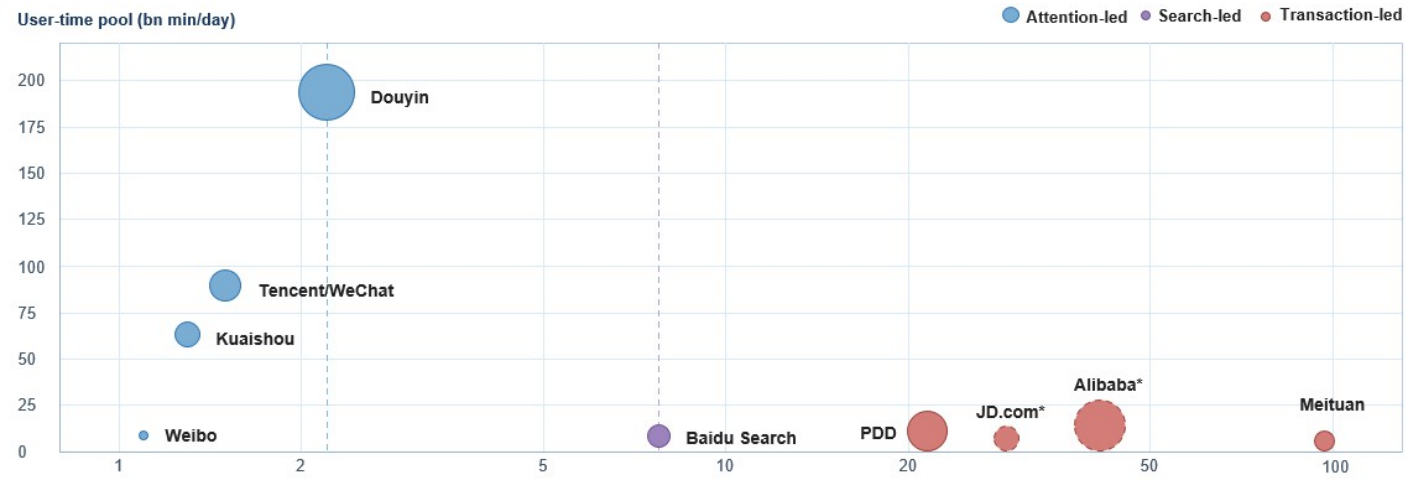

Source: Morgan Stanley Research

**Exhibit 2:** AI intent monetization TAM - from candidate-set advertising to transaction closure

| Monetization layer | 2030E (Rmb bn) | 2040E (Rmb bn) | What the merchant pays for |
|---|---|---|---|
| **Candidate-set advertising** | 10 | 319 | new commercial inventory in AI Search and agentic interfaces |
| **AI-attributed transaction commissions** | 281 | 1,241 | transaction commissions where AI influence can be connected to closed-loop gross merchandise value (GMV) |
| **Total AI intent monetization** | 291 | 1,560 | Advertising plus commissions; additive only when they are separate merchant payments. |

Source: Morgan Stanley Research

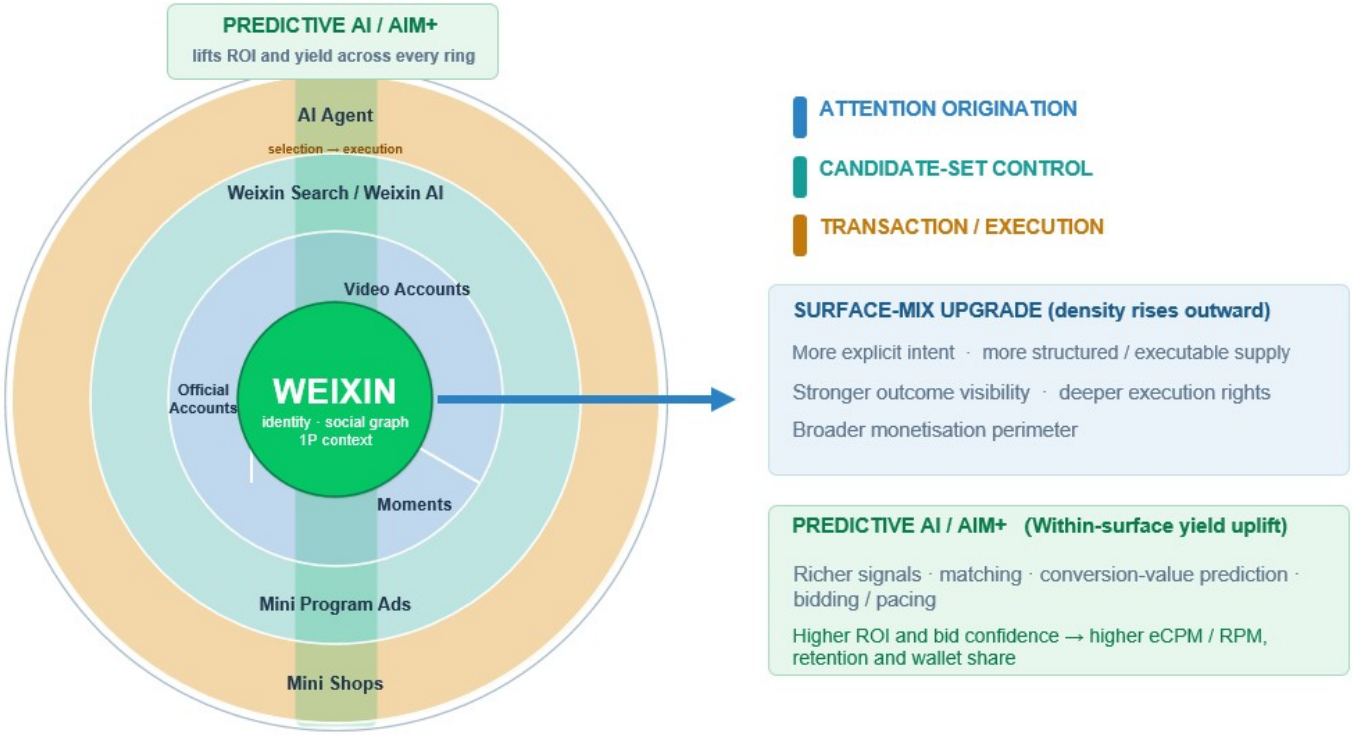
**Exhibit 3:** Monetization density rises with commercial intent and outcome visibility




Source: Company Data, Quest Mobile, Morgan Stanley Research

* We calculate 2025 advertising revenue divided by the annual DAU time pool for the marketing density. Where a platform's disclosed revenue scope includes commissions, we mark the bubble with a dashed outline.

**Exhibit 4:** Tencent has two reinforcing AI monetization levers




Source: Morgan Stanley Research

# Executive Summary

**This is the sixth edition of the China Advertiser Survey, conducted from May 18 to June 2, 2026, among 100 Chinese companies through online and telephone interviews.**

Previous surveys were conducted in June-July 2020 (150 companies), December 2021-January 2022 (175 companies), March 2023 (166 companies), April 2024 (102 companies) and February-March 2025 (102 companies)

## Where is AI adoption today – and how does it translate into platform revenue and TAM?

**Adoption is broad but remains concentrated in productivity and campaign execution.** In 2025, 74% of advertisers used AI for content generation and 62% for campaign management, while product-feed optimization and generative engine optimization (GEO) remained at only 9% and 5%. Creative AI delivers the first-order productivity gain, while predictive AI and campaign automation provide the clearer near-term platform-monetization path through better matching, conversion-value prediction, bidding and yield.

**Outcome-linked optimization is gaining traction; full closed-loop execution is the next scaling step.** 50% of advertisers report improved ROI and 46% better customer hand-offs. Further progress likely depends on connecting these point solutions through secure data, system integration and credible attribution.

**Through 2030, AI should lift incumbent-platform earnings mainly through embedded gains and budget reallocation.** Among AI users and intenders, 72% report no change to total advertising budget dollars but reallocation with the existing advertising budget and 74% report more concentrated cross-platform spending. We estimate Rmb291bn of gross AI-mediated TAM including advertising and AI-attributed commissions. This excludes predictive-AI yield and conversion gains on existing inventory, which remain embedded in incumbent-platform revenue, and should not be read as wholly net-new industry revenue.

**By 2040, agentic AI should become a mature monetization layer across both standalone agents and incumbent platforms.** As platforms embed agents across discovery, decision-making, and transaction execution, we estimate gross AI-mediated advertising revenue of Rmb319bn and gross AI-attributed transaction commissions of Rmb1.24tn. These are mature-state gross pools, not wholly net-new industry revenue; net expansion will be lower after legacy-revenue cannibalization, incentives and partner sharing. Accordingly, 2040 is a scenario anchor rather than a precise adoption date.

## Who captures the economics?

**Model quality is an input; value capture follows control of the commercial journey. Four linked control points matter: who originates demand, who determines the candidate set, who executes the transaction and who retains outcome data and write-back rights.** The attention originator creates or captures demand and monetizes primarily through brand and performance advertising, with potential referral economics. The candidate-set controller determines which products or merchants receive serious consideration and can monetize sponsored placement, leads, cost per acquisition, affiliate or referral economics. The transaction closer controls execution and observable outcomes, anchoring commission, payments and merchant-service revenue. These are roles rather than fixed platform categories; one ecosystem may span all three.

**Standalone AI** has an advantage at the entry point because it can aggregate cross-domain intent and shape the shortlist before users enter a content, Search, or commerce platform.

**Embedded AI** starts closer to monetization because it is already connected to proprietary content, advertiser demand, structured merchant supply, campaign tools, checkout and attribution. Integrated platforms can therefore capture more value per journey, while open agents may influence a broader set of journeys but retain less economics at each handoff.

**Over time, the question becomes less "AI agents versus existing platforms" and more how value is divided across an increasingly agentic commercial stack.** Horizontal agents can capture sponsored discovery, lead and referral economics when they control the candidate set; commerce and service platforms retain more commission, payment and merchant-service economics when they control inventory, checkout, fulfilment, attribution and outcome write-back. Incumbents that agentify both the consumer entry point and the execution loop should capture the highest value per journey.

**We expect the outcome to be shared, but closed-loop control raises the capture ceiling.** Our survey shows that 47% of advertisers believe AI-created value is shared across participants, while platforms are the largest single beneficiary at 37%.

**The durable beneficiaries should be those that control a recurring read–decide–execute–write-back loop.** Platforms retain an advantage in media execution, transactions, and outcome data, while independent software and agencies remain relevant in cross-platform orchestration, measurement, governance and integration.

**Exhibit 5:** AI value capture rises with control of the commercial journey

| Platform Starting Point<br>Representative Surfaces | Attention Control<br>Advertising | Candidate-Set Control<br>Sponsored Placement / Lead / Referral | Transaction Closure<br>Commission / Payment | Outcome Write-Back<br>Commercial OS / Merchant Services |
|---|---|---|---|---|
| **Standalone / horizontal AI**<br>**Doubao; Qwen app; Yuanbao; DeepSeek etc** | Entry<br>Broad, cross-domain intent | Core<br>Shapes the shortlist | Partner<br>APIs / merchant handoff | Limited<br>Without persistent outcome rights |
| **Attention-led platforms**<br>**Douyin / Kuaishou; WeChat / Video Accounts; etc** | Core<br>Owns the session | Build<br>Search / Agent | Selective<br>Native shop or handoff | Build<br>Transaction and CRM loop |
| **Search- / Agent-led incumbents**<br>**Baidu Search; Weixin Search; Taobao Search** | Intent entry<br>Explicit queries | Core<br>Retrieval and ranking | Build<br>Lead / CPA / checkout | Build<br>Attribution and outcome data |
| **Transaction-led platforms**<br>**Taobao / Tmall; Meituan; JD / PDD; etc** | Move upstream<br>Discovery | Build<br>AI comparison / recommendation | Core<br>Supply, checkout, fulfilment | Extend<br>Service, CRM and repurchase |

Source: Morgan Stanley Research

## Which platforms are best positioned?

AI should amplify, rather than reset, existing advantages. Our key OWs are Alibaba, Tencent and Meituan; our key UWs are Baidu and Weibo.

- Alibaba is the clearest transaction-led beneficiary because Taobao/Tmall combines discovery, structured supply, checkout, merchant relationships and observable outcomes.
- Tencent combines protected core advertising yield with upside from converting social and content attention into explicit intent through Search and Agents, and then linking that intent to Mini Programs, Mini Shops, payments and CRM.
- Meituan benefits from high-frequency local-service demand, transaction closure and measurable merchant outcomes.
- Baidu retains valuable intent and AI capabilities, but should demonstrate that AI-native monetization and conversion gains can outgrow legacy Search cannibalization.
- Weibo remains more structurally exposed because of weak intent and limited transaction closure.

**Exhibit 6:** Key takeaways on the main platforms

| Company | Rating | Survey key takeaway | Our qualitative view |
|---|---|---|---|
| **Alibaba** | **OW** | Taobao/Tmall's net spend score improved from -3 in 2024 to +55 in 2026; AI-tool users report c.10ppt higher perceived ROI. | Clearest transaction-led beneficiary: closed-loop outcome data supports CMR recovery and longer-term commission and merchant-workflow upside. |
| **Tencent** | **OW** | WeChat's 2026 net spend score is +26; 66% found Tencent's AI tools helpful and 72% plan to use them. | Core yield is protected; the larger upside depends on integrating AIM+, Search, Video Accounts, Mini Shops, payments and CRM. |
| **Meituan** | **OW** | Meituan's net spend score rose from +9 in 2024 to +55 in 2026, despite only 2% average AI-capability mindshare. | Transaction closure—not standalone AI mindshare—is the moat; AI adds medium-term ad, commission and merchant-service upside. |
| **Kuaishou** | **EW** | Kuaishou's net spend score fell from +15 in 2024 to -24 in 2026; live-commerce fell to 34% of short-video ad budgets from 43%. | AI gains are being competed away versus Douyin; weak core advertising and e-commerce offset Kling optionality. |
| **Baidu** | **UW** | Among respondents who used and found Baidu's AI tools helpful, 71% reported measurable ROI uplift; Baidu Search's spend balance was still -13. | We see efficacy-to-wallet gap, and AI-native monetization have to outgrow legacy Search cannibalization before the thesis improves. |
| **Weibo** | **UW** | Weibo's spend balance remained negative in all three survey waves and deteriorated to -39 in 2026. | Weak intent and limited outcome control make wallet loss structural; AI efficiency alone is unlikely to reset share. |

Source: AlphaWise, Morgan Stanley Research

# 1. How AI is changing advertising: from model capability to commercial control

### Key takeaways

**AI's control boundary is expanding from asset production to media decisioning, outcome optimization and commercial execution.** In 2025, 74% of advertisers used AI for content generation and 62% for campaign management, versus 53% for analytics, 33% for CRM, 17% for customer service, and single-digit adoption in product-feed optimization and AI discoverability.

**Model leadership alone does not determine value capture.** Advertisers continue to allocate budgets primarily on ROI, reach and targetability; AI matters when it improves these outcomes and expands platform control over commercial decisioning and measurable outcomes.

**The next transition is from point tools to outcome-linked workflows.** Advertisers already report benefits beyond creative productivity—including ROI, customer handoff, repeat purchase, and conversion—but data security, tool relevance, output reliability, and system integration continue to constrain end-to-end execution. And decision rights and outcome visibility set the capture ceiling.

**Model quality is a necessary input, but not the endpoint of platform monetization.** Advertisers still allocate budgets primarily on ROI, reach and targetability—cited by 86%, 61% and 51% of respondents, respectively—while general AI capabilities rank at only 5%.

**AI advertising is therefore better understood as an expanding control boundary than as a single model or product shift.**

## Platforms are expanding AI's control boundary across the advertising workflow

AI advertising is evolving through a series of connected layers rather than through a single product shift. Generative tools first lower the cost of producing and testing content. Campaign automation then applies predictive models across targeting, bidding, asset selection, budgets and pacing. Data-loop optimization connects media decisions with customer, product and transaction outcomes. At the broadest perimeter, a Commercial OS coordinates discovery, transaction handoff, customer service, retention, and repurchase.

Our sixth AlphaWise China Advertiser Survey suggests that adoption is concentrated primarily in the first two stages. Components of the data loop are beginning to emerge, while end-to-end commercial execution remains an early direction of travel rather than the current industry state.

The economic impact also changes by stage. Advertisers capture creative-productivity gains first. Platform monetization becomes more direct as AI gains decision rights over media spend and learns from measurable outcomes.

**Exhibit 7:** Platform monetization rises as AI moves from asset production to decision rights and outcome control

| Stage | Capability | Control boundary | Selected 2025 adoption | What AI controls/first-order value | Platform monetisation |
|---|---|---|---|---|---|
| Stage 1 | Creative efficiency | Asset production | 74% content generation | Asset creation and variation; lower production cost and more tests | Lower entry friction; larger asset pool |
| Stage 2 | Campaign automation | Media decisioning | 62% campaign management | Bids, budgets, placement and pacing; higher ROAS and consistency | More spend under automated decisioning |
| Stage 3 | Data-loop optimisation | Conversion and outcome data | 53% analytics; 33% CRM; 17% service | Conversion, attribution and customer follow-up; higher bid confidence | Higher ROAS and bid confidence if loops close |
| Stage 4 | Commercial OS | Transaction, service and repurchase | 9% product feed; 5% GEO | Candidate sets, live supply and transaction actions; lower purchase friction | Wider revenue perimeter if execution scales |

Source: AlphaWise, Morgan Stanley Research

## Stage 1: Creative efficiency – broad adoption, with advertisers capturing the first benefit

Generative AI marketing tools are scaling quickly because they reduce production time and cost, expand the number of assets that can be tested and require relatively limited system integration. In our AlphaWise survey, 74% of advertisers used AI for content generation in 2025, 73% plan to spend in this area in 2026 and 76% expect faster creative generation and greater asset variation to remain a major source of value over the next two to three years.

The immediate benefit is higher production efficiency. Platforms can also benefit indirectly if lower entry barriers broaden advertiser participation or if a larger creative pool improves matching, but creative adoption alone does not translate one-for-one into platform revenue.

## Stage 2: Campaign automation – a clearer near-term platform monetization path

Predictive AI improves retrieval, click and conversion prediction, and conversion-value estimation. Campaign automation applies these gains across targeting, bidding, budgets, asset selection, placement and pacing. Examples include Tencent's AIM+ and Kuaishou's UAX, two automated campaign-management tools.

In 2025, 62% of respondents used AI for campaign management; 57% plan to spend in this area in 2026. More importantly, 74% expect greater automation and less manual campaign operation to be a major source of AI-driven value over the next 2-3 years. Compared with creative generation, campaign automation has a clearer link to platform monetization because it brings a larger share of media spending under platform decisioning.

## Stage 3: Data-loop optimization – early adoption, but the basis for more durable differentiation

At this stage, AI connects to first-party data, product feeds, pricing, inventory, transaction data, customer relationship management (CRM), customer service and attribution. The objective shifts from improving a campaign metric to optimizing and learning from a business outcome, increasing the importance of attribution and write-back rights.

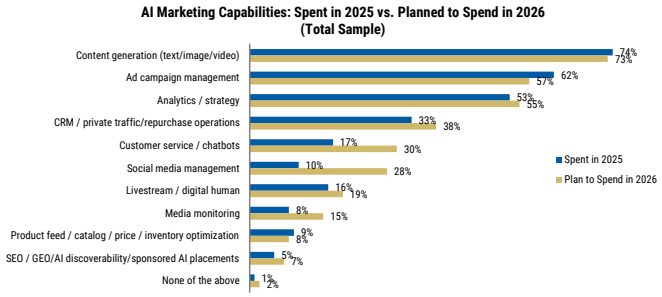
Adoption remains fragmented rather than fully closed loop: 53% used AI for analytics or strategy in 2025, 33% for CRM, private traffic or repurchase operations and 17% for customer service or chatbots. These figures measure use of individual tools rather than end-to-end integration across the workflow.

## Stage 4: Commercial OS – a longer-term direction

At the furthest end of the stack, platforms could connect discovery, creative, campaign management, product feeds, transaction handoff, customer service, CRM, private traffic, repurchase and measurement. The platform would then coordinate a broader commercial workflow rather than monetize media alone.

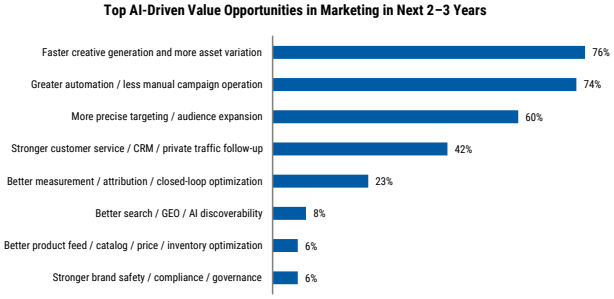
Current adoption remains limited. Product-feed, catalogue, price and inventory optimization was used by 9% of respondents in 2025 and is planned by 8% in 2026; GEO, AI discoverability and sponsored AI placements stood at 5% and 7%, respectively. We therefore see the Commercial OS as a longer-term direction rather than the current industry state.

**Exhibit 8:** Content generation and campaign management rank as the two most widely adopted AI marketing capabilities




Source: AlphaWise Survey, Morgan Stanley Research

**Exhibit 9:** Advertisers expect creative generation and campaign automation to remain the main AI value drivers over the next 2–3 years



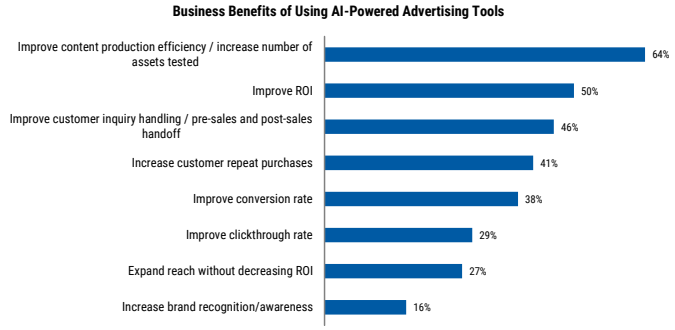

Source: AlphaWise Survey, Morgan Stanley Research

**The economic read-through is asymmetric.** Generative AI expands the supply of assets and lowers participation costs. As the asset pool grows, the marginal value shifts towards prediction and allocation: which creative is shown, to whom, at what bid, with which budget and against which outcome. Creative adoption is therefore an important participation indicator; campaign decisioning and outcome connectivity are the more relevant variables for platform monetization.

## Advertiser benefits already extend beyond productivity

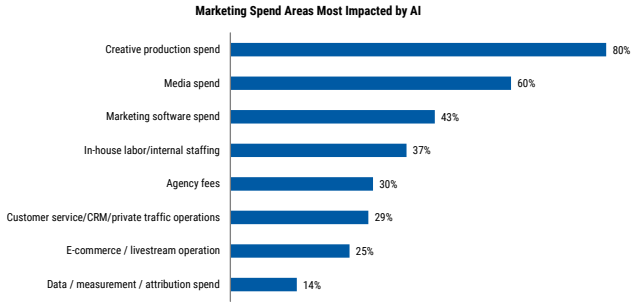
**Content generation shows the clearest advertiser benefit:** 64% cite improved content-production efficiency or more assets tested. The next most common responses are improved ROI at 50% and better customer inquiry handling and pre- and post-sales handoff at 46%, followed by increased repeat purchases at 41% and improved conversion rates at 38%.

**Exhibit 10:** Improvements in content generation, ROI and customer service are advertisers' top three AI-related benefits




Source: AlphaWise, Morgan Stanley Research

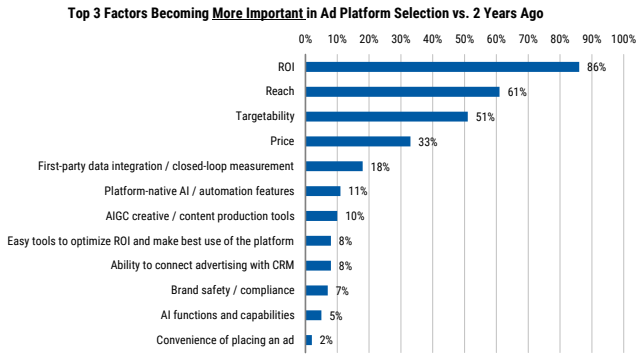
**Exhibit 11:** AI is already affecting marketing expenditure across multiple areas




Source: AlphaWise, Morgan Stanley Research

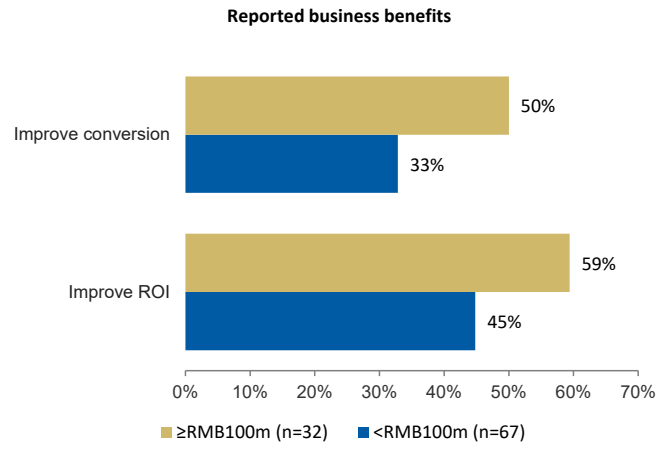
**AI capabilities have not replaced the traditional criteria used to allocate advertising budgets.** When asked which platform-selection factors had become more important over the past two years, 86% of respondents cited ROI, followed by reach at 61% and targetability at 51%. Individual AI-related attributes ranked materially lower: first-party data integration and closed-loop measurement was cited by 18%, platform-native AI and automation by 11%, AI-generated content (AIGC) creative tools by 10%, and general AI capabilities by 5%. The implication is not that AI lacks value, but that advertisers monetize it indirectly: better models and tools matter when they improve targeting, measurable returns or scalable reach. This also explains why broad adoption of content-generation tools does not translate one-for-one into platform revenue.

**Exhibit 12:** Advertisers still allocate budgets based on outcomes; AI features matter when they improve ROI, reach and targeting




Source: AlphaWise, Morgan Stanley Research

**Exhibit 13:** Larger advertisers saw greater improvements in ROI and conversion




Source: AlphaWise, Morgan Stanley Research

## Integration—not demand or budget—is the binding constraint

Content generation and simple campaign automation can spread relatively quickly because they can operate with less structured data and limited system integration. Moving into product feeds, pricing, inventory, GEO, attribution, CRM and repurchase requires higher-quality data, more stable system connections, clearer permissions and compliance frameworks, and more credible measurement.

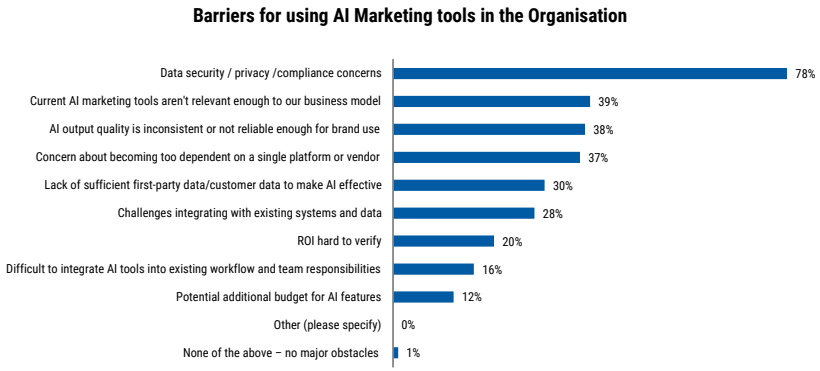
**The survey points to two main clusters of friction.**

1. **Data and integration:** 78% cite data security, privacy or compliance concerns, 30% insufficient first-party or customer data and 28% difficulty integrating with existing systems.
2. **Product and measurement maturity:** 39% say current tools are not relevant enough to their business model, 38% cite inconsistent output quality and 20% say ROI is hard to verify. A further 37% are concerned about dependence on a single platform or vendor. Only 12% identify additional AI budget as a major obstacle.

Leading platforms and advertisers are therefore likely to progress in stages: Scale campaign automation first, connect more CRM, transaction and service data next, and only then broaden into closed-loop commercial workflows. China's integrated ecosystems may have an advantage because many already combine content, transactions, payments, customer service and private-domain operations, although the depth of integration varies by platform and category.

A separate Morgan Stanley China CIO survey points in the same direction: customer-data integration (53%) and campaign management (41%) ranked behind content generation (65%) among CIO's marketing AI investment priorities.

**Exhibit 14:** Data, trust and integration are the barriers for AI marketing penetration




Source: AlphaWise, Morgan Stanley Researchf

# 2. From intent monetization to platform revenue: three paths, two horizons

**Key takeaways**

We size gross AI intent-monetization pools at Rmb291bn in 2030 and ~Rmb1.56tn in 2040. The 2040 pool comprises Rmb319bn of AI candidate-set advertising and Rmb1.24tn of AI-attributed transaction commissions. 2030 is the earnings bridge; 2040 sizes the mature state.

AI reaches platform revenue through three routes. Predictive AI lifts yield on existing surfaces; Search and Agent surfaces create higher-value candidate-set inventory; attributable transactions unlock commissions and recurring merchant-workflow revenue. The first route is not a separate AI TAM, while the latter two define the gross pools.

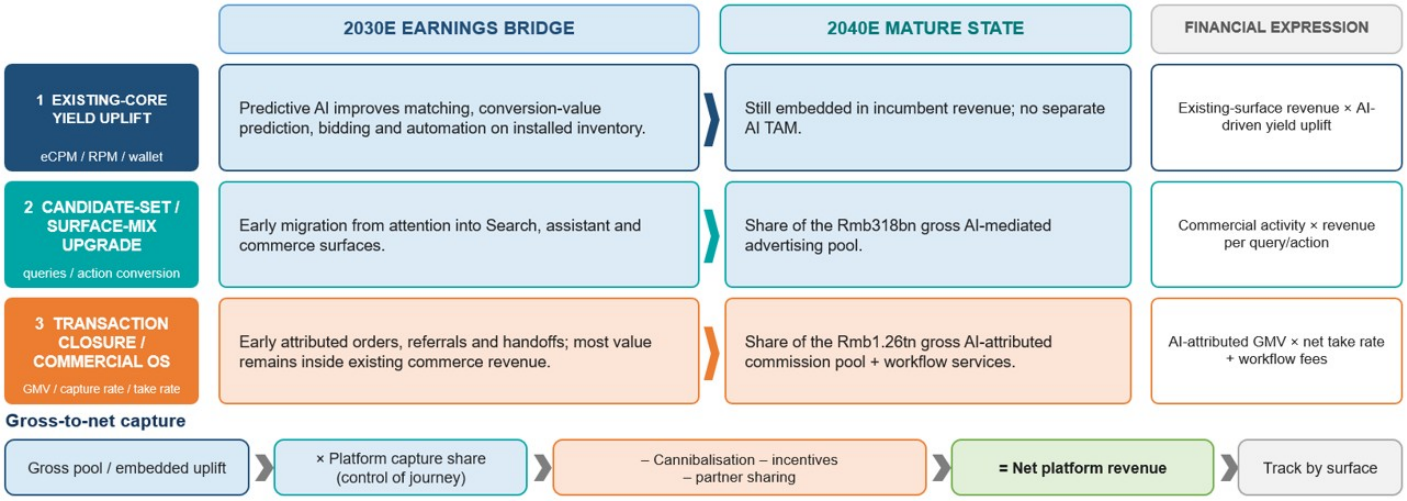
Starting point determines the route; closed-loop control determines the capture ceiling. Attention-led platforms must convert time into intent, Search- and Agent-led platforms must convert intent into qualified actions, and transaction-led platforms must make supply and outcomes executable. Integrated ecosystems can access both pools, but capture depends on attribution, contractual rights and gross-to-net offsets

## AI monetization has three routes across two horizons

Through 2030, the earnings bridge is mainly embedded. Most platform upside should come from better matching, conversion-value prediction, bidding and automation on installed inventory, together with early migration from attention into higher-intent Search, assistant, and commerce surfaces. The interim model outputs for AI-native advertising and attributed commissions therefore capture only the separately identifiable portion of AI monetization, not the full company-level earnings effect.

By 2040, agentic interfaces become a mature monetization layer. As standalone and platform-embedded agents expand across discovery, decisioning, transaction execution, and outcome write-back, the boundary between “AI revenue” and existing platform revenue should blur. We use 2040 as a scenario anchor for the mature gross pools, not as a precise date at which every workflow reaches full adoption.

**Exhibit 15:** AI monetization has three routes across two horizons




Source: Morgan Stanley Research

## Sizing the two gross pools

**Sizing AI advertising TAM:** We model AI-mediated advertising revenue as ad-exposed daily active users (DAU) x AI interactions/day x commercial query mix x monetized commercial query rate x ad units per monetized query x effective cost per thousand impressions (eCPM) x 365/1,000. By 2040, our base case assumes 320mn ad-exposed DAU, 13 queries per day, 36.5% commercial query mix, 63% monetized commercial query rate, 4.8 ad units per monetized query and Rmb190 eCPM. This yields Rmb318bn of AI-mediated advertising revenue, equivalent to 7.2% of China's online advertising TAM in our model. We describe this as a gross AI-mediated advertising pool rather than net incremental industry advertising spend. Part of the pool may replace traditional search, feed, affiliate or retail-media advertising. It is also best read as a candidate-set advertising pool: predictive-AI lift on existing feed, search and retail-media inventory is assessed separately at the platform level.

**Sizing AI transaction commission SAM:** We see transaction commission opportunities where an AI-mediated journey can be connected to an observable order, booking or payment. Our formula is addressable online GMV x AI-assisted GMV share x closed-loop attribution/capture rate x effective AI take rate.

For e-commerce, this captures AI-assisted discovery, comparison, basket formation, and checkout linked to completed orders.

For local services, it captures recommendation and order or booking flows where location, availability and fulfilment are observable.

For online travel agents (OTAs) and travel, it covers itinerary planning, comparison, booking and post-purchase service.

For hybrid platforms, only the portion of GMV in which the platform participates in the transaction handoff, attribution or fee pool should be included.

By 2040, gross AI-attributed transaction commissions could reach Rmb1.24tn in our base case. This should not be interpreted entirely as net-new commission revenue. Part of the

pool may replace commissions that would otherwise have been earned by existing e-commerce, local-services or OTA platforms. The closer may also share part of the fee with an upstream originator or candidate-set controller; that sharing reallocates the same transaction economics and should not be counted as a separate industry pool.

**Exhibit 16:** AI intent monetization TAM - from candidate-set advertising to transaction closure

| Monetization layer | 2030E (Rmb bn) | 2040E (Rmb bn) | What the merchant pays for |
|---|---|---|---|
| **Candidate-set advertising** | 10 | 319 | new commercial inventory in AI Search and agentic interfaces |
| **AI-attributed transaction commissions** | 281 | 1,241 | transaction commissions where AI influence can be connected to closed-loop gross merchandise value (GMV) |
| **Total AI intent monetization** | 291 | 1,560 | Advertising plus commissions; additive only when they are separate merchant payments. |

Source: Morgan Stanley Research

## Who captures the pool: follow the commercial journey, not the app

**Sizing the gross pools does not determine who captures them.** Value allocation follows four linked control questions: who originates demand, who determines the candidate set, who executes the transaction, and who retains the outcome data. These are commercial roles rather than fixed platform categories; one ecosystem may span several roles, or the economics may be divided across participants.

- **The attention originator** creates or captures the commercial session and primarily monetizes demand creation through advertising. AI enhances advertising yield through earlier intent detection, but value capture remains incomplete if candidate selection or transactions occur elsewhere.
- **The candidate-set controller** determines which products or merchants receive serious consideration and can monetize sponsored inclusion, product cards, CPC(Cost per Click)/CPL(Cost per Lead)/CPA(Cost per Acquisition), affiliate fees or commission sharing. The role may sit in standalone AI, embedded AI, traditional Search, internal Search on a content platform or marketplace recommendation.
- **The transaction closer** converts the selected option into an attributable order, booking or payment and anchors commission, payment, and merchant-service revenue. Structured supply, live price and inventory, checkout, fulfilment, refunds, and after-sales create the outcome data that supports attribution and write-back.

**Advertising primarily monetizes origination and selection; commissions remain anchored at closure.** The value split varies by journey: content- and creator-led demand gives more weight to the originator, complex comparison to the candidate-set controller, and live inventory, fulfilment or after-sales service to the closer. Integrated platforms can retain more value per journey, while open agents may influence more journeys but capture less on each.

**Standalone and embedded AI begin with different advantages. Standalone agents** can aggregate cross-domain intent and shape the shortlist before users enter a content, Search or commerce platform.

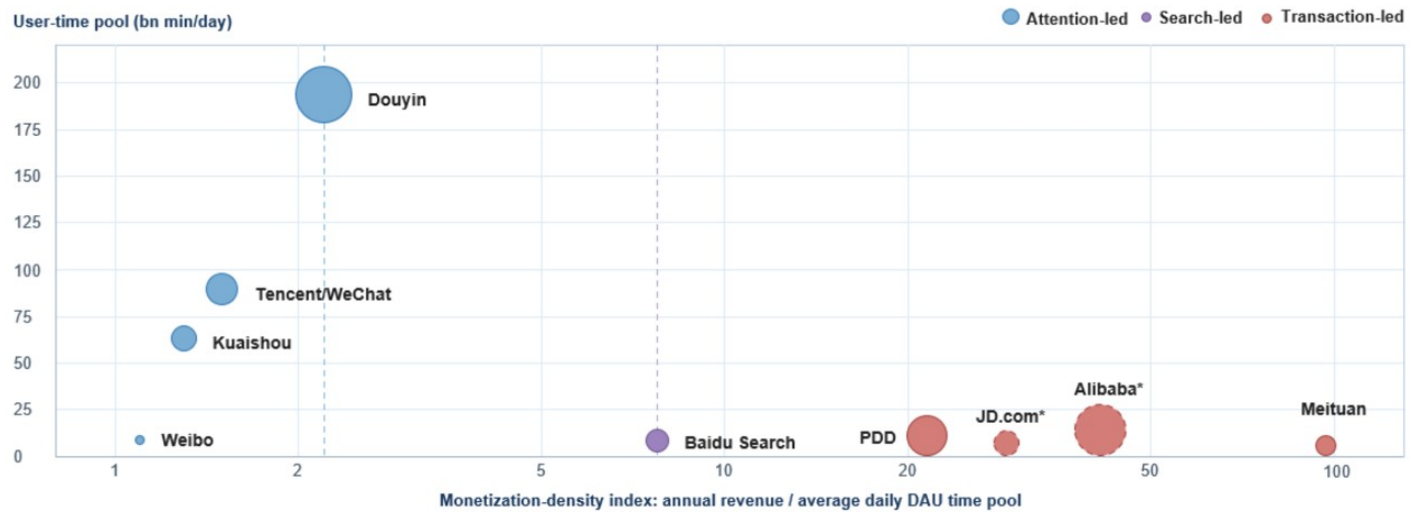
**Embedded AI starts closer to monetization** because it is already connected to proprietary content, advertiser demand, structured merchant supply, campaign tools, checkout and attribution. The likely outcome is therefore negotiated handoff and shared economics rather than one winner controlling every journey.

## From gross pools to platform revenue

### Monetization density rises with intent and outcome visibility, Transaction-led platforms > Search > attention-led platforms

Platform advertising monetization density measures how efficiently a platform converts user attention or time spent into advertising revenue. On this comparative monetization-density index, attention-led platforms score approximately 1.1–2.6, Baidu Search approximately 7.7 because explicit queries carry more intent, and transaction-led platforms approximately 21–97 because users are already in a purchase context and outcomes are observable.

**Exhibit 17:** Monetization density rises with commercial intent and outcome visibility




Source: Company Data, Quest Mobile, Morgan Stanley Research

* We calculate 2025 advertising revenue divided by the average daily DAU time pool for the marketing density.Where a platform's disclosed revenue scope includes commissions, we mark the bubble with a dashed outline.

### Within-surface yield lift should appear first

Predictive AI improves retrieval, ranking, pCTR and pCVR, conversion-value prediction, creative selection, bidding, budget allocation, and pacing. The same impression, query, or commercial visit becomes more valuable because advertisers can bid with greater confidence and the platform can place more spend under automated decisioning. This route applies across all platform types and should appear first in eCPM, revenue per mille (RPM), automation penetration, advertiser retention and wallet share.

### Surface-mix upgrade follows as a subset of activity migrates into higher-intent interfaces

AI can convert a subset of lower-intent engagement into explicit search, assistant or commerce interactions. The value comes from both additional commercial activity and the spread between the new surface's monetization density and the old surface's density. Not every user minute migrates; each surface should be modelled separately.

### Transaction and workflow capture is the larger but later prize

Where the platform connects recommendation to an attributable order, booking or payment, monetization can extend into commissions, payments, and recurring merchant services. This is economically separate from higher advertising density and should be modelled against closed-loop GMV or workflow adoption rather than user time.

## Starting point determines the route

Different starting points imply different monetization routes, but the common objective is broader control of the read–decide–execute–write-back loop. The matrix below summarizes where each platform type begins, what it can monetize first and what must be built to raise the capture ceiling.

**Exhibit 18:** Starting point determines the route; closed-loop control raises the capture ceiling

| PLATFORM STARTING POINT | ATTENTION CONTROL<br>Advertising | CANDIDATE-SET CONTROL<br>Sponsored / lead / referral | TRANSACTION CLOSURE<br>Commission / payment | OUTCOME WRITE-BACK<br>Commercial OS / merchant services |
|---|---|---|---|---|
| STANDALONE AI<br>Doubao, Qwen app, Yuanbao, DeepSeek | ENTRY<br>Broad, cross-domain intent | CORE<br>Shapes the shortlist | PARTNER<br>APIs / merchant handoff | LIMITED<br>Without persistent outcome rights |
| ATTENTION-LED<br>Douyin / Kuaishou; WeChat / Video Accounts | CORE<br>Owns the session | BUILD<br>Search / Agent | SELECTIVE<br>Native shop or handoff | BUILD<br>Transaction and CRM loop |
| SEARCH- / AGENT-LED<br>Baidu Search; Weixin Search; embedded agents | INTENT ENTRY<br>Explicit queries | CORE<br>Retrieval and ranking | BUILD<br>Lead / CPA / checkout | BUILD<br>Attribution and outcome data |
| TRANSACTION-LED / INTEGRATED<br>Taobao/Tmall; Meituan; JD/PDD; OTA | MOVE UPSTREAM<br>Discovery | BUILD<br>AI comparison / recommendation | CORE<br>Supply, checkout, fulfilment | EXTEND<br>Service, CRM and repurchase |

Source: Morgan Stanley Research

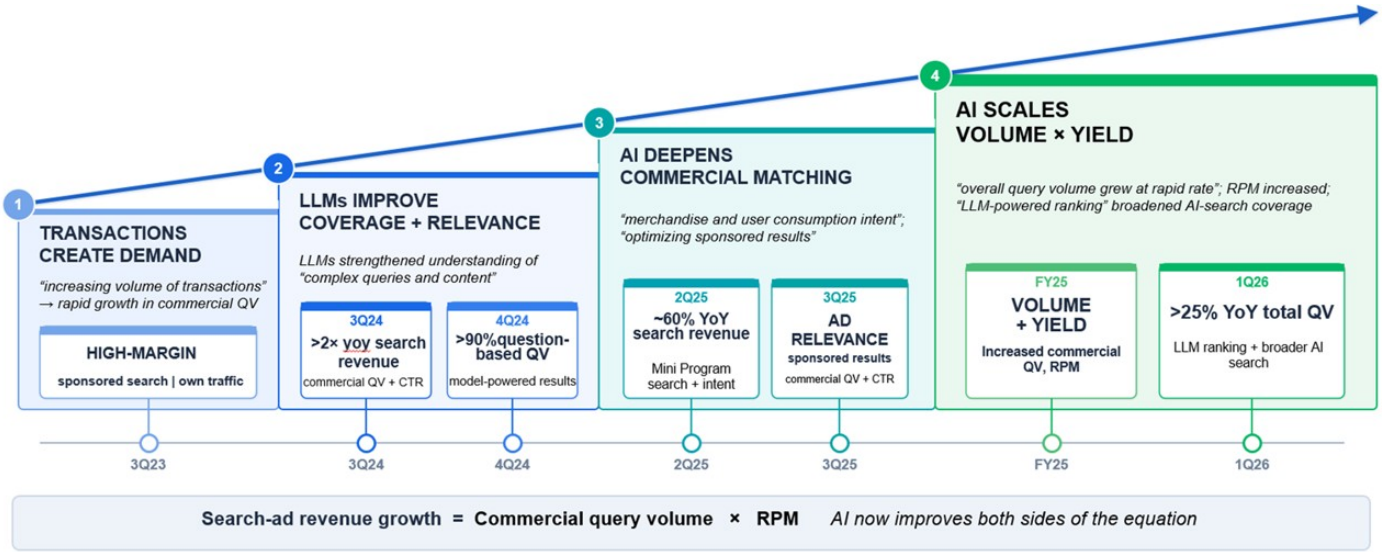
### Attention-led and hybrid ecosystems: convert time into intent

**Attention-led platforms start with large user-time pools but diluted commercial intent.** Their lower-risk route is to improve core feed or social yield through earlier intent detection, better creative and ad matching, and optimization toward conversion value. The higher-ceiling route is to add explicit Search, Agent, and commerce surfaces that convert a subset of attention into candidate-set control and attributable hand-offs.

**Tencent illustrates the path from attention to intent within a broader ecosystem-led expansion.** Weixin starts with social, content, and private-domain engagement: Video Accounts and other content surfaces create attention and consideration, while Weixin Search and emerging Agent surfaces convert part of that engagement into explicit commercial queries and candidate-set control. Transactions within Mini Programs and Mini Shops reinforce the loop from the other direction by creating commercial demand and

outcome signals that can improve Search and advertising decisioning. AIM+ strengthens campaign execution, while Mini Programs, Mini Shops, Weixin Pay, WeCom and private-domain operations extend the journey into transaction, service and repurchase. Tencent's opportunity is to connect attention, intent, and outcomes into a unified read–decide–execute–write-back loop; the key test is migration into higher-intent surfaces and measurable outcome feedback.

**Exhibit 19:** Weixin Search has moved from high-margin inventory to AI-led volume × yield expansion




Source: Company data, Morgan Stanley Research

**Douyin and Kuaishou already monetize algorithmically inferred intent at scale.** Their recommendation systems translate content consumption, creator interaction, livestream behavior and product engagement into product, lead and commerce intent. The next movement is downstream into explicit Search, product cards, shops, local services, transaction closure and merchant operating workflows. The opportunity is higher commerce-touchpoint penetration, conversion certainty and merchant-service yield; the constraint is deepening capture without impairing feed experience or merchant ROAS.

## Search and Agent surfaces: convert intent into qualified action

**Search density is the starting point; transaction density is the prize:** Traditional Search monetizes explicit intent through keywords, clicks, and sponsored ranking. An actionable Agent can additionally construct the candidate set, assemble a basket or booking, initiate checkout and connect the recommendation to an observable transaction. Its monetization ceiling should therefore be assessed against transaction-like economics rather than Search advertising alone.

**Standalone agents are strongest at cross-domain intent aggregation and candidate-set control.** They can monetize sponsored discovery, product cards, leads, CPA, affiliate, and referral economics. Moving further requires APIs, merchant access, user permissions, payment, and commercial agreements.

**Embedded agents begin closer to execution and attribution, but may cover fewer domains**. The key KPIs are eligible commercial-query growth, revenue per query, answer-to-action conversion, attribution at hand-off, partner economics, and user-trust retention.

### Transaction-led platforms: move upstream into discovery and outward into Commercial OS

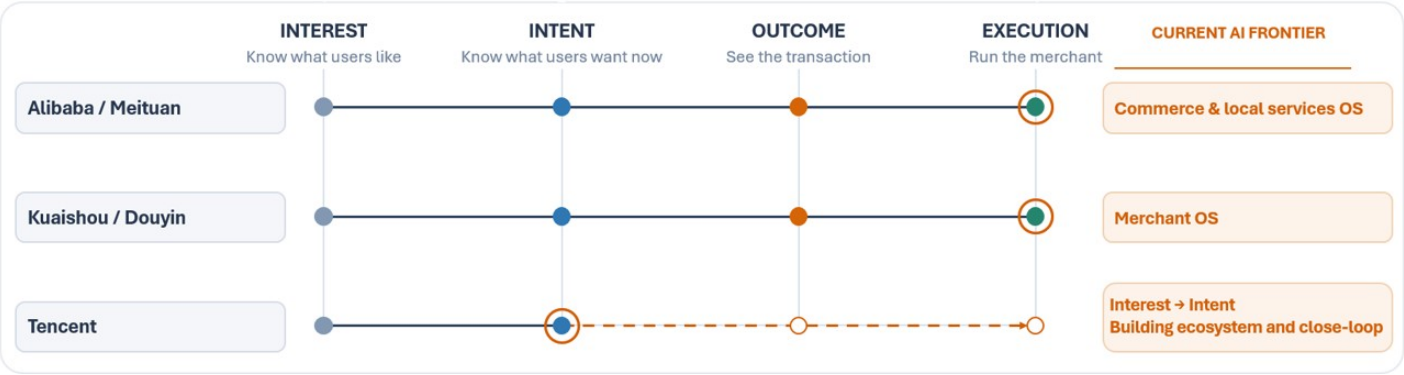
Alibaba and Meituan begin with the assets that attention and Search platforms are trying to build. Their starting advantages are structured supply, pricing and inventory or capacity, merchant relationships, checkout, payment, fulfilment, and after-sales outcomes. AI can improve matching, conversion value and merchant ROAS on the existing transaction base, move upstream into discovery and candidate-set control, and extend outward into product-feed management, customer service, fulfilment, CRM, membership, and repeat purchase.

Their upside is not primarily more advertising inventory. It is the ability to use outcome data to improve discovery and merchant ROI, expand AI-assisted GMV, retain the transaction take rate, and monetize a larger share of recurring merchant workflows. Adjacent workflow revenue should remain outside the Rmb1.26tn commission pool unless already embedded in the assumed take rate.

## Platform movements: control boundaries widen from different starting points

We illustrate how major platforms are widening their control boundaries from different starting points toward a common end state: An integrated loop spanning intent recognition, execution, transaction outcomes, and feedback. Attention-led platforms are moving downstream toward explicit intent and closure, while transaction-led platforms are moving upstream into discovery and candidate-set control and outward into merchant operations.

**Exhibit 20:** Key platforms are expanding their AI capabilities from different starting points




Source: Company data, Morgan Stanley Research

# 3. Money moves before the market expands: Who controls the commercial journey?

### Key takeaways

AI competition begins with reallocation, not budget expansion. Platform access remains broad, but primary-wallet and outcome control are narrowing. Primary-wallet share and workflow control are moving before aggregate advertising spend expands. Key out-performers: Douyin/Tencent/Baba/Meituan; Key under-performers: Weibo/Baidu/IQIYI.

Standalone AI can win discovery and the cross-domain candidate set; embedded AI starts closer to monetization because it controls more of the commercial workflow. The likely outcome is a divided journey and negotiated handoff, not wholesale replacement of existing platforms.

Platforms gain execution control, while independent software and agencies retain orchestration roles. The split depends on advertiser scale, data ownership, cross-platform complexity and measurement requirements.

AI is already changing who gets paid before it changes how much the industry spends. We see three linked contests:

- Which platform wins the primary wallet;
- Who controls the candidate set and attributable handoff;
- Who owns execution, measurement and outcome write-back.

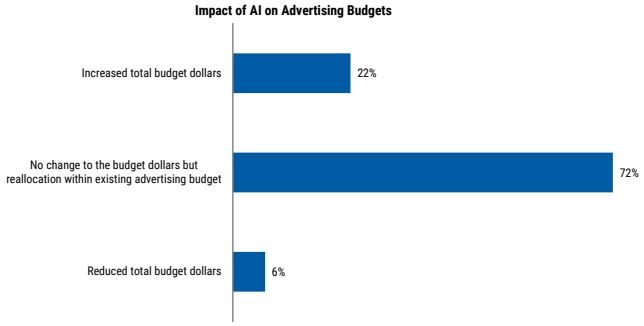
The first two determine consumer-journey economics; the third determines how much of the advertiser operating stack platforms, software, and agencies can retain.

## Primary-wallet control: AI widens platform dispersion

AI is entering a disciplined advertising market, not a broad-based budget up-cycle. Survey respondents expect total advertising budgets to grow only 2.4% in 2026, and ROI remains the leading media-selection criterion, cited by 87% of advertisers. AI adoption is therefore being filtered through ROI discipline rather than budget abundance.

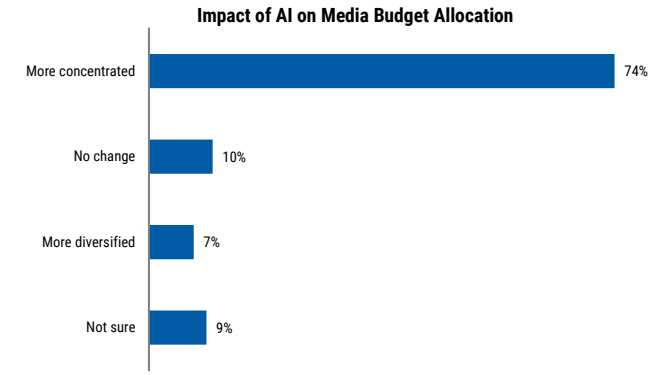
**Reallocation comes before expansion:** Among AI users, 72% report no change to total advertising budget dollars but reallocation with the existing advertising budget; 22% report an increase and 6% a reduction. Separately, 74% say AI has made cross-platform media allocation more concentrated, versus 7% reporting greater diversification. AI can therefore redistribute wallet share before it enlarges the aggregate advertising pool.

**Exhibit 21:** 72% report unchanged total ad dollars but internal reallocation




Source: AlphaWise, Morgan Stanley Research

**Exhibit 22:** AI has made cross-platform media allocation more concentrated




Source: AlphaWise, Morgan Stanley Research

**AI widened an already-polarized hierarchy:** The 2024 survey is the closest pre-material-AI baseline. Wallet allocation was already polarised: Douyin led by a wide margin, short video and selected transaction platforms were positive, while Baidu Search, Weibo and iQIYI were under pressure. AI did not create those starting positions; it increased the return to the control points behind them.

- Continuity - Douyin: +62% to +76%/+83%; WeChat stayed positive in all three waves.
- Positive inflection - Taobao/Tmall and Meituan: -3%/+9% in 2024 to +55%/+55% in 2026.
- Efficacy/capture gap - Kuaishou and Baidu Search: +15% to -24%, and -27% to +21% to -13%.
- Structural weakness - Weibo and iQIYI: negative in all three waves, reaching -39%/-46% in 2026.

**Exhibit 23:** AI widened dispersion in multi-year wallet direction (measured by advertisers' budget plan movements on each platform)

| Platform | 2024 | 2025 | 2026 | 2026-24 change | Read-through |
|---|---|---|---|---|---|
| Douyin | 62% | 76% | 83% | 21% | Persistent and strengthening leader |
| Taobao/Tmall | -3% | 29% | 55% | 58% | From budget donor to closed-loop compounder |
| Meituan | 9% | 40% | 55% | 46% | Transaction-led improvement |
| WeChat | 13% | 35% | 26% | 13% | Protected core; wallet remains positive |
| Video Accounts | 28% | 33% | 10% | -18% | Positive but momentum normalizes |
| JD | 21% | 0% | 15% | -6% | Modest and uneven |
| PDD | 28% | -11% | 3% | -25% | Volatile; no AI-led share proof |
| Kuaishou | 15% | 2% | -24% | -39% | Category access remains; wallet weakens |
| Baidu Search | -27% | 21% | -13% | 14% | Volatile restructuring |
| Weibo | -13% | -32% | -39% | -26% | Persistent structural pressure |
| iQIYI | -26% | -9% | -46% | -20% | Persistent structural pressure |

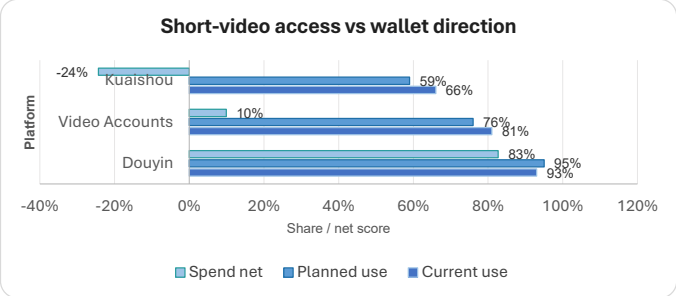
Source: AlphaWise, Morgan Stanley Research

**The contest has moved from access to wallet depth.** Advertisers still multi-home: Our survey indicates that advertisers used an average of 11.1 platforms in 2025 and plan to use 10.8 in 2026.

AI has therefore not reduced advertising to a winner-take-all distribution channel. The economic shift is subtler: Advertisers can retain access to many platforms while concentrating a larger share of budget, decisioning, and outcome data on a smaller number of primary platforms.

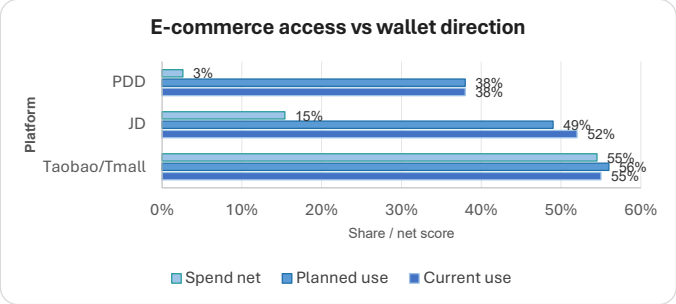
An AI label matters only when it improves the outcomes advertisers already buy - ROI, reach, and targetability. Short video and e-commerce provide the cleanest stress tests. Advertisers can continue to use multiple platforms in each format, but spend direction diverges sharply once they choose where to deepen the primary wallet.

**Exhibit 24:** Short-video budgets are concentrating on the top platform




Source: AlphaWise, Morgan Stanley Research

**Exhibit 25:** E-commerce budgets are concentrating on the top platform

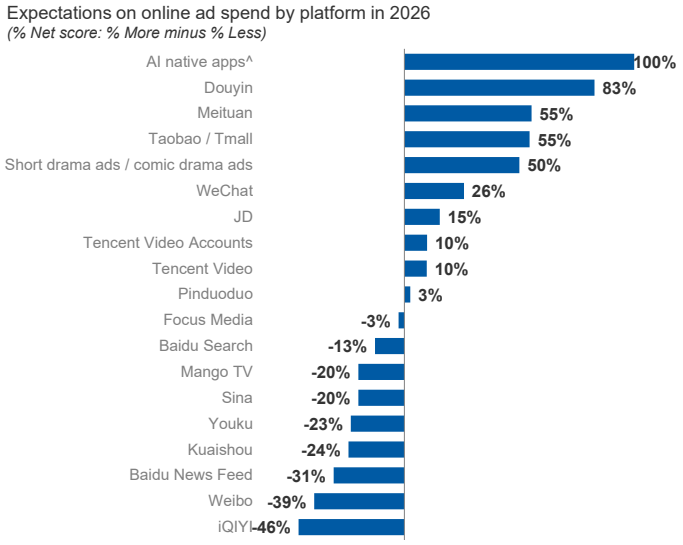



Source: AlphaWise, Morgan Stanley Research

## Current 2026 spend expectations reinforce the same divergence. The budget-cutter cohort provides the stronger stress test:

- **Potential scale-and-wallet winners:** Douyin, Taobao/Tmall and Meituan are winning on both advertiser penetration and wallet depth, making them the clearest scale-and-wallet beneficiaries. Especially for Douyin, Taobao/Tmall, they both gain positive plan-spend net score even in the budget-cutter group.
- **Potential in wallet share deepening:** WeChat, Video Accounts saw minor use consolidation, but retained advertisers plan to deepen their wallet. WeChat also sees the strong downside protection that even budget cutters plan to add budget.
- **Double pressure:** IQIYI/Youku/WB looks under pressure for potential loss in both scale and wallet deepening.
- **Wallet pressure:** Kuaishou, Baidu search, Baidu news feed see pressure for potential loss in wallet deepening as they all see negative to zero plan-spend net score in the budget-adders group and negative in the budget-cutters group.

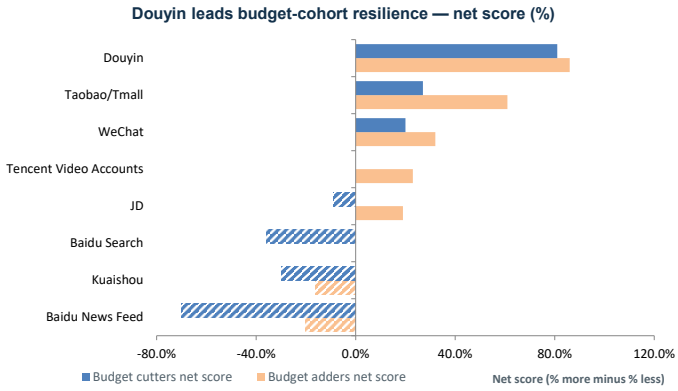
**Exhibit 26:** Expectations on online ad spending in 2026




Source: AlphaWise, Morgan Stanley Research

"Categories with ^ sign denote that they are newly added to the 2026 survey"

**Exhibit 27:** Budget-cutter resilience separates potential structural share gainers




Source: AlphaWise, Morgan Stanley Research

**Capability mindshare: ByteDance leads, Tencent and Alibaba have structural catch-up paths**

We believe advertisers' experience and mindshare shapes the default execution layer first. Leadership mindshare lowers testing costs, raises automated-spend adoption and keeps more budget and outcome data inside the platform.

- **ByteDance:** Ranks first across all five capabilities—first-party data/closed loop, AIGC, media buying, CRM, and AI-native discovery—with 49–90% of votes. Advertisers already experience it as the default execution layer.
- **Tencent:** Ranks second in first-party data/closed-loop capability, and planned use rises from 66% to 72%. The issue is not asset scarcity, but whether AIM+, Video Accounts, Search, Mini Shop, payments and CRM become one integrated experience.
- **Alibaba:** Ranks second in CRM/after-sales. A smaller adoption base already translates into stronger wallet, suggesting transaction feedback lifts capture rate.
- **Baidu:** Closest to second place in media buying and AI-native discovery, yet wallet direction remains negative; capability mindshare alone does not overcome legacy erosion.

**Exhibit 28:** Capability mindshare: Bytedance leads, Tencent and Alibaba follows

| Platform | 1P data / closed loop | AIGC creative | Media buying / optimization | CRM / after-sales | AI-native discovery | Average |
|---|---|---|---|---|---|---|
| ByteDance | 56% | 90% | 52% | 49% | 57% | 61% |
| Baidu | 15% | 1% | 17% | 7% | 19% | 12% |
| Tencent | 17% | 1% | 12% | 10% | 6% | 9% |
| Alibaba | 5% | 1% | 11% | 17% | 9% | 9% |
| Meituan | 2% | 0% | 2% | 2% | 2% | 2% |
| JD | 0% | 1% | 1% | 2% | 2% | 1% |
| PDD | 1% | 0% | 1% | 1% | 0% | 1% |
| Kuaishou | 1% | 0% | 0% | 1% | 0% | 0% |

Source: AlphaWise, Morgan Stanley Research

## Three first-tier paths: AI changes the slope of competition, not the starting point

We see Douyin, Taobao/Tmall and Tencent in the first tier in our survey, but through different model advantages: Douyin through scaled execution, Taobao/Tmall through transaction feedback, and Tencent through cross-surface integration. Certain category leaders still need to close hand-off or downside-proof gaps; transition platforms must show that AI-native gains exceed legacy-model erosion.

- **Douyin:** From category leader to default execution layer. Douyin led before AI became material and now also tops helpful use, capability mindshare, perceived ROI, and planned-spend momentum. The next leg is not more AIGC features, but extending the execution advantage into Search, local services and merchant operations without impairing feed user experience or merchant ROAS.
- **Taobao/Tmall:** The largest positive change in tiering. Its spend score improved from -3 to +55 between 2024 and 2026, while AI users report a c.10.2ppt perceived ROI premium. The survey most strongly supports the thesis that transaction write-back raises capture rate; the key falsifier is take-rate expansion that damages merchant ROAS and retention.
- **Tencent:** First-tier architecture, with integrated proof still pending. WeChat's core wallet remains protected and planned AI adoption continues to rise, but WeChat and Video Accounts show only modest surface-level premiums. The migration of brand budgets toward Moments and Video Accounts offers supporting evidence; the real upside depends on a cross-surface read-decide-execute-write-back loop.
- **Meituan:** Leads in certain categories (e.g., observable service transactions). AI can improve matching and operations. Attribution, commerce handoff, and merchant ROI in weaker budget conditions still require further performance evidence.
- **Baidu Search/Kuaishou:** Efficacy exists, but the capture gap remains. Baidu is a gross-to-net restructuring case; Kuaishou is a relative execution and merchant-economics repair case. Neither AI features nor single-quarter revenue growth can substitute for evidence of wallet retention.

## Candidate-set and handoff control: standalone breadth versus embedded execution

Competition between standalone and embedded AI spans both the candidate-set and transaction layers, but on different timelines. Near term, the main contest is over Chapter 2's RMB318bn gross AI-mediated advertising pool, which monetizes commercial queries, recommendations and shortlist formation. Longer term, both architectures can also compete for a share of the RMB1.26tn transaction commission pool as recommendations extend into attributable handoff and transaction closure.

**Standalone AI can compete first for the user entry point and cross-domain candidate set.** A general-purpose assistant can aggregate intent across categories and platforms before the user opens a search, content or commerce application. This gives it the opportunity to influence which products, brands and merchants enter the candidate set, and to monetize that position through sponsored inclusion, product recommendations, qualified leads, CPA or referral economics. Over time, it can also participate in transaction economics when the recommendation becomes part of an attributable handoff or transaction.

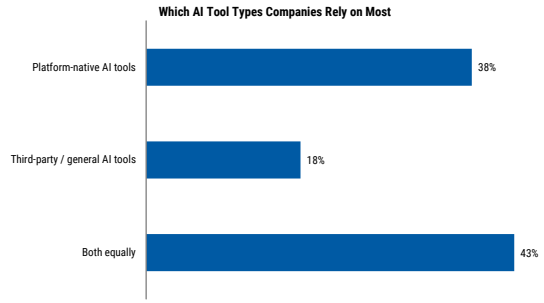
**Embedded AI starts closer to the commercial workflow.** It can use the host platform's installed traffic, proprietary content, advertiser demand, merchant supply, and existing campaign or transaction infrastructure. Recommendations can be connected directly to campaign tools, product pages, Mini Programs, baskets, booking, or payment, while resulting outcomes can be written back into future ranking and advertising decisions.

**Survey points to a hybrid architecture**

The survey suggests that neither architecture has established a dominant position. The advertiser tool stack remains hybrid: 43% rely equally on platform-native and third-party/general AI tools, 38% rely more on platform-native tools and 18% rely more on third-party/general tools. Standalone AI can therefore gain discovery without displacing embedded systems; embedded AI retains an advantage where integration with media buying, merchant supply and outcome measurement matters.

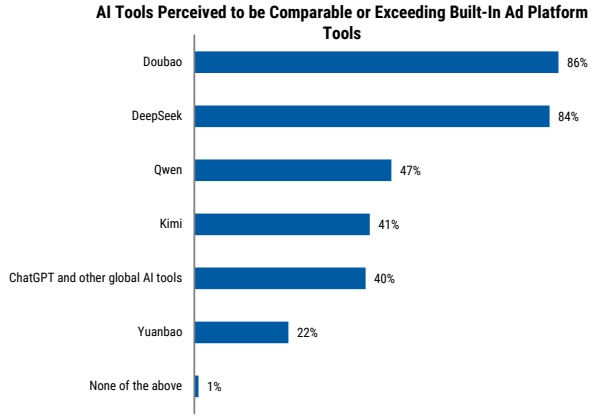
Standalone and general-purpose AI tools are already viewed as credible alternatives to pre-installed platform tools. 86% of respondents believe Doubao performs as well as or better than platform-native AI tools, while 84% say the same for DeepSeek; Qwen, Kimi and ChatGPT or other global tools score 47%, 41% and 40%, respectively. We read this as evidence that standalone applications can credibly compete for the entry point and candidate set—not as evidence that they already control the downstream economics.

**Exhibit 29:** Advertisers reliance on AI tools




Source: AlphaWise, Morgan Stanley Research

**Exhibit 30:** Stand-alone AI tools looks competitive vs built-in platform tools




Source: AlphaWise, Morgan Stanley Research

**Transaction competition depends on execution and attribution**

Ultimately, advertisers continue to buy outcomes rather than AI features in isolation. ROI, reach and targetability are cited by 86%, 61%, and 51% of respondents as platform-selection factors that have become more important, compared with 11% for platform-native AI or automation features and 5% for general AI capabilities.

**Near-term candidate-set leadership will therefore depend on converting entry-point control into measurable commercial outcomes.**

**Longer-term transaction capture depends on remaining part of the attributable handoff and execution flow.**

The economics are likely to be divided at the hand-off. Near term, the candidate-set controller can earn advertising, lead, or referral economics, while the platform controlling campaign execution or the transaction retains another portion of the value. Longer term, standalone and embedded agents can both compete to move further into the hand-off and share in transaction economics.

**Standalone AI can gain discovery and the cross-domain candidate set; embedded AI starts closer to monetization because it controls more of the workflow.** The near-term contest therefore centers on the RMB318bn candidate-set pool, divided according to who owns the entry point, who activates the recommendation, and who retains attribution at the handoff. Over the longer term, both standalone and embedded agents can compete for the RMB1.26tn transaction commission pool when they become part of attributable transaction closure, although embedded AI begins closer to execution and outcome data.

## Workflow and outcome-data control: advertiser scale determines the architecture

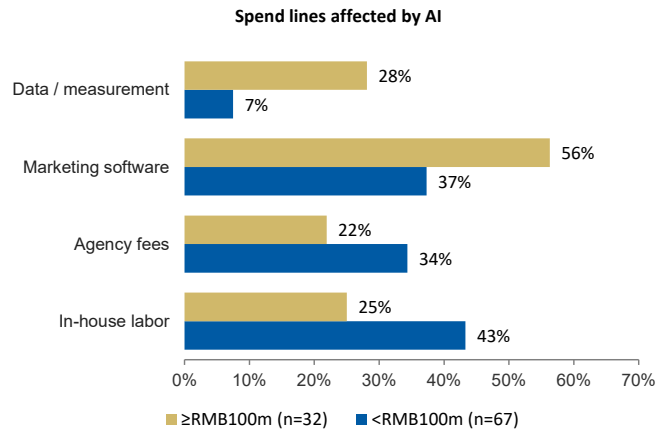
**The distinction between advertising platforms and independent software suppliers is becoming less binary.** According to our survey, paid media represents 47% of the annual marketing wallet, while in-house labor, agencies, and MarTech together account for a similarly large 46%.

**Control of the consumer journey does not automatically confer control of the advertiser workflow.** That depends on advertiser scale, first-party data, and orchestration needs. Smaller advertisers mainly solve an execution problem and are more likely to adopt platform-native, turnkey tools. Larger advertisers solve a data and coordination problem, using platforms for execution while retaining identity, attribution, governance, and cross-platform decision rights.

**Smaller advertisers buy execution efficiency, default to platform-native execution:** Advertisers spending less than Rmb100mn annually place greater weight on creative generation and campaign automation, and more often cite labor and agency spending as affected by AI. The economic problem is execution: Producing more assets, launching campaigns faster, and reducing operational burden. Platform-native tools are therefore the natural default because they bundle creative, media buying, optimization, and measurement inside the same workflow. Platform capture is more direct through automation penetration, campaign frequency, wallet retention, and merchant-tool attachment.

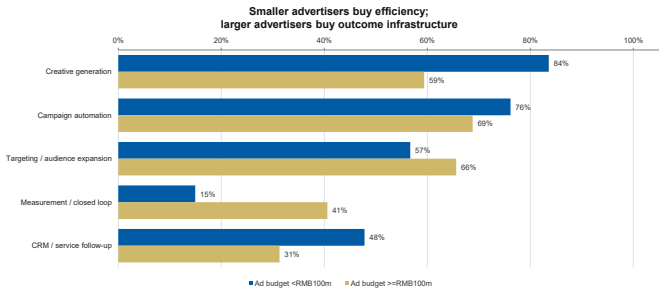
**Larger advertisers retain data and orchestration:** Rmb100m+ advertisers place greater weight on targeting, measurement, and closed-loop optimization. They report a larger effect on marketing software and data/measurement spend, as well as stronger ROI and conversion benefits. The operating problem is not simply execution efficiency; it is connecting first-party data, identity, CRM, measurement, and multiple media platforms without surrendering governance or neutral attribution.

**Exhibit 31:** Larger advertisers favor workflow optimization; smaller advertisers look for budget optimization




Source: AlphaWise, Morgan Stanley Research

**Exhibit 32:** Smaller advertisers buy efficiency; larger advertisers buy outcome infrastructure




Source: AlphaWise, Morgan Stanley Research

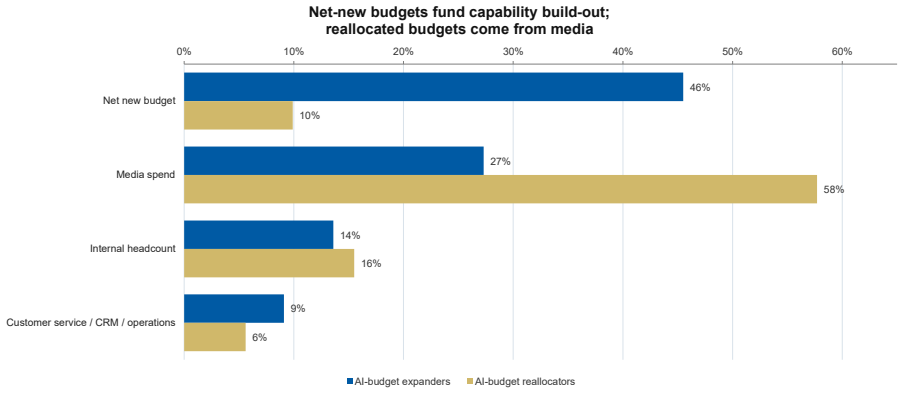
**Platforms win execution, software retains cross-system orchestration**

**Platforms possess the strongest act-and-write rights inside their own systems.** They can change targeting, bids, budgets, and creative selection in real time, observe platform outcomes and feed those results back into the model.

**Independent software possesses a different advantage**, read-and-coordinate rights across systems. It can connect advertiser-owned data, compare multiple platforms, manage governance, preserve data sovereignty, and provide more neutral measurement.

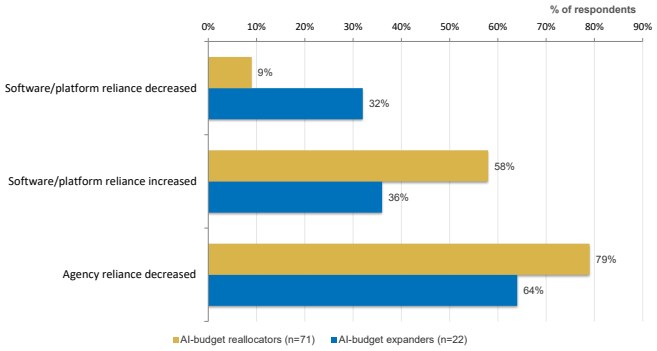
**The most platform-monetizable AI dollar may be the reallocated dollar, not the new dollar.** Among advertisers keeping total advertising dollars unchanged but reallocating internally, 58% report increased reliance on software vendors / advertising platforms and only 8% report decreased reliance. Among advertisers adding new dollars, the corresponding figures are 36% and 32%. Re-allocators also rely more heavily on platform-native AI tools, while budget expanders make greater use of third-party/general tools.

**Exhibit 33:** Net-new AI budgets fund capability build-out; reallocated budgets come from media spent



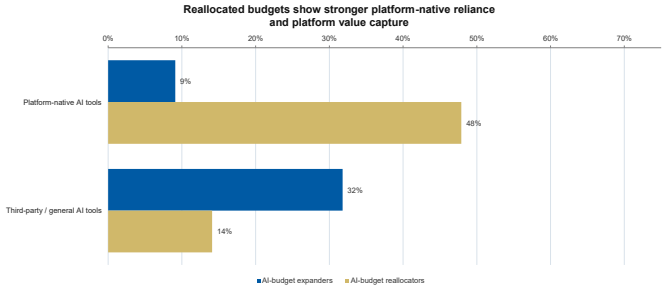

Source:AlphaWise, Morgan Stanley Research

**Exhibit 34:** Reallocated AI budgets show stronger software/ platform workflow reliance




Source: AlphaWise, Morgan Stanley Research

**Exhibit 35:** Reallocated budgets show stronger platform-native reliance




Source: AlphaWise, Morgan Stanley Research

## Agencies move upstream rather than disappear

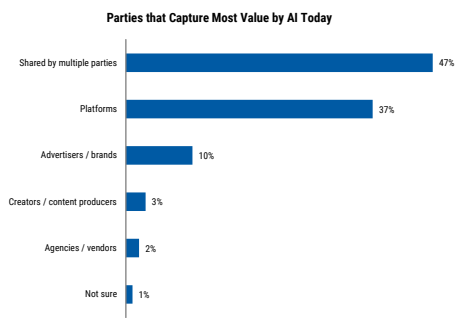
**The survey points to shared economics but a shift in workflow control**. 47% of respondents say AI-created value is shared; among those naming one primary beneficiary, platforms lead at 37%. At the same time, 50% report increased reliance on software vendors / advertising platforms, while 74% report decreased reliance on agencies / vendors.

**These results do not imply a one-for-one transfer of budget or revenue…**

**…but they suggest that software- and platform-enabled workflows are gaining control as execution-heavy intermediary work comes under pressure.**

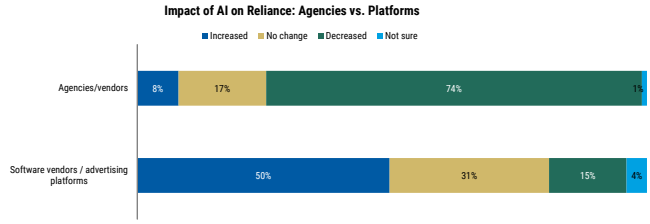
**Agencies and creators therefore reposition rather than disappear.** Agency value shifts toward strategy, creative direction, governance, integration, measurement design, and managed orchestration. Creator value shifts toward authentic experience, expertise, audience relationships, and discoverability—assets that remain scarce even as generic content supply expands.

**Exhibit 36:** AI value is shared




Source: AlphaWise, Morgan Stanley Research

**Exhibit 37:** Workflow reliance is shifting toward software and advertising platforms




Source: AlphaWise, Morgan Stanley Research

# Stock implications

## Tencent (0700.HK, OW): Predictive AI protects the core; cross-surface integration raises the ceiling

**Durable core growth plus meaningful Weixin integration optionality.** We believe AI should amplify Tencent's marketing advantage through two monetization paths. 1) predictive AI and AIM+ improve ROI and lift yield within each existing Weixin surface. 2) cross-surface integration move a subset of commercially relevant activity outward—from attention, to explicit intent and candidate-set control (Weixin Search/Weixin AI/Mini programs), and ultimately to transaction and service workflows (Weixin AI/Mini programs/ Mini shops) , where monetization density is structurally higher.

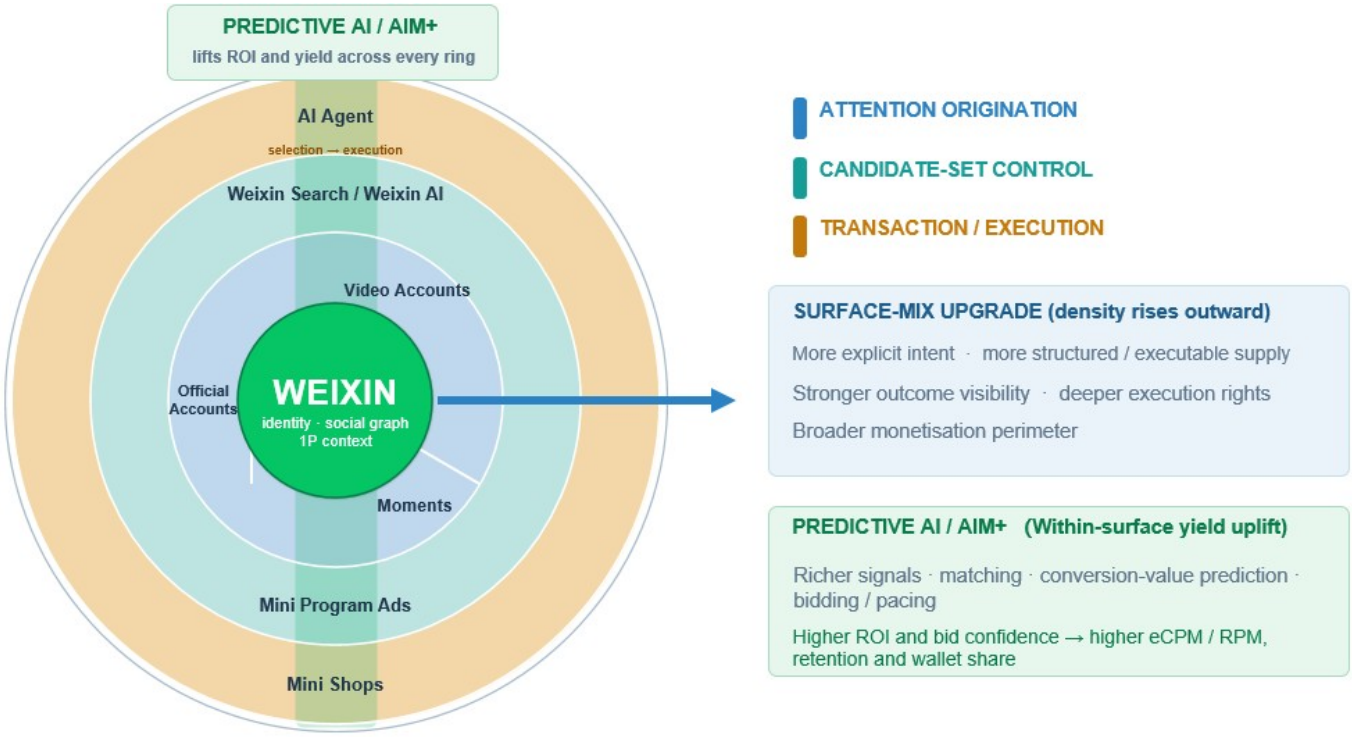
**We also see downside protection and upside potential:** Our AlphaWise survey indicates downside protection rather than execution leadership: Tencent's AI tools recorded 66% helpful use, 72% planned use and a +26% 2026 spend net score. Tencent also ranked second in first-party data/closed-loop capability, suggesting upside from integration of AIM+, Video Accounts, Search, Mini Shops, payments and CRM in which these can operate as one read–decide–execute–write-back system.

**Marketing growth has outperformed as yield and inventory compound:** Marketing Services revenue growth remain strong from 17% YoY in 4Q25 to 20% in 1Q26 and 22% in 2Q26. *AIM+ powered* approximately 30% of Marketing Services advertiser spend in 1Q26, and added AI-driven end-to-end execution for Mini Shop and mini-drama advertisers in 2Q26. At the same time, *LLM-powered* ranking and broader AI Search coverage helped *Weixin Search* query volume grow more than 25% YoY in 1Q26; *Video Accounts'* total time spent increased more than 20% YoY in 2Q26 while ad load remained below industry levels; and *Mini Program* rewarded ads delivered strong conversion and eCPM growth.

**Maintain OW:** Advertising is among the most visible evidence that Tencent's AI investment is already monetizing its installed user and advertiser base, ahead of material revenue contribution from new AI-native products. We believe within-surface yield lift is the nearer-term earnings driver, while migration into Search and AI surfaces and eventual transaction/workflow capture represent the larger, but less proven, optionality. *We estimate 17.5% /15% yoy growth in 2026/27 advertising revenue.*

Valuation remains near the lower end of Tencent's historical range; we retain our Overweight rating and HK$550 price target. Key risks include stepping-up AI investment and slower profits in the coming two years.

**Exhibit 38:** Tencent has two reinforcing AI monetization levers




Source: Morgan Stanley Research

## Alibaba (BABA.N, OW): Transaction feedback supports wallet recovery

**Closed-loop commerce gives Alibaba the clearest transaction-led AI path**. We see three monetization layers.

1. Predictive AI improves retrieval, ranking, and campaign decisioning on existing Taobao/Tmall inventory, supporting merchant ROAS, retail-media yield and wallet share.
2. AI-assisted discovery and recommendation move Alibaba upstream into candidate-set control while preserving the handoff to its own marketplace.
3. Product-feed, customer-service, CRM and repurchase tools extend the revenue perimeter into recurring merchant workflows.

Alibaba already controls structured supply, checkout, payment, fulfilment, and outcome data, so it starts closer to attribution and transaction capture than attention-led peers. It can therefore access both the AI-mediated advertising pool and AI-attributed commission pool.

**Our survey shows the largest positive change in platform tiering.** planned-spend net score reached +55%, from -3% in 2024, and rema budget cutters. AI users reported a c.10.2ppt perceived ROI premium second in CRM/after-sales capability. We read this as evidence that t raises capture per unit of AI adoption. Alibaba does not lead broad A converts a smaller adoption base into stronger wallet depth. The ke monetization that weakens mercROAS or retention.

人在草木间

**Core e-commerce is approaching a cleaner operating setup.** In 1QF27, CMR fell 7% YoY on a reported basis but rose 1% LFL; management expects both CMR and e-commerce EBITA ex-QC to improve QoQ. We estimate 2Q LFL CMR growth of 2% and ex-QC e-commerce EBITA to remain broadly stable YoY. This creates scope for the survey-indicated wallet gains to become more visible in reported monetization, while narrowing quick-commerce losses reduce the group earnings offset.

**We maintain OW/Top Pick and a US$180 PT, implying 17x F29e P/E.** Near-term upside comes from cloud earnings upgrades and CMR stabilization; longer-term upside comes from AI-assisted GMV, commissions and merchant workflows. Key risks are delayed CMR conversion, pressure on merchant ROAS and a longer AI capex/FCF cycle; our latest model expects FCF to turn positive in F29.

## Meituan (3690.HK, OW): Transaction closure anchors AI economics; recovery remains non-linear

**We see three monetization routes for its core local-service business.**

1. Predictive AI can improve merchant-ad matching, ranking and campaign allocation across existing surfaces, supporting conversion, merchant ROAS and advertising yield.
2. Embedded assistants can move Meituan upstream into discovery and candidate-set control across food delivery, Instashopping, in-store dining and hotels and travel.
3. When AI-influenced recommendations become attributable orders or bookings, Meituan can retain commission economics and extend outward into menu and catalogue management, pricing, inventory, customer service, CRM and repurchase workflows. This positions Meituan to capture a share of the gross AI-attributed local-services commission pool, together with relevant advertising and travel economics.

**Survey evidence is materially stronger on wallet direction than on AI capability leadership.** Meituan's planned-spend net score rose from +9% in 2024 to +40% in 2025 and +55% in 2026, making it one of the clearest transaction-led improvements in our multi-year survey and a potential winner on both advertiser penetration and wallet depth. However, its average capability mindshare across first-party data, AIGC, media buying, CRM and AI-native discovery was only 2%. We therefore do not base the thesis on Meituan becoming a leading standalone AI-tool provider. Rather, its advantage is that better matching or qualified demand can be written back into observable orders, fulfilment and merchant outcomes. The key KPIs are merchant advertising and commission ARPU, conversion, AI-influenced order or booking share, attribution retention and merchant ROI—not the number of AI features launched.

**Maintain OW, with AI providing medium-term merchant-monetization upside rather than an immediate estimate upgrade.** We forecast 2027 adjusted EBITDA of RMB48.1bn and non-GAAP EPS of RMB4.68; our price target of HK$110 implies 19x 2027E P/E. Upside requires advertising and commission monetization to increase without impairing order growth, merchant ROAS or UX.

Key risks are renewed food-delivery and quick-commerce competition, Douyin pressure in in-store services, weaker hotel and travel demand, and standalone agents controlling the candidate set without an economic handoff to Meituan.

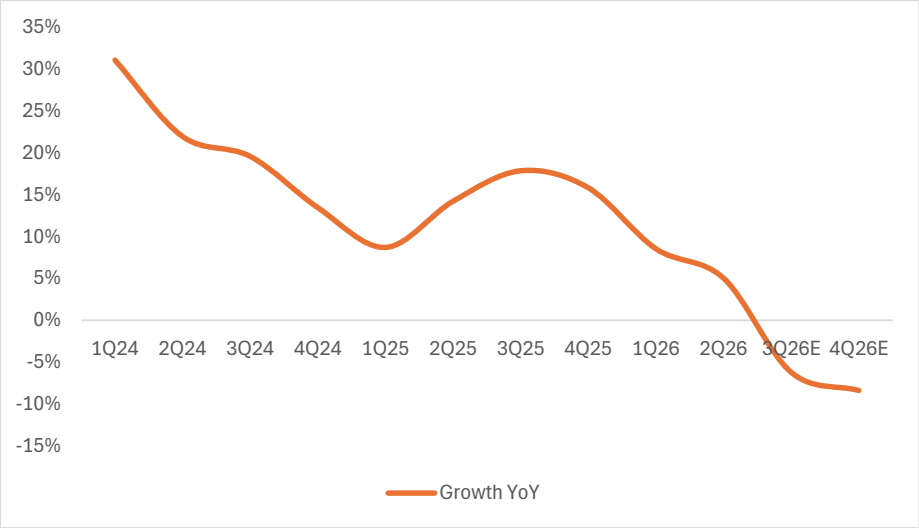
## Kuaishou (1024.HK, EW): On-line ads/live e-commerce business are both under significant pressure

**Regulatory headwind overshadows the short video/drama format.** Though our AlphaWise survey indicated short video ranked No.2 and short drama ranked No.3 from a budget change perspective, Kuaishou's key ads/e-commerce customers are undergoing an unfavorable regulation cycle due to the tightening of transaction tax. The negative impact intensifies significantly in 2H26 when the e-commerce tax execution deepens to SME merchants, together with further weakening of domestic consumption. To help merchants in the down cycle, Kuaishou has provided more traffic support (free traffic) and lower take-rate, which impacts its core business revenue growth. So far it is still hard to say when the inflection will come. Notably, advertisers estimated an average 34% of ad budget spent on short video ads is related to live-commerce, down from 43% in the 2025 survey. We think it echoes the industry trend that live broadcasting e-commerce is performing much weaker than overall e-commerce industry in China this year.

**Among short video players, we see a widening divergence of different platforms.** Our AlphaWise survey points to a large deterioration in ads spend net % score (defined by % of advertisers planning to increase budget minus % planning to cut budget on a certain platform) for Kuaishou this year. (Douyin/Tencent Video Accounts/Kuaishou 76, 33, 2 in 2025 and 83, 10, -24 in 2026, respectively). Such ranking is in-line with the ROI suggested in our survey. We think Kuaishou's platform can enjoy all the benefits from AI adtech (improvement in user engagement, content generation, ROI, automated platform etc), but to a extent less than major competitors such as Douyin (or compete away on a relative basis), considering Bytedance is perceived as a dominant AI capabilities leader by advertisers.

**We are EW on Kuaishou given the Kling optionality still exists despite a weak core business.** Our forecast implies core net profit of Rmb14bn in 2026 and Rmb10bn in 2027. We use SOTP to value Kuaishou with 8x 2027e target P/E for core business and 18x 2027e price to ARR for Kling (in-line with its recent private round valuation ) with a 30% holding company discount. Our Kuaishou price target is HK$40. Without a sharp rebound of the core business in sight, we believe Kling's model release and competitive dynamics will become the core share price driver. Key risk is the disappointment in Kling model iteration.

**Exhibit 39:** Kuaishou quarterly core commerce revenue growth (2024-2026)




Source: Company data, Morgan Stanley Research estimate (E)

## Baidu (BIDU.O, UW): Intent remains valuable; gross-to-net AI monetization is not yet proven

**Search remains a valuable control point, but AI raises the bar from query ownership to candidate-set and action ownership.** Baidu starts with explicit commercial intent and materially higher monetization density and with AI Search's potential to interpret longer and more complex queries, improve retrieval and ranking, and create new inventory through sponsored answers, product cards and merchant recommendations. However, Baidu controls less of checkout, payment, fulfilment and post-purchase outcomes than do transaction-led platforms.

**Its opportunity therefore skews toward AI-driven yield on existing Search inventory and candidate-set advertising, rather than the larger transaction-commission pool.** The central strategic risk is gross-to-net conversion: AI answers may improve user utility while replacing legacy paid clicks before sponsored AI formats and transaction hand-offs reach comparable monetization.

**Our survey shows a clear efficacy-to-wallet gap.** Around 71% of respondents using Baidu's AI advertising tools reported a measurable ROI impact, with a midpoint-estimated improvement of approximately 4.5%. Baidu ranked second behind ByteDance in advertiser mindshare for media buying and optimization and AI-native discovery. However, product efficacy has not translated into budget capture: Baidu Search's 2026 planned-spend net score was -13%, while Baidu News Feed reached -31%. The multi-year Search series remained volatile at -27% in 2024, +21% in 2025 and -13% in 2026. We therefore view Baidu as having strong AI capability, but not yet a default execution layer or a structurally improving primary-wallet position.

**Reported financials confirm that new AI monetization is not yet offsetting legacy-advertising pressure.** In 2Q26, core marketing revenue declined 19% YoY to RMB13.1bn. AI marketing revenue was RMB2.6bn and flat YoY, a material deceleration from 36% growth

in 1Q. We expect core advertising revenue to remain down 18.5% YoY in 3Q, with limited visibility on a second-half turnaround. The weakness reflects slower recovery in traditional advertising verticals and the structural transition from link- and click-based monetization toward AI answers and task completion. For the stock to work as an AI advertising recovery, AI marketing revenue must reaccelerate sufficiently to narrow—and ultimately exceed—the decline in legacy Search monetization.

**Maintain UW:** We see Baidu's new AI monetization is not yet offsetting legacy-advertising pressure. AI cloud growth is strong, but it does not remove the near-term earnings burden. A more constructive view would require several indicators to turn together: reacceleration in AI marketing revenue, stabilization of core advertising, improving advertiser-wallet scores, evidence that AI Search can sustain or raise RPM without excessive legacy cannibalisation, and stronger cloud margins and capex returns. Faster-than-expected AI infrastructure growth and Southbound fund flows remain the principal upside risks.

## Weibo (WB.O, UW): AI efficiency is unlikely to reverse structural wallet loss

**AI is more likely to be defensive than a share-recovery catalyst.** Better recommendation, automated creative adaptation, and campaign optimization could improve the monetization of existing traffic, particularly around hot topics and brand campaigns. However, efficiency gains alone are unlikely to offset wallet migration toward short video, WeChat, commerce platforms and emerging AI-native surfaces without a clearer path from social discovery to measurable conversion.

**Our AlphaWise survey points to persistent wallet pressure.** Weibo's planned-spend net score remained negative across all three survey waves, deteriorating from -13% in 2024 to -32% in 2025 and -39% in 2026. Weibo also falls into the "double pressure" group, with potential erosion in both advertiser penetration and wallet depth. This is particularly relevant as 74% of AI users and intenders say AI has made cross-platform media allocation more concentrated: advertisers may continue to use multiple platforms, but primary budgets, decisioning and outcome data are shifting toward a smaller number of scaled execution and closed-loop platforms. The survey therefore provides no evidence that AI is resetting Weibo's relative position.

**Maintain UW.** A more constructive view would require a sustained improvement in advertiser spend intentions, stabilization in platform usage, evidence that AI tools improve advertiser ROI and budget retention, and better linkage between social engagement and attributable commercial actions. The main upside risks are a stronger-than-expected recovery in brand advertising and improved monetization of event-driven traffic; the key downside risk is further concentration of advertiser budgets on platforms with stronger intent, execution and transaction loops.

*This report references U.S. Executive Order 14105 and/or entities that may be in scope of such order. U.S. persons may be prohibited from engaging in certain transactions or otherwise require certain other transactions be notified to the U.S. Department of Treasury. Readers are solely responsible for ensuring that their investment or trade activities are carried out in compliance with applicable laws.*

# Disclosure Section

The information and opinions in Morgan Stanley Research were prepared or are disseminated by Morgan Stanley Asia Limited (which accepts the responsibility for its contents) and/or Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore (which accepts legal responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research), and/or Morgan Stanley Taiwan Limited and/or Morgan Stanley & Co International plc, Seoul Branch, and/or Morgan Stanley Australia Limited (A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents), and/or Morgan Stanley Wealth Management Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents), and/or Morgan Stanley India Company Private Limited having Corporate Identification No (CIN) U22990MH1998PTC115305, regulated by the Securities and Exchange Board of India ("SEBI") and holder of licenses as a Research Analyst (SEBI Registration No. INH000001105); Stock Broker (SEBI Stock Broker Registration No. INZ000244438), Merchant Banker (SEBI Registration No. INM000011203), and depository participant with National Securities Depository Limited (SEBI Registration No. IN-DP-NSDL-567-2021) having registered office at Altimus, Level 39 & 40, Pandurang Budhkar Marg, Worli, Mumbai 400018, India; Telephone no. +91-22-61181000; Compliance Officer Details: Mr. Tejarshi Hardas, Tel. No.: +91-22-61181000 or Email: tejarshi.hardas@morganstanley.com; Grievance officer details: Mr. Tejarshi Hardas, Tel. No.: +91-22-61181000 or Email: msic-compliance@morganstanley.com which accepts the responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research, and their affiliates (collectively, "Morgan Stanley"). Morgan Stanley India Company Private Limited (MSICPL) may use AI tools in providing research services. All recommendations contained herein are made by the duly qualified research analysts.

For important disclosures, stock price charts and equity rating histories regarding companies that are the subject of this report, please see the Morgan Stanley Research Disclosure Website at www.morganstanley.com/eqr/disclosures/webapp/generalresearch, or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY, 10036 USA.

For valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 800 303-2495; Hong Kong +852 2848-5999; Latin America +1 718 754-5444 (U.S.); London +44 (0)20-7425-8169; Singapore +65 6834-6860; Sydney +61 (0)2-9770-1505; Tokyo +81 (0)3-6836-9000. Alternatively you may contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY 10036 USA.

## Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Lydia Lin; Yang Liu; Tom Tang; Eddy Wang, CFA; Rebecca Xu; Gary Yu.

.

## Global Research Conflict Management Policy

Morgan Stanley Research has been published in accordance with our conflict management policy, which is available at www.morganstanley.com/institutional/research/conflictpolicies. A Portuguese version of the policy can be found at www.morganstanley.com.br

## Important Regulatory Disclosures on Subject Companies

The analyst or strategist (or a household member) identified below owns the following securities (or related derivatives): Kathy Zhu - Meituan(common or preferred stock), Tencent Holdings Ltd.(common or preferred stock).

As of August 31, 2026, Morgan Stanley beneficially owned 1% or more of a class of common equity securities of the following companies covered in Morgan Stanley Research: Alibaba Group Holding, Baidu Inc, Bilibili Inc, Full Truck Alliance Co. Ltd, HUYA Inc, IQIYI Inc, JD.com, Inc., JOYY Inc., Kanzhun Ltd, Kuaishou Technology, Meituan, PDD Holdings Inc, Trip.com Group Ltd.

Within the last 12 months, Morgan Stanley managed or co-managed a public offering (or 144A offering) of securities of Alibaba Group Holding, Kanzhun Ltd, Tencent Holdings Ltd..

Within the last 12 months, Morgan Stanley has received compensation for investment banking services from Alibaba Group Holding, Bilibili Inc, Meituan, Tencent Holdings Ltd..

In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from Alibaba Group Holding, Autohome Inc, Baidu Inc, Bilibili Inc, Full Truck Alliance Co. Ltd, IQIYI Inc, JD.com, Inc., JOYY Inc., Kanzhun Ltd, KE Holdings Inc, Kuaishou Technology, Meituan, NetEase, Inc, PDD Holdings Inc, Tencent Holdings Ltd., Tongcheng Travel Holdings, Trip.com Group Ltd, Vipshop Holdings Ltd, Weibo Corp.

Within the last 12 months, Morgan Stanley has received compensation for products and services other than investment banking services from Alibaba Group Holding, Baidu Inc, Bilibili Inc, Full Truck Alliance Co. Ltd, HUYA Inc, JOYY Inc., Kanzhun Ltd, KE Holdings Inc, Meituan, NetEase, Inc, Tencent Holdings Ltd., Tongcheng Travel Holdings, Trip.com Group Ltd, Vipshop Holdings Ltd, Weibo Corp.

Within the last 12 months, Morgan Stanley has provided or is providing investment banking services to, or has an investment banking client relationship with, the following company: Alibaba Group Holding, Autohome Inc, Baidu Inc, Bilibili Inc, Full Truck Alliance Co. Ltd, IQIYI Inc, JD.com, Inc., JOYY Inc., Kanzhun Ltd, KE Holdings Inc, Kuaishou Technology, Meituan, NetEase, Inc, PDD Holdings Inc, Tencent Holdings Ltd., Tongcheng Travel Holdings, Trip.com Group Ltd, Vipshop Holdings Ltd, Weibo Corp.

Within the last 12 months, Morgan Stanley has either provided or is providing non-investment banking, securities-related services to and/or in the past has entered into an agreement to provide services or has a client relationship with the following company: Alibaba Group Holding, Baidu Inc, Bilibili Inc, Full Truck Alliance Co. Ltd, HUYA Inc, IQIYI Inc, JOYY Inc., Kanzhun Ltd, KE Holdings Inc, Meituan, NetEase, Inc, Tencent Holdings Ltd., Tongcheng Travel Holdings, Trip.com Group Ltd, Vipshop Holdings Ltd, Weibo Corp.

Morgan Stanley & Co. LLC makes a market in the securities of Autohome Inc, IQIYI Inc, JOYY Inc., NetEase, Inc, Weibo Corp.

The equity research analysts or strategists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues. Equity Research analysts' or strategists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

Morgan Stanley and its affiliates do business that relates to companies/instruments covered in Morgan Stanley Research, including market making, providing liquidity, fund management, commercial banking, extension of credit, investment services and investment banking. Morgan Stanley sells to and buys from customers the securities/instruments of companies covered in Morgan Stanley Research on a principal basis. Morgan Stanley may have a position in the debt of the Company or instruments discussed in this report. Morgan Stanley trades or may trade as principal in the debt securities (or in related derivatives) that are the subject of the debt research report.

Certain disclosures listed above are also for compliance with applicable regulations in non-US jurisdictions.

## STOCK RATINGS

Morgan Stanley uses a relative rating system using terms such as Overweight, Equal-weight, Not-Rated or Underweight (see definitions below). Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold and sell. Investors should carefully read the definitions of all

ratings used in Morgan Stanley Research. In addition, since Morgan Stanley Research contains more complete information concerning the analyst's views, investors should carefully read Morgan Stanley Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

## Global Stock Ratings Distribution

(as of August 31, 2026)

The Stock Ratings described below apply to Morgan Stanley's Fundamental Equity Research and do not apply to Debt Research produced by the Firm.

For disclosure purposes only (in accordance with FINRA requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

| | 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 | 1555 | 42% | 450 | 48% | 29% | 767 | 44% |
| Equal-weight/Hold | 1577 | 43% | 395 | 42% | 25% | 770 | 44% |
| Not-Rated/Hold | 3 | 0% | 1 | 0% | 33% | 1 | 0% |
| Underweight/Sell | 559 | 15% | 93 | 10% | 17% | 216 | 12% |
| Total | 3,694 | | 939 | | | 1754 | |

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.

## Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed 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.

Equal-weight (E). The stock's total return is expected to be in line with 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.

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.

Underweight (U). The stock's total return is expected to be below 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.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

## Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

## Important Disclosures for Morgan Stanley Smith Barney LLC Customers

Important disclosures regarding any material conflict of interest that can reasonably be expected to have influenced Morgan Stanley Smith Barney LLC's choice of a third-party research provider or the subject company of a third-party research report, are available on the Morgan Stanley Wealth Management disclosure website at www.morganstanley.com/online/researchdisclosures.

For Morgan Stanley specific disclosures, you may refer to https://www.morganstanley.com/eqr/disclosures/webapp/generalresearch.

Each Morgan Stanley research report is reviewed and approved on behalf of Morgan Stanley Smith Barney LLC. This review and approval is conducted by the same person who reviews the research report on behalf of Morgan Stanley. This could create a conflict of interest.

## Other Important Disclosures

A member of Research who had or could have had access to the research prior to completion owns securities (or related derivatives) in the Alibaba Group Holding, Baidu Inc. This person is not a research analyst or a member of research analyst's household.

Morgan Stanley Research policy is to update research reports as and when the Research Analyst and Research Management deem appropriate, based on developments with the issuer, the sector, or the market that may have a material impact on the research views or opinions stated therein. In addition, certain Research publications are intended to be updated on a regular periodic basis (weekly/monthly/quarterly/annual) and will ordinarily be updated with that frequency, unless the Research Analyst and Research Management determine that a different publication schedule is appropriate based on current conditions.

Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Morgan Stanley produces an equity research product called a "Tactical Idea." Views contained in a "Tactical Idea" on a particular stock may be contrary to the recommendations or views expressed

in research on the same stock. This may be the result of differing time horizons, methodologies, market events, or other factors. For all research available on a particular stock, please contact your sales representative or go to Matrix at http://www.morganstanley.com/matrix.

Morgan Stanley Research is provided to our clients through our proprietary research portal on Matrix and also distributed electronically by Morgan Stanley to clients. Certain, but not all, Morgan Stanley Research products are also made available to clients through third-party vendors or redistributed to clients through alternate electronic means as a convenience. For access to all available Morgan Stanley Research, please contact your sales representative or go to Matrix at http://www.morganstanley.com/matrix.

Any access and/or use of Morgan Stanley Research is subject to Morgan Stanley's Terms of Use (http://www.morganstanley.com/terms.html). By accessing and/or using Morgan Stanley Research, you are indicating that you have read and agree to be bound by our Terms of Use (http://www.morganstanley.com/terms.html). In addition you consent to Morgan Stanley processing your personal data and using cookies in accordance with our Privacy Policy and our Global Cookies Policy (http://www.morganstanley.com/privacy_pledge.html), including for the purposes of setting your preferences and to collect readership data so that we can deliver better and more personalized service and products to you. To find out more information about how Morgan Stanley processes personal data, how we use cookies and how to reject cookies see our Privacy Policy and our Global Cookies Policy (http://www.morganstanley.com/privacy_pledge.html). Please use the provided link to review the Terms and Conditions and Most Important Terms and Conditions for Morgan Stanley India Company Private Limited (https://www.morganstanley.com/assets/pdfs/about-us-global-offices/india/Terms_and_conditions.pdf) and the following link to review the audit report (https://ny.matrix.ms.com/eqr/research/webapp/researchdocs/MSICPL_Morgan_Stanley_Research_Audit_Report.pdf).

If you do not agree to our Terms of Use and/or if you do not wish to provide your consent to Morgan Stanley processing your personal data or using cookies please do not access our research.

Morgan Stanley Research does not provide individually tailored investment advice. Morgan Stanley Research has been prepared without regard to the circumstances and objectives of those who receive it. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of an investment or strategy will depend on an investor's circumstances and objectives. The securities, instruments, or strategies discussed in Morgan Stanley Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Morgan Stanley Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

The fixed income research analysts, strategists or economists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues (which include fixed income trading and capital markets profitability or revenues), client feedback and competitive factors. Fixed Income Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

The "Important Regulatory Disclosures on Subject Companies" section in Morgan Stanley Research lists all companies mentioned where Morgan Stanley owns 1% or more of a class of common equity securities of the companies. For all other companies mentioned in Morgan Stanley Research, Morgan Stanley may have an investment of less than 1% in securities/instruments or derivatives of securities/instruments of companies and may trade them in ways different from those discussed in Morgan Stanley Research. Employees of Morgan Stanley not involved in the preparation of Morgan Stanley Research may have investments in securities/instruments or derivatives of securities/instruments of companies mentioned and may trade them in ways different from those discussed in Morgan Stanley Research. Derivatives may be issued by Morgan Stanley or associated persons.

With the exception of information regarding Morgan Stanley, Morgan Stanley Research is based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in Morgan Stanley Research change apart from when we intend to discontinue equity research coverage of a subject company. Facts and views presented in Morgan Stanley Research have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley Research personnel may participate in company events such as site visits and are generally prohibited from accepting payment by the company of associated expenses unless pre-approved by authorized members of Research management.

Morgan Stanley may make investment decisions that are inconsistent with the recommendations or views in this report.

To our readers based in Taiwan or trading in Taiwan securities/instruments: Information on securities/instruments that trade in Taiwan is distributed by Morgan Stanley Taiwan Limited ("MSTL"). Such information is for your reference only. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Morgan Stanley Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. Any non-customer reader within the scope of Article 7-1 of the Taiwan Stock Exchange Recommendation Regulations accessing and/or receiving Morgan Stanley Research is not permitted to provide Morgan Stanley Research to any third party (including but not limited to related parties, affiliated companies and any other third parties) or engage in any activities regarding Morgan Stanley Research which may create or give the appearance of creating a conflict of interest. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities/instruments. MSTL may not execute transactions for clients in these securities/instruments.

Certain information in Morgan Stanley Research was sourced by employees of the Shanghai Representative Office of Morgan Stanley Asia Limited for the use of Morgan Stanley Asia Limited. Morgan Stanley is not incorporated under PRC law and the research in relation to this report is conducted outside the PRC. Morgan Stanley Research does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. Neither this report nor any part of it is intended as, or shall constitute, provision of any consultancy or advisory service of securities investment as defined under PRC law. Such information is provided for your reference only.

Morgan Stanley Research is disseminated in Brazil by Morgan Stanley C.T.V.M. S.A. located at Av. Brigadeiro Faria Lima, 3600, 6th floor, São Paulo - SP, Brazil; and is regulated by the Comissão de Valores Mobiliários; in Mexico by Morgan Stanley México, Casa de Bolsa, S.A. de C.V which is regulated by Comision Nacional Bancaria y de Valores. Paseo de los Tamarindos 90, Torre 1, Col. Bosques de las Lomas Floor 29, 05120 Mexico City; in Japan by Morgan Stanley MUFG Securities Co., Ltd. and, for Commodities related research reports only, Morgan Stanley Capital Group Japan Co., Ltd; in Hong Kong by Morgan Stanley Asia Limited (which accepts responsibility for its contents) and by Morgan Stanley Bank Asia Limited; in Singapore by Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore (which accepts legal responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research) and by Morgan Stanley Bank Asia Limited, Singapore Branch (Registration number T14FC0118J); in Australia to "wholesale clients" within the meaning of the Australian Corporations Act by Morgan Stanley Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents; in Australia to "wholesale clients" and "retail clients" within the meaning of the Australian Corporations Act by Morgan Stanley Wealth Management Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents; in Korea by Morgan Stanley & Co International plc, Seoul Branch; in India by Morgan Stanley India Company Private Limited having

Corporate Identification No (CIN) U22990MH1998PTC115305, regulated by the Securities and Exchange Board of India ("SEBI") and holder of licenses as a Research Analyst (SEBI Registration No. INH000001105); Stock Broker (SEBI Stock Broker Registration No. INZ000244438), Merchant Banker (SEBI Registration No. INM000011203), and depository participant with National Securities Depository Limited (SEBI Registration No. IN-DP-NSDL-567-2021) having registered office at Altimus, Level 39 & 40, Pandurang Budhkar Marg, Worli, Mumbai 400018, India; Telephone no. +91-22-61181000; Compliance Officer Details: Mr. Tejarshi Hardas, Tel. No.: +91-22-61181000 or Email: tejarshi.hardas@morganstanley.com; Grievance officer details: Mr. Tejarshi Hardas, Tel. No.: +91-22-61181000 or Email: msic-compliance@morganstanley.com. Morgan Stanley India Company Private Limited (MSICPL) may use AI tools in providing research services. All recommendations contained herein are made by the duly qualified research analysts; in Germany and the European Economic Area where required by Morgan Stanley Europe S.E., authorised and regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin) under the reference number 149169; in the US by Morgan Stanley & Co. LLC, which accepts responsibility for its contents. Morgan Stanley & Co. International plc, authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, disseminates in the UK research that it has prepared, and research which has been prepared by any of its affiliates, only to persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"); (ii) are persons who are high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended) may otherwise lawfully be communicated or caused to be communicated. RMB Morgan Stanley Proprietary Limited is a member of the JSE Limited and A2X (Pty) Ltd. RMB Morgan Stanley Proprietary Limited is a joint venture owned equally by Morgan Stanley International Holdings Inc. and RMB Investment Advisory (Proprietary) Limited, which is wholly owned by FirstRand Limited. Morgan Stanley Research is disseminated in Canada by Morgan Stanley Canada Limited and Morgan Stanley Wealth Management Canada Inc., members of the Canadian Investment Regulatory Organization (CIRO). The information in Morgan Stanley Research is being disseminated by Morgan Stanley Saudi Arabia, regulated by the Capital Market Authority in the Kingdom of Saudi Arabia, and is directed at Sophisticated investors only.

Morgan Stanley Hong Kong Securities Limited is the liquidity provider/market maker for securities of Alibaba Group Holding, Baidu Inc, Bilibili Inc, JD.com, Inc., Kuaishou Technology, Meituan, NetEase, Inc, Tencent Holdings Ltd., Trip.com Group Ltd listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: http://www.hkex.com.hk.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (DIFC Branch), regulated by the Dubai Financial Services Authority (the DFSA) or by Morgan Stanley & Co. International plc (ADGM Branch), regulated by the Financial Services Regulatory Authority Abu Dhabi (the FSRA), and is directed at Professional Clients only, as defined by the DFSA or the FSRA, respectively. The financial products or financial services to which this research relates will only be made available to a customer who we are satisfied meets the regulatory criteria of a Professional Client. A distribution of the different MS Research ratings or recommendations, in percentage terms for Investments in each sector covered, is available upon request from your sales representative.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (QFC Branch), regulated by the Qatar Financial Centre Regulatory Authority (the QFCRA), and is directed at business customers and market counterparties only and is not intended for Retail Customers as defined by the QFCRA.

As required by the Capital Markets Board of Turkey, investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided exclusively to persons based on their risk and income preferences by the authorized firms. Comments and recommendations stated here are general in nature. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.

The trademarks and service marks contained in Morgan Stanley Research are the property of their respective owners. Third-party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages relating to such data. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P.

Morgan Stanley Research, or any portion thereof may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

Indicators and trackers referenced in Morgan Stanley Research may not be used as, or treated as, a benchmark under Regulation EU 2016/1011, or any other similar framework.

The issuers and/or fixed income products recommended or discussed in certain fixed income research reports may not be continuously followed. Accordingly, investors should regard those fixed income research reports as providing stand-alone analysis and should not expect continuing analysis or additional reports relating to such issuers and/or individual fixed income products.

Morgan Stanley may hold, from time to time, material financial and commercial interests regarding the company subject to the Research report.

Registration granted by SEBI and certification from the National Institute of Securities Markets (NISM) in no way guarantee performance of the intermediary or provide any assurance of returns to investors. Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

## INDUSTRY COVERAGE: China Internet and Other Services

| COMPANY (TICKER) | RATING (AS OF) | PRICE* (09/15/2026) |
|---|---|---|
| **Eddy Wang, CFA** | | |
| Autohome Inc (ATHM.N) | E (02/09/2023) | US$21.35 |
| Full Truck Alliance Co. Ltd (YMM.N) | O (07/05/2023) | US$8.06 |
| JD.com, Inc. (JD.O) | U (11/10/2025) | US$27.09 |
| Kanzhun Ltd (BZ.O) | O (08/04/2021) | US$15.04 |
| KE Holdings Inc (BEKE.N) | O (03/16/2022) | US$16.21 |
| PDD Holdings Inc (PDD.O) | O (03/02/2023) | US$78.08 |
| Vipshop Holdings Ltd (VIPS.N) | E (02/24/2022) | US$12.09 |
| **Gary Yu** | | |
| Alibaba Group Holding (BABA.N) | O (02/24/2025) | US$109.34 |
| Baidu Inc (BIDU.O) | U (08/19/2026) | US$90.39 |
| Meituan (3690.HK) | O (08/29/2024) | HK$74.45 |
| Tencent Holdings Ltd. (0700.HK) | O (03/19/2020) | HK$433.40 |

| | | |
|---|---|---|
| **Rebecca Xu** | | |
| HUYA Inc (HUYA.N) | E (05/16/2024) | US$2.07 |
| IQIYI Inc (IQ.O) | E (01/19/2023) | US$1.00 |
| JOYY Inc. (JOYY.O) | E (06/02/2022) | US$77.28 |
| Weibo Corp (WB.O) | U (05/17/2024) | US$6.61 |
| **Yang Liu** | | |
| Bilibili Inc (BILI.O) | ++ | US$15.46 |
| Kuaishou Technology (1024.HK) | E (08/20/2026) | HK$29.66 |
| NetEase, Inc (NTES.O) | O (01/08/2025) | US$119.49 |
| Tongcheng Travel Holdings (0780.HK) | O (01/04/2019) | HK$10.64 |
| Trip.com Group Ltd (TCOM.O) | O (05/17/2021) | US$39.25 |

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

© 2026 Morgan Stanley