



Company Report: Alibaba Group (BABA US)

公司报告: 阿里巴巴集团 (BABA US)

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2QFY19 Results Basically in Line, "Buy"

2019财年第二季度业绩基本符合预期, “买入”

- **Slowdown of China e-commerce GMV in 9M18.** According to data published by the National Bureau of Statistics of China, China e-commerce GMV in 1M18-9M18 reached RMB 6,278.5 bn, up 27.0% yoy, but growth was down 1.2 ppts mom.
- **Key points: 1) Alibaba Group's (the "Company") 2QFY19 results were basically in line.** Annual active consumers in China retail marketplaces stood at 601 mn in 2QFY19, up 23% yoy. **2) The Company revised down its FY19 revenue guidance to a range between RMB 375 bn-RMB 383 bn, which reflects a 4% to 6% adjustment to the previous revenue guidance.** The Company decided not to monetize in the near term under the current macro environment. **3) The Company might not spend as aggressively as we previously expected.** The Company cut its FY19 revenue guidance, showing that the Company is staying alert for uncertainty from the current macro environment. **4) We tune down our bottom-line forecasts.** **5) The Company broke its GMV record for the Singles' Day shopping festival.** GMV achieved RMB 213.5 bn in 2018 on Singles' Day, up 27% yoy.
- **Cut TP to US\$ 195.00 but maintain the investment rating as "Buy".** We tune down our TP to reflect 1) RMB depreciation risk, 2) uncertainty surrounding the unsolved Sino-US trade war, and 3) revised down revenue guidance. Our TP represents 38.3x FY19E non GAAP PE.
- **中国电商交易量于 2018 年 9 月增长放缓。** 根据中国统计局数据, 中国电商交易量于 1 月-9 月达到人民币 62,785 亿元, 同比上升 27.0%但增长月环比下跌 1.2 个百分点。
- **要点: 1) 阿里巴巴集团 (“公司”) 的 2019 财年第二季度业绩表现基本符合预期。** 于 2019 财年第二季度, 年度活跃买家于中国零售平台达 6.01 亿个, 同比增长 23%。**2) 公司下调 2019 财年收入指引到人民币 3,750 亿至人民币 3,830 亿元区间, 这相当于此前指引调整 4%至 6%。** 在这不确定的宏观环境下, 公司决定在短期内不货币化。**3) 公司可能没有我们预期进取的支出计划。** 公司下调其 2019 年财年收入指引, 这显示出公司对宏观环境的不确定性保持警惕。**4) 我们下调公司盈利预测。** **5) 公司打破了其光棍节交易量纪录。** 其光棍节交易量达人民币 2,135 亿元, 同比上升 27%。
- **下调目标价至 195.00 美元, 但维持“买入”的投资评级。** 我们下调目标价以反映 1) 人民币贬值风险, 2) 中美贸易战未解决而带来的不确定因素及 3) 经下调的收入指引。我们的新目标价相当于 38.3 倍 2019 财年非 GAAP 市盈率。

Rating: **Buy**
Maintained

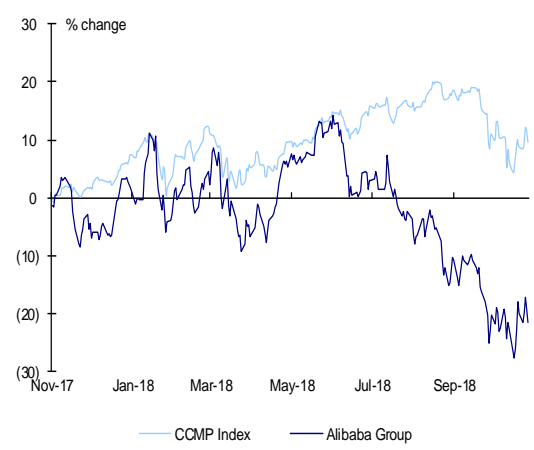
评级: **买入 (维持)**

6-18m TP 目标价: **US\$195.00**
Revised from 原目标价: **US\$220.00**

Share price 股价: **US\$144.850**

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	(1.66)	(19.53)	(22.29)
Rel. % to NASDAQ Index 相对纳指变动 %	(0.46)	(14.02)	(32.01)
Avg. Share price(US\$) 平均股价 (美元)	144.61	158.84	179.85

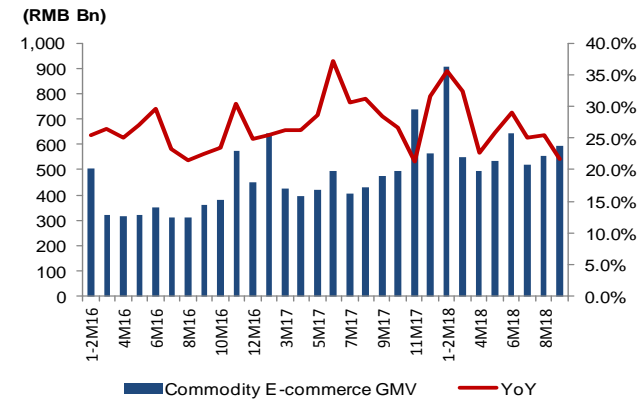
Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
03/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2017A	158,273	43,675	17.520	(39.7)	57.4	128.812	7.8	0.000	0.0	14.6
2018A	250,266	64,093	25.060	43.0	37.6	170.951	5.5	0.000	0.0	19.9
2019F	379,700	65,899	25.268	0.8	39.5	191.107	5.2	0.000	0.0	16.5
2020F	512,936	92,176	34.703	37.3	28.8	220.695	4.5	0.000	0.0	19.3
2021F	666,282	122,498	45.215	30.3	22.1	259.829	3.8	0.000	0.0	20.9
Shares in issue (m) 总股数 (m)			2,584.0		Major shareholder 大股东		Softbank 29.1%			
Market cap. (US\$ m) 市值 (US\$ m)			374,292.4		Free float (%) 自由流通比率 (%)		56.3			
3 month average vol. 3 个月平均成交股数 ('000)			24,709.57		FY19 Net gearing (%) FY19 净负债/股东资金 (%)		Net Cash			
52 Weeks high/low (US\$) 52 周高/低 (US\$)			211.700 / 130.060		FY19 Non GAAP PE FY19 非 GAAP 市盈率		28.5			

Source: the Company, Guotai Junan International.

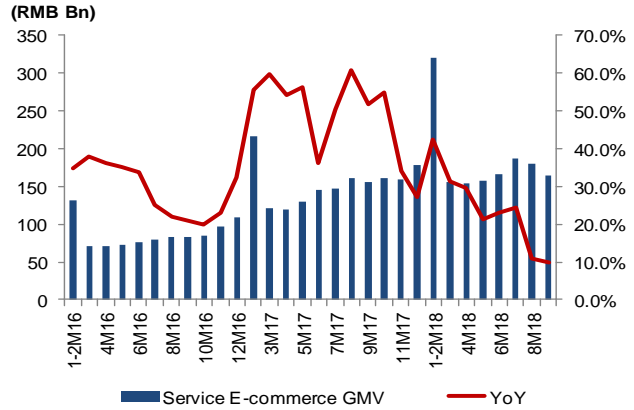
Slowdown of China e-commerce GMV in 9M18. According to data published by the National Bureau of Statistics of China, China e-commerce GMV in 1M18-9M18 reached RMB 6,278.5 bn, up 27.0% yoy, but growth was down 1.2 pts mom. In September 2018, China commodity e-commerce GMV reached RMB 594.5 bn, up 21.7% yoy, dropping 3.7 pts mom, and China service e-commerce GMV reached RMB 164.5 bn in September 2018, up 9.8% yoy; both being the slowest monthly growth rate in 2018. China's express delivery volume in 1M18-9M18 reached 34.74 bn, up 26.8% yoy. During September 2018, China's express delivery volume reached 4.48 bn, up 24.1% yoy.

Figure-1: China Commodity E-commerce GMV



Source: National Bureau of Statistics of China, Guotai Junan International.

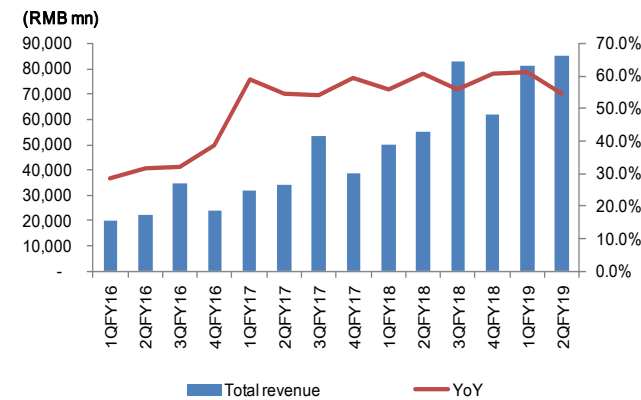
Figure-2: China Service E-commerce GMV



Source: National Bureau of Statistics of China, Guotai Junan International.

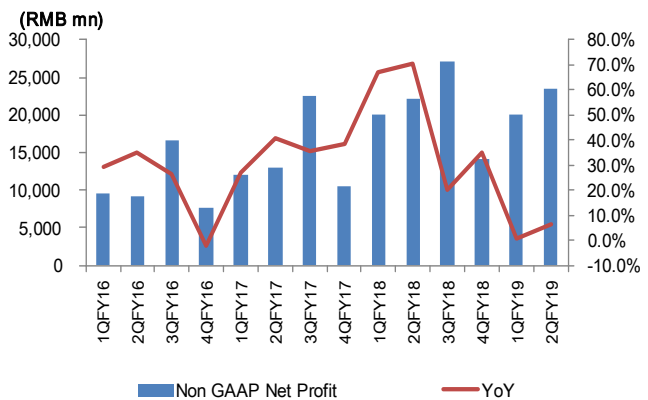
Alibaba Group's (the "Company") 2QFY19 results were basically in line. Alibaba Group's 2QFY19 revenue grew 54% yoy to RMB 85,148 mn, which was 4% below our expectations. Non GAAP net profit reached RMB 23,453 mn, up 6.2% yoy, 3% above our expectations. Overall, the results were basically in line with our expectations. Core commerce revenue increased 56% yoy to RMB 72,475 mn, which accounted for 85% of total revenue. Cloud computing revenue delivered strong performance again, which climbed 90% yoy to RMB 5,667 mn. Digital media and entertainment contributed revenue of RMB 5,940 mn, up 24% yoy. Revenue from innovation initiatives and others reached RMB 1,066 mn, up 20% yoy. Annual active consumers in China retail marketplaces stood at 601 mn in 2QFY19, up 23% yoy.

Figure-3: Alibaba Group Quarterly Total Revenue



Source: the Company, Guotai Junan International.

Figure-4: Alibaba Group Quarterly Non GAAP Net Profit

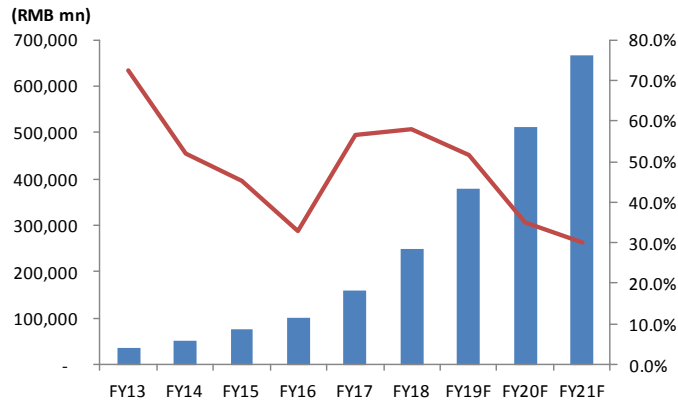


Source: the Company, Guotai Junan International.

The Company revised down its FY19 revenue guidance to a range between RMB 375 bn-RMB 383 bn, which reflects a 4% to 6% adjustment to the previous revenue guidance. The Company would like to create more value for its customers and help more SMEs to weather tough times. As a result, the Company has decided not to monetize in the near term under this current macro environment. Accordingly, revenue guidance has been adjusted. In our view, it will be a trade-off strategy, assisting its customers to grow their businesses, which could sustain the Company's growth in the future. However, forgoing short-term profit and margins is inevitable. Based on the revised revenue guidance, we revise down the total revenue for FY19-FY21 by 4.0%/ 8.1%/ 9.9% to RMB 379,700 mn, RMB 512,936 mn and RMB 666,282 mn, respectively. Meanwhile, the Company has told investors that this adjustment was mainly related to China retail business units. We think the macroeconomic uncertainty may linger on in the short term, but it will not be a long-term concern. So we revise the growth rate of the Company's

China retail business for FY19-FY21 by -2.6ppts/ -2.1ppts/ 1.3ppts to 41.5%, 33.5% and 27.1%, respectively.

Figure-5: Alibaba Group Total Revenue Estimates

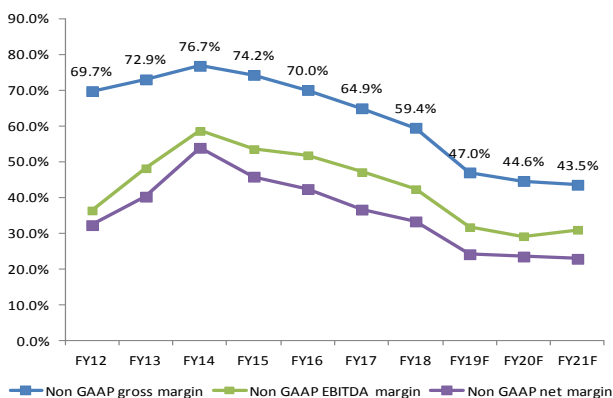


Source: the Company, Guotai Junan International.

The Company might not spend as aggressively as we previously expected. During 2QFY19, cost of revenue increased by 112.6% yoy to RMB 46,786 mn, representing 55% of revenue, up 15 ppts yoy. The surge in cost of revenue was due to 1) consolidation of Cainiao Network and Ele.me, 2) spending in new retail businesses and Lazada, and 3) an increase in content spending from Youku. As we mentioned in our last report, the Company's strong revenue growth was underpinned by heavy investment. The Company cut its FY19 revenue guidance; this shows that the Company has been staying alert to macroeconomic uncertainty. Therefore, we believe that it might be a signal from the Company that it is prudent in its expenditure in order to better control risks. Therefore, the Company's spending might slow down in the rest of FY19. As a result, we slightly revise down our forecasts on operating expenses for FY19-FY21 by 6.8%/ 4.2%/ 3.3% to RMB 101,515 mn, RMB 118,360 mn and RMB 139,694 mn, respectively.

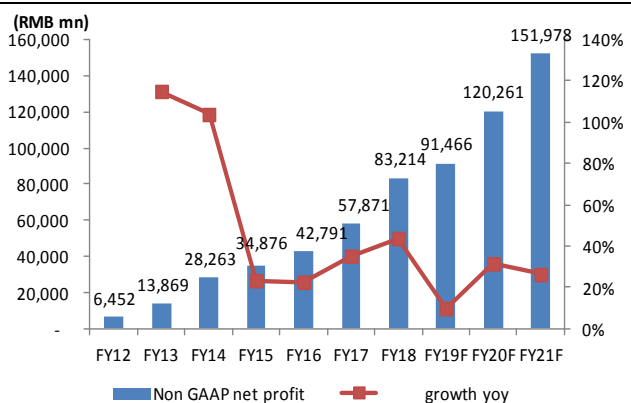
We tune down our bottom-line forecasts. Given that China retail business is a high profitable business, the Company has decided not to monetize this business at the moment, which could weaken the Company's profitability. All in all, spending by the new businesses is being utilised to grab more market share; demonetization in China retail business units could have negative impacts on cashflow and margins in the short term. We cut our non-GAAP net income forecasts for FY19-FY21 by -9.8%/ -11.8%/ -13.5% to RMB 91,466 mn, RMB 120,261 mn, and RMB 151,978 mn, respectively. This is due to the mixed effects of 1) higher-than-expected gains from investment valuation and 2) lower revenue guidance.

Figure-6: Alibaba Group Margin Estimates



Source: the Company, Guotai Junan International.

Figure-7: Alibaba Group Non GAAP Net Profit Estimates



Source: the Company, Guotai Junan International.

The Company broke its GMV record for the Singles' Day shopping festival. The Company's Singles' Day GMV achieved RMB 213.5 bn in 2018, up 27% yoy. Over 40% of consumers bought from international brands. Also, 237 brands topped RMB 100 mn in GMV, including Apple, Dyson, Kindle, Estee Lauder, L'Oreal, Nestle, Gap, Nike and Adidas. During Singles' Day, the Company offered RMB 1 bn in "red packets" which provided rebates on goods and services to consumers. Meanwhile, it is the first time that Cainiao Smart Logistics Network handled over 1 bn delivery orders, eclipsing last year's 812 mn. Furthermore, Ele.me provided delivery for selected Starbucks stores across 11 Chinese cities. In addition, Tmall Collection's "See Now, Buy

Now" fashion show broadcasted live on 10 platforms, including Taobao, Youku, Weibo and Toutiao in late October. For the international business, Lazada held its own first Singles' Day shopping festival in its six Southeast Asia markets. In our view, GMV growth of Singles' Day remained solid. We can see that the Company has been very successful in promoting this big event through its whole ecosystem, including e-commerce, entertainment, logistics, among the others. Therefore, we expect that more synergy effects will be generated in the long term as there are a lot of internal cooperation opportunities within the Company. Also, the success of the Singles' Day shopping festival proved that the Company has further upgraded its capability in order to deal with the high transaction volume.

Cut TP to US\$ 195.00, but maintain the investment rating as "Buy". Even though the Company has revised its revenue guidance, it is still possible for the Company to achieve 50% yoy revenue growth in FY19. This growth rate still outperforms its global peers. More internal cooperation is expected, thus driving new business growth at a faster pace. We believe the Company might generate long-term synergy effects within its ecosystems. We recommend a "Buy" investment rating for long-term investors. We lower our TP to reflect 1) RMB depreciation risk, 2) uncertainty surrounding the unsolved Sino-US trade war, and 3) revised down FY19 revenue guidance. Our TP represents 38.3x FY19E non GAAP PE.

Table 1: Alibaba Group's Revenue Breakdown

Revenue		FY15	FY16	FY17	FY18	FY19F	FY20F	FY21F
China Core Commerce	mn RMB	62,937	84,321	119,788	190,482	292,338	391,584	496,786
Retail	mn RMB	59,732	80,033	114,109	176,559	249,891	333,711	423,982
Wholesale	mn RMB	3,205	4,288	5,679	7,164	9,989	13,325	16,215
Cainiao Network	mn RMB	0	0	0	6,759	14,811	20,370	27,092
Ele'me	mn RMB	0	0	0	0	17,648	24,178	29,497
International Core Commerce	mn RMB	6,486	7,629	13,337	20,841	29,047	36,441	44,152
Retail	mn RMB	1,768	2,204	7,336	14,216	20,998	26,521	32,247
Wholesale	mn RMB	4,718	5,425	6,001	6,625	8,048	9,920	11,904
Other e-commerce	mn RMB	0	385	755	2,697	4,539	6,164	7,381
Cloud Computing and Internet Infrastructure	mn RMB	1,271	3,019	6,663	13,390	25,176	46,073	81,781
Others (Includes: Digital media and Ent., and Innovation initiatives and others)	mn RMB	5,510	5,789	17,730	22,856	28,600	32,673	36,182
Total	mn RMB	76,204	101,143	158,273	250,266	379,700	512,936	666,282
Proportion %								
China Core Commerce	%	82.6%	83.4%	75.7%	76.1%	77.0%	76.3%	74.6%
Retail	%	78.4%	79.1%	72.1%	70.5%	65.8%	65.1%	63.6%
Wholesale	%	4.2%	4.2%	3.6%	2.9%	2.6%	2.6%	2.4%
Cainiao Network	%	0.0%	0.0%	0.0%	2.7%	3.9%	4.0%	4.1%
Ele'me	%	0.0%	0.0%	0.0%	0.0%	4.6%	4.7%	4.4%
International Core Commerce	%	8.5%	7.5%	8.4%	8.3%	7.6%	7.1%	6.6%
Retail	%	2.3%	2.2%	4.6%	5.7%	5.5%	5.2%	4.8%
Wholesale	%	6.2%	5.4%	3.8%	2.6%	2.1%	1.9%	1.8%
Other e-commerce	%	0.0%	0.4%	0.5%	1.1%	1.2%	1.2%	1.1%
Cloud Computing and Internet Infrastructure	%	1.7%	3.0%	4.2%	5.4%	6.6%	9.0%	12.3%
Others (Includes: Digital media and Ent., and Innovation initiatives and others)	%	7.2%	5.7%	11.2%	9.1%	7.5%	6.4%	5.4%
Total	%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: the Company, Guotai Junan International.

Table 2: Alibaba Group's Quarterly Results and Projection

Income Statement		1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
		2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18F	1Q19F	2Q19F
Revenue	mn RMB	50,184	55,122	83,028	61,932	80,920	85,148	121,639	91,992	111,558
Cost of Revenue	mn RMB	(17,460)	(22,002)	(35,078)	(32,504)	(43,720)	(46,786)	(69,091)	(50,872)	(61,947)
Gross Profit	mn RMB	32,724	33,120	47,950	29,428	37,200	38,362	52,548	41,121	49,611
Sales and Marketing Expenses	mn RMB	(4,850)	(6,266)	(8,542)	(7,641)	(8,921)	(9,106)	(11,312)	(9,199)	(10,960)
General and Administrative Expenses	mn RMB	(3,679)	(3,439)	(4,572)	(4,551)	(6,645)	(4,779)	(6,447)	(5,840)	(7,376)
Product Development Expenses	mn RMB	(4,696)	(5,083)	(6,289)	(6,686)	(11,510)	(8,365)	(9,731)	(9,659)	(9,732)
Amortization of Intangible Assets	mn RMB	(1,986)	(1,748)	(2,057)	(1,329)	(2,104)	(2,611)	(2,794)	(2,104)	(2,869)
Operating Profit	mn RMB	17,513	16,584	26,490	9,221	8,020	13,501	22,264	14,318	18,674
Interest Expense	mn RMB	(800)	(747)	(844)	(1,175)	(1,213)	(1,340)	(1,353)	(935)	(1,206)
Interest and Investment Income/(Loss), Net	mn RMB	1,472	3,435	23,643	1,945	7,246	6,635	12,179	6,975	7,938
Other Income, Net	mn RMB	1,887	1,737	(348)	884	(83)	(1,532)	2,000	552	497
Impairment of Goodwill, intangible Assets	mn RMB	0	0	(494)	0	0	0	(543)	0	0
Provision for Income Tax	mn RMB	(4,653)	(2,719)	(6,663)	(4,164)	(5,665)	(277)	(7,600)	(4,600)	(5,699)
Share of Results of Equity Investees	mn RMB	(1,388)	(882)	(18,452)	(70)	(655)	1,254	(271)	(7,561)	(249)
Minority Interest (After Tax)	mn RMB	652	260	741	1,028	1,070	1,892	1,036	585	777
Net Income (Loss) to shareholders	mn RMB	14,683	17,668	24,073	7,669	8,720	20,133	27,711	9,335	20,732

Source: the Company, Guotai Junan International.

Table-3: Peers Comparison

Company	Stock Code	Currency	Last price	Market Cap			Adjusted PE			GAAP PE			P/S			Adjusted PEG
				mn HKD	FY18F	FY19F	FY20F	FY18F	FY19F	FY20F	FY18F	FY19F	FY20F	FY18-20		
E-commerce																
Alibaba Group Holding-Sp Adr*	BABA US	USD	144.85	2,941,456.2	27.5	28.4	22.0	37.7	39.9	29.0	6.8	5.0	3.8		2.4	
Ebay Inc	EBAY US	USD	29.63	223,490.0	12.9	11.5	10.0	12.2	15.2	13.5	2.5	2.3	2.1		0.9	
Amazon.Com Inc	AMZN US	USD	1712.43	6,559,516.8	62.5	47.6	35.9	88.2	65.9	45.4	3.0	2.5	2.1		1.5	
Yahoo Japan Corp*	4689 JT	JPY	327	115,639.1	14.2	17.0	15.7	14.2	17.0	15.7	1.8	1.7	1.5		(3.5)	
Rakuten Inc	4755 JT	JPY	934	91,978.4	13.5	20.6	23.3	13.3	20.1	23.1	1.1	1.0	0.8		(0.9)	
Jd.Com Inc-Adr	JD US	USD	21.7	243,825.3	71.4	37.6	21.8	n.a.	79.0	34.6	0.4	0.3	0.3		0.5	
Vipshop Holdings Ltd - Adr	VIPS US	USD	5.06	26,236.6	9.1	7.9	6.5	10.5	9.6	7.3	0.2	0.2	0.2		0.4	
58.Com Inc-Adr	WUBA US	USD	60.5	69,902.8	25.3	18.1	13.9	30.6	20.0	14.1	3.9	3.3	3.2		0.5	
Ctrip.Com International-Adr	CTRP US	USD	26.13	111,606.0	23.3	21.2	15.4	48.0	33.2	22.8	2.7	2.3	1.9		0.9	
Simple Average					28.8	23.3	18.3	31.8	33.3	22.8	2.5	2.1	1.8		0.3	
Weighted Average					50.0	40.0	30.3	67.7	56.0	38.7	4.0	3.1	2.5		1.6	
Internet Conglomerate																
Tencent Holdings Ltd	700 HK	HKD	270.6	2,576,174.7	28.7	22.6	17.6	26.5	21.9	16.9	5.5	4.3	3.3		0.8	
Baidu Inc - Spon Adr	BIDU US	USD	183.75	501,745.6	18.4	17.1	13.9	2.4	3.0	2.5	3.7	3.4	2.8		1.1	
Alphabet Inc-CI C	GOOG US	USD	1066.15	5,836,065.0	19.8	18.9	15.3	25.2	22.7	19.4	5.7	4.9	4.2		1.4	
Microsoft Corp	MSFT US	USD	109.57	6,634,194.4	28.6	24.7	21.9	49.9	24.9	22.0	6.8	6.2	5.5		1.7	
Facebook Inc-A	FB US	USD	144.96	3,268,269.0	17.3	16.5	14.5	19.7	19.7	16.7	6.1	5.0	4.3		1.8	
Softbank Group Corp*	9984 JT	JPY	8777	663,156.0	8.8	11.9	6.1	8.9	12.3	6.4	1.0	1.0	1.0		0.6	
Simple Average					20.3	18.6	14.9	22.1	17.4	14.0	4.8	4.1	3.5		1.2	
Weighted Average					23.1	20.7	17.4	31.7	22.0	18.6	5.9	5.1	4.4		1.5	
Simple Average					25.4	21.4	16.9	27.7	27.0	19.3	3.4	2.9	2.5		0.7	
Weighted Average					32.5	27.4	21.9	44.2	33.8	25.6	5.2	4.4	3.7		1.5	

Source: the Company, Guotai Junan International.

Note: * represents figures of FY19/ FY20/ FY21.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Mar (RMB m)	FY17A	FY18A	FY19F	FY20F	FY21F	Year end 31 Mar (RMB m)	FY17A	FY18A	FY19F	FY20F	FY21F
Total Revenue	158,273	250,266	379,700	512,936	666,282	Property and Equipment, net	20,206	66,489	79,787	83,776	87,965
Cost of revenue	(59,483)	(107,044)	(210,469)	(291,959)	(385,204)	Investment Securities	36,143	47,569	146,999	166,426	185,470
Gross profit	98,790	143,222	169,231	220,976	281,077	Investment in Equity Investee	120,368	139,700	87,564	72,942	81,225
Sales and Marketing Expenses	(17,060)	(27,299)	(38,539)	(47,473)	(56,351)	Goodwill	125,420	162,149	207,551	223,117	245,429
General and Administrative Expenses	(16,314)	(16,241)	(23,711)	(29,102)	(37,141)	Intangible Assets	14,108	27,465	51,639	75,895	101,599
Product Development Expenses	(12,239)	(22,754)	(39,265)	(41,785)	(46,202)	Prepayments, Receivables and Other					
Amortization of Intangible Assets	(5,122)	(7,120)	(9,613)	(12,910)	(15,179)	Assets	8,703	16,897	15,174	21,364	26,806
Impairment of Goodwill, intangible Assets	0	(494)	(543)	(598)	(658)	Total Non-current Assets	324,948	460,269	588,714	643,520	728,493
Operating Profit	48,055	69,314	57,560	89,109	125,547	Cash & Cash Equivalents	143,736	199,309	193,647	235,950	286,501
Interest Expense	(2,671)	(3,566)	(4,841)	(5,427)	(6,590)	Investment Securities	4,054	4,815	10,112	11,123	12,513
Int. and Investment Income/(Loss), Net	8,559	30,495	33,035	35,723	38,200	Short-term Investments	3,011	6,086	9,129	10,042	11,247
Other Income, Net	6,086	4,160	937	1,708	1,121	Prepayments, Receivables and Other					
Profit Before Tax	60,029	100,403	86,691	121,113	158,278	Assets	28,408	43,228	48,557	68,364	64,781
Income Tax	(13,776)	(18,199)	(18,142)	(26,645)	(34,821)	Restricted Cash and Escrow					
Profit After Tax	46,253	82,204	68,548	94,468	123,457	Receivables	2,655	3,417	8,543	9,397	10,806
Share of Results of Equity Investees	(5,027)	(20,792)	(7,233)	(5,926)	(5,707)	Total Current Assets	181,864	256,855	269,987	334,876	385,848
Non-controlling Interest	2,449	2,681	4,584	3,633	4,748	Total Assets	506,812	717,124	858,701	978,396	1,114,341
Shareholders' Profit / Loss	43,675	64,093	65,899	92,176	122,498	Accrued Expenses, Accounts Payable, and Other liabilities	46,979	81,165	95,917	91,847	88,899
Non GAAP net income to shareholders	57,871	83,214	91,466	120,261	151,978	Current Bank Borrowings	5,948	6,028	13,651	14,548	16,179
Non-GAAP EBITDA	74,456	105,792	120,187	149,353	206,050	Income Tax Payable	6,125	13,689	16,427	18,069	18,973
Basic EPS	17.520	25.060	25.268	34.703	45.215	Deferred Revenue-customer Advances	15,052	22,297	27,972	34,985	32,905
Diluted EPS	16.970	24.510	24.716	33.945	44.227	Merchant Deposits	8,189	9,578	9,122	14,875	16,786
Non GAAP Basic EPS	23.213	32.595	35.124	45.277	56.096	Escrow Money Payable	2,322	3,053	6,106	6,717	6,952
Non GAAP Diluted EPS	23.440	32.860	34.357	44.288	54.871	Total Current Liabilities	93,564	135,810	169,194	181,041	180,693

Cash Flow Statement					
Year end 31 Mar (RMB m)	FY17A	FY18A	FY19F	FY20F	FY21F
Operating Activities					
Net income/(loss)	41,226	61,412	61,316	88,542	117,750
Depreciation and Amortization	10,406	15,909	19,689	23,536	17,740
Share-based Compensation Expense	15,995	20,075	38,657	34,707	37,423
Share of Results of Equity Investees	5,027	20,792	7,233	5,926	5,707
Income Tax Payable	3,335	7,564	5,238	5,527	4,778
Deferred Income Taxes	281	976	370	543	710
Revaluation of previously held equity interest related to step acquisitions	(770)	(24,436)	(31,152)	(15,784)	(16,049)
Other non cash gain or loss	1,046	7,520	(4,168)	(3,946)	(3,451)
Working Capital Change	3,780	15,353	11,282	3,798	(4,799)
Cash from Operating Activities	80,326	125,171	108,464	142,850	159,810
Investing Activities					
Capital Expenditure	(17,546)	(29,836)	(60,383)	(57,113)	(53,450)
Investment	(36,656)	(66,465)	(52,202)	(49,960)	(60,239)
Disp. of PPE, intangible assets and inv.	9,545	13,381	4,014	4,416	4,857
Others	(33,707)	(970)	(15,727)	(14,545)	(17,705)
Cash from Investing Activities	(78,364)	(83,890)	(124,297)	(117,203)	(126,536)
Financing activities					
Net Bank Borrowings	29,333	33,625	45,080	11,214	20,392
Share issuance or repurchase	1,512	399	(15,534)	(7,767)	1,754
Acq of additional equity interests in non-wholly owned subsidiaries	0	(13,627)	(17,034)	11,517	(12,669)
Others	2,069	(38)	2,621	5,166	5,272
Cash from Financing Activities	32,914	20,359	15,133	20,130	14,750
Foreign Exchange Rate Effect	2,042	(6,067)	(4,962)	(3,473)	2,527
Net Changes in Cash	36,918	55,573	(5,662)	42,304	50,551
Cash at Beg of Year	106,818	143,736	199,309	193,647	235,950
Cash at End of Year	143,736	199,309	193,647	235,950	286,501

Financial Ratios					
	FY17A	FY18A	FY19F	FY20F	FY21F
Growth %					
Non GAAP gross profit	45.1%	44.8%	19.9%	28.2%	26.8%
Non GAAP EBITA	42.4%	40.2%	9.7%	29.1%	30.2%
Non-GAAP EBITDA	42.3%	42.1%	13.6%	24.3%	38.0%
Non GAAP net profit to shareholders	35.2%	43.8%	9.9%	31.5%	26.4%
Margin %					
Non GAAP gross margin	64.9%	59.4%	47.0%	44.6%	43.5%
Non GAAP EBITA margin	43.7%	38.8%	28.0%	26.8%	26.8%
Non-GAAP EBITDA margin	47.0%	42.3%	31.7%	29.1%	30.9%
Non GAAP Net margin	36.6%	33.3%	24.1%	23.4%	22.8%

Source: the Company, Guotai Junan International.

See the last page for disclaimer

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12 November 2018

Alibaba Group 阿里巴巴集团 (BABA US)

Company Report

Company Rating Definition

The Benchmark: NASDAQ Composite Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: NASDAQ Composite Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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