

January 8, 2026 06:01 AM GMT

## Alibaba Group Holding | Asia Pacific

## 3QF26 Preview: Cloud Intact; but Core E-comm Worsened

## WHAT'S CHANGED

Alibaba Group Holding (BABA.N)	From	To
Price Target	US\$200.00	US\$180.00

Cloud acceleration to 35%+ reinforces the "China's Best AI Enabler" thesis – we expect it to accelerate further to 40% in F2027. But core e-comm businesses have started to worsen, due to weak consumption, which may remain under pressure in 1HF27 due to a high base. Reiterate OW, lower PT to US\$180.

## Key Takeaways

- Cloud revenue growth to accelerate to 35%+ YoY (vs. 34% in 2Q); stable EBITA margin of 9% (vs. 9% in 2Q).
- CMR growth to slow to 3% YoY (vs. 10% in 2Q), driving China e-comm EBITA (ex-QC) to decline by 3%. QC loss narrowed to Rmb23bn (vs. Rmb35bn in 2Q).
- Consolidated EBITA to decline 45% YoY to Rmb30bn; All Others loss expanded to Rmb7bn (vs. Rmb3.4bn in 2Q).

**Cloud accelerate to 35%+ YoY with potential upside risk in F3Q26e:** We expect Alicloud growth to remain strong, with previous 3-year capex guidance likely above Rmb380bn intact. We expect a stable EBITA margin of 9%. We expect external cloud growth to remain strong; BABA has recently stepped up AI 2C initiatives, including Qwen APP upgrade, Quark revamp, Quark glasses launch, and Amap star street ranking upgrade. We expect Alicloud growth at 40% in F27e.

**CMR growth slow down to 3% YoY:** According to NBS, online retail sales of goods growth decelerated to 3% in Oct and Nov (vs. 7.3% in 3Q25). We expect weak spending, intense industry competition and a high base from the rollout of software service fees last Sep to weigh on CMR. We expect China e-comm EBITA (ex-QC) to decline by 3%.

**Consolidated adj EBITA -45% YoY to Rmb30bn (10.6% margin):** This includes: a) weaker e-comm EBITA (ex-QC) decline, QC loss at Rmb23bn in F3Q (vs est. Rmb35bn in F2Q, prioritizing market share over loss reduction); b) "All Others" adjusted EBITA loss to widen to Rmb7bn (vs. Rmb3.3 bn in 2Q), driven by increased internal AI adoption, i.e., launched Qwen app (10mn+ downloads in first week), and AI model training costs; and c) AIDC loss of Rmb 1.4bn (vs breakeven in 2Q).

**Reiterate OW; trim price target to US\$180:** We lower our adjusted EBITA estimates by 7% for F26 and 15% for F27, reflecting weaker CMR, core EBITA weakness and "All Others" losses. We revise our SOTP valuation to US\$240, due to lower e-com value; our cloud value remains unchanged at US\$84.

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## Alibaba Group Holding (BABA.N, BABA UN)

China Internet and Other Services | China

<b>Stock Rating</b>	<b>Overweight</b>
<b>Industry View</b>	<b>Attractive</b>
Price target	US\$180.00
Up/downside to price target (%)	23
Shr price, close (Jan 7, 2026)	US\$146.75
52-Week Range	US\$192.67-79.67
Sh out, dil, curr (mn)	2,375
Mkt cap, curr (mn)	US\$348,554
EV, curr (mn)	US\$262,123
Avg daily trading value (mn)	US\$347

Fiscal Year Ending	03/25	03/26e	03/27e	03/28e
EPS (Rmb)**	53.59	46.88	44.80	59.18
Prior EPS (Rmb)**	-	49.04	52.34	70.20
Revenue, net (Rmb bn)	996	1,022	1,111	1,202
Net income (Rmb bn)**	129	111	106	141
P/E**	17.8	21.9	22.9	17.3
EV/EBITDA	9.1	15.2	10.6	7.5
EV/revenue*	2.0	2.2	2.0	1.9
P/BV	2.2	2.2	2.0	1.9

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework

\*\* = Based on consensus methodology

\* = GAAP or approximated based on GAAP

e = Morgan Stanley Research estimates

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## Preview to earnings

Focus KPI	Focus KPI Surprise	Likely impact to consensus EPS*
<b>Alibaba Group Holding</b> BABA.N		
CMR growth	↓ Very likely downside surprise	↓ Modest revision lower

\*Likely impact to consensus EPS is for the next 12 months  
 Source: Company data, Morgan Stanley Research

## 3QF26 Earnings Forecasts

Exhibit 1: Summary of 3QF26 forecasts

Alibaba Group	Dec-24	Sep-25	Dec-25			
YE Mar	3Q25	2Q26	3Q26e	YoY		
RMB mn	Actual	Actual	Mse	%	3Q26	Diff
					Consensus	%
<b>Revenue</b>	280,154	247,795	286,200	2.2%	<b>293,126</b>	<b>-2.4%</b>
Income from operations	41,205	5,365	25,952	-37.0%	31,236	-16.9%
<b>Adjusted EBITA</b>	54,853	9,073	30,373	-44.6%	<b>36,517</b>	<b>-16.8%</b>
<b>Non-GAAP net profit</b>	51,066	10,352	31,858	-37.6%	<b>36,910</b>	<b>-13.7%</b>
Adj. EBITA margin	19.6%	3.7%	10.6%	-9.0 ppts	12.5%	<b>-1.8 ppts</b>
Non-GAAP net profit margin	18.2%	4.2%	11.1%	-7.1 ppts	12.6%	-1.5 ppts
<b>By Segment</b>	<b>3Q25</b>	<b>2Q26</b>	<b>3Q26e</b>	<b>YoY</b>	<b>3Q26</b>	<b>Diff</b>
<b>Revenue</b>						
Alibaba China E-commerce Group	151,880	132,578	163,679	7.8%		
Customer management (CMR)	102,656	78,927	105,736	3.0%	108,496	-2.5%
Quick commerce	13,726	22,906	21,275	55.0%		
Alibaba International Digital Commerce Group	37,756	34,799	40,523	7.3%	41,859	-3.2%
Cloud Intelligence Group	31,742	39,824	42,852	35.0%	42,664	0.4%
All others	87,980	62,969	65,545	-25.5%	43,596	
Unallocated	590	577	714	21.0%	583	
Inter-segment elimination	(29,794)	(22,952)	(27,113)	-9.0%	(27,650)	
<b>Consolidated revenue</b>	<b>280,154</b>	<b>247,795</b>	<b>286,200</b>	<b>2.2%</b>	<b>293,126</b>	<b>-2.4%</b>
<b>Adjusted EBITA</b>						
Alibaba China E-commerce Group	60,662	10,497	36,009	-40.6%		
Alibaba International Digital Commerce Group	(4,952)	162	(1,418)		(152)	830.2%
Cloud Intelligence Group	3,138	3,604	3,857	22.9%	3,979	-3.1%
All others	(3,230)	(3,370)	(7,013)	117.1%	(4,228)	
Unallocated	(165)	(1,221)	(248)	50.0%	(821)	
Inter-segment elimination	(425)	(599)	(813)	91.4%	(618)	
<b>Consolidated adjusted EBITA</b>	<b>55,028</b>	<b>9,073</b>	<b>30,373</b>	<b>-44.8%</b>	<b>36,517</b>	<b>-16.8%</b>
<b>Adjusted EBITA margin</b>						
Alibaba China E-commerce Group	39.9%	7.9%	22.0%	-17.9 ppts		
Alibaba International Digital Commerce Group	-13.1%	0.5%	-3.5%	9.6 ppts	-0.4%	-3.1 ppts
Cloud Intelligence Group	9.9%	9.0%	9.0%	-0.9 ppts	9.3%	-0.3 ppts
All others	-3.7%	-5.4%	-10.7%	-7.0 ppts	-9.7%	
<b>Consolidated adjusted EBITA margin</b>	<b>19.6%</b>	<b>3.7%</b>	<b>10.6%</b>	<b>-9.0 ppts</b>	<b>12.5%</b>	<b>-1.8 ppts</b>

Source: Company data, VisibleAlpha consensus, Morgan Stanley Research (E) estimates

# Estimate changes

**Exhibit 2:** Estimate changes

Years Ending December 31 Rmb mn	New			Old			Change		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	1,021,964	1,110,994	1,201,976	1,029,196	1,124,032	1,220,591	-0.7%	-1.2%	-1.5%
Net income attributable to Alibaba Group Holding	111,420	106,462	140,635	116,547	124,383	166,800	-4.4%	-14.4%	-15.7%
Adjusted EBITA	91,802	123,126	165,398	98,163	145,225	197,248	-6.5%	-15.2%	-16.1%
Adjusted EBITDA	126,628	179,775	243,620	132,989	202,048	275,945	-4.8%	-11.0%	-11.7%
Adjusted Net Profit	96,162	121,029	156,340	101,378	139,110	182,734	-5.1%	-13.0%	-14.4%
Adjusted NP to Ordinary shareholders	98,632	120,228	155,073	103,848	138,310	181,462	-5.0%	-13.1%	-14.5%
GAAP EPS for consensus (Rmb)	46.88	44.80	59.18	49.04	52.34	70.20	-4.4%	-14.4%	-15.7%
Non-GAAP Diluted EPS (Rmb)	41.50	50.59	65.26	43.70	58.20	76.37	-5.0%	-13.1%	-14.5%
<b>yoy %</b>									
Revenue	2.6%	8.7%	8.2%	3.3%	9.2%	8.6%	-0.7 ppts	-0.5 ppts	-0.4 ppts
Adjusted EBITA	-47.0%	1.1%	9.7%	-43.3%	4.9%	11.6%	-3.7 ppts	-3.8 ppts	-1.8 ppts
Adjusted NP to Ordinary shareholders	-37.6%	21.9%	29.0%	-34.3%	33.2%	31.2%	-3.3 ppts	-11.3 ppts	-2.2 ppts

Source: Morgan Stanley Research estimates

# Valuation Methodology

## We trimmed our DCF-based PT to US\$180. (was US\$200)

DCF is our primary valuation methodology. We think this is a prudent approach to capture the company's long-term earnings and overall cash flow outlook. Our WACC of 10% and terminal growth rate of 3% are unchanged.

### Exhibit 3: DCF matrix – unlevered free cash flow

Years Ending March 31 Rmb mn	2023	2024	2025 Scenario	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
<b>DCF</b>														
Adjusted EBITA (non-GAAP; incl. SBC)	117,080	146,482	159,095	77,990	108,111	149,154	181,651	215,051	244,823	258,421	272,811	288,047	304,268	321,589
D&A	33,434	22,912	36,123	42,833	64,496	86,131	98,737	103,153	102,524	99,906	98,351	97,708	97,851	98,685
Capex	(34,352)	(32,929)	(85,972)	(132,855)	(133,319)	(132,217)	(102,715)	(81,482)	(70,976)	(73,966)	(77,120)	(80,453)	(83,990)	(87,754)
Taxes	(15,496)	(23,680)	(31,306)	(14,038)	(19,460)	(26,848)	(32,697)	(38,709)	(44,068)	(46,516)	(49,106)	(51,849)	(54,768)	(57,886)
Licensed copyrights	(10,088)	(9,054)	(7,497)	(7,490)	(7,715)	(7,908)	(8,066)	(8,187)	(8,269)	(8,352)	(8,435)	(8,519)	(8,605)	(8,691)
Non-controlling interests	6,936	8,409	3,494	3,553	391	(17)	(399)	(695)	(965)	(1,035)	(1,068)	(1,141)	(1,196)	(1,258)
Working capital	23,570	(4,695)	(16,481)	(53,890)	(31,257)	(31,696)	(25,094)	(20,259)	(13,142)	(8,272)	(6,550)	(8,868)	(9,235)	(9,648)
<b>Unlevered FCF (FCFF)</b>	<b>121,084</b>	<b>107,445</b>	<b>57,446</b>	<b>(83,898)</b>	<b>(18,753)</b>	<b>36,599</b>	<b>111,416</b>	<b>168,871</b>	<b>209,906</b>	<b>220,187</b>	<b>226,864</b>	<b>234,925</b>	<b>244,324</b>	<b>255,037</b>
% YoY	93.7%	-11.3%	-46.5%	-246.0%	-77.6%	-295.2%	204.4%	51.6%	24.3%	4.9%	3.0%	3.6%	4.0%	4.4%
% of revenue	13.9%	11.4%	5.8%	-8.2%	-1.7%	3.0%	8.7%	12.4%	14.8%	14.9%	14.7%	14.6%	14.5%	14.5%
<b>WACC</b>				<b>10.0%</b>										
<b>TGR</b>				<b>3.0%</b>										

Source: Company data, Morgan Stanley Research (E) estimates

# Financial Summary

## Exhibit 4: Alibaba Financial Summary

### INCOME STATEMENT

Years Ending December 31	2023	2024	2025	2026E	2027E	2028E
<b>Rmb mn</b>						
<b>Total revenue</b>	<b>868,687</b>	<b>941,168</b>	<b>996,347</b>	<b>1,021,964</b>	<b>1,110,994</b>	<b>1,201,976</b>
Cost of revenue	549,695	586,323	598,285	588,074	672,616	720,848
<b>Gross profit</b>	<b>318,992</b>	<b>354,845</b>	<b>398,062</b>	<b>433,890</b>	<b>438,378</b>	<b>481,128</b>
S&M expenses	103,496	115,141	144,021	257,472	224,352	218,685
R&D expenses	56,744	52,256	57,151	57,438	62,441	67,555
S&A expenses	41,672	40,966	38,556	40,776	43,218	45,555
<b>Total Operating expenses</b>	<b>218,641</b>	<b>241,495</b>	<b>257,918</b>	<b>358,536</b>	<b>331,436</b>	<b>332,792</b>
<b>Income(loss) from operations (GAAP)</b>	<b>175,710</b>	<b>191,668</b>	<b>202,325</b>	<b>126,628</b>	<b>179,775</b>	<b>243,620</b>
<b>Adjusted EBITA</b>	<b>147,911</b>	<b>165,028</b>	<b>173,065</b>	<b>91,802</b>	<b>123,126</b>	<b>165,380</b>
<b>Adjusted EBITDA</b>	<b>175,710</b>	<b>191,668</b>	<b>202,325</b>	<b>126,628</b>	<b>179,775</b>	<b>243,620</b>
Non-operating items	(11,166)	(11,754)	14,550	40,770	11,465	10,466
Profit before tax	89,185	101,596	155,455	116,421	118,407	158,801
<b>Net Profit (GAAP)</b>	<b>72,509</b>	<b>79,741</b>	<b>129,470</b>	<b>111,420</b>	<b>106,462</b>	<b>140,635</b>
<b>Net Profit (non-GAAP)</b>	<b>144,029</b>	<b>158,587</b>	<b>158,005</b>	<b>98,632</b>	<b>120,228</b>	<b>155,073</b>
<b>GAAP EPS for consensus (Rmb)</b>	<b>27.5</b>	<b>31.2</b>	<b>53.6</b>	<b>45.9</b>	<b>44.8</b>	<b>59.2</b>
<b>Diluted EPS (Rmb)</b>	<b>54.6</b>	<b>62.2</b>	<b>65.4</b>	<b>41.5</b>	<b>59.6</b>	<b>65.3</b>
<b>Diluted EPS (US\$)</b>	<b>8.0</b>	<b>8.8</b>	<b>9.2</b>	<b>5.8</b>	<b>7.2</b>	<b>9.3</b>

### KPI & FINANCIAL RATIOS

Years Ending December 31	2023	2024	2025	2026E	2027E	2028E
China GMV (Rmb bn)	7,297	7,626	7,984	8,200	8,528	8,911
% Growth	4.5%	4.5%	4.7%	2.7%	4.0%	4.5%
Customer Management Revenue (Rmb mn)	291,541	304,009	327,805	348,485	366,688	387,644.4
% Growth	4.3%	4.3%	7.8%	6.3%	5.2%	5.7%
<b>Monetization rate</b>	<b>4.00%</b>	<b>3.99%</b>	<b>4.11%</b>	<b>4.25%</b>	<b>4.30%</b>	<b>4.35%</b>
Net Cash (Rmb mn)	446,454	366,429	296,727	268,172	294,146	393,146
Dividend yield	0.8%	1.2%	1.4%	1.3%	1.4%	1.6%
<b>FCF yield</b>	<b>7.0%</b>	<b>6.4%</b>	<b>3.0%</b>	<b>-1.5%</b>	<b>0.2%</b>	<b>2.5%</b>
PIB	219.2%	221.4%	226.3%	208.8%	194.2%	177.0%
ROE (non-GAAP)	13.2%	14.3%	14.5%	8.8%	9.9%	11.8%
<b>ROIC</b>	<b>10.3%</b>	<b>10.9%</b>	<b>10.8%</b>	<b>5.6%</b>	<b>7.0%</b>	<b>8.8%</b>

### BALANCE SHEET

Years Ending December 31	2023	2024	2025	2026E	2027E	2028E
<b>Rmb mn</b>						
Cash and cash equivalents	193,086	248,125	145,487	75,785	47,230	73,204
Restricted cash and escrow receivables	36,424	38,299	43,781	43,781	43,781	43,781
Short-term investments	326,492	262,955	228,826	228,826	228,826	228,826
Equity securities and other investments	4,892	59,949	53,780	53,780	53,780	53,780
Prepayments, receivables and other assets	137,072	143,536	202,175	244,700	279,319	314,280
<b>Current assets</b>	<b>697,966</b>	<b>752,664</b>	<b>674,049</b>	<b>646,873</b>	<b>652,936</b>	<b>713,872</b>
PP&E	176,031	185,161	203,348	304,843	387,529	449,604
Intangible assets	46,913	26,950	20,911	18,056	16,755	15,935
Goodwill	268,091	259,679	255,501	255,501	255,501	255,501
Equity securities and other investments	245,737	220,942	356,818	356,818	356,818	356,818
Investments in equity method investees	207,380	203,131	210,169	219,232	229,685	241,670
Prepayments, receivables and other assets	110,925	116,102	83,431	82,110	83,248	81,986
<b>Non-current assets</b>	<b>1,055,078</b>	<b>1,011,965</b>	<b>1,130,178</b>	<b>1,236,560</b>	<b>1,329,536</b>	<b>1,401,513</b>
<b>Total assets</b>	<b>1,753,044</b>	<b>1,764,629</b>	<b>1,804,227</b>	<b>1,883,433</b>	<b>1,982,472</b>	<b>2,115,385</b>
Short-term debts	12,266	29,001	22,562	22,562	22,562	22,562
Accrued expenses, accounts payables and other liabilities	275,960	297,883	332,537	319,159	321,908	324,269
Other current liabilities	97,135	94,623	80,247	82,011	88,142	94,407
<b>Current liabilities</b>	<b>385,361</b>	<b>421,507</b>	<b>435,346</b>	<b>423,732</b>	<b>432,611</b>	<b>441,238</b>
Long-term debts	149,088	141,775	208,141	208,141	208,141	208,141
Other liabilities	95,684	88,948	70,634	73,029	74,664	76,121
<b>Non-current liabilities</b>	<b>244,772</b>	<b>230,723</b>	<b>278,775</b>	<b>281,170</b>	<b>282,805</b>	<b>284,262</b>
<b>Total liabilities</b>	<b>630,123</b>	<b>652,230</b>	<b>714,121</b>	<b>704,902</b>	<b>715,416</b>	<b>725,500</b>
Non-controlling interests	123,406	115,327	68,535	66,882	65,725	64,914
Additional paid-in capital	416,880	397,999	381,379	381,379	381,379	381,379
Accumulated other comprehensive income/(loss)	(10,417)	3,998	3,393	17,205	32,220	48,464
Retained earnings	509,028	597,897	645,478	723,644	797,546	904,113
Total shareholders' equity	989,657	986,544	1,009,858	1,101,836	1,190,752	1,313,564
<b>Total equity</b>	<b>1,113,063</b>	<b>1,101,871</b>	<b>1,078,393</b>	<b>1,168,718</b>	<b>1,256,477</b>	<b>1,378,478</b>
<b>Total liabilities, mezzanine equity and equity</b>	<b>1,753,044</b>	<b>1,764,629</b>	<b>1,804,227</b>	<b>1,883,433</b>	<b>1,982,472</b>	<b>2,115,385</b>

### CASH FLOW STATEMENT

Years Ending December 31	2023	2024	2025	2026E	2027E	2028E
<b>Rmb mn</b>						
Net income	65,573	71,332	125,976	107,867	106,071	140,652
Depreciation (PP&E) and operating lease (land use rights)	27,799	26,840	29,260	34,826	56,649	78,222
Amortization (intangible assets and licensed copyrights)	19,139	17,864	13,199	10,345	9,016	8,728
Other non-cash adjustments	73,759	80,506	19,062	4,749	4,561	4,260
Changes in working capital	13,482	(13,749)	(23,988)	(61,380)	(38,972)	(39,603)
<b>Operating cash flow</b>	<b>199,762</b>	<b>182,593</b>	<b>163,509</b>	<b>96,407</b>	<b>137,325</b>	<b>192,259</b>
Acquisition of PP&E and land use rights	(34,330)	(32,087)	(85,972)	(132,855)	(133,319)	(132,217)
<b>Investing cash flow</b>	<b>(135,506)</b>	<b>(21,824)</b>	<b>(185,415)</b>	<b>(132,855)</b>	<b>(133,319)</b>	<b>(132,217)</b>
Issuance/repurchase of ordinary shares	(74,735)	(87,902)	(86,652)	-	-	-
Dividends paid	-	(17,946)	(29,077)	(33,254)	(32,561)	(34,068)
<b>Financing cash flow</b>	<b>(65,619)</b>	<b>(108,244)</b>	<b>(76,215)</b>	<b>(33,254)</b>	<b>(32,561)</b>	<b>(34,068)</b>
<b>Net change in cash</b>	<b>2,157</b>	<b>56,914</b>	<b>(97,156)</b>	<b>(69,702)</b>	<b>(28,555)</b>	<b>25,974</b>
Beginning cash balance	227,353	229,510	286,424	189,268	119,566	91,011
Ending cash balance	229,510	286,424	189,268	119,566	91,011	116,985

Source: Company data, Morgan Stanley Research (E) estimates

## Risk Reward – Alibaba Group Holding (BABA.N)

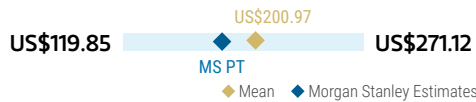
Core business reacceleration and cloud growth driven by gen-AI adoption; OW

### PRICE TARGET US\$180.00

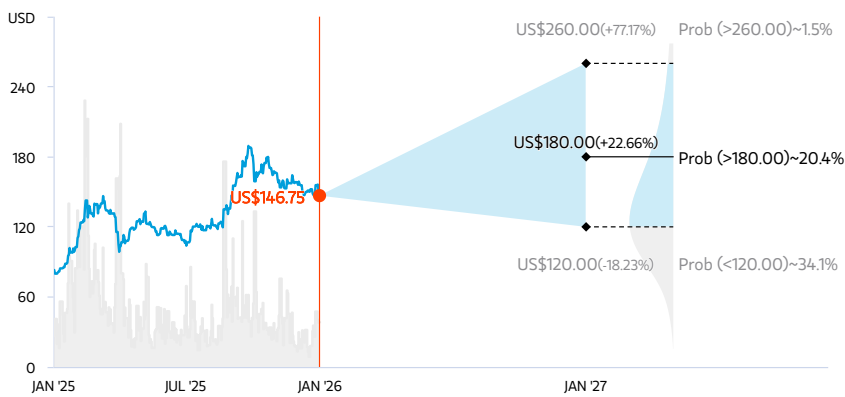
Base case, discounted cash flow model. Key assumptions include a 10% WACC and 3% terminal growth rate, in line with our Chinese internet coverage range.

#### Consensus Price Target Distribution

Source: Refinitiv, Morgan Stanley Research



### RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



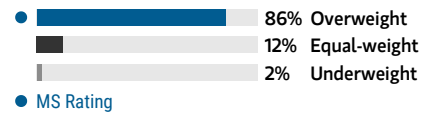
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 7 Jan 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology [here](#)

### OVERWEIGHT THESIS

- We expect Alibaba, having the largest cloud infrastructure in China, to win share in the current China evolutionary AI cycle.
- We see fundamental business reacceleration with improvement in monetization.
- The online regulatory environment appears to be easing; we view Alibaba as a key beneficiary as a China proxy.
- Our price target implies a target F28e non-GAAP P/E of 18x.
- Strong cash flow-generating capabilities, dividends and continued share buybacks could provide downside support.

#### Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

#### Risk Reward Themes

- Secular Growth: *Positive*
- Self-help: *Positive*
- Technology Diffusion: *Positive*

View descriptions of Risk Rewards Themes [here](#)

BULL CASE	US\$260.00	BASE CASE	US\$180.00	BEAR CASE	US\$120.00
20x bull-case non-GAAP F2028e EPS		18x base-case non-GAAP F2028e EPS		15x bear-case non-GAAP F2028e EPS	
Total revenue CAGR of 8% over F25-28e		Total revenue CAGR of 7% over F25-28e		Total revenue CAGR of 5% over F25-28e	
Total adjusted EBITA CAGR of 6% over F25-28e		Total adjusted EBITA CAGR of -1.5% over F25-28e		Total adjusted EBITA CAGR of -9% over F25-28e	
20% discount on net cash		30% discount on net cash		50% discount on net cash	

## Risk Reward – Alibaba Group Holding (BABA.N)

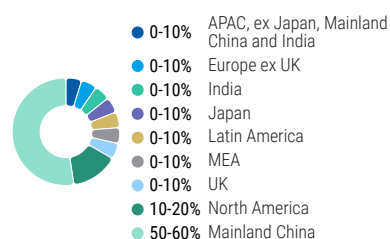
### KEY EARNINGS INPUTS

Drivers	2025	2026e	2027e	2028e
China retail marketplaces GMV (Rmb, mn)	7,984	8,200	8,528	8,911
Take rate (%)	4.1	4.2	4.3	4.3

### INVESTMENT DRIVERS

- Revenue growth, especially in core e-commerce in China
- Monetization rate (i.e., Alibaba's Chinese retail marketplace revenue/GMV)
- Non-GAAP EBITA margins

### GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate  
View explanation of regional hierarchies [here](#)

### RISKS TO PT/RATING

#### RISKS TO UPSIDE

- Better core e-commerce monetization, driving earnings growth upside
- Faster enterprise digitalization, re-accelerating cloud revenue growth
- Stronger AI demand to drive cloud revenue

#### RISKS TO DOWNSIDE

- More intense competition
- Higher-than-expected reinvestment costs
- Weaker consumption amid a slower post-Covid recovery
- Slower pace of enterprise digitalization pace
- Regulation - additional scrutiny of Internet platforms

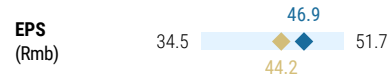
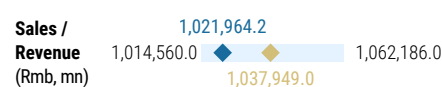
### OWNERSHIP POSITIONING

Inst. Owners, % Active	79.5%	<div style="width: 79.5%;"></div>
HF Sector Long/Short Ratio	1.7x	<div style="width: 1.7x;"></div>
HF Sector Net Exposure	12.8%	<div style="width: 12.8%;"></div>

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

### MS ESTIMATES VS. CONSENSUS

FY Mar 2026e



◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

## Risk Reward Reference links

1. View explanation of Options Probabilities methodology - [Options\\_Probabilities\\_Exhibit\\_Link.pdf](#)
2. View descriptions of Risk Rewards Themes - [RR\\_Themes\\_Exhibit\\_Link.pdf](#)
3. View explanation of regional hierarchies - [GEG\\_Exhibit\\_Link.pdf](#)
4. View explanation of Theme/Exposure methodology - [ESG\\_Sustainable\\_Solutions\\_External\\_Link.pdf](#)
5. View explanation of HERS methodology - [ESG\\_HERS\\_External\\_Link.pdf](#)

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(as of December 31, 2025)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1519	41%	415	48%	27%	674	42%
Equal-weight/Hold	1583	43%	362	42%	23%	720	45%
Not-Rated/Hold	4	0%	1	0%	25%	1	0%
Underweight/Sell	564	15%	87	10%	15%	216	13%
Total	3,670		865			1611	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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**Overweight (O).** The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

**Equal-weight (E).** The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

**Not-Rated (NR).** Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

**Underweight (U).** The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

## Stock Price, Price Target and Rating History (See Rating Definitions)

Alibaba Group Holding (BABA.N) - As of 01/08/26 GMT in USD  
Industry : China Internet and Other Services



Stock Rating History: 1/1/21 : O/A; 9/20/21 : O/I; 12/1/23 : E/I; 2/24/25 : O/A

Price Target History: 11/2/20 : 345; 1/8/21 : 320; 4/9/21 : 300; 7/6/21 : 270; 9/20/21 : 220; 11/19/21 : 180; 1/8/22 : 165; 2/25/22 : 145; 3/21/22 : 140; 9/29/22 : 110; 10/28/22 : 90; 11/18/22 : 100; 1/9/23 : 150; 11/17/23 : 110; 12/1/23 : 90; 1/8/24 : 85; 8/16/24 : 90; 10/9/24 : 115; 11/18/24 : 105; 1/9/25 : 100; 2/24/25 : 180; 7/9/25 : 150; 9/1/25 : 165; 9/29/25 : 200

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)

Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —

Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View

Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)

Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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## INDUSTRY COVERAGE: China Internet and Other Services

COMPANY (TICKER)	RATING (AS OF)	PRICE* (01/07/2026)
<b>Eddy Wang, CFA</b>		
Autohome Inc (ATHM.N)	E (02/09/2023)	US\$21.83
Full Truck Alliance Co. Ltd (YMM.N)	O (07/05/2023)	US\$10.72
JD.com, Inc. (JD.O)	U (11/10/2025)	US\$29.03
Kanzhun Ltd (BZ.O)	O (08/04/2021)	US\$19.93
KE Holdings Inc (BEKE.N)	O (03/16/2022)	US\$16.82
PDD Holdings Inc (PDD.O)	O (03/02/2023)	US\$120.97
Vipshop Holdings Ltd (VIPS.N)	E (02/24/2022)	US\$17.84
<b>Gary Yu</b>		
Alibaba Group Holding (BABA.N)	O (02/24/2025)	US\$146.75
Baidu Inc (BIDU.O)	E (05/17/2024)	US\$146.81
Meituan (3690.HK)	O (08/29/2024)	HK\$104.50
Tencent Holdings Ltd. (0700.HK)	O (03/19/2020)	HK\$624.50
<b>Rebecca Xu</b>		
Hello Group Inc (MOMO.O)	U (05/16/2024)	US\$6.62
HUYA Inc (HUYA.N)	E (05/16/2024)	US\$3.11
IQIYI Inc (IQ.O)	E (01/19/2023)	US\$2.13
JOYY Inc. (JOYY.O)	E (06/02/2022)	US\$67.39
Weibo Corp (WB.O)	U (05/17/2024)	US\$10.65
<b>Yang Liu</b>		
Bilibili Inc (BILI.O)	E (01/07/2022)	US\$26.89
Kuaishou Technology (1024.HK)	E (07/04/2024)	HK\$73.75
NetEase, Inc (NTES.O)	O (01/08/2025)	US\$141.55
Tongcheng Travel Holdings (0780.HK)	O (01/04/2019)	HK\$23.96
Trip.com Group Ltd (TCOM.O)	O (05/17/2021)	US\$76.16

Stock Ratings are subject to change. Please see latest research for each company.

\* Historical prices are not split adjusted.

