UOBKayHian

Company – Update | Greater China

Tuesday, 29 September 2026

Alibaba Group (9988 HK)

APSARA Conference 2026 Key Takeaways

Highlights

- Alibaba Cloud held its 2026 Apsara Conference on 22-24 Sep 26 and framed AI as a long-term scaling opportunity spanning models, cloud infrastructure and proprietary compute. Key takeaways include: a) continued scaling of its model roadmap toward 5-10T parameters, alongside new multimodal model launches; b) further expansion of its proprietary compute stack with the Zhenwu V900, Yitian CPU roadmap and Panjiu supernode; and c) expansion of global DC capacity to 20GW by 2032 (10x vs 2022), and accelerating the deployment of proprietary chips. Maintain BUY with an unchanged target price of HK$188.00 (US$192.00).

Analysis

- **Model roadmap advances toward 5-10T parameters, with RSI extending into training and inference optimisation.** Alibaba Group (Alibaba) highlighted continued progress in large models, with Qwen4 currently under training and future Qwen4.5 and Qwen5 versions expected to scale to 5-10T parameters. Meanwhile, Recursive Self-Improvement (RSI) has started to extend across model training and inference optimisation. Qwen3.8-Max autonomously built training workflows and generated training data, completing 33 effective iterations with virtually no human participation, while also optimising the Qwen3.8-Flash inference framework to improve single-instance throughput by 96%. Separately, Alibaba broadened its multimodal portfolio with Qwen-Image-3.1, Happy Shrimp 1.1, HappyOyster 2.0 Preview, Qwen-Audio-3.1 and Qwen3.8-LiveTranslate, while its next-generation video-generation model is scheduled for launch in November.
- **Proprietary chip roadmap expands from individual processors toward integrated AI supernodes.** The M890 supernode has already supported inference for 2T-parameter models. Alibaba unveiled its next-generation Zhenwu V900 AI accelerator, delivering around 3x the performance of the M890, with 216GB HBM and 1,200GB/s inter-chip bandwidth, and is expected to enter mass production in 1Q27. T-Head also outlined its Yitian CPU roadmap, with Yitian 720/730 planned for 3Q27 and the subsequent Yitian 750 designed to support Alibaba's proprietary ICN interconnect, enabling tighter CPU-to-AI-accelerator integration. At the system level, Alibaba unveiled its next-generation Panjiu supernode server, integrating Zhenwu V900, ICN Switch, Panmai smart NIC and Zhenyue SSD controller chips with Alibaba Cloud's latest intelligent computing-centre network architecture to enable system-level coordination across compute, storage and networking. A single AI cluster can scale to up to 500,000 accelerators, with the architecture designed to evolve toward wide-area supernodes. The roadmap highlights Alibaba's shift from standalone chip development toward full-system AI infrastructure optimisation.

Key Financials

Year to 31 Mar (Rmbm)	2025	2026	2027F	2028F	2029F
Net turnover	996,347	1,023,670	1,127,396	1,288,253	1,449,484
EBITDA	181,839	96,055	152,896	194,090	252,970
Operating profit	140,905	50,150	79,251	103,362	150,593
Net profit (rep./act.)	129,470	105,904	65,397	101,687	136,935
Net profit (adj.)	158,122	60,658	96,693	139,207	174,276
EPS (fen)	855.3	326.5	522.4	758.6	953.8
PE (x)	10.8	28.4	17.8	12.2	9.7
P/B (x)	1.8	1.7	1.4	1.3	1.1
EV/EBITDA (x)	10.4	19.6	12.3	9.7	7.5
Dividend yield (%)	0.1	0.1	0.1	0.1	0.1
Net margin (%)	13.0	10.3	5.8	7.9	9.4
Net debt/(cash) to equity (%)	(7.1)	(5.2)	(1.3)	3.0	1.4
ROE (%)	12.8	10.1	5.7	7.7	9.3
Consensus net profit	-	-	104,018.4	145,324.5	182,512.9
UOBKH/Consensus (x)	-	-	0.93	0.96	0.95

Source: Alibaba Group, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$108.40
Target Price	HK$188.00
Upside	73.40%

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	9988 HK
Shares issued (m)	19,885.0
Market cap (US$m)	2,155,532.8
Market cap (US$m)	274,814.2
3-mth avg daily t'over (US$m)	1,368.6

Price Performance (%)

52-week high/low HK$186.20/HK$88.65

1mth	3mth	6mth	1yr	YTD
(5.1)	14.1	(15.9)	(37.7)	(24.1)

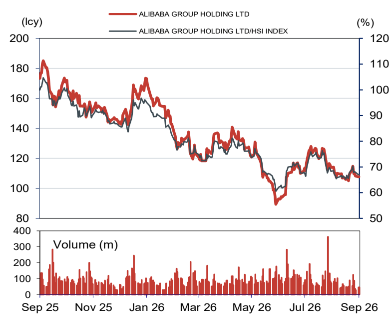
Major Shareholders (%)

Vanguard Group Inc.	5.34
BlackRock Inc	5.01
JPMorgan Chase & Co	4.80

Balance Sheet Metrics

FY26 NAV/Share (Rmb$)	64.33
FY26 Net Debt/Share (Rmb$)	0.84

Price Chart



Source: Bloomberg

Company Description

Alibaba Group is the largest e-commerce marketplace operator and cloud hyperscaler in China.

- **AI infrastructure buildout accelerates; targeting >20GW of DC capacity by 2032.** Alibaba Cloud outlined a longer-term expansion plan to increase its global data centre (DC) capacity to more than 20GW by 2032, supporting rising AI compute demand. We estimate Alibaba will need to add 1-2GW of capacity annually from 5-6GW at end-25, implying roughly Rmb200b-300b of annual capex over the next few years, supported by a mix of asset-heavy, asset-light and rental capacity, with T-Head custom silicon lowering US$/GW vs global peers. T-Head could rise from 10% of Alibaba Cloud's compute capacity today to around 50% in the medium term. Alibaba Cloud currently operates 107 availability zones across 31 regions globally, supported by more than 3,200 edge nodes, and plans to further expand its global infrastructure footprint. Alibaba also introduced a new-generation AI DC architecture that can shorten the deployment cycle to around 100 days while delivering 5–10x the compute density of traditional DC cabinets. We believe greater capacity, broader coverage and faster, denser deployment should support Alibaba Cloud's AI infrastructure scale-up alongside its model and proprietary compute roadmap.
- **Qwen Office expands enterprise agent capabilities from context management to digital employees.** Alibaba introduced Enterprise Context to organise and continuously update fragmented enterprise data across documents, communications and business systems, enabling agents to act on real-time business context. Combined with Qwen Office, companies can deploy permission-controlled digital employees integrated with DingTalk and workflows, while QwenNote A2 brings offline meetings and customer interactions into the same agent ecosystem. We believe this extends the usage of Qwen from individual productivity to enterprise-wide workflow automation.

Valuation/Recommendation

- Maintain BUY with an unchanged target price of HK$188.00 (US$192.00). Our target price implies 32x FY27F PE and 22x FY28F PE. Alibaba is trading at 18.4x FY27F PE, against a 39% EPS three-year CAGR from FY27-30.

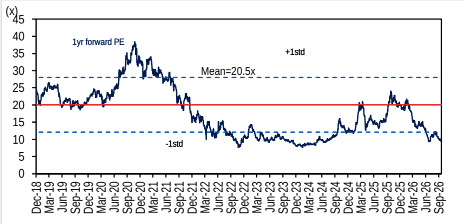
Earnings Revision/Risk

- We keep our FY27 earnings estimate unchanged. This represents revenue and earnings growths of 11%/58% respectively for FY27, implying a net margin of 9%.
- Risks: a) Margin pressure stemming from AI investment, and b) slower-than-expected monetisation upon investment of AI capex.

Share Price Catalyst

- a) Accelerating growth of cloud hyperscalers; b) solid progress in self-sufficiency chip development, reducing reliance on US chips; c) continued expansion and advancement of AI models; and d) AI integration to empower business segments.

12-Month Forward PE Band



Source; Bloomberg, UOB Kay Hian

Launch Of Zhenwu V900

Source; Alibaba, UOB Kay Hian

Yitian Production Roadmap

Source; Alibaba, UOB Kay Hian

Qwen Model Roadmap Toward ASI

Source; Alibaba, UOB Kay Hian

Panjiu Agentic AI CPU Server

Source; Alibaba, UOB Kay Hian

SOTP-Based Valuation

Description	Business Unit	FY27 Revenue (HK$,b)	EBITA (HK$,b)	EV / Revenue (x)	EV / EBITA (x)	Value (HK$,b)	% BABA holding (%)	Value to BABA (HK$,b)	(HK$) per share
Core commerce	Alibaba China E-commerce Group	696	265	2	5	1,323	100	1,323	69
Instant Commerce +Ele.me	Quick Commerce	242		1		242	100	242	13
International commerce	Alibaba International Digital Commerce Group	234	23	1	50	1,169	100	1,169	61
Cloud Computing, other	Cloud Intelligence Group	30		20		600		600	31
All Others	Freshippo, Cainiao, Alibaba Health, Hujing DME, Amap, Intelligent Information Platform	128	5		20	102	100	102	5
Total Core+initiatives valuation	Alibaba China E-commerce Group								
Net cash	Quick Commerce							3,436	179
Total	Alibaba International Digital Commerce Group							136	7
# of shares								3,608	188

Source: UOB Kay Hian

Profit & Loss

Year to 31 Mar (Rmbm)	2026	2027F	2028F	2029F
Net turnover	1,023,670.0	1,127,395.6	1,288,253.2	1,449,484.0
EBITDA	96,055.0	152,895.9	194,089.6	252,970.4
Deprec. & amort.	45,905.0	73,644.6	90,727.2	102,377.9
EBIT	50,150.0	79,251.3	103,362.4	150,592.6
Total other non-operating income	3,830.0	263.0	(232.0)	(0.0)
Associate contributions	2,785.0	2,367.4	19,647.7	19,475.7
Net interest income/(expense)	77,719.0	12,337.0	7,333.0	7,236.3
Pre-tax profit	134,484.0	94,218.7	130,111.1	177,304.6
Tax	(30,045.0)	(31,870.0)	(31,167.2)	(43,661.5)
Minorities	1,465.0	3,048.2	2,743.4	3,292.1
Net profit	105,904.0	65,396.9	101,687.3	136,935.1
Net profit (adj.)	60,658.0	96,693.1	139,207.3	174,275.7

Cash Flow

Year to 31 Mar (Rmbm)	2026	2027F	2028F	2029F
Operating	76,213.0	151,564.4	197,851.2	248,867.2
Profit fo the year	134,484.0	94,218.7	130,111.1	177,304.6
Tax	(30,045.0)	(31,870.0)	(31,167.2)	(43,661.5)
Deprec. & amort.	45,905.0	73,644.6	90,727.2	102,377.9
Associates	(2,785.0)	(2,367.4)	(19,647.7)	(19,475.7)
Working capital changes	90,385.3	15,339.1	7,948.1	12,846.3
Non-cash items	0.0	1.0	1.0	1.0
Other operating cashflows	(161,731.3)	2,598.4	19,878.7	19,474.7
Investing	(67,336.0)	(300,653.2)	(301,694.6)	(279,393.6)
Capex (growth)	(122,021.0)	(225,479.1)	(219,003.0)	(188,432.9)
Investment	206,803.0	227,483.3	250,231.6	275,254.8
Others	(152,118.0)	(302,658.4)	(332,924.1)	(366,216.5)
Financing	(20,573.0)	114,052.3	51,045.7	56,149.2
Dividend payments	0.0	0.0	0.0	0.0
Proceeds from borrowings	24,259.0	4,745.0	5,219.5	5,741.5
Loan repayment	0.0	1.0	1.0	1.0
Others/interest paid	(44,832.0)	109,306.3	45,825.2	50,406.8
Net cash inflow (outflow)	(11,696.0)	(35,036.5)	(52,797.6)	25,622.8
Beginning cash & cash equivalent	147,230.0	131,530.0	96,493.5	43,695.9
Changes due to forex impact	(4,004.0)	0.0	0.0	0.0
Ending cash & cash equivalent	131,530.0	96,493.5	43,695.9	69,318.8

Balance Sheet

Year to 31 Mar (Rmbm)	2026	2027F	2028F	2029F
Fixed assets	282,699.0	441,546.7	573,939.6	662,411.6
Other LT assets	1,016,102.0	1,084,262.9	1,162,837.4	1,251,381.1
Cash/ST investment	131,530.0	96,493.5	43,695.9	69,318.8
Other current assets	479,239.0	517,669.6	572,326.2	627,603.6
Total assets	1,909,570.0	2,139,972.8	2,352,799.1	2,610,715.1
ST debt	28,224.0	28,224.0	28,224.0	28,224.0
Other current liabilities	448,174.0	501,943.8	564,548.5	632,672.2
LT debt	47,450.0	52,195.0	57,414.5	63,156.0
Other LT liabilities	259,452.0	259,452.0	259,452.0	259,452.0
Shareholders' equity	1,068,731.0	1,240,619.0	1,385,621.1	1,569,671.9
Minority interest	57,539.0	57,539.0	57,539.0	57,539.0
Total liabilities & equity	1,909,570.0	2,139,973.8	2,352,800.1	2,610,716.1

Key Metric

Year to 31 Mar (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	9.4	13.6	15.1	17.5
Pre-tax margin	13.1	8.4	10.1	12.2
Net margin	10.3	5.8	7.9	9.4
ROA	5.7	3.2	4.5	5.5
ROE	10.1	5.7	7.7	9.3
Growth				
Turnover	2.7	10.1	14.3	12.5
EBITDA	(47.2)	59.2	26.9	30.3
Pre-tax profit	(16.4)	(29.9)	38.1	36.3
Net profit	(18.2)	(38.2)	55.5	34.7
Net profit (adj.)	(61.6)	59.4	44.0	25.2
EPS	(61.8)	60.0	45.2	25.7
Leverage				
Debt to total capital	6.3	5.8	5.6	5.3
Debt to equity	7.1	6.5	6.2	5.8
Net debt/(cash) to equity	(5.2)	(1.3)	3.0	1.4
Interest cover (x)	n.a.	n.a.	n.a.	n.a.