

FY2Q26 EARNINGS UPDATE

Alibaba Group Holding Limited

Cloud Reinforces AI-driven Narrative, Improvements on Quick Commerce UE, Despite Slower e-Commerce

SUMMARY

Revenue Beats; Adjusted EBITA Better-Than-Feared. Alibaba delivered a solid FY2Q26, with total revenue of RMB247.8bn (+5% YoY), slightly above market expectations (consensus: RMB245.2bn). (1) Alibaba China E-commerce Group grew 16% YoY to RMB132.6bn. Customer management revenue (CMR) rose 10% YoY to RMB78.9bn (consensus: RMB77.5bn); direct sales, logistics and others increased 5% YoY to RMB24.0bn; and quick commerce (Taobao Instant Commerce + Eleme) surged 60% YoY to RMB22.9bn. (2) Cloud Intelligence Group revenue increased 34% YoY to RMB39.8bn, ahead of consensus (RMB37.93bn). (3) International Digital Commerce (AIDC) grew 10% YoY to RMB34.8bn (vs. consensus RMB37.2bn). (4) All Others declined 25% YoY to RMB63mn (vs. consensus RMB62bn). Non-GAAP net income to ordinary shareholders fell 71.3% YoY to RMB10.5bn, 23% below consensus (RMB13.51bn), driven by lower gross margin and higher R&D spending, partly offset by lower S&M and G&A. Adjusted EBITA dropped 77.6% YoY to RMB9.07bn (consensus: RMB6.87bn), mainly due to increased investment in quick commerce. The “better-than-feared” outcome was supported by stronger-than-expected performance in cloud and AIDC.

Cloud Revenue Growth Accelerates; Market Debates Internal vs. External Growth Gap. Cloud revenue grew 34% YoY (consensus: 30%), with external customer revenue up 29% and internal customer revenue up 53%. Management reiterated focus on external customers, with AI revenue now accounting for ~20% of external cloud revenue—marking the ninth consecutive quarter of triple-digit AI revenue growth. We expect cloud revenue growth to reach 38% in FY3Q26 and 34% in FY2026, supported by strong AI demand and an expanding cloud order backlog. EBITA margin remained stable at 9%, reflecting ongoing strategic investment across model-training customers and inference workloads to secure long-term AI cloud scale leadership.

Aggressive Capex and Divergence Among China Hyperscalers. Alibaba’s quarterly Capex rose 80% YoY to RMB32bn, in sharp contrast to Tencent’s YoY decline and lowered full-year Capex targets. Management also indicated that the RMB380bn three-year Capex target may ultimately land at the low end, despite ongoing supply-chain constraints. We believe Alibaba’s more aggressive posture reflects its ambition to strengthen AI infrastructure and full-stack capabilities—an approach comparable to global leaders such as Google with its vertically integrated AI/TPU ecosystem.

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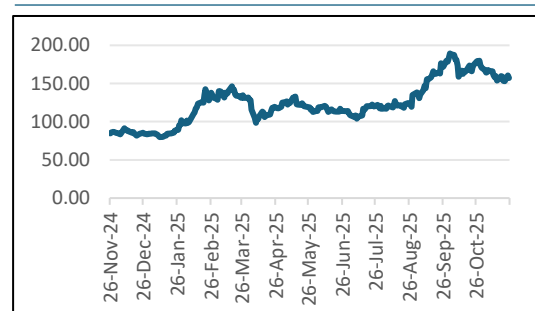
KEY DATA

Exchange: NYSE, HKEX
Ticker: BABA, HK:9988
Current Price: \$157.01
52-Week Range: \$79.43-\$192.67
Average Volume (3M): 19.71M
Shares Outstanding (MM): 2,386
Market Capitalization (\$MM): \$374,638
Fiscal Year-End: March

FINANCIALS

In RMB Million	FY24A	FY25A	FY26E	FY27E
Revenue	941,168	996,347	1,037,109	1,167,281
Gross Profit	354,845	398,062	421,262	465,745
EBIT	113,350	19,417	89,387	138,906
Non GAAP	165,888	164,200	102,757	152,893
Net Income				

PRICE PERFORMANCE



E-Commerce CMR Under Pressure. In FY2Q26, CMR grew 10% YoY, while China e-commerce EBITA (excluding quick commerce) increased in the mid-single digits. On the earnings call, management noted potential CMR growth deceleration and some quarterly volatility in China e-commerce EBITA (ex-quick commerce) due to heightened competition and user-investment intensity. Given weaker consumer sentiment since the December quarter, the roll-off of national subsidies, and a high base for software service fees, we expect FY3Q26 CMR growth to moderate to ~6% YoY, with both GMV and CMR experiencing some pressure.

Quick Commerce UE Improving; Market Share Stable. We estimate that quick commerce recorded an EBITA loss of ~RMB36.4bn in FY2Q26, reflecting heavy investment during the July–August order-expansion phase. Management highlighted that by October, after order share stabilized, average UE loss per order improved by ~50% from the peak, driven by better order structure, higher average transaction value and improved fulfillment efficiency. We expect FY3Q26 quick commerce EBITA loss to narrow to ~RMB22bn, reflecting improving unit economics.

Valuation Suggests Upside Potential. Alibaba trades at US\$157.01 per ADS, implying an enterprise value of US\$356bn. Consensus 2026/2027 EBITDA forecasts of US\$20bn / US\$30bn correspond to EV/EBITDA multiples of 18x and 12x, respectively. Peers currently trade at 19x and 15x over the same period. This valuation gap indicates meaningful potential upside should Alibaba deliver sustained cloud momentum, stabilizing e-commerce profitability and improved visibility on quick-commerce losses.

FINANCIALS AND VALUATION UPDATES

Figure 1: Alibaba's Financials 2024 – 2027E.

Unit: Million RMB	FY2024	1FQ25	2FQ25	3FQ25	4FQ25	FY2025	1Q26	2Q26	3Q26E	4Q26E	FY2026E	FY2027E
Ending in	Mar-24					Mar-25					Mar-26	Mar-27
Revenue	941,168	243,236	236,503	280,154	236,454	996,347	247,652	247,795	293,612	248,051	1,037,109	1,167,281
Cost of revenue	-586,323	-146,106	-144,029	-162,524	-145,626	-598,285	-136,429	-150,781	-182,039	-146,598	-615,847	-701,536
Gross Profit	354,845	97,130	92,474	117,630	90,828	398,062	111,223	97,014	111,572	101,453	421,262	465,745
Product development expenses	-52,256	-13,373	-14,182	-14,662	-14,934	-57,151	-15,001	-17,095	-16,413	-13,618	-62,127	-68,870
Sales and marketing expenses	-115,141	-32,696	-32,471	-42,675	-36,179	-144,021	-53,178	-66,496	-54,025	-46,882	-220,580	-190,267
General and administrative expenses	-41,985	-13,280	-9,777	-10,851	-10,331	-44,239	-7,398	-7,380	-16,736	-13,271	-44,785	-60,699
Amortization and impairment of intangible assets	-21,592	-1,792	-1,649	-2,062	-833	-6,336	-807	-826	-2,055	-992	-4,680	-7,004
Impairment of goodwill	-10,521	0	0	-6,171	0	-850	0	0	0	0	0	0
Other gains, net	0	0	851	-4	-86	761	149	148	0	0	297	0
Other Operating Income (Expenses) - Net	-84,369	-15,165	-2,064	-22,899	-15,853	-9,494	-15,659	-17,773	-18,468	-14,610	-66,510	-75,873
Income from operations	113,350	35,989	35,246	41,205	28,465	19,417	34,988	5,365	22,344	26,690	89,387	138,906
Interest and investment income, net	-9,964	-1,478	18,607	11,146	-7,516	20,759	17,376	20,092	11,744	-7,938	41,275	23,579
Interest expense	-7,947	-2,188	-2,427	-2,485	-2,496	-9,596	-2,478	-2,517	-2,643	-2,729	-10,366	-11,673
Other income, net	6,157	257	-1,478	4,588	20	3,387	348	981	4,698	20	6,047	3,502
Income before income tax and share of results of equity method investees	101,596	32,580	6,883	54,454	18,473	21,422	50,234	23,921	36,144	16,044	126,343	154,315
Income tax expenses	-22,529	-10,063	-7,379	-11,149	-6,854	-35,445	-8,865	-5,550	-5,964	-4,220	-24,598	-29,320
Share of results of equity method investees	-7,735	1,505	978	3,129	354	5,966	1,013	2,241	3,230	372	6,856	7,004
Net income	71,332	24,022	43,547	46,434	11,973	125,976	42,382	20,612	33,410	12,196	108,600	131,998
Non-GAAP Adjustment Items and Minority Interest	94,556	16,243	-924	4,898	18,007	38,224	-7,091	-10,162	-477	11,887	-5,843	20,894
Non-GAAP net income attributable to ordinary shareholders	165,888	40,265	36,363	51,332	29,980	164,200	35,291	10,450	32,933	24,083	102,757	152,893

Source: GLH Research; Company filings.

Figure 2: Peer Valuation Analysis.

Company	Ticker	EV	EBITDA			EV/EBITDA			Category
			2025	2026E	2027E	2025	2026E	2027E	
Amazon.com Inc	AMZN.O	2,485,223	168,325	206,364	249,483	14.8x	12.0x	10.0x	U.S. E-Commerce Companies
eBay Inc	EBAY.O	40,317	3,412	3,591	3,825	11.8x	11.2x	10.5x	U.S. E-Commerce Companies
Shopify Inc	SHOP.K	196,279	1,952	2,618	3,487	-	75.0x	56.3x	U.S. E-Commerce Companies
Meta Platforms Inc	META.O	1,551,821	121,681	138,906	162,868	12.8x	11.2x	9.5x	U.S. Internet Companies
Alphabet Inc	GOOGL.O	3,789,409	176,943	211,636	249,645	21.4x	17.9x	15.2x	U.S. Internet Companies
Microsoft Corp	MSFT.O	3,541,310	156,528	199,977	232,617	22.6x	17.7x	15.2x	U.S. Internet Companies
PDD Holdings Inc.	PDD.O	102,701	14,489	17,206	20,842	7.1x	6.0x	4.9x	Asia E-Commerce Companies
JD.Com Inc	JD.O	29,293	2,947	5,300	8,324	9.9x	5.5x	3.5x	Asia E-Commerce Companies
Sea Ltd	SE.N	75,190	3,492	4,452	5,706	21.5x	16.9x	13.2x	Asia E-Commerce Companies
				Median	13.8x	12.0x	10.5x		
				Mean	15.2x	19.3x	15.4x		
Alibaba Group Holding Ltd	BABA.N	356,475	26,755	19,948	30,494	13.3x	17.9x	11.7x	

Notes:

1. Data as of 11/26/2025.
2. EVs and EBITDAs are in US\$ Million.
3. EBITDAs are in calendar year and estimates are provided by analyst consensus on Capital IQ.

Source: GLH Research; Company filings; Capital IQ.

ABOUT THE ANALYSTS

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Chujie (Jack) Sun is a Senior Research Analyst at Gelonghui Research. Since 2017, Jack has served as the Investment Analyst in China Alpha Fund Management (Hong Kong) Limited, TMT Analyst in First Shanghai Group, and TMT Analyst at Gelonghui Research. Focusing on TMT sector, Chinese companies listed in the US, Hong Kong, and etc., and he specializes in both buy-side and sell-side equity research. Jack holds a B.A. in Economics from Ohio State University (Columbus) and an M.S. in Finance from City University of Hong Kong.

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Yuecong (Marco) Zhang is a Senior Research Analyst at Gelonghui Research. Marco previously held the position of Senior Research Analyst at Watertower Research, Executive Director at Valuable Capital Group's Investment Banking Department, Vice President at Guosen Securities (HK), and Senior Associate at Roth Capital Partners, where he completed more than 35 transactions, including IPOs, follow-on offerings, and M&A, with a total transaction value of more than US\$3.5 Billion+ for mid-cap companies from China and the US. During his time at Roth, he led six NASDAQ and NYSE IPOs for Chinese clients, with a total transaction value of more than US\$260 Million. Marco holds a B.S. in Financial Management from North China Electric Power University and an M.S. in Applied Finance from Pepperdine University.

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