

Buy: BABA

Price: \$108

Target: \$195

Upside: 79%

Alibaba Group | NYSE: BABA

**Binghamton Investment Fund**

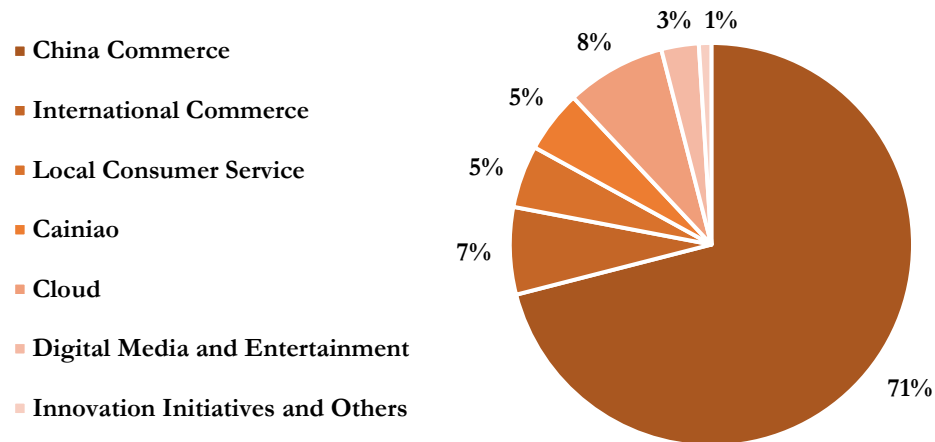
Senior Analyst: Justin Narlinger



# Company Overview

- Alibaba Group is a Chinese multinational technology company based in Hangzhou, China that provides technology infrastructure and marketing reach to help merchants, brands, retailers and other businesses connect with consumers on their digital marketplace
- The company has emerged as the leader in Chinese e-commerce, offering their products and services worldwide and conducting business through its Chinese subsidiaries and VIE's (Variable Interest Entities)
- Their success is attributed to a wide range of products and services consisting of their e-commerce platform, travel delivery and navigation services, supply chain management services, digital media and entertainment and Alibaba Cloud computing
- In recent news, Alibaba announced that they will buy back \$25 billion of stock through 2024 and has invested \$60 million in the AR development company Nreal

## Revenue Breakdown



## Key Statistics

Current Share Price	\$108.80
52 Week Range	\$73.28 – 245.69
Market Cap	\$315.8 B
TTM Revenue	\$130 B
TTM EPS	\$7.09
Analyst Buy Rating	87%

# Industry Analysis

## Overview

- Alibaba functions within the **e-commerce** and **cloud-based services industry**
- China is the largest e-commerce market in the world
- **50%** of online transactions are from **China**
- The market is expected to grow by a **CAGR of 7%** from 2021 to 2022
- Rising trend of **omnichannel** within the industry

## Key Trends

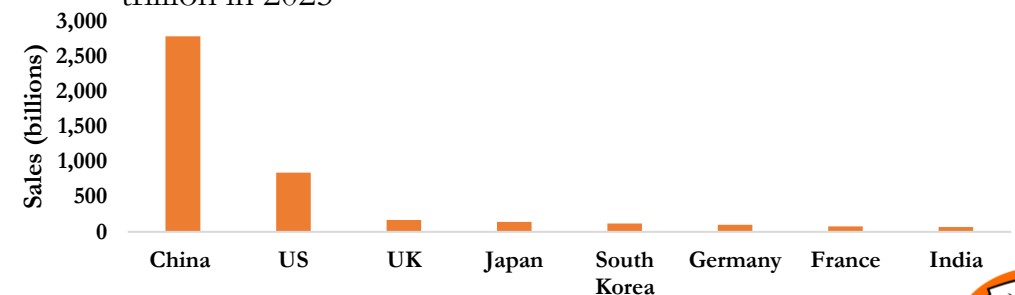
- 1 The rise of artificial intelligence in e-commerce
- 2 Cloud expansion/opportunities now available and widely desired
- 3 Increased use of ecommerce platforms on a global scale

## Top Chinese E-Commerce Players



## Growth of E-Commerce in China

- China leads the world in e-Commerce
  - 50% of online transactions are from China
  - \$1.543 billion in revenue for 2021, it is expected to reach \$2 trillion in 2025



# Easing Political Concerns

## SEC Delisting Concerns

- Under the 2020 Holding Foreign Companies Accountable Act, the SEC has warned Chinese companies about the threat of delisting stocks from US markets due to differences in financial reports. China does not allow off-shore audits
- **Alibaba was not included in the five companies** on the most recent report (3/31)
- The China Securities Regulatory Commission is working to comply with overseas accounting principals while conducting their own audits before sending to the US for review

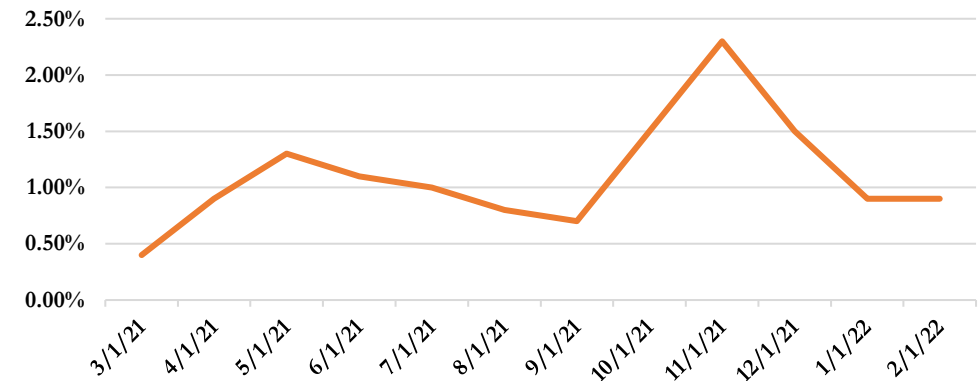
## China Communist Party

- President Xi Jinping is expected to secure third term and Premier Li Keqiang is expected to step down at the end of the year
- Chinese Government is focused on a **smooth financial transition** into the next term and has instructed state authorities to **minimize economic disruptions due to COVID outbreaks**
- China State Council has said that the government will **“actively introduce policies that benefit markets”** and sustain credit stability

## People’s Bank of China

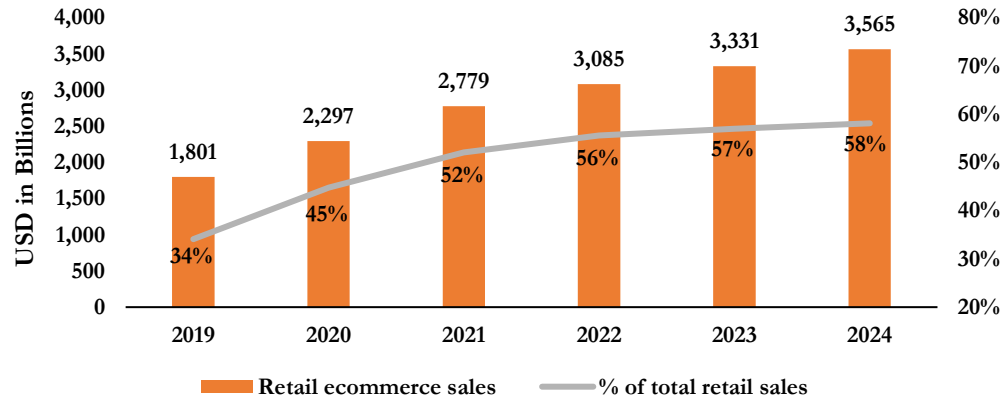
- The Chinese Central Bank will be easing their monetary policy
- **0.9% annual inflation** rate in February
- Economy has slowed down due to COVID outbreaks
- Interest rates are likely to **decrease** in order to promote economic growth
- Central Bank cash balance grew **\$184 billion** from January - February, the biggest increase in over 20 years

## Annual Inflation Rates

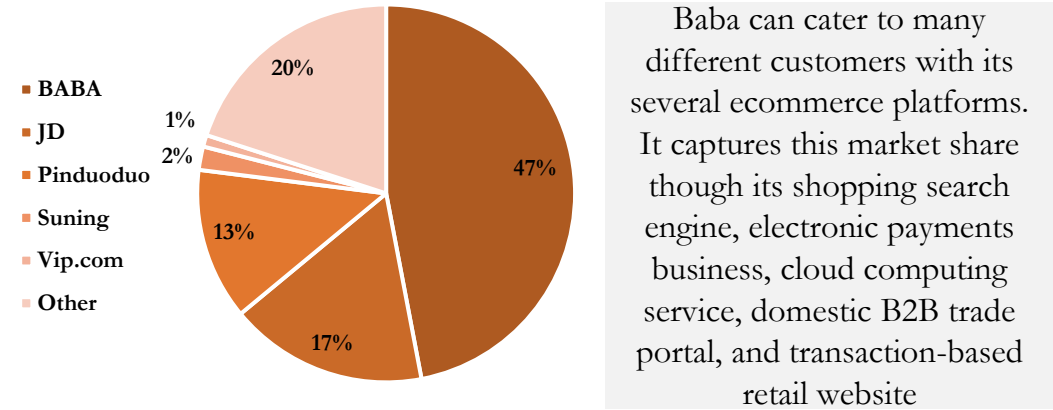


# Positioned to Gain from Ecommerce Growth

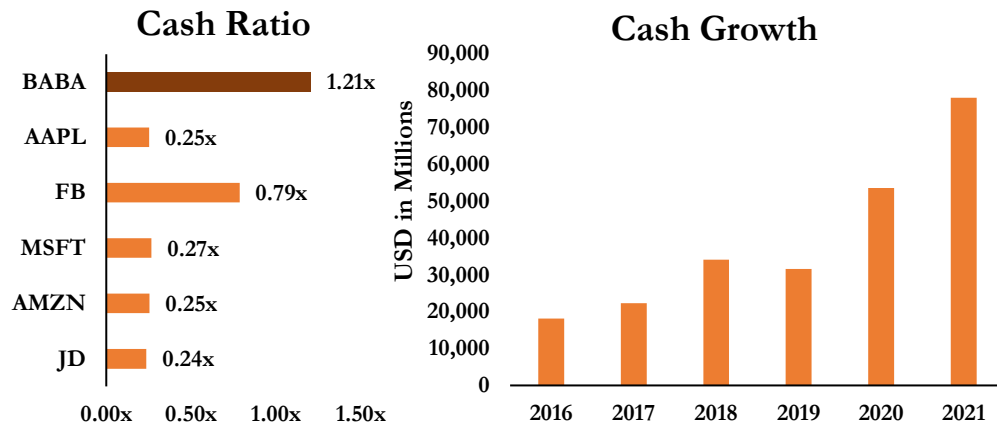
## Ecommerce Growth in China



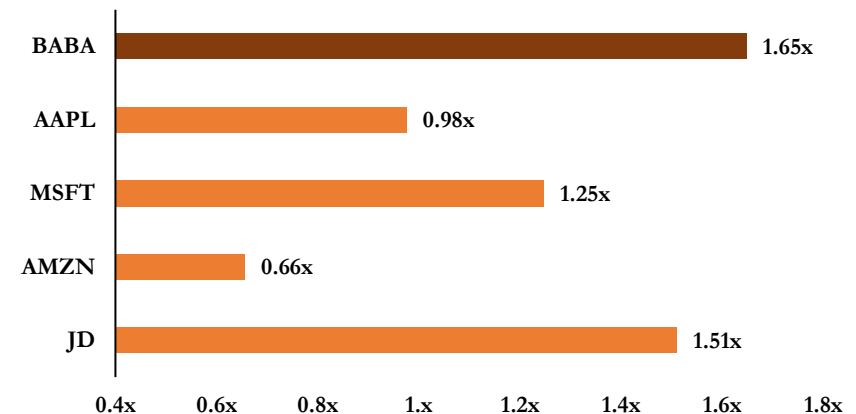
## Market Dominance with Different Platforms



## Strong Cash Levels



## Cash Flow vs Debt



# Dominance and Expansion in Asian Cloud Computing

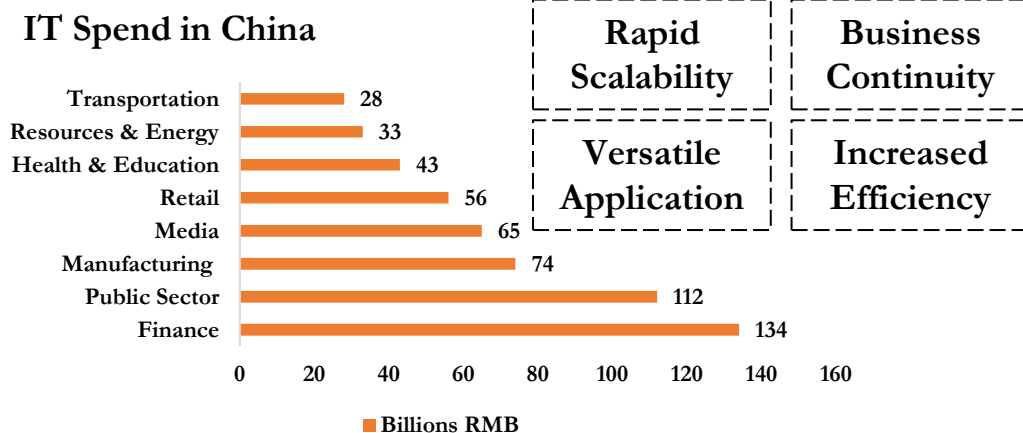
## Strong Foothold in Mainland China

- BABA is the **market leader** in the **high growth** cloud infrastructure market (38% share) (37% CAGR –'25)
- Internet penetration** increased from 55% to 64% from 2020 to 2021, tailwinds of pandemic and rapid digitalization
- Market Size: **\$20B** in 2020 with highest growth rate in the world, global cloud market share of China to grow from **6.5% in 2020 to 10.5% by 2024**
- China is heavily **influenced by local players** and BABA has **strongest infrastructure moat**

## Geographic Expansion and Innovation

- In 2020, management pledged to invest **\$28B USD** into cloud computing capabilities and infrastructure over 3 years
- In 2022, **first data centers** in SK and Thailand will be opened, with future focus on Philippines, Indonesia, Singapore
- Rollout of new features for DingTalk (Think G-Suite)
- Newly released customized server chip called **Yitian 710**: Will be sold as a **client service** focused on **artificial intelligence applications**

## Value Proposition & Sector Demand



## Competitive Environment

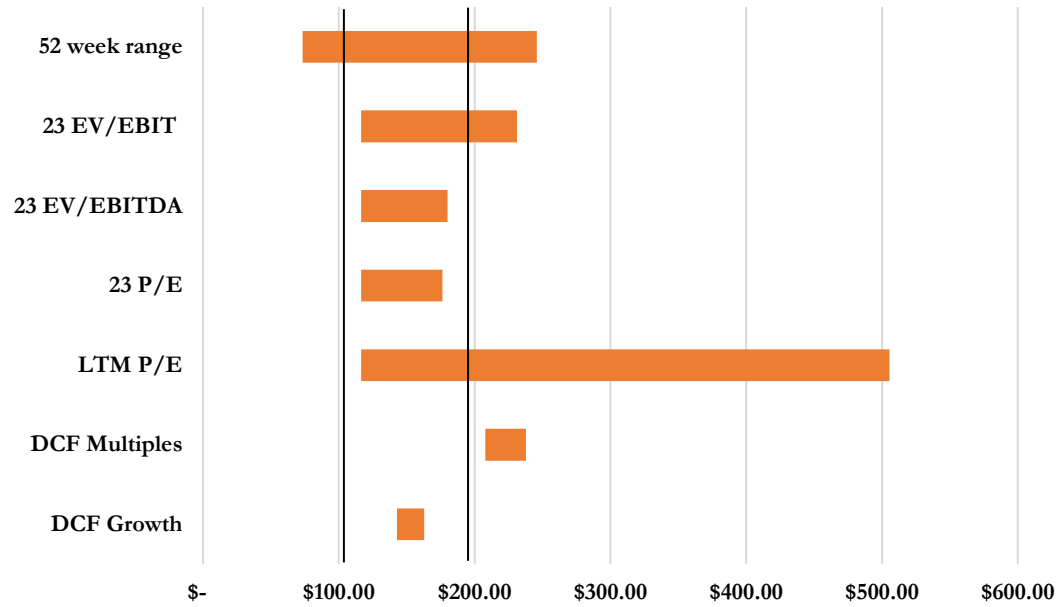
Rank	Total Region	China	Japan	Rest of East Asia	South & South East Asia	Oceania
Leader	Amazon	Alibaba	Amazon	Amazon	Amazon	Amazon
#2	Alibaba	Tencent	Microsoft	Microsoft	Microsoft	Microsoft
#3	Microsoft	Baidu	Fujitsu	Google	Google	Google
#4	Tencent	China Telecom	NTT	Alibaba	Alibaba	Telstra
#5	Google	Huawei	Google	Naver	IBM	IBM
#6	Baidu	China Unicom	Softbank	KT	NTT	Alibaba

82% Average Internet Penetration of Target Expansion Regions

60% SEA Market Revenue Growth Y/Y

# Valuation

## Football Field



Price Target:  
\$195

Upside:  
79%

WACC	10.63%
Terminal Growth Rate	2.5%
Terminal EV/EBITDA	14.5x

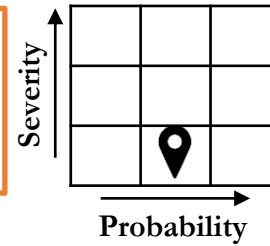
## Sensitivity Analysis

		WACC				
		9.63%	10.13%	10.63%	11.13%	11.63%
Terminal Growth	3.00%	177.84	167.26	158.11	150.13	143.13
	2.75%	173.52	163.59	154.96	147.41	140.75
	2.50%	169.50	160.15	<b>152.01</b>	144.85	138.51
	2.25%	165.75	156.94	149.23	142.43	136.39
	2.00%	162.25	153.92	146.61	140.14	134.38

		WACC				
		9.63%	10.13%	10.63%	11.13%	11.63%
EV/EBITDA	16.5x	255.23	250.38	245.66	241.09	236.64
	15.5x	243.33	238.77	234.34	230.04	225.86
	14.5x	231.42	227.16	<b>223.02</b>	218.99	215.09
	13.5x	219.52	215.55	211.69	207.95	204.31
	12.5x	207.62	203.94	200.37	196.90	193.53

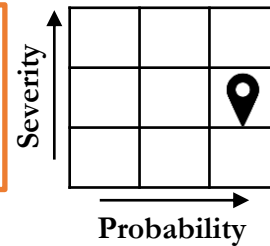
# Risks and Mitigants

Spikes in Covid-19 cases in China could result in further fee cuts on food delivery services and disrupt other business lines



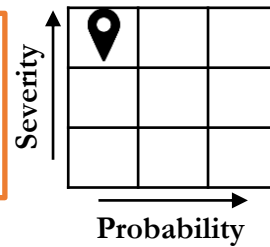
BABA has enough financial strength to weather losses in this segment, while ecommerce typically thrives if isolations are enacted

Intense competition from Microsoft and Amazon could hinder international cloud expansion efforts



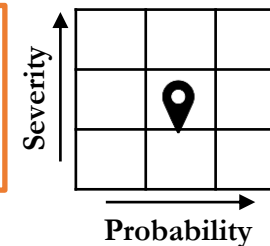
BABA should be able to outperform in this region with a better understanding of the regional culture and needs, can still rely on China dominance

The Chinese government could continue to crackdown on Chinese tech stocks and monopolies



The CCP has announced a shift in policy towards promoting economic growth and stability in the equities market

The SEC may delist ADRs from US stock exchanges under the HFCAA



Since BABA is dual-listed, ADRs can be converted to HK shares or shares can be traded on OTC markets



Buy: BABA

Price: \$108

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Questions?

# Appendix A: Balance Sheet

<b>Alibaba Group Holding LTD</b>		
<b>Balance Sheet</b>		
<i>In millions of USD</i>	Mar. 31, 2020	Mar. 31, 2021
<b>Current assets:</b>		
Cash and cash equivalents	\$ 46,676	\$ 49,034
Short-term investments	4,022	23,257
Restricted cash and escrow receivables	2,186	5,374
Investment securities	598	1,497
Prepayments, receivables and other assets	11,895	19,034
<b>Total current assets</b>	<b>65,377</b>	<b>98,196</b>
Equity securities and other investments	22,784	36,207
Prepayments, receivables and other assets	8,189	15,024
Investments in equity method investees	26,782	30,555
Property and equipment, net	14,601	22,499
Intangible assets, net	8,607	10,811
Goodwill	39,089	44,686
<b>Total assets</b>	<b>185,429</b>	<b>257,978</b>
<b>Current liabilities:</b>		
Current bank borrowings	728	550
Current unsecured senior notes		1,500
Income tax payable	2,851	3,858
Escrow money payable	426	32
Accrued expenses, accounts payable and other liabilities	22,813	39,820
Merchant deposits	1,926	2,292
Deferred revenue and customer advances	5,415	9,538
<b>Total current liabilities</b>	<b>34,159</b>	<b>57,596</b>
Deferred revenue	286	482
Deferred tax liabilities	6,200	9,097
Non-current bank borrowings	5,601	5,851
Non-current unsecured senior notes	11,385	14,863
Other liabilities	3,567	4,694
<b>Total liabilities</b>	<b>61,198</b>	<b>92,583</b>
Commitments and contingencies		
Mezzanine equity	1,286	1,324
<b>Shareholders' equity:</b>		
Ordinary shares, US\$0.000003125 par value; 32,000,000,000 shares authorized as of March 31, 2020 and 2021; 21,491,994,944 and 21,699,031,448 shares issued and outstanding as of March 31, 2020 and 2021, respectively		
Additional paid-in capital	48,541	60,183
Subscription receivables	(7)	(7)
Statutory reserves	861	1,121
<b>Accumulated other comprehensive loss</b>		
Cumulative translation adjustments	(55)	(2,889)
Unrealized losses on interest rate swaps and others	(36)	(20)
Retained earnings	57,379	84,698
<b>Total shareholders' equity</b>	<b>106,683</b>	<b>143,086</b>
Noncontrolling interests	16,262	20,985
<b>Total equity</b>	<b>122,945</b>	<b>164,071</b>
<b>Total liabilities, mezzanine equity and equity</b>	<b>\$ 185,429</b>	<b>\$ 257,978</b>



# Appendix B: Income Statement

<b>Alibaba Group Holding LTD</b>			
<b>Income Statement</b>			
<i>In millions of USD</i>	FY ending March 31, 2019	FY ending March 31, 2020	FY ending March 31, 2021
Revenue	\$ 56,152	\$ 71,985	\$ 109,480
Cost of revenue	(30,833)	(39,878)	(64,289)
Product development expenses	(5,578)	(6,085)	(8,736)
Sales and marketing expenses	(5,928)	(7,156)	(12,442)
General and administrative expenses	(3,708)	(3,982)	(8,429)
Amortization and impairment of intangible assets	(1,599)	(1,891)	(1,896)
Impairment of goodwill		(81)	0
<b>Income from operations</b>	<b>8,506</b>	<b>12,912</b>	<b>13,688</b>
Interest and investment income, net	6,572	10,303	11,110
Interest expense	(773)	(731)	(683)
Other income, net	32	1,051	1,157
<b>Income before income tax and share of results of equity method investees</b>	<b>14,337</b>	<b>23,535</b>	<b>25,272</b>
Income tax expenses	(2,466)	(2,904)	(4,469)
Share of results of equity method investees	84	(810)	1,066
<b>Net income</b>	<b>11,955</b>	<b>19,821</b>	<b>21,869</b>
Net loss attributable to noncontrolling interests	1,140	1,283	1,114
<b>Net income attributable to Alibaba Group Holding Limited</b>	<b>13,095</b>	<b>21,104</b>	<b>22,983</b>
Accretion of mezzanine equity	(42)	(24)	(42)
<b>Net income attributable to ordinary shareholders</b>	<b>\$ 13,053</b>	<b>\$ 21,080</b>	<b>\$ 22,941</b>
<b>Earnings per share attributable to ordinary shareholders (Note)</b>			
Basic   (per share)	\$ 5.06	\$ 1	\$ 1.06
Diluted   (per share)	\$ 4.97	0.99	1.04
<b>Earnings per ADS attributable to ordinary shareholders (one ADS equals eight ordinary shares)</b>			
Basic   (per share)		8.02	8.49
Diluted   (per share)		\$ 7.90	\$ 8.35
<b>Weighted average number of shares used in computing earnings per share (million shares) (Note)</b>			
Basic	2,580	21,017	21,619
Diluted	2,623	21,346	21,982

# Appendix C: Statement of Cash Flows

Alibaba Group Holding LTD	Mar. 31, 2019	Mar. 31, 2020	Mar. 31, 2021
Statement of Cash Flows			
In Millions of USD			
<i>Cash flows from operating activities:</i>			
Net income	\$ 11,955	\$ 19,821	\$ 21,869
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>			
Revaluation gain on previously held equity interest	(4,498)	(217)	(1,337)
Gain on disposals of equity method investees	(6)		(98)
(Gain) Loss related to equity securities and other investments	(2,396)	627	(8,842)
Change in fair value of other assets and liabilities	(212)	235	38
Gain in relation to the receipt of the 33% equity interest in Ant Group (Note 4(n))		(10,106)	
Loss (Gain) on disposals of subsidiaries		(1,418)	(58)
Depreciation of property and equipment, and operating lease cost relating to land use rights	2,229	2,899	4,028
Amortization of intangible assets and licensed copyrights	3,295	3,093	3,284
Share-based compensation expense	5,586	4,483	7,650
Impairment of equity securities and other investments, and other assets	1,619	1,872	1,142
Impairment of goodwill, intangible assets and licensed copyrights	424	579	258
Loss (Gain) on disposals of property and equipment	8	(3)	11
Amortization of restructuring reserve	39	14	
Share of results of equity method investees	(84)	810	(1,066)
Deferred income taxes	(327)	(486)	494
Allowance for doubtful accounts	57	281	295
<i>Changes in assets and liabilities, net of effects of acquisitions and disposals:</i>			
Prepayments, receivables and other assets, and long-term licensed copyrights (Note 2(s))	(1,517)	(6,128)	(6,656)
Income tax payable	456	358	615
Escrow money payable	774	(737)	(428)
Accrued expenses, accounts payable and other liabilities	3,629	8,006	11,807
Merchant deposits	177	406	210
Deferred revenue and customer advances	1,288	1,118	2,162
Net cash provided by operating activities	22,496	25,507	35,378
<i>Cash flows from investing activities:</i>			
Decrease (Increase) in short-term investments, net	1,196	(3,518)	(17,526)
Payments for settlement of forward exchange contracts	(3)	(27)	(122)
Acquisitions of equity securities and other investments and other assets	(10,799)	(4,229)	(8,778)
Disposals of equity securities and other investments	1,499	2,655	1,111
Acquisitions of equity method investees	(1,767)	(3,458)	(2,848)
Disposals of equity method investees	42	11	387
Disposals of intellectual property rights and assets (Note 4(n))		1,786	56
<i>Acquisitions of:</i>			
Land use rights, property and equipment	(468)	(1,114)	(6,326)
Other property and equipment	(4,818)	(3,483)	
Licensed copyrights (Note 2(s)) and other intangible assets	(2,110)	(1,813)	(265)
Cash paid for business combinations, net of cash acquired	(5,280)	(2,053)	(2,921)
Deconsolidation and disposal of subsidiaries, net of cash proceeds	(2)	(15)	(19)
Loans to employees, net of repayments	1	(5)	(20)
Net cash used in investing activities	(22,509)	(15,263)	(37,271)
<i>Cash flows from financing activities:</i>			
Issuance of ordinary shares	53	12,923	27
Repurchase of ordinary shares	(1,620)		(118)
Acquisition of additional equity interests in non-wholly owned subsidiaries	(167)	(2,175)	(1,712)
Dividends paid by non-wholly owned subsidiaries to noncontrolling interests	(34)	(39)	(72)
Capital injection from noncontrolling interests	1,297	1,560	1,682
Proceeds from bank borrowings, net of upfront fee payment for a syndicated loan	1,806	2,230	977
Repayment of bank borrowings	(2,436)	(2,252)	(1,078)
Proceeds from unsecured senior notes, net of debt issuance cost			4,885
Repayment of unsecured senior notes		(2,231)	
Upfront fee payment for a revolving credit facility and syndicated loan		(10)	
Net cash (used in) provided by financing activities	(1,101)	10,006	4,591
Effect of exchange rate changes on cash and cash equivalents, restricted cash and escrow receivables	484	579	(1,097)
(Decrease) Increase in cash and cash equivalents, restricted cash and escrow receivables	(630)	20,829	1,601
Cash and cash equivalents, restricted cash and escrow receivables at beginning of year	30,207	28,033	52,807
Cash and cash equivalents, restricted cash and escrow receivables at end of year	29,577	48,862	54,408
Supplemental disclosures of cash flow information:			
Payment of income tax			
Payment of interest			
Business combinations:			
Cash paid for business combinations			
Cash acquired in business combinations			
Cash paid for business combinations, net of cash acquired	\$ (5,280)	\$ (2,053)	\$ (2,921)

# Appendix D: Revenue Build

Alibaba Group Holding LTD												
Revenue Build												
In Millions of USD												
Revenue   By Segment	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	
<b>Core Commerce:</b>												
China Commerce Retail	\$ 16,578	\$ 28,148	\$ 36,896	\$ 46,993	\$ 72,298	\$ 90,373	\$ 103,928	\$ 116,400	\$ 128,040	\$ 138,283	\$ 142,431	
% of revenue	72%	71%	66%	65%	66%	65%	61%	58%	54%	53%	53%	
% change		70%	31%	27%	54%	25%	15%	12%	10%	8%	3%	
China Commerce Wholesale	\$ 825	\$ 1,142	\$ 1,488	\$ 1,755	\$ 2,186	\$ 2,623	\$ 3,017	\$ 3,379	\$ 3,717	\$ 3,902	\$ 4,019	
% of revenue	4%	3%	3%	2%	2%	2%	2%	2%	2%	1%	1%	
% change		38%	30%	18%	25%	20%	15%	12%	10%	5%	3%	
International Commerce Retail	\$ 1,066	\$ 2,266	\$ 2,914	\$ 3,435	\$ 5,259	\$ 6,574	\$ 7,889	\$ 9,072	\$ 9,979	\$ 10,478	\$ 10,792	
% of revenue	5%	6%	5%	5%	5%	5%	5%	4%	4%	4%	4%	
% change		113%	29%	18%	53%	25%	20%	15%	10%	5%	3%	
International Commerce Wholesale	\$ 872	\$ 1,056	\$ 1,217	\$ 1,355	\$ 2,197	\$ 2,527	\$ 2,842	\$ 3,127	\$ 3,377	\$ 3,546	\$ 3,652	
% of revenue	4%	3%	2%	2%	2%	2%	2%	2%	1%	1%	1%	
% change		21%	15%	11%	62%	15%	13%	10%	8%	5%	3%	
Cainiao Logistics Services	\$ -	\$ 1,078	\$ 2,218	\$ 3,140	\$ 5,687	\$ 7,393	\$ 9,241	\$ 11,090	\$ 12,753	\$ 14,028	\$ 14,449	
% of revenue	0%	3%	4%	4%	5%	5%	5%	5%	5%	5%	5%	
% change			106%	42%	81%	30%	25%	20%	15%	10%	3%	
Local Consumer Services	\$ -	\$ -	\$ 2,691	\$ 3,593	\$ 4,813	\$ 6,257	\$ 8,009	\$ 10,011	\$ 12,013	\$ 13,215	\$ 13,611	
% of revenue	0%	0%	5%	5%	4%	4%	5%	5%	5%	5%	5%	
% change				34%	34%	30%	28%	25%	20%	10%	3%	
Other	\$ 109	\$ 430	\$ 764	\$ 1,319	\$ 2,365	\$ 3,784	\$ 6,622	\$ 11,257	\$ 15,197	\$ 18,237	\$ 18,784	
% of revenue	0%	1%	1%	2%	2%	3%	4%	6%	6%	7%	7%	
% change		294%	78%	73%	79%	60%	75%	70%	35%	20%	3%	
<b>Total Core Commerce</b>	<b>\$ 19,450</b>	<b>\$ 34,120</b>	<b>\$ 48,188</b>	<b>\$ 61,590</b>	<b>\$ 94,805</b>	<b>\$ 119,530</b>	<b>\$ 141,548</b>	<b>\$ 164,335</b>	<b>\$ 185,076</b>	<b>\$ 201,689</b>	<b>\$ 207,739</b>	
% of revenue	85%	86%	86%	86%	87%	86%	84%	81%	79%	77%	77%	
% change		75%	41%	28%	54%	20%	18%	16%	13%	9%	3%	
<b>Cloud Computing</b>	<b>\$ 968</b>	<b>\$ 2,135</b>	<b>\$ 3,681</b>	<b>\$ 5,651</b>	<b>\$ 9,176</b>	<b>\$ 14,223</b>	<b>\$ 21,334</b>	<b>\$ 30,935</b>	<b>\$ 43,308</b>	<b>\$ 51,970</b>	<b>\$ 53,529</b>	
% of revenue	4%	5%	7%	8%	8%	10%	13%	15%	18%	20%	20%	
% change		121%	72%	54%	62%	55%	50%	45%	40%	20%	3%	
<b>Digital Media and Entertainment</b>	<b>\$ 2,141</b>	<b>\$ 3,119</b>	<b>\$ 3,588</b>	<b>\$ 3,806</b>	<b>\$ 4,760</b>	<b>\$ 5,236</b>	<b>\$ 5,655</b>	<b>\$ 6,051</b>	<b>\$ 6,414</b>	<b>\$ 6,734</b>	<b>\$ 6,936</b>	
% of revenue	9%	8%	6%	5%	4%	4%	3%	3%	3%	3%	3%	
% change		46%	15%	6%	25%	10%	8%	7%	6%	5%	3%	
<b>Innovation Initiatives and Other</b>	<b>\$ 435</b>	<b>\$ 524</b>	<b>\$ 695</b>	<b>\$ 938</b>	<b>\$ 739</b>	<b>\$ 776</b>	<b>\$ 815</b>	<b>\$ 855</b>	<b>\$ 890</b>	<b>\$ 916</b>	<b>\$ 944</b>	
% of revenue	2%	1%	1%	1%	1%	1%	0%	0%	0%	0%	0%	
% change		20%	33%	35%	-21%	5%	5%	5%	4%	3%	3%	
<b>Total</b>	<b>\$ 22,994</b>	<b>\$ 39,898</b>	<b>\$ 56,152</b>	<b>\$ 71,985</b>	<b>\$ 109,480</b>	<b>\$ 139,765</b>	<b>\$ 169,352</b>	<b>\$ 202,176</b>	<b>\$ 235,688</b>	<b>\$ 261,310</b>	<b>\$ 269,149</b>	
% change		74%	41%	28%	52%	28%	21%	19%	17%	11%	3%	

# Appendix E: Income Statement and Cash Flow Projections

Alibaba Group Holding LTD												
Income Statement												
Millions of USD	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	
Revenue	\$ 22,994	\$ 39,898	\$ 56,152	\$ 71,985	\$ 109,480	\$ 139,765	\$ 169,352	\$ 202,176	\$ 235,688	\$ 261,310	\$ 269,149	
Cost of Revenue	\$ 8,642	\$ 17,065	\$ 30,833	\$ 39,878	\$ 64,289	\$ 83,859	\$ 101,611	\$ 121,305	\$ 141,413	\$ 156,786	\$ 161,489	
<i>COGS Margin</i>	38%	43%	55%	55%	59%	60%	60%	60%	60%	60%	60%	
Product development expenses	\$ 2,479	\$ 3,628	\$ 5,578	\$ 6,085	\$ 8,736	\$ 11,181	\$ 13,548	\$ 14,152	\$ 16,498	\$ 18,292	\$ 18,840	
<i>% of Sales</i>	11%	9%	10%	8%	8%	8%	8%	7%	7%	7%	7%	
Sales and marketing expenses	\$ 2,370	\$ 4,352	\$ 5,928	\$ 7,156	\$ 12,442	\$ 15,374	\$ 18,629	\$ 22,239	\$ 25,926	\$ 28,744	\$ 29,606	
<i>% of Sales</i>	10%	11%	11%	10%	11%	11%	11%	11%	11%	11%	11%	
General and administrative expenses	\$ 1,778	\$ 2,589	\$ 3,708	\$ 3,982	\$ 8,429	\$ 11,181	\$ 11,855	\$ 14,152	\$ 16,498	\$ 15,679	\$ 16,149	
<i>% of Sales</i>	8%	6%	7%	6%	8%	8%	7%	7%	7%	6%	6%	
Amortization and impairment of intangible assets	\$ 744	\$ 1,135	\$ 1,599	\$ 1,891	\$ 1,896	\$ 2,795.30	\$ 3,387.04	\$ 4,043.51	\$ 4,713.75	\$ 5,226.19	\$ 5,382.98	
<i>% of Sales</i>	3%	3%	3%	3%	2%	2%	2%	2%	2%	2%	2%	
Impairment of goodwill	\$ -	\$ 79	\$ -	\$ 81	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<i>% of Sales</i>	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
<b>EBIT</b>	<b>\$ 6,981</b>	<b>\$ 11,050</b>	<b>\$ 8,506</b>	<b>\$ 12,912</b>	<b>\$ 13,688</b>	<b>\$ 15,374</b>	<b>\$ 20,322</b>	<b>\$ 26,283</b>	<b>\$ 30,639</b>	<b>\$ 36,583</b>	<b>\$ 37,681</b>	

Alibaba Group Holding LTD												
Statement of Cash Flows												
In Millions of USD	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	
<b>Cash flows from operating activities:</b>												
Depreciation	768	1,401	2,229	2,899	4,028	\$ 5,366.97	\$ 7,112.78	\$ 9,097.91	\$ 11,313.01	\$ 13,797.15	\$ 15,825.96	
as a % of Capex	30%	29%	42%	63%	64%	64%	70%	75%	80%	88%	98%	
<b>Cash flows from investing activities:</b>												
Capex	\$ 2,549.00	\$ 4,756.00	\$ 5,286.00	\$ 4,597.00	\$ 6,326.00	\$ 8,386	\$ 10,161	\$ 12,131	\$ 14,141	\$ 15,679	\$ 16,149	
as a % of sales	11%	12%	9%	6%	6%	6%	6%	6%	6%	6%	6%	

# Appendix F: Balance Sheet Projections

Alibaba Group Holding LTD											
Balance Sheet											
<i>In millions of USD</i>	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E
<b>Current assets:</b>											
Prepayments, receivables and other assets	\$ 4,222	\$ 6,891	\$ 8,730	\$ 11,895	\$ 19,034	\$ 24,124	\$ 29,231	\$ 34,896	\$ 40,680	\$ 45,103	\$ 46,456
<b>Total current assets</b>	<b>\$ 4,222</b>	<b>\$ 6,891</b>	<b>\$ 8,730</b>	<b>\$ 11,895</b>	<b>\$ 19,034</b>	<b>\$ 24,124</b>	<b>\$ 29,231</b>	<b>\$ 34,896</b>	<b>\$ 40,680</b>	<b>\$ 45,103</b>	<b>\$ 46,456</b>
<b>Current liabilities:</b>											
Income tax payable	\$ 890	\$ 2,181	\$ 2,635	\$ 2,851	\$ 3,858	\$ 5,591	\$ 6,774	\$ 8,087	\$ 9,428	\$ 10,452	\$ 10,766
Escrow money payable	\$ 337	\$ 487	\$ 1,229	\$ 426	\$ 32	\$ 947	\$ 1,118	\$ 1,334	\$ 1,556	\$ 1,725	\$ 1,776
Accrued expenses, accounts payable and other liabilities	\$ 6,855	\$ 12,940	\$ 17,540	\$ 22,813	\$ 39,826	\$ 55,547	\$ 67,063	\$ 80,062	\$ 93,332	\$ 103,479	\$ 106,583
Merchant deposits	\$ 1,190	\$ 1,527	\$ 1,604	\$ 1,926	\$ 2,292	\$ 2,795	\$ 3,387	\$ 4,044	\$ 4,714	\$ 5,226	\$ 5,383
Deferred revenue and customer advances	\$ 2,187	\$ 3,555	\$ 4,589	\$ 5,415	\$ 9,538	\$ 11,181	\$ 13,548	\$ 16,174	\$ 18,855	\$ 20,905	\$ 21,532
<b>Total current liabilities</b>	<b>\$ 11,459</b>	<b>\$ 20,690</b>	<b>\$ 27,597</b>	<b>\$ 33,431</b>	<b>\$ 55,546</b>	<b>\$ 76,061</b>	<b>\$ 91,890</b>	<b>\$ 109,701</b>	<b>\$ 127,884</b>	<b>\$ 141,787</b>	<b>\$ 146,040</b>
<b>NWC</b>	<b>(7,237)</b>	<b>(13,799)</b>	<b>(18,867)</b>	<b>(21,536)</b>	<b>(36,512)</b>	<b>(51,937)</b>	<b>(62,660)</b>	<b>(74,804)</b>	<b>(87,204)</b>	<b>(96,684)</b>	<b>(99,584)</b>
<i>change in NWC</i>		(6,562)	(5,068)	(2,669)	(14,976)	(15,425)	(10,722)	(12,145)	(12,399)	(9,480)	(2,901)
<b>NWC DRIVERS</b>											
<b>Current Assets</b>											
AR Days	67	63	57	60	63	63	63	63	63	63	63
<b>Current Liabilities</b>											
Income Tax as a % of Revenue	4%	5%	5%	4%	4%	4%	4%	4%	4%	4%	4%
Escrow money as a % of Capex	13%	10%	23%	9%	1%	11%	11%	11%	11%	11%	11%
Accrued expenses, accounts payable and other liabilities as a % of COGS	79%	76%	57%	57%	62%	66%	66%	66%	66%	66%	66%
Merchant deposits as a % of Revenue	5%	4%	3%	3%	2%	2%	2%	2%	2%	2%	2%
Deferred revenue and customer advances as a % of Revenue	10%	9%	8%	8%	9%	8%	8%	8%	8%	8%	8%

# Appendix G: WACC

WACC	
Beta	0.876
Risk Free Rate	2.40%
Expected Market Return	10%
Risk Premium	7.60000%
Cost of Equity	9.06002%
Pre Tax Cost of Debt	3.07%
Tax Rate	21%
Cost of Debt	2.43%
Market Cap	\$ 315,819.85
Market Value of Debt	\$ 21,969.00
Total Capitalization	\$ 337,788.85
Weight of Equity	93%
Weight of Debt	7%
Political Premium	2%
<b>WACC</b>	<b>10.63%</b>

Interest Spread	
EBIT	\$ 13,688
DA	\$ 7,312
EBITDA	\$ 21,000
Interest Coverage Ratio	30.75
Spread	0.67%



# Appendix H: DCF

DCF											
In Millions of USD											
	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E
EBIT	\$ 6,981	\$ 11,050	\$ 8,506	\$ 12,912	\$ 13,688	\$ 15,374	\$ 20,322	\$ 26,283	\$ 30,639	\$ 36,583	\$ 37,681
1-t	79%	79%	79%	79%	79%	79%	79%	79%	79%	79%	79%
+D	768	1,401	2,229	2,899	4,028	5,367	7,113	9,098	11,313	13,797	15,826
-Capex	\$ 2,549.00	\$ 4,756.00	\$ 5,286.00	\$ 4,597.00	\$ 6,326.00	\$ 8,385.89	\$ 10,161.12	\$ 12,130.54	\$ 14,141.26	\$ 15,678.58	\$ 16,148.94
-NWC	0	(6,562)	-5068	-2669	-14976	-15425.39149	-10722.36908	-12144.70514	-12399.34682	-9480.065947	-2900.516354
FCFF	\$ 3,733.99	\$ 11,936.50	\$ 8,730.74	\$ 11,171.48	\$ 23,491.52	\$ 24,552.03	\$ 23,728.60	\$ 29,875.52	\$ 33,776.22	\$ 36,499.49	\$ 32,345.42
% growth		220%	-27%	28%	110%	5%	-3%	26%	13%	8%	-11%
Discount Factor						0.5	1.5	2.5	3.5	4.5	5.5
PV of Cash flows						\$ 23,342.85	\$ 20,392.55	\$ 23,208.54	\$ 23,717.91	\$ 23,167.81	\$ 18,558.54

Gordon Growth	
Terminal CF	\$ 32,345.42
WACC	10.63%
Terminal Growth Rate	2.5%
Terminal Value	\$ 440,218.98
PV of terminal value	\$ 252,580.53
Enterprise value	\$ 384,968.72
Less: Debt	\$ 21,969.00
Plus: Cash	\$ 49,034.00
Equity Value	\$ 412,033.72
Diluted shares outstanding	2,711
<b>Price Per Share</b>	<b>\$ 151.99</b>

Terminal Multiple Method	
Terminal EBITDA	\$ 53,507
Terminal Multiple	14.5x
Terminal Value	\$ 775,848.92
PV of Term. Value	\$ 445,151.94
Enterprise Value	\$ 577,540.13
Less: Debt	\$ 21,969.00
Plus: Cash	\$ 49,034.00
Equity Value	\$ 604,605.13
Shares Outstanding	2,711
<b>Price per share</b>	<b>\$ 223.03</b>

# Appendix I: Comparable Companies

Consumer Discretionary Sector

Company	Ticker	Stock Price	Shares Out.	Debt	Cash	Enterprise Value	LTM EPS	'23 EPS	'23 EBIT	'23 EBITDA	Market Cap	LTM P/E	'23 P/E	23		
														EV/EBITDA	'23 EV/EBIT	
Alibaba	BABA	\$ 116.50		2,711 \$	21,969 \$	49,034 \$	288,755	7.09	6.22 \$	20,322 \$	27,435 \$	315,820	16.43	18.73	10.53	14.21
JD.com	JD	\$61.49		1596.5 \$	5,371 \$	19,158 \$	84,382	0.8	2.74 \$	3,569 \$	5,445 \$	98,169	76.86	22.44	15.50	23.64
Amazon	AMZN	\$3,326.02		516 \$	132,318 \$	96,049 \$	1,752,495	46.64	93.31 \$	46,719 \$	104,346 \$	1,716,226	71.31	35.64	16.80	37.51
Etsy Inc	ETSY	\$142.92		147.6 \$	2,436 \$	985 \$	22,546	3.61	5.04 \$	764 \$	979 \$	21,095	39.59	28.36	23.02	29.50
Overstock.com	OSTK	\$46.72		43.4 \$	51 \$	503 \$	1,576	3.18	2.81 \$	147 \$	177 \$	2,028	14.69	16.63	8.90	10.75
Min													14.69	16.63	8.90	10.75
Q1													16.43	18.73	10.53	14.21
<b>Average</b>													<b>43.78</b>	<b>24.36</b>	<b>14.95</b>	<b>23.12</b>
Q3													71.31	28.36	16.80	29.50
Max													76.86	35.64	23.02	37.51
min												\$ 104.17	\$ 103.42	\$ 100.07	\$ 90.56	
Q1												\$ 116.50	\$ 116.50	\$ 116.50	\$ 116.50	
<b>Average</b>												<b>\$ 310.38</b>	<b>\$ 151.52</b>	<b>\$ 161.26</b>	<b>\$ 183.32</b>	
Q3												\$ 505.61	\$ 176.38	\$ 179.95	\$ 231.12	
Max												\$ 544.96	\$ 221.71	\$ 242.96	\$ 291.19	

# ESG

## Environmental

- Shift to solar power at Cainiao warehouses will reduce yearly carbon emissions by 5,535 tons and store 7.9 megawatts of energy, enough to power 3,000 homes
- Targeting carbon neutrality by 2030, aiming to reduce climate change to 1.5°C, and eliminate 1.5 gigatons of carbon emissions by 2035 (coined '1.5 Gigatons for 1.5°C')

### Scope 1 & 2

- Direct focus on factors directly under Alibaba's control and purchased energy and electricity

### Scope 3+

- 50% reduction by 2030 across the value chain and carbon neutrality for Alibaba Cloud

## Governance

### Current Landscape

- Give decision making power to both executives and shareholders
- Newly formed international digital commerce under new leadership

### The Vision

- 102-year vision spanning across three decades
- Modern initiatives to globalize and becoming more agile to sustain long-term growth

### By 2036

- Serve 2 billion customer globally
- Support 10 million businesses to operate profitably
- Indirectly and directly create 100 million jobs

## Social

1

Recently committed to spending \$15.5 billion to foster social equality in alignment with Beijing's new initiative to promote "common prosperity"

2

Investments into 10 initiatives including technology innovation, economic development, high-quality job creation, and supporting vulnerable groups

3

"Each Person Three Hours" volunteer program on the Alipay mobile platform has gained participation from over one million people

## Risk Outlook

