Alibaba Group (BABA US & 9988 HK)

The 20GW ambition extends the growth runway; partner economics determine shareholder returns

Alibaba's 2026 Apsara conference strengthens our confidence in the duration of AI and Cloud growth. We believe the V900 chip roadmap, the planned M890 deployment and the ambition to operate more than 20GW of global data-center capacity by 2032 provide a clearer route to the compute supply needed to meet demand. The next question is financial: can Cloud revenue and profit grow faster than Alibaba-funded capital after partner costs? We maintain Overweight for the long-term Cloud opportunity, with retained economics and cash conversion the key tests.

- Our scenario assumes 4GW of operating capacity at end-2025 and US$30bn of total infrastructure cost per incremental GW. Adding 16GW to reach 20GW would require US$480bn, or RMB3.36tn at RMB7/US$; at a 50% funding share, Alibaba would contribute RMB1.68tn. Our projected investment path supplies approximately RMB3.40tn through December 2032, broadly supporting the 20GW ambition before retirements and equipment replacement.

- At a 40% annual revenue yield on total infrastructure investment for six operating years, our scenario analysis produces FY30E Cloud revenue of RMB876bn. A separate 20% segment-margin assumption implies RMB175bn of adjusted EBITA. At an assumed 49.2% pre-depreciation infrastructure margin after partner costs, Alibaba-funded capital generates a modeled 26.6% six-year after-tax IRR and 2.82-year after-tax payback. The new-build infrastructure cash-flow proxy turns positive at RMB18bn in FY30E, but it is not Cloud segment or group free cash flow and excludes replacement spending and other costs.

- Our Dec-26 price targets of US$210/HK$205 and current Cloud valuation multiple are unchanged. The targets remain based on 16x FY28E P/E. We believe a further rerating requires sustained external Cloud growth above 50%, continued margin expansion, lower AI Labs and Applications losses, and a clearer, bounded Alibaba-funded capex path. Higher partner or replacement costs, revenue yields below 40%, or prolonged investment would weaken the return case.

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Equity Ratings and Price Targets

Company	Ticker	Mkt Cap ($ mn)	Price CCY	Price	Rating Cur	Rating Prev	Price Target Cur	Price Target End Date	Price Target Prev	Price Target End Date
Alibaba Group Holding Limited (BABA)	BABA US	289,103	USD	116.31	OW	n/c	210.00	Dec-26	n/c	n/c
Alibaba Group Holding Limited	9988 HK	290,969	HKD	114.80	OW	n/c	205.00	Dec-26	n/c	n/c

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. n/c = no change. All prices as of 22 Sep 26.

See page 17 for analyst certification and important disclosures, including non-US analyst disclosures.

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Apsara strengthens the growth case; financial proof still lies ahead

The 2026 Apsara conference advances our AI and Cloud thesis in two ways. First, it provides a clearer route to compute supply through V900, planned scaled availability of M890-based supernodes, and the broader T-Head roadmap. Second, the 20GW ambition signals that management expects demand to extend to 2032. Production volumes, delivery timing, unit costs and commercial adoption remain to be demonstrated.

The financial implication is more conditional. Our August framework assumed capex could plateau around FY26/27, supporting a cash-flow inflection around FY29. The new capacity ambition points to a longer build: our scenario has Alibaba-funded capex rising through FY30. Attractive project returns can therefore coexist with several more years of portfolio-level cash outflow.

Table 1: Key conference takeaways

Component	Conference takeaway	What would demonstrate financial value?
Qwen: demand and product mix	Management plans larger, multimodal and potentially self-improving models, including a 5–10T parameter objective.	More token consumption, higher infrastructure utilization and a greater contribution from model and platform services after training and inference-support costs.
T-Head: compute supply and cost	Management presented V900 as offering three times M890 performance and plans scaled availability of M890-based supernodes.	Commercial volume, customer adoption, performance per watt and lower capex per unit of usable compute.
Alibaba Cloud: monetization	The platform connects model demand, compute supply and enterprise customers.	Faster revenue and adjusted EBITA growth, followed by better cash generation per RMB of Alibaba-funded capital.

Source: Alibaba 2026 Apsara Conference, J.P. Morgan.

Qwen could also deepen enterprise integration and switching costs. We would first recognize that value through Cloud growth, mix and margins. The conference did not disclose separate Qwen external revenue, internal versus third-party consumption, its share of model-as-a-service (MaaS), model-level margins, training and inference-support costs, or revenue from reselling third-party models.

How to read our scenario

Table 2: Our analysis uses several related but distinct constructs

Construct	Assumption or output	What it measures	What it does not establish
Total-system investment and revenue	40% annual revenue yield on original total infrastructure investment for six operating years	Revenue produced by the operated network	Revenue that Alibaba can necessarily recognize under every partner structure
Alibaba funding share	50% of total capacity capital in the base case	Alibaba's upfront capital contribution	Retained profit or returns under a different funding structure
New-build infrastructure economics	49.2% pre-depreciation margin after partner costs	Project-level profit, payback and IRR on Alibaba-funded capital	Cloud segment adjusted EBITA or group earnings
Cloud segment economics	20% adjusted EBITA margin in FY30E	Segment profit across new and legacy operations	Independent validation of the infrastructure-return scenario
New-build cash-flow proxy	After-tax new-build operating profit plus depreciation, less Alibaba-funded infrastructure capex	Cash generation from FY27 onward infrastructure cohorts	Cloud segment or group FCF; replacement capex and several other costs are excluded

Source: J.P. Morgan.

Who funds the capacity matters as much as its size

We interpret the 20GW target as operated capacity. Alibaba could combine owned assets, leases, partner-owned or franchised data centers, joint ventures, customer-

dedicated facilities and third-party compute sold through Alibaba Cloud. The ownership mix remains undisclosed.

We assume 4GW of operated capacity at end-CY2025 and US$30bn of total infrastructure cost per incremental GW. Adding 16GW to reach 20GW therefore requires US$480bn, or RMB3.36tn at RMB7/US$, before equipment replacement and retirements. At a 50% funding share, Alibaba contributes RMB1.68tn. Actual cost per GW will depend on accelerator mix, buildings, power equipment, networking, cooling and geography.

Our investment path supplies RMB3.404tn through December 2032 under an even fiscal-year spending and commissioning convention. This supports approximately 20.2GW before retirements, retaining the starting 4GW and excluding January–March 2026 investment. The RMB44bn of headroom over the 16GW expansion requirement has not been shown to cover equipment refresh. Appendix D sets out the bridge and its limits.

For a fixed network, total infrastructure investment determines modeled revenue; the funding split determines Alibaba's capital contribution. In the base case, Alibaba and its partners each fund 50% of capacity capital. A lower Alibaba share reduces its upfront contribution but does not, by itself, change network revenue. Appendix C shows the funding sensitivity while holding the network, commissioning schedule, revenue yield and revenue-recognition basis constant.

Partner capital is not free. Lease payments, take-or-pay commitments, capacity-availability fees and revenue sharing reduce the economics Alibaba retains. Our 50%-funded base case assumes a constant 49.2% pre-depreciation infrastructure margin after all relevant partner-capacity expenses. We do not assume that margin remains constant when the funding mix changes; some arrangements could leave Alibaba with obligations economically similar to ownership.

The 49.2% margin is calibrated to an assumed 15.5% annual after-tax return on original Alibaba capex during the five depreciation years. It is not independently established by operating evidence. The resulting cash flows imply 2.82-years after-tax payback and a 26.6% six-year IRR on Alibaba-funded capital. Both outputs depend on achieving the full 40% revenue yield from commissioning and retaining the assumed margin after partner costs. Appendix A provides the calculation and compares it with our August framework.

Revenue can scale quickly; cash generation takes longer

Our scenario assumes total infrastructure investment of RMB434bn/ 500bn/ 560bn/ 600bn/ 580bn/ 460bn/ 360bn in FY27E–FY33E, respectively, with Alibaba funding 50%. This totals RMB3.494tn through March 2033; excluding RMB90bn allocated to January–March 2033 leaves RMB3.404tn through CY2032. Investment rises through FY30 and then declines as the network matures. Each cohort earns a constant revenue yield for six operating years.

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Table 3: Our scenario reaches Rmb876bn of Cloud revenue in FY30E

RMB bn unless stated	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E
Total infrastructure investment	434	500	560	600	580	460	360
Alibaba-funded infrastructure capex	217	250	280	300	290	230	180
Cloud revenue	245	432	644	876	1,112	1,320	1,397
Revenue growth	55%	76%	49%	36%	27%	19%	6%
Modeled total depreciation	51	97	150	208	267	298	292

Source: J.P. Morgan estimates.

Table 4: The new-build infrastructure cash-flow proxy turns positive in FY30E

RMB bn unless stated	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E
Cloud adjusted EBITA margin	12%	15%	18%	20%	20%	20%	20%
Cloud adjusted EBITA	29	65	116	175	222	264	279
New-build aggregate ROIC	15.5%	15.5%	15.5%	15.5%	15.5%	16.7%	17.9%
New-build infrastructure cash-flow proxy after Alibaba-funded capex	-178	-129	-65	18	133	281	360

Source: J.P. Morgan estimates.

Revenue construction

The revenue model holds FY26 legacy Cloud revenue flat at RMB158.1bn and adds FY27 onward investment cohorts. This is a simplifying convention, not a forecast that legacy services will neither grow nor retire. A mid-year commissioning convention gives each cohort six full operating years: half a year of revenue in its first fiscal year, five full fiscal years and a final half-year. Five-year depreciation follows the same timing. The first-year half-contribution reflects commissioning, not a utilization ramp.

In FY30E, four investment cohorts contribute RMB717.6bn of revenue: (RMB434bn + RMB500bn + RMB560bn) × 40% + RMB600bn × 40% × 0.5. Adding the RMB158.1bn legacy base gives RMB875.7bn, rounded to RMB876bn. At RMB210bn of investment per GW, the new-build contribution represents approximately 8.54GW of average productive capacity during FY30E. This is revenue during the expansion, not revenue from a completed 20GW network.

The growth path depends on timely commissioning, customer demand supporting the full 40% yield from the start of operations, and Alibaba recognizing revenue from partner-funded infrastructure. We model no period of lower initial utilization.

Segment profit remains a separate assumption

Modeled depreciation reaches RMB208bn, or 23.8% of revenue, in FY30E and peaks at RMB298bn in FY32E. Adding unrounded FY30E depreciation of RMB208.4bn to RMB175.14bn of adjusted EBITA gives approximately RMB384bn of pre-depreciation earnings, or 43.8% of revenue. This is an analytical proxy, not necessarily reported adjusted EBITDA.

The 43.8% segment earnings proxy is below the 49.2% infrastructure margin assumption, but the comparison does not validate either forecast. Cloud adjusted EBITA also includes legacy products, Qwen and model R&D, platform engineering, sales, personnel and segment allocations. Partner expenses may receive different accounting treatment depending on their structure.

Reconciling the infrastructure model with the segment forecast produces a net contribution from legacy operations, other costs and accounting adjustments of

positive RMB1.3bn in FY30E and negative RMB67.3bn in FY33E. These are balancing amounts, not independently forecast cost items. Appendix B shows the full reconciliation. Until the underlying components are established, the infrastructure return model and the 20% segment-margin assumption should remain analytically separate.

The 20% long-term segment-margin assumption requires higher utilization, a greater contribution from MaaS, platform-as-a-service and software revenue, proprietary-chip cost benefits, lower networking and power costs, operating leverage and manageable model spending.

The new-build cash-flow proxy inflects before Cloud or group FCF is established

After-tax infrastructure operating profit plus depreciation, less Alibaba-funded infrastructure capex, reaches positive RMB18bn in FY30E and RMB133bn in FY31E. The FY30E surplus is modest relative to RMB300bn of annual Alibaba-funded capex, leaving little room for revenue shortfalls or additional costs.

The proxy excludes legacy Cloud cash flow, working capital, central costs, financing and lease treatment, application-layer spending, maintenance and replacement capex, and differences from the assumed 20% tax rate. Partner charges must already be embedded in operating profit. Appendix B provides the bridge.

The model can produce a 26.6% lifetime IRR on Alibaba-funded capital while the expanding portfolio still consumes cash because annual investment exceeds the cash generated by installed capacity. With a constant revenue yield and operating margin, modeled aggregate ROIC is 15.5% through FY31E, rising to 16.7% in FY32E and 17.9% in FY33E as some assets continue to earn revenue after depreciation ends. These later increases are accounting effects, not evidence of better physical asset performance. Aggregate ROIC uses the time-weighted original cost of in-service Alibaba-funded assets without deducting accumulated depreciation; it is not a return on net book capital.

Rating unchanged; the next evidence must be financial

We maintain Overweight and our December-2026 price targets of US$210/HK$205, based on 16x FY28E P/E. Our sum-of-the-parts cross-check uses 14x core-commerce earnings and 6x Cloud sales. The conference supports a longer Cloud growth runway and a larger potential revenue base, but it does not yet justify changes to near-term group forecasts, earlier group FCF recovery or a higher Cloud valuation multiple.

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Table 5: Alibaba forecast revisions

YE 31 Mar			FY27E					FY28E		
Figures in RMB,mn	JPMe old	JPMe new	% change	Consensus	% delta	JPMe old	JPMe new	% change	Consensus	% delta
Net Revenue	1,146,742	1,152,979	*1%*	1,130,000	*2%*	1,335,771	1,415,332	*6%*	1,271,000	*11%*
Gross profit	439,522	441,908	*1%*	441,333	*0%*	531,770	563,063	*6%*	507,434	*11%*
EBITDA (non GAAP)	170,070	179,568	*6%*	163,801	*10%*	235,919	304,350	*29%*	222,160	*37%*
EBIT (GAAP)	104,266	103,143	*-1%*	88,351	*17%*	173,353	186,473	*8%*	142,320	*31%*
EBIT (non GAAP)	129,934	128,837	*-1%*		*na*	191,839	205,277	*7%*		*na*
PBT (GAAP)	166,498	150,375	*-10%*	118,440	*27%*	259,753	234,473	*-10%*	165,776	*41%*
Net income (GAAP)	118,233	106,136	*-10%*	88,442	*20%*	194,264	175,244	*-10%*	129,911	*35%*
Net income (Non-GAAP)	141,126	129,048	*-9%*	104,044	*24%*	211,413	192,632	*-9%*	145,820	*32%*
EPADS (GAAP)										
Diluted (RMB)	49.94	44.86	*-10%*	34.60	*30%*	86.16	77.75	*-10%*	53.93	*44%*
EPADS (Non GAAP)										
Diluted (RMB)	59.59	54.52	*-9%*	42.91	*27%*	93.74	85.44	*-9%*	59.34	*44%*
Margin analysis (%)										
Gross margin	38.3%	38.3%	*0%*	39.1%	*-0.7%*	39.8%	39.8%	*0%*	39.9%	*-0.1%*
non-GAAP EBITDA margin	14.8%	15.6%	*1%*		*na*	17.7%	21.5%	*4%*		*na*
EBIT margin (GAAP)	9.1%	8.9%	*0%*		*na*	13.0%	13.2%	*0%*		*na*
EBIT margin (non-GAAP)	11.3%	11.2%	*0%*		*na*	14.4%	14.5%	*0%*		*na*
Net margin (GAAP)	10.3%	9.2%	*-1%*	7.8%	*1.4%*	14.5%	12.4%	*-2%*	10.2%	*2.2%*
Net margin (non GAAP)	12.3%	11.2%	*-1%*	9.2%	*2.0%*	15.8%	13.6%	*-2%*	11.5%	*2.1%*

Source: J.P. Morgan estimates, Bloomberg Finance L.P (as of Sep 22, 2026).

We believe the next rerating requires evidence that Cloud revenue and adjusted EBITA can grow faster than Alibaba-funded capital while retaining attractive economics after partner costs.

Table 6: The proof points that matter

Proof point	Constructive evidence	Investment implication
External Cloud demand	Sustained growth above 50%	Tests whether demand absorbs new capacity.
Cloud profitability	Continued sequential adjusted EBITA margin expansion	Tests operating leverage after depreciation and partner costs.
Fully loaded AI spending	Sequentially lower AI Labs and Applications losses despite larger-model investment	Tests whether spending outside infrastructure limits the earnings benefit.
Funding and retained economics	Disclosure of owned, leased and partner-funded capacity, associated charges and the 0.4x revenue-yield denominator	Tests the central assumptions behind the return model.
Commercial deployment	V900/M890 volume, customer usage, lower unit costs and a 40% annual revenue yield from commissioning	Tests whether the compute roadmap translates into modeled revenue and returns.
Capex and cash generation	A visible, ultimately bounded Alibaba-funded capex path and improving marginal cash flow	Tests the timing of cash recovery and the case for rerating.

Source: J.P. Morgan estimates.

We view the June quarter as the first of two to three quarters needed to establish the trend. The next test is September-quarter external Cloud growth above 50%, further margin progression and sequentially lower AI Labs and Applications losses. Conference announcements strengthen the strategic case but cannot substitute for those results.

Upside would come from more productive capacity, an annual revenue yield above 40%, earlier commissioning or equipment life beyond six years. A higher external revenue mix would increase external revenue within that total. Lower chip-related capital costs, favorable partner terms or an earlier 20% Cloud margin could improve shareholder returns. Better Qwen disclosure could also support a separate valuation.

The principal risks are higher partner charges or lease-like obligations, infrastructure cost above US$30bn/GW, replacement spending beyond the expansion budget, an incorrect revenue-yield denominator, revenue yields below 40% in the early years or thereafter, power or commissioning delays, compute-price deflation, shorter equipment life, persistent model losses and capex remaining elevated beyond FY30. These would reduce retained returns or delay cash recovery.

Appendix A: Assumptions and returns on Alibaba-funded capital

Table 7: Core assumptions

Input	Base-case scenario	Basis
Starting operated capacity	4GW at end-CY2025	Analytical assumption
Capacity benchmark	20GW at end-CY2032	Expansion bridge excludes retirements and equipment refresh
Total infrastructure cost per incremental GW	US$30bn / RMB210bn	Analytical assumption at RMB7/US$, before partner funding
Alibaba-funded share of total capacity capital	50%	Analyst assumption; balance funded through partners or other structures
Annual revenue / original total infrastructure capex	40% in each of six operating years	Constant yield from commissioning; no utilization ramp
Annual revenue per RMB100 Alibaba capex	RMB80 for six operating years	Derived from the funding share and revenue yield
Revenue-producing life	6 years	Analyst assumption
Commissioning	Mid-year	Half-year revenue in the first and final fiscal years
Accounting depreciation	5 years, straight line	Applied to Alibaba-funded capex under the model's ownership convention
Tax rate	20%	Analyst assumption
After-tax return on original Alibaba capex in operating years 1–5	15.50%	Calibration assumption for the infrastructure margin
Pre-depreciation infrastructure margin	49.20%	Calibrated margin after partner expenses in the 50%-funded base case
FY30E Cloud adjusted EBITA margin	20%	Segment assumption

Source: J.P. Morgan estimates.

For each RMB100 Alibaba invests, a 15.5% annual after-tax return during the depreciation period requires RMB15.5 of net operating profit after tax (NOPAT). At a 20% tax rate, that implies approximately RMB19.4 of EBIT. Adding RMB20 of depreciation gives RMB39.4 of pre-depreciation operating profit, or a 49.2% margin on RMB80 of revenue. All relevant partner-capacity expenses must be deducted before that margin is calculated.

Alibaba-funded capex is treated as its depreciable asset base, while partner remuneration is included in operating costs. This simplified convention could change under lease, joint-venture or other arrangements. A different funding split therefore requires a new retained-cash-flow calculation; the 49.2% margin cannot automatically be carried across funding structures.

Table 8: Assumed retained economics imply a 26.6% IRR on Alibaba-funded capital

RMB per RMB100 Alibaba capex	Y1	Y2	Y3	Y4	Y5	Y6
Revenue	80	80	80	80	80	80
Depreciation	20	20	20	20	20	—
Pre-depreciation operating profit	39.4	39.4	39.4	39.4	39.4	39.4
EBIT	19.4	19.4	19.4	19.4	19.4	39.4
NOPAT	15.5	15.5	15.5	15.5	15.5	31.5
Return on original Alibaba capex	15.50%	15.50%	15.50%	15.50%	15.50%	31.50%
After-tax operating cash flow	35.5	35.5	35.5	35.5	35.5	31.5

Source: J.P. Morgan estimates.

The fixed RMB200 system investment generates RMB80 in each of six operating years at a 40% annual revenue yield, or RMB480 of lifetime revenue. Alibaba

contributes RMB100 at the 50% funding share. Revenue is before operating costs, partner expenses and tax; it is not the cash return on Alibaba's contribution.

Our modeled cash flows imply approximately 2.54-year pre-tax payback, 2.82-year after-tax payback and 26.6% six-year after-tax IRR on Alibaba-funded capital. IRR uses Alibaba's initial RMB100 contribution at commissioning, year-end cash flows after assumed partner expenses and no terminal value. Payback includes the depreciation add-back and assumes cash accrues evenly within each operating year. Year-six accounting return rises to 31.5% when depreciation ends, while cash flow falls to RMB31.5 because the depreciation tax shield expires.

Table 9: Comparison with our August framework

Input or output	August framework	Current scenario
Annual revenue per RMB100 Alibaba capex	RMB100 at maturity	RMB80 in each operating year
Revenue profile	60% / 90% / 100% utilization ramp	Constant 40% annual yield on total infrastructure capex
Revenue life	5 years	6 years
Depreciation life	5 years	5 years
Economic calibration	45% incremental EBITDA margin	15.5% after-tax return on original capex in operating years 1–5
Partner funding	Not explicitly modeled	50% of total capacity capital
After-tax payback	~2.95 years	~2.82 years
After-tax IRR on Alibaba-funded capex	~22.1%	~26.6%

Source: J.P. Morgan estimates.

Our August analysis estimated mature-vintage ROIC near 20% and used an approximately 10% cost of capital. The current scenario assumes less annual revenue per RMB of Alibaba capex at maturity, but earns that revenue from commissioning and for one additional operating year. It also incorporates partner funding and a different operating-margin calibration. The modeled 26.6% IRR is above the 10% benchmark, but the comparison depends on consistent treatment of partner obligations and financing costs; it does not establish total-system returns or validate the retained-margin assumption.

Appendix B: New-build cash-flow bridge and segment reconciliation

Table 10: Cash flow bridge

RMB bn	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E
Incremental infrastructure EBIT	21	66	118	174	231	303	347
Incremental infrastructure NOPAT	17	53	94	139	185	242	277
New-cohort depreciation	22	68	121	179	238	269	263
After-tax operating cash-flow proxy	39	121	215	318	423	511	540
Alibaba infrastructure capex	-217	-250	-280	-300	-290	-230	-180
New-build infrastructure cash-flow proxy after Alibaba-funded capex	-178	-129	-65	18	133	281	360

Source: J.P. Morgan estimates, Company data (2Q26 results announcement).

Table 11: Reconciliation with segment adjusted EBITA

RMB bn	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E
New-build infrastructure EBIT	21	66.3	117.6	173.8	231	303	346.7
Implied net legacy contribution, other costs and adjustments	8.4	-1.5	-1.7	1.3	-8.6	-39.1	-67.3
Cloud segment adjusted EBITA	29.4	64.8	115.9	175.1	222.3	263.9	279.4

Source: J.P. Morgan estimates.

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Appendix C: Funding-share sensitivity for a fixed network

This sensitivity holds the total investment path, commissioning schedule, six-year revenue life, 40% annual revenue yield and revenue-recognition basis constant. Alibaba operates the same network in every case; only the allocation of capital between Alibaba and its partners changes.

Table 12: Funding-share sensitivity analysis

Alibaba-funded share	FY30E Alibaba investment	FY30E partner investment	FY30E Cloud revenue	FY30E external revenue
60%	RMB360bn	RMB240bn	RMB876bn	US$88bn
50%	RMB300bn	RMB300bn	RMB876bn	US$88bn
40%	RMB240bn	RMB360bn	RMB876bn	US$88bn
37.5%	RMB225bn	RMB375bn	RMB876bn	US$88bn
35%	RMB210bn	RMB390bn	RMB876bn	US$88bn

Source: J.P. Morgan estimates.

A lower Alibaba funding share reduces upfront capital requirements but could increase lease payments, capacity charges or revenue sharing. Without those terms, we cannot infer the effect on retained profit, cash flow, payback or IRR. The 26.6% IRR and FY30E cash-flow-proxy breakeven apply only to the 50%-funded base case and its assumed retained margin.

The illustrative US$100bn annual external-revenue benchmark is a separate operating question. At a 70% external mix and RMB7.0/US$, it requires RMB1,000bn of total Cloud revenue. Holding the legacy base constant, that could be reached through approximately 17.3% more revenue-producing system capital at the same yield, a yield of approximately 46.9% on existing new-build capital, or an external mix of approximately 79.9% at unchanged total revenue. Each calculation changes one assumption at a time. A lower Alibaba funding share alone does not close the revenue gap.

Appendix D: Capacity bridge from 4GW to 20GW

At an assumed US$30bn of total infrastructure cost per incremental GW, adding 16GW to the 4GW starting base requires US$480bn, or RMB3.36tn at RMB7/US$. Alibaba's contribution is RMB1.68tn at a 50% funding share. This is the expansion requirement before equipment replacement and retirements.

Alibaba's fiscal year ends in March. Spreading FY27E–FY33E spending and commissioning evenly through each fiscal year allocates RMB90bn of FY33E investment to January–March 2033. Excluding that amount leaves RMB3.404tn through December 2032. January–March 2026 investment is not included.

Table 13: Capacity bridge from 4GW to 20GW

Calendar year	Modeled total investment, RMB bn	Gross capacity added, GW	Year-end capacity before retirements, GW
2026E	325.5	1.55	5.55
2027E	483.5	2.3	7.85
2028E	545	2.6	10.45
2029E	590	2.81	13.26
2030E	585	2.79	16.04
2031E	490	2.33	18.38
2032E	385	1.83	20.21
Total	3,404.00	16.21	20.21

Source: J.P. Morgan estimates.

The identified investment is approximately RMB44bn above the RMB3.36tn expansion requirement, equivalent to 0.21GW at the assumed cost. This supports a broad reconciliation to the capacity ambition, not a conclusion that replacement needs are funded.

Physical capacity and equipment revenue life must be distinguished. Starting facilities may remain available while their compute equipment needs replacement. Under the six-year revenue-life assumption, equipment commissioned in 2026 reaches that limit in 2032. Refresh spending preserves productive capacity rather than adding new GW, so it cannot also count as expansion. Sustaining productive compute across the network therefore requires an additional refresh allowance or an explicit allocation within the investment budget, with corresponding effects on capacity additions, revenue and cash flow.

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J.P.Morgan

Alibaba Group Holding Limited (BABA)

Overweight

BABA,BABA US

Price (22 Sep 26): $116.31

Price Target (Dec-26): $210.00

China

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Key Changes (FYE Mar)

	Prev	Cur	Δ
Adj. EPS - 27E (Rmb)	59.31	54.23	-8.6%
Adj. EPS - 28E (Rmb)	93.44	85.14	-8.9%

Quarterly Forecasts (FYE Mar)

Adj. EPS (Rmb)

	2026A	2027E	2028E
Q1	14.00	8.58A	19.33
Q2	4.32	13.82	19.87
Q3	6.92	17.82	25.29
Q4	0.04	14.13	20.69
FY	25.23	54.23	85.14

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	16	22	20	15	19
Growth	42	79	70	72	53
Momentum	74	92	91	12	90
Quality	62	55	49	45	27
Low Vol	66	68	66	88	33

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

The 20GW ambition extends the growth runway; partner economics determine shareholder returns

Alibaba's 2026 Apsara conference strengthens our confidence in the duration of AI and Cloud growth. We believe the V900 chip roadmap, the planned M890 deployment and the ambition to operate more than 20GW of global data-center capacity by 2032 provide a clearer route to the compute supply needed to meet demand. The next question is financial: can Cloud revenue and profit grow faster than Alibaba-funded capital after partner costs? We maintain Overweight for the long-term Cloud opportunity, with retained economics and cash conversion the key tests.

Investment Thesis, Valuation and Risks

Alibaba Group Holding Limited *(Overweight; Price Target: $210.00)*

Investment Thesis

Our July preview argued Alibaba was entering a positive earnings-revision cycle and we recommended owning the stock into the print. We believe Jun Q 26 validates that call and moves our thesis from anticipating revisions to measuring the returns that drive them. Alibaba remains China's largest listed AI and cloud franchise: we forecast external cloud revenue growth above 50% with expanding margins and estimate ~22% after-tax project IRR on incremental AI capex versus a ~10% cost of capital. We suggest investors add ahead of the September-quarter print. Maintain OW.

Valuation

Our Dec-26 PT of US$210 is based on 16x FY28E P/E, the multiple for a 'tier-1 China internet asset'. We use sum-of-parts as a secondary valuation method, in which we assign 14x CY26E P/E to core e-commerce profit, and 6x CY26E P/S to the cloud business, which is a discount to the average of US-listed SaaS names.

Risks to Rating and Price Target

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

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Price Performance



— BABA Price ($) — CCMP (rebased)

	YTD	1m	3m	12m
Abs	-20.6%	-2.5%	10.8%	-29.2%
Rel	-37.8%	-6.6%	6.7%	-48.7%

Company Data

Shares O/S (mn)	2,486
52-week range ($)	192.67-91.99
Market cap ($ mn)	289,103
Exchange rate	1.00
Free float (%)	-
3M ADV (mn)	11.94
3M ADV ($ mn)	1,359.9
Volatility (90 Day)	42
Index	NASDAQ COMPOSITE
BBG ANR (Buy | Hold | Sell)	48|2|1

Key Metrics (FYE Mar)

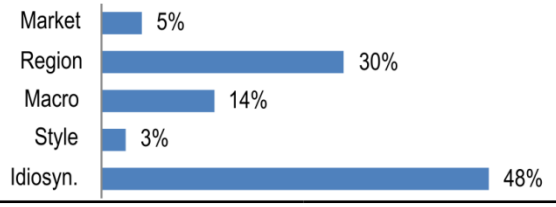
Rmb in millions	FY26A	FY27E	FY28E	FY29E
Financial Estimates				
Revenue	1,023,670	1,152,979	1,415,332	1,740,896
Adj. EBITDA	113,483	179,568	304,350	439,137
Adj. EBIT	76,416	128,837	205,277	282,456
Adj. net income	60,658	129,048	192,632	239,772
Adj. EPS	25.23	54.23	85.14	110.33
BBG EPS	32.14	42.74	59.83	-
Cashflow from operations	76,213	212,921	316,928	431,437
FCFF	(68,848)	(56,846)	2,602	17,697
Margins and Growth				
Revenue Growth Y/Y (%)	2.6%	12.6%	22.8%	23.0%
Gross margin	39.8%	38.3%	39.8%	40.2%
EBITDA margin	11.1%	15.6%	21.5%	25.2%
EBIT margin	7.5%	11.2%	14.5%	16.2%
Adj. EPS growth	(61.8%)	115.0%	57.0%	29.6%
Ratios				
Adj. tax rate	19.1%	27.2%	24.9%	24.9%
Interest cover	NM	NM	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	4.8%	6.8%	10.1%	12.2%
ROE	5.8%	11.4%	15.0%	16.0%
Valuation				
FCFF yield	(3.7%)	(3.1%)	0.1%	1.0%
Dividend yield	-	-	-	-
EV/Revenue	1.6	1.5	1.1	0.8
EV/EBITDA	14.7	9.4	5.3	3.4
Adj. P/E	30.9	14.4	9.1	7.1

Summary Investment Thesis and Valuation

Our July preview argued Alibaba was entering a positive earnings-revision cycle and we recommended owning the stock into the print. We believe Jun Q 26 validates that call and moves our thesis from anticipating revisions to measuring the returns that drive them. Alibaba remains China's largest listed AI and cloud franchise: we forecast external cloud revenue growth above 50% with expanding margins and estimate ~22% after-tax project IRR on incremental AI capex versus a ~10% cost of capital. We suggest investors add ahead of the September-quarter print. Maintain OW.

Our Dec-26 PT of US$210 is based on 16x FY28E P/E, the multiple for a 'tier 1 China internet asset'. We use sum-of-parts as a secondary valuation method, in which we assign 14x CY26E P/E to core e-commerce profit, and 6x CY26E P/S to the cloud business, which is a discount to the average of US-listed SaaS names.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.27	0.32
Region: China	0.82	0.64
Macro:		
JP Morgan EMBI Global Spread	-0.33	-0.29
JPM Global Equity Sentiment	0.33	0.21
Generic 1st 'CO' Future	-0.18	-0.21
Quant Styles:		
Momentum	-0.59	-0.30
Size	-0.51	-0.27
Value	0.39	0.14

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

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Alibaba Group Holding Limited (BABA): Summary of Financials

Income Statement	FY26A	FY27E	FY28E	FY29E
Revenue	**1,023,670**	**1,152,979**	**1,415,332**	**1,740,896**
COGS	(616,136)	(711,071)	(852,270)	(1,041,775)
Gross profit	**407,534**	**441,908**	**563,063**	**699,120**
SG&A	(278,105)	(257,798)	(294,805)	(338,325)
Adj. EBITDA	**113,483**	**179,568**	**304,350**	**439,137**
D&A	(42,146)	(54,125)	(103,246)	(161,816)
Adj. EBIT	**76,416**	**128,837**	**205,277**	**282,456**
Net Interest	77,719	44,337	44,000	30,800
Adj. PBT	**157,262**	**176,069**	**253,277**	**316,456**
Tax	(30,045)	(47,975)	(62,965)	(78,679)
Minority Interest	1,465	680	680	680
Adj. Net Income	**60,658**	**129,048**	**192,632**	**239,772**
Reported EPS	44.05	44.86	77.75	102.20
Adj. EPS	**25.23**	**54.23**	**85.14**	**110.33**
DPS	**-**	**-**	**-**	**-**
Payout ratio	-	-	-	-
Shares outstanding	2,404	2,380	2,263	2,173

Balance Sheet	FY26A	FY27E	FY28E	FY29E
Cash and cash equivalents	131,530	121,289	178,952	318,187
Accounts receivable	251,837	214,802	248,168	286,175
Inventories	-	-	-	-
Other current assets	227,402	227,402	227,402	227,402
Current assets	**610,769**	**563,493**	**654,522**	**831,763**
PP&E	282,699	451,034	606,721	737,288
LT investments	-	-	-	-
Other non current assets	1,016,102	1,008,668	1,000,434	991,462
Total assets	**1,909,570**	**2,023,194**	**2,261,677**	**2,560,513**
Short term borrowings	28,224	28,224	28,224	28,224
Payables	359,893	350,665	396,947	456,669
Other short term liabilities	88,281	91,101	94,162	97,960
Current liabilities	**476,398**	**469,990**	**519,333**	**582,852**
Long-term debt	220,796	220,796	220,796	220,796
Other long term liabilities	86,106	86,106	86,106	86,106
Total liabilities	**783,300**	**776,892**	**826,235**	**889,754**
Shareholders' equity	1,068,731	1,188,763	1,377,903	1,613,220
Minority interests	57,539	57,539	57,539	57,539
Total liabilities & equity	**1,909,570**	**2,023,194**	**2,261,677**	**2,560,513**
BVPS	**460.46**	**517.06**	**630.27**	**768.26**
y/y Growth	*5.9%*	*12.3%*	*21.9%*	*21.9%*
Net debt/(cash)	(103,306)	(93,065)	(150,728)	(289,963)

Cash Flow Statement	FY26A	FY27E	FY28E	FY29E
Cash flow from operating activities	**76,213**	**212,921**	**316,928**	**431,437**
o/w Depreciation & amortization	47,118	62,261	111,811	170,608
o/w Changes in working capital	(26,223)	30,628	15,977	25,512
Cash flow from investing activities	**(67,336)**	**(223,161)**	**(259,265)**	**(292,203)**
o/w Capital expenditure	(126,063)	(219,066)	(254,760)	(287,248)
as % of sales	*12.3%*	*19.0%*	*18.0%*	*16.5%*
Cash flow from financing activities	**(20,573)**	**0**	**0**	**0**
o/w Dividends paid	-	-	-	-
o/w Shares issued/(repurchased)	1,042	0	0	0
o/w Net debt issued/(repaid)	0	0	0	0
Net change in cash	**(15,700)**	**(10,241)**	**57,663**	**139,234**
Adj. Free cash flow to firm	**(68,848)**	**(56,846)**	**2,602**	**17,697**
y/y Growth	*(181.3%)*	*(17.4%)*	*(104.6%)*	*580.2%*

Ratio Analysis	FY26A	FY27E	FY28E	FY29E
Gross margin	39.8%	38.3%	39.8%	40.2%
EBITDA margin	11.1%	15.6%	21.5%	25.2%
EBIT margin	7.5%	11.2%	14.5%	16.2%
Net profit margin	5.9%	11.2%	13.6%	13.8%
ROE	5.8%	11.4%	15.0%	16.0%
ROA	3.3%	6.6%	9.0%	9.9%
ROCE	4.8%	6.8%	10.1%	12.2%
SG&A/Sales	27.2%	22.4%	20.8%	19.4%
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
Sales/Assets (x)	0.6	0.6	0.7	0.7
Assets/Equity (x)	1.8	1.7	1.7	1.6
Interest cover (x)	NM	NM	NM	NM
Operating leverage	(2136.0%)	543.1%	260.7%	163.4%
Tax rate	19.1%	27.2%	24.9%	24.9%
Revenue y/y Growth	2.6%	12.6%	22.8%	23.0%
EBITDA y/y Growth	(43.8%)	58.2%	69.5%	44.3%
EPS y/y Growth	(61.8%)	115.0%	57.0%	29.6%

Valuation	FY26A	FY27E	FY28E	FY29E
P/E (x)	30.9	14.4	9.1	7.1
P/BV (x)	1.7	1.5	1.2	1.0
EV/EBITDA (x)	14.7	9.4	5.3	3.4
Dividend Yield	-	-	-	-

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

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Alibaba Group Holding Limited

Overweight

9988.HK,9988 HK

Price (22 Sep 26): HK$114.80

Price Target (Dec-26): HK$205.00

China

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

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SAC Registration Number: S1730523020001

J.P. Morgan Securities (China) Company Limited

Key Changes (FYE Mar)

	Prev	Cur	Δ
Adj. EPS - 27E (Rmb)	7.41	6.78	-8.6%
Adj. EPS - 28E (Rmb)	11.68	10.64	-8.9%

Quarterly Forecasts (FYE Mar)

Adj. EPS (Rmb)	2026A	2027E	2028E
Q1	1.75	1.07A	2.42
Q2	0.54	1.73	2.48
Q3	0.87	2.23	3.16
Q4	0.00	1.77	2.59
FY	3.15	6.78	10.64

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	12	19	14	13	17
Growth	42	78	69	75	55
Momentum	69	95	85	11	93
Quality	63	52	49	50	29
Low Vol	72	73	70	87	36
ESGQ	21	21	91	12	19

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

The 20GW ambition extends the growth runway; partner economics determine shareholder returns

Alibaba's 2026 Apsara conference strengthens our confidence in the duration of AI and Cloud growth. We believe the V900 chip roadmap, the planned M890 deployment and the ambition to operate more than 20GW of global data-center capacity by 2032 provide a clearer route to the compute supply needed to meet demand. The next question is financial: can Cloud revenue and profit grow faster than Alibaba-funded capital after partner costs? We maintain Overweight for the long-term Cloud opportunity, with retained economics and cash conversion the key tests.

Investment Thesis, Valuation and Risks

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

Investment Thesis

Our July preview argued Alibaba was entering a positive earnings-revision cycle and we recommended owning the stock into the print. We believe Jun Q 26 validates that call and moves our thesis from anticipating revisions to measuring the returns that drive them. Alibaba remains China's largest listed AI and cloud franchise: we forecast external cloud revenue growth above 50% with expanding margins and estimate ~22% after-tax project IRR on incremental AI capex versus a ~10% cost of capital. We suggest investors add ahead of the September-quarter print. Maintain OW.

Valuation

Our Dec-26 PT of HK$205 is based on our US$ PT, using a ratio of 8 ordinary shares per ADS and a USD/HKD exchange rate of 7.8.

Risks to Rating and Price Target

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

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Price Performance



— 9988.HK Price (HK$) — HSI (rebased)

	YTD	1m	3m	12m
Abs	-19.6%	-6.7%	11.6%	-27.9%
Rel	-17.5%	-3.1%	6.0%	-23.1%

Company Data

Shares O/S (mn)	19,885
52-week range (HK$)	186.20-88.65
Market cap ($ mn)	290,969
Exchange rate	7.85
Free float (%)	90.1%
3M ADV (mn)	98.74
3M ADV ($ mn)	1,402.6
Volatility (90 Day)	47
Index	HSI
BBG ANR (Buy | Hold | Sell)	51|0|1

Key Metrics (FYE Mar)

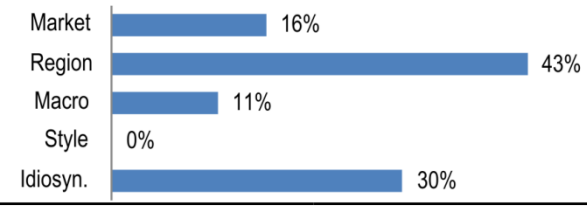
Rmb in millions	FY26A	FY27E	FY28E	FY29E
Financial Estimates				
Revenue	1,023,670	1,152,979	1,415,332	1,740,896
Adj. EBITDA	113,483	179,568	304,350	439,137
Adj. EBIT	76,416	128,837	205,277	282,456
Adj. net income	60,658	129,048	192,632	239,772
Adj. EPS	3.15	6.78	10.64	13.79
BBG EPS	4.02	5.36	7.49	-
Cashflow from operations	76,213	212,921	316,928	431,437
FCFF	(68,848)	(56,846)	2,602	17,697
Margins and Growth				
Revenue Growth Y/Y (%)	2.6%	12.6%	22.8%	23.0%
Gross margin	39.8%	38.3%	39.8%	40.2%
EBITDA margin	11.1%	15.6%	21.5%	25.2%
EBIT margin	7.5%	11.2%	14.5%	16.2%
Adj. EPS growth	(61.8%)	115.0%	57.0%	29.6%
Ratios				
Adj. tax rate	19.1%	27.2%	24.9%	24.9%
Interest cover	NM	NM	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	4.8%	6.8%	10.1%	12.2%
ROE	5.8%	11.4%	15.0%	16.0%
Valuation				
FCFF yield	(3.7%)	(3.0%)	0.1%	1.0%
Dividend yield	-	-	-	-
EV/Revenue	1.7	1.5	1.1	0.8
EV/EBITDA	14.9	9.4	5.3	3.4
Adj. P/E	31.1	14.4	9.2	7.1

Summary Investment Thesis and Valuation

Our July preview argued Alibaba was entering a positive earnings-revision cycle and we recommended owning the stock into the print. We believe Jun Q 26 validates that call and moves our thesis from anticipating revisions to measuring the returns that drive them. Alibaba remains China's largest listed AI and cloud franchise: we forecast external cloud revenue growth above 50% with expanding margins and estimate ~22% after-tax project IRR on incremental AI capex versus a ~10% cost of capital. We suggest investors add ahead of the September-quarter print. Maintain OW.

Our Dec-26 PT of HK$205 is based on our US$ PT, using a ratio of 8 ordinary shares per ADS and a USD/HKD exchange rate of 7.8.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.39	0.46
Region: China	0.87	0.78
Macro:		
JP Morgan EMBI Global Spread	-0.20	-0.22
Generic 1st 'CO' Future	-0.20	-0.18
US 10 Year Yield	0.34	0.18
Quant Styles:		
Momentum	-0.57	-0.31
Size	-0.49	-0.30
Value	0.46	0.23

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

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Alibaba Group Holding Limited: Summary of Financials

Income Statement	FY26A	FY27E	FY28E	FY29E
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SG&A	(278,105)	(257,798)	(294,805)	(338,325)
Adj. EBITDA	**113,483**	**179,568**	**304,350**	**439,137**
D&A	(42,146)	(54,125)	(103,246)	(161,816)
Adj. EBIT	**76,416**	**128,837**	**205,277**	**282,456**
Net Interest	77,719	44,337	44,000	30,800
Adj. PBT	**157,262**	**176,069**	**253,277**	**316,456**
Tax	(30,045)	(47,975)	(62,965)	(78,679)
Minority Interest	1,465	680	680	680
Adj. Net Income	**60,658**	**129,048**	**192,632**	**239,772**
Reported EPS	5.51	5.61	9.72	12.77
Adj. EPS	**3.15**	**6.78**	**10.64**	**13.79**
DPS	**-**	**-**	**-**	**-**
Payout ratio	-	-	-	-
Shares outstanding	19,235	19,036	18,101	17,386

Balance Sheet	FY26A	FY27E	FY28E	FY29E
Cash and cash equivalents	131,530	121,289	178,952	318,187
Accounts receivable	251,837	214,802	248,168	286,175
Inventories	-	-	-	-
Other current assets	227,402	227,402	227,402	227,402
Current assets	**610,769**	**563,493**	**654,522**	**831,763**
PP&E	282,699	451,034	606,721	737,288
LT investments	-	-	-	-
Other non current assets	1,016,102	1,008,668	1,000,434	991,462
Total assets	**1,909,570**	**2,023,194**	**2,261,677**	**2,560,513**
Short term borrowings	28,224	28,224	28,224	28,224
Payables	359,893	350,665	396,947	456,669
Other short term liabilities	88,281	91,101	94,162	97,960
Current liabilities	**476,398**	**469,990**	**519,333**	**582,852**
Long-term debt	220,796	220,796	220,796	220,796
Other long term liabilities	86,106	86,106	86,106	86,106
Total liabilities	**783,300**	**776,892**	**826,235**	**889,754**
Shareholders' equity	1,068,731	1,188,763	1,377,903	1,613,220
Minority interests	57,539	57,539	57,539	57,539
Total liabilities & equity	**1,909,570**	**2,023,194**	**2,261,677**	**2,560,513**
BVPS	**57.56**	**64.63**	**78.78**	**96.03**
y/y Growth	*5.9%*	*12.3%*	*21.9%*	*21.9%*
Net debt/(cash)	(103,306)	(93,065)	(150,728)	(289,963)

Cash Flow Statement	FY26A	FY27E	FY28E	FY29E
Cash flow from operating activities	**76,213**	**212,921**	**316,928**	**431,437**
o/w Depreciation & amortization	47,118	62,261	111,811	170,608
o/w Changes in working capital	(26,223)	30,628	15,977	25,512
Cash flow from investing activities	**(67,336)**	**(223,161)**	**(259,265)**	**(292,203)**
o/w Capital expenditure	(126,063)	(219,066)	(254,760)	(287,248)
as % of sales	*12.3%*	*19.0%*	*18.0%*	*16.5%*
Cash flow from financing activities	**(20,573)**	**0**	**0**	**0**
o/w Dividends paid	-	-	-	-
o/w Shares issued/(repurchased)	1,042	0	0	0
o/w Net debt issued/(repaid)	0	0	0	0
Net change in cash	**(15,700)**	**(10,241)**	**57,663**	**139,234**
Adj. Free cash flow to firm	**(68,848)**	**(56,846)**	**2,602**	**17,697**
y/y Growth	*(181.3%)*	*(17.4%)*	*(104.6%)*	*580.2%*

Ratio Analysis	FY26A	FY27E	FY28E	FY29E
Gross margin	39.8%	38.3%	39.8%	40.2%
EBITDA margin	11.1%	15.6%	21.5%	25.2%
EBIT margin	7.5%	11.2%	14.5%	16.2%
Net profit margin	5.9%	11.2%	13.6%	13.8%
ROE	5.8%	11.4%	15.0%	16.0%
ROA	3.3%	6.6%	9.0%	9.9%
ROCE	4.8%	6.8%	10.1%	12.2%
SG&A/Sales	27.2%	22.4%	20.8%	19.4%
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
Sales/Assets (x)	0.6	0.6	0.7	0.7
Assets/Equity (x)	1.8	1.7	1.7	1.6
Interest cover (x)	NM	NM	NM	NM
Operating leverage	(2136.0%)	543.1%	260.7%	163.4%
Tax rate	19.1%	27.2%	24.9%	24.9%
Revenue y/y Growth	2.6%	12.6%	22.8%	23.0%
EBITDA y/y Growth	(43.8%)	58.2%	69.5%	44.3%
EPS y/y Growth	(61.8%)	115.0%	57.0%	29.6%

Valuation	FY26A	FY27E	FY28E	FY29E
P/E (x)	31.1	14.4	9.2	7.1
P/BV (x)	1.7	1.5	1.2	1.0
EV/EBITDA (x)	14.9	9.4	5.3	3.4
Dividend Yield	-	-	-	-

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

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Alibaba Group Holding Limited (BABA) (BABA, BABA US) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Oct 29, 2014. All share prices are as of market close on the previous business day.

Date	Rating	Price ($)	Price Target ($)
17-Nov-23	OW	79.11	125
09-Jan-24	OW	72.88	110
08-Feb-24	OW	73.64	105
09-Apr-24	OW	71.71	100
16-Aug-24	OW	79.54	108
09-Oct-24	OW	109.68	125
26-Nov-24	OW	85.58	120
09-Jan-25	OW	83.69	125
21-Feb-25	OW	135.97	170
10-Jul-25	OW	103.83	140
31-Aug-25	OW	135.00	170
01-Oct-25	OW	178.73	245
09-Oct-25	OW	181.12	240
26-Nov-25	OW	157.01	230
09-Jan-26	OW	154.47	215
20-Mar-26	OW	124.90	205
08-Apr-26	OW	119.72	200
14-May-26	OW	145.81	205
21-Aug-26	OW	130.53	210

Alibaba Group Holding Limited (9988.HK, 9988 HK) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage May 11, 2021. All share prices are as of market close on the previous business day.

Date	Rating	Price (HK$)	Price Target (HK$)
17-Nov-23	OW	81.35	120
09-Jan-24	OW	70.35	105
08-Feb-24	OW	74.90	100
09-Apr-24	OW	70.40	95
16-Aug-24	OW	76.40	106
09-Oct-24	OW	104.50	120
26-Nov-24	OW	81.95	117
09-Jan-25	OW	80.90	120
21-Feb-25	OW	120.90	165
10-Jul-25	OW	102.90	135
31-Aug-25	OW	115.70	165
01-Oct-25	OW	177.00	240
09-Oct-25	OW	177.60	235
26-Nov-25	OW	157.80	225
09-Jan-26	OW	142.60	210
20-Mar-26	OW	132.00	200
08-Apr-26	OW	118.50	195
14-May-26	OW	132.80	200
21-Aug-26	OW	126.20	205

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