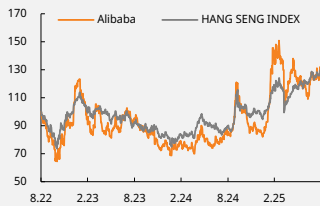


(Maintain)	<b>Buy</b>
Target price	<b>HK\$142</b>
Current price (8/29/25)	HK\$115.70
Upside	22.7%

HSI	25,077.62
EPS growth (FY26F, %)	28.1
P/E (FY26F, x)	12.1
Dividend yield (%)	-
Market cap (HK\$bn)	2,206.85
Market cap (Wtr)	393.22
Shares (mn)	19,073.9
60-day avg. trading value (HK\$bn)	10.05
52-week low (HK\$)	77.49
52-week high (HK\$)	142.28

(%)	1M	6M	12M
Absolute	-4.1	-8.5	47.5
Relative	-2.4	-16.3	4.6



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# Alibaba

## Undervalued relative to technological capabilities

### Positive medium/long-term outlook intact; retain Buy rating and TP of HK\$142

We maintain our Buy rating and target price of HK\$142 on Alibaba. While costs tied to quick commerce will likely pressure near-term earnings, synergies with existing e-commerce operations are already visible, and related earnings should improve over time as scale effects materialize. Meanwhile, Alibaba has released and open-sourced frontier-level foundation models, and it is reportedly developing its own AI inference chip. While these technological developments should have a limited impact on near-term earnings, they have the potential to enhance corporate value over the medium to long term. Shares could remain volatile in the short term due to the slow pace of the earnings recovery, but we believe the stock appears undervalued relative to the firm's world-class technological capabilities.

As the AI chip reportedly under development is still in the testing stages, its performance remains to be seen. That said, inference chips have relatively low entry barriers, and recent market developments—such as Nvidia's move to provide CUDA support for RISC-V-based chips developed by Chinese firms, along with improving results at companies like Cambricon—suggest meaningful potential. With the current semiconductor shortage constraining cloud revenue growth, broader availability of Chinese-made chips could accelerate growth in Alibaba's cloud intelligence business.

### Earnings review: Cloud strength vs. widening e-commerce losses

For 1QFY26 (ended Jun. 30, 2025), revenue grew 2% YoY (10% YoY excluding revenue from divested businesses). However, higher logistics and marketing expenses tied to the expansion of quick commerce offset reduced losses in international digital commerce and growth in the cloud intelligence segment, leading to a 14% YoY decline in EBITA. By business, China e-commerce revenue rose 10% YoY, but EBITA fell 21% YoY. International digital commerce revenue climbed 19% YoY, and the business moved closer to breakeven. Cloud intelligence revenue exceeded expectations, rising 26% YoY, and EBITA margin improved to 8.8%.

During the conference call, Alibaba said that the quick commerce segment was delivering results faster than expected. While the business is incurring initial losses due to spending on marketing and logistics, management expects profitability to improve over the medium/long term as economies of scale and customer mix improvements take hold. The firm also emphasized that quick commerce creates strong synergies with its broader e-commerce business, and it plans to continue investing in the segment.

(Mar.)	FY2024	FY2025	FY2026F	FY2027F	FY2028F
Revenue (CNYbn)	941.2	996.3	1,032.0	1,143.3	1,272.5
OP (CNYbn)	113.4	141.0	155.0	185.3	208.3
OP margin (%)	12.0	14.2	15.0	16.2	16.4
NP (CNYbn)	71.3	126.1	144.3	161.6	183.6
EPS (CNY)	3.9	6.7	8.6	10.1	12.2
ROE (%)	7.2	12.3	12.8	12.7	12.6
P/E (x)	26.6	15.5	12.1	10.3	8.5
P/B (x)	2.1	2.0	1.7	1.4	1.2

Note: Under GAAP

Source: Company data, Mirae Asset Securities Research estimates

Table 1. Earnings and forecasts

(CNYmn, %)

		1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26F	3QFY26F	4QFY26F	FY2025	FY2026F	FY2027F	FY2028F
Revenue	Total	243,236	236,503	280,154	236,454	247,652	241,191	298,430	244,751	996,347	1,032,025	1,143,290	1,272,550
	China e-commerce	113,373	98,994	136,091	101,369	140,072	128,692	176,918	131,780	449,827	577,462	623,659	673,552
	Int'l digital commerce	29,293	31,672	37,756	33,579	34,741	37,373	44,552	39,623	132,300	156,289	184,421	217,617
	Cloud intelligence	26,549	29,610	31,742	30,127	33,398	37,013	39,678	37,659	118,028	147,747	184,683	230,854
	Other	74,021	76,227	74,565	71,379	39,441	38,114	37,283	35,690	296,192	150,527	150,527	150,527
Gross margin	Total	40	39	42	38	45	43	47	45	40	45	45	44
EBITA	Total	45,035	40,561	54,853	32,616	38,844	37,459	55,268	43,239	173,065	154,954	185,286	208,287
EBITA margin	Total	19	17	20	14	16	16	19	18	17	17	18	19
	China e-commerce	43	45	45	41	27	28	30	32	44	29	32	33
	Int'l digital commerce	-13	-9	-13	-11	0	0	0	0	-11	0	1	2
	Cloud intelligence	9	9	10	8	9	9	10	10	9	9	10	11
	Other	-3	-5	-6	-11	-6	-5	-5	-8	-6	-6	-6	-6

Note: The China e-commerce division was reorganized in 1QFY26.

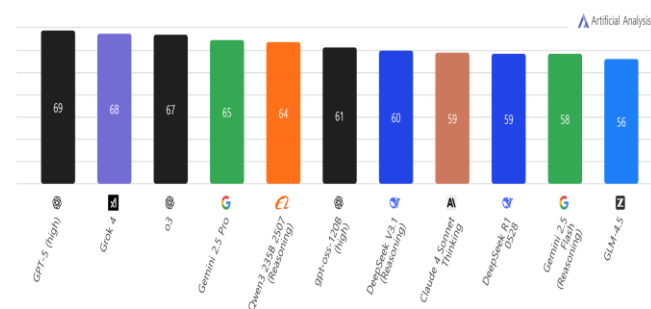
Source: Company data, Mirae Asset Securities Research

Figure 1. Global frontier model rankings

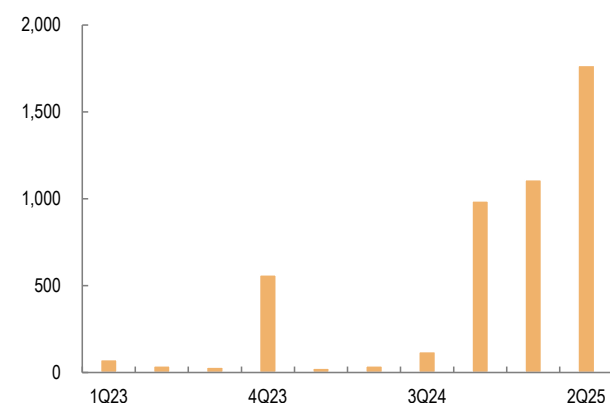
Figure 2. Revenue of Cambricon (Chinese fabless company)

Artificial Analysis Intelligence Index

Artificial Analysis Intelligence Index v2.2 incorporates 8 evaluations: MMLU-Pro, GPQA Diamond, Humanity's Last Exam, LiveCodeBench, SciCode, AIME, IFBench, AA-LCR



(CNYmn)

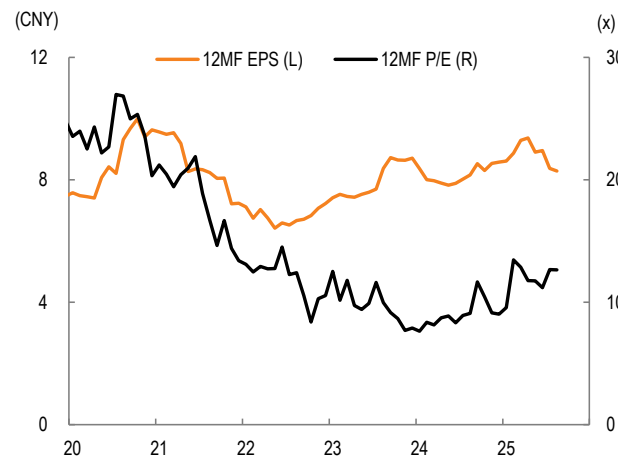
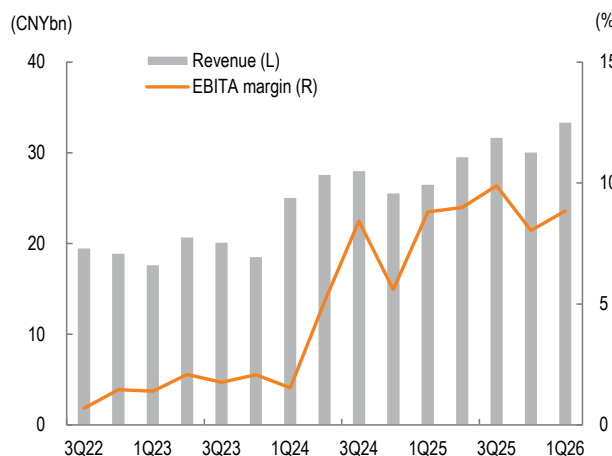


Source: Artificial Analysis, Mirae Asset Securities Research

Source: Wind, Mirae Asset Securities Research

Figure 3. Cloud intelligence revenue and EBITA margin

Figure 4. 12-month forward EPS and P/E trends



Source: Company data, Mirae Asset Securities Research

Source: Bloomberg, Mirae Asset Securities Research

## Alibaba (09988 HK)

## Income statement (summarized)

(CNYmn)	FY2025	FY2026	FY2027	FY2028
<b>Revenue</b>	<b>996,347</b>	<b>1,032,025</b>	<b>1,143,290</b>	<b>1,272,550</b>
Cost of revenue	598,285	565,524	626,450	707,949
<b>GP</b>	<b>398,062</b>	<b>466,501</b>	<b>516,841</b>	<b>564,601</b>
Operating expenses	257,071	311,547	331,554	356,314
<b>OP</b>	<b>140,991</b>	<b>154,954</b>	<b>185,286</b>	<b>208,287</b>
Non-operating profit	-14,550	-18,868	-9,466	-12,911
<b>Pretax profit</b>	<b>155,541</b>	<b>173,822</b>	<b>194,753</b>	<b>221,198</b>
Tax	35,445	29,550	33,108	37,604
NP	126,062	144,272	161,645	183,594
Non-controlling interest	-4,133	-11,431	-12,807	-14,546
<b>Attr. to owners of the parent</b>	<b>129,556</b>	<b>155,703</b>	<b>174,452</b>	<b>198,140</b>

## Growth (YoY)

	FY2025	FY2026	FY2027	FY2028
Revenue	5.9%	3.6%	10.8%	11.3%
GP	2.0%	-5.5%	10.8%	13.0%
OP	12.2%	17.2%	10.8%	9.2%
NP attr. to owners of the parent	6.4%	21.2%	6.4%	7.5%

## Margins

	FY2025	FY2026	FY2027	FY2028
Gross margin	40.0%	45.2%	45.2%	44.4%
OP margin	14.2%	15.0%	16.2%	16.4%
Net margin	13.0%	15.1%	15.3%	15.6%

## Cash flow statement (summarized)

(CNYmn)	FY2025	FY2026	FY2027	FY2028
<b>Operating cash flow</b>	<b>157,660</b>	<b>157,328</b>	<b>184,231</b>	<b>208,506</b>
NP	126,062	144,272	161,645	183,594
Depreciation & amortization	29,747	19,856	26,000	32,000
Chg. in working capital	0	-4,604	-1,218	-4,893
Other	-2,196	-2,196	-2,196	-2,196
<b>Cash flow from investing activities</b>	<b>-187,109</b>	<b>-209,170</b>	<b>-191,737</b>	<b>-212,671</b>
Capex	-85,972	-143,676	-140,000	-140,000
Chg. in LT financial assets	0	1,000	1,000	1,000
Other	-101,137	-66,494	-52,737	-73,671
<b>Cash flow from financing activities</b>	<b>-505</b>	<b>-505</b>	<b>-505</b>	<b>-505</b>
Chg. in financial liabilities	0	2,706	1,210	2,184
Chg. in equity	0	-16,684	-12,689	-13,675
Dividends	28,870	4,228	3,967	3,768
Other	-76,215	-1,687	-16,207	-20,239
FX impact	965	-4,000	-4,000	-4,000
<b>Chg. in cash</b>	<b>-75,829</b>	<b>-67,278</b>	<b>-35,225</b>	<b>-36,127</b>
Beginning balance	571,029	428,093	360,815	325,590
Ending balance	495,200	360,815	325,590	289,462

Source: Company data, Mirae Asset Securities Research estimates

## Balance sheet (summarized)

(CNYmn)	FY2025	FY2026	FY2027	FY2028
<b>Current assets</b>	<b>730,195</b>	<b>510,866</b>	<b>547,483</b>	<b>608,088</b>
Cash & equivalents	428,093	360,815	325,590	289,462
AR & other receivables	30,686	36,453	39,828	43,407
Inventory	25,460	24,066	26,659	30,127
Other current assets	245,956	89,533	155,407	245,092
<b>Non-current assets</b>	<b>1,130,178</b>	<b>1,395,308</b>	<b>1,513,256</b>	<b>1,624,876</b>
PP&E	203,348	462,710	576,710	684,710
LT investments	356,818	357,818	358,818	359,818
Other non-current assets	570,012	574,780	577,728	580,348
<b>Total assets</b>	<b>1,860,373</b>	<b>1,906,173</b>	<b>2,060,739</b>	<b>2,232,964</b>
<b>Current liabilities</b>	<b>435,346</b>	<b>411,494</b>	<b>454,312</b>	<b>517,746</b>
AP & other payables	344,175	301,341	338,115	388,866
Short-term debt	22,562	25,268	26,479	28,663
Other current liabilities	68,609	84,885	89,719	100,217
<b>Non-current liabilities</b>	<b>278,775</b>	<b>313,577</b>	<b>286,213</b>	<b>233,224</b>
Long-term debt	208,141	171,316	173,316	175,316
Other non-current liabilities	70,634	142,261	112,897	57,908
<b>Total liabilities</b>	<b>714,121</b>	<b>725,071</b>	<b>740,526</b>	<b>750,969</b>
Capital stock	1.0	1.0	1.0	1.0
APIC	381,379	381,379	381,379	381,379
Retained earnings	645,478	784,497	946,259	1,130,724
AOCI	19,329	1,009	3,563	8,949
Non-controlling interest	68,535	57,104	44,297	29,751
<b>Total equity</b>	<b>1,090,106</b>	<b>1,181,102</b>	<b>1,320,213</b>	<b>1,481,994</b>
<b>Total liabilities &amp; equity</b>	<b>1,804,227</b>	<b>1,906,173</b>	<b>2,060,739</b>	<b>2,232,964</b>

## Key valuation metrics/ratios

	FY2025	FY2026	FY2027	FY2028
P/E (x)	15.5	12.1	10.3	8.5
P/B (x)	2.0	1.7	1.4	1.2
EV/EBITDA (x)	1.4	1.5	1.3	1.3
EPS (CNY)	6.7	8.6	10.1	12.2
BPS (CNY)	52.9	62.0	74.1	89.4
AR turnover (x)	32.5	28.3	28.7	29.3
Inventory turnover (x)	39.1	42.9	42.9	42.2
AP turnover (x)	2.9	3.4	3.4	3.3
ROA (%)	6.8	7.6	7.8	8.2
ROE (%)	12.3	12.8	12.7	12.6
ROIC (%)	21.9	22.9	23.0	22.3
Debt-to-equity ratio (%)	65.5	61.4	56.1	50.7
Current ratio (%)	167.7	124.1	120.5	117.4
Net debt-to-equity ratio (%)	-18.1	-13.9	-9.5	-5.8

# Appendix 1

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