

Hong Kong

**ADD** (no change)

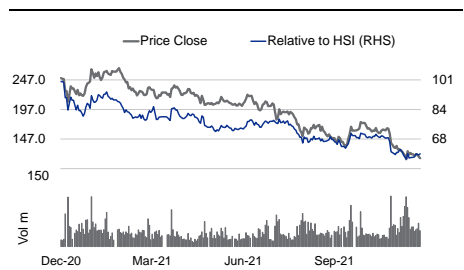
Consensus ratings\*: Buy 36 Hold 2 Sell 0

Current price:	HK\$114.5
Target price:	HK\$207.0
Previous target:	HK\$207.0
Up/downside:	80.8%
CGI / Consensus:	-14.2%
Reuters:	9988.HK
Bloomberg:	9988 HK
Market cap:	US\$318,318m HK\$2,483,197m
Average daily turnover:	US\$655.4m HK\$5,105m
Current shares o/s:	21,619m
Free float:	61.3%

\*Source: Bloomberg

Key changes in this note

N/A



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-17.8	-24.4	-55.2
Relative (%)	-8.6	-18.8	-41

Major shareholders	% held
SoftBank	24.9
Jack Yun MA	4.8

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# Alibaba Group

## Entering the sustainable growth stage

- Alibaba Group held its 2021 Investor Day on 16–17 Dec, emphasizing its overall strategy for China consumption, globalization and technology.
- Management reiterated its long-term vision of achieving 2bn consumers, creating 100m jobs and helping 10m SMEs become profitable by FY3/36F.
- Reiterate Add with a DCF-based TP of HK\$207.

## China retail marketplace to maintain sustainable growth

Alibaba aims to gain new users, especially in lower-tier cities, and maintains its guidance of domestic AAC reaching 1bn in the next two quarters. At end-Sep, ARPU reached Rmb8,400. Alibaba will leverage Taobao Deal to attract older consumers. Alibaba is enriching its product categories. The online penetration rate for groceries, tourism, healthcare and home decor is still low. Alibaba has different strategies for different product categories, focusing on leading consumption trends to encourage new products and brands, providing a better shopping experience through technology features, and developing advanced technology to eliminate consumption pain points and raise the online penetration rate. Alibaba will leverage its multi-app strategy to grow consumer scale and demand. It will continue to support the sustainable growth of its merchants.

## New retail and local retail continue to unlock growth potential

As at end-Sep, Taobao Deal and Tao Caicai had 270m AAC. Tao Caicai had 560k pick-up points that are individual operated stores and over 45k Cainiao Posts, and its penetration rate reached 40% nationwide in 200 cities. Alibaba will continue to empower smart factories, digitalized agriculture and direct marketing, and to upgrade its warehouse and delivery infrastructure. According to iResearch, China's local consumer service market size is expected to grow by a 13% CAGR to Rmb35tr in 2025F, and the penetration is expected to improve to 31% from 24% in 2020. The market is still in the early expansion stage with scale expansion the priority focus. The market will enter the second stage of profitability improvement when one player's DAU reaches 300m. Currently, Alibaba and its major competitor have about 100m DAU.

## Globalization becoming an important strategy

Globalization has become an important growth driver for Alibaba, and it recently adjusted its corporate structure to assign Jiang Fan to be responsible for its international business. In SEA, the e-commerce market size is expected to grow at a CAGR of 27% in 2021–2025F, and e-commerce penetration is expected to increase from 8% in 2020 to 20% in 2025F. Lazada will focus on improving quality and the user experience via a multi-app matrix, diverse user acquisition channels, and rich content and product offerings.

## Cloud business still has great potential

According to CAICT, China's Cloud Market is expected to grow at a 37% CAGR, reaching US\$154bn in 2025F, compared to a 21% CAGR in the US. According to Gartner's latest report, Alibaba Cloud ranked in the top three in IaaS + PaaS capacity in the world and fell in the Leaders quadrant in the cloud database market. The internet sector is Alibaba Cloud's largest customer pool, contributing 51% of revenue. The digitalization transformation of traditional industries in China will become the next big opportunity for Alibaba Cloud. It will focus on the Middle East market and introduce localization in overseas markets. At end-Sep, Alibaba Cloud had 4m paying customers.

## ESG strategy and goals

Alibaba expects its governance structure to be more transparent and set clear targets for carbon neutrality. It plans to achieve carbon neutrality in scope 1 and 2 by 2030; to halve carbon intensity and achieve Alibaba Cloud carbon neutrality in scope 3 by 2030; and facilitate 1.5 gigatons of ecosystem decarbonization in scope 3+ by 2035.

Financial Summary	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rmbm)	509,711	717,289	871,309	1,010,677	1,178,613
Operating EBITDA (Rmbm)	133,857	130,592	137,752	169,521	213,805
Net Profit (Rmbm)	132,479	171,985	142,906	172,244	212,039
Core EPS (Rmb)	6.30	7.96	6.30	7.59	9.34
Core EPS Growth	39.3%	26.2%	(20.9%)	20.5%	23.1%
FD Core P/E (x)	15.08	11.96	15.12	12.54	10.19
DPS (Rmb)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	13.66	13.72	13.27	10.02	7.25
P/FCFE (x)	22.6	181.8	37.5	17.7	15.6
Net Gearing	(28.8%)	(34.1%)	(35.8%)	(41.5%)	(46.2%)
P/BV (x)	2.57	2.14	2.00	1.77	1.55
ROE	21.0%	20.1%	14.2%	15.2%	16.5%
CGI/consensus EPS (x)			0.94	0.96	

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

# Entering the sustainable growth stage

## China’s retail marketplace to maintain sustainable growth

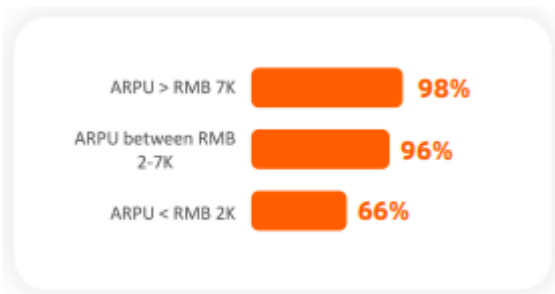
Alibaba established different strategies for consumers in different age groups. For young consumers aged 15–24, Alibaba will focus on enriching its product categories and leading the consumption trends. For core consumers aged 25–44, Alibaba will continue to focus on the conversion of paid membership, 88VIP, and plans to have over 100m members in the future. For older consumers, Alibaba will leverage Taobao Deal to attract more older consumers to shop online.

Alibaba also has different strategies for different product categories. For high-penetration categories, such as apparel and cosmetics, it will focus on leading consumption trends to encourage new products and brands and provide a better shopping experience through technology features. For low-penetration categories, such as home decor, Alibaba will develop advanced technology, such as 3D showrooms, and services, such as delivery and installation services, to remove consumption pain points and lift the online penetration rate.

Alibaba intends to leverage its multi-app strategy to grow consumer scale and demand, its content and entertainment strategy to improve consumer engagement, and its vertical search and open ecosystem to provide a better buying experience.

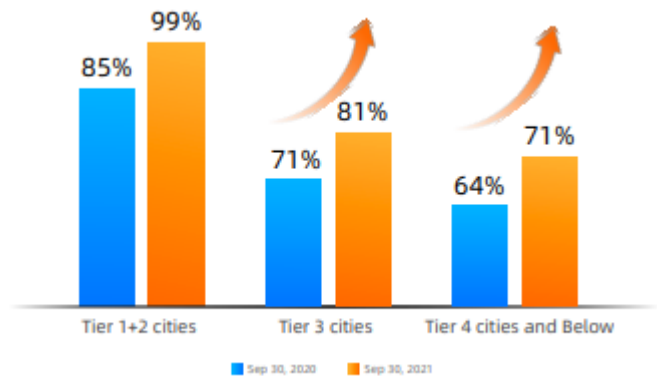
Meanwhile, Alibaba will continue to support the sustainable growth of the merchants on its platform throughout the consumer and product lifetimes. The new UniDesk advertising platform allows merchants to distribute their ads not only in the Alibaba ecosystem, but also on third party mainstream apps. Another upgrade in the advertising platform is WanXiangTai, which is a business target-driven advertising platform that helps merchants personalize ad product packages based on their sales goals.

Figure 1: Retention rate across consumer cohorts



SOURCES: CGIS RESEARCH, COMPANY DATA

Figure 2: Alibaba AAC penetration as % of online population in China



SOURCES: CGIS RESEARCH, COMPANY DATA

## New retail and local retail continue to unlock growth potential

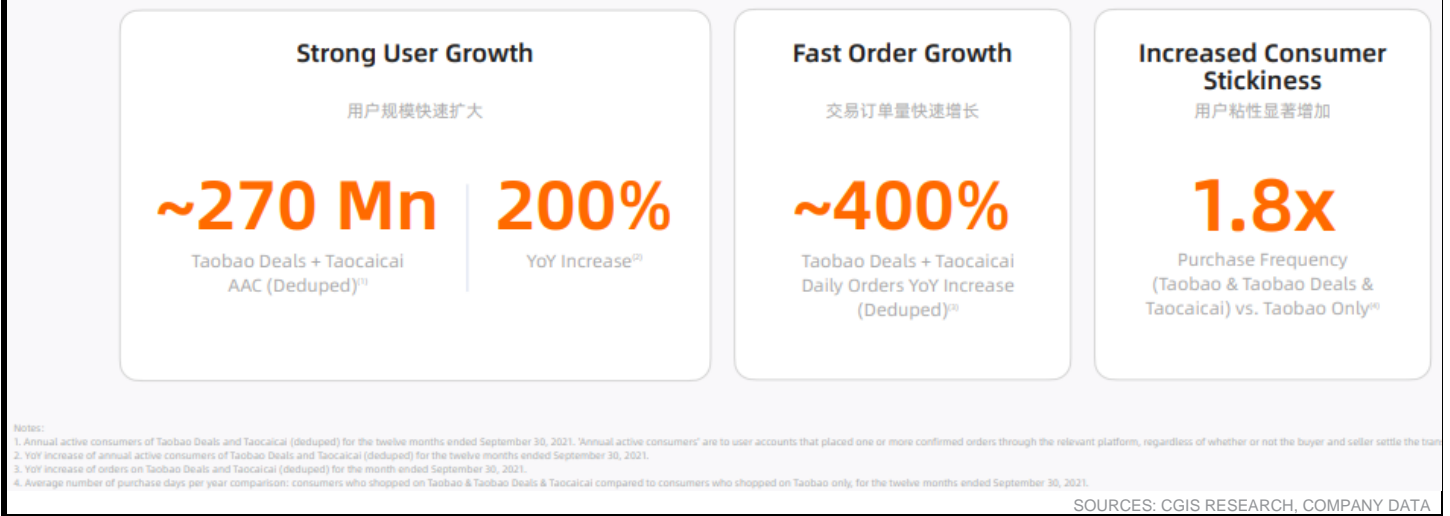
Taobao Deal and Tao Caicai, Alibaba’s two lower-tier market targeted apps, are the main focus of Alibaba’s new retail business, leveraging its C2M model.

Taobao Deal and Tao Caicai together achieved over 270m AAC at the end of Sep 2021, up over 200% yoy, and the total daily order volume growth reached over 400% yoy. Consumers who use Taobao, Taobao Deal and Tao Caicai purchase 1.8 times more frequently than consumers who use Taobao only. Taobao Deal achieved over 240m AAC at the end of Sep 2021, and its order volume growth reached over 290% yoy, with 1.1bn orders for direct-from-factory products and 180m orders for agricultural products. At the end of Sep 2021, Tao Caicai had 560k pick-up points that are individual operated stores and over 45k Cainiao Posts, and its penetration rate reached 40% nationwide. In the six months ended Sep 2021, the gross floor area of Tao Caicai’s regional distribution area expanded by over 350%, the number of SKUs grew by about 800%, and GMV increased by over 530%.

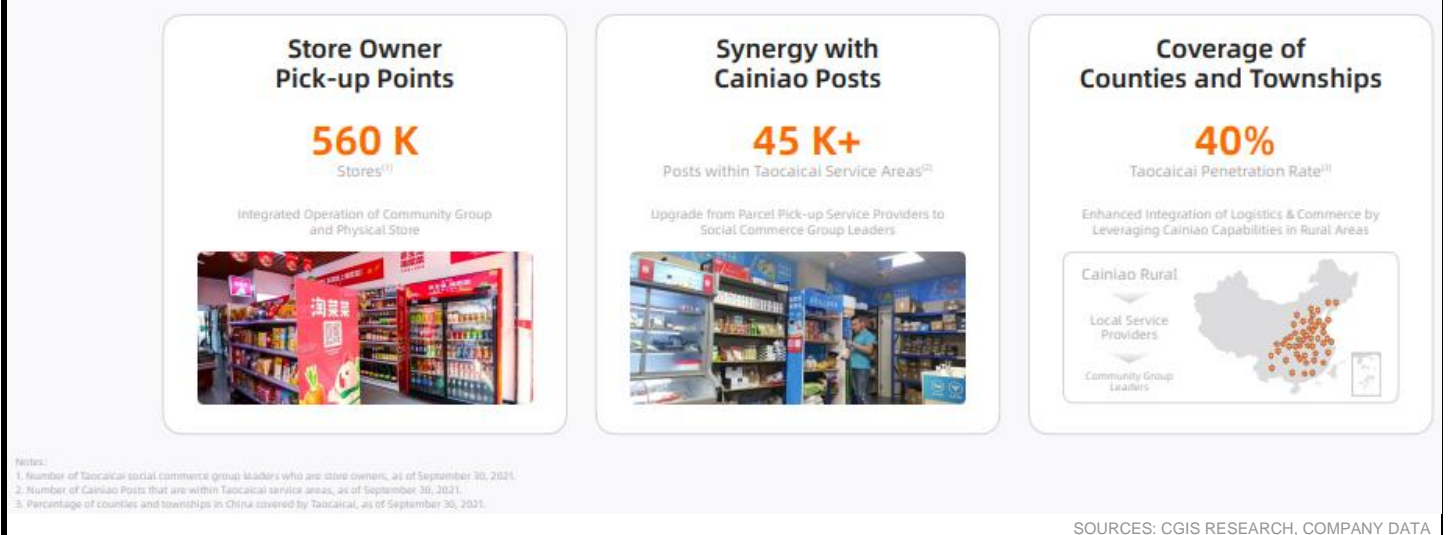
While Taobao Deal’s supply chain is backed by factories on 1688.com, Tao Caicai is backed by Sun Art’s 3.5k private-label products, 1.6k brands, over 700 agriculture bases with seven years of experience, and over 40 regional procurement teams.

Going forward, Alibaba will continue to empower more smart factories, digitalized agriculture and direct marketing, and upgrade its warehouse and delivery infrastructure to improve supply chain and fulfillment efficiency.

**Figure 3: Alibaba's new retail business is rapidly winning consumer mindshare**



**Figure 4: Multi-format services for local communities**



Alibaba's local retail business consists of Ele.me, Amap, Koubei and Fliggy. At the end of Sep 2021, the business had 350m AAC, 2.8m annual active merchants, and over 1.1m monthly active riders.

According to iResearch, China's local consumer service market size is expected to grow by a 13% CAGR to Rmb35tr in 2025F, and the penetration is expected to improve to 31% from 24% in 2020. The market is still in the early expansion stage, and scale expansion is the priority focus. The market is expected to enter the second stage of profitability improvement when one player's DAU reaches 300m. Currently, the DAU of both Alibaba and its major competitor are about 100m.

Ele.me, Alibaba's major to home business platform, will gradually upgrade from "restaurant to home" to "everything to home" and establish multi-tier fulfillment capacity from one-hour delivery to half-day delivery. At the end of Sep 2021, Ele.me's AAC increased by 28% yoy and on-demand order growth was over 35% yoy with 79% yoy growth in non-restaurant orders. Amap will become Alibaba local retail's major to destination/merchant entrance, connecting consumers and merchants for dining, mobility services, travel and other scenarios. During the National Day holiday in Oct 2021, Amap recorded peak DAU of over 200m, and during the month, Koubei and Fliggy saw Amap-enabled GMV growth of over 500% and over 50% yoy, respectively, reflecting Amap's strong traffic acquisition capability for Alibaba's local retail business.

Figure 5: Key business metrics of local consumer services



**Lazada to capture e-commerce development opportunities in SEA**

Lazada is currently the third-largest e-commerce platform in emerging markets outside of China in terms of both MAU and GMV. In SEA, the e-commerce market size is expected to grow at a CAGR of 27% and reach US\$260bn in 2025F, and e-commerce penetration is expected to increase from 8% in 2020 to 20% in 2025F.

Going forward, Lazada will focus on improving quality and the user experience via a multi-app matrix, diverse user acquisition channels, rich content and product offerings, live-streaming, and interactive games to attract more users and increase user stickiness, thus increasing purchase frequency. At the end of Sep 2021, Lazada had 130m AAC, up 80% yoy, and 159m MAU, up 70% yoy. Its LTM Sep 2021 GMV was US\$21bn.

Lazada will also improve its seller front tools, making them more automated, efficient and ROI-driven to create value for its sellers and attract more sellers to its platform. At the end of Sep 2021, Lazada’s average seller ROI was 8–10 times, the number of its onsite sellers had increased by 98% yoy, and the number of sellers with US\$1k monthly sales had grown by 77% yoy.

Lazada currently has the second-largest B2C logistics network in SEA and it will continue to expand this network and develop it to become more reliable. Payment methods are another main focus of Lazada to help it to improve the user experience and loyalty. Lazada aims to serve over 300m consumers in SEA and achieve US\$100bn GMV.

Figure 6: Lazada is a significant global player

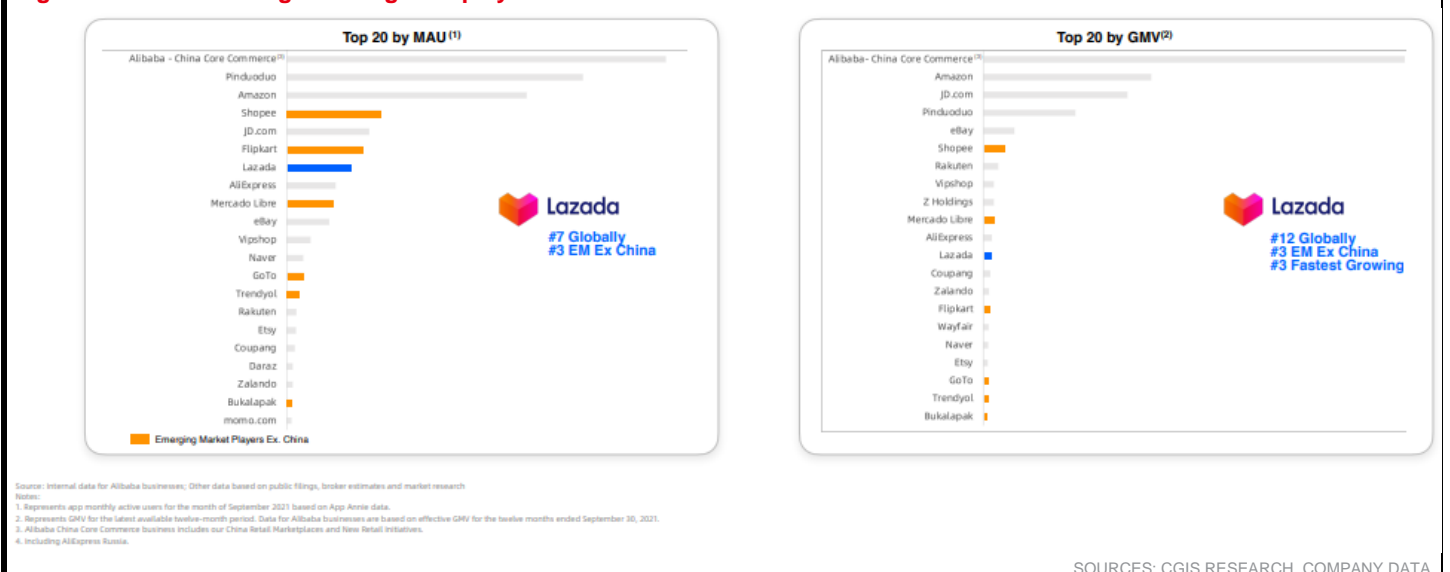


Figure 7: SEA e-commerce market size by GMV

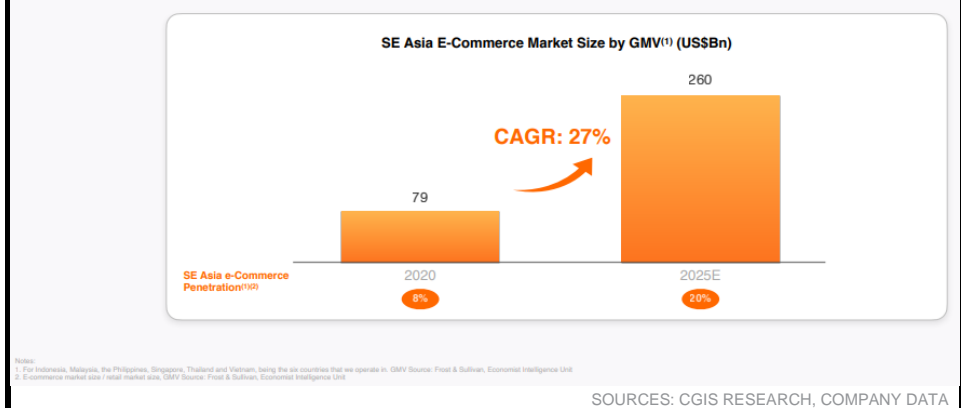
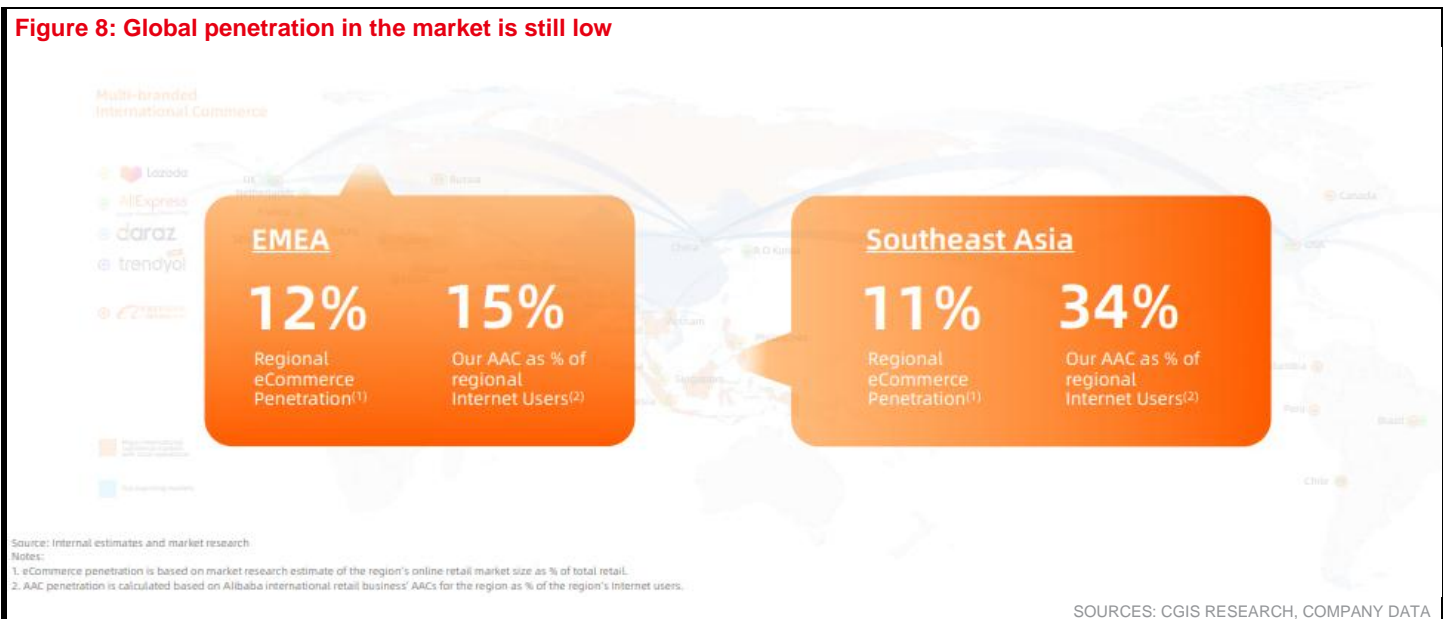


Figure 8: Global penetration in the market is still low



### Cainiao to provide advanced logistics technology support

There are four trends in the fast-growing logistics industry: 1) high-speed growth in demand for logistics services since the pandemic began; 2) more dynamic demand for logistics services, in terms of speed, flexibility, etc.; 3) technology advancement, such as the application of IoT technology; and 4) green logistics.

On the consumer front, one of Cainiao's main businesses is Cainiao Post. At the end of Sep 2021, there were 140k Cainiao Posts nationwide, covering 2/3 of the cities in China, with over 30k in the rural areas. It delivered 64m packages per day in 1H FY3/22, up 88% yoy, much higher than overall market growth of 37%. Currently, Cainiao has over 350 unmanned delivery vehicles providing last-mile delivery services in over 200 university campuses. The vehicles completed over 2m deliveries during the "11.11" online shopping festival this year. Apart from the usual delivery transition centers, now Cainiao Post is also integrated with Alibaba's local retail business, providing services such as to-door delivery, community group purchases (Tao Caicai), and second-hand goods recycling. Consumer logistics accounted for 9% of Cainiao's total revenue under the net revenue accounting method in 1H FY3/22.

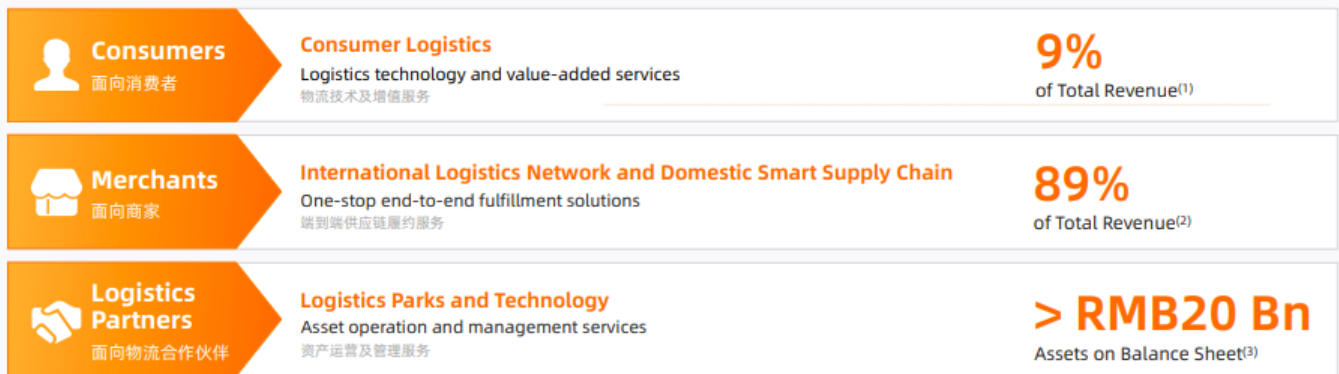
Cainiao's merchant logistics business includes both an international logistics network and a domestic smart supply chain, which accounted for 89% of Cainiao's total revenue under the gross revenue accounting method. The international logistics network helps global merchants import their products to China and domestic merchants to ship their products globally. Cainiao's strong international logistics network includes logistics hubs with two eHubs and over 3m sqm of cross-border warehouse space, line-haul and sorting centers with seven self-operated sorting centers, 245 chartered cargo flights per month, and a smart customs clearance system that connects over 50 ports worldwide. The bottleneck in the international logistics network lies in overseas last-mile delivery. Cainiao currently has over 4k smart lockers in Europe and the scale is expanding. Currently, the average daily export package volume is over 4m. 1H FY3/22 revenue growth of its international logistics

network was over 40% yoy, and cross-border related revenue accounted for over 50% of Cainiao's total revenue. Its domestic smart supply chain is starting to provide not only efficient logistics and delivery services, but also support for the merchant C2M production process. For example, Cainiao helps manufactures integrate order placing, production and marketing together to enable zero-inventory. Its domestic smart supply chain achieved revenue growth of over 20% yoy in 1H FY3/22.

For its logistics partners, Cainiao provides services through its logistics parks and technologies such as IoT. Cainiao has over 10m sqm of logistics park assets under management with a book value of over Rmb20bn. The assets are high quality with a value elevated rate of over 50%.

Cainiao is actively promoting green logistics via packaging material recycling, supported by over 80k Cainiao Posts, green packaging with reusable materials, and solar-powered green parks. Going forward, Cainiao will continue to focus on digitalization, globalization and green logistics.

Figure 9: Cainiao business overview



Notes:  
1. Consumer Logistics business revenue as percentage of total revenue for the six months ended September 30, 2021.  
2. International Logistics Network and Domestic Smart Supply Chain business revenue as percentage of total revenue for the six months ended September 30, 2021.  
3. Book value of fixed asset, construction in progress and land use rights on balance sheet as of September 30, 2021.

SOURCES: CGIS RESEARCH, COMPANY DATA

### Cloud business still has great potential

According to CAICT, China's cloud market is expected to grow at a 37% CAGR, reaching US\$154bn in 2025F, compared to a 21% CAGR in the US. And according to Gartner, China's IT spending is expected to grow at a CAGR of 18% in 2020–2025F, indicating strong interest in digital transformation in industry. According to Gartner's latest report, Alibaba Cloud ranked in the top three in IaaS + PaaS capacity in the world and fell in the Leaders quadrant in the cloud database market. At the end of Sep 2021, Alibaba Cloud had 4m paying customers, and 62% of A-share listed companies were using Alibaba Cloud, up 2% pts. Non-internet customers contributed 49% of Cloud revenue. Alibaba Cloud's three-year ARPU CAGR was over 40%. The internet sector is Alibaba Cloud's largest customer pool, and according to Gartner, China internet sector players are expected to spend over Rmb150bn in IT services in 2021F. The digitalization transformation of traditional industries in China will become the next great opportunity for Alibaba Cloud, as Gartner forecasts that IT spending by traditional industries in China will be over Rmb700bn and that these customers will contribute to a three-year CAGR of over 40% of Alibaba Cloud revenue.

Alibaba Cloud achieved 60% revenue growth in SEA in LTM Sep 2021. Alibaba Cloud will focus on the Middle East market in the next financial year and introduce the localization process in overseas markets. Alibaba has already set up hundreds of cloud data centers in 25 countries and areas, including Malaysia, Singapore, Indonesia, the Philippines, Japan, Germany and the US.

Going forward, Alibaba Cloud will 1) help domestic customers, especially internet sector customers, go global; 2) help overseas customers enter the China market; 3) build local teams in overseas markets to introduce the localization process and to provide more dynamic services; and 4) strengthen its cooperation with local partners.

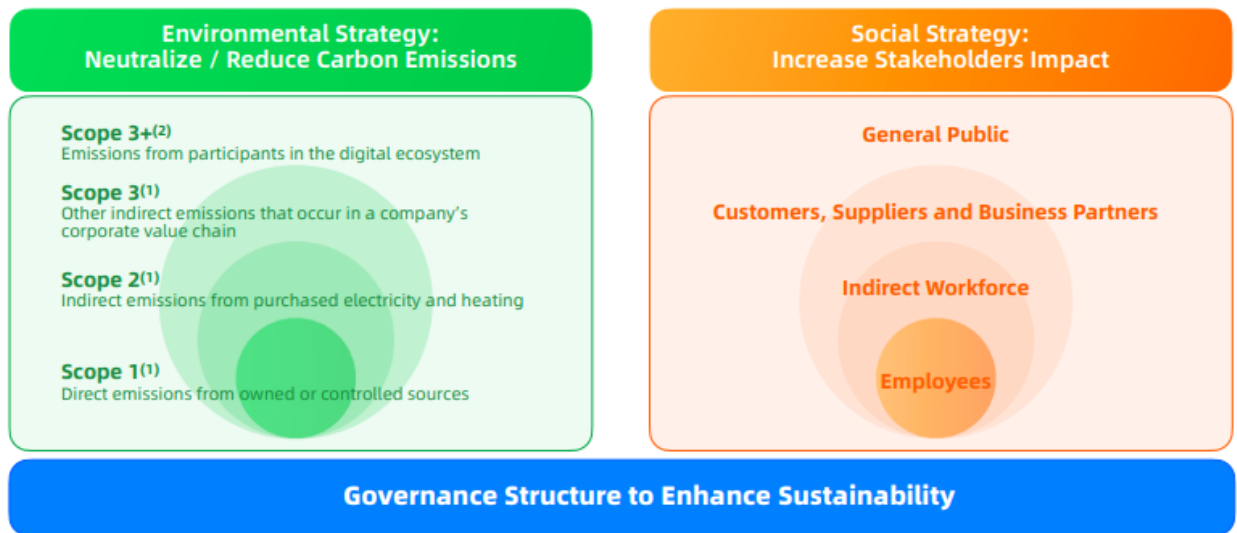
Alibaba Cloud is evolving from the Cloud 2.0 stage, which supported the development of e-commerce, social media and video streaming, to the 5G-based cloud-network-device converged Cloud 3.0 stage, which will support the development of the metaverse, industrial AIoT, and autonomous vehicles, leveraging its large-scale computing clusters, high-performance network, ultra-high energy efficiency and green energy innovation. Alibaba Cloud is now based on a self-developed chip and server, Yitian and Alibaba Cloud Server, which were released in the Apsara Conference. It can integrate different chips to provide

customized features for different customers. Alibaba Cloud also provides high-performance and reliable computing and storage infrastructure, the X-Dragon Architecture and Apsara Distributed File System, which enable it to offer one-stop enterprise data solutions. Alibaba AI can be utilized in a one-stop data solution, providing big data and AI analysis services. Alibaba Cloud's Elastic Desktop Services is Alibaba Cloud's workplace solution, which has already been embraced by over 5k enterprise customers. DingTalk is another workplace digitalization product, which had 92m active users at the end of Sep 2021, and 47% of A-share-listed companies are using DingTalk. DingTalk's open platform enables customers to create their own functions easily to meet their unique needs. Some 1m low-code apps have been developed since Jan, 2021 by over 0.9m developers. Alibaba Cloud is actively contributing to open-source communities with over 2.7k GitHub open-source projects, over 3k contributors and over 1.1m GitHub Stars.

**ESG strategy and goals**

Alibaba's environmental and social strategies are built on its sustainable governance structure, which is expected to be more transparent. Alibaba's environment strategy is to neutralize or reduce carbon emissions in four scopes: 1) direct emissions from owned or controlled sources; 2) indirect emissions from purchased electricity and heating; 3) other indirect emissions that occur in its corporate value chain; and 4) emissions from participants in the digital ecosystem. Alibaba plans to achieve carbon neutrality in scope 1 and 2 by 2030; to halve carbon intensity and achieve Alibaba Cloud carbon neutrality in scope 3 by 2030; and facilitate 1.5 gigaton of ecosystem decarbonization in scope 3+ by 2035. Its social strategy includes increasing the stakeholder impact from its employees, indirect workforce, customers, suppliers and business partners on the general public through technology innovation, economic development, job creation and training, and care for vulnerable groups. Alibaba set 10 social responsibility initiatives aligned with the UN Sustainable Development Goals to ensure the execution of its social strategy: 1) increasing investment in technology to support the digitalization of underdeveloped areas; 2) supporting the growth of micro, small and medium-sized enterprises; 3) supporting the industrialization of the agricultural sector; 4) supporting small and medium-sized enterprises to expand in new overseas markets; 5) supporting high-quality employment and job training; 6) improving the welfare of gig economy workers; 7) promoting digital equality between urban and rural areas; 8) narrowing the digital divide and strengthening services for vulnerable populations; 9) enhancing healthcare capability in less developed areas; and 10) establishing of an Rmb20bn development fund.

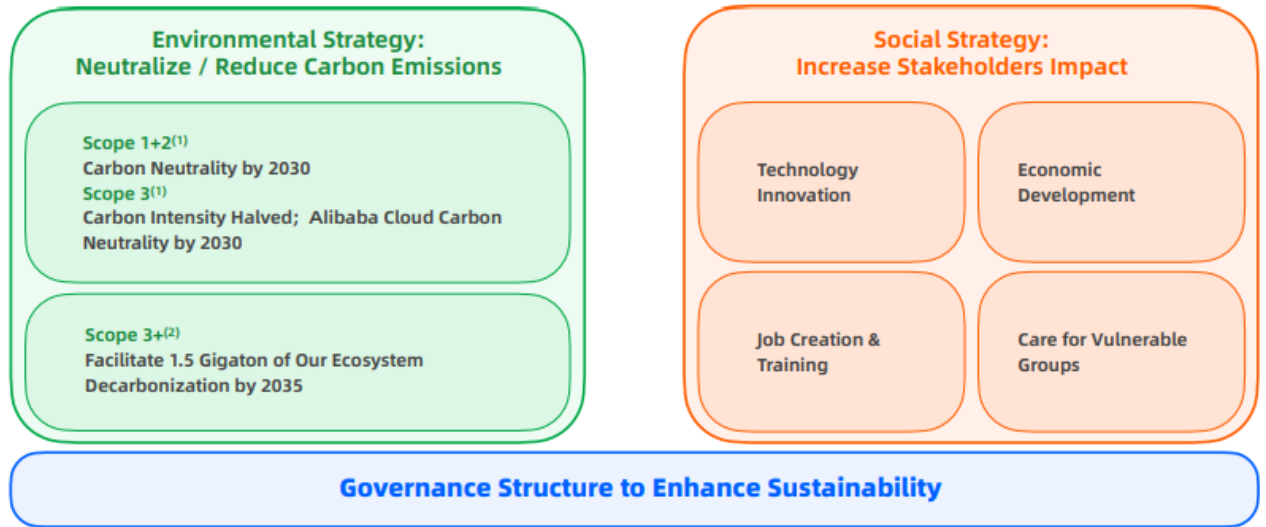
**Figure 10: Alibaba's ESG strategy and goals**



Notes:  
1. Scope 1, 2 and 3 are defined by global Greenhouse Gas ("GHG") Protocols. Scope 1 includes direct emissions from owned or controlled sources. Scope 2 includes indirect emissions from purchased electricity, steam, heating, and cooling. Scope 3 includes upstream and downstream emissions of the organization's activities, such as emissions from purchased products and services, emissions from the use of the products the organization sells, employee commuting, business travel and others.  
2. Scope 3+ is a new concept we plan to introduce as a digital ecosystem, covering all the emissions from the ecosystem participants' activities on the platform.

SOURCES: CGIS RESEARCH, COMPANY DATA

Figure 11: Alibaba's ESG strategy and goals (continued)



Notes:  
1. Scope 1, 2 and 3 are defined by global Greenhouse Gas ("GHG") Protocols. Scope 1 includes direct emissions from owned or controlled sources. Scope 2 includes indirect emissions from purchased electricity, steam, heating, and cooling. Scope 3 includes upstream and downstream emissions of the organization's activities, such as emissions from purchased products and services, emissions from the use of the products the organization sells, employee commuting, business travel and others.  
2. Scope 3+ is a new concept we plan to introduce as a digital ecosystem, covering all the emissions from the ecosystem participants' activities on the platform.

SOURCES: CGIS RESEARCH, COMPANY DATA

Figure 12: Alibaba's new segmentation

	China Commerce	International Commerce	Local Consumer Services	Cainiao	Cloud	Digital Media and Entertainment	Innovation Initiatives and Others	Unallocated	Total
Fiscal 1H22 Unit: Mn									
Revenue	RMB 280,149 +33% YoY	RMB 30,294 +41% YoY	RMB 20,905 +18% YoY	RMB 21,447 +35% YoY	RMB 36,058 +31% YoY	RMB 16,154 +7% YoY	RMB 1,423 +31% YoY		RMB 406,430 +32% YoY
Adj. EBITA	RMB 92,176	RMB -3,511	RMB -11,305	RMB -461	RMB 736	RMB -1,350	RMB -3,068	RMB -3,453	RMB 69,764
Fiscal 2021 Unit: Mn									
Revenue	RMB 501,683 +43% YoY	RMB 48,851 +44% YoY	RMB 35,442 +19% YoY	RMB 37,258 +68% YoY	RMB 60,558 +50% YoY	RMB 31,186 +7% YoY	RMB 2,311 -9% YoY		RMB 717,289 +41% YoY
Adj. EBITA	RMB 213,562	RMB -4,932	RMB -16,276	RMB -813	RMB -2,251	RMB -6,118	RMB -5,201	RMB -7,518	RMB 170,453

SOURCES: CGIS RESEARCH, COMPANY DATA



Figure 13: Alibaba's future business potential

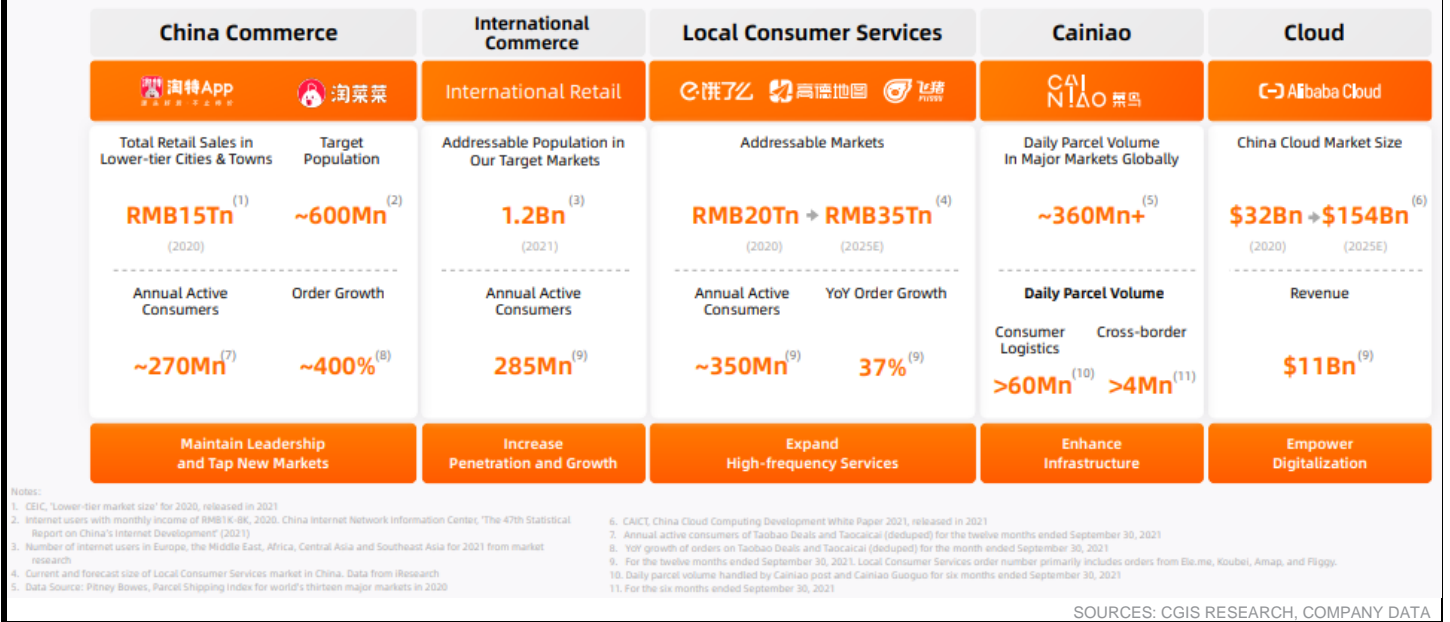
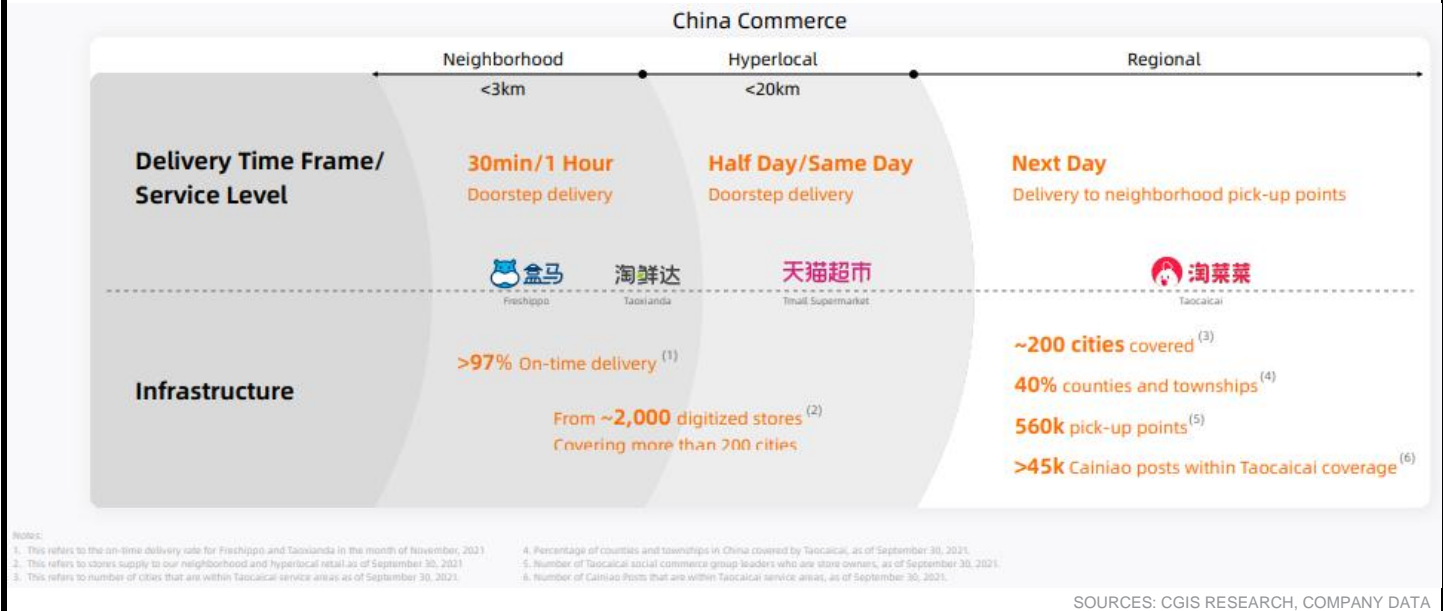
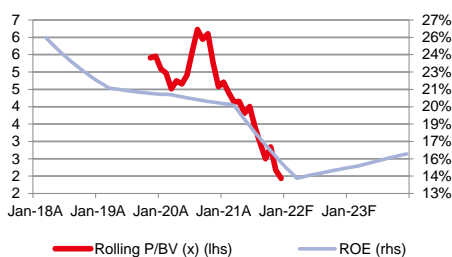
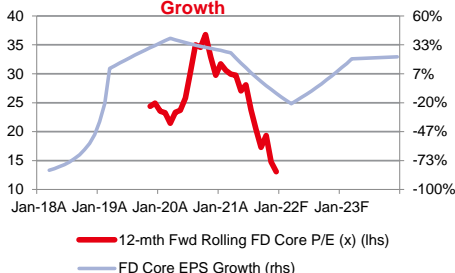


Figure 14: Maintaining leadership, tapping new markets and strengthening logistics capabilities



## BY THE NUMBERS

**P/BV vs ROE**

**12-mth Fwd FD Core P/E vs FD Core EPS Growth**


### Profit & Loss

(Rmbm)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>509,711</b>	<b>717,289</b>	<b>871,309</b>	<b>1,010,677</b>	<b>1,178,613</b>
<b>Gross Profit</b>	<b>227,344</b>	<b>296,084</b>	<b>326,741</b>	<b>384,057</b>	<b>453,766</b>
<b>Operating EBITDA</b>	<b>133,857</b>	<b>130,592</b>	<b>137,752</b>	<b>169,521</b>	<b>213,805</b>
Depreciation And Amortisation	(42,427)	(40,914)	(45,870)	(56,976)	(68,082)
<b>Operating EBIT</b>	<b>91,430</b>	<b>89,678</b>	<b>91,882</b>	<b>112,545</b>	<b>145,724</b>
Financial Income/(Expense)	67,776	68,318	26,372	29,349	38,708
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	1,706	14,566	11,174	11,174	11,174
<b>Profit Before Tax (pre-EI)</b>	<b>160,912</b>	<b>172,562</b>	<b>129,429</b>	<b>153,069</b>	<b>195,606</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>160,912</b>	<b>172,562</b>	<b>129,429</b>	<b>153,069</b>	<b>195,606</b>
Taxation	(20,562)	(29,278)	(21,522)	(25,825)	(33,566)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>140,350</b>	<b>143,284</b>	<b>107,906</b>	<b>127,244</b>	<b>162,039</b>
Minority Interests	9,083	7,294	8,023	8,826	10,591
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	(16,954)	21,407	26,977	36,174	39,409
<b>Net Profit</b>	<b>132,479</b>	<b>171,985</b>	<b>142,906</b>	<b>172,244</b>	<b>212,039</b>
Recurring Net Profit	132,479	171,985	142,906	172,244	212,039
<b>Fully Diluted Recurring Net Profit</b>	<b>132,479</b>	<b>171,985</b>	<b>142,906</b>	<b>172,244</b>	<b>212,039</b>

### Cash Flow

(Rmbm)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>133,857</b>	<b>130,592</b>	<b>137,752</b>	<b>169,521</b>	<b>213,805</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	21,418	47,588	17,885	53,973	26,431
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(23,588)	0	0	0	0
Other Operating Cashflow	1,706	14,566	11,174	11,174	11,174
Net Interest (Paid)/Received	67,776	68,318	26,372	29,349	38,708
Tax Paid	(20,562)	(29,278)	(21,522)	(25,825)	(33,566)
<b>Cashflow From Operations</b>	<b>180,607</b>	<b>231,786</b>	<b>171,661</b>	<b>238,193</b>	<b>256,552</b>
Capex	(45,386)	(94,825)	(95,000)	(95,000)	(95,000)
Disposals Of FAs/subsidiaries	31,417	0	0	0	0
Acq. Of Subsidiaries/investments	(54,432)	(10,557)	(20,019)	(22,021)	(24,223)
Other Investing Cashflow	(39,671)	(138,812)	0	0	0
<b>Cash Flow From Investing</b>	<b>(108,072)</b>	<b>(244,194)</b>	<b>(115,019)</b>	<b>(117,021)</b>	<b>(119,223)</b>
Debt Raised/(repaid)	15,788	23,723	1,000	1,000	1,000
Proceeds From Issue Of Shares	91,506	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid					
Preferred Dividends	0	0	0	0	0
Other Financing Cashflow	(36,441)	6,359	0	0	0
<b>Cash Flow From Financing</b>	<b>70,853</b>	<b>30,082</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
Total Cash Generated	143,388	17,674	57,642	122,172	138,329
<b>Free Cashflow To Equity</b>	<b>88,323</b>	<b>11,315</b>	<b>57,642</b>	<b>122,172</b>	<b>138,329</b>
<b>Free Cashflow To Firm</b>	<b>77,715</b>	<b>(7,932)</b>	<b>61,521</b>	<b>126,083</b>	<b>142,274</b>

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

**BY THE NUMBERS... cont'd**
**Balance Sheet**

(Rmbm)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Total Cash And Equivalents	378,694	518,652	576,294	698,466	836,795
Total Debtors	0	0	0	0	0
Inventories					
Total Other Current Assets	84,229	124,708	129,093	165,304	178,011
<b>Total Current Assets</b>	<b>462,923</b>	<b>643,360</b>	<b>705,387</b>	<b>863,770</b>	<b>1,014,806</b>
Fixed Assets	103,387	147,412	184,218	212,042	230,886
Total Investments	350,961	437,410	457,429	479,450	503,673
Intangible Assets	337,729	363,604	375,929	386,128	394,203
Total Other Non-Current Assets	57,985	98,432	98,432	98,432	98,432
<b>Total Non-current Assets</b>	<b>850,062</b>	<b>1,046,858</b>	<b>1,116,007</b>	<b>1,176,052</b>	<b>1,227,193</b>
Short-term Debt	5,154	13,437	13,527	13,617	13,707
Current Portion of Long-Term Debt					
Total Creditors	236,718	363,921	386,191	476,374	515,512
Other Current Liabilities	0	0	0	0	0
<b>Total Current Liabilities</b>	<b>241,872</b>	<b>377,358</b>	<b>399,718</b>	<b>489,992</b>	<b>529,220</b>
Total Long-term Debt	120,276	135,716	136,626	137,536	138,446
Hybrid Debt - Debt Component	0	0	0	0	0
Total Other Non-Current Liabilities	27,288	33,912	33,912	33,912	33,912
<b>Total Non-current Liabilities</b>	<b>147,564</b>	<b>169,628</b>	<b>170,538</b>	<b>171,448</b>	<b>172,358</b>
Total Provisions	43,898	59,598	59,598	59,598	59,598
<b>Total Liabilities</b>	<b>433,334</b>	<b>606,584</b>	<b>629,854</b>	<b>721,037</b>	<b>761,175</b>
Shareholders' Equity	764,504	946,143	1,062,073	1,198,143	1,370,773
Minority Interests	115,147	137,491	129,468	120,642	110,051
<b>Total Equity</b>	<b>879,651</b>	<b>1,083,634</b>	<b>1,191,540</b>	<b>1,318,785</b>	<b>1,480,824</b>

**Key Ratios**

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue Growth	35.3%	40.7%	21.5%	16.0%	16.6%
Operating EBITDA Growth	42.2%	(2.4%)	5.5%	23.1%	26.1%
Operating EBITDA Margin	26.3%	18.2%	15.8%	16.8%	18.1%
Net Cash Per Share (Rmb)	12.05	17.09	18.77	24.11	30.16
BVPS (Rmb)	36.38	43.76	46.79	52.78	60.39
Gross Interest Cover	17.65	20.04	18.83	22.91	29.47
Effective Tax Rate	12.8%	17.0%	16.6%	16.9%	17.2%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	-	-	-	-	-
Inventory Days	-	-	-	-	-
Accounts Payables Days	60.62	56.10	45.02	45.00	44.86
ROIC (%)	28.0%	25.9%	24.8%	28.0%	37.8%
ROCE (%)	17.4%	14.5%	10.0%	10.8%	12.4%
Return On Average Assets	4.88%	6.42%	6.18%	6.94%	7.60%

**Key Drivers**

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
AAU change (%)	11.0%	11.7%	9.5%	6.0%	6.0%
China commerce retail monetization rate (%)	5.1%	6.3%	6.4%	6.5%	6.6%

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Distribution of stock ratings and investment banking clients for quarter ended on 30 Sep 2021		
623 companies under coverage for quarter ended on 30 Sep 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	72.4%	1.1%
Hold	20.1%	0.0%
Reduce	7.5%	0.0%

Spitzer Chart for stock being researched ( 2 year data )

Alibaba Group (9988 HK)

— Price Close



## RECOMMENDATION FRAMEWORK

### Stock Ratings Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

*The total expected return of a stock is defined as the sum of the:(i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

### Country Ratings Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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