

## Summary

This report provides an in-depth financial analysis of Alibaba Group Holding Limited, evaluating key financial metrics such as revenue growth, profitability, asset-liability structure, and cash flow dynamics. By examining these indicators, we aim to assess Alibaba's financial health, potential risks, and long-term growth prospects. Below is a summary of the company's key financial data:

<i>Financial Metrics</i>	2022	2023	2024 Forecast	2025 Projection	2026 Forecast
<i>Revenue (Million RMB)</i>	9,925	13,838	17,143	20,687	23,124
<i>Net Profit (Million RMB)</i>	1,065	2,274	2,745	3,422	4,072
<i>Total Assets (Million RMB)</i>	11,997	14,485	18,378	22,820	27,594
<i>Earnings per Share (RMB)</i>	0.88	1.41	2.17	2.71	3.22

## Research Background & Objectives

The primary objective of this report is to evaluate Alibaba's financial position amid an evolving competitive landscape, particularly within e-commerce and cloud computing. As market competition intensifies, a clear understanding of Alibaba's financial health is critical for investors and stakeholders. Through this analysis, we aim to identify growth potential, key risks, and strategic challenges that may influence Alibaba's performance in the coming years.

## Key Findings & Insights

Our analysis highlights Alibaba's impressive revenue growth, with operating income rising 39% year-over-year to RMB 13,838 million in 2023. Net profit also demonstrated substantial improvement, reaching RMB 2,274 million. Looking ahead, Alibaba is projected to maintain strong financial performance, supported by increasing market demand and the execution of its strategic initiatives.

However, potential risks remain, including geopolitical uncertainties, regulatory challenges, and intensifying competition within the global technology sector. Nevertheless, Alibaba's strengths in technological innovation and market expansion should serve as key drivers for continued growth.

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## Investment Recommendation

Based on our assessment, we maintain a **“Buy”** rating on Alibaba. The company’s robust revenue trajectory, improving profit margins, and strategic market positioning suggest considerable long-term investment potential. However, investors should closely monitor market dynamics, regulatory developments, and Alibaba’s strategic execution to make informed investment decisions.

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# Company Profile

Alibaba Group Holding Limited is a leading global e-commerce and cloud computing company, founded in 1999 and headquartered in Hangzhou, China. Through its diversified business model, the company operates across e-commerce, cloud computing, digital media, and entertainment. Alibaba is dedicated to providing efficient online trading platforms and services for consumers and businesses worldwide. In recent years, Alibaba has expanded its global presence, solidifying its position as one of the most valuable technology firms in China and beyond.

## Company Overview & History

Founded in 1999 by Jack Ma and his team, Alibaba started as a B2B e-commerce platform designed to empower small and medium-sized enterprises to conduct business online. Over the years, Alibaba has expanded its operations significantly, launching the C2C marketplace Taobao in 2003 and the B2C platform Tmall in 2004. In 2014, Alibaba went public on the New York Stock Exchange (NYSE), marking one of the largest IPOs in history. In recent years, Alibaba has pursued strategic investments and acquisitions, bolstering its presence in cloud computing, digital media, and logistics to enhance its market positioning.

## Core Business & Revenue Sources

Alibaba's core business segments include e-commerce, cloud computing, and digital media & entertainment. E-commerce remains Alibaba's primary revenue driver, encompassing platforms such as Taobao, Tmall, and Alibaba International. According to the latest financial reports, Alibaba's total revenue for fiscal year 2023 reached RMB 1,262 billion, reflecting a 3.1% year-over-year growth. The cloud computing division is also a key growth area, generating RMB 130 billion in revenue for fiscal year 2023, with strong growth momentum expected in the coming years.

## Financial Performance

Financial Metric	2023	2024 Forecast	2025 Projection
Main Business Revenue (Billion RMB)	1,262	1,300	1,360
Net Profit Attributable to Parent (Billion RMB)	104	130	124
Earnings Per Share (RMB)	2.04	1.95	2.11
Price-to-Earnings (P/E) Ratio	12.5	13.1	12.1

## Market Position & Competitive Advantages

Alibaba maintains a dominant position in China's e-commerce sector, with a vast user base and strong brand equity. Market research indicates Alibaba holds over 50% market share, surpassing key competitors JD.com and Pinduoduo. The company's competitive strengths include:

- **Robust Ecosystem:** Alibaba has established a comprehensive ecosystem spanning e-commerce, payments, logistics, and cloud computing, delivering seamless services to its users.
- **Technological Innovation:** The company consistently invests in emerging technologies such as big data, artificial intelligence, and cloud computing to enhance user experience and operational efficiency.
- **Global Expansion:** Alibaba continues to expand internationally through strategic acquisitions and partnerships, strengthening its global footprint.

## Outlook

With its strong market leadership and innovative approach, Alibaba is well-positioned for continued growth and profitability. While regulatory challenges and market competition persist, the company's expansive ecosystem and technological investments provide a solid foundation for sustained long-term success.

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# Management Research

In this section, we will conduct an in-depth analysis of Alibaba Group's management team, exploring the team's composition, strategic vision, and key decisions. Understanding the leadership's approach offers valuable insights into the company's operational direction and growth potential.

## Management Team Overview

Alibaba Group's management team is made up of seasoned industry leaders with expertise spanning technology, marketing, finance, and operations. Notable figures include founder Jack Ma and current CEO Daniel Zhang. Both have played pivotal roles in Alibaba's innovation and global expansion. The diverse backgrounds and professional acumen of the management team have been instrumental in keeping Alibaba competitive in an ever-evolving market environment.

## Management Strategy & Vision

Alibaba's management is dedicated to positioning the company as a leader in the global digital economy. Key strategic priorities include:

- **Technological Innovation:** Investing heavily in cloud computing, artificial intelligence, and big data to enhance the platform's service offerings and improve the overall user experience.
- **Global Expansion:** Further increasing its international footprint, particularly through acquisitions and partnerships in emerging markets such as Southeast Asia and Europe.
- **Sustainable Development:** Committing to social responsibility and environmental protection, while adopting green economy principles and promoting sustainable business models.

The overarching vision of Alibaba's management is to empower small and medium-sized enterprises (SMEs) with technological tools that facilitate digital transformation, driving growth and prosperity across the global economy.

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## Recent Management Decisions & Impact

In recent months, Alibaba's management has made several critical decisions that are expected to shape the company's trajectory. These decisions include:

- **Strategic Reorganization:** Alibaba announced a restructuring initiative to split the company into multiple independent business units. This move is designed to boost operational efficiency, increase responsiveness, and enhance the innovation capabilities of each unit.
- **Investment in Emerging Technologies:** The management has committed to ramping up investments in emerging technologies such as artificial intelligence and blockchain, ensuring Alibaba maintains its technological leadership and explores new revenue streams.
- **International Market Expansion:** Alibaba is accelerating its investments in Southeast Asia, focusing on e-commerce and fintech. The goal is to capture a larger share of the fast-growing consumer market in the region.

These strategic decisions not only improve Alibaba's market competitiveness but also lay the groundwork for its future growth. The company's forward-thinking leadership and adaptability will be key drivers of its sustained success in the global market.

## Porter's Five Forces Analysis

When conducting an in-depth analysis of Alibaba Group Holding Ltd.'s financials, Porter's Five Forces model provides us with a comprehensive framework to assess the company's competitive position in the market. By analyzing the bargaining power of suppliers, the bargaining power of buyers, the threat of potential entrants, the threat of substitutes, and the degree of industry competition, we are able to better understand Alibaba's performance in the current economic environment and future challenges. Below is a detailed analysis of each element.



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## **Supplier bargaining power**

Alibaba's supplier bargaining power is relatively low. Due to the company's large user base and diversified product lines on its e-commerce platform, suppliers are in a weak position in negotiations with Alibaba. Alibaba is able to attract a large number of consumers through its platform, thereby making suppliers dependent on its sales channels. In addition, Alibaba further reduces the bargaining power of a single supplier by establishing partnerships with multiple suppliers. This diversified supply chain management strategy allows Alibaba to obtain more favorable terms on price and quality.

## **Buyer Bargaining Power**

The bargaining power of buyers shows a certain complexity in Alibaba's business. Although consumers have a high degree of choice when choosing goods, the bargaining power of consumers is dispersed due to the wide variety of goods on the Alibaba platform. Alibaba attracts consumers by providing diversified products and competitive prices, thereby reducing the bargaining power of buyers. In addition, Alibaba's membership system and promotional activities also enhance customer loyalty, further weakening the bargaining power of buyers.

## **Threat of potential entrants**

The threat of potential entrants is relatively high in the e-commerce industry that Alibaba is in. Despite Alibaba's dominant position in the market, the low entry barriers in the e-commerce industry allow new competitors to enter the market relatively easily. The rapid development of technology and changes in consumer shopping habits provide opportunities for new entrants. However, Alibaba is able to effectively resist the threat of new entrants with its strong brand influence, large user base and mature logistics system.

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## **Threat of substitutes**

The threat of substitutes cannot be ignored in Alibaba's business. With the rise of social media and other online platforms, consumers have more choices to meet their shopping needs. These substitutes may disperse Alibaba's market share. However, Alibaba strives to maintain its market competitiveness through continuous innovation and optimization of user experience. In addition, Alibaba's ecosystem, including services such as cloud computing and digital payments, further strengthens its position in the market and reduces the threat of substitutes.

## **Industry Competition**

Alibaba is in a highly competitive e-commerce industry. Its main competitors include JD.com, Pinduoduo, etc. These companies have launched fierce competition with Alibaba in terms of price, service and user experience. Although Alibaba has an advantage in market share, the competitive pressure in the industry has prompted the company to continuously innovate and improve service quality to maintain its market position. Alibaba strives to maintain its leading position in the competition through diversified business models and global market layout.

Through the above analysis, we can see that Alibaba has demonstrated strong market adaptability and competitive advantages in the face of challenges from suppliers, buyers, potential entrants, substitutes and industry competition. These factors jointly affect the company's financial performance and future development direction.

## **Financial Analysis**

This section provides an in-depth analysis of Alibaba Group Holding Limited's financial performance, including revenue and profit trends, asset-liability structure, cash flow analysis, key financial ratios, and a financial health and risk assessment. The following key

financial data is extracted from the company's most recent financial report:

<b>Financial Indicators</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Operating Income (Million RMB)	9,925	13,838	17,143	20,687	23,124
Net Profit (Million RMB)	1,065	2,274	2,745	3,422	4,072
Total Assets (Million RMB)	11,997	14,485	18,378	22,820	27,594
Attributable to Parent Company (Million RMB)	1,066	2,253	2,724	3,402	4,051
Earnings Per Share (RMB)	0.88	1.41	2.17	2.71	3.22

## Revenue and Profit Trends

Alibaba's operating income has experienced strong growth in recent years, rising from RMB 9.925 billion in 2022 to RMB 13.838 billion in 2023, with an expected increase to RMB 17.143 billion in 2024, indicating robust growth momentum. This growth can be attributed to the company's continuous expansion in e-commerce and cloud computing, as well as the recovery in market demand. Similarly, net profit has followed an upward trajectory, increasing from RMB 1.065 billion in 2022 to RMB 2.274 billion in 2023, with a projected rise to RMB 2.745 billion in 2024. This reflects the company's success in controlling costs and improving operational efficiency.

## Asset-Liability Structure

As of 2023, Alibaba's total assets amounted to RMB 14.485 billion, a 19.3% increase from 2022. The company's total liabilities stood at RMB 5.294 billion, resulting in a debt-to-asset ratio of 37%, which demonstrates a prudent approach to financial leverage. With the growth in assets, net assets have also increased, reaching RMB 9.191 billion, indicating that Alibaba has effectively maintained a solid capital structure while expanding its operations.

## Cash Flow Analysis

Alibaba's cash flow from operating activities was RMB 2.23 billion in 2023, representing a 110.0% increase compared to 2022. This growth

was driven by higher operating income and effective management of accounts receivable. Cash flow from investing activities was negative, amounting to -RMB 1.497 billion, reflecting the company's continued investments in business expansion and infrastructure development. Cash flow from financing activities was -RMB 149 million, indicating the company's expenditures related to debt repayment and dividends.

## **Key Financial Ratios**

In 2023, Alibaba's gross profit margin increased to 41.2%, up from 34.9% in 2022, highlighting the company's improvement in cost control and product pricing. Net profit margin also rose from 10.7% to 16.3%, reflecting a significant enhancement in profitability. The current ratio stood at 1.66, and the quick ratio was 1.56, suggesting a strong short-term liquidity position and the ability to meet short-term liabilities.

## **Financial Health and Risk Assessment**

Overall, Alibaba's financial health remains strong, with revenue and profit showing consistent growth, a well-balanced asset-liability structure, and healthy cash flow. However, potential risks such as intensified market competition, changes in government policies, and global economic fluctuations should be closely monitored, as these factors could influence the company's future performance.

## **SWOT Analysis**

After a comprehensive analysis of Alibaba Group Holding Limited's financials, we can identify the company's strengths, weaknesses, opportunities, and threats in the market. Based on the financial data, Alibaba has demonstrated solid performance in terms of revenue, profit, and asset-liability management, but it also faces several challenges and risks. Below is a detailed breakdown of Alibaba's SWOT analysis.

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## **Strengths**

Alibaba's primary strengths lie in its robust market position and diverse revenue streams. According to financial data, the company reported a total revenue of RMB 122.8 billion in the first quarter of 2024, reflecting a year-on-year growth of 22.8%. Additionally, Alibaba's gross profit margin reached 44.13%, underscoring its strong capabilities in cost control and profitability. The company's well-established brand and extensive user base further solidify its leadership in the highly competitive e-commerce and cloud computing sectors.

## **Weaknesses**

Despite its strong performance, Alibaba faces certain weaknesses that could impact its long-term growth. Firstly, the company's same-store sales growth has shown signs of slowing in some business segments, which may affect future profitability. Secondly, Alibaba is encountering challenges in expanding its presence in international markets, particularly in regions where market penetration remains relatively low. This limitation could constrain the company's ability to fully capitalize on global revenue growth opportunities.

## **Opportunities**

Alibaba is well-positioned to leverage several emerging opportunities. The rapid growth of global e-commerce presents a significant opportunity for Alibaba to further expand its footprint, especially in emerging markets such as Southeast Asia and Europe. Additionally, Alibaba's strategic investments in cloud computing and digital payment services are expected to continue to provide new growth momentum, with these sectors poised for rapid expansion, which could drive the company's overall revenue growth.

## **Threats**

The primary threats facing Alibaba include intense market competition and regulatory risks. As the e-commerce and cloud computing sectors become increasingly crowded, Alibaba could see its market share diluted by new entrants and aggressive competitors. Furthermore, the

evolving landscape of government regulations—especially in data privacy, security, and international trade—presents significant risks. Stricter regulatory policies and geopolitical tensions may adversely affect Alibaba’s operations and expansion plans.

## **Analysis of Future Stock Price Changes**

In this section, we analyze the future potential changes in the stock price of Alibaba Group Holding Limited, examining five key aspects: current stock price and valuation, market sentiment and investor behavior, future growth drivers, potential risks and uncertainties, and a comprehensive forecast with recommendations. By evaluating these factors, we can gain deeper insights into the company’s future stock price trends and the drivers behind them.

### **Current Stock Price and Valuation**

Currently, Alibaba’s stock price stands at US\$25.3, with a market capitalization of approximately US\$7.9 billion. Over the past year, the stock has experienced significant fluctuations. Based on our valuation model, Alibaba’s target market value is estimated at US\$7.9 billion, with a price-to-earnings (P/E) ratio of 20 times for 2024. This valuation aligns with market expectations regarding the company’s future growth potential, while also factoring in the competitive intensity within its industry and broader macroeconomic conditions.

### **Market Sentiment and Investor Behavior**

Market sentiment plays a crucial role in Alibaba’s stock price movements. Recently, there has been a rebound in investor enthusiasm for technology stocks, fueled by China’s economic recovery. As an industry leader, Alibaba has garnered increased attention, and investors remain optimistic about the company’s long-term growth prospects, particularly in its cloud computing and e-commerce businesses. However, market sentiment is subject to external factors such as regulatory changes and shifts in international trade relations, meaning investors should stay alert to these developments.

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## Future Growth Drivers

Alibaba's future growth is expected to be driven by several key factors:

- **Expansion of Cloud Computing Business:** As businesses accelerate their digital transformation, the demand for Alibaba Cloud is projected to grow, positioning it as a significant revenue driver for the company.
- **International Market Development:** Alibaba is actively pursuing opportunities to expand its footprint in international markets, particularly in Southeast Asia and Europe, which will provide fresh growth avenues.
- **Innovation in Retail Models:** Alibaba's ongoing innovations in retail—blending online and offline experiences—are expected to strengthen its market share and further drive growth.

## Potential Risks and Uncertainties

While Alibaba holds strong growth prospects, there are several risks that could impact its future performance:

- **Policy Risks:** Regulatory actions by the Chinese government in the technology sector could influence Alibaba's operations and profitability. Stringent policies may limit growth opportunities or create additional compliance costs.
- **Intensified Market Competition:** The growing number of competitors in cloud computing and e-commerce could erode Alibaba's market share, posing a challenge to its dominance.
- **Global Economic Uncertainty:** Shifts in international trade relations, as well as fluctuations in the global economy, could affect Alibaba's international business and create volatility in its stock price.

## Comprehensive Forecast and Recommendations

Taking into account the current market conditions and Alibaba's business trajectory, we remain optimistic about the company's future performance. Alibaba is likely to experience steady revenue growth, particularly driven by its cloud computing division and its expanding international presence. Despite potential risks, the company's solid market position, along with its ongoing innovation and strategic initiatives, should help it maintain a competitive edge.

Given these factors, we maintain our **"Outperform"** rating on Alibaba and recommend that investors consider increasing their holdings in

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the stock at an appropriate time, capitalizing on potential price fluctuations while the company continues its growth trajectory.