BABA gideon lens

Alibaba Group Holding Limited (BABA) - Gideon-Lens Equity Research

Date: 2026-05-25. Analyst: Codex ER2. Price anchor: BABA ADS at USD130.00 from the May 22, 2026 U.S. close captured in the May 25 FMP quote snapshot. Fiscal year end: March 31. Latest reported quarter: Q4 FY2026, quarter ended March 31, 2026, announced May 13, 2026. Reporting currency in source work: RMB, translated in the synthesis at RMB6.898 per USD.

VERDICT BLOCK

Verdict: WATCH

Scorecard:

Gate	Result	Notes
Management	YELLOW	Coherent reset, unproven returns, governance complexity
Moat	YELLOW	Real commerce/cloud moats; 2046 test conditional
P/E <= 15 on confident EPS at TTM + 5 calendar years	PASS	base cushion 25.9%
Compounder Score	Audited 50 / 100	50/100; Alibaba has real commerce and cloud assets, but realized ROIIC, FY2026 FCF, and 20% return underwriting remain too weak for a compounder pass.
Business Quality Score	Audited 48 / 80	48/80; core moats are credible, but cash conversion is weaker than the original five-year metric implies and the cloud/quick-commerce return evidence is still incomplete.
20% Return UW Score	Audited 2 / 20	2/20; the reviewed base and bull cases do not clear a 20% annualized return at USD130 without much stronger endpoint economics.

One-line thesis (or reason to pass): Alibaba now clears the numerical P/E 15 gate at USD130, but the right answer is WATCH because the investment case depends on management proving that FY2026 was a temporary investment trough rather than a structural shift into lower-return quick-commerce and AI/cloud spending.

Kill / trigger criteria:

- BUY trigger: upgrade only if China E-commerce margin recovers above 22.0%, Cloud adjusted EBITA margin moves above 10.0% while growth remains above 25%, and FY2027 FCF stabilizes or turns positive while the stock remains below roughly USD150.
- PASS triggers: FY2027 China E-commerce adjusted EBITA margin below 22.0% while CMR growth is below 4.0%; Cloud adjusted EBITA margin below 10.0% despite revenue growth above 25%; All Others adjusted EBITA loss worse than RMB25B again; FY2027 FCF remains negative while capex stays above RMB100B.
- Upgrade to BUY conditions: management/moat gates move from YELLOW to PASS through operating proof, probability-weighted FY+5 EPS still clears the P/E 15 bar, and the stock offers at least a 15-20% valuation cushion to base-case EPS x 15.

Position sizing if bought: 0% today. If upgraded after proof, cap at 2% of equity book until FCF conversion, VIE/ADR governance, segment capex, and Cloud AI unit economics are less opaque.

Stage 0 - Time Anchor

Today is 2026-05-25. Alibaba's fiscal year ends March 31. The most recently reported quarter is Q4 FY2026, quarter ended March 31, 2026, announced May 13, 2026. The TTM anchor is Q1 FY2026 ended June 30, 2025 plus Q2 FY2026 ended September 30, 2025 plus Q3 FY2026 ended December 31, 2025 plus Q4 FY2026 ended March 31, 2026, which equals

FY2026 and TTM ending March 31, 2026. The forward horizon is TTM plus exactly five calendar years, so every FY+5 reference in this report means March 31, 2031, not a six-year bridge from a stale fiscal anchor.

Stage 1 - Disqualifier Sweep

ROIC is yellow/red because FY2026 operating income fell 64% to RMB50.2B on RMB1.024T of revenue while the company accelerated investment in quick commerce and AI/cloud. FCF conversion is red: FY2026 free cash flow was negative RMB46.6B after RMB76.2B of operating cash flow and RMB126.1B of capex-related cash investment. Leverage is green because Alibaba still had RMB520.8B of cash and other liquid investments at March 31, 2026 and remains highly liquid. End markets are green/yellow: China commerce, AI cloud, international commerce, and local services can grow, but the mix is more competitive and capital-intensive than old Alibaba. Governance is yellow because the VIE/ADR structure, Alibaba Partnership rights, Ant-related complexity, and China geopolitical/regulatory exposure persist. AI disruption exposure is yellow: Alibaba benefits through Cloud and Qwen, but AI agents can also change commerce search, advertising, and merchant-acquisition economics. Pricing power is yellow: China customer management has pricing power, but quick commerce, AIDC, and cloud infrastructure are more competitive.

Management - Summary

The management appendix returns a YELLOW gate. Eddie Wu's strategic reset is coherent: refocus Alibaba on China commerce, AI/cloud infrastructure, Qwen, and more disciplined portfolio management while moving away from the old sprawling conglomerate model. The investment pattern matches the strategy. FY2026 capex rose sharply, R&D increased, Cloud accelerated, quick commerce became the central commerce-frequency initiative, and management kept talking about AI as the next major platform layer. Toby Xu also receives credit for candor: the company directly disclosed negative FCF, lower buybacks, CMR accounting effects, capex pressure, and the balance-sheet capacity to keep investing. That is the good version.

The problem is proof. Wu has been CEO only since September 2023, so the current management team owns the reset but not yet a full cycle of return evidence. FY2026 delivered growth in strategic areas, but also negative FCF, a 56% adjusted EBITA decline, a 64% operating income decline, and a large All Others loss. Buybacks were less supportive as investment intensity rose. Governance remains structurally yellow because Partnership rights, VIE risk, China ADR exposure, and Ant-related disclosures are not temporary issues. Management may be making the right long-term decisions, but Gideon's bar is not strategic coherence alone; it is demonstrated ability to compound capital at high returns. Alibaba has not re-earned that grade yet.

Moat - Summary

The moat appendix also returns YELLOW, including a YELLOW 2046 test. Alibaba's real moat begins with China commerce: merchant tools, customer management, transaction scale, logistics links, consumer traffic, 88VIP, and data loops remain hard to replicate. Cloud Intelligence is the second moat candidate. Its position in China AI infrastructure, Qwen ecosystem, enterprise procurement, Model Studio, and domestic compute stack can become more durable if AI workloads create sticky cloud demand and if Alibaba earns adequate returns on the required infrastructure.

The blended company moat is weaker than the best pieces. China commerce is being defended through quick commerce and local services, which improve frequency but bring lower-margin and subsidy-sensitive economics. Cloud is growing fast, but FY2026 margins stayed near 9% while capex and FCF pressure rose. AIDC is near breakeven but still fights Shopee, Temu, Shein, TikTok Shop, local marketplaces, and regulatory frictions. All Others is a heterogeneous and loss-making bucket, not a single defensible franchise. The 2046 Alibaba can be described credibly: an AI-mediated commerce and cloud platform anchored in Chinese consumer/merchant workflows and enterprise AI infrastructure. But that future depends on owning the AI-mediated commerce interface and converting AI/cloud capex into high-return operating income. Plausible is not proven.

Stage 5 Synthesis - Headline Numbers

The synthesis passed 11 of 11 tie-out checks. This is the big change versus the simplified May refresh: once the full segment model was rebuilt and reviewed from FY2026 actuals, Alibaba clears the numerical P/E 15 gate at the USD130 price anchor. Base-case TTM+5 consolidated revenue is USD217.1B, GAAP-like operating income is USD29.3B, net income is USD25.3B, and EPS is USD10.91 per ADS. Required EPS for a 15x P/E at USD130 is USD8.67, so the base-case cushion is 25.9%.

The operating bridge is not casual. China E-commerce is the largest driver, with reviewed base horizon revenue of RMB745.5B, adjusted EBITA margin of 27.9%, and adjusted EBITA of RMB207.7B. Cloud Intelligence is the most important

strategic upside, with reviewed base horizon revenue of RMB359.6B, adjusted EBITA margin of 15.6%, and adjusted EBITA of RMB56.0B. AIDC becomes modestly profitable at RMB214.9B revenue and RMB8.2B adjusted EBITA. All Others remains a drag even in base case, with RMB305.0B revenue and a RMB10.7B adjusted EBITA loss. The synthesis then applies the FY2026 unallocated/elimination structure, a normalized 20% adjusted-EBITA-to-GAAP-like operating income haircut, tax, FX, and a moderate share-count path from roughly 2.404B ADS to 2.321B ADS over exactly five years.

Case	Revenue	OI	NI	EPS	EPS x 15	vs. USD130
Bear	USD164.4B	USD14.3B	USD12.4B	USD5.32	USD79.84	-38.6%
Base	USD217.1B	USD29.3B	USD25.3B	USD10.91	USD163.71	+25.9%
Bull	USD266.2B	USD44.1B	USD39.0B	USD16.79	USD251.85	+93.7%
Probability-weighted	n/a	n/a	n/a	USD10.41	USD156.18	+20.1%

The model's conclusion is not "cheap, buy it blindly." The bear case fails badly. The base case requires China commerce margin repair, Cloud operating leverage, AIDC profitability, and All Others loss reduction. It also assumes the FY2026 non-GAAP-to-GAAP bridge normalizes rather than staying as harsh as the FY2026 trough. That is why the final verdict remains WATCH. Valuation is no longer the blocking gate; operating proof is.

Red Team - Summary

The red team's strongest argument is that Alibaba may be using its old high-return commerce profit pool to fund two lower-return defensive wars at once: quick commerce and AI/cloud capex. The most-likely-to-be-optimistic Stage 5 number is base FY2031 GAAP-like operating income of RMB201.9B, because it assumes synchronized segment margin recovery plus only a 20% adjusted-EBITA haircut. The forced-exit signal is concrete: rewrite or exit if FY2027 China E-commerce adjusted EBITA margin is below 22.0% while reported CMR growth is below 4.0%. Secondary failure signals are Cloud adjusted EBITA margin below 10.0% despite revenue growth above 25%, All Others losses worse than RMB25B again, and negative FCF with capex still above RMB100B. The red team does not destroy the thesis, but it changes the posture: this is conditional WATCH, not clean BUY.

Kill / Trigger Criteria

- Do not buy if FY2027 China E-commerce adjusted EBITA margin remains below 22.0% while reported CMR growth is below 4.0%.
- Do not buy if Cloud revenue grows above 25% but adjusted EBITA margin remains below 10.0%, because that would indicate AI demand is not converting into operating leverage.
- Do not buy if All Others adjusted EBITA loss remains worse than RMB25B, unless management discloses product-level proof that the loss is tied to high-return Qwen/DingTalk/Amap investments.
- Do not buy if free cash flow remains negative while capex stays above RMB100B and buybacks/dividends continue without a return framework.
- Upgrade toward BUY if China E-commerce margin recovers above 22-24%, Cloud margin expands toward the mid-teens, FCF stabilizes, and the stock still trades below roughly USD150.

Analyst Flags

Alibaba is a foreign issuer/ADR, and the full ER2 quant foundation used official Alibaba releases and the FY2026 20-F as the controlling source where FMP was stale, empty, or currency-mixed. QF and QFR both cleared the official-source override; QFR independently verified the May 13, 2026 FY2026 release, FY2026 PDF, FY2026 20-F, Q1-Q3 FY2026 releases, and FMP discrepancy log. Segment profitability is adjusted EBITA, not GAAP operating income, so the synthesis applies an explicit conversion haircut before EPS. The largest remaining data gaps are Cloud segment capex/depreciation/gross margin/utilization, Cloud AI revenue economics beyond the Q4 RMB8.971B disclosure, quick-commerce GMV/order/subsidy/unit economics, and named-business revenue/margin inside All Others. Those gaps do not block a WATCH verdict, but they do block a full BUY-quality conclusion.

Appendix A - Company Primer

Alibaba Group Holding Limited - Company Primer

Run date: 2026-05-25 Company: Alibaba Group Holding Limited Tickers: BABA / 9988.HK Fiscal year end: March 31 Most recently reported period: Q4 FY2026 and FY2026 ended 2026-03-31, announced 2026-05-13 Forward horizon for the ER2 run: 2031-03-31, exactly five calendar years after the TTM end

Source Discipline

This primer is reader-facing orientation, not the controlling model. All financial figures are from `C:\Users\Admin\OneDrive\GPT\ER 2.0\Alibaba\quant_foundation.md`, which was independently reviewed and cleared for Wave 1. The data package file existed at the time of this write but was still an in-progress placeholder, so it was not used for qualitative context. Live checks were completed on 2026-05-25 against the required source hierarchy: FMP stable endpoints through the local helper, Alibaba's investor relations results page and PDF, and the SEC FY2026 Form 20-F. The FMP annual product segmentation endpoint returned FY2026 CNY absolute values that tie to official consolidated revenue after scaling to RMB millions; the FMP quarterly product segmentation endpoint returned an empty array, consistent with the quant foundation. Official Alibaba and SEC sources control the financials because Alibaba is a foreign private issuer and the quant foundation documented material FMP currency and scale mismatches in several income statement rows.

Primary references used for context:

- Quant foundation: `C:\Users\Admin\OneDrive\GPT\ER 2.0\Alibaba\quant_foundation.md`
- Alibaba FY2026 Q4 and full-year results page: https://home.alibabagroup.com/en-US/document-1991237455038119936
- Alibaba FY2026 Q4 and full-year results PDF: https://data.alibabagroup.com/ecms-files/1532295521/5b1cb883-8d00-4237-a148-6631cc12a5d2/Alibaba%20Group%20Announces%20March%20Quarter%202026%20and%20Fiscal%20Year%202026%20Results.pdf
- SEC FY2026 Form 20-F: https://www.sec.gov/Archives/edgar/data/1577552/000119312526231755/baba-20260331.htm
- Alibaba official business overview page: https://home.alibabagroup.com/en-US/about-alibaba-businesses
- FMP live endpoints checked: `revenue-product-segmentation BABA --param period=annual`, `revenue-product-segmentation BABA --param period=quarter`, and `quote BABA`

Executive Orientation

Alibaba is best understood as a portfolio of commerce, cloud, logistics, local services, media, software, and AI assets built around two central flywheels: consumer and merchant activity in commerce, and developer and enterprise workloads in cloud. The group started as an e-commerce marketplace operator, but the current company is broader than a simple marketplace. Its China consumer platforms connect buyers, merchants, brands, and service providers; its international platforms connect cross-border merchants and consumers; its cloud unit sells infrastructure, platform services, model services, and AI tooling; and the "All others" bucket houses a mixture of logistics, physical retail, health, digital media, navigation, enterprise collaboration, games, consumer AI, and other developing assets.

For an institutional investor approaching Alibaba cold, the first key distinction is between revenue scale and profit quality. FY2026 consolidated revenue was RMB1,023,670 million. The largest segment, Alibaba China E-commerce Group, contributed RMB554,217 million, or 54.1% of consolidated revenue, and generated RMB107,509 million of adjusted EBITA. Cloud Intelligence Group contributed RMB158,132 million, or 15.4%, and generated RMB14,265 million of adjusted EBITA. Alibaba International Digital Commerce Group, or AIDC, contributed RMB144,170 million, or 14.1%, and was close to break-even on an adjusted EBITA basis with a loss of RMB2,051 million. All others contributed RMB254,367 million, or 24.9%, but lost RMB35,737 million of adjusted EBITA. Inter-segment eliminations were negative RMB89,556 million, so the sum of operating segment revenue exceeds consolidated revenue.

The second key distinction is between accounting net income and owner cash generation. FY2026 net income was RMB102,127 million, while non-GAAP net income was RMB60,658 million. But free cash flow was negative RMB46,609 million because operating cash flow of RMB76,213 million was more than consumed by property and equipment investment and other official free cash flow adjustments. The company explicitly tied the cash-flow deterioration to quick commerce

investment and increased cloud infrastructure expenditure. That makes Alibaba a live capital allocation question: the reported net cash and liquid investments are large, but the current strategy is intentionally absorbing cash to fund AI/cloud capacity, quick commerce, user experience, and selected growth initiatives.

The third key distinction is that Alibaba's current segment taxonomy changed in FY2026. Starting with the quarter ended June 30, 2025, Alibaba integrated Taobao and Tmall Group, Ele.me and Fliggy into Alibaba China E-commerce Group, and reclassified Cainiao, Amap, and Hujing Digital Media and Entertainment Group into All others. That matters for any historical bridge. Segment-level work should use the current FY2026 taxonomy from the quant foundation rather than trying to force old reporting lines into the new segments.

Business Overview

Alibaba China E-commerce Group is the domestic consumer commerce core. The customer set has three sides. Consumers use Taobao, Tmall, and related apps to search, compare, buy, receive, and manage goods and services. Merchants and brands use the platforms to reach demand, manage stores, buy traffic, run promotions, sell inventory, and service customers. Local service and quick-commerce participants use the network to fulfill near-term needs such as food, grocery, and non-food local delivery. The economic problem Alibaba solves is discovery and transaction efficiency: it aggregates consumer attention, provides search and recommendation infrastructure, gives merchants tools to convert traffic into orders, and supports post-order logistics and service flows.

The way the China commerce customer buys differs by participant. Consumers usually access the marketplace without paying Alibaba directly for browsing. Merchants pay through customer management services, advertising, marketing tools, value-added services, and transaction-related economics. Some businesses, such as Tmall Supermarket and Tmall Global direct sales, involve Alibaba recognizing revenue from goods or logistics-like activity rather than only high-margin marketplace services. Quick commerce monetization is more complex because order economics include delivery, merchant take rates, user incentives, and, in FY2026, subsidies that can be recorded as contra revenue rather than selling expense. China wholesale, mainly 1688.com, serves business buyers and suppliers in domestic wholesale trade.

Alibaba International Digital Commerce Group is Alibaba's non-China commerce platform portfolio. It includes international retail properties such as AliExpress, Trendyol, Lazada, and Daraz, plus international wholesale through Alibaba.com. The customer can be a global consumer buying low-cost goods cross-border, a brand or merchant selling into overseas markets, or a small and medium-sized business sourcing from suppliers. The platforms solve different versions of the same problem: cross-border discovery, supplier access, product selection, payment, logistics coordination, and merchant operating tools. Retail activity is more consumer-facing and logistics-intensive; wholesale activity is more B2B, subscription, lead generation, and sourcing workflow oriented.

Cloud Intelligence Group sells the infrastructure and software layer that lets enterprises, developers, AI companies, and public-sector customers run digital workloads. Its products include infrastructure as a service, platform services, model services, databases, storage, networking, security, cloud operating tools, and AI model and agent offerings. Customers buy through direct enterprise sales, online self-service, partners, and consumption-based usage. The problem solved is compute and software complexity: customers need elastic infrastructure, AI training and inference capacity, model access, and managed services without owning every data center and system layer themselves.

All others is a broad, mixed segment rather than a single business. It includes Cainiao logistics, Freshippo grocery and retail, Alibaba Health, Hujing Digital Media and Entertainment Group, Amap navigation and local discovery, Qwen Consumer Business Group, Lingxi Games, DingTalk, and other activities. The customers range from consumers ordering groceries or watching media, to merchants buying logistics, to enterprises using collaboration software, to users engaging with consumer AI. The reason this segment is analytically difficult is that it combines assets with very different economics: logistics and grocery are physical and working-capital intensive; media can be content-cost heavy; software and AI services can have better scale characteristics if adoption is strong.

Revenue Architecture

All figures below are FY2026/TTM ended 2026-03-31 and are in RMB millions unless stated otherwise. Percentages are each row divided by consolidated revenue of RMB1,023,670 million; because Alibaba reports segment revenue before eliminations, the positive segment percentages sum to more than 100%.

Segment / item	FY2026 revenue	% of consolidated revenue	FY2026 adjusted EBITA	Adjusted EBITA margin
Alibaba China E-commerce Group	554,217	54.1%	107,509	19.4%
Alibaba International Digital Commerce Group	144,170	14.1%	-2,051	-1.4%
Cloud Intelligence Group	158,132	15.4%	14,265	9.0%
All others	254,367	24.9%	-35,737	-14.0%
Unallocated	2,340	0.2%	-5,150	n/m
Inter-segment elimination	-89,556	-8.7%	-2,420	n/m
Consolidated	1,023,670	100.0%	76,416	7.5%

Alibaba China E-commerce Group is the largest revenue and profit contributor. It has three reported revenue components. Customer management revenue was RMB343,867 million, direct sales, logistics and others was RMB105,518 million, quick commerce was RMB78,520 million, and China commerce wholesale was RMB26,312 million. Customer management is the marketplace monetization engine: merchants buy advertising, recommendations, promotion, and tools to attract traffic and convert orders. Direct sales, logistics and others includes more first-party or service-like activity, including Tmall Supermarket, Tmall Global, goods sales, and logistics services. Quick commerce includes Taobao Instant Commerce and Ele.me; it is a local delivery and instant-need network where scale, order density, AOV, delivery cost, and subsidies determine margin. China wholesale is mainly 1688.com, a domestic B2B sourcing platform.

AIDC is the international commerce growth engine. International commerce retail was RMB117,731 million and international commerce wholesale was RMB26,439 million. The retail platforms are country- and region-specific consumer ecosystems with different business models and logistics intensity. AliExpress is more cross-border and marketplace-oriented; Lazada and Daraz are Southeast and South Asia assets; Trendyol is a Turkey-centered marketplace and commerce ecosystem. Alibaba.com is the global B2B wholesale platform. AIDC's strategic logic is to export Chinese and global supply-chain advantages into overseas demand while adding AI tools for sourcing and merchant operations. Its FY2026 adjusted EBITA loss was small relative to revenue, suggesting the segment is moving from investment mode toward profitability, but the sustainability of that trajectory depends on logistics efficiency and competition.

Cloud Intelligence Group is the AI and cloud platform segment. The segment generated RMB158,132 million of revenue in FY2026. The March quarter release highlighted accelerated external revenue growth and strong AI-related product growth, but the quant foundation uses the annual segment revenue and adjusted EBITA as the controlling base. The segment's revenue is generated from public cloud, private and hybrid deployments, databases, storage, networking, AI training and inference services, Model-as-a-Service, and related software. Cloud is strategically central because it supplies the computing substrate for Alibaba's own AI apps, merchant tools, and enterprise customers. It is also capital intensive: data centers, servers, chips, networking, power, and depreciation are the price of competing in AI cloud.

All others is the largest non-core grouping by revenue but the weakest by segment profitability. FY2026 revenue was RMB254,367 million and adjusted EBITA was negative RMB35,737 million. The segment includes Cainiao, Freshippo, Alibaba Health, Amap, media and entertainment, games, DingTalk, Qwen consumer activities, and other businesses. Some of these assets may be strategically valuable because they deepen the consumer and merchant ecosystem. Others dilute margins because they carry physical retail costs, logistics costs, content costs, or early-stage user acquisition. For modeling, All others should not be treated as one homogeneous asset. It is a portfolio bucket whose future value depends on management's willingness to prune, partner, separate, or scale the right assets.

Geographically, Alibaba's clearest disclosure is effectively segment based rather than a simple consolidated revenue-by-country table in the quant foundation. China commerce is primarily domestic. AIDC is the international commerce exposure. Cloud serves customers worldwide but remains heavily tied to China's digital and AI infrastructure opportunity. All others mixes China-centered assets with some cross-border logistics and technology exposure. For ER2 purposes, the most decision-useful geographic split is therefore China commerce versus international commerce, with cloud analyzed through customer mix and AI demand rather than a broad geography label.

Unit Economics

Alibaba's best unit economics historically come from marketplace-style customer management revenue. A merchant wants sales; Alibaba controls traffic, search, recommendation surfaces, storefront tools, payment and transaction workflows, and buyer data. When the merchant spends on customer management services, the incremental cost to Alibaba can be much

lower than the revenue because the platform is already built and the traffic pool already exists. That is why the China E-commerce Group can produce a 19.4% adjusted EBITA margin despite also containing lower-margin direct sales and quick-commerce activities. The main pressure points are user incentives, merchant subsidies, competition for consumer attention, and the need to invest in AI shopping tools and better user experience.

Direct sales, logistics and other China commerce revenue has lower structural margin than customer management because it can include cost of goods sold, fulfillment, inventory handling, logistics, and customer service. A marketplace advertising dollar can drop through at high contribution margin; a direct-sales dollar must pay for product cost, warehousing, delivery, returns, and spoilage or markdown risk where relevant. This means mix matters. A rise in customer management revenue is usually more valuable than the same RMB of direct sales revenue. The FY2026 release also introduced an accounting wrinkle: certain merchant subsidies tied to marketing spend are recorded as contra revenue to customer management revenue. That can depress reported CMR growth even when underlying merchant activity is healthier on a like-for-like basis.

Quick commerce has the most operationally sensitive unit economics inside China commerce. The revenue opportunity is large because instant delivery can increase order frequency and capture food, grocery, and non-food local demand. But the cost base includes riders or delivery partners, dispatch density, merchant onboarding, customer incentives, refunds, and localized service quality. The business improves as order density rises, average order value increases, basket mix shifts toward higher-value or non-food categories, and delivery routes become more efficient. Management commentary in the FY2026 release described improving unit economics and higher average order value, but the segment still contributed to the group's lower adjusted EBITA and negative free cash flow. The right question is not whether quick commerce can grow revenue; it is whether order density and mix can outrun subsidies and fulfillment cost.

AIDC's unit economics are a blend of marketplace take rate, advertising, membership, logistics, customer acquisition, and cross-border fulfillment. International retail often requires heavier spending on shipping reliability, returns, localization, brand trust, and customer acquisition. International wholesale, by contrast, can have more attractive software and lead-generation characteristics if suppliers pay for visibility, memberships, and AI sourcing tools. The FY2026 adjusted EBITA margin of negative 1.4% indicates the segment is near break-even at scale. That is encouraging, but competition is intense. AliExpress, Lazada, Trendyol, Daraz, and Alibaba.com do not all face the same competitor set or local economics. A durable margin case needs evidence that logistics optimization and operating efficiency are structural rather than a temporary pullback in spending.

Cloud unit economics depend on utilization, product mix, and capex discipline. A cloud dollar pays for servers, accelerators, storage, networking, data center operations, depreciation, energy, support, and R&D. Public cloud and AI products can scale well when infrastructure utilization is high and customers consume higher-level services such as databases, AI model services, and orchestration software. But AI cloud also requires upfront investment in scarce compute capacity and proprietary or third-party chips. In FY2026, Cloud Intelligence produced a 9.0% adjusted EBITA margin, but the group-level free cash flow outflow shows that the strategic investment cycle is capital hungry. The model should separate cloud income statement margin from cash economics: depreciation may lag cash capex, and AI demand can justify capex only if utilization and pricing hold.

All others has mixed and generally unattractive reported economics in FY2026. Logistics businesses can gain scale advantages but require networks, sorting, transport, technology, and working capital. Grocery and physical retail require inventory, stores or fulfillment facilities, cold chain, shrink, and local labor. Media and entertainment require content spend and marketing. Health, navigation, games, DingTalk, and consumer AI have different cost curves and may become profitable at scale, but they are currently reported inside a bucket with negative adjusted EBITA. The segment's negative 14.0% adjusted EBITA margin means the burden of proof is on management to show which parts are strategic feeders to the core ecosystem and which parts should be rationalized.

At the consolidated level, the FY2026 adjusted EBITA margin was 7.5% and GAAP operating margin was about 4.9% based on operating income of RMB50,150 million. That gap reflects share-based compensation, amortization and impairment of intangibles, goodwill impairment and other reconciling items. Net income was boosted by below-operating-line items such as investment marks and disposals, while free cash flow was pulled down by capex and growth investment. This is why Alibaba should not be analyzed using a single headline earnings number. Segment adjusted EBITA, consolidated operating income, non-GAAP net income, and free cash flow each answer a different question.

Customer and Product Workflows

A China consumer's journey begins with intent or browsing in Taobao, Tmall, or adjacent apps. Alibaba tries to turn that attention into a transaction through search, recommendation, reviews, store pages, payments, promotions, customer service, and fulfillment links. The platform's value to the consumer is breadth of selection, price discovery, reliability, and increasingly

AI-assisted shopping. The platform's value to the merchant is access to demand and tools that make demand more measurable and monetizable. The more consumers return frequently and the more merchants can earn acceptable returns on advertising spend, the stronger the customer management revenue loop becomes.

A merchant's journey is different. The merchant opens and manages a storefront, lists products, uses content and promotional tools, buys marketing, fulfills orders, handles returns, and measures conversion. Alibaba monetizes because the merchant is not only paying for a software surface; the merchant is paying for commercial intent. That is the moat-like feature of customer management revenue. But merchants can move budgets across channels if Alibaba's traffic quality, costs, or conversion deteriorate. Short-video platforms, direct-to-consumer channels, and rival commerce platforms create a constant check on pricing power.

A cloud customer buys capacity, reliability, and software leverage. A startup may use self-service public cloud resources; a large enterprise may negotiate direct contracts; a developer may access model APIs or Model Studio; an internal Alibaba business may consume the same infrastructure and AI models. The strategic value of cloud is two-sided. Externally, it sells into China's AI and digital transformation demand. Internally, it powers Alibaba's own e-commerce AI agents, Qwen app, merchant tools, and data systems. That internal-external loop can improve product quality, but it can also obscure the true profitability of AI infrastructure if internal demand grows faster than external paid demand.

Competitive Position

Alibaba's domestic commerce strength rests on scale, merchant relationships, consumer habit, data, payments and logistics adjacency, brand recognition, and a long operating history. The competitive threat is that consumer attention is no longer monopolized by traditional marketplace apps. JD.com remains strong in first-party retail and logistics; PDD competes aggressively on value; Douyin, Kuaishou, and other content platforms compete for discovery and transaction intent; local services competitors compete for food and near-term delivery. Alibaba's response is to improve user experience, integrate AI into shopping, retain high-value customers such as 88VIP members, and use merchant tools to improve return on spend.

AIDC has a different competitive map. In cross-border and international retail, Alibaba faces global marketplaces, regional champions, ultra-low-cost cross-border players, and local retailers. Low prices alone are not enough if delivery, returns, and trust are weak. Alibaba's advantage is supply-chain access and experience operating scaled marketplaces. Its disadvantage is that many international markets are local in payments, regulation, brand trust, and logistics. AIDC approaching break-even is an important milestone, but a long-term investment case needs to see profitable growth across more than one flagship region.

Cloud competes on performance, ecosystem, price, security, compliance, AI tooling, and trust. In China, Alibaba Cloud is one of the key hyperscale providers and benefits from Alibaba's internal technology stack, customer relationships, and Qwen model ecosystem. The competitive set includes other Chinese cloud and AI infrastructure providers, large technology platforms, telecom-linked infrastructure, and specialized AI players. Outside China, global hyperscalers have entrenched positions. Alibaba's differentiated bet is full-stack AI: cloud infrastructure, model families, model services, enterprise agents, and consumer AI surfaces. The question is whether that stack can produce durable revenue growth and cash returns after heavy infrastructure spending.

Balance Sheet, Cash Flow, and Capital Allocation

Alibaba entered the FY2026 year-end with a large liquidity cushion. The quant foundation reports cash and other liquid investments of RMB520,824 million against total debt-like borrowings and notes of RMB259,996 million, implying net cash versus those debt-like obligations of RMB260,828 million. That balance sheet gives management room to invest through an AI/cloud capex cycle, absorb quick-commerce losses, pay dividends, repurchase shares, and restructure or support strategic assets. It also gives the investor a margin of safety at the balance-sheet level, although the value of that cushion depends on disciplined capital allocation.

The cash flow picture is less comfortable. FY2026 operating cash flow was RMB76,213 million, but official free cash flow was negative RMB46,609 million. The major bridge was property and equipment investment of RMB122,021 million, plus smaller official adjustments. This is not a normal low-capex internet platform profile. It is a company choosing to spend heavily on cloud infrastructure, AI capacity, quick commerce, and user experience. That may be the correct strategic choice, but it changes the valuation frame. A P/E screen alone can miss the cash cost of maintaining and growing the AI/cloud platform.

The FY2026 release also announced a regular annual cash dividend of US$0.13125 per ordinary share, or US$1.05 per ADS, with an aggregate amount of approximately US$2.5 billion. The quant foundation also notes FY2026 share repurchases of 73

million ordinary shares for US$1.0 billion and ordinary shares outstanding of about 18.67 billion as of 2026-05-18. Capital returns are meaningful but modest relative to the cash balance and the investment program. The capital allocation question is whether management can turn today's heavy investment into higher-quality earnings by FY2031 without allowing lower-return segments to consume the cash hoard.

Governance, Structure, and Regulatory Context

Alibaba is a Cayman holding company with operations and variable interest entity arrangements typical of large Chinese internet issuers. For a U.S. ADS investor, ownership is economically linked to the group but not identical to direct ownership of all PRC operating assets. That structure is not unusual for the category, but it creates legal, regulatory, and geopolitical risk. Investors should read the 20-F risk factors and structure disclosures directly before underwriting a large position. This primer does not treat the structure as an automatic disqualifier, but it is a permanent risk premium item.

The company also has dual listing and trading considerations. BABA trades on the NYSE as ADSs, while 9988.HK trades in Hong Kong. The quant foundation uses BABA ADS price data from FMP for the valuation anchor, and each ADS represents eight ordinary shares. Cross-listing gives investors multiple liquidity venues, but it does not eliminate U.S.-China audit, sanctions, export control, data security, or market-access risks. Alibaba's cloud and AI ambitions can be affected by chip availability, domestic regulation, and foreign technology restrictions.

Regulatory risk in China internet platforms is not theoretical. Commerce platforms touch consumer protection, merchant practices, competition, data, advertising, financial links, labor and delivery networks, and content. Cloud touches cybersecurity, data localization, enterprise and government workloads, and AI governance. International commerce touches customs, tax, product compliance, privacy, and geopolitical perception. These risks can affect growth, margins, and capital allocation even if they do not appear in a single segment revenue line.

What Matters Most for the ER2 Model

The first modeling question is whether China E-commerce can defend customer management revenue while funding user experience and quick commerce. Because customer management is the highest-quality revenue stream at scale, small changes in growth or margin here can dominate the consolidated outcome. The FY2026 base is mixed: reported CMR was pressured by contra revenue accounting, but like-for-like commentary was healthier; quick commerce grew and improved unit economics, but also weighed on cash flow and adjusted EBITA. The segment model should separate marketplace monetization from direct sales and quick commerce.

The second modeling question is whether Cloud can compound with improving economics despite a heavy capex cycle. Cloud grew strongly in the March quarter, and AI-related products were a major driver of external revenue growth. But the cash cost of AI infrastructure is real. A bullish case needs to show that Model-as-a-Service, AI products, public cloud, and enterprise agents raise revenue per unit of infrastructure and utilization enough to justify the spending. A bearish case is that Alibaba wins revenue growth but earns insufficient cash returns because AI infrastructure is expensive and pricing becomes competitive.

The third modeling question is whether AIDC can become sustainably profitable. AIDC's FY2026 adjusted EBITA loss of RMB2,051 million on RMB144,170 million of revenue is close enough to break-even to matter. If international retail and wholesale can grow while logistics and customer acquisition become more efficient, AIDC could shift from dilution to contribution. If competition forces ongoing shipping subsidies, marketing spend, or low take rates, the segment may continue to absorb profit while adding revenue.

The fourth modeling question is whether All others can stop diluting the core. At FY2026 scale, All others is too large to ignore: revenue of RMB254,367 million is about one quarter of consolidated revenue before eliminations. But the adjusted EBITA loss of RMB35,737 million offsets a meaningful portion of China commerce and cloud profit. The segment contains potentially valuable ecosystem assets, but the model should not assume automatic margin recovery. It needs explicit assumptions for pruning, efficiency, divestitures, or business-level improvements.

The fifth modeling question is capital intensity and cash conversion. Alibaba's net cash position is strong, but FY2026 free cash flow was negative. The ER2 valuation should test whether FY2031 earnings are backed by free cash flow or merely by accounting profits while capex remains elevated. The five-year horizon ends on 2031-03-31, so the right test is not simply "will AI/cloud grow," but "will AI/cloud and commerce investment produce enough normalized earnings and cash flow by that date to justify today's price under the Gideon P/E discipline."

Key Takeaways for Downstream Synthesis

Alibaba is not one business. It is a profitable China commerce core, a growing AI/cloud platform, an international commerce portfolio nearing break-even, and a large mixed bucket of strategic but currently loss-making assets. The China commerce core still funds the group, but the company is deliberately redirecting cash and operating profit toward AI, cloud infrastructure, quick commerce, and user experience. That creates optionality and pressure at the same time.

The highest-quality revenue is customer management revenue inside China commerce because it is linked to merchant demand for traffic and conversion. The most strategically important growth area is cloud and AI, but it is capital intensive. The cleanest upside swing factor may be AIDC moving to sustained profitability. The largest reported drag is All others, where the market should demand evidence of rationalization or a credible path to profit.

For a new reader, the simple mental model is: Alibaba is trying to use a mature commerce cash engine to buy a stronger position in AI-enabled commerce and cloud. The core question is whether that reinvestment produces durable, high-return earnings by 2031, or whether it becomes a cash-consuming defense against competition in too many arenas at once.

Appendix M - Management Assessment

Alibaba Group Holding Limited - Management Assessment

Run date: 2026-05-25. Ticker: BABA / 9988.HK. TTM anchor: FY2026 / TTM ended 2026-03-31. Forward horizon: 2031-03-31. This appendix uses the cleared data package for capital allocation and corporate actions, especially Sections 7 and 9, and current official sources for leadership, governance, and filing context. Alibaba is a foreign private issuer, so the 20-F and Hong Kong/issuer governance disclosures are the proxy-equivalent sources. Sources checked include Alibaba's FY2026 Form 20-F filed with the SEC, Alibaba's current leadership and corporate governance pages, the May 20, 2026 Chairman/CEO shareholder letter, the May 13, 2026 FY2026 results release, and live FMP transcript pulls for the eight quarters from FY2025 Q1 through FY2026 Q4. No warehouse cache was used.

1. Who is running the company

Alibaba is now run by a founder-operator CEO with a finance-oriented CFO and a founder-chaired board. Eddie Yongming Wu has served as chief executive officer and director since September 2023. He is not an outside turnaround executive; he is one of Alibaba's co-founders, was the company's original technology director in 1999, served as CTO of Alipay, ran Alimama, became Taobao CTO in 2008, and later founded Vision Plus Capital. The management read-through is that the board deliberately put a technical founder back in charge as the company re-centered around cloud, AI infrastructure, Qwen, and AI-enabled commerce.

Toby Hong Xu has been chief financial officer since April 2022 after joining Alibaba in 2018 and serving as deputy CFO from July 2019 to March 2022. Before Alibaba he spent 11 years as a PwC partner. The CFO seat therefore has more continuity than the CEO seat for capital returns and financial reporting. Xu owns the capital return messaging, the buyback/dividend balance, and the explanation for why free cash flow has turned negative during the AI/cloud and quick-commerce investment cycle.

The most material operating leader disclosed in the 2026 20-F is Fan Jiang, chief executive officer of Alibaba E-commerce Business Group. Jiang previously served as president of Alibaba International Digital Commerce from January 2022, and before that as president of Taobao, president of Tmall, president of Alimama, and leader responsible for the Taobao app after joining Alibaba in 2013. His remit became more important in FY2026 because Alibaba integrated Taobao/Tmall, Ele.me, and Fliggy into Alibaba China E-commerce Group. Current official leadership also lists Joe Tsai as chairman, J. Michael Evans as director and president, Maggie Wu as director, Jane Jiang as chief people officer, and Sara Yu as general counsel.

The board has ten members. Six are independent directors: Jerry Yang, Wan Ling Martello, Weijian Shan, Irene Lee, Albert Ng, and Kabir Misra. Four are Alibaba Partnership nominees: Joe Tsai, Eddie Wu, J. Michael Evans, and Maggie Wu. On paper, the independent director ratio is acceptable and the audit, compensation, and nominating/corporate governance committees are independent. Albert Ng chairs audit and is identified as the audit committee financial expert. The red flag is not a lack of independent directors; it is the Alibaba Partnership's structural right to nominate or, in limited situations, appoint up to a simple majority of the board. Alibaba has not fully exercised that right today, but it remains an embedded control feature that limits ordinary shareholder influence.

2. Tenure and track record

Eddie Wu has been CEO for about two years and eight months as of May 25, 2026. That is long enough to own the current strategy, but not long enough to underwrite a full five-year capital allocation record as CEO. His three largest decisions are clear.

First, he redirected Alibaba toward AI + Cloud. FY2026 capex reached RMB122.9 billion, 12.0% of revenue, up from RMB86.7 billion in FY2025 and RMB33.2 billion in FY2024. Product development/R&D also rose to RMB66.5 billion, 6.5% of revenue. The results are visible in the data package and FY2026 release: Cloud Intelligence revenue was RMB158.1 billion for FY2026, and the March quarter showed Cloud revenue of RMB41.6 billion, up 38% year over year. This is a credible strategic pivot, not a slide-deck pivot, because the money is actually moving into infrastructure and product development.

Second, Wu and Jiang combined the domestic commerce assets into a broader consumption platform. Starting with the June 2025 quarter, Taobao/Tmall, Ele.me, and Fliggy were integrated into Alibaba China E-commerce Group, while Cainiao, Amap, and Hujing Digital Media and Entertainment moved into All others. Quick commerce revenue reached RMB78.5 billion in FY2026, up 47%, but the tradeoff was severe: Alibaba China E-commerce adjusted EBITA fell 44% to RMB107.5 billion as

quick commerce, user experience, and technology investment absorbed profit. This is the defining management test. If quick commerce protects Taobao frequency and CMR monetization, the investment will look farsighted. If it only subsidizes orders in a competitive category, it will look like expensive share defense.

Third, management pruned non-core retail and kept shareholder returns alive while shifting the cash engine toward investment. Section 9 of the data package notes Sun Art and Intime disposal effects, the Trendyol local consumer service disposal gain, and a move toward core AI/cloud and consumption. That is directionally good portfolio hygiene, but FY2026 free cash flow turned negative RMB46.6 billion. The team has therefore exchanged the old net-cash, high-buyback story for a reinvestment story.

Toby Xu's record is mixed but understandable. From FY2022 to FY2025 Alibaba repurchased RMB60.2 billion, RMB74.8 billion, RMB89.4 billion, and RMB87.4 billion of stock, respectively. In FY2026, repurchases fell to RMB7.6 billion, while dividends were RMB33.7 billion. The company disclosed 73 million ordinary shares repurchased for US$1.0 billion during FY2026, a much lower pace than the prior cycle. That looks capital-rationed rather than mechanical, because the same year had negative FCF and accelerated AI/cloud capex. The discipline question is whether management is truly price-sensitive and opportunity-sensitive, or whether repurchases simply became the residual after large strategic spending.

3. Capital allocation behavior

The five-year capital allocation pattern from the data package is not ambiguous. Capex moved from RMB52.4 billion in FY2022 to RMB34.4 billion in FY2023, RMB33.2 billion in FY2024, RMB86.7 billion in FY2025, and RMB122.9 billion in FY2026. Product development/R&D stayed near 5.6% to 6.5% of revenue, ending FY2026 at RMB66.5 billion. Buybacks were heavy in FY2022-FY2025, then dropped sharply in FY2026. Dividends began in FY2024 at RMB18.1 billion, increased to RMB29.3 billion in FY2025, and RMB33.7 billion in FY2026. M&A/acquisitions net was modest in most years, with the larger signal being divestitures and portfolio cleanup rather than empire-building.

This is consistent with management's stated strategy. The May 2026 Chairman/CEO letter frames Alibaba as entering an AI agent era, with full-stack AI capabilities across infrastructure, models, MaaS, and applications. The May 2026 results release ties the decline in FCF to quick commerce, Qwen user acquisition, and cloud infrastructure. The alignment between words and spending is therefore good. Management is not claiming to optimize near-term margin while quietly spending against it. It is telling investors that the spending is the strategy.

The weakness is that the historical proof is incomplete. FY2026 ROIC in the data package fell to 4.8% after 15.9% in FY2025, and operating margin compressed to 4.9%. That does not mean the AI/cloud investment is wrong; it means investors cannot yet observe whether the incremental RMB122.9 billion of capex earns attractive returns. The cloud revenue acceleration and AI-related product growth are encouraging, but the returns on data centers, proprietary chips, Qwen, quick commerce, and consumer AI applications will be judged over several years, not by FY2026 headlines.

M&A discipline has improved versus Alibaba's older conglomerate sprawl. The company is disposing non-core assets and simplifying segment reporting. That said, the related-party web with Ant Group remains large, and investments affiliated with directors and officers are disclosed. The presence of Vision Plus Capital funds affiliated with Eddie Wu, Yunfeng funds affiliated with Jack Ma, Ant Group arrangements, and VIE equity holders does not make management uninvestable by itself, but it raises the monitoring burden.

4. Compensation alignment

Compensation alignment is adequate but not elite. For FY2026, Alibaba paid and accrued aggregate fees, salaries, and benefits of approximately RMB250 million to directors and executive officers, excluding share-based awards, and granted share-based awards to acquire 28.088 million ordinary shares, equivalent to 3.511 million ADSs. The annual cash bonus pool is based on a percentage of adjusted pretax operating profits. The compensation committee then allocates management bonuses, with the remaining portion available for the Alibaba Partnership and potentially deferred.

The good news is that executive ownership exists. As of May 18, 2026, Joe Tsai beneficially owned 272.5 million ordinary shares, or 1.5%. Eddie Wu owned 19.7 million shares, or 0.1%. Toby Xu owned 1.1 million shares. All directors and executive officers together owned 349.5 million shares, or 1.9%. This is real money, though not founder-control ownership. Eddie Wu's stake is meaningful but not enough by itself to make outside shareholders indifferent to incentive design.

The more important critique is metric quality. The 20-F does not provide a U.S.-style CD&A with named-executive pay tables, target TSR, ROIC hurdles, or multi-year performance metrics. The bonus formula references adjusted pretax operating profits, and equity awards are intended to align with shareholders, but this is less precise than an incentive plan explicitly anchored to

ROIC, per-share FCF, or five-year TSR. Share-based compensation was RMB18.5 billion, RMB15.6 billion, and RMB14.8 billion in FY2024, FY2025, and FY2026, representing 2%, 2%, and 1% of revenue. That is not obviously abusive at Alibaba's scale, and it declined as a percentage of revenue, but it is still a recurring dilution and adjustment item.

There are clawback-like protections at the award level: equity incentive agreements generally permit Alibaba to terminate grants, forfeit/cancel shares, or repurchase shares at original cost if a grantee is terminated for cause, including fraud, dishonesty, ethical breach, or breach of non-compete undertakings. The 20-F says disclosure of action to recover erroneously awarded compensation was not applicable. I did not find a broader, shareholder-friendly recovery discussion that would move compensation to best-in-class.

5. Disclosure quality and candor

The last eight live FMP earnings-call transcripts show better-than-average candor on the central tradeoff. Management repeatedly acknowledges the same pressure points: cloud infrastructure capex, quick-commerce investment, negative or reduced free cash flow, CMR monetization, market share, and competitive intensity. Across FY2026 calls, the most frequent content markers were AI, cloud, investment, quick commerce, margin, CMR, and free cash flow. That is appropriate because those are exactly the investor questions.

On tough questions, Eddie Wu and Toby Xu generally answer directly enough, though not with all the KPIs one would want. On FY2026 Q4, management disclosed operating cash flow of RMB9.4 billion and free cash flow outflow of RMB17.3 billion for the quarter, then linked the outflow to AI competitiveness. In FY2026 Q2, Xu disclosed free cash flow outflow of RMB21.8 billion and directly tied it to quick commerce and AI/cloud infrastructure. In FY2026 Q1, he gave capex of approximately RMB39 billion for the quarter and cited AI + Cloud infrastructure. This is more candid than simply calling everything "investment."

Question handling is strongest in cloud/AI, where Wu gives concrete logic around inference demand, proprietary T-Head supply resilience, MaaS monetization, and the interaction between small edge models and larger cloud workloads. It is weaker in quick commerce, where management explains user frequency, AOV, unit economics, and market share, but does not disclose enough order, subsidy, cohort retention, or contribution margin data to let outside investors fully audit the ROI. The data package flags this as an open data gap: quick-commerce GMV, subsidies, order volume, and full unit economics remain only partially disclosed.

Guidance discipline is not formal U.S.-style guidance. Alibaba gives directional targets and aspirations, not a quarterly revenue/EPS guide. The biggest forward-looking claim is the scale of AI/cloud demand and the willingness to invest above the prior RMB380 billion technology investment plan if demand requires it. That is strategically coherent but raises forecast risk. Language is occasionally promotional around "historic" AI opportunities, but management has also shown a willingness to put unflattering facts in front of investors: negative FCF, EBITA compression, contra-revenue effects on CMR, and Q4 non-GAAP net income pressure.

6. Strategic coherence

Alibaba's stated purpose remains "to make it easy to do business anywhere," but current management has narrowed the operating strategy to two pillars: AI + Cloud and consumption/e-commerce. The May 2026 Chairman/CEO letter says Alibaba's AI has moved beyond initial investment and into commercialization at scale, and the release says management will continue to invest in AI + Cloud to strengthen competitive advantages. The FY2026 capital pattern supports that claim.

The five- to ten-year destination is clearer than it was during the 2023 "1+6+N" restructuring phase. The destination is not a portfolio of semi-independent IPO candidates; it is a reintegrated platform where Taobao/Tmall drives consumption frequency, quick commerce protects engagement, Alibaba Cloud monetizes AI infrastructure and models, and Qwen/MaaS/applications feed both enterprise and consumer demand. That is coherent.

The risk is that coherent does not mean proven. Alibaba is now making two large bets at once. One is an infrastructure bet in a geopolitically constrained AI compute market. The other is a consumption-frequency bet against aggressive competitors in quick commerce and Chinese e-commerce. Management does name these issues, including supply constraints, export control risks, market share, and competitive dynamics, but the company still withholds some granular unit economics. The strategy deserves credit for focus and urgency, but not yet a full management PASS.

7. Governance flags

Governance is the biggest reason this gate cannot be a clean PASS. Alibaba has one class of ordinary shares with one vote per share, but the Alibaba Partnership's board nomination and appointment rights are a weighted voting rights structure under Hong Kong rules. The Partnership currently has 18 members, may have up to 26 excluding continuity partners, and has not fully exercised its board nomination right. Still, the right to nominate or appoint up to a simple majority of the board is durable and can be changed only with a 95% shareholder vote threshold for the relevant article provisions.

Related-party transactions are material and long-running. Ant Group and affiliates received RMB18.0 billion of payment processing and escrow service fees in FY2026, and Alibaba received RMB19.1 billion of cloud services revenue from Ant Group and affiliates. Alibaba holds 33% of Ant Group, while Junhan and Junao hold approximately 32% and 22%, respectively; the 20-F also describes the December 2023 change after which no single person controls Ant Group. These structures are disclosed and committee-reviewed, but they are not simple.

There are also director/officer affiliated items: maintenance and operating costs for the chairman's personal aircraft allocated for business purposes, Vision Plus Capital funds affiliated with Eddie Wu, Yunfeng funds affiliated with Jack Ma, and VIE structures involving selected members of the Alibaba Partnership or management who are PRC citizens. Again, these are disclosed, and the audit committee reviews related-party transactions, but a Gideon-style 20-year compounder should earn a governance discount for this complexity.

No current internal-control failure was found. Management and the auditor concluded internal control over financial reporting was effective as of March 31, 2026, with no material changes that affected internal controls during the period. The company has not been identified as a Commission-Identified Issuer since 2022 under the HFCA context, though PCAOB access remains a China macro risk outside management's control. I did not find a recent SEC enforcement or restatement issue in the checked sources.

8. Peer comparison

Against JD.com, Alibaba's management is more strategically ambitious but less operationally clean. JD's Sandy Xu and Richard Liu-led structure has a clearer retail/logistics operating identity and historically more straightforward fulfillment discipline, but JD also faces its own direct-retail margin and expansion risks. Alibaba's per-dollar opportunity is larger if AI/cloud works; JD's stewardship appears easier to audit.

Against Tencent, Alibaba ranks below on five-year stewardship. Pony Ma and Martin Lau have compounded through disciplined product ecosystems, high-return capital allocation, and a clearer record of converting platforms into durable cash flow. Tencent's communication is generally less noisy because its model is less dependent on large, visible subsidy cycles. Alibaba's new strategy could close the gap, but the proof is still ahead.

Against PDD Holdings, Alibaba is better governed in some formal board-process respects but worse on operating simplicity and disclosed ROI. PDD's Lei Chen / co-CEO structure has delivered exceptional per-dollar marketplace economics, but with thinner disclosure and its own governance questions. Alibaba communicates more completely on strategic architecture, while PDD has been the cleaner recent compounder by operating output.

Net ranking: Tencent first, PDD second on recent per-dollar execution but with disclosure caveats, Alibaba third among this set on five-year stewardship. Alibaba's current team has upgraded strategic coherence materially since 2023, but it has not yet earned the same trust as Tencent's long-cycle managers or PDD's recent operating record.

9. Management gate verdict

Management gate: YELLOW. Eddie Wu is a credible founder-operator with a strategy that matches Alibaba's spending pattern, and Toby Xu has been reasonably direct about the cash-flow cost of AI/cloud and quick commerce. The team is making rational long-term choices: pruning non-core assets, investing behind cloud/AI demand, integrating consumption assets, and preserving a dividend while retaining a large net-cash cushion.

The gate does not reach PASS because the CEO has less than three years in the role, the FY2026 investment surge has not yet proven ROIC, and governance remains structurally complex through the Alibaba Partnership, Ant Group related-party arrangements, and VIE architecture. This is not a FAIL: disclosure is adequate, internal controls are clean, and the strategy is coherent. But for a 20-year compounder standard, Alibaba requires close monitoring of three items: whether Cloud revenue acceleration converts into attractive returns on capex, whether quick commerce reaches positive unit economics without permanent subsidy pressure, and whether the board/Partnership structure continues to protect minority shareholders during the investment cycle.

Appendix W - Moat and 2046 Durability

Alibaba Group Holding Limited - Moat and 2046 Durability

Run date: 2026-05-25. Company: Alibaba Group Holding Limited. Ticker: BABA / 9988.HK. Fiscal year end: March 31. TTM anchor: FY2026/TTM ended 2026-03-31. Forward horizon for the ER2 run: 2031-03-31. This appendix uses the cleared data package at `C:\Users\Admin\OneDrive\GPT\ER 2.0\Alibaba\data_package.md`, the cleared quant foundation, the current primer, Alibaba's FY2026 20-F and FY2026 result materials, Alibaba Cloud's March 2026 AI compute pricing notice, and external live context from Canalys/Omdia-reported China cloud data and USDA/Euromonitor China e-commerce market context. The current segment appendices in this folder were still placeholders at time of writing, so no stale archived appendices were read.

1. Moat taxonomy applied

Network effects are Alibaba's strongest commerce moat, but they are not as impregnable as they were a decade ago. In China commerce, buyers attract merchants, merchants fund customer management spend, and better selection and conversion data make the platform more useful to both sides. The evidence is still observable: FY2026 Alibaba China E-commerce Group produced RMB554.2 billion of revenue and RMB107.5 billion of adjusted EBITA, while customer management services alone were RMB343.9 billion. The weakness is that network effects now operate inside a multi-homing market: merchants and consumers can shift activity to Douyin, Pinduoduo, JD, Xiaohongshu, or private traffic. The network effect remains real, but it is a defended position, not a monopoly flywheel.

Switching costs are moderate in commerce and stronger in cloud. Merchants have operating histories, storefronts, reviews, ad models, campaign workflows, customer-service tooling, and platform-specific data inside Alibaba's ecosystem. Those create friction but not lock-in: merchants follow traffic and return on ad spend. Consumers have lower switching costs except for 88VIP benefits, order history, payment/logistics convenience, and app habit. Cloud switching costs are more durable because workloads, data architecture, security controls, model integrations, observability, and enterprise procurement processes are harder to move. Alibaba Cloud's full stack - IaaS, PaaS, MaaS, Qwen models, Model Studio, proprietary inference chips, and orchestration for heterogeneous chip clusters - creates more embedded customer dependency than a pure commodity compute reseller.

Scale economies are present and important. China commerce's scale lowers the cost of search/recommendation infrastructure, merchant tooling, customer service, payments integration, and ecosystem data. Quick commerce only becomes economically plausible with order density, merchant density, and routing efficiency. Cloud needs massive fixed investment in data centers, chips, networking, power, software, and model R&D; scale is required to amortize that capex over paying external workloads. Alibaba disclosed FY2026 capex of RMB122.9 billion and a multi-year RMB380 billion technology investment plan. That scale is a moat only if utilization and pricing hold.

Brand is meaningful but uneven. Taobao and Tmall remain iconic Chinese commerce properties, Tmall retains premium-brand relevance, Alibaba.com has long global B2B recognition, and Alibaba Cloud is a top China cloud brand. But brand does not fully protect the lower-price, entertainment-commerce, or overseas retail battles. Pinduoduo's value proposition, Douyin's entertainment commerce, JD's logistics/reliability brand, and local international competitors all show that consumer brand power can fragment.

Regulatory and high-trust procurement moats are mixed. In cloud, domestic enterprise, public-sector, data residency, cybersecurity, and AI governance requirements can favor local scale providers with established compliance and support. That helps Alibaba Cloud against foreign hyperscalers in China. The same regulatory environment is also a risk: content, data, platform competition, VIE structure, AI governance, and geopolitics can reduce optionality or require expensive compliance. Regulatory position is therefore a partial moat for cloud procurement and a recurring discount for the equity.

IP and proprietary technology are real but not sufficient on their own. Alibaba has Qwen models, T-Head chips, inference efficiency work, Model Studio, Wukong agents, and commerce recommendation systems. FY2026 filings describe T-Head AI chips in production at scale and Qwen app integration across Taobao/Tmall, Taobao Instant Commerce, Amap, Fliggy, Damai, and Alipay. The moat is not "the model" alone because foundation-model leadership can change quickly. The stronger version is the combination of models, cloud infrastructure, proprietary chips, enterprise tools, consumer surfaces, and transaction data.

2. Per-segment moat

Alibaba China E-commerce Group has the clearest current moat: a two-sided marketplace, merchant monetization stack, broad consumer habit, 88VIP loyalty, and increasing integration of quick commerce, travel, maps, and Qwen. Durability is good over five years, plausible over ten, and uncertain over twenty. It would break if consumer discovery migrates decisively to external AI/content agents and merchants see materially better ROI elsewhere. The earliest signal would be sustained customer management revenue underperformance after adjusting for contra-revenue subsidies, falling 88VIP retention or engagement, and ACEG margin failing to recover after quick-commerce investment normalizes.

AIDC has a thinner moat. It has supply-chain access, cross-border merchant relationships, AliExpress/Trendyol/Lazada/Daraz footprints, and Alibaba.com wholesale brand value. It is near break-even, which matters, but international retail is local, logistics-heavy, price-sensitive, and vulnerable to Temu, TikTok Shop, Amazon, Shopee, MercadoLibre-like regional players, and local regulations. Durability is five-year tactical rather than twenty-year structural. It breaks if logistics optimization stalls, customer acquisition cost rises, or cross-border compliance/tariff regimes compress the low-price proposition. The early signal is AIDC returning to multi-billion-RMB quarterly losses while revenue growth stays single digit.

Cloud Intelligence has the most attractive forward moat if Alibaba can convert AI demand into cash returns. The durable pieces are enterprise switching costs, domestic cloud scale, AI infrastructure capacity, Qwen/MaaS adoption, proprietary chips, and procurement trust. FY2026 Cloud revenue was RMB158.1 billion, up 34%, with a 9.0% adjusted EBITA margin; Q4 Cloud revenue grew 38%, external cloud grew 40%, and AI-related product revenue was RMB9.0 billion, 30% of external cloud revenue. Alibaba Cloud's April 2026 pricing notice for select AI compute and CPFS services is useful evidence that capacity scarcity and hardware-cost pass-through are at least partially possible. Durability is strong over five years, plausible over ten, and conditional over twenty because AI infrastructure may commoditize or be constrained by chip access. The early signal of breakage is rising capex with flat external cloud growth and no improvement in adjusted EBITA or free cash flow.

All others has no single segment-level moat. It contains assets that may have moats individually - Cainiao logistics density, Amap local/navigation data, DingTalk enterprise collaboration, Alibaba Health, Freshippo local retail, Qwen Consumer, games, and media - but the reported bucket lost RMB35.7 billion of adjusted EBITA in FY2026 on RMB254.4 billion of revenue. The segment is a portfolio of options and ecosystem feeders, not a proven high-return franchise. Durability must be assessed asset by asset. The blended moat is clearly weaker than China commerce plus cloud alone because roughly one quarter of gross segment revenue sits in a structurally heterogeneous, loss-making bucket.

The blended company moat is therefore YELLOW rather than clean PASS. Alibaba owns two real moat-bearing platforms: China commerce and China AI/cloud. But the equity is a blend of mature marketplace profits under attack, a capital-intensive cloud/AI buildout, an international commerce portfolio still proving profitability, and a large mixed segment that currently dilutes returns.

3. Margin persistence evidence

Margin persistence is mixed and important. Consolidated operating margin improved from 8.2% in FY2022 to 11.6% in FY2023, 12.0% in FY2024, and 14.1% in FY2025, then fell sharply to 4.9% in FY2026. Consolidated adjusted EBITA margin in FY2026 was 7.5%. That decline is not random noise: management attributed the pressure to investment in technology businesses, quick commerce, and user experience, while free cash flow turned negative RMB46.6 billion because CFO of RMB76.2 billion was more than consumed by PPE and intangibles investment.

Segment margins tell a cleaner story. China E-commerce adjusted EBITA margin was 38.2% in FY2024, 38.0% in FY2025, and 19.4% in FY2026. The collapse is the central moat question. A platform that can reinvest temporarily and then recover margins may still be advantaged; a platform forced into permanent subsidies is not. The data package notes that FY2026 ACEG adjusted EBITA fell 44% as quick commerce, user experience, and technology investment hit margins, while customer management would have grown 8% like-for-like in Q4 excluding contra-revenue impact. This supports a "margin deliberately compressed" reading but does not prove recovery.

AIDC margins moved from negative 7.8% in FY2024 to negative 11.4% in FY2025 and negative 1.4% in FY2026. That is improvement, not moat proof. Cloud adjusted EBITA margin rose from 5.7% in FY2024 to 9.0% in FY2025 and stayed at 9.0% in FY2026 despite a heavy AI investment cycle, which is positive evidence. All others went from negative 3.6% in FY2024 to negative 2.8% in FY2025 and negative 14.0% in FY2026, a clear drag. On the evidence, Alibaba's historic margin persistence supports the existence of a moat in the core, but FY2026 proves the moat is being reinvested aggressively and is not currently translating into high consolidated ROIC or free cash flow.

4. AI disruption stress test

China commerce is both threatened and enabled by AI. Search, recommendations, merchant advertising, product copy, customer service, and shopping assistance are workflow layers that AI can improve. But if neutral AI shopping agents become the consumer's primary interface, Alibaba's customer management revenue is exposed: merchants may pay the agent, content platform, or demand aggregator rather than Taobao/Tmall. Alibaba's defense is distribution and transaction depth. Qwen app integration with Taobao/Tmall, Taobao Instant Commerce, Amap, Fliggy, Damai, and Alipay is an attempt to own the agentic interface rather than be bypassed by it.

AIDC faces similar AI disruption in sourcing and cross-border retail. Accio-like sourcing tools and AI merchant services can make Alibaba.com more useful, but AI also lowers the barrier for competitors to match product discovery, translation, listing generation, and customer support. The moat must live in supplier breadth, compliance, logistics, payments, and buyer trust, not in the workflow software itself.

Cloud is protected by AI more than disrupted by it. This is chokepoint economics: compute capacity, model serving, data center operations, enterprise contracts, security, and scarce chips are physical and procurement bottlenecks. AI can reduce unit costs through better inference scheduling and automation, but it does not eliminate the need for infrastructure. The protected segment is Cloud Intelligence, especially external AI cloud and MaaS. The exposed part is model-only differentiation: Qwen quality matters, but model leadership can rotate.

All others is mixed. Qwen Consumer could become an AI entry point into daily life; DingTalk could be upgraded by enterprise agents; Amap could benefit from agentic local search. Media, games, and consumer AI apps are vulnerable to fast-changing user attention. Grocery/logistics are physical but low margin. The most AI-exposed segment is customer management within China commerce because AI agents can change discovery and ad monetization. The most AI-protected is cloud infrastructure because AI adoption increases demand for capacity, storage, networking, and model services.

5. The 2046 test

Today is 2026-05-25; twenty years forward is 2046-05-25. A credible 2046 Alibaba still exists as a China-centered digital infrastructure and commerce company. It sells AI-mediated commerce access, merchant operating systems, customer management and transaction tools, local service fulfillment, cross-border sourcing and wholesale services, cloud infrastructure, MaaS, model orchestration, data services, enterprise agents, and selected consumer AI services. Its buyers are merchants, brands, consumers, developers, AI-native companies, enterprises, public-sector customers, and international SMEs sourcing or selling through Alibaba networks.

In that 2046 base case, Taobao/Tmall is no longer a simple marketplace app. It is a commerce operating layer where AI agents negotiate intent, inventory, logistics, promotions, payments, and service across merchant systems. Quick commerce has either become a dense, profitable local consumption layer or been rationalized. AIDC remains in wholesale and selected international retail corridors where Alibaba's supply-chain access and merchant tools matter, but it is not the main profit engine. Cloud is larger and more central: enterprises buy domestic AI compute, model serving, orchestration, databases, security, and agent platforms from Alibaba because switching away is costly. All others has been pruned; only assets that feed commerce or cloud survive.

Directional 2046 operating margin should be stable to modestly higher than FY2026 but below the pre-FY2026 China-commerce peak. A plausible long-term blended margin is not 35%-plus, because cloud capex, local fulfillment, international logistics, and compliance are structurally heavier than pure marketplace ads. The reason Alibaba still makes money in 2046 is not "it will be a tech leader." It is that it controls high-frequency commerce demand, merchant monetization tools, domestic AI/cloud infrastructure, model and agent services, and enough ecosystem data/workflows to remain a default platform for Chinese merchants and enterprises.

The bear 2046 is also specific. Consumer attention shifts to rival AI agents embedded in operating systems, super-apps, short-video platforms, or device ecosystems. Merchants stop treating Taobao/Tmall as the highest-ROI demand source. PDD/Douyin-like models keep compressing take rates. Cloud AI becomes capital-intensive utility compute dominated by price, power access, domestic chip supply, and state-linked procurement rather than software margin. Qwen is widely used but not monetized; All others remains a loss bucket; international commerce is trapped in tariff, logistics, and local competition. In that world, Alibaba remains large but earns utility-like returns.

2046 test: YELLOW. The future business can be described concretely, and the cloud plus commerce infrastructure thesis is plausible. But the twenty-year durability depends on two uncertain transitions: Alibaba must keep owning the consumer/merchant interface as AI agents reshape discovery, and it must earn adequate returns on massive AI infrastructure capex.

6. Competitive threat inventory

Threat	Mechanism	Segment(s) affected	Earliest observable signal	Plausibility
PDD/Douyin/JD and content/value commerce	Merchant budgets and consumer discovery shift to lower-price, short-video, social, or logistics-first channels. USDA/Euromonitor context describes China e-commerce as highly competitive, with Douyin and Pinduoduo gaining share through entertainment/social commerce while Tmall/JD faced pressure.	China E-commerce, AIDC indirectly	Customer management growth below GMV/retail market growth; 88VIP engagement softens; merchant ROI commentary worsens; ACEG margin fails to recover after FY2027.	High
AI-cloud price and capex race	Alibaba, Huawei, Tencent, Baidu, telecom/cloud players, and specialized AI providers compete for scarce chips, power, customers, and model ecosystems.	Cloud Intelligence, Qwen, All others	Capex remains above RMB100B annually without external cloud acceleration; AI compute price increases cannot stick; Cloud adjusted EBITA margin falls below mid-single digits.	Medium-high
International localization and compliance	Temu, TikTok Shop, Amazon, Shopee, regional players, tariffs, data rules, and product compliance raise the cost of cross-border retail.	AIDC	AIDC returns to widening losses, retail revenue stays low-single-digit growth, logistics/customer acquisition cost rises.	Medium-high
Portfolio drag and capital misallocation	Loss-making local retail, media, consumer AI, logistics, and strategic apps consume cash that China commerce and cloud generate.	All others, consolidated	All others adjusted EBITA remains worse than negative RMB25B while revenue quality does not improve; disposals slow; FCF stays negative.	Medium

7. Pricing power verification

Pricing power is strongest in cloud AI capacity, moderate in China customer management, and weak or unproven elsewhere. Alibaba Cloud published a March 18, 2026 notice saying surging AI demand and rising core hardware procurement costs required price adjustments for select AI compute services and CPFS for Lingjun effective April 18, 2026, with existing orders protected until renewal. That is not a full proof of durable pricing power, but it is better evidence than management rhetoric: when a provider can raise AI compute prices in a competitive market, scarcity and switching friction are visible.

China commerce pricing power is less clean. Customer management revenue is monetization of merchant demand, and Q4 FY2026 like-for-like CMR growth of 8% suggests the platform still has merchant value. But reported Q4 CMR grew only 1% because of contra-revenue treatment of subsidies, and management is spending heavily on quick commerce, user experience, and technology. True pricing power would show up as sustained merchant spend growth with stable or rising margins after the investment cycle. That has not yet been proven.

AIDC pricing power is weak. Near-breakeven adjusted EBITA shows improved logistics and spending discipline, but cross-border retail is exposed to shipping subsidies, low-price competition, local marketplace rivalry, and FX/regulatory costs. International wholesale may have better pricing power through memberships, leads, and value-added services, but the segment does not disclose enough to underwrite it as a moat by itself.

All others has no observable blended pricing power. Some assets may have local density or software potential, but the segment's negative 14.0% FY2026 adjusted EBITA margin and revenue decline from disposals/Cainiao weakness overwhelm any assertion of pricing power at the segment level.

8. Moat verdict

Moat gate: YELLOW. Alibaba has real moats in China commerce and Cloud Intelligence: network effects, scale economies, merchant tooling, enterprise switching costs, domestic cloud procurement trust, proprietary AI infrastructure, and ecosystem data. The evidence is visible in ACEG's still-large adjusted EBITA base, Cloud's accelerating FY2026 growth with stable 9% adjusted EBITA margin, and Alibaba Cloud's ability to announce AI compute price adjustments. The gate is not PASS because consolidated FY2026 operating margin fell to 4.9%, free cash flow turned negative, AIDC is only near break-even, and All others is a large loss-making portfolio bucket.

2046 test: YELLOW. A specific 2046 Alibaba can be described: an AI-mediated commerce, merchant operating system, domestic AI/cloud infrastructure, MaaS, and enterprise-agent company. That picture is plausible but not inevitable. The main long-run risk is that AI agents and content platforms disintermediate Alibaba's commerce monetization while AI cloud becomes capital-heavy utility infrastructure rather than a high-return software-like platform. The moat is investable only if the synthesis can show credible FY2031 recovery in ACEG margin, cloud cash returns, AIDC profitability, and All others rationalization.

Source notes

- Cleared ER2 data package and quant foundation in `C:\Users\Admin\OneDrive\GPT\ER 2.0\Alibaba\`.
- Alibaba FY2026 Form 20-F, filed 2026-05-20: https://www.sec.gov/Archives/edgar/data/1577552/000119312526231755/baba-20260331.htm
- Alibaba March quarter and FY2026 results, 2026-05-13: https://www.nasdaq.com/press-release/alibaba-group-announces-march-quarter-2026-and-fiscal-year-2026-results-2026-05-13
- Alibaba Cloud AI compute/storage price notice, 2026-03-18: https://www.alibabacloud.com/en/notice/notice_price_adjustment_for_ai_compute_and_storage_services_6ef
- Data Center Dynamics summary of Canalys/Omdia China cloud infrastructure data, 2025-07-12: https://www.datacenterdynamics.com/en/news/cloud-computing-spend-in-china-reached-116bn-in-q1-2025/
- USDA/FAS China e-commerce report using Euromonitor 2025 context: https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=China+E-Commerce+Report+-+Strategic+Insights+for+US+Food+Agricultural+and+Beverage+Exporters_Shanghai+ATO_China+-+People%27s+Republic+of_CH2025-0146.pdf

Appendix B1 - Alibaba China E-commerce Group

Alibaba China E-commerce Group - Segment Deep Dive

Company: Alibaba Group Holding Limited Ticker: BABA / 9988.HK Segment: Alibaba China E-commerce Group TTM anchor: FY2026 / TTM ended 2026-03-31 Forward horizon: 2031-03-31, exactly five calendar years after the TTM end Units: RMB billions unless otherwise stated

Segment profit convention: Alibaba discloses adjusted EBITA, not GAAP operating income, by segment. In this appendix, segment "operating income" and "OI" mean segment adjusted EBITA as the modelable profit proxy. This follows the data package warning and avoids relabeling adjusted EBITA as GAAP operating income. Historical Alibaba figures, segment rows, product rows, quarterly trends, and management commentary are sourced only from `data_package.md`. Where this appendix cites data_package Section 3, the underlying source row is the FY2026 release / FY2026 20-F Note 29; where it cites data_package Section 4 revenue-type rows, the underlying source is FY2025/FY2026 20-F Note 5 or the current-taxonomy revenue table noted in the data package.

0. Segment Boundary + Taxonomy Note

Alibaba China E-commerce Group is a current-taxonomy segment created for FY2026 reporting. Starting with the quarter ended 2025-06-30, Alibaba integrated Taobao and Tmall Group, Ele.me and Fliggy into Alibaba China E-commerce Group, while Cainiao, Amap, and Hujing Digital Media and Entertainment Group moved into All others. The 2026 20-F restates FY2024 and FY2025 under the current structure, so the directly comparable segment history is FY2024-FY2026 only. FY2022-FY2023 old-taxonomy "China commerce" is not used for current-segment dollar CAGR math because it had a different perimeter. [DATA GAP: current-taxonomy comparable Alibaba China E-commerce Group revenue and adjusted EBITA are disclosed only for FY2024-FY2026; FY2022-FY2023 old-taxonomy China commerce is not comparable.] [data_package Section 1, taxonomy flags; Section 3, current-taxonomy table]

1. What This Segment Actually Is

Alibaba China E-commerce Group is the domestic consumption platform that ties together Taobao, Tmall, customer management services, direct sales and logistics-related commerce revenue, quick commerce, and China commerce wholesale. Economically, it is not one business model. It is a layered consumer and merchant system where the most valuable profit pool is a marketplace advertising and merchant-services engine, while the fastest-growing new vector is a lower-margin, fulfillment-heavy quick-commerce push.

The core customer set has two sides. Consumers use Taobao and Tmall to discover, compare, and buy goods from merchants and brands, while merchants and brands pay Alibaba for customer management services such as CPC, CPM, time-based, cost-per-sale, marketing, and software services. The data package identifies customer management services as the clearest monetization line: within the current segment table, Alibaba China E-commerce Group customer management revenue was RMB343.9B in FY2026, or 62.1% of segment revenue. At the consolidated revenue-type level, customer management services were RMB459.9B in FY2026 and include CPC, CPM, time-based, CPS marketing, and software services. [data_package Section 4, revenue-type row: Customer management services; Section 4, sub-segment row: Alibaba China E-commerce Group - Customer management]

The second line is direct sales, logistics, and others. This is revenue where Alibaba is closer to principal, logistics provider, or commerce service operator than pure advertising platform. It was RMB105.5B in FY2026. Its economics are structurally less attractive than customer management because direct sales and logistics include inventory, fulfillment, service, and principal/agent mix issues rather than a mostly digital ad marketplace take rate. [data_package Section 4, sub-segment row: Direct sales, logistics and others]

The third line is quick commerce. This is the segment's most important swing factor. It was RMB78.5B in FY2026, up 46.5% year over year, and Q4 revenue was RMB20.0B, up 57% year over year. The business includes Ele.me/Taobao quick-commerce style on-demand ordering and fulfillment, but Alibaba does not disclose a complete order-volume, subsidy, gross merchandise value, or unit-economics table. Management has nevertheless disclosed a strategic ambition: RMB1T of quick-commerce GMV by FY2028, positive unit economics by the end of FY2027, positive cash flow when the GMV target is achieved, and profitability in FY2029. This line therefore must be modeled as a growth option that currently depresses segment margins. [data_package Section 4, sub-segment row: Quick commerce; Section 5, product quarterly row: Quick commerce; Section 6, Alibaba China E-commerce management commentary; Section 10, open gaps]

The fourth line is China commerce wholesale, associated with the domestic wholesale and 1688.com-related opportunity. It is smaller, at RMB26.3B in FY2026, but it has a more straightforward B2B marketplace/service profile than quick commerce. [data_package Section 4, sub-segment row: China commerce wholesale; Section 5, product quarterly row: China commerce wholesale]

The go-to-market motion is ecosystem-led rather than pure sales-led. Alibaba can distribute new services through very large consumer traffic, merchant tooling, 88VIP membership, Taobao/Tmall search and recommendation surfaces, and local-services fulfillment capacity. That scale creates substantial switching costs for merchants because ad spend, storefront operations, customer data, loyalty, and transaction workflows are intertwined. But the segment now faces a more complicated competitive set than the old Taobao/Tmall marketplace did: PDD competes on value and social commerce, JD competes on quality, direct retail, and logistics, Douyin competes on content-led discovery commerce, and Meituan competes in food delivery and instant retail.

2. Current Economics (FY2026 / TTM)

Alibaba China E-commerce Group generated FY2026/TTM revenue of RMB554.2B and segment adjusted EBITA of RMB107.5B, for a 19.4% adjusted EBITA margin. Segment revenue grew 9.0% year over year, accelerating from 3.7% in FY2025, but adjusted EBITA fell 44% because management reinvested into quick commerce, user experience, and technology. [data_package Section 3, current-taxonomy table; Section 3, current-taxonomy YoY table; Section 10, key takeaways]

The FY2026 revenue mix is:

Line	FY2026 revenue	Share of segment revenue	Evidence
Customer management	343.9	62.1%	Dollar disclosed in current-taxonomy revenue table. [data_package Section 4, sub-segment row: Customer management]
Direct sales, logistics and others	105.5	19.0%	Dollar disclosed in current-taxonomy revenue table. [data_package Section 4, sub-segment row: Direct sales, logistics and others]
Quick commerce	78.5	14.2%	Dollar disclosed; strategically rebranded/integrated in FY2026. [data_package Section 4, sub-segment row: Quick commerce]
China commerce wholesale	26.3	4.7%	Dollar disclosed in current-taxonomy revenue table. [data_package Section 4, sub-segment row: China commerce wholesale]
Segment total	554.2	100.0%	Sum ties to segment revenue. [data_package Section 3, current-taxonomy table]

The segment's recent quarterly trend shows why a single annual margin number is not enough. Q1 FY2026 revenue was RMB140.1B, up 10%, with a 27.4% adjusted EBITA margin. Q2 revenue was RMB132.6B, up 16%, but the margin fell to 7.9%. Q3 revenue was RMB159.3B, up 6%, with a 21.7% margin. Q4 revenue was RMB122.2B, up 6%, with a 19.6% margin. This volatility is consistent with the management commentary that profit may fluctuate quarter to quarter during quick-commerce and user-experience investment. [data_package Section 5, segment quarterly row: Alibaba China E-commerce Group; Section 6, Q2 FY2026 transcript row: "may fluctuate quarter-over-quarter"]

At the product level, Q4 customer management was only up 1% reported, but the company said it would have grown 8% like-for-like excluding the contra-revenue treatment of merchant subsidies. That accounting point matters: customer management is not suddenly ex-growth, but part of its monetization is being masked by subsidy accounting tied to competitive spending. Quick commerce remained the growth standout, with FY2026 quarterly growth of +12%, +60%, +56%, and +57%. China commerce wholesale slowed through the year, from +13% in Q1 and Q2 to +5% in Q3 and +3% in Q4. Direct sales, logistics and others weakened from +7% in Q1 to -6% in Q4. [data_package Section 5, product quarterly rows]

Capital intensity is mostly a group-level issue rather than cleanly disclosed by segment. The data package shows FY2026 consolidated free cash flow turned negative because AI/cloud infrastructure capex and quick-commerce investment consumed operating cash flow, but Alibaba does not provide a segment-level capex table for China E-commerce. [DATA GAP: segment-level capex, depreciation, fulfillment capex, and cash investment for Alibaba China E-commerce Group are not

separately disclosed.] [data_package Section 7, capital allocation notes; Section 10, open gaps]

3. Unit Economics

The core unit economics of Alibaba China E-commerce Group start with marketplace monetization. Customer management is the segment's highest-quality revenue line because the marginal cost of an incremental ad click, sponsored placement, merchant software tool, or take-rate improvement is much lower than the marginal cost of delivering a parcel or subsidizing a meal order. The data package describes customer management services as CPC, CPM, time-based, CPS marketing, and software services. This means the revenue line is tied to merchant return on ad spend, platform traffic quality, conversion, brand participation, merchant competition for visibility, and Alibaba's ability to use AI/recommendation systems to improve ad productivity. [data_package Section 4, revenue-type row: Customer management services]

Customer management revenue becomes profit through a digital gross-margin structure. The main costs are platform technology, traffic acquisition within the app ecosystem, sales and merchant support, anti-fraud and customer-service operations, content moderation, and product development. The reason this line can support high margins is that it monetizes merchant demand rather than taking full inventory or delivery risk. The reason it can break down is that the ad load, effective take rate, or merchant ROI can be pressured by competition from PDD, Douyin, JD, and live-commerce formats. If merchants shift budget to discovery commerce or cheaper traffic, Alibaba may need to trade margin for traffic or merchant subsidies. The Q4 like-for-like disclosure is a useful warning: underlying CMR grew 8%, but reported CMR grew 1% because merchant subsidies created a contra-revenue effect. [data_package Section 4, growth-rate-only/KPI row: Customer management like-for-like; Section 6, Q4 FY2026 release row: "CMR would have grown 8%"]

Direct sales, logistics and others is a more mixed unit-economic line. It contains activities where Alibaba may be principal or where logistics/service delivery economics matter. It therefore has lower structural margin than customer management and more sensitivity to product mix, inventory, returns, fulfillment, procurement, and logistics utilization. The line's historical pattern supports caution: revenue declined from RMB110.8B in FY2024 to RMB103.7B in FY2025, then recovered only modestly to RMB105.5B in FY2026. Q4 was down 6% year over year. [data_package Section 4, sub-segment row: Direct sales, logistics and others; Section 5, product quarterly row: Direct sales, logistics and others]

Quick commerce is the opposite of the core CMR engine. Revenue growth is strong, but the line absorbs subsidies, fulfillment costs, rider/logistics coordination, merchant incentives, and customer acquisition spend. Management disclosed a "RMB 50 billion" quick-commerce investment and separately noted that unit economics and average order value were improving sequentially. This means current losses are not necessarily permanent, but the path is execution-dependent. A quick-commerce order becomes attractive only if order density, basket size, ad/merchant monetization, fulfillment batching, and retention all improve enough to offset delivery and subsidy costs. [data_package Section 6, Q1 FY2026 transcript row: "RMB 50 billion"; Section 6, Q2 FY2026 transcript row: "significant improvement in unit economics"; Section 4, KPI row: Quick commerce unit economics / AOV]

At the segment level, the observed FY2026 margin compression is best interpreted as an intentional investment phase, not a collapse in the core marketplace. Alibaba China E-commerce Group's FY2026 adjusted EBITA margin was 19.4%, down from 38.0% in FY2025 and 38.1% in FY2024 on a current-taxonomy basis. The margin decline is too large to explain by customer management maturity alone. It reflects quick-commerce losses, user-experience investment, technology investment, and subsidy accounting. [data_package Section 3, current-taxonomy table; Section 3, current-taxonomy YoY table]

For modeling, I use current product-level margins as an internal bridge rather than a company disclosure: customer management at about 39%, direct/logistics/others at about 4%, quick commerce at about -45%, and China commerce wholesale at about 18%. Weighted against FY2026 revenue, these assumptions produce RMB107.7B of segment adjusted EBITA, effectively tying to the reported RMB107.5B. [DATA GAP: Alibaba does not disclose adjusted EBITA by China E-commerce sub-line; product-level current margins are model estimates constrained to the reported segment adjusted EBITA total.]

4. Competitive Dynamics

Alibaba operates in the world's largest and most mature online retail market. China's National Bureau of Statistics reported 2025 online retail sales of RMB15.9722T, up 8.6% year over year; online retail sales of physical goods were RMB13.0923T, up 5.2%, and accounted for 26.1% of total retail sales of consumer goods. That context is a double-edged sword. The addressable market is enormous and still growing faster than total retail, but online penetration is already high enough that growth is increasingly share-shift, category expansion, ad monetization, and services attachment rather than a simple first-time online adoption story. [NBS, Total Retail Sales of Consumer Goods in December

2025](https://www.stats.gov.cn/english/PressRelease/202601/t20260120_1962354.html)

The direct competitor set has four main axes. PDD competes through value, group-buying/social mechanics, merchant price pressure, and increasingly broad advertising and transaction services monetization. PDD's 2025 annual report states that revenue, consisting of online marketing services and transaction services, rose 9.7% to RMB431.8457B in 2025. PDD is therefore not merely a low-price retailer; it is a large marketplace monetization competitor for merchant budgets. [PDD Holdings 2025 Form 20-F](https://www.sec.gov/Archives/edgar/data/1737806/000110465926050727/pdd-20251231x20f.htm)

JD competes through authenticity, electronics and appliances strength, direct retail, logistics reliability, and same/next-day fulfillment credibility. JD's 2025 results also show competitive intensity: marketing expenses were 6.4% of net revenues in 2025, up from 4.1% in 2024, primarily because of increased promotional spending for new business initiatives. JD is therefore both a core retail competitor and a quick-commerce/food-delivery competitor with a willingness to invest. [JD.com FY2025 results](https://ir.jd.com/news-releases/news-release-details/jdcom-announces-fourth-quarter-and-full-year-2025-results-and)

Douyin and other content-commerce platforms compete for discovery, entertainment-driven shopping, and merchant ad budgets. Their threat is not necessarily identical SKU-by-SKU replacement; it is the diversion of consumer attention and merchant performance-marketing spend. If product discovery begins in short video rather than Taobao search, Alibaba's customer management take rate and pricing power can erode even if final transactions remain partly on Alibaba platforms.

Meituan competes most directly in local services, food delivery, and instant retail. The quick-commerce fight is not a side issue: it is the bridge between online shopping frequency and offline/local fulfillment. External reporting has described 2025 and early 2026 as a subsidy-heavy battle among Meituan, Alibaba, and JD in food delivery and instant retail, with regulators criticizing race-to-the-bottom price competition. [Retail News Asia, Meituan price-war coverage](https://www.retailnews.asia/meituans-struggles-continue-amidst-food-delivery-frenzy-can-signs-of-easing-price-war-restore-profits/)

Alibaba's strongest competitive advantages are traffic, merchant breadth, brand relationships, marketplace tooling, data, payment and ecosystem integration, 88VIP loyalty, and the ability to cross-sell new commerce surfaces into an existing consumer habit. The data package shows 88VIP members surpassed 53M in Q1, 56M in Q2, 59M in Q3, and 62M in Q4 FY2026, which indicates that Alibaba still has a growing high-value loyalty cohort. [data_package Section 4, KPI row: 88VIP members]

The competitive weakness is that Alibaba cannot simply harvest the marketplace. PDD pressures value and merchant economics. JD pressures trust and fulfillment. Douyin pressures discovery. Meituan pressures instant retail. The strategic rationale for quick commerce is therefore credible: Alibaba is defending consumption frequency and local intent, not just chasing revenue. But the economics are dangerous because the same logic applies to rivals. If every platform believes instant retail protects the core app, industry subsidies can persist longer than a rational unit-economic model would suggest.

5. Segment-Level Moat

Alibaba China E-commerce Group has a real moat, but it is narrower than the historical "Alibaba owns Chinese e-commerce" shorthand. The moat is strongest in customer management services. It comes from merchant density, consumer traffic, ad auction liquidity, product-selection breadth, brand storefront infrastructure, buyer reviews, seller tooling, 88VIP loyalty, and years of transactional data. These attributes create a two-sided marketplace flywheel: merchants need the audience, consumers need the selection, and Alibaba monetizes through ad and merchant-service tools.

The moat is also reinforced by operating know-how. Running Taobao/Tmall at national scale requires fraud control, payments integration, merchant onboarding, dispute resolution, search/recommendation quality, promotion events, logistics coordination, and data systems. A new entrant can subsidize consumers, but it cannot quickly replicate the full merchant operating layer, especially for brand sellers that care about storefront control, data feedback, campaign planning, and trusted commerce infrastructure.

That said, the moat is not absolute. PDD proved that price-led social commerce can take meaningful share in a market Alibaba once appeared to dominate. Douyin proved that attention and content can become commerce distribution. Meituan proved that local-services frequency and logistics density can be a separate consumer habit. JD retains category authority where product authenticity and logistics matter. Alibaba's moat therefore protects relevance and monetization, but not a monopoly share path.

The quick-commerce moat is less proven. Alibaba has advantages from Ele.me, Taobao traffic, merchant relationships, and cross-category demand, but Meituan has deep local-services density and JD has logistics credibility. Quick commerce can strengthen Alibaba's moat if it increases user frequency and gives merchants a broader fulfillment/advertising loop. It can

weaken the moat if it permanently requires subsidies to hold traffic. For the five-year model, I assume quick commerce becomes economically positive but not as structurally profitable as customer management.

Durability over five to ten years depends on three variables. First, can Alibaba keep merchant ROI high enough to sustain CMR growth at or above Chinese online retail growth? Second, can quick commerce shift from subsidy-funded order acquisition to density-funded profitability? Third, can AI-assisted search, recommendation, ads, and customer service improve monetization without making merchants feel taxed. If the answer to all three is yes, the segment can regain high-20s adjusted EBITA margins. If quick commerce stays irrational and discovery shifts away from Taobao/Tmall, the segment is still valuable but the margin ceiling is lower.

6. Historical Growth Rates - Reproduced From Data Package

Because the FY2026 segment taxonomy provides comparable current-taxonomy rows only for FY2024-FY2026, the table below uses two-year comparable CAGR rather than a fabricated three-year CAGR. FY2022-FY2023 old-taxonomy China commerce is intentionally excluded from CAGR math. No back-solved dollar figures are used.

Product / sub-segment	FY2024 revenue	FY2025 revenue	FY2026 / TTM revenue	Comparable CAGR	Most recent YoY	Data package cite
Alibaba China E-commerce Group total	490.1 [data_package Section 3, current-taxonomy row: Alibaba China E-commerce Group]	508.4 [data_package Section 3, current-taxonomy row: Alibaba China E-commerce Group]	554.2 [data_package Section 3, current-taxonomy row: Alibaba China E-commerce Group]	6.3% over FY2024-FY2026	9.0%	Section 3, current-taxonomy table and YoY table
Customer management	308.0 [data_package Section 4, sub-segment row: Customer management]	326.8 [data_package Section 4, sub-segment row: Customer management]	343.9 [data_package Section 4, sub-segment row: Customer management]	5.7% over FY2024-FY2026	5.2% FY2026 reported; Q4 +1% reported and +8% like-for-like	Section 4 sub-segment table; Section 5 product quarterly row; Section 4 KPI row: Customer management like-for-like
Direct sales, logistics and others	110.8 [data_package Section 4, sub-segment row: Direct sales, logistics and others]	103.7 [data_package Section 4, sub-segment row: Direct sales, logistics and others]	105.5 [data_package Section 4, sub-segment row: Direct sales, logistics and others]	-2.4% over FY2024-FY2026	1.7% FY2026; Q4 -6%	Section 4 sub-segment table; Section 5 product quarterly row
E-commerce subtotal	418.8 [data_package Section 4, sub-segment row: E-commerce subtotal]	430.5 [data_package Section 4, sub-segment row: E-commerce subtotal]	449.4 [data_package Section 4, sub-segment row: E-commerce subtotal]	3.6% over FY2024-FY2026	4.4%	Section 4 sub-segment table
Quick commerce	50.9 [data_package Section 4, sub-segment row: Quick commerce]	53.6 [data_package Section 4, sub-segment row: Quick commerce]	78.5 [data_package Section 4, sub-segment row: Quick commerce]	24.2% over FY2024-FY2026	46.5% FY2026; Q4 +57%	Section 4 sub-segment table; Section 5 product quarterly row
China commerce wholesale	20.5 [data_package Section 4, sub-segment row: China commerce wholesale]	24.3 [data_package Section 4, sub-segment row: China commerce wholesale]	26.3 [data_package Section 4, sub-segment row: China commerce wholesale]	13.3% over FY2024-FY2026	8.2% FY2026; Q4 +3%	Section 4 sub-segment table; Section 5 product quarterly row

Internal arithmetic checks:

Row	Tie-out
Segment total	RMB508.4B x 1.090 = RMB554.2B, within rounding.
Customer management	RMB326.8B x 1.052 = RMB343.8B, within rounding to RMB343.9B.
Direct sales, logistics and others	RMB103.7B x 1.017 = RMB105.5B, within rounding.
E-commerce subtotal	RMB430.5B x 1.044 = RMB449.4B, within rounding.
Quick commerce	RMB53.6B x 1.465 = RMB78.5B, within rounding.
China commerce wholesale	RMB24.3B x 1.082 = RMB26.3B, within rounding.

[DATA GAP: a five-year product-level revenue history under the current Alibaba China E-commerce Group taxonomy is not disclosed; the available current-taxonomy dollar series is FY2024-FY2026.]

7. Management Guidance - Quoted From Data Package Section 6

Data package row	Quote/snippet	Interpretation
Q1 FY2026 transcript, 2025-08-29, Eddie Wu	"invest at scale"	Management is explicitly prioritizing long-term consumption-platform share and frequency over near-term margin. The margin model should not assume FY2026 was a one-off cost anomaly unless quick-commerce intensity subsides.

Data package row	Quote/snippet	Interpretation
Q1 FY2026 transcript, 2025-08-29, Hong Xu	"RMB 50 billion"	The quick-commerce investment is large enough to explain the FY2026 adjusted EBITA compression and to remain relevant in FY2027. This is the core reason the segment's reported margin fell despite revenue growth.
Q1 FY2026 transcript, 2025-08-29, Hong Xu	"rapid growth in CMR"	Management expects customer management revenue to benefit from take-rate, QZT/Quanzhantui, and traffic/frequency uplift. This supports a base-case CMR CAGR near reported history despite Q4 reported distortion.
Q2 FY2026 transcript, 2025-11-25, Eddie Wu	"significant improvement in unit economics"	Quick commerce should not be modeled as a permanently linear loss pool. Order density, AOV, retention, and fulfillment efficiency can improve.
Q2 FY2026 transcript, 2025-11-25, Toby Xu	"may fluctuate quarter-over-quarter"	Segment adjusted EBITA volatility is expected during the investment phase. A single strong or weak quarter is not a steady-state margin.
Q3 FY2026 transcript, 2026-03-19, Eddie Wu	"RMB 1 trillion"	The quick-commerce GMV target is large enough to make the line a major revenue driver by FY2028 if achieved. It is also large enough to create continuing investment risk if competitors respond aggressively.
Q3 FY2026 transcript, 2026-03-19, Eddie Wu	"profitable in FY '29"	The segment model should not assume quick commerce is fully normalized by FY2027. Profitability is a medium-term target, not an immediate result.
Q4 FY2026 transcript, 2026-05-13, Unknown Executive	"UE will turn positive"	Positive unit economics by the end of FY2027 is the key bridge from FY2026 losses to FY2031 margin recovery. It does not guarantee full-line profitability before scale and overhead absorption.
Q4 FY2026 release, 2026-05-13, Company	"CMR would have grown 8%"	Reported CMR growth understated underlying monetization because of contra-revenue treatment of merchant subsidies. This is an important base-case support for CMR growth above the Q4 reported +1%.

[DATA GAP: management commentary provides quick-commerce GMV and profitability ambitions, but it does not disclose full order volume, average order value, subsidy per order, contribution margin, or the revenue take-rate bridge needed to convert the RMB1T GMV target into revenue with precision.]

8. Forward Growth Assumptions - Explicit, Per Product

The five-year endpoint is 2031-03-31. Growth compounds from FY2026/TTM revenue, not from FY2025 or an unstated fiscal-year convention. The comparable historical CAGR column uses FY2024-FY2026 because that is the only current-taxonomy history disclosed.

Base Case Revenue Growth

Product	FY2026 base revenue	Comparable historical CAGR	Latest YoY / recency	Mgmt FY+1 guide / anchor	Base CAGR TTM to TTM+5y	Base TTM+5y revenue	Justification
Customer management	343.9	5.7%	FY2026 +5.2%; Q4 +1% reported, +8% like-for-like	"rapid growth in CMR"; "CMR would have grown 8%"	5.0%	438.9	Base growth is slightly below the comparable CAGR but above Q4 reported growth because subsidy accounting masked underlying monetization. This assumes Alibaba sustains merchant ROI through AI-driven ads, QZT/Quanzhantui, and traffic frequency while China's physical online retail market grows mid-single digits.

Product	FY2026 base revenue	Comparable historical CAGR	Latest YoY / recency	Mgmt FY+1 guide / anchor	Base CAGR TTM to TTM+5y	Base TTM+5y revenue	Justification
Direct sales, logistics and others	105.5	-2.4%	FY2026 +1.7%; Q4 -6%	No explicit growth guide	0.5%	108.2	This line is treated as mature and mixed, with direct-sales pressure offset by logistics/service attachment. The base case does not pay for a structural turnaround because the Q4 trend was negative.
Quick commerce	78.5	24.2%	FY2026 +46.5%; Q4 +57%	RMB1T GMV target, positive UE by FY2027 end, profitable in FY2029	16.0%	164.9	The base case assumes material deceleration from FY2026 as the business scales and subsidies become less aggressive, but still strong growth because management is targeting a large GMV pool. The deceleration path is 28%, 22%, 17%, 10%, 5%, which compounds close to 16% and reflects the shift from land-grab to unit economics.
China commerce wholesale	26.3	13.3%	FY2026 +8.2%; Q4 +3%	No explicit growth guide	5.0%	33.6	Wholesale growth is set below its comparable CAGR because Q4 slowed to +3%, but above zero because 1688.com remains relevant for domestic B2B sourcing and merchant digitization.
Segment total	554.2	6.3%	FY2026 +9.0%	Segment investment and CMR / quick-commerce commentary	6.1% implied	745.5	Revenue growth comes mainly from quick commerce and resilient CMR. The segment grows faster than 2025 physical online retail growth because quick commerce is a new category attachment, not pure mature online goods penetration.

Bull Case Revenue Growth

Product	FY2026 base revenue	Comparable historical CAGR	Latest YoY / recency	Bull CAGR TTM to TTM+5y	Bull TTM+5y revenue	Justification
Customer management	343.9	5.7%	FY2026 +5.2%; Q4 +8% like-for-like	7.5%	493.7	Bull CMR assumes the Q4 like-for-like signal is closer to economic reality, AI/recommendation raises merchant ROI, and Alibaba stabilizes share against PDD and Douyin without excessive take-rate concessions.
Direct sales, logistics and others	105.5	-2.4%	FY2026 +1.7%; Q4 -6%	2.0%	116.5	Bull assumes this mixed line stops shrinking as quick-commerce infrastructure and logistics attachment create incremental service revenue, though margins remain below marketplace margins.

Product	FY2026 base revenue	Comparable historical CAGR	Latest YoY / recency	Bull CAGR TTM to TTM+5y	Bull TTM+5y revenue	Justification
Quick commerce	78.5	24.2%	FY2026 +46.5%; Q4 +57%	24.0%	230.1	Bull assumes Alibaba approaches the RMB1T GMV ambition with less revenue leakage from subsidies, improves UE by FY2027 end, and uses Taobao traffic plus Ele.me fulfillment to take share in instant retail.
China commerce wholesale	26.3	13.3%	FY2026 +8.2%; Q4 +3%	7.5%	37.8	Bull assumes wholesale digitization and domestic supply-chain demand recover enough for growth below historical CAGR but above the base case.
Segment total	554.2	6.3%	FY2026 +9.0%	9.7% implied	878.1	The bull case is a share-gain and monetization case: quick commerce scales, CMR stays healthy, and direct/logistics no longer drags the mix.

Bear Case Revenue Growth

Product	FY2026 base revenue	Comparable historical CAGR	Latest YoY / recency	Bear CAGR TTM to TTM+5y	Bear TTM+5y revenue	Justification
Customer management	343.9	5.7%	FY2026 +5.2%; Q4 +1% reported	2.5%	389.1	Bear CMR assumes PDD, Douyin, and JD keep pressuring merchant ROI, subsidy contra-revenue persists, and Alibaba must use price or traffic concessions to defend merchants.
Direct sales, logistics and others	105.5	-2.4%	FY2026 +1.7%; Q4 -6%	-2.0%	95.4	Bear assumes Alibaba deemphasizes low-return direct/principal activities and faces weaker direct-sales/logistics demand, continuing the Q4 direction.
Quick commerce	78.5	24.2%	FY2026 +46.5%; Q4 +57%	8.0%	115.3	Bear assumes quick-commerce growth slows sharply as regulatory pressure and price-war fatigue reduce subsidies, while Meituan and JD prevent Alibaba from translating traffic into durable share.
China commerce wholesale	26.3	13.3%	FY2026 +8.2%; Q4 +3%	2.0%	29.0	Bear assumes domestic B2B demand remains soft and wholesale growth converges toward low-single-digit retail and SME activity.
Segment total	554.2	6.3%	FY2026 +9.0%	2.6% implied	628.8	The bear case is not a collapse; it is a mature-platform outcome where quick commerce does not become a high-return second leg and CMR grows below the market.

9. Forward Operating Margin Assumptions - Explicit and Justified

Current segment adjusted EBITA margin is 19.4%, based on FY2026 adjusted EBITA of RMB107.5B and revenue of RMB554.2B. FY2024 and FY2025 current-taxonomy margins were roughly 38.1% and 38.0%, respectively, so FY2026 is an investment trough rather than a normal margin year. However, a full return to 38% is not the base case because quick commerce becomes a larger part of revenue and should remain structurally lower margin than customer management. [data_package Section 3, current-taxonomy table]

Product-level margins are not disclosed. The current-year bridge below is an internal model constraint, not a company-reported table:

Product	FY2026 revenue	Estimated current margin	Estimated current OI	Rationale
Customer management	343.9	39.0%	134.1	High-margin marketplace advertising and merchant services, pressured by subsidies and competition.
Direct sales, logistics and others	105.5	4.0%	4.2	Mixed principal/logistics/service activities with lower structural margin.
Quick commerce	78.5	-45.0%	-35.3	Heavy quick-commerce investment, subsidies, and fulfillment cost; anchored to management's RMB50B investment comment.
China commerce wholesale	26.3	18.0%	4.7	Smaller marketplace/service line with better economics than direct sales but less scale than CMR.
Segment total	554.2	19.4%	107.7	Ties to reported RMB107.5B adjusted EBITA within rounding.

Base Case Margin

Product	TTM+5y revenue	Base TTM+5y margin	Base TTM+5y OI	Mechanism
Customer management	438.9	42.0%	184.3	CMR margins recover as subsidy distortion eases and AI ad tools improve merchant ROI, but competition prevents a return to monopoly-like harvesting.
Direct sales, logistics and others	108.2	5.0%	5.4	Slight scale and mix improvement, but still a structurally lower-margin line.
Quick commerce	164.9	6.0%	9.9	Positive UE by FY2027 end and profitability in FY2029 allow modest profit by FY2031, but delivery and local-services costs keep margins far below CMR.
China commerce wholesale	33.6	24.0%	8.1	Marketplace/service economics and modest scale leverage support margin expansion.
Segment total	745.5	27.9%	207.7	Segment margin recovers 850 bps from FY2026, driven mostly by quick-commerce losses turning into modest profit.

Bull Case Margin

Product	TTM+5y revenue	Bull TTM+5y margin	Bull TTM+5y OI	Mechanism
Customer management	493.7	45.0%	222.2	Strong merchant ROI, better ad targeting, and less subsidy masking allow CMR to recapture high-margin economics.
Direct sales, logistics and others	116.5	7.0%	8.2	Better logistics attachment and product mix reduce drag.
Quick commerce	230.1	12.0%	27.6	High order density, AOV improvement, merchant monetization, and lower subsidies turn quick commerce into a real profit contributor by FY2031.

Product	TTM+5y revenue	Bull TTM+5y margin	Bull TTM+5y OI	Mechanism
China commerce wholesale	37.8	28.0%	10.6	Wholesale benefits from scale and service monetization.
Segment total	878.1	30.6%	268.5	Margin remains below the FY2024-FY2025 38% area because quick commerce is bigger, but profitability is materially repaired.

Bear Case Margin

Product	TTM+5y revenue	Bear TTM+5y margin	Bear TTM+5y OI	Mechanism
Customer management	389.1	37.0%	144.0	Merchant ROI and ad pricing are pressured by PDD/Douyin/JD, keeping CMR below the base case.
Direct sales, logistics and others	95.4	2.0%	1.9	Weak mix and lower utilization limit recovery.
Quick commerce	115.3	-3.0%	-3.5	Unit economics improve versus FY2026 but the line remains modestly loss-making because competition keeps delivery subsidies and merchant incentives elevated.
China commerce wholesale	29.0	18.0%	5.2	Wholesale stays profitable but lacks enough growth or leverage to matter.
Segment total	628.8	23.5%	147.6	Margin recovers from FY2026 because the RMB50B investment trough is not repeated at the same intensity, but it remains far below pre-reinvestment levels.

[DATA GAP: product-level adjusted EBITA and operating cost allocation are not disclosed; all product margin estimates are model assumptions tied back to the reported segment adjusted EBITA total.]

10. Segment Rollup - Bottoms Up

The rollup below compounds each product line from FY2026/TTM to 2031-03-31 and applies product-level margin assumptions from Section 9. Totals reconcile to the product tables within rounding.

Case	Customer management revenue	Direct/logistics/others revenue	Quick commerce revenue	Wholesale revenue	Segment TTM+5y revenue
Bear	389.1	95.4	115.3	29.0	628.8
Base	438.9	108.2	164.9	33.6	745.5
Bull	493.7	116.5	230.1	37.8	878.1

Case	Customer management OI	Direct/logistics/others OI	Quick commerce OI	Wholesale OI	Segment TTM+5y OI	Segment margin
Bear	144.0	1.9	-3.5	5.2	147.6	23.5%
Base	184.3	5.4	9.9	8.1	207.7	27.9%
Bull	222.2	8.2	27.6	10.6	268.5	30.6%

Interpretation: the base case does not require Alibaba China E-commerce to recover its old high-30s adjusted EBITA margin. It requires CMR to remain a strong mid-single-digit grower, quick commerce to grow at a five-year 16% CAGR while becoming modestly profitable, and direct/logistics/wholesale to be roughly stable contributors. The bear case still produces higher margin than FY2026 because the model assumes the deepest quick-commerce investment losses fade, but it does not assume quick commerce becomes attractive. The bull case requires both growth and margin improvement: quick commerce must become a profitable frequency layer, not only a revenue pool.

11. Key Risks and Wildcards

Bear risk - quick-commerce subsidy persistence: The largest risk is that Meituan, JD, and Alibaba keep treating instant retail as a strategic traffic battleground. In that world, positive unit economics arrive later than management expects, and quick commerce remains a drag even at scale.

Bear risk - CMR monetization pressure: PDD, Douyin, and JD can pressure merchant ROI. If merchants split budgets across more platforms or demand lower ad prices, customer management growth and margin both weaken.

Bear risk - accounting distortion becomes economic reality: Q4 FY2026 CMR was +1% reported but +8% like-for-like. If future subsidy treatment keeps depressing reported CMR and not just accounting presentation, the core monetization engine could look and become weaker than assumed.

Base risk - macro and category mix: China's online retail sales of physical goods grew 5.2% in 2025, but clothing and daily necessities grew much more slowly than food. A weaker discretionary environment would hurt merchant ad budgets and reduce take-rate ambition.

Base/bull wildcard - AI commerce layer: Qwen integration into Taobao/Tmall and AI-assisted search/recommendation could improve discovery, conversion, merchant ROI, customer service, and ad targeting. The data package notes Qwen app integration into Taobao/Tmall services, but no revenue line is disclosed for this benefit.

Bull wildcard - 88VIP and ecosystem frequency: 88VIP membership reached 62M by Q4 FY2026. If this cohort drives higher repeat frequency, cross-category spend, and quick-commerce adoption, Alibaba can defend share with less subsidy than the market expects.

Bear/base regulatory wildcard: Chinese regulators have shown sensitivity to destructive price competition in platform industries. Intervention could be positive if it reduces subsidy wars, or negative if it limits monetization practices, merchant terms, or data-driven advertising.

Bear risk - product-level opacity: Alibaba does not disclose product-level adjusted EBITA for CMR, quick commerce, direct/logistics, or wholesale. The model is constrained to the segment total, but the internal margin mix could differ materially from the estimates here.

Summary Table

The probability weights are intentionally non-uniform. Base receives the highest weight because CMR remains a mid-single-digit grower and management has a concrete path for quick-commerce UE improvement, bear receives more weight than bull because product-level profitability is undisclosed and price-war risk is still live, and bull is capped because it requires both quick-commerce share capture and lower subsidy intensity.

Case	Segment TTM+5y Revenue	Segment TTM+5y Op Margin	Segment TTM+5y Op Income	Probability
Bear	628.8	23.5%	147.6	30%
Base	745.5	27.9%	207.7	50%
Bull	878.1	30.6%	268.5	20%

Appendix B2 - All Others

Alibaba Group Holding Limited - All Others Segment Deep Dive

TTM anchor: FY2026/TTM ended 2026-03-31. Forward horizon: 2031-03-31, exactly five calendar years after the TTM end. Currency: RMB billions unless stated. Segment profit convention: Alibaba discloses adjusted EBITA by segment, not GAAP operating income. This appendix therefore uses adjusted EBITA as the segment operating-profit proxy and labels it as adjusted EBITA/OI proxy where relevant.

Primary source discipline: Alibaba historical segment dollars, growth rates, and management commentary in this file are taken from `C:\Users\Admin\OneDrive\GPT\ER 2.0\Alibaba\data_package.md`, which was DR-cleared for Wave 2. No warehouse cache was used. External sources are used only for competitive context and are cited inline.

0. Segment Boundary And Taxonomy Note

All Others is not comparable across the full five-year Alibaba history because Alibaba changed its reportable structure in FY2026. Starting with the quarter ended 2025-06-30, Cainiao, Amap, and Hujing Digital Media and Entertainment Group were reclassified into All Others, while Taobao and Tmall Group, Ele.me, and Fliggy were integrated into Alibaba China E-commerce Group. The controlling current-taxonomy history for All Others is FY2024-FY2026, as restated in the FY2026 20-F and summarized in data_package Section 1 and Section 3. FY2022-FY2023 old-taxonomy Cainiao and digital-media rows are useful background only; they must not be bridged mechanically into the current All Others total.

1. What This Segment Actually Is

All Others is Alibaba's portfolio segment for businesses that are strategically adjacent to the core commerce and cloud platforms but are not yet large enough, clean enough, or economically stable enough to stand alone in the current reportable structure. Per the data package taxonomy row, the segment includes Freshippo, Cainiao, Alibaba Health, Hujing Digital Media and Entertainment Group, Amap, Qwen Consumer Business Group, Lingxi Games, DingTalk, and other businesses [data_package Section 1, row "All others"].

The customer set is therefore unusually broad. Cainiao serves merchants, merchants' customers, and logistics partners. Freshippo serves offline and online grocery shoppers. Alibaba Health serves consumers, pharmacies, healthcare providers, and merchants in health products and services. Hujing DME includes consumer entertainment use cases such as Youku-style long-form video and media properties. Amap serves consumers and merchants in navigation, local discovery, and mobility-adjacent services. Qwen Consumer is an AI assistant and agentic consumer interface. Lingxi Games is consumer gaming. DingTalk is enterprise collaboration and productivity software.

The pricing models are equally mixed. The logistics and direct-service businesses carry transaction, delivery, service, and gross-merchandise-linked economics. Health and grocery can include marketplace, direct retail, service fee, and advertising economics. Digital media blends subscriptions, advertising, content distribution, and licensing-like monetization. Gaming blends virtual item sales and app-store/platform economics. DingTalk is subscription and enterprise-service oriented. Qwen Consumer, at this stage, should be treated as user traction and strategic distribution rather than a mature revenue line, because the data package gives MAU and integration commentary but no revenue series [data_package Section 4, row "Qwen Consumer / ATH"].

Go-to-market also varies by business. Cainiao is tied to Alibaba merchants, cross-border commerce, and third-party logistics customers. Freshippo is a consumer retail brand that depends on store density, fresh supply chains, and city-level operational execution. Alibaba Health and Amap rely heavily on traffic, trust, search/discovery intent, and integration with Alibaba's broader ecosystem. DingTalk sells to enterprises and organizations and is affected by software procurement cycles. Qwen Consumer can be distributed through Alibaba's existing consumer surfaces and, per the data package, was fully integrated with Taobao/Tmall services in Q4 FY2026 [data_package Section 6, Q4 FY2026 release row "Qwen app fully integrated"].

For modeling, the segment should be viewed as three economic layers rather than a clean product line: first, mature or maturing operating businesses such as Cainiao, Freshippo, health, Amap, games, media, and DingTalk; second, assets affected by FY2026 disposal and reclassification effects; third, newer AI consumer initiatives, especially Qwen Consumer, that can absorb losses before their monetization is proven. Alibaba does not disclose dollar revenue by these named All Others businesses in the data package. That is the central modeling limitation of this appendix.

2. Current Economics

FY2026/TTM All Others revenue was RMB254.4B, down 24.8% year over year, with adjusted EBITA of RMB(35.7)B and a negative 14.0% adjusted EBITA margin [data_package Section 3, current-taxonomy row "All others"; Section 3 YoY row "All others"; source: FY2026 20-F Note 29 and FY2026 Q4/FY release dated 2026-05-13]. The decline was not a clean organic signal. The data package states that All Others revenue fell after Sun Art and Intime disposal effects and Cainiao decline, while Qwen and technology investment widened losses [data_package Section 3 YoY row "All others"; Section 10 downstream warning "All others is not a clean segment for extrapolation"].

Recent quarterly data show the segment was still shrinking on a reported basis, while losses accelerated late in the year. Q1 FY2026 revenue was RMB58.6B, down 28%, with a negative 2.4% adjusted EBITA margin. Q2 revenue was RMB63.0B, down 25%, with a negative 5.4% margin. Q3 revenue was RMB67.3B, down 25%, with a negative 14.5% margin. Q4 revenue was RMB65.5B, down 21%, with a negative 32.3% margin [data_package Section 5, segment quarterly row "All others"; source: Q1/Q2/Q3/Q4 FY2026 release PDFs dated 2025-08-29, 2025-11-25, 2026-03-19, and 2026-05-13]. The quarterly pattern matters: revenue declines moderated slightly from Q1 to Q4, but the margin deterioration was severe in Q4, suggesting the FY2026 exit-rate loss burden is worse than the annual margin alone implies.

Capital intensity is not separately disclosed for All Others. At the consolidated level, Alibaba's FY2026 capex was RMB122.9B, or 12.0% of revenue, and free cash flow was negative RMB46.6B because AI/cloud infrastructure capex and quick-commerce investment consumed operating cash flow [data_package Section 7, FY2026 capital-allocation row and FCF bridge; source: FY2026 official release for capex/FCF/R&D]. Those company-level figures should not be assigned mechanically to All Others. However, All Others contains AI consumer initiatives and technology-heavy businesses that can consume product-development expense, cloud resources, traffic acquisition, and user incentives even when physical capex is not allocated to the segment.

The segment's key named businesses and their disclosed status are:

Business or asset	What the data package discloses	Modeling treatment
All Others total	FY2024-FY2026 revenue and adjusted EBITA; FY2026 quarterly revenue and margin [data_package Section 3 row "All others"; Section 5 row "All others"]	Controlling quantitative base.
Freshippo	Included in All Others [data_package Section 1 row "All others"]	No separate dollar history in data package. Model only as qualitative grocery/retail exposure.
Cainiao	Included in All Others; old-taxonomy FY2022-FY2023 history; FY2026 segment decline partly attributed to Cainiao decline [data_package Section 1; Section 3 old-taxonomy row "Cainiao"; Section 3 YoY row "All others"]	Do not merge old-taxonomy dollars with current-taxonomy All Others. Treat as a material but undisclosed logistics component.
Alibaba Health	Included in All Others [data_package Section 1 row "All others"]	No separate dollar history in data package.
Hujing DME	Included in All Others; old-taxonomy DME history is not comparable [data_package Section 1; Section 3 old-taxonomy row "Digital media and entertainment"]	Qualitative media exposure only.
Amap	Included in All Others [data_package Section 1 row "All others"]	No separate dollar history in data package.
Qwen Consumer Business Group / ATH	KPI-only disclosure; Qwen consumer interface surpassed 300M MAU in Q3 and the Qwen app integrated Taobao/Tmall services in Q4 [data_package Section 4 row "Qwen Consumer / ATH"; Section 6 All Others commentary]	Strategic optionality and loss/investment driver; no revenue line.
Lingxi Games	Included in All Others [data_package Section 1 row "All others"]	No separate dollar history in data package.
DingTalk	Included in All Others; named products do not have full historical revenue series [data_package Section 1 row "All others"; Section 10 data gaps]	Qualitative enterprise SaaS exposure only.

[REVIEWER NOTE: data gap - The data package does not disclose FY2024-FY2026 revenue, adjusted EBITA, unit volumes, subscribers, active buyers, GMV, ARR, or margin by named All Others businesses such as Freshippo, Cainiao, Alibaba Health, Hujing DME, Amap, Qwen Consumer, Lingxi Games, or DingTalk. Qwen is the exception only for KPI-only 300M MAU disclosure; the only dollar-disclosed current-taxonomy line for this appendix is All Others total.]

3. Unit Economics

All Others has no single unit-economic engine. It is better understood as a weighted average of several very different cost curves.

Logistics-like businesses such as Cainiao are scale and utilization businesses. Revenue is tied to parcel volume, cross-border logistics, merchant service adoption, and service-level pricing. Profit depends on route density, sortation efficiency, line-haul costs, labor, fuel or delivery-partner costs, technology, and the degree to which Alibaba can sell services outside the internal commerce ecosystem. High fixed and semi-fixed network costs can create operating leverage when volumes grow, but they also punish the P&L when volume mix weakens, pricing is competitive, or service standards require investment.

Grocery and retail-like businesses such as Freshippo tend to have structurally lower gross margins than software or advertising. Fresh inventory, shrink, store labor, delivery cost, cold-chain complexity, and local density determine profitability. They can become valuable if store density and private-label supply chains improve, but the path is operational rather than purely digital. For the group model, the important point is that high revenue in these lines may not translate into high adjusted EBITA margins.

Health, local services, and map/navigation monetization have better theoretical margin potential if traffic and trust can be monetized through marketplace services, advertising, lead generation, and enterprise tools. Amap in particular can be a high-frequency consumer surface, but the data package gives no All Others revenue bridge or Amap monetization figures. The model therefore cannot credit the segment with high-margin local advertising without evidence.

Digital media and entertainment has hit-driven economics. Content cost is committed ahead of monetization. Subscription and advertising revenue can produce leverage once content amortization is absorbed, but competition for attention and content rights makes durable margins hard. The external benchmark is not especially generous: iQIYI reported FY2025 total revenue of RMB27.29B, down 7% from 2024, with Q4 operating margin of 1% and non-GAAP operating margin of 2%, showing that scaled Chinese long-form video can be low margin even when costs are disciplined ([iQIYI FY2025 results](https://ir.iqiyi.com/news-releases/news-release-details/iqiyi-announces-fourth-quarter-and-fiscal-year-2025-financial/)).

Games can be high margin when a title has durable engagement, but title concentration, platform fees, regulation, and content cycles create volatility. DingTalk-like enterprise software can be attractive over time because subscription revenue and enterprise workflow lock-in can compound, but China's enterprise software monetization has generally been more competitive and lower-ARPU than the U.S. SaaS template. Qwen Consumer is the hardest line to model: the data package says Qwen surpassed 300M MAU and was integrated with Taobao/Tmall services, but it does not disclose revenue or gross margin [data_package Section 6 row "300 million MAU"; Section 6 row "Qwen app fully integrated"]. Qwen can either become a monetizable AI-commerce interface or remain a costly engagement surface.

The FY2026 margin history says the current blend is unfavorable. Adjusted EBITA margin moved from negative 3.6% in FY2024 to negative 2.8% in FY2025, then to negative 14.0% in FY2026 [data_package Section 3 row "All others"]. The worsening is explicitly linked to Qwen/technology investment and disposal/Cainiao pressure [data_package Section 3 YoY row "All others"]. That combination is important: the segment was not merely losing money because it was subscale; losses widened while revenue shrank. The resulting unit-economic question for the next five years is whether the remaining portfolio stabilizes after disposal effects lap and whether Qwen/DingTalk/Amap can monetize traffic at better incremental margins than the retail/logistics/media assets they sit beside.

The base case assumes the loss burden narrows but does not disappear by 2031. The bear case assumes AI consumer spend and logistics/retail competition keep losses structurally high. The bull case gives Alibaba credit for portfolio cleanup, operating discipline, and successful AI-commerce monetization, but still caps the segment at only a mid-single-digit positive margin because the disclosed base contains too many low-margin and loss-making components to justify a software-like margin.

4. Competitive Dynamics

All Others competes in several separate markets. The segment has no single competitor set, and its durability must be assessed line by line.

In logistics, Cainiao competes with JD Logistics, SF Holding, J&T Express, ZTO, YTO, STO, and other Chinese and cross-border logistics providers. The market is large and still growing, but pricing power is mixed. Official State Post Bureau data cited by People's Daily said China's postal and express industry generated RMB1.8T of business revenue in 2025, up 6.4%, and parcel volume reached 216.5B pieces, up 11.5% ([People's Daily / State Post Bureau data](https://en.people.cn/n3/2026/0107/c90000-20411262.html)). Volume growth remains real, but revenue growth below parcel growth implies pressure on revenue per parcel. JD Logistics is a useful competitor marker: JD Logistics revenue

increased 18.8% to RMB217.146B in 2025 from RMB182.837B in 2024, according to JD.com's 2025 20-F ([JD.com 2025 20-F](https://www.sec.gov/Archives/edgar/data/1549802/000119312526157870/d53690d20f.htm)). Cainiao therefore operates in a scale market with large, well-capitalized peers and limited room for easy price increases.

In grocery and fresh retail, Freshippo competes with JD's grocery efforts, Meituan-linked local retail and instant delivery, traditional supermarket chains, and community retail formats. The economics depend on dense urban fulfillment, fresh supply-chain quality, and local demand forecasting. The moat is operational rather than proprietary. Alibaba's ecosystem can supply traffic and payments, but grocery customers can switch if price, freshness, or delivery reliability disappoints.

In health, Alibaba Health competes with JD Health, traditional pharmacies, hospital-linked channels, local medical-service platforms, and short-video commerce. Trust, compliance, SKU breadth, pharmacy relationships, and prescription fulfillment matter more than pure traffic. The segment can benefit from Alibaba's consumer base, but regulatory and reputational constraints limit aggressive monetization.

In media, Hujing DME competes with Tencent Video, iQIYI, short-video platforms, games, social entertainment, and live streaming. This is a structurally difficult market because attention is scarce and content investment is risky. The iQIYI benchmark above shows scaled long-form video is not necessarily a high-margin business. Short-video substitution also compresses time spent on long-form platforms and shifts advertising demand.

In maps, local discovery, and mobility-adjacent services, Amap competes most directly with Baidu Maps and platform-specific local search/discovery surfaces. Mapping has strong data and usage barriers, but consumer monetization can be subtle. Excessive ads or poor routing quality can damage user trust. If Qwen and Amap become an agentic local-discovery layer, the strategic upside improves; if maps remain mostly utility traffic with limited monetization, the margin contribution may stay modest.

In enterprise collaboration, DingTalk competes with Tencent's WeCom, Feishu/Lark, Microsoft 365/Teams in multinational contexts, and vertical SaaS vendors. Enterprise collaboration has switching costs once embedded in workflows, but China's software budgets and willingness to pay can be uneven. DingTalk's moat is strongest where it integrates with Alibaba Cloud, low-code tooling, and enterprise processes; it is weaker where customers see collaboration as a commodity chat/workflow layer.

In consumer AI, Qwen Consumer competes with Baidu's ERNIE assistant, Tencent AI products, ByteDance's AI applications, DeepSeek-style open models, device-level assistants, and global frontier models where accessible. Baidu is already reporting meaningful AI application traction: in Q4 2025, Baidu Core AI-powered business revenue was RMB11.3B, FY2025 AI-powered business revenue was RMB40.0B, AI Cloud Infra was RMB19.8B for FY2025, and ERNIE Assistant MAU reached 202M in December 2025 ([Baidu Q4/FY2025 results](https://ir.baidu.com/news-releases/news-release-details/baidu-announces-fourth-quarter-and-fiscal-year-2025-results/)). Alibaba's Qwen Consumer reported 300M MAU in the data package, so the user scale is credible, but the competitive context says monetization will not be uncontested.

The net competitive picture is mixed. All Others contains some assets with meaningful ecosystem advantages, but few obvious monopoly positions. Logistics and grocery are operationally demanding and price competitive. Media is content-cycle exposed. Enterprise collaboration can have switching costs but faces platform rivals. Qwen has potentially large strategic value, but the consumer AI layer is young and will likely be fought with subsidies, model capex, inference cost, and distribution bundling.

5. Segment-Level Moat

The All Others moat is a portfolio moat, not a segment-wide moat. The segment benefits from Alibaba's traffic, merchant relationships, payments and account infrastructure, cloud/AI stack, data feedback loops, and balance sheet. Those advantages can reduce customer acquisition cost and allow cross-surface monetization that a standalone company might not achieve. Amap can feed local intent into commerce. Qwen can route users into Taobao/Tmall, local services, and productivity workflows. Cainiao can serve Alibaba merchants and cross-border commerce. DingTalk can connect enterprise workflows with Alibaba Cloud and AI capabilities.

However, the segment's reported economics show that these advantages do not currently protect margins. FY2026 adjusted EBITA was RMB(35.7)B on RMB254.4B of revenue [data_package Section 3 row "All others"]. A true segment-level moat would usually show up as pricing power, stable or improving unit economics, or the ability to reinvest without collapsing margin. Instead, FY2026 saw a sharp revenue decline and a large loss expansion. The immediate evidence points to strategic optionality, not present economic moat.

The most defensible pieces are likely those with embedded use cases and ecosystem linkage: Amap as daily-life navigation and discovery, DingTalk as enterprise workflow, Cainiao as merchant/logistics infrastructure, and Qwen as an AI interface that can sit across commerce, services, and productivity. The least defensible pieces are those exposed to commodity price competition or hit-driven content economics. Grocery retail, logistics delivery, and media can all be good businesses in the right hands, but they are less naturally protected than marketplace advertising or cloud infrastructure.

The five-to-ten-year durability question is whether Qwen turns All Others from a collection of adjacent businesses into a higher-level interface layer. If Qwen becomes the user's AI front door for shopping, travel, local services, healthcare discovery, maps, and work, the segment could gain a more coherent moat: user memory, agent workflows, merchant fulfillment, and closed-loop transaction data. If Qwen remains mostly a free assistant layered on top of already competitive businesses, the segment remains a collection of low-to-mid-margin assets funded by the rest of Alibaba.

Base case: limited moat, improving but still negative economics. Bear case: portfolio moat fails to translate into monetization, and competitors force continued investment. Bull case: Qwen/Amap/DingTalk create a differentiated AI-services surface, allowing Alibaba to monetize traffic and workflows without burning as much adjusted EBITA.

6. Historical Growth Rates - Reproduced From Data Package

The table below uses only current-taxonomy dollar figures where the data package provides them. The required 3-year CAGR is not available for current-taxonomy All Others because FY2024-FY2026 is the complete comparable disclosed history. I therefore show "n/m" for 3-year CAGR and add a 2-year comparable CAGR as an analytical bridge. FY2022-FY2023 old-taxonomy Cainiao and digital-media rows are not mixed into the current All Others total.

Product / sub-segment	FY-3 rev	FY-2 rev	FY-1 rev	3-yr CAGR	Most recent YoY	Data package cite
All Others total	FY2024 RMB317.5 [data_package Section 3 row "All others"; Section 4 row "All others total"]	FY2025 RMB338.3 [data_package Section 3 row "All others"; Section 4 row "All others total"]	FY2026/TTM RMB254.4 [data_package Section 3 row "All others"; Section 4 row "All others total"]	n/m; only 2-year comparable history. 2-year comparable CAGR = (10.5)% [calculated from cited FY2024 and FY2026 data]	(24.8)% [data_package Section 3 YoY row "All others"]	FY2026 20-F Note 29 and FY2026 Q4/FY release dated 2026-05-13, as summarized in data_package Sections 3-4.
Named All Others businesses: Freshippo, Cainiao, Alibaba Health, Hujing DME, Amap, Qwen Consumer, Lingxi Games, DingTalk	[DATA GAP: no current-taxonomy FY2024 dollars by named business in data package]	[DATA GAP: no current-taxonomy FY2025 dollars by named business in data package]	[DATA GAP: no current-taxonomy FY2026 dollars by named business in data package]	n/m	n/m	data_package Section 1 composition row "All others"; Section 10 data gap on named product revenue series.

Arithmetic tie-out:

Row	Check	Result
All Others FY2025 YoY	RMB317.5B x (1 + 6.6%) = RMB338.5B versus reported RMB338.3B	Pass; difference about 0.1%, within 2%.
All Others FY2026 YoY	RMB338.3B x (1 - 24.8%) = RMB254.4B versus reported RMB254.4B	Pass; difference about 0.0%, within 2%.
All Others 2-year comparable CAGR	(RMB254.4B / RMB317.5B)^(1/2) - 1	(10.5)% per year.

Historical margin bridge:

Product / sub-segment	FY2024 adjusted EBITA	FY2025 adjusted EBITA	FY2026/TTM adjusted EBITA	FY2026 margin	Data package cite
All Others total	RMB(11.3)B [data_package Section 3 row "All others"]	RMB(9.5)B [data_package Section 3 row "All others"]	RMB(35.7)B [data_package Section 3 row "All others"]	(14.0)% [data_package Section 3 row "All others"]	FY2026 20-F Note 29 and FY2026 Q4/FY release dated 2026-05-13, as summarized in data_package Section 3.

Recent-quarter trend, included because FY2026 exit-rate margin matters for the forward glide path:

Product / sub-segment	Q1 FY2026	Q2 FY2026	Q3 FY2026	Q4 FY2026	Data package cite
All Others total	RMB58.6B / (28)% YoY / (2.4)% adj. EBITA margin [data_package Section 5 row "All others"]	RMB63.0B / (25)% YoY / (5.4)% margin [data_package Section 5 row "All others"]	RMB67.3B / (25)% YoY / (14.5)% margin [data_package Section 5 row "All others"]	RMB65.5B / (21)% YoY / (32.3)% margin [data_package Section 5 row "All others"]	Q1/Q2/Q3/Q4 FY2026 release PDFs dated 2025-08-29, 2025-11-25, 2026-03-19, and 2026-05-13, as summarized in data_package Section 5.

7. Management Guidance - Quoted From Data Package Section 6

Data package row	Verbatim quote or snippet	Topic	Interpretation
Section 6, All Others / Qwen / capital allocation row, Q2 FY2026 transcript, 2025-11-25, Toby Xu	"strategic AI-driven"	All Others mix	The segment now contains AI initiatives that are intentionally investment-heavy. FY2026 losses should not be normalized away unless there is evidence that AI spend is tapering or monetizing.
Section 6, All Others / Qwen / capital allocation row, Q3 FY2026 transcript, 2026-03-19, Toby Xu	"300 million MAU"	Qwen consumer	Qwen has real user traction, but the data package explicitly says there is no mature monetization line. Treat this as option value plus near-term loss burden.
Section 6, All Others / Qwen / capital allocation row, Q4 FY2026 transcript, 2026-05-13, Toby Xu	"USD 38 billion in net cash"	Balance sheet	Alibaba has enough liquidity to fund All Others losses and AI investment, which reduces bankruptcy or forced-cut risk but also means management may tolerate losses for longer.
Section 6, All Others / Qwen / capital allocation row, Q4 FY2026 transcript, 2026-05-13, Toby Xu	"annual dividend of USD 1.05 per ADS"	Shareholder returns	Shareholder returns continue, but this does not impose a hard cap on All Others investment. It is a mild discipline signal, not proof of near-term profitability.
Section 6, All Others / Qwen / capital allocation row, Q4 FY2026 release, 2026-05-13, Company	"Qwen app fully integrated"	AI-commerce integration	Qwen is now tied into Taobao/Tmall and daily-life services, supporting a plausible cross-sell thesis. The missing piece is revenue disclosure.

[REVIEWER NOTE: data gap - Management commentary in the data package does not provide FY2027-FY2031 revenue targets, margin targets, capex allocation, user monetization, or product-level operating metrics for All Others beyond Qwen's KPI-only MAU disclosure.]

8. Forward Growth Assumptions - Explicit, Per Product

Because the data package discloses only All Others total in current-taxonomy dollars, the quantitative forecast line is All Others total. Named businesses are discussed in the justification, but there is no product-dollar split to compound. The endpoint is 2031-03-31, five calendar years after the TTM anchor.

Base-case logic: reported FY2026 decline is distorted by Sun Art/Intime disposal effects and Cainiao decline, so it should not be extrapolated at negative 25% for five years. At the same time, the segment lacks disclosed product-level revenue momentum, and Qwen has no monetization line. The base case assumes reported revenue stabilizes after FY2026, then grows modestly as disposal drag laps, Cainiao/Freshippo/health/Amap/DingTalk are no worse than low-single-digit growers in aggregate, and Qwen begins to add monetizable traffic but not enough to create a new high-growth segment. The base TTM-to-2031 revenue CAGR is 3.7%, taking revenue from RMB254.4B to RMB305.0B.

Bull-case logic: the bull case assumes FY2026 was a trough year for the portfolio after disposals, Qwen's 300M MAU becomes a usable AI-commerce and local-services funnel, DingTalk and Amap gain from AI integration, Cainiao stabilizes in a large logistics market, and media/games do not drag materially. The bull TTM-to-2031 CAGR is 8.9%, taking revenue to RMB390.0B. This is below a hypergrowth AI-app assumption because no Qwen revenue history is disclosed.

Bear-case logic: the bear case assumes FY2026 was not merely a disposal reset. Cainiao remains pressured, grocery and media remain low-return, Qwen/DingTalk/Amap monetization is weaker than usage, and management keeps some investment running because the balance sheet permits it. Revenue declines at a negative 4.7% CAGR to RMB200.0B.

Base Growth Table

Product	Comparable historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	Justification
All Others total	3-year n/m; 2-year comparable FY2024-FY2026 CAGR (10.5)% [data_package Section 3 row "All others"]	FY2026 (24.8)% [data_package Section 3 YoY row "All others"]; Q4 FY2026 (21)% [data_package Section 5 row "All others"]	No explicit FY+1 revenue guide; management describes mix as "strategic AI-driven" and notes Qwen "300 million MAU" and Qwen app integration [data_package Section 6 All Others rows]	3.7%	Disposal drag and Cainiao decline make FY2026 a poor steady-state base. A modest rebound is defensible after the reset, but lack of product-dollar disclosure and competitive pressure in logistics, media, grocery, and AI cap growth below Alibaba's Cloud or China commerce growth assumptions.

Bull Growth Table

Product	Comparable historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
All Others total	3-year n/m; 2-year comparable FY2024-FY2026 CAGR (10.5)% [data_package Section 3 row "All others"]	FY2026 (24.8)% [data_package Section 3 YoY row "All others"]; Q4 FY2026 (21)% [data_package Section 5 row "All others"]	No explicit FY+1 revenue guide; Qwen user traction and integration are the main positive anchors [data_package Section 6 rows "300 million MAU" and "Qwen app fully integrated"]	8.9%	Bull case requires the FY2026 revenue drop to be mostly portfolio/disposal reset, with Qwen/Amap/DingTalk creating new high-frequency AI and local-services monetization. It is still capped below a pure AI-app curve because Qwen revenue is not disclosed and logistics/grocery/media remain lower-growth components.

Bear Growth Table

Product	Comparable historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
All Others total	3-year n/m; 2-year comparable FY2024-FY2026 CAGR (10.5)% [data_package Section 3 row "All others"]	FY2026 (24.8)% [data_package Section 3 YoY row "All others"]; Q4 FY2026 (21)% [data_package Section 5 row "All others"]	No explicit FY+1 revenue guide; management's AI comments imply continued investment rather than near-term monetization certainty [data_package Section 6 All Others rows]	(4.7)%	Bear case assumes FY2026 is not an accounting trough but the start of a smaller, more expensive portfolio. Logistics pricing, grocery execution, media substitution, and AI assistant competition keep revenue under pressure even after disposals lap.

Year-by-year revenue glide path:

Case	FY2026/TTM base	FY2027E	FY2028E	FY2029E	FY2030E	2031-03-31 horizon	5-year CAGR
Bear	254.4	235.0	220.0	210.0	205.0	200.0	(4.7)%
Base	254.4	250.0	262.0	276.0	290.0	305.0	3.7%
Bull	254.4	270.0	295.0	325.0	358.0	390.0	8.9%

Thesis-consistency check: the base case does not pretend a segment currently declining 21%-25% is already growing. FY2027 remains slightly down in the base case, then improves as disposal effects lap and Qwen/Amap/DingTalk monetization gradually contributes. The bull case requires an earlier inflection, but still uses only high-single-digit five-year growth. The bear case continues to shrink but at a slower rate than FY2026 because even under stress, the most abrupt disposal effects should not recur indefinitely.

9. Forward Operating Margin Assumptions

Current FY2026 adjusted EBITA margin is negative 14.0%, with Q4 FY2026 at negative 32.3% [data_package Section 3 row "All others"; Section 5 row "All others"]. Because Alibaba does not disclose margin by named All Others business, the forward margin is modeled at the segment level rather than by fabricated product mix.

Base margin assumption: adjusted EBITA margin improves from negative 14.0% in FY2026 to negative 3.5% in 2031. The mechanism is disposal drag lapping, better cost discipline in the remaining retail/logistics/media assets, some scale in DingTalk/Amap, and partial Qwen monetization. This is a greater than 100 bps improvement, but it is not an aggressive return

to profitability. The reason is that Qwen and other AI-driven initiatives likely continue to require model, product, traffic, and inference investment. Management's "strategic AI-driven" language supports continued spend [data_package Section 6 All Others row].

Bull margin assumption: adjusted EBITA margin reaches positive 4.0% in 2031. The mechanism is not broad pricing power across the whole segment; it is portfolio cleanup plus AI-enabled monetization. Qwen's integration into commerce and daily-life services could create higher-margin referral, advertising, transaction, or enterprise workflow revenue. Amap and DingTalk could benefit from AI features with lower incremental fulfillment costs. Loss-making media/grocery/logistics assets would need either to stabilize or be rationalized. This is the upside case, not the base case.

Bear margin assumption: adjusted EBITA margin remains negative 18.0% in 2031. The mechanism is continued AI consumer spending without matching revenue, logistics/grocery competition, content/media cost pressure, and weaker operating leverage after revenue contraction. This margin is less negative than Q4 FY2026's negative 32.3% but worse than FY2026's full-year negative 14.0%, because the bear case assumes Q4 was not purely a one-time trough.

Margin glide path:

Case	FY2026/TTM margin	FY2027E	FY2028E	FY2029E	FY2030E	2031-03-31 horizon margin	Mechanism
Bear	(14.0)%	(17.0)%	(19.0)%	(20.0)%	(19.0)%	(18.0)%	AI spend persists, logistics/grocery/media remain competitive, revenue contraction limits leverage.
Base	(14.0)%	(12.0)%	(8.0)%	(6.0)%	(4.0)%	(3.5)%	Disposal effects lap, cost discipline improves, Qwen/Amap/DingTalk monetization offsets but does not eliminate losses.
Bull	(14.0)%	(10.0)%	(5.0)%	(1.0)%	2.0%	4.0%	Portfolio cleanup and AI-commerce monetization create positive leverage; low-margin assets stop absorbing incremental losses.

Operating income / adjusted EBITA proxy glide path:

Case	FY2026/TTM adjusted EBITA	FY2027E	FY2028E	FY2029E	FY2030E	2031-03-31 horizon adjusted EBITA/OI proxy
Bear	(35.7)	(40.0)	(41.8)	(42.0)	(39.0)	(36.0)
Base	(35.7)	(30.0)	(21.0)	(16.6)	(11.6)	(10.7)
Bull	(35.7)	(27.0)	(14.8)	(3.3)	7.2	15.6

The base case still has negative adjusted EBITA in 2031 because the segment's disclosed facts justify humility. A 1,050 bps improvement from negative 14.0% to negative 3.5% already assumes significant operating repair. The bull case requires the market to see Qwen and related AI surfaces as revenue products, not only engagement products. The bear case is the warning that user scale without monetization can be a value trap if inference, model, content, fulfillment, and customer-acquisition costs keep rising.

10. Segment Rollup - Bottoms-Up And Arithmetic Tie

The only dollar-disclosed current-taxonomy product/sub-segment line is All Others total, so the segment rollup is mathematically a one-line build. This is a limitation, but it is the only method consistent with the data package. No hidden product split is used.

Case	Product / sub-segment	TTM+5 revenue	TTM+5 margin	TTM+5 adjusted EBITA/OI proxy	Tie-out
Bear	All Others total	200.0	(18.0)%	(36.0)	RMB200.0B x (18.0)% = RMB(36.0)B.
Base	All Others total	305.0	(3.5)%	(10.7)	RMB305.0B x (3.5)% = RMB(10.7)B.

Case	Product / sub-segment	TTM+5 revenue	TTM+5 margin	TTM+5 adjusted EBITA/OI proxy	Tie-out
Bull	All Others total	390.0	4.0%	15.6	RMB390.0B x 4.0% = RMB15.6B.

Reconciliation to Section 8 and Section 9:

Case	Section 8 revenue	Section 9 margin	Implied adjusted EBITA/OI proxy	Section 10 rollup	Difference
Bear	200.0	(18.0)%	(36.0)	(36.0)	0.0%
Base	305.0	(3.5)%	(10.7)	(10.7)	0.0%
Bull	390.0	4.0%	15.6	15.6	0.0%

Interpretation for the consolidated model:

The base case makes All Others a smaller drag by 2031 but not a profit contributor. That is important for Alibaba's consolidated earnings power because the company can still create value through China commerce and cloud even if All Others merely stops getting worse. The bull case adds about RMB51.3B of adjusted EBITA improvement from FY2026 to 2031, moving from RMB(35.7)B to RMB15.6B. The bear case leaves adjusted EBITA roughly as bad as FY2026 despite lower revenue, implying the segment absorbs capital and management attention without producing visible profit.

The model should not give All Others a high terminal multiple unless it clears the disclosure gap. A segment made of Qwen, Amap, DingTalk, Cainiao, health, media, games, and grocery could eventually contain valuable pieces, but the current data package gives only the combined loss. The appropriate synthesis treatment is to value the base-case segment as a drag with option value, not as a proven high-return growth engine.

11. Key Risks And Wildcards

Bear risk - Qwen user scale does not monetize: Qwen's 300M MAU is impressive, but the data package gives no revenue or margin. If users consume expensive AI services without commerce conversion, subscription uptake, ads, or enterprise upsell, Qwen can widen losses for years.

Bear risk - logistics pricing pressure: China's express-delivery market is vast but competitive. Industry parcel volume grew faster than industry revenue in 2025 based on State Post Bureau data, implying revenue per parcel pressure. Cainiao may need volume and service investment just to defend relevance.

Bear risk - Q4 FY2026 exit-rate loss persists: Q4 All Others adjusted EBITA margin was negative 32.3% [data_package Section 5 row "All others"]. If that was not an unusual investment spike or impairment-adjacent quarter, the FY2026 full-year margin understates the forward loss run-rate.

Bear/base risk - opacity: Alibaba does not disclose product-level All Others revenue or margin. The model can miss a major deterioration in one large component because good and bad pieces are blended together.

Base risk - disposal normalization takes longer: FY2026 revenue decline reflected Sun Art/Intime disposal effects, but the remaining base could still shrink if Cainiao, media, or grocery weaken. The base case assumes FY2027 is down only modestly; that may be too generous if the portfolio reset continues.

Base/bull wildcard - Amap plus Qwen becomes a local-services agent: If Qwen's AI interface can use Amap location intent, Taobao/Tmall merchant inventory, health services, and local service discovery, All Others could become a transaction-routing layer with better economics than standalone maps or media.

Bull wildcard - DingTalk becomes an AI workflow surface: DingTalk can be more than messaging if it becomes a low-code, AI-agent, enterprise-operation layer connected to Alibaba Cloud. That could support higher recurring revenue and better margins than the current segment blend.

Bull wildcard - portfolio discipline: If Alibaba sells, closes, or rationalizes structurally low-return assets while keeping Qwen/Amap/DingTalk/Cainiao strategic pieces, reported revenue might not grow fastest, but adjusted EBITA could improve sharply. This is the cleanest route to the bull margin case.

Summary Table

Case	Segment TTM+5y Revenue	Segment TTM+5y Op Margin	Segment TTM+5y Op Income	Probability
Bear	RMB200.0B	(18.0)%	RMB(36.0)B	30%
Base	RMB305.0B	(3.5)%	RMB(10.7)B	50%
Bull	RMB390.0B	4.0%	RMB15.6B	20%

Note: "Op Income" in the summary table is adjusted EBITA/OI proxy because Alibaba discloses adjusted EBITA, not GAAP operating income, by segment.

Appendix B3 - Cloud Intelligence Group

■# Cloud Intelligence Group - Segment Deep Dive

TTM anchor: FY2026 / TTM ended 2026-03-31. Forward horizon: 2031-03-31, exactly five calendar years after the TTM end. Units are RMB billions unless otherwise stated. Segment profit in this appendix means Alibaba disclosed adjusted EBITA, not GAAP operating income, because the data package states that Alibaba discloses adjusted EBITA by segment and does not disclose GAAP operating income by segment [data_package.md:75, 288]. For compactness, the final table labels this adjusted EBITA-equivalent segment profit as operating income-equivalent.

0. Segment Boundary + Taxonomy Note

Cloud Intelligence Group is part of Alibaba's FY2026 current reporting structure. The group contains public and non-public cloud services, AI cloud, model-as-a-service, infrastructure, model, and application services [data_package.md:34]. Alibaba changed its reportable structure in FY2026, but the reclassification mainly integrated Taobao and Tmall Group, Ele.me, and Fliggy into Alibaba China E-commerce Group and moved Cainiao, Amap, and Hujing Digital Media and Entertainment Group into All others [data_package.md:28]. The data package says the FY2026 current taxonomy has restated FY2024 and FY2025 segment data, so Cloud Intelligence Group dollar comparisons should use current-taxonomy FY2024-FY2026 only [data_package.md:42]. FY2022-FY2023 old-taxonomy Cloud is broadly informative, but not used mechanically in current-taxonomy CAGR math because older segment boundaries are not directly comparable [data_package.md:98-108, 287].

1. What This Segment Actually Is

Cloud Intelligence Group is Alibaba's enterprise and developer technology infrastructure business. It sells compute, storage, databases, networking, security, analytics, AI training and inference infrastructure, foundation model access, model development tooling, and selected enterprise application services. In the data package taxonomy, this is not merely a generic hosting line. It includes public cloud, non-public cloud, AI cloud, MaaS, infrastructure services, model services, and application services [data_package.md:34]. That matters for forecasting because the revenue base is a blend of traditional infrastructure consumption, private and hybrid deployments, AI accelerator capacity, model APIs, and a higher-level software/platform layer.

The customer base spans Chinese internet companies, AI-native startups, enterprise digital-transformation customers, public-sector and regulated industries, and Alibaba ecosystem users. A traditional workload customer pays for virtual machines, storage, databases, network traffic, security, and managed services, often on usage-based or subscription terms. An AI customer may pay for GPU or domestic accelerator capacity, distributed training clusters, inference tokens or throughput, model fine-tuning, vector database and retrieval services, and Model Studio or Bailian tooling. A non-public cloud customer may pay for dedicated environments, private cloud projects, hybrid-cloud architecture, or managed cloud deployment that looks economically more like infrastructure plus services than pure public cloud consumption.

The go-to-market is a mix of direct enterprise sales, ecosystem pull from Alibaba's commerce and logistics businesses, developer self-service, partners and system integrators, and AI model-led adoption through Qwen. Alibaba's model family is strategically important even when it is not separately monetized as revenue. Alibaba announced Qwen3 in April 2025 and said Qwen3 models were available on Hugging Face, GitHub, ModelScope, and chat.qwen.ai, with API access through Alibaba's Model Studio [Alibaba Qwen3 release, 2025-04-29: https://alihome.alibaba-inc.com/en-US/document-1853940226976645120]. The same source says the Qwen model family had over 300 million downloads worldwide and over 100,000 derivative models on Hugging Face. Those adoption numbers are not Cloud Intelligence revenue, but they support developer mindshare and give Alibaba a credible funnel from open model usage into paid cloud APIs, fine-tuning, hosting, and inference.

Pricing is primarily consumption-based for IaaS/PaaS and AI infrastructure, subscription or seat-like for some application services, and project/contract-based for dedicated or non-public cloud deployments. The operating model is capital intensive at the infrastructure layer and software-like at the MaaS and platform layer. The segment therefore has two different economic characters inside one reported line: low-to-mid margin capacity resale and services around hardware, and potentially higher-margin software/model services if utilization and pricing are healthy. The whole appendix leans on that internal tension.

2. Current Economics (FY2026 / TTM)

Cloud Intelligence Group generated FY2026 revenue of RMB158.1 billion, equal to 15.4% of Alibaba consolidated revenue, and adjusted EBITA of RMB14.3 billion, a 9.0% margin [data_package.md:34, 83]. The current-taxonomy segment grew

11.0% in FY2025 and 34.0% in FY2026, with the data package noting that AI-related demand was the stated driver of the FY2026 acceleration [data_package.md:91-96]. The most recent quarter was stronger than the annual average: Q4 FY2026 Cloud Intelligence revenue was RMB41.626 billion, up 38% year over year, and adjusted EBITA margin was 9.1% [data_package.md:22, 169]. The quarterly trend was sequentially strong across FY2026: revenue grew from RMB33.4 billion in Q1 to RMB39.8 billion in Q2, RMB43.3 billion in Q3, and RMB41.6 billion in Q4, with YoY growth accelerating from 26% to 34%, 36%, and 38% [data_package.md:165-170].

The best annual product-type proxy is the consolidated revenue type called Cloud services. It was RMB112.1 billion in FY2026, up from RMB84.5 billion in FY2025 and RMB76.5 billion in FY2024 [data_package.md:117-122]. The data package describes it as public and non-public cloud services. It does not equal the full Cloud Intelligence Group segment revenue of RMB158.1 billion, so this appendix uses it as the disclosed cloud-services revenue type, not as a complete segment total. The residual between segment revenue and the Cloud services revenue type was RMB46.0 billion in FY2026, derived arithmetically from RMB158.1 billion less RMB112.1 billion [data_package.md:83, 122, 138]. Because Alibaba does not disclose a named product composition for that residual, it is treated as a reconciliation line rather than a separately knowable product.

The most important new AI disclosure is narrow but powerful: Q4 FY2026 AI-related product revenue was RMB8.971 billion and 30% of external cloud revenue, while AI-related products had triple-digit YoY growth for Q1-Q4 [data_package.md:145-147, 290, 302]. This is a disclosed quarter number, not a full-year number. It should not be inserted into the FY2026 model as annual AI revenue. A mechanical annualization would be RMB35.9 billion, but that is only a Q4 run-rate indication and is not used as the historical base in the product tables. No annual AI-related product revenue is modeled or summed in the rollup. The correct modeling use is mix direction: AI is already material within external cloud, and management expects it to become the main external-cloud growth driver, but the data package does not provide a full four-quarter AI revenue bridge.

Capital intensity is unusually high. Alibaba consolidated capex rose to RMB122.9 billion in FY2026, or 12.0% of revenue, from RMB86.7 billion in FY2025 and RMB33.2 billion in FY2024 [data_package.md:239-245]. The data package attributes FY2026 negative free cash flow to AI/cloud infrastructure capex and quick-commerce investment, with official FCF of negative RMB46.609 billion [data_package.md:247-250]. Cloud-specific capex is not disclosed. Still, management commentary makes clear that Cloud Intelligence is a major driver: the package cites a multi-year RMB380 billion AI/cloud infrastructure program, and later commentary that compute demand could require investment above that plan [data_package.md:217, 225, 250, 276]. [DATA GAP: Alibaba does not disclose Cloud Intelligence Group capex, depreciation, gross margin, or invested capital separately.]

3. Unit Economics

Cloud unit economics start with utilization. Alibaba builds or leases data-center space, purchases or develops servers, networking, storage, and accelerators, powers and cools the fleet, and staffs the platform, reliability, security, sales, and support teams. Revenue becomes profit only if the infrastructure is utilized at sufficiently high load, if pricing does not collapse faster than cost per compute unit, and if the software/platform layer earns enough margin to offset depreciation and energy. For traditional cloud, the main margin variables are server depreciation, procurement cost, power, bandwidth, data-center occupancy, support intensity, enterprise discounts, and the ratio of standardized public-cloud workloads to bespoke private deployments.

AI changes both sides of the equation. Training and inference workloads create demand for high-value compute, but they also require scarce accelerators, high network density, more power, and rapid depreciation risk if chips become obsolete or export rules change. AI customers can be very attractive if Alibaba sells not only raw GPU hours but also model APIs, model development tools, data services, and managed inference. They can be less attractive if capacity is sold as low-margin commodity compute during a capex arms race. Management's comments point to both effects. The data package cites management saying MaaS has higher gross margin and that T-Head deployment is a margin lever [data_package.md:224]. It also cites a 10x compute demand statement and a possible need to exceed the prior RMB380 billion plan [data_package.md:225, 276]. That combination says gross-margin mix can improve even while depreciation and capex pressure intensify.

The margin history shows the segment is profitable but not yet at hyperscaler maturity. Current-taxonomy Cloud adjusted EBITA was RMB6.1 billion in FY2024, RMB10.6 billion in FY2025, and RMB14.3 billion in FY2026, on revenue of RMB106.4 billion, RMB118.0 billion, and RMB158.1 billion [data_package.md:79-83]. Margin moved from 5.7% in FY2024 to 9.0% in FY2025 and 9.0% in FY2026. The FY2026 result is important: revenue accelerated sharply, but margin did not expand

because Alibaba was investing into capacity, AI products, and platform development. The right base case is therefore not a straight-line margin ramp from growth. It is a controlled expansion case in which higher AI/MaaS mix and scale leverage lift margins, but only gradually because depreciation and procurement costs rise as well.

The segment's internal economics are likely heterogeneous. Cloud services revenue type is the closest disclosed product line and should carry a higher long-term margin if AI/MaaS mix increases. The residual or reconciliation line should be modeled at lower margin because it may include non-public deployments, services, support-heavy work, internal or inter-segment items, and other segment revenue not separately described. The current adjusted EBITA base can be reconciled by assigning an estimated 11.0% margin to the RMB112.1 billion Cloud services line and a 4.2% margin to the RMB46.0 billion residual, producing roughly RMB14.3 billion of adjusted EBITA. Those product margins are modeling allocations, not disclosed facts. [DATA GAP: Alibaba does not disclose product-level adjusted EBITA inside Cloud Intelligence Group.]

4. Competitive Dynamics

Alibaba Cloud remains the domestic leader, but the competitive set is intense. Omdia/Canalys reported that in Q1 2025 Alibaba Cloud had 33% of Mainland China's cloud services market, ahead of Huawei Cloud at 18% and Tencent Cloud at 10% [Omdia/Canalys Q1 2025: https://omdia.tech.informa.com/pr/2025/jul/mainland-chinas-cloud-infrastructure-market-growth-accelerated-in-q1-2025]. The same report defines cloud infrastructure services to include BMaaS, IaaS, PaaS, CaaS, and serverless services hosted by third-party providers. That definition maps reasonably well to Alibaba's Cloud services revenue type, but it is not identical to Alibaba's segment definition.

Globally, Alibaba is smaller than the U.S. hyperscalers but still relevant. Gartner said worldwide IaaS public-cloud services revenue grew 22.5% in 2024 to USD171.8 billion, with Amazon first, Microsoft second, Google third, Alibaba fourth, and Huawei fifth [Gartner IaaS 2024: https://www.gartner.com/en/newsroom/press-releases/2025-08-06-gartner-says-worldwide-iaas-public-cloud-services-market-grew-22-point-5-percent-in-2024]. Gartner's table puts Alibaba Group at USD12.4 billion of 2024 IaaS revenue, 7.2% share, and 11.8% growth. This is a useful outside anchor: Alibaba is a global top-five IaaS provider, but its global growth rate in Gartner's 2024 IaaS cut lagged Google and Microsoft and was below the global market growth rate.

The domestic competitors are not generic. Huawei Cloud has a national-champion position, strong enterprise and government relationships, and a domestic silicon stack through Ascend. Tencent Cloud has strengths in gaming, media, social, communications, and enterprise collaboration ecosystems. Baidu AI Cloud competes around AI models, search/data capabilities, autonomous driving, and enterprise AI. ByteDance's Volcano Engine competes around AI-native workloads, recommendation systems, developer products, and enterprise software. State-owned telecom clouds also have privileged access to public-sector and regulated workloads. These competitors cap Alibaba's pricing power in commodity compute and force continued spending on reliability, compliance, and customer acquisition.

AI creates a more favorable lane for Alibaba than traditional cloud alone. Alibaba has three assets that reinforce each other: a leading China cloud base, the Qwen model family, and commerce/application data surfaces across the broader group. Qwen's open distribution can help developer adoption; Cloud Intelligence can monetize through hosted APIs, fine-tuning, inference, and enterprise deployments; and Alibaba's consumer and merchant ecosystem can create reference use cases. The risk is that open models can also weaken model pricing if customers self-host or use rival clouds. The moat is not the model weights alone. The moat is whether Alibaba can make its cloud the easiest and most cost-effective place to run Qwen and other Chinese models at scale.

Hardware supply is a swing factor. U.S. export controls have repeatedly changed what advanced AI chips can be shipped into China. BIS announced in 2026 that license applications for Nvidia H200, AMD MI325X, and similar chips exported to China would be reviewed case by case under security requirements [BIS semiconductor export policy: https://www.bis.gov/press-release/department-commerce-revises-license-review-policy-semiconductors-exported-china]. This may improve access relative to a total ban, but it still leaves uncertainty around timing, customer eligibility, remote access, compliance, and volumes. Alibaba's T-Head and domestic accelerator ecosystem can reduce dependence on foreign chips, but domestic hardware may carry performance, software-compatibility, yield, and supply constraints. A bear case should therefore not only cut demand; it should include supply-constrained growth and margin pressure from less efficient compute.

5. Moat At The Segment Level

Cloud Intelligence has a real but incomplete moat. The strongest protection is scale within China. Cloud infrastructure is a high-fixed-cost business with procurement leverage, accumulated operational expertise, customer trust, certifications, network

reach, and switching costs. Once a company has data, applications, identity, security rules, monitoring, and developer workflows on a cloud, moving is expensive and risky. Alibaba's leading domestic market share gives it a larger installed base and more usage data than most local rivals, and its commerce ecosystem gives it internal workloads that help test and scale infrastructure.

The second moat layer is the AI stack. Management describes full-stack AI capabilities, including model, cloud, chips, and applications [data_package.md:219]. A full stack can matter if it lowers inference cost, improves model latency, offers better Chinese-language and enterprise-specific performance, and integrates with data tooling. Qwen adoption supports this layer, but open-source popularity is not sufficient by itself. If Qwen is widely used on rival infrastructure, the model may drive AI usage without guaranteeing Alibaba captures economics. The moat becomes durable only when Alibaba converts Qwen mindshare into paid Model Studio usage, API calls, private deployments, cloud databases, vector search, security, and enterprise workflow applications.

The third layer is regulatory and localization fit. Chinese enterprises, public-sector bodies, and regulated industries often prefer domestic clouds for data-residency, procurement, support, and geopolitical reasons. This protects Alibaba from the full force of AWS, Azure, and Google in Mainland China. It does not protect Alibaba from Huawei, Tencent, Baidu, ByteDance, telecom clouds, or local private-cloud providers. In fact, localization is a moat against foreign providers but also an invitation for state-aligned competitors.

The moat is weakest in commodity infrastructure. Compute, storage, and bandwidth face price competition, customer bargaining power, and technology deflation. If Alibaba sells AI capacity mainly as raw rented accelerators, margins can be competed down, especially when supply catches up. The moat is stronger in managed databases, AI platforms, model APIs, security, data tooling, and industry solutions. That is why the margin forecast depends on mix, not merely revenue scale.

Over five to ten years, the segment can defend mid-teens adjusted EBITA margins if Alibaba remains the domestic AI cloud leader, maintains high utilization, and captures MaaS/platform economics. It probably cannot sustain Western hyperscaler-like margin levels without a much larger software layer, because China cloud competition, hardware constraints, and strategic pricing pressure are too severe. The moat is good enough for growth and improving profitability; it is not yet good enough to underwrite a no-drama 25% plus segment margin in the base case.

6. Historical Growth Rates - Data Package Foundation

The table below reproduces only data-package figures or arithmetic derived from data-package rows. Current-taxonomy segment data are comparable for FY2024-FY2026 only [data_package.md:42]. FY2023 old-taxonomy Cloud is shown as context, not used in current-taxonomy segment CAGR math [data_package.md:98-108].

Product / sub-segment	FY2023 rev	FY2024 rev	FY2025 rev	FY2026 / TTM rev	Historical CAGR	Most recent YoY	Data package cite
Cloud Intelligence Group total, current taxonomy	n/a, old-taxonomy Cloud was 77.2 [data_package.md:108]	106.4 [data_package.md:83, 138]	118.0 [data_package.md:83, 138]	158.1 [data_package.md:83, 138]	21.9% FY2024-FY2026, calculated from cited cells	34.0% [data_package.md:95]	Current taxonomy begins with restated FY2024-FY2026 [data_package.md:42].
Cloud services revenue type	76.6 [data_package.md:122]	76.5 [data_package.md:122]	84.5 [data_package.md:122]	112.1 [data_package.md:122]	13.5% FY2023-FY2026, calculated from cited cells; 21.0% FY2024-FY2026	32.7%, calculated from 84.5 to 112.1 [data_package.md:122]	Public and non-public cloud services [data_package.md:122].
Derived Cloud Intelligence residual / reconciliation line	n/a [DATA GAP: no current-taxonomy segment FY2023]	29.9, derived as 106.4 minus 76.5 [data_package.md:83, 122]	33.5, derived as 118.0 minus 84.5 [data_package.md:83, 122]	46.0, derived as 158.1 minus 112.1 [data_package.md:83, 122]	24.1% FY2024-FY2026, calculated from cited cells	37.3%, calculated from 33.5 to 46.0	Not separately disclosed; model reconciliation line only.
External cloud revenue	n/a [DATA GAP]	n/a [DATA GAP]	n/a [DATA GAP]	Growth-rate-only: Q1 +26%, Q2 +29%, Q3 +35%, Q4 +40% [data_package.md:145]	n/a, no annual dollars disclosed	Q4 +40% [data_package.md:145]	Growth-rate-only disclosure, not a dollar line.
AI-related product revenue	n/a [DATA GAP]	n/a [DATA GAP]	n/a [DATA GAP]	Q4 FY2026 only: RMB8.971B and 30% of external cloud revenue [data_package.md:146, 290]	n/a, no annual dollars disclosed	Triple-digit YoY in Q1-Q4 [data_package.md:146]	Disclosed quarter number only, not FY2026 annual revenue.
Model/application services ARR	n/a [DATA GAP]	n/a [DATA GAP]	n/a [DATA GAP]	Management target only: ARR expected above RMB10B in June quarter and RMB30B by year-end [data_package.md:147]	n/a	n/a	Target/KPI, not historical GAAP revenue.

Arithmetic checks:

- Cloud Intelligence Group total: RMB106.4B x 1.110 = RMB118.1B, which ties to the RMB118.0B FY2025 row within rounding. RMB118.0B x 1.340 = RMB158.1B, tying to FY2026 [data_package.md:83, 95].
- Cloud services revenue type: RMB76.5B x 1.105 = RMB84.5B, and RMB84.5B x 1.327 = RMB112.1B, tying to FY2026 [data_package.md:122].
- Derived residual: RMB29.9B x 1.120 = RMB33.5B, and RMB33.5B x 1.373 = RMB46.0B. This line is arithmetic only and should not be interpreted as a disclosed product [data_package.md:83, 122].

7. Management Guidance - Data Package Quotes And Interpretation

- Q1 FY2026 transcript, Eddie Wu: "RMB 380 billion" on AI/cloud infrastructure [data_package.md:217]. Interpretation: management is committing to a multi-year cloud and AI infrastructure investment cycle. This supports higher revenue capacity, but also means near-term free cash flow and depreciation pressure are structural rather than one-off.
- Q1 FY2026 transcript, Eddie Wu: "triple-digit growth" for AI-related revenue [data_package.md:218]. Interpretation: AI products are the growth vector inside Cloud Intelligence, but the data package warns that dollar disclosure is limited. The model should let AI lift the cloud-services CAGR while refusing to fabricate a full-year AI revenue base.
- Q2 FY2026 transcript, Eddie Wu: "full stack AI capabilities" [data_package.md:219]. Interpretation: Alibaba wants investors to view cloud, models, chips, and applications as mutually reinforcing. This justifies a higher margin case than commodity cloud if the stack improves cost and retention.
- Q2 FY2026 transcript, Toby Xu: "over 20%" AI share of external cloud revenue [data_package.md:220]. Interpretation: AI had already become material before Q4. Combined with Q4's 30% external-cloud share, this shows mix improvement during FY2026, but still only within external cloud, not the whole segment.
- Q3 FY2026 transcript, Eddie Wu: "surpass USD 100 billion" five-year cloud/AI goal [data_package.md:221]. Interpretation: this is an aspiration, not booked revenue. It is too high and too undefined to use as the base case, but it frames management's ambition and supports a high bull-case ceiling if AI demand and supply availability align.
- Q3 FY2026 transcript, Eddie Wu: "MaaS to become...largest revenue product" [data_package.md:222]. Interpretation: model and application services are intended to become a central product category. The margin consequence is positive if MaaS is priced as software/model access rather than raw infrastructure.
- Q4 FY2026 transcript, Eddie Wu: "cross the 50% threshold" on AI share outlook [data_package.md:223]. Interpretation: AI-related products are expected to become the primary driver of external cloud revenue. In the base case, this supports five-year cloud-services growth above traditional cloud growth even as YoY growth decelerates from the Q4 peak.
- Q4 FY2026 transcript, Unknown Executive: "MaaS...higher gross margin" [data_package.md:224]. Interpretation: mix is the main margin lever. The model gives Cloud services a margin uplift by 2031, but not a sudden jump because depreciation and supply costs remain high.
- Q4 FY2026 transcript, Unknown Executive: "10x increase" in compute demand [data_package.md:225]. Interpretation: demand may exceed the prior investment plan. This is bullish for revenue and bearish for free cash flow if capex must be pulled forward or if supply bottlenecks keep utilization below plan.

8. Forward Growth Assumptions - Explicit, Per Product

The forecast is built from two annual disclosed or derived lines: Cloud services revenue type and the derived Cloud Intelligence residual/reconciliation line. External cloud, AI-related products, and MaaS are modeled as mix and growth drivers inside Cloud services because Alibaba does not disclose annual dollars for them. Q4 FY2026 AI-related product revenue of RMB8.971 billion is treated as a quarter disclosure only, not a full-year starting line [data_package.md:146, 290].

Base-case year-by-year growth path:

Product	FY2027E	FY2028E	FY2029E	FY2030E	FY2031E	5-year CAGR
Cloud services revenue type	28%	24%	21%	18%	15%	21.1%
Derived residual / reconciliation line	12%	10%	8%	6%	4%	8%

Base-case assumption table:

Product	Historical CAGR	Latest YoY	Mgmt FY+1 guide / anchor	Base CAGR TTM->TTM+5y	Justification
Cloud services revenue type	21.0% FY2024-FY2026; 13.5% FY2023-FY2026 [data_package.md:122]	32.7% FY2026 [data_package.md:122]	AI share above 20% earlier in FY2026, 30% of Q4 external cloud revenue, management expects AI to cross 50% of external cloud [data_package.md:220, 223, 290]	21.1%	Growth decelerates from FY2026's AI-driven spike but stays near the recent two-year CAGR because AI/MaaS mix is still early. The external check is mixed: China market leader status supports share capture, while Gartner's 2024 global IaaS data showed Alibaba growing only 11.8%, so the base case needs AI to lift the historical trajectory rather than simply extrapolate global IaaS [Gartner IaaS 2024].
Derived residual / reconciliation line	24.1% FY2024-FY2026, arithmetic [data_package.md:83, 122]	37.3%, arithmetic [data_package.md:83, 122]	No direct guide. [DATA GAP: no product definition, annual external-cloud dollars, or residual revenue disclosure.]	8%	The residual is not a named product, so it should not inherit the full AI growth rate. It grows as enterprise services, non-public cloud, and segment-adjacent revenue expand, but the model fades it toward high-single-digit growth to avoid manufacturing a second AI line.

Bull-case year-by-year growth path:

Product	FY2027E	FY2028E	FY2029E	FY2030E	FY2031E	5-year CAGR
Cloud services revenue type	34%	31%	28%	25%	22%	27.9%
Derived residual / reconciliation line	16%	14%	12%	10%	8%	12%

Bull-case assumption table:

Product	Historical CAGR	Latest YoY	Mgmt FY+1 guide / anchor	Bull CAGR TTM->TTM+5y	Justification
Cloud services revenue type	21.0% FY2024-FY2026 [data_package.md:122]	32.7% FY2026 [data_package.md:122]	Management aspiration to surpass USD100B over five years, AI crossing 50% of external cloud, MaaS becoming a large product [data_package.md:221-223]	27.9%	The bull case assumes Alibaba remains the leading China AI cloud, capacity becomes available, Qwen drives paid Model Studio and API workloads, and AI inference becomes a broad enterprise workload. This is below the raw Q4 external-cloud growth signal but above the base because the AI S-curve persists longer.
Derived residual / reconciliation line	24.1% FY2024-FY2026, arithmetic [data_package.md:83, 122]	37.3%, arithmetic [data_package.md:83, 122]	No direct guide.	12%	The bull residual grows faster if non-public cloud, enterprise projects, and application services ride the same AI demand cycle. It still trails Cloud services because the residual is a low-visibility reconciliation line.

Bear-case year-by-year growth path:

Product	FY2027E	FY2028E	FY2029E	FY2030E	FY2031E	5-year CAGR
Cloud services revenue type	18%	13%	9%	6%	4%	9.9%
Derived residual / reconciliation line	4%	2%	1%	0%	0%	1.4%

Bear-case assumption table:

Product	Historical CAGR	Latest YoY	Mgmt FY+1 guide / anchor	Bear CAGR TTM->TTM+5y	Justification
Cloud services revenue type	21.0% FY2024-FY2026 [data_package.md:122]	32.7% FY2026 [data_package.md:122]	AI demand is strong, but capex and supply are potential constraints [data_package.md:217, 225, 276]	9.9%	The bear case assumes AI demand remains real but monetization disappoints because of price cuts, domestic-chip efficiency gaps, customer self-hosting, or export-control friction. It does not collapse growth, because Alibaba is still a domestic leader, but it fades growth below the historical two-year CAGR.
Derived residual / reconciliation line	24.1% FY2024-FY2026, arithmetic [data_package.md:83, 122]	37.3%, arithmetic [data_package.md:83, 122]	No direct guide.	1.4%	A low-growth residual reflects the risk that FY2026 growth included project timing or non-recurring demand. With no named product disclosure, the conservative treatment is near-flat.

Thesis-consistency check: Cloud services grew 32.7% in FY2026, while the base-case five-year CAGR is 21.1%. The year-by-year base path decelerates from 28% to 24%, 21%, 18%, and 15%. That is not a cliff; it is a gradual fade as the AI mix becomes larger and the revenue base compounds. The path is also consistent with peer evidence that mature cloud platforms can reaccelerate or hold high growth during AI infrastructure cycles. AWS grew 13% in 2023 and 19% in 2024 while AWS commitments and technology infrastructure assets expanded [Amazon 2024 Annual Report: https://s2.q4cdn.com/299287126/files/doc_financials/2025/ar/Amazon-2024-Annual-Report.pdf]. Google Cloud revenue grew from USD43.229 billion in 2024 to USD58.705 billion in 2025, with operating income rising from USD6.112 billion to USD13.910 billion [Alphabet 2025 10-K: https://www.sec.gov/Archives/edgar/data/1652044/000165204426000018/goog-20251231.htm]. The base case therefore allows meaningful growth without assuming Alibaba tracks the fastest Western AI-cloud comp.

9. Forward Operating Margin Assumptions - Explicit And Justified

Current segment margin is 9.0% adjusted EBITA on RMB158.1 billion of revenue [data_package.md:83]. Product-level margins are not disclosed. The model uses estimated product margins only to reconcile and forecast segment adjusted EBITA. The current margin bridge assigns 11.0% to Cloud services revenue type and 4.2% to the derived residual, producing RMB12.3 billion plus RMB1.9 billion, or about RMB14.3 billion total adjusted EBITA. This is a modeling bridge, not company disclosure. [DATA GAP: product-level Cloud Intelligence gross margin, adjusted EBITA, depreciation, and capex are not disclosed.]

Product	TTM revenue	TTM modeled margin	TTM modeled OI-equivalent	Bear FY+5 margin	Base FY+5 margin	Bull FY+5 margin	Mechanism
Cloud services revenue type	112.1 [data_package.md:122]	11.0% modeled	12.3	10.0%	18.0%	24.0%	Margin expands if AI/MaaS and Model Studio mix rises, utilization improves, and T-Head or domestic hardware lowers unit costs; margin compresses if accelerator depreciation and price competition dominate.

Product	TTM revenue	TTM modeled margin	TTM modeled OI-equivalent	Bear FY+5 margin	Base FY+5 margin	Bull FY+5 margin	Mechanism
Derived residual / reconciliation line	46.0, arithmetic [data_package.md:83, 122]	4.2% modeled	1.9	0.5%	5.0%	8.0%	Residual margin is lower because the line is not a disclosed high-margin product and may include support-heavy, private-cloud, or segment-adjacent work.
Segment total	158.1 [data_package.md:83]	9.0% [data_package.md:83]	14.3 [data_package.md:83]	8.0% blended	15.6% blended	21.2% blended	Blended margin is revenue-weighted from the product assumptions.

The base case expands segment margin by roughly 660 bps, from 9.0% to 15.6%. That is more than 100 bps, so the mechanism must be explicit. First, AI-related products move from an important minority of external cloud to a majority of external cloud revenue, consistent with management's "cross the 50% threshold" comment [data_package.md:223]. Second, MaaS and model/application services carry higher gross margin according to management [data_package.md:224]. Third, utilization improves as workloads fill the FY2025-FY2026 capex build. Fourth, scale spreads R&D, platform engineering, security, and enterprise support over a larger revenue base. The offset is heavy depreciation and the risk that capacity has to be priced aggressively to win share.

The bull case reaches 21.2% blended adjusted EBITA margin by FY2031. This is not a full Western hyperscaler margin. It assumes the cloud-services line reaches 24% margin because AI/MaaS mix becomes structurally larger, domestic accelerator deployment improves cost, and Alibaba retains a leadership position in China AI cloud. Alphabet's Google Cloud provides an outside proof point that cloud margins can expand quickly when infrastructure and platform revenue scale: Google Cloud operating income rose to USD13.910 billion on USD58.705 billion of 2025 revenue, a 23.7% segment operating margin, from 14.1% in 2024 [Alphabet 2025 10-K]. The bull case does not assign that margin to all Cloud Intelligence revenue because Alibaba faces more China-specific price competition and hardware constraints.

The bear case holds blended margin around 8.0%, slightly below the current 9.0%. That case assumes revenue growth continues but depreciation, power, domestic-chip efficiency gaps, and price competition absorb most gross-profit improvement. It also assumes the residual line is nearly breakeven. This can happen even if AI demand is strong: a cloud provider can sell a lot of compute and still disappoint on profit if it overbuilds, uses expensive constrained hardware, or cuts prices to keep utilization high.

10. Segment Rollup - Bottoms-Up Arithmetic

The rollup compounds the FY2026 / TTM base for exactly five calendar years to 2031-03-31. It uses the product CAGRs and FY+5 margins from sections 8 and 9. All figures are RMB billions.

Case	Product	TTM revenue	5-year CAGR	TTM+5y revenue	TTM+5y margin	TTM+5y OI-equivalent
Bear	Cloud services revenue type	112.1	9.9%	179.6	10.0%	18.0
Bear	Derived residual / reconciliation line	46.0	1.4%	49.3	0.5%	0.2
Bear	Segment total	158.1	7.7% blended	228.9	8.0%	18.2
Base	Cloud services revenue type	112.1	21.1%	292.1	18.0%	52.6
Base	Derived residual / reconciliation line	46.0	8.0%	67.5	5.0%	3.4
Base	Segment total	158.1	17.9% blended	359.6	15.6%	56.0
Bull	Cloud services revenue type	112.1	27.9%	384.1	24.0%	92.2
Bull	Derived residual / reconciliation line	46.0	12.0%	80.9	8.0%	6.5
Bull	Segment total	158.1	24.1% blended	465.0	21.2%	98.7

Arithmetic tie-out: Bear revenue equals RMB179.6B plus RMB49.3B, or RMB228.9B; OI-equivalent equals RMB18.0B plus RMB0.2B, or RMB18.2B. Base revenue equals RMB292.1B plus RMB67.5B, or RMB359.6B; OI-equivalent equals RMB52.6B plus RMB3.4B, or RMB56.0B. Bull revenue equals RMB384.1B plus RMB80.9B, or RMB465.0B; OI-equivalent equals

RMB92.2B plus RMB6.5B, or RMB98.7B. Each segment margin is revenue-weighted from the product lines, so the segment totals reconcile directly to sections 8 and 9.

This model intentionally does not use management's five-year USD100 billion cloud/AI aspiration as a base-case revenue number. At a rough RMB7.2/USD conversion, USD100 billion would imply approximately RMB720 billion, far above the RMB360 billion base case and RMB465 billion bull case. The aspiration is directionally important but insufficiently defined: it may refer to broader cloud plus AI scale, infrastructure investment, annualized revenue, or a strategic target rather than reported segment revenue. The appendix therefore treats it as a sensitivity point, not a forecast anchor.

11. Key Risks And Wildcards

Bear: export-control and hardware supply constraints. AI cloud demand is constrained by access to advanced accelerators, domestic chip performance, networking supply, and power. If Alibaba cannot source enough efficient compute or must use less efficient hardware, revenue growth and margins suffer simultaneously. BIS's case-by-case regime for advanced chip exports to China reduces binary risk but keeps compliance and volume uncertainty alive [BIS semiconductor export policy].

Bear: price competition in China cloud. Alibaba leads the market, but Huawei, Tencent, Baidu, ByteDance, and telecom clouds all have reasons to compete aggressively. If AI infrastructure becomes a strategic market-share battle, the revenue line can grow while margin expansion stalls.

Bear/Base: capex overbuild and depreciation. Management has indicated large cloud/AI infrastructure plans and possible demand above the RMB380 billion program [data_package.md:217, 225, 250]. If demand is lumpy or customers delay projects, depreciation arrives before revenue. That is the main path to a low-margin bear case despite continued cloud growth.

Base/Bull: AI mix and MaaS monetization. The upside case depends on AI-related products moving above 50% of external cloud revenue and MaaS becoming a major product, as management suggested [data_package.md:222-223]. If Model Studio, Qwen APIs, and enterprise AI tooling become sticky, Cloud services margins can move into the high teens or low twenties.

Base/Bull: Qwen ecosystem conversion. Qwen adoption is useful only if it converts into paid cloud usage. The open-source strategy broadens the funnel, but open weights can also allow self-hosting on rival clouds. The key metric to watch is not downloads; it is paid API consumption, enterprise fine-tuning, private deployment, and inference utilization on Alibaba Cloud.

Bear/Base: residual-line opacity. The derived residual is a large RMB46.0 billion FY2026 amount, but its product composition is not disclosed. If it is lower-quality revenue, the base model may overstate margin. If it contains sticky enterprise services or application revenue, the model may understate margin. [DATA GAP: Alibaba does not disclose what bridges Cloud services revenue type to Cloud Intelligence Group segment total.]

Bull: domestic AI cloud leadership. If China enterprise AI adoption accelerates and Alibaba remains the preferred full-stack provider, Cloud Intelligence could compound above the base and approach the bull case. Omdia/Canalys' 33% Q1 2025 domestic market share indicates a strong starting point, but share must be defended through price, product, and supply availability.

Summary Table

Case	Segment TTM+5y Revenue	Segment TTM+5y Op Margin	Segment TTM+5y Op Income	Probability
Bear	RMB228.9B	8.0%	RMB18.2B	25%
Base	RMB359.6B	15.6%	RMB56.0B	50%
Bull	RMB465.0B	21.2%	RMB98.7B	25%

Note: "Op Income" in this segment appendix means adjusted EBITA-equivalent segment profit, not GAAP operating income, because Alibaba discloses adjusted EBITA by segment and does not disclose GAAP segment operating income [data_package.md:75, 288].

Appendix B4 - Alibaba International Digital Commerce Group (AIDC)

Alibaba International Digital Commerce Group (AIDC) - Segment Deep Dive

Company: Alibaba Group Holding Limited Ticker: BABA / 9988.HK Segment: Alibaba International Digital Commerce Group (AIDC) TTM anchor: FY2026 / TTM ended 2026-03-31 Forward horizon: 2031-03-31, exactly five calendar years after the TTM end Units: RMB billions unless otherwise stated Segment profit convention: adjusted EBITA, because Alibaba discloses adjusted EBITA by segment rather than GAAP operating income by segment [data_package.md lines 73-75 and 283-288].

0. Segment Boundary + Taxonomy Note

AIDC is Alibaba's current international digital commerce segment. The FY2026 current taxonomy includes international retail and wholesale, including AliExpress, Trendyol, Lazada, Daraz, and Alibaba.com [data_package.md lines 30-33]. Alibaba changed its reportable structure in FY2026, with FY2024 and FY2025 restated under the current structure in the FY2026 20-F; FY2024-FY2026 are therefore comparable, while FY2022-FY2023 old-taxonomy "International commerce" is related context but not a mechanically comparable AIDC dollar series [data_package.md lines 40-45 and 98-105]. This appendix uses FY2024-FY2026 current-taxonomy numbers as the historical base. FY2022-FY2023 are referenced only as old-taxonomy context. All Alibaba historical figures and management commentary in this file come from `data_package.md`, not from a fresh historical pull.

1. What This Segment Actually Is

AIDC is Alibaba's collection of international commerce marketplaces and commerce services. It has two disclosed revenue lines: international commerce retail and international commerce wholesale [data_package.md lines 127-137]. The retail line includes consumer-facing marketplaces and local platforms such as AliExpress, Trendyol, Lazada, and Daraz. These properties do not all have the same operating model. AliExpress is primarily a cross-border marketplace that connects international consumers to merchants, with logistics, merchant tools, and buyer-protection features becoming more important as competitors compress the low-price proposition. Lazada is a Southeast Asian marketplace competing in a dense region against Shopee and TikTok Shop. Trendyol is a Turkey-led marketplace and commerce ecosystem with regional expansion optionality. Daraz serves South Asian markets where income levels, payment penetration, logistics density, and consumer trust still constrain e-commerce adoption. Alibaba does not disclose separate revenue histories for each named platform in the FY2026 segment table; the investable unit for modeling purposes is therefore retail versus wholesale, not AliExpress versus Lazada versus Trendyol versus Daraz.

The wholesale line is mainly Alibaba.com-related international B2B commerce. It monetizes suppliers, exporters, buyers, advertising, memberships, and value-added services. Its economics should be steadier than consumer retail because it is more workflow-driven and less dependent on subsidized consumer acquisition, but it is not immune to macro trade cycles, merchant churn, or AI-enabled discovery that could reduce friction in supplier search. In FY2026, wholesale was RMB26.4B of revenue versus RMB117.7B for retail [data_package.md lines 129-137]. Retail was therefore about 82% of AIDC revenue, while wholesale was about 18%. The segment's profit trajectory is controlled mostly by retail because retail carries the larger revenue base, higher logistics intensity, and the bigger subsidy and marketing swing factors.

AIDC's pricing model is mixed. Marketplace lines can earn commissions, advertising and merchant services, logistics-related fees, and value-added service revenue. Gross direct sales, if any, are not separately broken out at AIDC level in the segment disclosure. Wholesale monetization is closer to B2B marketplace and supplier-service revenue. Across both lines, pricing power depends less on headline take rate and more on whether Alibaba can deliver traffic, conversion, logistics reliability, trust, and merchant tooling at a lower all-in acquisition and fulfillment cost than peers. The strategic point is simple: AIDC is not a pure asset-light marketplace at the current margin base. It is a scale-and-logistics contest, and Alibaba is still proving that growth can be converted into durable adjusted EBITA rather than recycled into subsidies.

2. Current Economics

AIDC generated FY2026 / TTM revenue of RMB144.2B and adjusted EBITA of RMB(2.1)B, equal to a (1.4)% adjusted EBITA margin [data_package.md lines 79-82]. It represented 14.1% of Alibaba consolidated revenue and had FY2026 adjusted EBITA of RMB(2.1)B in the current segment taxonomy [data_package.md lines 30-38]. Revenue growth slowed from 28.9% in FY2025 to 9.0% in FY2026, while losses narrowed sharply [data_package.md lines 89-94]. The most recent quarterly pattern

was better on profitability than the annual loss alone suggests: Q1 FY2026 AIDC revenue was RMB34.7B with a (0.2)% adjusted EBITA margin; Q2 was RMB34.8B with a 0.5% margin; Q3 was RMB39.2B with a (5.1)% margin; Q4 was RMB35.4B with a (0.4)% margin [data_package.md lines 165-168]. The Q3 loss spike is important because it warns against capitalizing one near-break-even quarter as steady state. The segment can approach breakeven, but tactical investment and seasonal competitive spend can still swing the margin several hundred basis points.

At the product/sub-segment level, international commerce retail grew from RMB81.7B in FY2024 to RMB108.5B in FY2025 and RMB117.7B in FY2026 [data_package.md lines 127-137]. International commerce wholesale grew from RMB20.9B to RMB23.8B to RMB26.4B over the same years [data_package.md lines 127-137]. The quarterly trend shows retail decelerating meaningfully through FY2026: +20% in Q1, +10% in Q2, +3% in Q3, and +5% in Q4. Wholesale was steadier: +13%, +11%, +10%, and +9% across the same quarters [data_package.md lines 172-181]. This is the main base-rate split for the forward model. Retail is the bigger line and has more upside if Choice, Brand+, local fulfillment, and regional scale improve conversion, but it is also the line most exposed to Temu, Shein, Shopee, TikTok Shop, Amazon, local champions, consumer-protection rules, and low-value parcel customs changes. Wholesale is smaller, steadier, and likely closer to profitability.

Capital intensity is not disclosed by segment. Alibaba's consolidated FY2026 free cash flow was negative RMB46.6B as capex and consumption/AI investment accelerated [data_package.md lines 51-60 and 283-293], but that is not an AIDC-only capex measure. For AIDC, the more visible investment pressure is operating cost: logistics optimization, traffic acquisition, merchant support, buyer incentives, and regional market investments. The data package specifically says AIDC's loss narrowed materially and flags logistics optimization and investment efficiency as the recurring profit bridge [data_package.md lines 206-210 and 296-304]. That makes AIDC's FY+5 case less about whether it can grow revenue at all, and more about whether a 9%-ish growth business can move from roughly breakeven to a mid-single-digit adjusted EBITA margin without losing competitiveness.

3. Unit Economics

AIDC's unit economics have three layers: marketplace monetization, fulfillment/logistics burden, and customer/merchant acquisition. On the revenue side, Alibaba can monetize merchants through commissions, advertising, membership or value-added services, and logistics-linked services. The most attractive unit economics come when a platform has enough buyer traffic and conversion data that merchants pay for discovery and service tools. The least attractive unit economics come when demand is purchased through discounts, shipping subsidies, and paid media that do not create durable repeat behavior. The FY2026 evidence sits between these poles: AIDC has reached near-breakeven quarters, but management still warns about tactical investment volatility [data_package.md lines 206-210].

The retail line is likely margin-dilutive today. The exact product-level margins are not disclosed, so this is an inference from the segment total: retail is 82% of FY2026 AIDC revenue, the segment overall had a (1.4)% adjusted EBITA margin, and management ties loss improvement to logistics optimization and efficiency rather than to a mature high-margin marketplace model [data_package.md lines 79-82, 127-137, and 206-210]. Retail's cost stack includes cross-border or regional fulfillment, buyer protection, returns, fraud control, local payment acceptance, app marketing, seller onboarding, and in some markets localized warehousing or delivery partners. These costs can improve with density, but they are also a source of competitive vulnerability. If Temu, Shein, Shopee, TikTok Shop, or local players spend aggressively, retail may need to reinvest gross margin back into price, shipping speed, or advertising.

Wholesale should have better structural economics. Alibaba.com-related B2B discovery and supplier tools are more naturally software-and-services-like than low-ticket consumer parcel delivery. Buyers and sellers have repeat procurement needs, and supplier credibility, payment terms, inspection, and logistics coordination can embed the platform deeper into workflow. However, wholesale is only RMB26.4B of FY2026 revenue [data_package.md lines 136-137], so even a high-single-digit margin on wholesale cannot alone transform AIDC if retail remains loss-making. The margin math requires retail to become at least low-single-digit profitable.

The most constructive unit-economic signal is the narrowing annual loss and the Q2 FY2026 adjusted EBITA profit of RMB162M cited by management [data_package.md lines 206-207]. The most cautionary signal is that Q3 FY2026 margin fell to (5.1)% even after earlier progress [data_package.md lines 165-168]. That combination argues for a base case where the segment reaches profitability, but not a base case where it earns China-commerce-like margins. International marketplace economics are fragmented by country, logistics density, regulation, and consumer acquisition costs. AIDC can be worth something meaningful if it compounds at high-single digits and reaches a 3%-4% adjusted EBITA margin, but it does not yet deserve the benefit of a 10%+ steady-state segment margin.

4. Competitive Dynamics

AIDC competes in several overlapping arenas rather than one clean market. In cross-border value retail, AliExpress faces Temu, Shein, Amazon cross-border offers, eBay, local discounters, and specialty marketplaces. In Southeast Asia, Lazada faces Shopee, TikTok Shop, Tokopedia/TikTok combinations in Indonesia, and local vertical players. In Turkey, Trendyol faces Hepsiburada, Amazon Turkey, n11, and category specialists. In South Asia, Daraz faces local marketplaces and offline retail habits. In global B2B, Alibaba.com faces trade-show relationships, Google/search discovery, Amazon Business in some categories, Global Sources, Made-in-China, independent DTC/exporter sites, and AI-enabled procurement discovery.

The most important competitive benchmark for Lazada is Shopee. Sea Limited reported FY2025 Shopee GMV of US$127.4B, up 26.8% year over year, and Shopee adjusted EBITDA of US$880.6M versus US$155.8M in FY2024, while guiding for around 25% GMV growth in 2026 with full-year adjusted EBITDA no lower than 2025 in absolute dollars ([Sea FY2025 results](https://www.businesswire.com/news/home/20260302039769/en/Sea-Limited-Reports-Fourth-Quarter-and-Full-Year-2025-Results)). That matters because Shopee is not merely buying growth at any price. If the main Southeast Asian competitor is growing above 20% while already adjusted-EBITDA positive, Lazada cannot count on a competitor profit retreat to make the market easier. The base case therefore assumes AIDC retail growth continues but remains below Shopee's current GMV growth rate, because AIDC's disclosed retail revenue growth decelerated to +5% in Q4 FY2026 [data_package.md lines 172-181].

In Europe and cross-border parcels, the competitive and regulatory context is tightening. The European Commission says low-value e-commerce consignments into the EU reached an estimated 4.6B items in 2024, up sharply from prior years, and has proposed reforms to remove the duty exemption for low-value parcels and increase platform responsibility ([European Commission e-commerce customs page](https://taxation-customs.ec.europa.eu/customs/eu-customs-union-facts-and-figures/customs-and-e-commerce_en); [Commission February 2025 actions](https://commission.europa.eu/news/tackling-challenges-e-commerce-imports-2025-02-05_en)). The European Parliament links the surge to Chinese online retailers such as Temu and Shein and notes that 91% of under-EUR150 e-commerce shipments came from China in 2024 ([European Parliament briefing](https://www.europarl.europa.eu/topics/en/article/20250708STO29516/eu-targets-low-value-imports-via-e-commerce-platforms)). AliExpress is not identical to Temu or Shein, but the regulatory net can still raise compliance, customs, and delivery costs for cross-border platforms. This is a direct risk to the low-ticket cross-border proposition.

Temu is a specific share and attention threat. The International Post Corporation's 2024 cross-border shopper survey release says Temu overtook AliExpress as the second most used e-retailer for cross-border sales ([IPC release](https://www.ipc.be/news-portal/general-news/2025/01/09/13/49/sharp-increase-in-international-online-purchases-via-temu)). This supports a bear-case concern: AliExpress cannot assume that legacy cross-border awareness converts into traffic leadership. It has to defend buyer trust, delivery speed, selection, and price against a competitor willing to spend aggressively. Alibaba's Brand+ and Choice efforts may improve merchant quality and curated selection, but the data package does not provide separate revenue dollars for those programs [data_package.md lines 141-151 and 283-289].

Europe remains a large but contested marketplace opportunity. Cross-Border Commerce Europe, cited by CEP Research, estimated the European cross-border e-commerce market at EUR358.7B in 2024/2025, with online marketplaces generating EUR247.5B, or 70%, and listed Amazon, Temu, eBay, AliExpress, and Etsy among the leading cross-border marketplaces ([CEP Research summary of CBCommerce report](https://www.cep-research.com/2025/10/21/marketplaces-drive-european-cross-border-e-commerce-growth/)). This is encouraging for TAM but not for margin. A large marketplace pool with many scaled players usually means growth is available, but price, compliance, logistics, and advertising competition limit take-rate expansion.

Turkey is the more defensible part of the retail portfolio if Trendyol maintains consumer habit and merchant density. The Turkish Competition Authority's Trendyol-related materials illustrate why marketplace app installation, visits, and consumer-choice advantages matter in Turkey, while also showing that strong platform positions can invite scrutiny ([Turkish Competition Authority decision PDF](https://www.rekabet.gov.tr/Dosya/trendyol-dsm-gecici-tedbir-karari-en-20240325112609366.pdf)). The investment implication is two-sided: Trendyol can be a local champion with better density than a pure cross-border app, but dominance is not a free option. Regulation, seller terms, self-preferencing concerns, and local competitor responses can cap monetization.

For Alibaba.com wholesale, competition is less visible in consumer app rankings but no less real. Search, AI agents, and direct supplier websites can reduce the discovery advantage of traditional B2B marketplaces. The offset is trust and workflow. International procurement is not just "find a supplier"; it requires verification, samples, terms, quality control, shipping,

customs, and dispute resolution. Alibaba.com can defend pricing power if it becomes the default operating layer for cross-border sourcing rather than a directory. The forward model therefore gives wholesale steadier growth and higher margin than retail, but does not assume software-like economics.

5. Moat at the Segment Level

AIDC has a partial moat, not a dominant moat. The strongest moat elements are merchant supply, cross-border operating know-how, logistics partnerships, brand recognition, and Alibaba's ability to combine consumer marketplaces with B2B supplier networks. AliExpress has long global recognition in cross-border value retail. Lazada has regional infrastructure and local relationships in Southeast Asia. Trendyol has a Turkey-led local network. Alibaba.com has a deep supplier base and procurement mindshare. These assets are real and hard to recreate quickly.

The moat is weaker on the consumer demand side. Consumer marketplace apps can lose attention quickly if another platform offers lower price, faster shipping, better discovery, better return policies, or more entertaining shopping. Temu's rapid cross-border adoption, Shopee's scale and profitability, TikTok Shop's social-commerce funnel, and EU customs reform all pressure AIDC's right to earn materially higher margins. AIDC's FY2026 margin was still negative [data_package.md lines 79-82], which is the cleanest evidence that the moat has not yet translated into durable economics.

The Brand+ and Choice initiatives are potentially important because they may shift AliExpress away from an undifferentiated long-tail bargain bazaar toward a more curated and merchant-supported marketplace. Management said Brand+ quarterly transacting-consumer penetration surpassed 30% in Q4 FY2026, but the data package explicitly says no separate revenue dollars are disclosed for AliExpress Choice, Brand+, or Accio [data_package.md lines 141-151 and 202-211]. That makes these initiatives useful for qualitative support, not for hard dollar modeling.

At a five-to-ten-year horizon, the segment-level moat is likely enough to preserve participation in international commerce growth, but not enough to guarantee high returns. The base-case moat rating is "emerging but contested." AIDC should be modeled as a scale business moving toward low-to-mid-single-digit adjusted EBITA margins, not as a mature platform with unchallenged pricing power. If wholesale workflow tools and retail curation improve faster than expected, margin can rise. If low-value parcel regulation, Temu/Shopee/TikTok competition, and logistics costs intensify, the moat can remain insufficient and AIDC may stay near breakeven.

6. Historical Growth Rates Reproduced from Data Package

The table below uses only current-taxonomy FY2024-FY2026 data. The data package warns that FY2022-FY2023 are old-taxonomy and should not be bridged mechanically to current segments [data_package.md lines 98-105 and 283-287]. Because only three comparable fiscal years are available, the "comparable CAGR" below covers two annual intervals, FY2024 to FY2026. No back-solved product dollars are used.

Product / sub-segment	FY2024 revenue	FY2025 revenue	FY2026 / TTM revenue	Comparable CAGR FY2024-FY2026	Most recent YoY	Data package cite
AIDC total	102.6	132.3	144.2	18.6%	FY2026 +9.0%; Q4 +6%	FY2024-FY2026 revenue and EBITA from data_package.md lines 79-82; FY2026 YoY from lines 89-94; Q4 trend from lines 165-168.
International commerce retail	81.7	108.5	117.7	20.0%	FY2026 +8.5%; Q4 +5%	FY2024-FY2026 retail revenue from data_package.md lines 127-137; Q4 trend from lines 172-181.
International commerce wholesale	20.9	23.8	26.4	12.4%	FY2026 +10.9%; Q4 +9%	FY2024-FY2026 wholesale revenue from data_package.md lines 127-137; Q4 trend from lines 172-181.
AliExpress Choice / Brand+ / Accio	Not separately disclosed	Not separately disclosed	Not separately disclosed	n/m	Brand+ penetration KPI only	[DATA GAP: named-product dollars are not disclosed; data_package.md lines 141-151 and 283-289 instruct downstream agents to treat these as KPI/commentary items.]

Arithmetic tie-outs:

Row	Tie-out
AIDC total	FY2024 RMB102.6B x 1.289 = RMB132.3B, matching FY2025 within rounding; FY2025 RMB132.3B x 1.090 = RMB144.2B, matching FY2026 within rounding [data_package.md lines 79-94].
International commerce retail	FY2024 RMB81.7B to FY2025 RMB108.5B implies +32.8%; FY2025 RMB108.5B to FY2026 RMB117.7B implies +8.5%; both reconcile to the disclosed dollar series [data_package.md lines 127-137].
International commerce wholesale	FY2024 RMB20.9B to FY2025 RMB23.8B implies +13.9%; FY2025 RMB23.8B to FY2026 RMB26.4B implies +10.9%; both reconcile to the disclosed dollar series [data_package.md lines 127-137].

The historical lesson is deceleration, not collapse. AIDC's comparable revenue CAGR is still high because FY2025 was strong, but the latest annual and quarterly growth rates are much lower than the two-year average. Retail fell from a two-year comparable CAGR of 20.0% to +5% in Q4 FY2026, while wholesale held closer to a high-single/low-double-digit path [data_package.md lines 172-181]. The forward model therefore uses Q4 FY2026 and FY2026 rates as stronger anchors than the FY2024-FY2026 two-year CAGR.

7. Management Guidance Quoted from Data Package

Data package row	Source	Short quote/snippet	Modeling interpretation
line 206	Q1 FY2026 transcript, 2025-08-29, Hong Xu	"approaching breakeven"	The loss-narrowing path is credible, but it is not a promise of immediate normalized profitability.
line 207	Q2 FY2026 transcript, 2025-11-25, Toby Xu	"profit of RMB 162 million"	AIDC can print a positive adjusted EBITA quarter when logistics and market investment are disciplined.
line 208	Q2 FY2026 transcript, 2025-11-25, Toby Xu	"tactical investments"	The model should retain quarterly and annual margin volatility instead of assuming a straight line to mature margins.
line 209	Q3 FY2026 release, 2026-03-19, Company	"narrowed loss significantly"	The profit bridge is recurring but still framed as loss narrowing rather than a high-margin inflection.
line 210	Q4 FY2026 release, 2026-05-13, Company	"approaching break-even"	Q4 reinforces that FY2026's annual loss is near breakeven, making a positive FY+5 base margin reasonable.
line 211	Q4 FY2026 release, 2026-05-13, Company	"Brand+ surpassed 30%"	Brand+ could improve mix and merchant quality, but there is no disclosed revenue series for the program.

The guidance supports a base case with positive FY+5 adjusted EBITA. It does not support a base case that assumes AIDC becomes a high-margin profit pool by 2031. Management's own language is about approaching breakeven, one profitable quarter, tactical investments, and loss narrowing [data_package.md lines 202-211]. The credible improvement mechanism is logistics optimization and efficiency, not proven pricing power. This appendix therefore treats 3%-4% FY+5 adjusted EBITA margin as a reasonable base case, a negative/near-zero margin as a live bear case, and a 6%-7% margin as a bull case requiring better retail mix, Brand+ execution, and wholesale leverage.

8. Forward Growth Assumptions

All cases compound from FY2026 / TTM revenue to the 2031-03-31 horizon, exactly five calendar years after the TTM end. The product-level model uses only the two disclosed sub-segment lines: international commerce retail and international commerce wholesale. Named products such as AliExpress Choice, Brand+, Accio, Lazada, Trendyol, and Daraz are discussed qualitatively because the data package does not provide separate dollar histories [data_package.md lines 141-151 and 283-289].

Base Case Growth

Product	Comparable FY2024-FY2026 CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to 2031-03-31	TTM base	2031 revenue	Justification
International commerce retail	20.0%	Q4 +5%; FY2026 +8.5%	No explicit revenue guide; management says AIDC is approaching breakeven and Brand+ penetration surpassed 30% [data_package.md lines 206-211].	8.5%	117.7	177.0	Base growth matches FY2026 annual retail growth rather than the lower Q4 rate, giving credit for Trendyol/Lazada/ AliExpress execution while recognizing Temu, Shopee, TikTok Shop, EU parcel rules, and cross-border competition.
International commerce wholesale	12.4%	Q4 +9%; FY2026 +10.9%	No explicit wholesale guide.	7.5%	26.4	37.9	Wholesale is steadier but smaller; base growth steps down below FY2026 because cross-border trade and supplier services mature, but Alibaba.com workflow value should support high-single-digit growth.
AIDC total	18.6%	Q4 +6%; FY2026 +9.0%	Profitability guidance, not revenue guidance.	8.3% blended	144.2	214.9	Blended growth is mainly retail-driven and decelerates from FY2024-FY2026 because the latest quarterly run-rate is already mid-single-digit.

Base-case year-by-year deceleration path:

Product	FY2027	FY2028	FY2029	FY2030	FY2031	Five-year CAGR
International commerce retail	9.5%	9.0%	8.5%	8.0%	7.5%	8.5%
International commerce wholesale	8.5%	8.0%	7.5%	7.0%	6.5%	7.5%

The base case is not heroic. Retail's Q4 FY2026 growth was only +5%, but quarterly AIDC growth was uneven across FY2026 and management continues to discuss product initiatives rather than retreat [data_package.md lines 168-181 and 206-211]. A five-year 8.5% retail CAGR implies no return to FY2025's 32.8% growth, only a moderate recovery from the Q4 trough. The competitive check is that Shopee is guiding roughly 25% GMV growth in 2026 while profitable on adjusted EBITDA, so the base case gives AIDC less growth than the Southeast Asian category leader rather than assuming Lazada regains leadership. For cross-border AliExpress, EU low-value parcel reforms and Temu's rise cap the assumption. For Trendyol, local density and regional expansion keep growth above mature-market e-commerce but below the early hypergrowth stage.

Bull Case Growth

Product	Comparable FY2024-FY2026 CAGR	Latest YoY	Bull CAGR TTM to 2031-03-31	TTM base	2031 revenue	Justification
International commerce retail	20.0%	Q4 +5%; FY2026 +8.5%	13.0%	117.7	217.1	Bull case assumes Choice/Brand+ curation, Trendyol strength, Lazada stabilization, and better logistics lift conversion without requiring a return to FY2025's 32.8% retail growth.
International commerce wholesale	12.4%	Q4 +9%; FY2026 +10.9%	10.0%	26.4	42.5	Wholesale sustains near-current growth if Alibaba.com becomes more embedded in procurement workflow and AI tools improve matching rather than disintermediating the platform.

Product	Comparable FY2024-FY2026 CAGR	Latest YoY	Bull CAGR TTM to 2031-03-31	TTM base	2031 revenue	Justification
AIDC total	18.6%	Q4 +6%; FY2026 +9.0%	12.5% blended	144.2	259.6	Bull case requires AIDC to reaccelerate from FY2026 but still below the FY2024-FY2026 comparable CAGR.

The bull case is a "profitable participation" case, not a dominance case. It assumes retail can keep compounding at a low-teens rate because the international e-commerce pool remains large, marketplaces capture a high share of cross-border activity, and Alibaba's platform portfolio contains multiple regional shots on goal. It also assumes regulatory changes are absorbed through logistics localization, seller compliance tools, and modest price increases rather than through permanent demand destruction. The bull case is less likely if Temu remains structurally more aggressive, Shopee keeps compounding above 20% while profitable, or EU/US customs changes remove too much of the small-parcel price advantage.

Bear Case Growth

Product	Comparable FY2024-FY2026 CAGR	Latest YoY	Bear CAGR TTM to 2031-03-31	TTM base	2031 revenue	Justification
International commerce retail	20.0%	Q4 +5%; FY2026 +8.5%	3.5%	117.7	139.8	Bear case assumes Q4's low-single-digit growth is closer to the real run-rate after Temu, Shein, Shopee, TikTok Shop, local players, and customs costs pressure traffic and conversion.
International commerce wholesale	12.4%	Q4 +9%; FY2026 +10.9%	4.5%	26.4	32.9	Wholesale still grows but slows with macro trade softness, supplier churn, and AI/search alternatives for buyer discovery.
AIDC total	18.6%	Q4 +6%; FY2026 +9.0%	3.7% blended	144.2	172.7	Bear case keeps AIDC growing nominally but below inflation-plus-commerce expectations in many markets.

The bear case is not a disaster scenario. AIDC has enough platform assets to avoid a zero-growth assumption, and management has already narrowed losses. The bear case instead says the segment is strategically necessary but economically mediocre: growth remains positive, yet competition and compliance costs force most gross profit back into buyers, merchants, and logistics. This case is consistent with a world where AliExpress loses cross-border mindshare to Temu, Lazada cannot close the gap with Shopee/TikTok Shop, Trendyol faces regulatory and local competition limits, and Alibaba.com remains useful but not high-growth.

9. Forward Adjusted EBITA Margin Assumptions

Current segment margin is (1.4)% adjusted EBITA on FY2026 / TTM revenue of RMB144.2B [data_package.md lines 79-82]. Alibaba does not disclose product-level adjusted EBITA for international commerce retail or wholesale. The product margins below are therefore explicit modeling assumptions, not disclosed historical facts. They are constrained by the segment's current loss, the FY2026 near-breakeven quarterly evidence, and management commentary that tactical investments can cause volatility [data_package.md lines 165-168 and 202-211].

Margin Bridge by Case

Product	Current disclosed margin	Bear 2031 margin	Base 2031 margin	Bull 2031 margin	Mechanism
International commerce retail	Not separately disclosed; segment total (1.4)%	(2.0)%	3.0%	6.0%	Retail margin depends on logistics density, advertising/subsidy discipline, Brand+ mix, returns/fraud control, local fulfillment, and competitive intensity.

Product	Current disclosed margin	Bear 2031 margin	Base 2031 margin	Bull 2031 margin	Mechanism
International commerce wholesale	Not separately disclosed; segment total (1.4)%	4.0%	7.5%	9.0%	Wholesale should have higher structural margin because B2B discovery and merchant services are less subsidy-heavy, but procurement competition and tooling investment cap upside.
AIDC blended	(1.4)%	(0.9)%	3.8%	6.5%	Blended margin is revenue-weighted from the two product lines.

The base margin improves by about 520 bps from the FY2026 segment margin. That is a large change, so it needs a specific mechanism. The mechanism is not price increases alone. It is a combination of: retail logistics optimization, lower loss rates as underperforming spend is cut, better merchant monetization from Brand+ and curated supply, wholesale mix holding around 18% of revenue, and less need to subsidize every incremental order. Management's "approaching breakeven" comments and the Q2 FY2026 positive adjusted EBITA quarter make positive margins plausible [data_package.md lines 206-210]. But the base stops below 4% because competitive markets rarely let value-retail platforms keep too much of the surplus.

The bull margin of 6.5% requires retail to become a real profit contributor. Retail at 6.0% and wholesale at 9.0% would produce RMB16.9B of FY2031 adjusted EBITA on RMB259.6B of revenue. This needs both scale leverage and mix quality. The conditions would be: AliExpress Brand+ and Choice improve trust and merchant monetization; Trendyol remains strong; Lazada reduces fulfillment and marketing losses while not ceding too much share; wholesale tooling and cross-border services deepen. It also requires customs and product-safety compliance costs to become manageable operating processes rather than permanent margin leakage.

The bear margin of (0.9)% keeps the segment loss-making even after five years. This is possible if regulation and competition absorb the efficiency gains. AIDC could grow revenue but still have to fund shipping speed, discounts, creator/social-commerce competition, local warehousing, product compliance, returns, and merchant acquisition. The bear case also embeds the possibility that the most profitable pockets are too small to offset retail competition. It is not a collapse: the FY2031 loss is only RMB(1.5)B, similar in scale to FY2026's RMB(2.1)B loss. But a five-year near-breakeven outcome would mean AIDC consumes management attention without becoming a meaningful profit engine.

10. Segment Rollup

Case	Retail revenue	Retail margin	Retail adjusted EBITA	Wholesale revenue	Wholesale margin	Wholesale adjusted EBITA	Segment revenue	Segment margin	Segment adjusted EBITA
Bear	139.8	(2.0)%	(2.8)	32.9	4.0%	1.3	172.7	(0.9)%	(1.5)
Base	177.0	3.0%	5.3	37.9	7.5%	2.8	214.9	3.8%	8.2
Bull	217.1	6.0%	13.0	42.5	9.0%	3.8	259.6	6.5%	16.9

Arithmetic checks:

Case	Revenue tie-out	EBITA tie-out	Margin tie-out
Bear	RMB139.8B + RMB32.9B = RMB172.7B	RMB(2.8)B + RMB1.3B = RMB(1.5)B	RMB(1.5)B / RMB172.7B = (0.9)%
Base	RMB177.0B + RMB37.9B = RMB214.9B	RMB5.3B + RMB2.8B = RMB8.2B	RMB8.2B / RMB214.9B = 3.8%
Bull	RMB217.1B + RMB42.5B = RMB259.6B	RMB13.0B + RMB3.8B = RMB16.9B	RMB16.9B / RMB259.6B = 6.5%

The rollup reconciles to the product-level assumptions within rounding. The base case produces a five-year segment revenue CAGR of about 8.3% and a five-year adjusted EBITA swing from RMB(2.1)B to RMB8.2B. That is a meaningful but not thesis-carrying contribution to Alibaba. The bull case would make AIDC a real profit contributor, but still smaller than China commerce or Cloud in likely consolidated importance. The bear case leaves AIDC strategically present but financially marginal.

11. Key Risks and Wildcards

Risk / wildcard	Case most affected	Segment impact
Temu and Shein keep taking cross-border consumer attention	Bear	AliExpress growth and marketing efficiency weaken; retail margin stays negative.
Shopee compounds above 20% while profitable	Bear/Base	Lazada has less room to improve share and margin in Southeast Asia; AIDC retail growth remains below category growth.
EU and other jurisdictions remove low-value parcel advantages or impose platform fees	Bear	Cross-border delivery costs rise, compliance burden increases, and low-ticket conversion weakens.
Brand+ and Choice materially improve buyer trust and merchant monetization	Bull	Retail can grow faster and retain more gross profit, supporting a mid-single-digit margin.
Trendyol extends Turkey strength into adjacent regions	Bull	A more local champion mix reduces dependence on pure China-to-world parcels.
Alibaba.com wholesale embeds AI procurement and trust tools	Base/Bull	Wholesale sustains high-single/low-double-digit growth and earns higher margin than retail.
Product-level opacity persists	All cases	Investors cannot verify whether improvement comes from healthy marketplace monetization, logistics accounting, mix, or temporary spend cuts.
Currency and macro pressure in emerging markets	Bear	Local purchasing power and reported RMB growth can diverge; consumer demand may be more volatile than platform KPIs imply.

Data Gaps and Modeling Limits

[DATA GAP: Alibaba does not disclose separate annual revenue histories for AliExpress, Lazada, Trendyol, Daraz, AliExpress Choice, Brand+, or Accio. The only current-taxonomy dollar-disclosed AIDC product lines are international commerce retail and international commerce wholesale, per data_package.md lines 127-137 and warning lines 283-289.]

[DATA GAP: Alibaba discloses adjusted EBITA by segment, not GAAP operating income by segment. This appendix uses adjusted EBITA as the segment operating-profit proxy, consistent with data_package.md lines 73-75 and 283-288.]

[DATA GAP: Alibaba does not disclose product-level adjusted EBITA margins for AIDC retail versus wholesale. Section 9 margins are explicit model assumptions constrained by disclosed segment-level adjusted EBITA.]

[DATA GAP: Formal geographic revenue tables are unavailable in the segment notes even though AIDC is economically international; the data package flags this at lines 45 and 294.]

Summary Table

Case	Segment TTM+5y Revenue	Segment TTM+5y Adjusted EBITA Margin	Segment TTM+5y Adjusted EBITA	Probability
Bear	RMB172.7B	(0.9)%	RMB(1.5)B	25%
Base	RMB214.9B	3.8%	RMB8.2B	50%
Bull	RMB259.6B	6.5%	RMB16.9B	25%

The probability weights put the base case at 50% because FY2026 already showed material loss narrowing and one profitable quarter, while the bull and bear cases remain balanced at 25% each: Brand+/Choice, Trendyol, and wholesale tooling can pull margins upward, but Temu/Shopee/TikTok competition, low-value parcel regulation, and tactical market investment can also keep AIDC near breakeven. Segment profit in the summary table means adjusted EBITA, not GAAP operating income, because Alibaba's segment profit disclosure is adjusted EBITA.

External Sources Used for Competitive Context

- Sea Limited FY2025 results and Shopee GMV/profitability: https://www.businesswire.com/news/home/20260302039769/en/Sea-Limited-Reports-Fourth-Quarter-and-Full-Year-2025-Results
- European Commission customs and e-commerce facts: https://taxation-customs.ec.europa.eu/customs/eu-customs-union-facts-and-figures/customs-and-e-commerce_en
- European Commission actions for safe and sustainable e-commerce imports: https://commission.europa.eu/news/tackling-challenges-e-commerce-imports-2025-02-05_en

- European Parliament low-value import briefing: https://www.europarl.europa.eu/topics/en/article/20250708STO29516/eu-targets-low-value-imports-via-e-commerce-platforms
- International Post Corporation cross-border shopper survey release: https://www.ipc.be/news-portal/general-news/2025/01/09/13/49/sharp-increase-in-international-online-purchases-via-temu
- CEP Research summary of Cross-Border Commerce Europe marketplace report: https://www.cep-research.com/2025/10/21/marketplaces-drive-european-cross-border-e-commerce-growth/
- Turkish Competition Authority Trendyol-related decision: https://www.rekabet.gov.tr/Dosya/trendyol-dsm-gecici-tedbir-karari-en-20240325112609366.pdf

Appendix S - Synthesis (Combined Earnings Model)

Alibaba Group Holding Limited - Synthesis (Combined Earnings Model)

Run date: 2026-05-25. Company: Alibaba Group Holding Limited. Ticker: BABA. Output owner: Sub-Agent S, Synthesis / Combined Earnings Model. Currency is RMB billions unless otherwise stated. Per-share figures are per BABA ADS. The current price used here is USD130.00 per ADS, the May 22, 2026 U.S. close from the orchestrator's FMP quote snapshot. I did not re-fetch the price. The required EPS for a P/E of 15 at USD130.00 is USD8.67.

This appendix combines the reviewed segment appendices into a TTM+5y earnings model. Segment profit in the segment appendices is Alibaba's disclosed adjusted EBITA, not GAAP operating income. The combined model therefore has two profit layers: first, a segment adjusted EBITA build; second, a conversion from adjusted EBITA to GAAP-like operating income using a stated haircut. That conversion matters. A model that simply divides segment adjusted EBITA by shares would overstate Alibaba's earnings power because share-based compensation, amortization/impairment, goodwill/other reconciling items, unallocated expense, and inter-segment eliminations all sit between segment adjusted EBITA and consolidated income from operations.

1. Anchors

Item	Anchor
Today	2026-05-25
Fiscal year end	March 31
TTM anchor end date	2026-03-31
TTM quarters	Q1 FY2026 ended 2025-06-30 + Q2 FY2026 ended 2025-09-30 + Q3 FY2026 ended 2025-12-31 + Q4 FY2026 ended 2026-03-31
Latest completed FY label	FY2026
Horizon date	2031-03-31
Compounding span	Exactly 5.0 calendar years from TTM end
Current price	USD130.00 per BABA ADS
Required EPS for P/E 15	USD8.67 per ADS
FX	RMB6.898/USD, from Alibaba's FY2026 release
TTM diluted share count	19.235 billion ordinary shares, or 2.404 billion ADS-equivalent diluted shares

The TTM anchor and FY2026 are the same period because Alibaba's latest completed fiscal year ended on the TTM date, 2026-03-31. The data package is explicit that the controlling quantitative base is the official Alibaba release and SEC 20-F, not the stale or currency-mixed FMP FY2026 income statement. The data package gives official FY2026 revenue of RMB1,023.670B, operating income of RMB50.150B, net income of RMB102.127B, adjusted EBITA of RMB76.416B, CFO of RMB76.213B, FCF of RMB(46.609)B, cash and other liquid investments of RMB520.824B, and diluted weighted average ordinary shares of 19.235B. Those figures are the base for the tie-outs in this appendix.

2. Segment-Level Forward Assumptions

The table below reproduces the reviewed horizon numbers from the four segment appendices. These are not re-derived here. All revenue and profit rows are RMB billions. The profit metric is adjusted EBITA / segment OI proxy, as defined by the source segment appendices.

Segment	TTM revenue	Bear TTM+5y rev	Base TTM+5y rev	Bull TTM+5y rev	Bear OI margin	Base OI margin	Bull OI margin	Source
Alibaba China E-commerce Group	554.2	628.8	745.5	878.1	23.5%	27.9%	30.6%	`appendix_B_china_ecommerce.md`, Sections 8-10
AIDC	144.2	172.7	214.9	259.6	(0.9)%	3.8%	6.5%	`appendix_B_aidc.md`, Sections 8-10

Segment	TTM revenue	Bear TTM+5y rev	Base TTM+5y rev	Bull TTM+5y rev	Bear OI margin	Base OI margin	Bull OI margin	Source
Cloud Intelligence Group	158.1	228.9	359.6	465.0	8.0%	15.6%	21.2%	`appendix_B_cloud_intelligence.md`, Sections 8-10
All Others	254.4	200.0	305.0	390.0	(18.0)%	(3.5)%	4.0%	`appendix_B_all_others.md`, Sections 8-10

The segment appendices already include product-level or segment-level margin support. The China e-commerce model depends on customer management holding mid-single-digit growth and quick commerce moving from heavy investment to modest profitability. AIDC moves from near breakeven to low-single-digit profitability in the base case, but remains a contested international commerce platform rather than a high-margin marketplace. Cloud is the main growth and margin expansion engine. All Others remains the largest uncertainty bucket: the base case assumes losses narrow, not that the segment becomes profitable by 2031.

3. Combined Revenue Build

Alibaba's segment revenue is disclosed before unallocated and inter-segment adjustments. In FY2026, the four operating segments summed to RMB1,110.886B of gross segment revenue, while consolidated revenue was RMB1,023.670B. The net consolidation factor was therefore 92.149%. This factor reflects the combination of unallocated revenue and inter-segment eliminations. I apply the same factor to the horizon gross segment revenue in each case because the forward segment appendices are built at segment level and do not independently forecast inter-segment revenue. This is a clear simplifying assumption. It is also preferable to ignoring eliminations entirely, which would overstate consolidated revenue by about 8% at the TTM anchor.

Line	Bear	Base	Bull
Sum of segment TTM+5y revenue	1,230.4	1,625.0	1,992.7
Consolidation factor from FY2026 segment-to-reported revenue	92.149%	92.149%	92.149%
Corporate eliminations / unallocated revenue adjustment	(96.6)	(127.6)	(156.4)
Combined TTM+5y revenue	1,133.8	1,497.4	1,836.3
Combined TTM+5y revenue, USD	164.4	217.1	266.2
Implied TTM to TTM+5y CAGR over 5.0 years	2.1%	7.9%	12.4%

The base case revenue CAGR of 7.9% is not a single-segment extrapolation. It is the weighted result of modest recovery in China commerce, mid-to-high-single-digit AIDC growth, strong Cloud growth, and partial stabilization in All Others after the FY2026 disposal reset. The bear case still grows consolidated revenue because China commerce, AIDC, and Cloud offset a shrinking All Others portfolio. The bull case needs Cloud and quick commerce to carry a much larger share of the mix.

4. Combined Operating Income Build

The segment appendices produce adjusted EBITA / OI proxy, not GAAP income from operations. The first table below combines segment adjusted EBITA and recurring unallocated corporate expense. In FY2026, unallocated adjusted EBITA was RMB(5.150)B and inter-segment elimination adjusted EBITA was RMB(2.420)B, for a combined RMB(7.570)B drag. I grow that drag at 3.0% per year for five years, producing RMB(8.776)B at the horizon. This is an operating-expense inflation assumption rather than a revenue-scaled assumption.

Line	Bear	Base	Bull
China e-commerce adjusted EBITA / OI proxy	147.6	207.7	268.5
AIDC adjusted EBITA / OI proxy	(1.5)	8.2	16.9
Cloud adjusted EBITA / OI proxy	18.2	56.0	98.7
All Others adjusted EBITA / OI proxy	(36.0)	(10.7)	15.6
Sum of segment adjusted EBITA / OI proxy	128.3	261.2	399.7

Line	Bear	Base	Bull
Unallocated + inter-segment adjusted EBITA drag	(8.8)	(8.8)	(8.8)
Consolidated adjusted EBITA proxy	119.5	252.4	390.9
Adjusted EBITA proxy margin on net revenue	10.5%	16.9%	21.3%

The second step converts adjusted EBITA to GAAP-like operating income. FY2026 official adjusted EBITA was RMB76.416B. The official reconciliation to income from operations deducted RMB11.180B of share-based compensation, RMB5.079B of amortization/impairment of intangibles, and RMB10.007B of goodwill impairment and other items, leaving RMB50.150B of income from operations. The total FY2026 bridge was 34.4% of adjusted EBITA, but that included elevated impairment/goodwill items in a year with major portfolio changes. The recurring SBC plus intangible amortization/impairment component alone was 21.3% of adjusted EBITA. For the horizon model, I apply a 20.0% haircut to consolidated adjusted EBITA. This is not a non-GAAP shortcut; it is a normalized conversion from the segment profit metric into a GAAP-like operating income measure.

Line	Bear	Base	Bull
Consolidated adjusted EBITA proxy	119.5	252.4	390.9
Normalized reconciling haircut	(23.9)	(50.5)	(78.2)
GAAP-like operating income	95.6	201.9	312.7
GAAP-like operating income, USD	13.9	29.3	45.3
GAAP-like operating margin	8.4%	13.5%	17.0%

The base case therefore does not ask investors to value Alibaba on adjusted EBITA. It asks whether a 2031 business with USD217.1B of revenue and a 13.5% GAAP-like operating margin can support enough after-tax EPS to pass the P/E 15 hurdle. The answer is yes, but the margin recovery is not automatic. It requires China commerce to normalize part of the FY2026 quick-commerce drag, Cloud to lift margins into the mid-teens, AIDC to become modestly profitable, and All Others losses to narrow materially.

5. Net Income and EPS Build

FY2026 below-the-line results were unusually favorable because official interest and investment income, net was RMB87.512B, driven by mark-to-market gains and disposal gains, including Trendyol's local consumer service business. That should not be capitalized into a P/E test. The horizon model instead uses normalized below-the-line income of RMB18.0B in bear, RMB25.0B in base, and RMB32.0B in bull. This line is intended to include net interest/investment income, interest expense, other income, and equity-method results after excluding large investment revaluation/disposal windfalls. The base assumption is plausible because Alibaba entered the period with RMB520.824B of cash and other liquid investments, RMB259.996B of debt-like borrowings and notes, and RMB260.828B of net cash versus debt-like borrowings.

Line	Bear	Base	Bull
GAAP-like operating income	95.6	201.9	312.7
Normalized net interest/investment/other/equity income	18.0	25.0	32.0
Pre-tax income	113.6	226.9	344.7
Tax rate assumed	25.0%	23.0%	22.0%
Net income	85.2	174.7	268.9
Net income, USD	12.4	25.3	39.0
Diluted ADS count at TTM+5y, M	2,321.1	2,321.1	2,321.1
EPS at TTM+5y, USD / ADS	5.32	10.91	16.79

The tax-rate range is anchored to the data package's FY2026 effective tax rate of 23.2%, with a higher bear tax rate to reflect less efficient income mix and a lower bull rate to reflect stronger operating income and cleaner profitability. I do not add a separate minority-interest or mezzanine adjustment because FY2026's net income attributable to ordinary shareholders exceeded consolidated net income due to noncontrolling and mezzanine effects, and those items are not forecastable from

the reviewed segment appendices. Treating consolidated net income as the EPS numerator is a conservative simplification for the base case.

6. Share Count Path

The share count path starts from the FY2026 diluted ADS-equivalent denominator of 2,404.4M ADS. The FY2026 buyback fell to about USD1.0B while FCF was negative, so the model does not use the FY2022-FY2025 heavy-buyback run-rate. However, Alibaba still has a large net cash position and continued dividends. I assume USD4.0B of repurchases per year for five years, funded from normalized cash generation and balance sheet capacity rather than from a mechanically high FCF yield. For SBC issuance, I use FY2026 non-cash share-based compensation from the official adjusted EBITA reconciliation, USD1.621B, divided by each year's assumed average share price. The path uses rising assumed average repurchase prices, so the buyback becomes less powerful over time.

Year	Starting ADS count, M	Buyback, USD B	Avg price assumed	Shares retired, M	SBC issuance, M	Ending ADS count, M
FY2027E	2,404.4	4.0	USD130	30.8	12.5	2,386.1
FY2028E	2,386.1	4.0	USD136	29.4	11.9	2,368.6
FY2029E	2,368.6	4.0	USD143	28.0	11.3	2,352.0
FY2030E	2,352.0	4.0	USD150	26.7	10.8	2,336.1
FY2031E	2,336.1	4.0	USD158	25.3	10.3	2,321.1

The five-year path retires 140.1M ADS and issues 56.8M ADS equivalent through SBC, for a net reduction of 83.3M ADS, or 3.5% of the starting diluted denominator. This is deliberately moderate. It gives Alibaba credit for a continuing repurchase program, but it does not assume buybacks alone solve the P/E test. The base EPS pass is mainly an operating-income pass, not a financial-engineering pass.

7. P/E 15 Test

Case	EPS at TTM+5y	EPS x 15	Current price	Cushion	Pass?
Bear	USD5.32	USD79.84	USD130.00	(38.6)%	No
Base	USD10.91	USD163.71	USD130.00	25.9%	Yes
Bull	USD16.79	USD251.92	USD130.00	93.8%	Yes

The confident case that matters is the base case, not the bull case. At USD130.00, the required EPS for a P/E of 15 is USD8.67. The base case produces USD10.91 of EPS, giving a 25.9% cushion. That clears the numerical P/E 15 gate. The bear case fails badly, which is important. Alibaba is not a no-brainer at the current price if the FY2026 investment cycle fails to produce Cloud returns, quick-commerce normalization, and All Others loss reduction. The model is therefore a P/E PASS with a YELLOW qualitative overlay from management and moat, not an automatic BUY.

8. Reflexivity Check

The TTM build ties to reported figures before any forward compounding. In FY2026, the four current-taxonomy operating segments summed to RMB1,110.886B of gross revenue and RMB84.0B of adjusted EBITA. Unallocated plus inter-segment eliminations reduced revenue by RMB87.2B and adjusted EBITA by RMB7.6B, producing consolidated revenue of RMB1,023.670B and consolidated adjusted EBITA of RMB76.416B. The official adjusted EBITA reconciliation then deducts the reconciling items to reach RMB50.150B of income from operations.

This is the key reflexivity check. If the model had started from only the four segment totals, it would have overstated TTM consolidated revenue by 8.5% and overstated TTM operating profit by ignoring the adjusted EBITA to GAAP bridge. The model corrects both issues. The latest completed FY is the same as the TTM period. For historical sanity, FY2025 current-taxonomy segment revenue of RMB1,097.1B less RMB100.7B of unallocated/eliminations ties to RMB996.3B of consolidated revenue within rounding, and FY2025 segment adjusted EBITA of RMB179.1B less RMB6.1B of unallocated/eliminations ties to RMB173.1B consolidated adjusted EBITA within rounding.

9. In-Progress FY Reconciliation

There is no in-progress FY treatment in this synthesis. Stage 0 anchored the run on FY2026 / TTM ended 2026-03-31, and the most recent quarter is Q4 FY2026. The full fiscal year is complete. The required in-progress reconciliation is therefore not

applicable. The relevant recency check is the most recent four quarters themselves: consolidated FY2026 revenue was RMB1,023.670B, and the quarterly revenue sequence was RMB247.7B, RMB247.8B, RMB284.8B, and RMB243.4B. The model compounds from that actual TTM base rather than from an annualized partial-year run-rate.

10. Sensitivity

This table varies one variable at a time around the base case. Two variables are held constant while the third changes. The purpose is not precision to the cent; it is to identify what controls the verdict.

Sensitivity	EPS impact	Base EPS after change	P/E 15 result
China e-commerce revenue CAGR +200 bps, base margins held	+USD0.78	USD11.70	Pass, wider cushion
China e-commerce revenue CAGR -200 bps, base margins held	(USD0.73)	USD10.19	Pass, cushion narrows
Cloud horizon OI margin +200 bps, revenue held	+USD0.28	USD11.19	Pass
Cloud horizon OI margin -200 bps, revenue held	(USD0.28)	USD10.64	Pass
Share count +5% versus base path	(USD0.52)	USD10.39	Pass
Share count -5% versus base path	+USD0.57	USD11.49	Pass
Tax rate +300 bps	(USD0.43)	USD10.49	Pass
Tax rate -300 bps	+USD0.43	USD11.34	Pass

The most important swing variable is China e-commerce revenue and margin recovery, not the mechanical share count path. This makes intuitive sense because China e-commerce remains the largest profit pool. Cloud matters enormously to the long-term story, but in the base case a 200 bps Cloud margin move changes EPS by less than a 200 bps China commerce growth move. The second important variable is whether the adjusted EBITA to GAAP-like operating income haircut is appropriate. I use 20% because it approximates the recurring FY2026 SBC plus amortization/impairment bridge while excluding unusually large goodwill/disposal-type items. If a reviewer forces the full FY2026 34.4% bridge into the 2031 base case, base EPS would fall materially and the P/E cushion would compress. That is the harshest accounting sensitivity.

11. Combined Earnings Summary

Probability weights are 30% bear, 50% base, and 20% bull. Base receives the highest weight because the reviewed segment appendices show plausible paths for China commerce recovery, AIDC profitability, Cloud growth, and All Others loss reduction. Bear receives more weight than bull because management and moat gates are both YELLOW, All Others remains opaque, Cloud capex returns are not yet proven, and quick commerce could remain subsidy-intensive. Bull is possible but requires multiple things to go right at once.

Case	Revenue, USD B	OI, USD B	OI margin	NI, USD B	EPS	Probability	EPS x 15	vs. USD130
Bear	164.4	13.9	8.4%	12.4	5.32	30%	79.84	(38.6)%
Base	217.1	29.3	13.5%	25.3	10.91	50%	163.71	25.9%
Bull	266.2	45.3	17.0%	39.0	16.79	20%	251.92	93.8%
Probability-weighted EPS	n/m	n/m	n/m	n/m	10.41	100%	156.18	20.1%

The base case is the cleanest single verdict: Alibaba clears the P/E 15 hurdle at USD130.00 if the reviewed segment assumptions hold and if a normalized 20% adjusted-EBITA-to-GAAP-like OI haircut is accepted. The probability-weighted EPS also clears the hurdle, but the distribution is wide. The bear case does not merely trim the upside; it fails the P/E test. That is why the final ER2 decision should not read the synthesis as "valuation solved." It should read it as "valuation can work, but only if the qualitative YELLOW gates improve through operating evidence."

Tie-Out Checks

- Reported-financial tie-out (TTM + latest completed FY): PASSED. FY2026 / TTM segment revenue of RMB1,110.886B plus unallocated/eliminations of RMB(87.216)B ties to reported revenue of RMB1,023.670B. FY2026 consolidated adjusted EBITA of RMB76.416B less official reconciling items of RMB26.266B ties to income from operations of RMB50.150B. FY2025 current-taxonomy revenue and adjusted EBITA also tie to consolidated rows within rounding. Because FY2026 is both TTM and latest completed FY, the anchor is not a partial-year estimate.

- NI / shares = EPS: PASSED. Bear USD12.354B / 2,321.1M ADS = USD5.32. Base USD25.332B / 2,321.1M ADS = USD10.91. Bull USD38.982B / 2,321.1M ADS = USD16.79. Differences are rounding only.

- Segment sum tie-out at horizon: PASSED with named adjustment. Gross horizon segment revenue is RMB1,230.4B, RMB1,625.0B, and RMB1,992.7B for bear/base/bull. Applying the FY2026 92.149% segment-to-consolidated factor produces consolidated revenue of RMB1,133.8B, RMB1,497.4B, and RMB1,836.3B. The gap is not unexplained; it is the explicit corporate elimination / unallocated revenue adjustment.

- Product-to-segment rollup: PASSED. The China e-commerce appendix rolls customer management, direct/logistics/others, quick commerce, and wholesale to the segment total. The AIDC appendix rolls retail and wholesale. The Cloud appendix rolls cloud services revenue type plus derived residual/reconciliation line. The All Others appendix is a one-line segment build because no product-dollar split is disclosed. Reviewed segment horizon numbers match the orchestrator's inputs.

- Weighted margin check: PASSED. China e-commerce, AIDC, and Cloud segment margins are revenue-weighted from product/sub-line OI tables in their appendices. All Others is a one-line margin model. The synthesis uses the segment-level margins exactly as reviewed: China e-commerce 27.9% base, AIDC 3.8% base, Cloud 15.6% base, and All Others (3.5)% base.

- Share count path: PASSED. Starting ADS count of 2,404.4M less 140.1M retired shares plus 56.8M SBC-equivalent issuance equals 2,321.1M ending ADS. The path covers exactly five years, not six.

- Growth plausibility: PASSED. Base-case segment CAGRs do not blindly exceed disclosed current-taxonomy history. China e-commerce's base path is modest relative to FY2026 growth but depends on quick-commerce normalization. AIDC's base growth is below its FY2024-FY2026 two-year comparable CAGR. Cloud's base path is high but below a 1.2x test against its current-taxonomy Cloud services growth and is explicitly justified by AI/MaaS demand. All Others reverses a negative disposal-distorted base, but the appendix flags that as a portfolio-stabilization assumption rather than an organic high-growth claim.

- Historical arithmetic: PASSED. Segment appendices compound from FY2026 / TTM to 2031-03-31 over exactly five years. Example checks: China e-commerce base RMB745.5B from RMB554.2B implies a 6.1% blended five-year CAGR; AIDC base RMB214.9B from RMB144.2B implies 8.3%; Cloud base RMB359.6B from RMB158.1B implies 17.9%; All Others base RMB305.0B from RMB254.4B implies 3.7%. These match the reviewed appendices within rounding.

- Recency anchor: PASSED. The model starts from the actual most recent four quarters, not from a step-up FY2027 run-rate. Base consolidated revenue grows from RMB1,023.670B to RMB1,497.4B over five years, a 7.9% CAGR. An even one-year interpolation would put FY2027 revenue near RMB1,104.8B, or 7.9% above the actual TTM run-rate, within the 10% recency threshold. The operating-income endpoint is not imposed as a first-year margin jump; the segment appendices treat FY2026 as an investment trough and require gradual recovery.

- FX and ADS consistency: PASSED. All RMB-to-USD conversions use RMB6.898/USD from Alibaba's FY2026 release. Each ADS represents eight ordinary shares. The starting diluted ADS count is 19.235B ordinary shares divided by eight, or 2.404B ADS-equivalent shares.

- P/E test arithmetic: PASSED. Required EPS is USD130.00 / 15 = USD8.67. Base EPS is USD10.91. Base EPS x 15 is USD163.71, and the cushion is (USD163.71 - USD130.00) / USD130.00 = 25.9%. Bear fails; base and bull pass.

Key Findings

The P/E 15 gate passes in the base case. The base model produces USD217.1B of revenue, USD29.3B of GAAP-like operating income, USD25.3B of net income, and USD10.91 of EPS at 2031-03-31. That is above the USD8.67 required EPS, with a 25.9% cushion.

The quality of the pass is mixed. The model includes a real adjusted-EBITA-to-GAAP-like haircut, moderate buybacks, normalized below-the-line income, and corporate eliminations. It does not rely on FY2026 investment gains or a return to pre-FY2026 China commerce margins. Still, it does require meaningful operating recovery: China commerce margins must recover, Cloud must scale profitably, AIDC must stop consuming profit, and All Others losses must narrow.

The biggest risk to the synthesis is not the share count path; it is the operating bridge from FY2026's investment trough to FY2031's normalized margin. Management and moat gates are both YELLOW, so the synthesis should feed into a cautious final verdict. At USD130.00, valuation can work, but the thesis still needs operating proof.

Appendix CS - Compounder Score

Alibaba Group Holding Limited - Diagnostic Compounder Score

Analysis date: 2026-05-28. Company: Alibaba Group Holding Limited. Ticker: BABA / 9988.HK. Reporting currency: RMB, with valuation translated to USD per BABA ADS where needed. Fiscal year end: March 31. TTM anchor: FY2026 / TTM ended 2026-03-31.

1. Executive Verdict

Alibaba is a real business-quality candidate but not a clean diagnostic compounder at the May 2026 evidence point. The evidence supports large platform advantages in China commerce and China AI/cloud, a net-cash balance sheet, and a credible operating-recovery model. The evidence does not support a high current ROIIC or a self-funding 20% annualized shareholder-return case at USD130 per ADS.

Diagnostic Compounder Score: 52 / 100. Business Quality: 50 / 80. Valuation / 20% Return Underwriting: 2 / 20. Score-implied classification: Reject under this diagnostic rubric.

This is not an ER2 gate and does not override the completed ER2 verdict. It is a skeptical scorecard. Alibaba can still be investable under a different return hurdle, but the 20% compounder rubric requires much more proof that FY2026 cloud/AI and quick-commerce spending produces high incremental returns.

2. Data Source Map

Evidence item	Local source used	Confidence
Price / market cap	`quant_foundation.md`; `raw/full_er2_20260525/fmp_BABA_quote.json` with USD130.00 ADS price and USD303.4B market cap	Medium
Enterprise value	Official net-cash bridge in `quant_foundation.md` and `data_package.md`; FMP EV file cross-check has currency/ADS inconsistencies	Medium
Income statement	`quant_foundation.md`; `data_package.md`; official FY2026 release / 20-F figures embedded there	High
Balance sheet	`quant_foundation.md` P6; `data_package.md` liquidity table	High
Cash flow	`quant_foundation.md` P6; `data_package.md` capital allocation section	High
Share count	`appendix_synthesis.md`; `data_package.md` ordinary-share and ADS-equivalent count	High
SBC	`appendix_synthesis.md`; `appendix_management.md`; FY2026 adjusted EBITA bridge	High
Segment data	`data_package.md`; segment appendices for China E-commerce, Cloud, AIDC, and All Others	High
Management / capital allocation	`appendix_management.md`; `data_package.md` capital allocation notes	High
Moat / competitors / runway	`appendix_moat.md`; segment appendices	Medium
5-year model	`appendix_synthesis.md`	Medium

No live fetch was needed. The local ER2 artifacts contain current FY2026 official data, source mapping, segment appendices, management review, moat review, and a reviewed synthesis model.

3. Key Financial and Quality Metrics

Metric	Value	Source / calculation
Current price	USD130.00 / ADS	FMP quote snapshot cited in QF and synthesis
Market cap	USD303.4B	FMP quote snapshot
Official net cash vs debt-like borrowings	RMB260.8B, about USD37.8B	QF P6; RMB6.898/USD from synthesis

Metric	Value	Source / calculation
Adjusted EV used for underwriting	About USD265.6B	Market cap less official net cash
FY2026 revenue	RMB1,023.7B	data package / QF
FY2026 operating income	RMB50.2B	data package / QF
FY2026 NOPAT	RMB38.5B	data package ROIC table
FY2026 FCF	RMB(46.6)B	official FCF bridge in QF
FY2022-FY2026 ROIC	7.0%, 12.8%, 14.1%, 15.9%, 4.8%	data package
5-year median adjusted ROIC proxy	12.8%	median of data-package ROIC series
5-year ROIIC	Negative / not meaningful	NOPAT fell from RMB44.3B in FY2022 to RMB38.5B in FY2026 despite reinvestment
FY2026 SBC / revenue	1.1%	RMB11.18B official bridge / RMB1,023.67B revenue
FY2026 SBC / FCF	Not meaningful	FCF negative
FY2026 net debt / EBITDA	n/m, net cash	QF / data package
FY2026 FCF yield	Negative	FCF negative versus market cap
Base 2031 EPS	USD10.91 / ADS	synthesis
Base P/E 15 value	USD163.71 / ADS	synthesis
Base 5-year IRR including dividends	About 5.4%	(USD163.71 + USD5.25 dividends) / USD130 over five years
Bull 5-year IRR including dividends	About 14.6%	(USD251.92 + USD5.25 dividends) / USD130 over five years

4. Rubric Scorecard

Category	Score	Max	Rationale
Incremental Returns on Capital	10	25	Reported ROIC is positive but only mid-teens before collapsing to 4.8% in FY2026; 5-year ROIIC is negative or not meaningful because NOPAT fell during a large reinvestment cycle.
Reinvestment Runway	16	20	China commerce, Cloud Intelligence, AI/MaaS, and international commerce offer large runways; runway quality is capped by quick-commerce subsidies, cloud capex intensity, and limited segment capex/unit economics.
Durability of Moat	11	15	Commerce network effects, merchant tooling, 88VIP, data, and cloud switching costs are real; moat is defended rather than dominant because PDD, Douyin, JD, Meituan, Huawei, Tencent, Baidu, ByteDance, and telecom clouds remain intense.
Accounting and Financial Quality	7	10	Official data reconciles cleanly and controls passed; FCF was negative, below-the-line gains were unusually favorable, and adjusted EBITA needs a real GAAP bridge.
Capital Allocation Discipline	6	10	Portfolio cleanup and net cash are positives; FY2026 buybacks fell while capex surged, and management has not yet proven returns on the quick-commerce and AI/cloud investment wave.
Price and 20% Return Underwriting	2	20	Base and bull cases do not clear a 20% annualized return at USD130 without a much stronger endpoint than the reviewed model supports.
Total	52	100	Reject under the diagnostic rubric, mainly because ROIIC and 20% underwriting fail.

5. ROIIC and Reinvestment Analysis

The evidence does not support a high current ROIIC score. Data-package NOPAT was RMB44.3B in FY2022, RMB81.1B in FY2023, RMB86.2B in FY2024, RMB109.9B in FY2025, and RMB38.5B in FY2026. Over the FY2022-FY2026 span, NOPAT ended below the starting year while capex rose sharply to RMB122.9B in FY2026, R&D/product development reached RMB66.5B, and quick-commerce / cloud investment pushed FCF to RMB(46.6)B.

This may be an investment trough rather than permanent impairment. The synthesis explicitly models operating recovery from cloud growth, China commerce normalization, AIDC profit improvement, and All Others loss reduction. But the compounder rubric scores realized and credibly calculable incremental returns. On that standard, Alibaba is capped until the company converts the FY2025-FY2026 investment surge into higher NOPAT and positive FCF.

6. Runway Analysis

Alibaba has a large remaining opportunity. China commerce still has a high-quality customer-management revenue stream, and 88VIP membership rose through FY2026 to 62M in Q4. Cloud services revenue grew strongly, AI-related revenue became material inside external cloud, and management expects AI-related products to become the primary driver of external cloud revenue. AIDC has improved toward break-even and could add operating leverage.

The main runway risk is not demand. It is value creation. Cloud and AI infrastructure require very heavy capex; quick commerce requires subsidies, fulfillment density, and better unit economics; and international commerce remains contested. Growth deserves credit, but not full points, because too much of the next five years depends on investment-heavy categories whose ROI is not yet observable.

7. Moat Analysis

Alibaba's moat can be explained in one paragraph: China commerce benefits from two-sided marketplace scale, merchant tooling, ad auction liquidity, product breadth, brand storefronts, logistics/payment/data integration, 88VIP loyalty, and operating know-how; cloud benefits from domestic scale, enterprise switching costs, certifications, data architecture, security controls, procurement relationships, and a full-stack AI position around Qwen, Model Studio, chips, and cloud infrastructure.

That moat is real but not pristine. Commerce is multi-homing and attention can move to PDD, Douyin, JD, Meituan, Xiaohongshu, or private traffic. Cloud is protected from foreign hyperscalers in Mainland China but faces Huawei, Tencent, Baidu, ByteDance, telecom clouds, private clouds, price competition, and export-control-related hardware constraints. The moat supports a watchable recovery case; it does not yet support a no-drama 20-year compounder score.

8. Accounting and Capital Allocation Analysis

The local ER2 artifacts are internally reconciled. QF reports 8/8 reconciliation checks passed, and the FY2026 official release / 20-F controls over FMP where FMP data was currency-mixed. That is a positive.

The financial-quality deductions are material. FY2026 FCF was negative despite positive net income. FY2026 below-the-line interest and investment income was unusually favorable and should not be capitalized. Segment profit is adjusted EBITA, not GAAP operating income, and the synthesis correctly deducts SBC, amortization/impairment, goodwill/other items, and unallocated/eliminations before underwriting earnings power.

Capital allocation is mixed. Management pruned non-core assets and kept a large net-cash cushion. Buybacks were heavy in FY2022-FY2025 but fell to about USD1.0B in FY2026 while dividends continued and capex surged. The strategy is coherent, but the return on the current AI/cloud and quick-commerce spending is still unproven.

9. 20% Return Underwriting

Case	Endpoint value used	Dividends	Approx 5-year IRR	Interpretation
Bear	USD79.83 / ADS	USD5.25	-8.1%	Fails badly if operating recovery disappoints.
Base	USD163.71 / ADS	USD5.25	5.4%	Clears the ER2 P/E 15 test but not the 20% compounder hurdle.
Bull	USD251.92 / ADS	USD5.25	14.6%	Attractive but still below 20% before adding assumptions beyond the reviewed synthesis.

The 20% case requires an ending value near USD323 per ADS after five years, before considering dividends, versus the synthesis base value of USD164 and bull value of USD252. Using a conservative 15x exit EV/NOPAT multiple and the current official net-cash-adjusted EV of about USD265.6B, the reverse-DCF math implies a required NOPAT CAGR of roughly 51% from FY2026 trough NOPAT. With a flat trough-inflated current EV/NOPAT multiple, required NOPAT CAGR would still be about 20%. Neither is a conservative base case.

10. Hard Veto Checklist

Veto item	Status	Evidence
ROIIC below cost of capital with no credible path	Watch	Current 5-year ROIIC is negative, but cloud/commerce recovery provides a credible path.
ROIC high only because invested capital is tiny	Pass	ROIC is not artificially high; if anything it is muted by large cash/investment balances and FY2026 profit trough.
Growth requires persistent external financing	Pass	Alibaba has net cash and does not need external financing for the current plan.
Share count rises materially without per-share value creation	Pass	Share count declined over the modeled path; SBC is real but not abusive as a percent of revenue.
Large acquisitions without disclosed returns	Watch	Portfolio complexity and related-party/investment web remain monitoring items; recent pattern is more pruning than empire-building.
FCF consistently lags earnings structurally	Watch	FY2026 FCF was negative by design; must prove this is investment-cycle timing, not structural cash leakage.
Regulation, platform dependency, cyclicality, or leverage can impair equity	Watch	China platform regulation, cloud export controls, and subsidy wars are material; leverage is not the issue.
20% return case requires terminal multiple expansion	Fail	Current evidence does not clear 20% under the reviewed base or bull cases.
Needs flawless execution to justify price	Watch	Base case needs multiple operating improvements, but ER2 P/E 15 pass has some cushion.
Cannot explain moat in one paragraph	Pass	Moat is explainable, though less dominant than history suggests.
Accounting/governance issues impair trust	Watch	Controls clean, but Alibaba Partnership, VIE, Ant-related arrangements, and adjusted-profit bridges require a discount.
Balance sheet risk could wipe out equity	Pass	Net cash position materially reduces balance-sheet wipeout risk.

11. Final Decision

Final diagnostic classification: Reject under this Compounder Score rubric. The score is below 70, the realized ROIIC evidence is weak, FY2026 FCF is negative, and the 20% annualized return case is not supported at USD130 per ADS by the reviewed local model.

Compounder Score note: 52/100; Alibaba has real platform assets and runway, but the diagnostic score is capped by negative recent ROIIC, negative FY2026 FCF, and a 20% return case that is not supported by the base or bull model.

Business Quality Score note: 50/80; commerce and cloud moats are real, but FY2026 returns and cash conversion are investment-cycle depressed, quick-commerce unit economics are under-disclosed, and cloud capex returns remain unproven.

20% Return UW Score note: 2/20; USD130 may work for a lower return hurdle if the ER2 base case is right, but the evidence does not support a 20% annualized case without much stronger NOPAT growth or valuation assumptions.

12. Machine-Readable JSON

See `compounder_score.json` in this folder for the machine-readable scorecard.

Appendix CSA - Scoring Audit

Alibaba Group Holding Limited - Scoring Audit

Analysis date: 2026-05-28. Company: Alibaba Group Holding Limited. Ticker: BABA. Audit scope: existing `appendix_compounder_score.md` and `compounder_score.json`, checked against local ER2 artifacts in this folder. No live fetch was needed because the local ER2 package includes FY2026 official release / SEC 20-F evidence, current segment appendices, management review, moat review, quant foundation, and synthesis.

1. Original vs Audited Scores

Item	Original	Audited	Notes
Business Quality Score / 80	50	48	Reduced for an overstated FCF-conversion metric and incomplete ROIIC/acquisition-inclusive return evidence.
Valuation / 20% Return UW Score / 20	2	2	Preserved. Base IRR is far below 20%, bull is still below 20%, and reverse-DCF math is demanding.
Total Score / 100	52	50	Still below 70.
Classification	Reject	Reject	Score remains a diagnostic Reject under the compounder rubric.

Original case outputs reconstructed from the scorer: bear IRR (8.1)%, base IRR 5.4%, bull IRR 14.6%, and maximum base-case buy price for a 20% IRR of USD67.90 per ADS. The JSON and appendix agree on the major scores and classification. The max-buy-price figure is interpretable as the base-case 20% buy price, not a bull-case 20% buy price.

2. Score Reductions and Reasons

This score is reduced because the scorer's cash-conversion field is too favorable. The JSON lists 5-year FCF conversion at 1.51x, but the five fiscal years shown in `data_package.md` include FCF of RMB87.9B, RMB165.5B, RMB150.8B, RMB73.9B, and RMB(46.6)B against NOPAT of RMB44.3B, RMB81.1B, RMB86.2B, RMB109.9B, and RMB38.5B. Including FY2026 gives about 1.20x, not 1.51x. The 1.5x result appears to exclude the negative FY2026 cash-flow year.

The 2-point Business Quality reduction is applied to Category 1E / 4B cash conversion. The scorer already penalized negative FY2026 FCF, so this is not a large downgrade. But a mislabeled five-year conversion metric should not support the same accounting-quality score.

No reduction is applied to the 20% underwriting score because it was already strict. The base case produces only about 5.4% annualized return and the bull case about 14.6%. A 20% case would need a much larger endpoint value than the reviewed synthesis supports.

3. Unsupported Claims

- Partly supported: "5-year FCF conversion 1.51x" is not supported as a five-year statistic including FY2026. It is closer to a FY2022-FY2025 pre-trough statistic.
- Partly supported: the 5-year ROIIC of negative 1.5% is directionally correct, but the local artifacts do not show a clean step-by-step ROIIC calculation. Using FY2022-FY2026 NOPAT and ending invested-capital change gives a different negative result. This does not change the score because ROIIC is negative either way.
- Supported with caveats: runway and moat claims for China commerce and cloud have primary-source and segment-appendix support, but cloud AI revenue, MaaS ARR, quick-commerce unit economics, and Qwen monetization remain management/KPI evidence rather than audited economic proof.
- Supported: SBC is treated as a real cost in the synthesis conversion from adjusted EBITA to GAAP-like operating income and in the share-count path.
- Supported: the 20% hurdle fail is well supported and does not rely on mixing Business Quality with Valuation/UW.

4. Calculation Errors

The calculation breaks at the FCF conversion label. Including all five years shown in the local data package gives cumulative FCF of about RMB431.5B and cumulative NOPAT of about RMB360.0B, or roughly 1.20x. The 1.51x figure appears to ignore FY2026's RMB(46.6)B FCF. Because FY2026 is the TTM anchor and the core reason the score is capped, the audited score uses the lower confidence cash-conversion assessment.

The IRR mechanics check out. Base: (USD163.71 endpoint value + USD5.25 dividends) / USD130 compounded for five years is about 5.4%. Bull: (USD251.92 + USD5.25) / USD130 is about 14.6%. Bear: (USD79.83 + USD5.25) / USD130 is about (8.1)%.

The reverse-DCF math is directionally sound. With current adjusted EV near USD265.6B, a 20% five-year value target requires about 2.49x value creation. At a 15x endpoint EV/NOPAT multiple, required FY2031 NOPAT is far above the FY2026 trough NOPAT base. The 20% case requires much stronger NOPAT growth than the reviewed base or bull case.

5. Missing Data

- Segment-level capex, depreciation, working capital, and invested capital are missing for China commerce, cloud, AIDC, and All Others.
- Acquisition-inclusive ROIIC is not calculated. This is a data gap, though recent net M&A/acquisition spend appears less material than capex and organic reinvestment.
- Quick-commerce GMV, subsidies, order volume, retention, contribution margin, and full unit economics are only partially disclosed.
- Cloud external revenue has growth rates, but annual external-cloud dollars and full-year AI-related product revenue are not fully disclosed.
- All Others remains too blended to underwrite asset-level returns or capital discipline.

6. Hard-Veto and Threshold Test Audit

The hard-veto screen is fair. The 20% return case does not work at USD130 under the reviewed base or bull model. ROIIC is weak and not cleanly calculable across the investment cycle. FCF was negative in FY2026. Governance/VIE/related-party complexity remains a monitoring issue, not an automatic accounting fail.

The diagnostic threshold tests still fail: total score is below 80, Business Quality is below 65/80, Valuation/UW is below 15/20, ROIIC plus runway is below 35/45, base IRR is below 20%, bear IRR is below the required downside threshold, and the 20% case is not supported without a materially stronger endpoint than the reviewed model.

7. Final 20% Hurdle Pass/Fail

Final 20% hurdle result: fail. The evidence does not support a 20% annualized shareholder-return case at USD130 per ADS. A lower-return investment case may still exist under the ER2 synthesis, but the compounder-score underwriting test is separate and stricter.

8. Dream Business / Dream Investment Classification

Classification: neither. Alibaba has real platform assets and could become a better business if the current AI/cloud and quick-commerce reinvestment earns high returns, but the audited evidence does not yet show a dream business. It is also not a dream investment under this rubric because the 20% return case fails.

The single biggest reason Alibaba does not qualify is that FY2026 reinvestment has not yet converted into observable high incremental returns or positive free cash flow, while the current price does not underwrite 20% annualized returns.

9. Stage 7 Scorecard Notes

Compounder Score note: 50/100; Alibaba has real commerce and cloud assets, but realized ROIIC, FY2026 FCF, and 20% return underwriting remain too weak for a compounder pass.

Business Quality Score note: 48/80; core moats are credible, but cash conversion is weaker than the original five-year metric implies and the cloud/quick-commerce return evidence is still incomplete.

20% Return UW Score note: 2/20; the reviewed base and bull cases do not clear a 20% annualized return at USD130 without much stronger endpoint economics.

10. Auditor JSON

See `compounder_score_audit.json`.

Appendix RT - Red Team

Alibaba Group Holding Limited - Red Team

Run date: 2026-05-25. Company: Alibaba Group Holding Limited. Ticker: BABA. TTM anchor: FY2026 / TTM ended 2026-03-31. Forward horizon: 2031-03-31. Current price used by the synthesis: USD130.00 per ADS. This appendix is the red-team attack on the Stage 5 synthesis. The synthesis passed the P/E 15 gate with base EPS of USD10.91, a required EPS of USD8.67, and a 25.9% cushion. My job is to find what breaks.

1. The Most Fragile Assumption

The most fragile assumption is the Alibaba China E-commerce Group margin bridge, especially the line that moves quick commerce from an estimated negative 45.0% current margin to a positive 6.0% margin by 2031 while customer management rises from an estimated 39.0% margin to 42.0%. In the base segment model, China E-commerce revenue grows from RMB554.2B to RMB745.5B, and adjusted EBITA rises from RMB107.5B to RMB207.7B. That is not a small normalization. It is a near doubling of segment profit while the business mix shifts toward a lower-margin, delivery-heavy quick-commerce layer.

The synthesis correctly identifies China commerce as the largest profit pool, but it still may understate how much of the P/E pass depends on a successful conversion from subsidy defense to economic density. FY2026 segment revenue grew 9.0%, yet adjusted EBITA fell 44% and margin fell from about 38% in FY2024-FY2025 to 19.4% in FY2026. The base case asks the reader to treat FY2026 as an investment trough. That can be true, but it is not proven. The clearest warning sign is that management's quick-commerce targets are management targets, not audited unit economics: RMB1T GMV by FY2028, positive unit economics by FY2027 end, positive cash flow when the GMV target is achieved, and profitability in FY2029. The data package explicitly says order volume, subsidies, AOV, GMV bridge, and unit economics are only partially disclosed.

If quick commerce reaches RMB164.9B of 2031 revenue but earns 0% instead of the modeled 6.0%, Alibaba loses about RMB9.9B of segment adjusted EBITA before the synthesis haircut. That alone is not fatal. The real break is paired: quick commerce stays around breakeven and customer management cannot expand to 42.0% because merchant subsidies, traffic concessions, and Douyin/PDD/JD pressure keep CMR economics closer to the bear case. A 500 bps miss on customer-management margin against RMB438.9B of base revenue is another RMB21.9B of adjusted EBITA. Together, those two China-commerce misses remove roughly RMB31.8B of segment adjusted EBITA, or about USD0.9-1.1 per ADS after the synthesis conversion and tax assumptions. That would cut the P/E 15 cushion roughly in half before touching Cloud, All Others, the accounting haircut, or buybacks.

The fragile assumption is not that quick commerce grows. Growth is visible. The fragile assumption is that growth becomes profit fast enough while preserving the core marketplace monetization engine. A strategic traffic battle can look rational at the app level and still be value-destructive at the equity level if every competitor views local instant retail as defensive oxygen.

2. The Most-Likely-To-Be-Optimistic Stage 5 Number

The Stage 5 number most likely to be optimistic is base FY2031 GAAP-like operating income of RMB201.9B, or USD29.3B. The EPS number, USD10.91, is the visible gate, but the more fragile upstream number is operating income. It embeds four simultaneous improvements: China E-commerce adjusted EBITA from RMB107.5B to RMB207.7B, Cloud adjusted EBITA from RMB14.3B to RMB56.0B, AIDC from RMB(2.1)B to RMB8.2B, and All Others from RMB(35.7)B to RMB(10.7)B. Then it applies a normalized 20.0% adjusted-EBITA-to-GAAP-like operating income haircut rather than the full FY2026 bridge of 34.4%.

The synthesis gives a reasonable argument for the 20.0% haircut: FY2026 included elevated goodwill and other impairment/disposal-type items, and recurring SBC plus amortization/impairment was 21.3% of adjusted EBITA. The red-team issue is not arithmetic. It is persistence. Alibaba has a large, opaque All Others bucket, ongoing Qwen/consumer-AI investment, heavy cloud capex, and quick-commerce losses. Those are exactly the conditions that can keep "non-recurring" adjustments recurring in substance even if the label changes. If the true 2031 bridge is closer to 28%-30% than 20%, base EPS loses roughly USD1.0-1.3 per ADS. If the full FY2026 34.4% bridge is forced into the base case, the EPS cushion compresses dramatically. The P/E gate may still clear narrowly, but the output would no longer deserve the same confidence.

Cloud revenue of RMB359.6B is also exposed, but I would not call it the single most optimistic Stage 5 number because Alibaba has a real growth signal there: FY2026 Cloud revenue +34%, Q4 +38%, external cloud +40%, and Q4 AI-related product revenue at RMB8.971B. The more optimistic number is the profit conversion of the whole group. Alibaba can grow

Cloud and quick commerce and still disappoint if the growth is capital intensive, competitively priced, and adjustment-heavy.

3. Strongest Bear Case, Stated In Its Strongest Form

The strongest bear case is that Alibaba is using its old commerce profit pool to fund two defensive wars at once: a local-consumption war against Meituan/JD/Douyin/PDD and an AI-cloud capex war against Huawei/Tencent/Baidu/ByteDance/telecom clouds. The spreadsheet reads this as a temporary investment trough; the bear reads it as a structural reset from high-return marketplace economics into lower-return infrastructure, logistics, AI inference, and subsidy-heavy frequency defense. In that world, China commerce revenue grows but margin never gets back to the high-20s, Cloud revenue compounds but adjusted EBITA margin stays near high single digits because depreciation, domestic-chip constraints, power, and price competition absorb the AI upside, and All Others remains an opaque sink for Qwen, media, grocery, logistics, and app experiments. The observable anchor is simple: consolidated capex remains above RMB100B annually while free cash flow stays negative or barely positive and China E-commerce adjusted EBITA margin fails to recover above the low-20s.

This bear case does not require Alibaba to become irrelevant. It requires Alibaba to remain relevant in worse businesses. That is the dangerous version because the company can still report strong user metrics, Cloud growth, AI enthusiasm, and ecosystem integration while per-share intrinsic value compounds slowly.

4. Cross-Examination Of Management Commentary

Management's "invest at scale" language around the consumption platform is honest, but it is also the first place to push. The company is explicitly prioritizing long-term frequency and market position over near-term margin. The red-team question is whether Alibaba has enough pricing power to stop investing later. A platform with a dominant moat should be able to defend traffic with product and merchant ROI; a platform that must keep paying for frequency is less like the old Taobao/Tmall advertising machine and more like a local-services operator. The first sign that management is overpromising would be reported CMR growth staying near low-single digits after subsidy accounting normalizes, while China E-commerce adjusted EBITA margin stays below the FY2026 full-year level.

Management's "UE will turn positive" quick-commerce comment is the second pressure point. Positive unit economics by FY2027 end is not the same as full-line profitability, and it is not the same as an acceptable return on the cumulative investment. Unit economics can turn positive before overhead, tech spend, fulfillment network investment, and customer acquisition are fully absorbed. If Alibaba discloses or implies better unit economics but segment adjusted EBITA does not improve, the right interpretation is not "the model is on track"; it is "the disclosed KPI is too narrow."

Cloud commentary is the third pressure point. Management has discussed RMB380B of AI/cloud infrastructure investment, AI share crossing 50% of external cloud, MaaS as higher gross margin, and a possible 10x increase in compute demand. A bull hears demand, scarcity, and margin mix. A bear hears open-ended capex, supply bottlenecks, accelerated depreciation, and price competition. Compute demand can be real and still be a poor equity investment if Alibaba must add capacity faster than it can lock in attractive multi-year customer economics. The first place this shows up is Cloud adjusted EBITA margin: if revenue grows fast but margin is stuck around 9%, the model's 15.6% base margin is too kind.

The balance-sheet commentary, including USD38B in net cash and the regular dividend, is not a full answer to the capital-allocation problem. Liquidity gives management permission to keep investing even when free cash flow is negative. That is good if returns are high. It is bad if strategic necessity outruns ROI discipline. The FY2026 buyback collapsed to roughly USD1.0B while the synthesis assumes USD4.0B per year for five years. That assumption is moderate versus FY2022-FY2025, but not moderate versus the latest year.

5. Stage 5 Tie-Out Reverification

I do not find an arithmetic defect in the 11 tie-outs. The TTM anchor is correct: Q1 FY2026 through Q4 FY2026, ending 2026-03-31. The model does not silently use a six-year horizon. The product-to-segment rollups tie to the reviewed appendices. The share-count math works. The P/E arithmetic works.

The red-team challenge is that several tie-outs are mechanically correct while economically fragile. The recency anchor uses a full fiscal-year base, but the latest quarter is not obviously a clean launchpad. Consolidated quarterly revenue was RMB247.7B, RMB247.8B, RMB284.8B, and RMB243.4B. China E-commerce quarterly margins were volatile, and All Others exited FY2026 with a negative 32.3% adjusted EBITA margin. Cloud showed impressive growth, but margin remained near 9.1% in Q4. In other words, the model's recency test checks that the first-year revenue step is not too aggressive; it does not prove that the margin recovery glide path is observable yet.

The share-count path is plausible but not a source of safety. FY2026 repurchases were only USD1.0B while free cash flow was negative RMB46.6B. A USD4.0B annual buyback from FY2027-FY2031 depends on normalized cash generation and balance-sheet capacity. If capex remains above RMB100B and management preserves dividends and strategic investment, buybacks can again become residual. The synthesis sensitivity says a 5% higher share count costs USD0.52 of EPS. That does not break the model alone, but it matters when combined with margin and accounting-haircut pressure.

The competitor deceleration check is most vulnerable in Cloud and AIDC. Cloud's base segment CAGR of 17.9% is defensible against FY2026 acceleration, but it assumes Alibaba captures an AI S-curve rather than suffers a commodity AI-compute race. AIDC's 8.3% base CAGR is below its FY2024-FY2026 comparable CAGR, but retail exited FY2026 at only +5% in Q4 and faces Temu, Shein, Shopee, TikTok Shop, low-value parcel reform, and local marketplace competition. AIDC can become modestly profitable, but it is not a margin-rescue asset.

All Others is the hardest tie-out to accept qualitatively. The base case moves from RMB(35.7)B adjusted EBITA to RMB(10.7)B. That is still a loss, so it sounds conservative. But the Q4 FY2026 exit rate was much worse than the annual number, and the segment has no product-dollar split. The model cannot know whether Qwen, DingTalk, Amap, Cainiao, Freshippo, media, games, or health is creating or destroying the incremental loss. Opacity is not just an inconvenience; it is a forecast risk.

6. The Signal That Forces An Exit

The forced-exit signal should be Alibaba China E-commerce Group adjusted EBITA margin. Sell or force a full thesis rewrite if FY2027 full-year China E-commerce adjusted EBITA margin is below 22.0% while reported customer management revenue growth is below 4.0%. The time window is the next four reported quarters through FY2027. The threshold is intentionally concrete: 22.0% is only modestly above FY2026's 19.4% and still far below the 27.9% base-case 2031 margin. If the core segment cannot clear that low bar after a year of operating against the quick-commerce investment plan, the model's assumed march toward high-20s margins is not evidence-based.

Why this invalidates the thesis: the synthesis can survive small misses, but it cannot survive a core-profit-pool failure plus the existing qualitative YELLOW gates. Cloud needs capex proof, AIDC is small, and All Others is opaque. China commerce is the profit anchor that gives Alibaba time to prove AI/cloud. If China commerce remains stuck near trough margins while CMR is weak, the bear case changes from "temporary investment pressure" to "permanent traffic and monetization defense."

Secondary monitoring signals should be used to confirm the exit rather than replace it. Cloud adjusted EBITA margin below 10.0% for FY2027 despite revenue growth above 25% would imply AI demand is not converting into operating leverage. All Others adjusted EBITA worse than RMB(25B) again in FY2027 would imply the opacity bucket is not normalizing. Free cash flow still negative in FY2027 while capex remains above RMB100B would show the capital allocation story has not yet turned.

7. Conviction At The End Of Red Team

Red-team conclusion: conditional. The thesis survives the red team only as a tightly monitored base case, not as a clean BUY-quality compounder. The numerical P/E 15 pass is real, and the synthesis did the right thing by including a GAAP-like haircut, moderate buybacks, and a bear case that fails. But the pass is not robust enough to outrun the management and moat YELLOW gates. The actual investment case is not "Alibaba is cheap on FY2031 EPS." It is "Alibaba is cheap if FY2026 was an investment trough and the company proves that quick commerce, Cloud AI, and Qwen are return-generating assets rather than strategic cost centers."

If I were rewriting the final narrative from the red-team seat, I would move the center of gravity from valuation to operating proof. The base case deserves a WATCH/conditional-BUY frame only if the next year shows China commerce margin recovery, Cloud operating leverage, and FCF stabilization. Without those signals, the bear case is too plausible: Alibaba remains strategically important, technologically relevant, and financially under-earning, while shareholders wait for a margin bridge that keeps moving one year to the right.

Appendix D - Data Package (raw historicals)

Alibaba Group Holding Limited - Data Package

Run date: 2026-05-25. Company: Alibaba Group Holding Limited. Ticker: BABA / 9988.HK. Fiscal year end: March 31. Most recently reported quarter: Q4 FY2026, quarter ended 2026-03-31, announced 2026-05-13. TTM anchor: Q1 FY2026 ended 2025-06-30 + Q2 FY2026 ended 2025-09-30 + Q3 FY2026 ended 2025-12-31 + Q4 FY2026 ended 2026-03-31 = FY2026/TTM ended 2026-03-31. Forward horizon for downstream ER2 work: 2031-03-31, exactly five calendar years after the TTM end.

Units: RMB billions unless stated. The controlling quantitative base is `C:\Users\Admin\OneDrive\GPT\ER 2.0\Alibaba\quant_foundation.md`, which was cleared by `quant_foundation_review.md` with `QUANT FOUNDATION VERIFIED - CLEARED FOR WAVE 1`. Alibaba is a foreign private issuer. Official Alibaba IR releases and SEC 20-F filings control where FMP is stale, currency-mixed, empty, or taxonomy-mismatched. Live raw files for this package are saved under `C:\Users\Admin\OneDrive\GPT\ER 2.0\Alibaba\raw\full_er2_20260525\data_package\`. No warehouse cache was used.

Source manifest

Source	Live fetch saved as	Use
Alibaba FY2026 Q4/FY release page, https://home.alibabagroup.com/en-US/document-1991237455038119936	`alibaba_ir_q4_fy2026_page.html`	Current official release page.
Alibaba FY2026 Q4/FY release PDF, https://data.alibabagroup.com/ecms-files/1532295521/5b1cb883-8d00-4237-a148-6631cc12a5d2/Alibaba%20Group%20Announces%20March%20Quarter%202026%20and%20Fiscal%20Year%202026%20Results.pdf	`alibaba_q4_fy2026_release.pdf/.txt`	Q4/FY2026 financials, segments, cash flow, liquidity, commentary.
Alibaba Q1 FY2026 release PDF, https://data.alibabagroup.com/ecms-files/1532295521/d09dd487-1a87-4e17-aa5d-9eb4da7eb56b/Alibaba%20Group%20Announces%20June%20Quarter%202025%20Results.pdf	`alibaba_q1_fy2026_release.pdf/.txt`	Q1 FY2026 recency table and commentary.
Alibaba Q2 FY2026 release PDF, https://data.alibabagroup.com/ecms-files/1532295521/96ebbe16-9309-479f-b628-48b0ccc31b9c/Alibaba%20Group%20Announces%20September%20Quarter%202025%20Results%20and%20Interim%20Results%20for%20the%20Six%20Months%20Ended%20September%2030%2C%202025.pdf	`alibaba_q2_fy2026_release.pdf/.txt`	Q2 FY2026 recency table and commentary.
Alibaba Q3 FY2026 release PDF, https://data.alibabagroup.com/ecms-files/1532295521/e48e70a1-e5c8-40ac-bdd2-951ebcb36946/Alibaba%20Group%20Announces%20December%20Quarter%202025%20Results.pdf	`alibaba_q3_fy2026_release.pdf/.txt`	Q3 FY2026 recency table and commentary.
SEC FY2026 20-F, https://www.sec.gov/Archives/edgar/data/1577552/000119312526231755/baba-20260331.htm	`sec_baba_2026_20f.html/.txt`	Annual filing, segment taxonomy, product/type revenue, balance sheet notes.
SEC FY2025/FY2024/FY2023/FY2022 20-F filings	`sec_baba_2025_20f.html/.txt`, `sec_baba_2024_20f.html/.txt`, `sec_baba_2023_20f.html/.txt`, `sec_baba_2022_20f.html/.txt`	Five-year historical context and old-taxonomy segment boundaries.
SEC submissions/companyfacts	`sec_submissions_CIK0001577552.json`, `sec_companyfacts_CIK0001577552.json`	Filing discovery and cross-check.
FMP live `/stable/` pulls via `fmp_request.py`	`fmp_BABA_*.json`	Quote, profile, annual/quarter statements, key metrics, ratios, product segmentation, transcripts.
FMP live transcript endpoint	`fmp_BABA_transcript_FY2026_Q1/Q2/Q3/Q4.json/.txt`	Management commentary. Dates returned: 2025-08-29, 2025-11-25, 2026-03-19, 2026-05-13.

Self-checks required by Sub-Agent D: (1) The most recent quarter's largest recent growth signal was checked against the Q4 FY2026 release: Cloud Intelligence revenue was RMB41.626B, +38% YoY; external cloud revenue growth accelerated to 40%. (2) The management-commentary source was checked against the FMP Q4 transcript endpoint; date returned was 2026-05-13, matching the expected call date. (3) FMP annual income statement FY2026 did not tie to official revenue: FMP

returned RMB144.119B while official Alibaba/SEC revenue is RMB1,023.670B. This is not silently corrected; it is carried as an official-source override consistent with QF/QFR.

1. Reporting structure & taxonomy

Company FY ends March 31. Most recently completed fiscal quarter at time of writing: FY2026 Q4, covering 2026-01-01 to 2026-03-31, reported on 2026-05-13 via the Alibaba FY2026 Q4/FY release URL above.

Current reportable structure changed in FY2026. Starting with the quarter ended June 30, 2025, Alibaba integrated Taobao and Tmall Group, Ele.me and Fliggy into Alibaba China E-commerce Group and reclassified Cainiao, Amap and Hujing Digital Media and Entertainment Group into All others. The current segments are:

Segment	What it contains	FY2026 revenue	% of consolidated revenue	FY2026 adjusted EBITA	Source
Alibaba China E-commerce Group	E-commerce, customer management, direct sales/logistics/others, quick commerce, China commerce wholesale.	554.2	54.1%	107.5	FY2026 release / FY2026 20-F.
Alibaba International Digital Commerce Group (AIDC)	International retail and wholesale, including AliExpress, Trendyol, Lazada, Daraz, Alibaba.com.	144.2	14.1%	(2.1)	FY2026 release / FY2026 20-F.
Cloud Intelligence Group	Public and non-public cloud services, AI cloud, MaaS, infrastructure, model and application services.	158.1	15.4%	14.3	FY2026 release / FY2026 20-F.
All others	Freshippo, Cainiao, Alibaba Health, Hujing DME, Amap, Qwen Consumer Business Group, Lingxi Games, DingTalk and other businesses.	254.4	24.9%	(35.7)	FY2026 release / FY2026 20-F.
Unallocated	Corporate and miscellaneous items not allocated to segments.	2.3	0.2%	(5.2)	FY2026 release / FY2026 20-F.
Inter-segment elimination	Elimination of inter-segment revenue and profit items.	(89.6)	(8.7)%	(2.4)	FY2026 release / FY2026 20-F.
Consolidated	Reported Alibaba Group.	1,023.7	100.0%	76.4	FY2026 release / FY2026 20-F.

Taxonomy flags:

- FY2026 current taxonomy has restated FY2024 and FY2025 segment data in the 2026 20-F. Use current taxonomy for FY2024-FY2026.
- FY2023 and FY2022 were reported under older structures. The FY2023 20-F includes China commerce, International commerce, Local consumer services, Cainiao, Cloud, Digital media and entertainment, and Innovation initiatives and others. Those old-taxonomy rows are not directly comparable to FY2026 current segments.
- The FY2025 20-F also shows an intermediate structure before the FY2026 reclassification: Taobao and Tmall Group, AIDC, Cloud Intelligence Group, Cainiao, Local Services Group, Hujing DME, and All others. The 2026 20-F is the controlling current taxonomy for FY2024-FY2026.
- Geographic information is not separately presented in the segment notes because Alibaba states that substantially all long-lived assets are in the PRC and substantially all revenue is derived within the PRC. AIDC is economically international, but the annual segment note does not present a formal geographic revenue table.

2. Consolidated historicals

FY2022-FY2025 below use FMP live annual statement pulls cross-checked to official 20-F totals where available. FY2026 uses official Alibaba/SEC values because the FMP FY2026 income statement is materially currency-mixed. FY2026 FMP mismatch: revenue RMB144.119B vs official RMB1,023.670B; operating income RMB8.140B vs official RMB50.150B; net income RMB14.584B vs official RMB102.127B.

Metric	FY2022	FY2023	FY2024	FY2025	FY2026 / TTM	Source
Revenue	853.1	868.7	941.2	996.3	1,023.7	FMP annual through FY2025; FY2026 official release/20-F.
Operating income	69.6	100.4	113.4	140.9	50.2	FMP annual through FY2025; FY2026 official release/20-F.
Operating margin	8.2%	11.6%	12.0%	14.1%	4.9%	Calculated.
Net income	62.2	72.8	80.0	130.1	102.1	FMP annual through FY2025; FY2026 official release/20-F.
Diluted EPS per ADS, RMB	22.72	27.44	31.36	53.60	44.00	FMP annual through FY2025; FY2026 official release.
Diluted ADS-equivalent share count, M	2,723	2,639	2,545	2,415	2,404	FMP annual; FY2026 ordinary-share denominator from QF divided by 8 ADS ratio.
Capex	52.4	34.4	33.2	86.7	122.9	FMP cash flow through FY2025; FY2026 official FCF bridge PPE + intangibles.
FCF	87.9	165.5	150.8	73.9	(46.6)	FMP through FY2024; FY2025/FY2026 official FCF comparison in FY2026 release.
ROIC	7.0%	12.8%	14.1%	15.9%	4.8%	Calculated; see below.

ROIC definition used here: NOPAT / average invested capital. NOPAT = operating income x (1 - effective tax rate). Effective tax rate = income tax expense / income before tax. Invested capital = total debt + total stockholders' equity - cash and short-term/liquid investments. FY2026 uses official cash and other liquid investments of RMB520.824B and official debt-like borrowings/notes of RMB259.996B. This definition is deliberately conservative for Alibaba because the company carries a very large net-cash/investment balance and equity-method investments; downstream synthesis should treat ROIC as a directional operating metric rather than a clean industrial-company return metric.

ROIC input	FY2022	FY2023	FY2024	FY2025	FY2026
Operating income	69.6	100.4	113.4	140.9	50.2
Effective tax rate	36.3%	19.2%	24.0%	22.0%	23.2%
NOPAT	44.3	81.1	86.2	109.9	38.5
Ending invested capital	635.7	628.1	590.4	795.1	796.1
Average invested capital used	635.7	631.9	609.2	692.8	795.6

3. Segment historicals

Alibaba discloses adjusted EBITA, not GAAP operating income, by segment. The tables below therefore use adjusted EBITA as segment profit. Do not relabel adjusted EBITA as GAAP segment operating income.

Current taxonomy, comparable FY2024-FY2026

Segment	FY2024 revenue	FY2025 revenue	FY2026 revenue	FY2024 adj. EBITA	FY2025 adj. EBITA	FY2026 adj. EBITA	FY2026 margin	Source
Alibaba China E-commerce Group	490.1	508.4	554.2	187.0	193.2	107.5	19.4%	FY2026 20-F Note 29 / FY2026 release.
AIDC	102.6	132.3	144.2	(8.0)	(15.1)	(2.1)	(1.4)%	FY2026 20-F Note 29 / FY2026 release.
Cloud Intelligence Group	106.4	118.0	158.1	6.1	10.6	14.3	9.0%	FY2026 20-F Note 29 / FY2026 release.
All others	317.5	338.3	254.4	(11.3)	(9.5)	(35.7)	(14.0)%	FY2026 20-F Note 29 / FY2026 release.
Total segments	1,016.6	1,097.1	1,110.9	173.8	179.1	84.0	7.6%	Sum before unallocated/eliminations.

Segment	FY2024 revenue	FY2025 revenue	FY2026 revenue	FY2024 adj. EBITA	FY2025 adj. EBITA	FY2026 adj. EBITA	FY2026 margin	Source
Unallocated + eliminations	(75.4)	(100.7)	(87.2)	(8.8)	(6.1)	(7.6)	n/m	FY2026 release.
Consolidated	941.2	996.3	1,023.7	165.0	173.1	76.4	7.5%	FY2026 release.

Current-taxonomy YoY growth:

Segment	FY2025 YoY	FY2026 YoY	FY2026 profit note
Alibaba China E-commerce Group	3.7%	9.0%	Adjusted EBITA fell 44% as quick commerce, user experience, and technology investment hit margins.
AIDC	28.9%	9.0%	Loss narrowed sharply in FY2026 on logistics optimization and efficiency.
Cloud Intelligence Group	11.0%	34.0%	Adjusted EBITA rose 35%; AI-related demand was the stated driver.
All others	6.6%	(24.8)%	Revenue fell after Sun Art/Intime disposals and Cainiao decline; Qwen/technology investment widened losses.

Old-taxonomy boundary FY2022-FY2023

FY2022-FY2023 use the pre-FY2024/FY2026 reporting taxonomy and should not be bridged mechanically to current segments.

Old taxonomy segment	FY2022 revenue	FY2023 revenue	FY2022 adjusted EBITA	FY2023 adjusted EBITA	Source / caution
China commerce	592.7	582.7	182.1	184.9	FY2022/FY2023 20-F; not comparable to FY2026 Alibaba China E-commerce Group because Ele.me/Fliggy/Cainiao/Amap reclassifications changed boundaries.
International commerce	61.1	69.2	(9.0)	(5.6)	FY2022/FY2023 20-F; broadly related to AIDC but not identical to current taxonomy.
Local consumer services	43.5	50.1	(21.8)	(14.0)	Later integrated/reclassified.
Cainiao	46.1	55.7	(1.5)	(0.4)	Later included in All others.
Cloud	74.6	77.2	1.1	1.4	Broadly comparable to Cloud Intelligence, though DingTalk had earlier reclassifications.
Digital media and entertainment	32.3	31.5	(4.7)	(1.9)	Later Hujing DME and included in All others.
Innovation initiatives and others	2.8	2.3	(7.1)	(6.9)	Later taxonomy changed.
Total segments	853.1	868.7	130.4	157.5	FY2022/FY2023 20-F.

4. Product / sub-segment historicals

Alibaba discloses product/type revenue in dollars/RMB by type, not always by named product. The most granular annual dollar-disclosed type table in the FY2026 20-F is:

Revenue type	FY2023	FY2024	FY2025	FY2026	What it represents	Source
Customer management services	355.1	386.6	424.9	459.9	CPC, CPM, time-based, CPS marketing and software services.	FY2025/FY2026 20-F Note 5; FMP annual product endpoint ties FY2026.
Membership fees and value-added services	40.1	42.0	46.6	47.6	Membership and related value-added services across platforms.	FY2025/FY2026 20-F Note 5.
Logistics services	89.2	114.1	123.4	139.9	Logistics services, including Cainiao/commerce logistics.	FY2025/FY2026 20-F Note 5.

Revenue type	FY2023	FY2024	FY2025	FY2026	What it represents	Source
Cloud services	76.6	76.5	84.5	112.1	Public and non-public cloud services.	FY2025/FY2026 20-F Note 5.
Sales of goods	271.0	283.3	274.3	227.7	Direct sales recorded gross where Alibaba is principal.	FY2025/FY2026 20-F Note 5.
Other revenue	36.6	38.8	42.7	36.4	Games and other services.	FY2025/FY2026 20-F Note 5.
Total	868.7	941.2	996.3	1,023.7	Consolidated revenue.	Tie to 20-F.

Sub-segment revenue disclosed in the current segment table:

Segment	Sub-segment/product line	FY2024	FY2025	FY2026	Disclosure status
Alibaba China E-commerce Group	Customer management	308.0	326.8	343.9	Dollar disclosed in current-taxonomy revenue table.
Alibaba China E-commerce Group	Direct sales, logistics and others	110.8	103.7	105.5	Dollar disclosed.
Alibaba China E-commerce Group	E-commerce subtotal	418.8	430.5	449.4	Dollar disclosed.
Alibaba China E-commerce Group	Quick commerce	50.9	53.6	78.5	Dollar disclosed, but business was strategically rebranded/integrated in FY2026.
Alibaba China E-commerce Group	China commerce wholesale	20.5	24.3	26.3	Dollar disclosed.
AIDC	International commerce retail	81.7	108.5	117.7	Dollar disclosed.
AIDC	International commerce wholesale	20.9	23.8	26.4	Dollar disclosed.
Cloud Intelligence Group	Cloud Intelligence Group total	106.4	118.0	158.1	Dollar disclosed.
All others	All others total	317.5	338.3	254.4	Dollar disclosed; includes several heterogeneous businesses and disposal effects.

Growth-rate-only or KPI disclosures without full dollar histories:

Segment	Product/KPI	Disclosure method	Last 4 quarters / FY2026 disclosure	Source
Cloud Intelligence	External cloud revenue	Growth rate, not dollar revenue by external customer.	Q1 +26%; Q2 +29%; Q3 +35%; Q4 +40%.	FY2026 releases/transcripts.
Cloud Intelligence	AI-related product revenue	Growth rate / selected current-dollar metric.	Triple-digit YoY growth for Q1-Q4; Q4 AI-related product revenue RMB8.971B and 30% of external cloud revenue.	FY2026 Q4 release/transcript.
Cloud / MaaS	Model/application services ARR	Management target, not historical GAAP line.	Q4 transcript: ARR expected above RMB10B in June quarter and RMB30B by year-end.	FMP Q4 FY2026 transcript.
China E-commerce	88VIP members	KPI, not revenue.	Surpassed 53M in Q1, 56M in Q2, 59M in Q3, 62M in Q4.	FY2026 releases.
China E-commerce	Customer management like-for-like	Growth rate.	Q4 CMR +1% reported; +8% like-for-like excluding contra revenue impact. FY2026 +5% reported; +7% like-for-like.	FY2026 Q4 release.
Quick commerce	Unit economics / AOV	Directional management commentary.	UE and AOV improved sequentially; Q4 quick commerce revenue +57% YoY to RMB20.0B.	FY2026 Q4 release/transcript.
AIDC	AliExpress Choice / Brand+ / Accio	Commentary and selected adoption indicators, no separate dollars.	Loss narrowed materially; Brand+ quarterly transacting-consumer penetration surpassed 30% in Q4.	FY2026 Q4 release.

Segment	Product/KPI	Disclosure method	Last 4 quarters / FY2026 disclosure	Source
Qwen Consumer / ATH	Qwen app MAU/downloads	KPI, not segment revenue.	Qwen consumer interface surpassed 300M MAU in Q3; Qwen app integrated Taobao/Tmall services in Q4.	FY2026 Q3/Q4 releases/transcripts.

No back-solved dollar figures are used in this section. If a product or KPI lacks a separately disclosed revenue dollar amount, this file marks it as growth-rate-only or KPI-only.

5. Most recent quarterly trend

Quarter	Consolidated revenue	YoY	Operating margin	Adjusted EBITA margin	Source
Q1 FY2026 ended 2025-06-30	247.7	2%	14%	16%	Alibaba Q1 FY2026 release.
Q2 FY2026 ended 2025-09-30	247.8	5%	2%	4%	Alibaba Q2 FY2026 release.
Q3 FY2026 ended 2025-12-31	284.8	2%	4%	8%	Alibaba Q3 FY2026 release.
Q4 FY2026 ended 2026-03-31	243.4	3%	0%	2%	Alibaba Q4 FY2026 release.

Segment	Q1 revenue / YoY / adj. EBITA margin	Q2 revenue / YoY / adj. EBITA margin	Q3 revenue / YoY / adj. EBITA margin	Q4 revenue / YoY / adj. EBITA margin	Source
Alibaba China E-commerce Group	140.1 / +10% / 27.4%	132.6 / +16% / 7.9%	159.3 / +6% / 21.7%	122.2 / +6% / 19.6%	FY2026 releases and QF.
AIDC	34.7 / +19% / (0.2)%	34.8 / +10% / 0.5%	39.2 / +4% / (5.1)%	35.4 / +6% / (0.4)%	FY2026 releases and QF.
Cloud Intelligence Group	33.4 / +26% / 8.8%	39.8 / +34% / 9.1%	43.3 / +36% / 9.0%	41.6 / +38% / 9.1%	FY2026 releases and QF.
All others	58.6 / (28)% / (2.4)%	63.0 / (25)% / (5.4)%	67.3 / (25)% / (14.5)%	65.5 / (21)% / (32.3)%	FY2026 releases and QF.

Major product/sub-segment quarterly trend:

Product / sub-line	Q1 FY2026	Q2 FY2026	Q3 FY2026	Q4 FY2026	Comment
Customer management	89.3 / +10%	78.9 / +10%	102.7 / +1%	73.0 / +1% reported, +8% like-for-like	Q4 reported growth was depressed by the contra-revenue treatment of merchant subsidies.
Direct sales, logistics and others	29.3 / +7%	24.0 / +5%	28.9 / 0%	23.3 / (6)%	Direct sales mix and disposals matter; do not treat as pure marketplace take-rate.
Quick commerce	14.8 / +12%	22.9 / +60%	20.8 / +56%	20.0 / +57%	Heavy investment area; revenue is net of subsidies that are contra revenue.
China commerce wholesale	6.7 / +13%	6.7 / +13%	6.9 / +5%	5.9 / +3%	1688.com-related.
International commerce retail	28.4 / +20%	28.1 / +10%	32.4 / +3%	28.9 / +5%	Includes AliExpress, Trendyol, Lazada.
International commerce wholesale	6.3 / +13%	6.7 / +11%	6.9 / +10%	6.5 / +9%	Alibaba.com-related.
Cloud Intelligence Group	33.4 / +26%	39.8 / +34%	43.3 / +36%	41.6 / +38%	AI-related products drove acceleration.

6. Management commentary on forward growth

The following entries are short verbatim snippets or close source-labeled references from live-fetched FY2026 transcripts/releases. The interpretation is the modeling point; the snippet is only an anchor. For all entries, the full source is in the raw transcript/release files named above.

Alibaba China E-commerce Group

Source	Speaker	Short quote/snippet	Topic	Modeling interpretation
Q1 FY2026 transcript, 2025-08-29	Eddie Wu	"invest at scale"	Consumption platform	Management is prioritizing long-term consumption share over near-term margin.

Source	Speaker	Short quote/snippet	Topic	Modeling interpretation
Q1 FY2026 transcript, 2025-08-29	Hong Xu	"RMB 50 billion"	Quick commerce investment	Quick commerce investment is incremental and explicitly large enough to depress FY2026/FY2027 EBITA.
Q1 FY2026 transcript, 2025-08-29	Hong Xu	"rapid growth in CMR"	Customer management	CMR is expected to benefit from take-rate, QZT/Quanzhantui, and traffic/frequency uplift.
Q2 FY2026 transcript, 2025-11-25	Eddie Wu	"significant improvement in unit economics"	Quick commerce	The model should not extrapolate losses linearly if fulfillment, retention, and AOV keep improving.
Q2 FY2026 transcript, 2025-11-25	Toby Xu	"may fluctuate quarter-over-quarter"	Segment EBITA	ACEG profit will be volatile during competition and user-experience investment.
Q3 FY2026 transcript, 2026-03-19	Eddie Wu	"RMB 1 trillion"	Quick commerce GMV target	Management's FY2028 quick-commerce ambition is large and should be modeled as both revenue opportunity and investment risk.
Q3 FY2026 transcript, 2026-03-19	Eddie Wu	"profitable in FY '29"	Quick commerce profitability	Downstream segment work should not assume FY2027 steady-state margins.
Q4 FY2026 transcript, 2026-05-13	Unknown Executive	"UE will turn positive"	Quick commerce unit economics	Management expects quick-commerce unit economics to turn positive by FY2027 end, but not necessarily full-segment profit.
Q4 FY2026 release, 2026-05-13	Company	"CMR would have grown 8%"	Customer management like-for-like	Contra-revenue accounting obscures underlying marketplace monetization in Q4.

AIDC

Source	Speaker	Short quote/snippet	Topic	Modeling interpretation
Q1 FY2026 transcript, 2025-08-29	Hong Xu	"approaching breakeven"	AIDC profitability	AIDC's loss narrowed materially; path to break-even is credible but market investment remains a swing factor.
Q2 FY2026 transcript, 2025-11-25	Toby Xu	"profit of RMB 162 million"	Quarterly profit	Q2 showed AIDC can reach positive adjusted EBITA under logistics and investment discipline.
Q2 FY2026 transcript, 2025-11-25	Toby Xu	"tactical investments"	Volatility	Do not capitalize one profitable quarter into a permanently profitable margin.
Q3 FY2026 release, 2026-03-19	Company	"narrowed loss significantly"	Profit bridge	Loss improvement is recurring commentary, driven by logistics optimization and investment efficiency.
Q4 FY2026 release, 2026-05-13	Company	"approaching break-even"	Loss narrowing	Q4 AIDC is close to break-even at adjusted EBITA; FY2026 annual loss was only RMB2.1B.
Q4 FY2026 release, 2026-05-13	Company	"Brand+ surpassed 30%"	AliExpress Brand+	Brand program can improve mix and merchant participation, but no separate revenue dollars are disclosed.

Cloud Intelligence Group / AI

Source	Speaker	Short quote/snippet	Topic	Modeling interpretation
Q1 FY2026 transcript, 2025-08-29	Eddie Wu	"RMB 380 billion"	AI/cloud infrastructure	Capex is a multi-year strategic program, not a one-quarter anomaly.

Source	Speaker	Short quote/snippet	Topic	Modeling interpretation
Q1 FY2026 transcript, 2025-08-29	Eddie Wu	"triple-digit growth"	AI-related revenue	AI products are the core growth vector, but dollar disclosure is limited.
Q2 FY2026 transcript, 2025-11-25	Eddie Wu	"full stack AI capabilities"	Competitive positioning	Alibaba frames model, cloud, chips, and applications as a linked moat.
Q2 FY2026 transcript, 2025-11-25	Toby Xu	"over 20%"	AI share of external cloud revenue	AI crossed a material revenue-share threshold in FY2026.
Q3 FY2026 transcript, 2026-03-19	Eddie Wu	"surpass USD 100 billion"	Five-year cloud/AI goal	This is a management aspiration, not booked revenue; it should be sensitivity-tested.
Q3 FY2026 transcript, 2026-03-19	Eddie Wu	"MaaS to become...largest revenue product"	Cloud mix	MaaS mix could raise gross margin if demand and supply hold.
Q4 FY2026 transcript, 2026-05-13	Eddie Wu	"cross the 50% threshold"	AI share outlook	Management expects AI-related products to become the primary external cloud revenue driver.
Q4 FY2026 transcript, 2026-05-13	Unknown Executive	"MaaS...higher gross margin"	Margin structure	Higher MaaS mix and T-Head deployment are the stated margin levers.
Q4 FY2026 transcript, 2026-05-13	Unknown Executive	"10x increase"	Compute demand	Capex/opex demand may exceed earlier RMB380B plan; supply is a binding constraint.

All others, Qwen Consumer, capital allocation

Source	Speaker	Short quote/snippet	Topic	Modeling interpretation
Q2 FY2026 transcript, 2025-11-25	Toby Xu	"strategic AI-driven"	All others mix	All others now contains AI initiatives that are expense-heavy and not directly comparable to old retail/logistics mix.
Q3 FY2026 transcript, 2026-03-19	Toby Xu	"300 million MAU"	Qwen consumer	Qwen has large user traction but no mature monetization line; model as optionality plus losses.
Q4 FY2026 transcript, 2026-05-13	Toby Xu	"USD 38 billion in net cash"	Balance sheet	Liquidity gives management capacity to keep investing despite negative FCF.
Q4 FY2026 transcript, 2026-05-13	Toby Xu	"annual dividend of USD 1.05 per ADS"	Shareholder returns	Dividends continue, but repurchase intensity fell versus prior years.
Q4 FY2026 release, 2026-05-13	Company	"Qwen app fully integrated"	AI-commerce integration	Qwen is now tied directly into Taobao/Tmall and daily-life services, supporting the ecosystem thesis.

7. Capital allocation history

Year	Capex	Capex / revenue	Product development / R&D	R&D / revenue	Buybacks	Dividends	M&A / acquisitions net	Source
FY2022	52.4	6.1%	55.5	6.5%	60.2	0.0	0.7	FMP annual statements.
FY2023	34.4	4.0%	56.7	6.5%	74.8	0.0	(2.2)	FMP annual statements.
FY2024	33.2	3.5%	52.3	5.6%	89.4	18.1	(5.4)	FMP annual statements.
FY2025	86.7	8.7%	57.2	5.7%	87.4	29.3	(22.0)	FMP annual statements / FY2026 release for FCF comparison.

Year	Capex	Capex / revenue	Product development / R&D	R&D / revenue	Buybacks	Dividends	M&A / acquisitions net	Source
FY2026	122.9	12.0%	66.5	6.5%	7.6	33.7	12.1	FY2026 official release for capex/FCF/R&D; FMP cash flow for buybacks/acquisitions cross-check.

Notes:

- FY2026 free cash flow turned negative because AI/cloud infrastructure capex and quick-commerce investment consumed operating cash flow. Official FCF bridge: CFO RMB76.213B less PPE purchases RMB122.021B less intangibles RMB0.874B plus buyer-deposit adjustment RMB0.073B = RMB(46.609)B.
- Management disclosed a multi-year RMB380B technology investment plan and later indicated that the figure may be low relative to customer demand and supply constraints.
- FY2026 share repurchases were much lower than FY2022-FY2025. The 20-F also discloses 73 million ordinary shares repurchased for US$1.0B, while the cash flow statement shows RMB7.638B of repurchases.

8. Balance sheet snapshot at 2026-03-31

Item	RMB B	Source
Cash and cash equivalents	131.5	QF P6 / FY2026 release / 20-F.
Short-term investments	155.3	QF P6 / FY2026 release / 20-F.
Other unrestricted treasury investments	234.1	QF P6 / FY2026 20-F liquidity section.
Cash and other liquid investments	520.8	Official liquidity measure.
Restricted cash and escrow receivables	42.0	QF P6 / balance sheet.
Total debt-like borrowings and notes	260.0	QF P6; current/non-current borrowings, senior notes, convertible notes, exchangeable bonds.
Net cash vs debt-like borrowings	260.8	Cash/liquid investments less debt-like borrowings.
Net debt / EBITDA	n/m net cash	Official net-cash position; EBITDA leverage not meaningful.
Goodwill + intangibles	263.4	FMP annual balance sheet cross-check; official 20-F balance sheet.
Total stockholders' equity	1,056.9	FMP annual balance sheet; used for ROIC cross-check.
Ordinary shares outstanding 2026-05-18	18.670B	FY2026 20-F beneficial ownership section.
Diluted weighted average ordinary shares FY2026	19.235B	FY2026 release / QF P6.
ADS conversion	8 ordinary shares per ADS	FY2026 release.

9. Recent corporate actions and events

- 2025-06-30 quarter: Alibaba implemented the FY2026 reporting reclassification. Taobao and Tmall Group, Ele.me and Fliggy were integrated into Alibaba China E-commerce Group; Cainiao, Amap and Hujing DME moved into All others.
- FY2026: Sun Art and Intime disposal effects reduced reported revenue growth and All others revenue; Alibaba gives like-for-like revenue growth excluding these disposals.
- FY2026: Alibaba disclosed a gain from disposal of Trendyol's local consumer service business, affecting investment income and net income comparisons.
- FY2026: Cloud/AI investment accelerated. Q4 transcript includes management commentary that compute infrastructure demand could be 10x the 2022 base and may require investment above the prior RMB380B plan.
- Q3/Q4 FY2026: Qwen Consumer Business Group and Alibaba Token Hub became more visible in management commentary; Qwen app integrated Taobao/Tmall commerce services on 2026-05-07.

- FY2026: The board approved an annual regular dividend of US$0.13125 per ordinary share, or US$1.05 per ADS, payable to holders as of 2026-06-11.
- FY2026: Share repurchases fell to about US$1.0B/73M ordinary shares, compared with much heavier repurchases in FY2022-FY2025.
- FY2026: Alibaba issued/held debt-like instruments including convertible unsecured senior notes and exchangeable bonds; official debt-like borrowings/notes totaled RMB260.0B at 2026-03-31.
- FY2026: Q4 included goodwill/intangible impairment effects, including impairment within All others and an intangible impairment relating to Alibaba China E-commerce Group.

10. Open data gaps and downstream warnings

- FMP annual FY2026 income statement is materially wrong/currency-mixed for revenue, operating income, and net income. Use official Alibaba/SEC values for FY2026. Do not use FMP FY2026 annual income statement as a base for valuation.
- FMP quarterly product segmentation returned [ ]. Quarterly product/sub-segment trends must come from Alibaba's official quarterly release tables, not from a fabricated product bridge.
- Current segment taxonomy is comparable only for FY2024-FY2026. FY2022-FY2023 are old-taxonomy and should be used for historical context, not direct current-segment CAGR math.
- Alibaba discloses adjusted EBITA by segment, not GAAP operating income by segment. Downstream B/S agents should model segment profit from adjusted EBITA, then reconcile to consolidated operating income using SBC, amortization/impairment, goodwill/other, unallocated, and eliminations.
- Product dollars are available by revenue type and by selected sub-segment rows, but named products such as Qwen app, Model Studio/Bailian, Accio, AliExpress Choice, Wukong, Amap Street Stars, and T-Head do not have full historical revenue series. Treat those as KPI/commentary items unless a later source provides dollars.
- Cloud external revenue and AI-related product revenue are mostly growth-rate/KPI disclosures. Q4 AI-related product revenue was disclosed at RMB8.971B and 30% of external cloud revenue, but a four-quarter dollar history for AI-related products was not fully disclosed.
- Quick commerce revenue is disclosed, but GMV, subsidies, order volume, and unit economics are only partially disclosed. Management targets include RMB1T GMV by FY2028, positive unit economics by FY2027 end, positive cash flow when the GMV target is achieved, and profitability in FY2029; these are management targets, not historical facts.
- All others is not a clean segment for extrapolation. It mixes disposed retail assets, Freshippo, Cainiao, health, media, Amap, Qwen Consumer, games, DingTalk, and other businesses. FY2026 revenue decline reflects disposals and Cainiao decline while FY2026 losses reflect technology/Qwen investment.
- FCF is under pressure by design. FY2026 FCF was negative RMB46.6B despite net cash because capex and consumption/AI investment accelerated. Balance-sheet strength is real, but near-term free cash flow should not be normalized to the FY2022-FY2024 average.
- SEC and Alibaba filings state no geographic information is presented because substantially all long-lived assets and revenue are within/derived from the PRC. AIDC has international economics, but formal geography tables are unavailable in the annual segment notes.

Key takeaways for downstream agents

- Use FY2026/TTM ended 2026-03-31 as the model base and 2031-03-31 as the FY+5 horizon.
- Use official FY2026 revenue RMB1,023.670B, operating income RMB50.150B, net income RMB102.127B, adjusted EBITA RMB76.416B, CFO RMB76.213B, FCF RMB(46.609)B, and cash/liquid investments RMB520.824B.
- Current reportable segments are Alibaba China E-commerce Group, AIDC, Cloud Intelligence Group, and All others. FY2024-FY2026 are comparable under current taxonomy; FY2022-FY2023 are old-taxonomy.

- Segment profit base is adjusted EBITA: ACEG RMB107.509B, AIDC RMB(2.051)B, Cloud RMB14.265B, All others RMB(35.737)B for FY2026.
- Cloud is the growth engine: FY2026 Cloud revenue RMB158.132B, +34%; Q4 Cloud revenue RMB41.626B, +38%; external cloud revenue growth accelerated to 40%; AI-related products were 30% of external cloud revenue in Q4.
- China e-commerce is intentionally reinvesting. FY2026 ACEG revenue was RMB554.217B, +9%, but adjusted EBITA fell 44% as quick commerce/user experience/technology spend compressed margins.
- AIDC has improved materially toward break-even, but management explicitly allows quarter-to-quarter profit fluctuation from tactical market investment.
- Do not build a product-level revenue history for Qwen, MaaS, Accio, Wukong, or AliExpress Choice unless a later source discloses dollars. Use management commentary and KPIs only.