CHINA INTERNET · CLOUD · CONSUMER TECH

Alibaba Group Holding

A diversified bet on e-commerce, cloud and the AI pivot.

TICKER	CURRENT PRICE	PRICE TARGET	UPSIDE	RATING
BABA	$164.81	$196.51	+19.2%	**BUY**
NYSE · 9988.HK	YTD +89.93%	DCF base case	to target	12-month view

November 15, 2025

Tyler Leas · Global Equity Research

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What this note covers

01 · INVESTMENT THESIS

Why Alibaba, why now

RECOMMENDATION

BUY

$196.51 TARGET

Current price	$164.81
Implied upside	+19.2%
Market cap	~$393B
YTD return	+89.93%
Next earnings	Nov 25, 2025
EPS estimate	$0.49

01 Reinvesting in cloud & AI infrastructure

Management is committed to aggressive reinvestment in cloud and AI infrastructure — the company's primary growth engine.

02 A key enabler of enterprise AI

A long-standing history with AI — Alibaba is widely regarded as a key enabler of enterprise AI across China.

03 Strong price momentum

Shares are up +89.93% year-to-date as the market re-rates the AI and cloud story.

04 A near-term catalyst

Next earnings land Nov 25, 2025 with a consensus EPS estimate of $0.49 — a near-term read on the turnaround.

02 · COMPANY OVERVIEW

Alibaba Group at a glance

Alibaba is a large conglomerate headquartered in Hangzhou, China, founded in 1999 with the mission to *"make it easy to do business anywhere."* It built its reputation as a dominant, capex-light e-commerce platform — and is now in the midst of a profound strategic transformation, with revenue diversified across three core divisions.

FOUNDED **1999**	HEADQUARTERS **Hangzhou, China**
LISTING **NYSE: BABA · 9988.HK**	MARKET CAP **~$393B**
FISCAL YEAR END **March**	CORE DIVISIONS **Three**

Alibaba China E-Commerce

The dominant, capex-light core platform — Alibaba's established cash engine.

+10% YOY GROWTH

Cloud Intelligence Group

Cloud and AI infrastructure — the focus of management's reinvestment.

+26% YOY GROWTH

International Digital Commerce

AIDC — Alibaba's cross-border and international growth arm.

+19% YOY GROWTH

03 · MANAGEMENT OVERVIEW

Key management team

EW	**Eddie Wu** Chief Executive Officer Co-founder · 1999	Co-founded Alibaba in 1999 and has held several senior roles – technology director, CTO of Alipay and Taobao, and head of search, advertising and mobile, plus chairman of Alibaba Health. Now CEO, driving the "User-First, AI-Driven" strategy.
JT	**Joe Tsai** Chairman Founding member · 1999	Founding team member, former CFO and executive vice chairman, now Chairman; founding member of the Alibaba Partnership and an Ant Group board member. Previously in private equity with Investor AB in Asia and in law with Sullivan & Cromwell in New York. B.A. and J.D. from Yale.
ME	**Michael Evans** President President since · 2015	President of Alibaba Group since 2015 and a director since 2014. Former Vice Chairman of Goldman Sachs and leader of its Asia and Growth Markets businesses. Trustee of Asia Society; B.A. in Politics, Princeton University.
TX	**Toby Hong Xu** Chief Financial Officer CFO since · 2022	CFO since 2022 (joined 2018 as deputy CFO). Previously a partner at PwC for 11 years. B.Sc. in Physics, Fudan University, and a member of the Chinese Institute of Certified Public Accountants.
JJ	**Jane Fang Jiang** Chief People Officer Founding member · 1999	Founding team and Alibaba Partnership member. Previously deputy CPO, with senior roles across product planning, operations, marketing and credit-system development for Alibaba.com. Bachelor's degree from the Hangzhou Institute of Electrical Engineering.

04 · EIC ANALYSIS — ECONOMIC

The economic backdrop

▼ THE CORE PROBLEM

Structural decline in spending

A structural decline in consumer discretionary spending, intensified by the housing market collapse.

Acute in China

Weakening consumption is a global trend — but acute in China due to its property-sector exposure.

THE GOVERNMENT PIVOT

Shifting from strict regulation to active economic support.

¥1.4T

Incentivizing spending

RMB 1.4 Trillion fiscal stimulus (Nov 2025) to stabilize the economic floor.

Law

Reducing regulation

The "Private Economy Promotion Law" ends the tech crackdown and encourages private-sector growth.

04 · EIC ANALYSIS — INDUSTRY

Industry structure and the price war

MARKET STRUCTURE

Sector saturation has formed a cutthroat *"Triopoly"* – Alibaba, JD.com and PDD.

THE CATALYST

Weak consumer spending has triggered an aggressive industry-wide price war.

The "Double Squeeze" on Alibaba

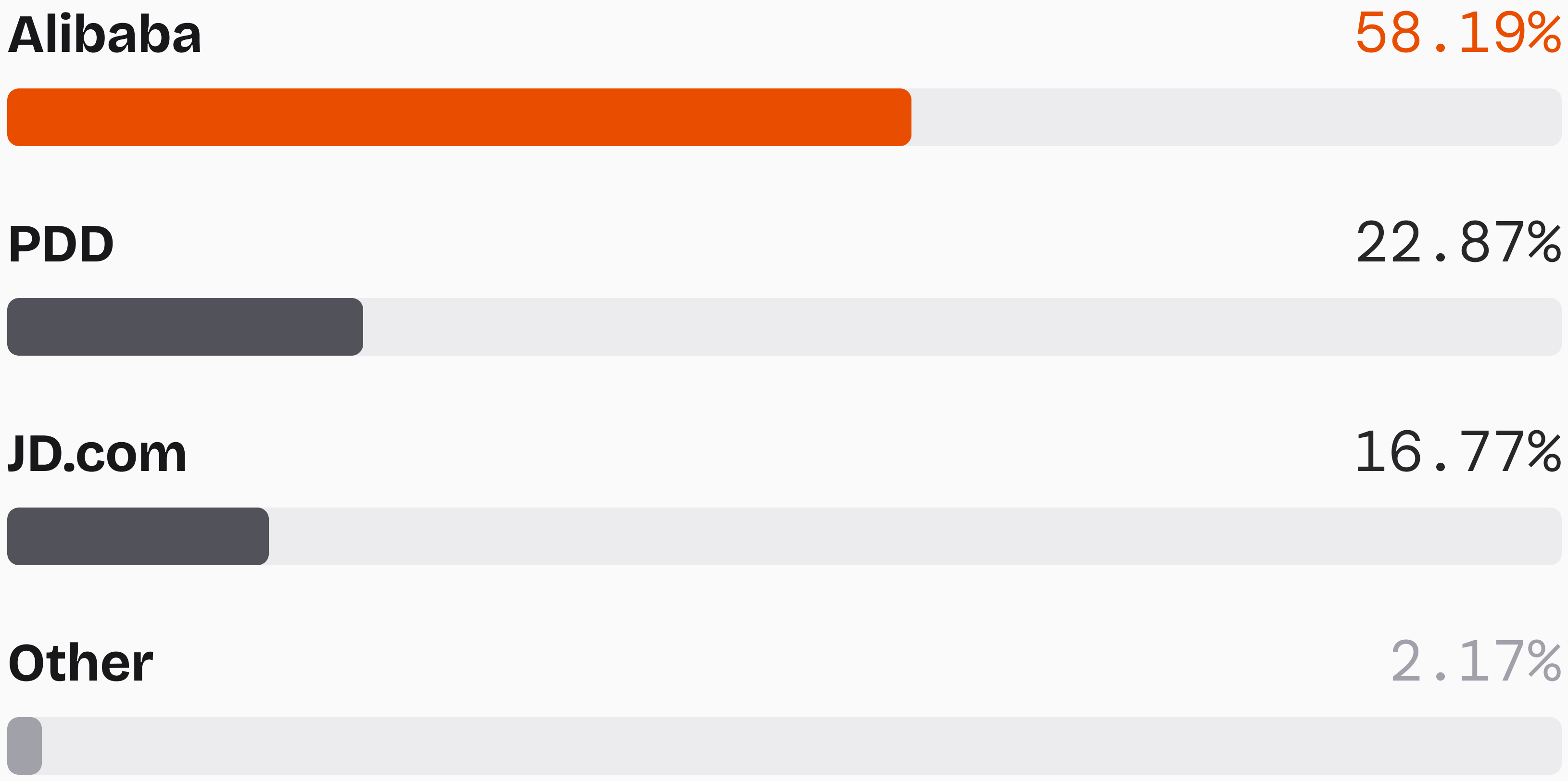
MERCHANT SIDE

Shrinking retailer margins lead to shrinking ad spend and marketing on Alibaba's platform.

CONSUMER SIDE

Buyers grow more cost-conscious, favoring "white-label" products and moving to platforms such as PDD (Temu).

CHINA E-COMMERCE MARKET SHARE



04 · EIC ANALYSIS — COMPANY

Reorganizing around AI

01 ORGANIZATIONAL OVERHAUL

"1+6+N" → a four-group model

Shifting from the siloed "1+6+N" structure to a synergistic four-group model to maximize AI capabilities.

02 NEW MANDATE

"User-First, AI-Driven"

A strategy prioritizing agility and capital efficiency across the group.

03 REALISM OVER DENIAL

Profitability over growth-at-all-costs

Leadership accepts e-commerce maturity, shifting focus to profitability and retention.

04 FINANCIAL DISCIPLINE

40–45%

Fund AI bets from core commerce

Managing core-commerce market share to fund high-growth AI bets, targeting stable EBITDA margins of 40–45%.

05 · SWOT ANALYSIS

Strategic position assessment

STRENGTHS
05

- Dominant market leadership
- Cloud infrastructure leader
- Fortress balance sheet
- Logistics network
- Diversified ecosystem

WEAKNESSES
04

- Eroding market share
- Mature core business
- Brand perception
- Conglomerate discount

OPPORTUNITIES
04

- AI pivot
- International expansion (AIDC)
- Valuation mean reversion
- Policy support

THREATS
04

- Price war attrition
- Macroeconomic headwinds
- Geopolitical risks
- Regulatory unpredictability

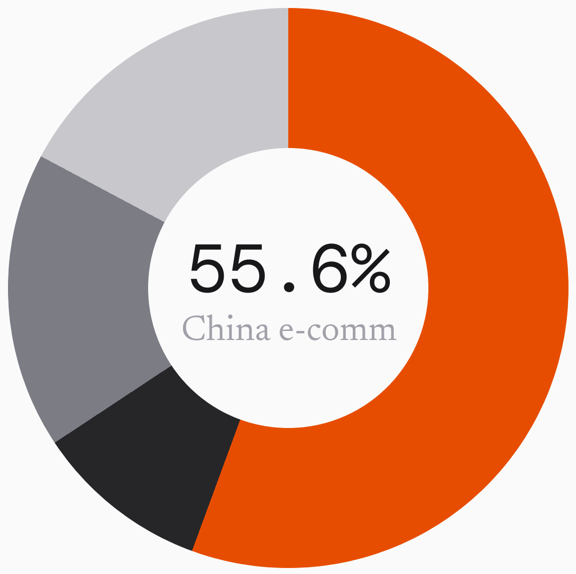
06 · SEGMENTS

Revenue by segment

BY BUSINESS SEGMENT

Taobao & Tmall Group	50.6%
All others	15.5%
Cloud Intelligence Group	10.1%
International Digital Commerce	9.2%
Cainiao Smart Logistics	8.0%
Local Services Group	5.0%
Digital Media & Entertainment	1.7%

CONSOLIDATED — FOUR GROUPS



Alibaba China E-Commerce	55.6%
International (AIDC)	17.1%
All others	17.2%
Cloud Intelligence	10.1%

07 · FUTURE PLANS

Building the AI stack

01 · SILICON

Chip Sovereignty

Alibaba is aggressively scaling its T-Head semiconductor division to build custom silicon, mitigating the risk of U.S. export bans.

Yitian 710 Server chips — 50% higher energy efficiency than peers.

Hanguang 800 Dedicated neural-processing unit (NPU) for AI inference.

02 · SOFTWARE

Qwen Ecosystem

An open-source LLM that makes it easier for developers to build on top of the architecture — creating a powerful network effect.

Open source Lowers the barrier for developers to build on Alibaba's stack.

AI agents Agentic AI applied directly to commerce.

08 · VALUATION — ASSUMPTIONS

Key model assumptions

DISCOUNT RATE — WACC BUILD

Risk-free rate 10-yr US Treasury · WSJ	4.16%
Beta LSEG · low, justified by reserves	0.32
Market risk premium Damodaran	5.27%
Cost of equity · cost of debt	5.88% · 4.64%
Tax rate · equity weight	22.8% · 91.9%

Final WACC 5.69%

GROWTH ASSUMPTIONS

3.2% **terminal growth rate**

Taobao & Tmall modeled at ~2% average growth — deliberately conservative, as the company shifts focus toward its other businesses.

CAPEX

~$56B **over the next three years**

Huge near-term CapEx spikes to fund the cloud and AI infrastructure build-out.

09 · DCF — FORECAST

Five-year revenue & free cash flow

FY25 REVENUE	FY30E REVENUE	PEAK CAPEX · FY26E	FY30E UNLEVERED FCF
$138.1B	$177.8B	$20.1B	$13.4B
+5.1% YoY	5.2% CAGR	AI build-out	recovery

US$ MILLIONS	2025A	2026E	2027E	2028E	2029E	2030E
Total revenue	138,085	143,608	149,352	161,301	170,979	177,818
Cost of revenue	83,697	93,345	97,079	104,845	111,136	115,582
EBIT	20,380	14,174	14,741	16,050	16,939	17,309
EBIT margin	14.8%	9.9%	9.9%	10.0%	9.9%	9.7%
D&A	5,226	5,854	6,610	7,316	7,273	7,288
CapEx	11,577	20,105	17,922	12,904	10,259	9,780
Change in NWC	(12,998)	(677)	1,430	2,102	(795)	(849)
Unlevered FCF	22,115	(1,342)	230	5,808	11,869	13,415

09 · DCF — BASE CASE

Base case: WACC 5.69% · g 3.2%

FORECAST YEAR	2026E	2027E	2028E	2029E	2030E
Unlevered FCF · ¥M	(1,342)	230	5,808	11,869	13,415
PV of FCF · $M †	(1,336)	206	4,920	9,512	428,393

† 2030E present value includes the discounted terminal value of ¥551,530M.

WACC	TERMINAL G	TERMINAL VALUE
5.69%	3.2%	¥551,530M

BEAR	BASE	BULL
$121.24	$196.51	$244.41

ENTERPRISE → EQUITY BRIDGE

Enterprise value	$441,695M
(+) Cash	$58,993M
(–) Debt	($31,792M)
Equity value	$468,896M
÷ Shares (ADS)	2,386M

Implied value / ADR $196.51

1 ADR : 8 ordinary shares

09 · DCF — TRADING COMPS

How Alibaba stacks up

COMPANY	MARKET CAP	EV/REV	EV/EBITDA	P/E (LTM)	P/CF	P/SALES
Alibaba (BABA)	$379.1B	2.08x	11.21x	17.98x	13.97x	2.73x
Amazon (AMZN)	$2.38T	3.60x	22.66x	31.45x	25.51x	3.44x
Baidu (BIDU)	$39.7B	1.32x	4.22x	13.30x	4.82x	2.19x
eBay (EBAY)	$36.7B	3.04x	11.42x	15.16x	13.00x	3.43x
JD.com (JD)	$46.4B	0.23x	5.52x	8.47x	7.16x	0.26x
LY Corp	$18.7B	2.39x	10.05x	13.87x	9.60x	1.40x
NetEase (NTES)	$84.5B	2.72x	8.96x	16.31x	12.69x	5.56x
PDD Holdings (PDD)	$167.5B	1.67x	5.94x	11.33x	9.10x	2.87x
Tencent (TCEHY)	$730.7B	5.62x	14.00x	21.34x	14.55x	7.18x
Peer mean	—	2.52x	10.44x	16.58x	12.27x	3.23x

In the Alibaba row, green marks a multiple below the peer mean; red marks one above. Source: LSEG / Refinitiv.

10 · SENSITIVITY ANALYSIS

Valuation vs. WACC & terminal growth

IMPLIED VALUE / ADR ($) Base case 5.69% WACC × 3.18% g → $196.51

WACC ↓ / g →	2.73%	2.88%	3.03%	3.18%	3.33%	3.48%	3.63%
3.69%	$184.91	$193.86	$203.81	$214.95	$227.50	$241.76	$258.10
4.19%	$180.82	$189.55	$199.26	$210.14	$222.40	$236.32	$252.27
4.69%	$176.84	$185.36	$194.85	$205.47	$217.43	$231.03	$246.60
5.19%	$172.97	$181.30	$190.56	$200.92	$212.61	$225.88	$241.09
5.69%	$169.21	$177.34	$186.39	$196.51	$207.92	$220.88	$235.73
6.19%	$165.56	$173.50	$182.33	$192.22	$203.37	$216.03	$230.53
6.69%	$162.01	$169.76	$178.39	$188.05	$198.93	$211.30	$225.47
7.19%	$158.55	$166.12	$174.55	$183.99	$194.63	$206.71	$220.54
7.69%	$155.19	$162.59	$170.82	$180.04	$190.44	$202.24	$215.76

RATING	PRICE TARGET	UPSIDE
BUY	$196.51	+19.2%

THE BOTTOM LINE

A diversified bet on e-commerce, cloud and the AI pivot — trading below intrinsic value.

01 DCF base case of $196.51 – WACC 5.69%, terminal growth 3.2% – implies roughly +19% upside, against a $244 bull and $121 bear.

02 Cloud and AI reinvestment, the open-source Qwen ecosystem and T-Head custom silicon position Alibaba as a key enabler of enterprise AI.

03 Policy tailwinds – the RMB 1.4T stimulus and Private Economy Promotion Law – support a consumption recovery and valuation mean reversion.

04 Key risks are price-war attrition against PDD and JD, macroeconomic headwinds, and regulatory and geopolitical unpredictability.

11 · APPENDIX

Sources & references

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