Alibaba Health Information Technology (241 HK)

1HFY27: Earnings Hit By Strategic Investments; FY27 Guidance Maintained

Highlights

- Ali Health's 1HFY27 revenue grew 9.2% yoy, meeting our and consensus FY27 estimates and its FY27 target, while adjusted net profit fell 17.5% yoy on accelerated investments in Hydrion and innovative drugs.
- It maintained FY27 guidance of 7-10% yoy revenue growth and adjusted net profit of Rmb1.9b-2.3b, with savings from lower future Hydrion investment redeployed into ecosystem integration, AI applications and high-value user operations.
- We forecast FY26-28 revenue and adjusted net profit CAGRs of 11% and 15%. Maintain BUY with a target price of HK$3.30.

1HFY27 Results

Year to 31 Mar (Rmbm)	1HFY26	1HFY27	yoy % chg
Revenue	16,697.1	18,228.0	9.2%
Pharm direct sales business	14,379.7	15,957.7	11.0%
Pharm e-commerce platform business	1,838.5	1,788.7	-2.7%
Healthcare and digital services business	478.8	481.5	0.6%
Gross profit	**4,184.0**	**4,233.2**	**1.2%**
Fulfillment Expense	(1,365.7)	(1,472.2)	7.8%
Selling expense	(1,188.7)	(1,214.9)	2.2%
Administrative expense	(190.1)	(185.2)	-2.5%
R&D expense	(313.1)	(401.5)	28.2%
Operating Profit	**1,126.4**	**959.4**	**-14.8%**
Net profit	1,266.4	1,111.7	-12.2%
Adj. Net profit	**1,356.3**	**1,119.0**	**-17.5%**
Ratios (%)	**1HFY26**	**1HFY27**	**yoy ppt chg**
GP margin %	25.1%	23.2%	-1.8
Fulfillment expense / Revenue	8.2%	8.1%	-0.1
Selling expense / Revenue	7.1%	6.7%	-0.5
Administrative expense / Revenue	1.1%	1.0%	-0.1
R&D expense / Revenue	1.9%	2.2%	0.3
Adj. net profit margin	8.1%	6.1%	-2.0

Source: Ali Health, UOB Kay Hian

Analysis

- **1HFY27 revenue in line; earnings impacted by strategic investments.** Alibaba Health Information Technology's (Ali Health) 1HFY27 revenue grew 9.2% yoy to Rmb18.23b, while adjusted net profit fell 17.5% yoy to Rmb1.12b. The results broadly met its FY27 guidance of 7-10% yoy revenue growth and adjusted net profit of Rmb1.9b-2.3b, implying 1-18% yoy decline. Revenue growth was in line with our and consensus FY27 estimates of 8.5% and 10.3% yoy respectively, while adjusted net profit declined faster than our and consensus estimated 4.0% and 6.5% yoy for FY27. It declared no interim dividend.

Key Financials

Year to 31 Mar (Rmbm)	2025	2026	2027F	2028F	2029F
Net turnover	30,598	34,255	37,035	40,920	45,441
EBITDA	1,536	1,889	2,008	2,359	2,714
Operating profit	1,479	1,836	1,955	2,305	2,660
Net profit (rep./act.)	1,432	1,936	2,004	2,302	2,604
Net profit (adj.)	1,950	2,326	2,104	2,418	2,781
EPS (Fen)	12.1	14.4	13.0	14.9	17.1
PE (x)	18.1	15.2	16.9	14.7	12.8
P/B (x)	2.2	2.0	2.1	1.9	1.8
EV/EBITDA (x)	17.2	14.0	13.2	11.2	9.8
Dividend yield (%)	0.0	8.9	2.8	3.3	3.7
Net margin (%)	4.7	5.7	5.4	5.6	5.7
Net debt/(cash) to equity (%)	-13.6	-30.4	-52.9	-56.7	-60.3
Interest cover (x)	588.8	1347.7	1432.1	1682.4	1935.5
ROE (%)	9.3	11.3	11.5	13.1	13.6
Consensus net profit	-	-	2,181	2,520	2,874
UOBKH/Consensus (x)	-	-	0.96	0.96	0.97

Source: Ali Health, Bloomberg, UOB Kay Hian

Analyst(s)

Sunny Chen
sunny.chen@uobkh.com
+ 852 2826 4857

Carol Dou
carol.dou@uobkh.com
+ 852 22366749

BUY (Maintained)

Share Price	HK$2.57
Target Price	HK$3.30
Upside	28.6%
Previous TP	HK$4.00

Stock Data

Sector	Health Care
Bloomberg ticker	241 HK
Shares issued (m)	16,175
Market cap (HK$m)	41,571
Market cap (US$m)	5,304
3-mth avg daily t'over (US$m)	26.6

Price Performance (%)

52-week high/low				HK$7.42/HK$2.50
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(10.3)	(19.7)	(28.8)	(54.2)	(45.7)

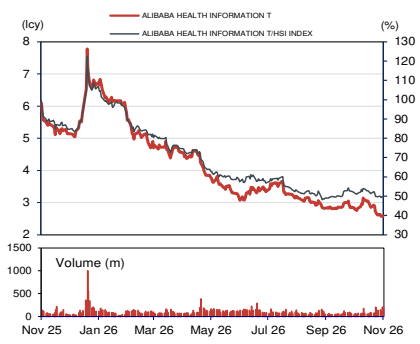
Major Shareholders (%)

Alibaba Group Holding Limited	69.27

Balance Sheet Metrics

FY27 NAV/Share (Rmb)	1.05
FY27 Net Cash/Share (Rmb)	0.55

Price Chart



Source: Bloomberg

Company Description

Alibaba Health Information Technology is Alibaba's healthcare arm, operating pharmaceutical direct sales, the Tmall pharmacy e-commerce platform and healthcare and digital services in China.

- **1HFY27 revenue grew 9.2% yoy.** Pharmaceutical direct sales (1P) revenue increased 11.0% yoy to about Rmb16.0b in 1HFY27, supported by innovative drug launches, expanding cold-chain distribution capabilities, and growing chronic-disease demand. Pharmaceutical e-commerce platform (3P) revenue declined 2.7% yoy as non-drug categories softened amid reduced trade-in subsidies for medical devices and merchant clean-up in health supplements. Healthcare and digital services revenue grew 0.6% yoy.
- **Gross margin temporarily pressured by strategic investments.** Gross margin fell 1.8ppt yoy to 23.2% in 1HFY27, mainly due to investments in consumer innovative-drug market cultivation and a higher contribution from lower-margin pharmaceutical products. R&D expenses increased 28.2% yoy to Rmb404m, with nearly Rmb200m invested in Hydrion. Management indicated the mature business continued to grow its profits after excluding investments in Hydrion and innovative-drug cultivation.
- **FY27 guidance maintained despite Hydrion restructuring.** Ali Health reiterated its FY27 revenue growth target of 7-10% yoy and adjusted net profit guidance of Rmb1.9b-2.3b. After Hydrion's restructuring, Alibaba Group will hold a 70% stake while Ali Health retains 30%. Management indicated that resulting budget savings will be selectively redeployed into ecosystem integration initiatives, AI applications and high-value user operations.
- **AI and ecosystem synergies become strategic priorities.** Hydrion remains central to Ali Health's medical AI strategy, while future development will increasingly leverage Alibaba Group's technology resources. Ali Health highlighted deepening collaboration with Qwen, involving co-developing healthcare-management agents and AI applications for family health, weight and chronic-disease management for deployment across Qwen and Taobao ecosystems. It has also initiated strategic cooperation with Afu covering healthcare hardware distribution, pharmacy supply-chain integration and innovative drug launches.
- **Innovative drugs remain the key strategic growth driver.** It expects pharmaceuticals to continue driving revenue growth, driven by higher online penetration of innovative drugs, broader original-drug availability and deeper pharma partnerships via integrated B2C+O2O operations. Pharmaceutical revenue growth is expected to remain solid in 2HFY27 despite a high base. Non-drug categories are expected to stay soft as the company prioritises user quality and profitability over subsidy-driven volume expansion.
- **New strategy centres on high-value family users.** New Chairman and CEO Mr. Yu Yong outlined a long-term vision to build a trusted AI health-management platform for Chinese families. The strategy centres on deepening engagement with high-value users, particularly 88VIP households, through broader collaboration across Taobao, Tmall, Qwen and Afu. The Health Family Card surpassed 1m cumulative users during the Double 11 shopping festival, while chronic-disease users grew over 23% in the past six months.

Valuation/Recommendation

- **Maintain BUY with a lower target price of HK$3.30,** based on 1.1x P/S and 18.7x PE for FY28F. It is currently trading at 0.9x P/S and 14.5x PE for FY28F, while its peer JD Health (6618 HK) is trading at 1.0x P/S and 11.5x PE for 2027F.

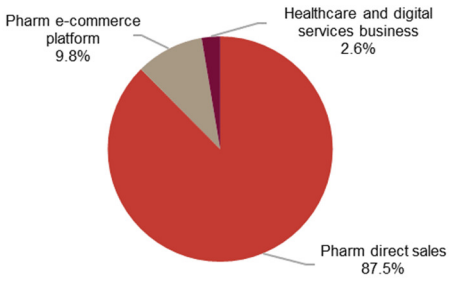
Earnings Revision/Risk

- We fine-tune our FY27 revenue and adjusted net profit growths from 8.5% and -4.0% yoy to 8.1% and -9.5% yoy, due to softer near-term non-drug growth outlook and accelerated investment in innovative drugs and AI.

Share Price Catalyst

- a) Accelerating innovative drug launches, b) progress in AI healthcare applications, c) deeper collaboration with Alibaba Group and Ant, and d) further fulfilment efficiency gains.

Segmental Revenue (1HFY27)



Source: Ali Health, UOB Kay Hian

Profit & Loss

Year to 31 Mar (Rmbm)	2026	2027F	2028F	2029F
Net turnover	**34,255**	**37,035**	**40,920**	**45,441**
EBITDA	1,889	2,008	2,359	2,714
Deprec. & amort.	53	53	53	53
EBIT	1,836	1,955	2,305	2,660
Total other non-operating income	961	700	700	700
Associate contributions	-	-	-	-
Net interest income/(expense)	(1)	(1)	(1)	(1)
Pre-tax profit	**2,274**	**2,353**	**2,704**	**3,059**
Tax	(338)	(350)	(402)	(454)
Minorities	(0)	-	-	-
Net profit	**1,936**	**2,004**	**2,302**	**2,604**
Net profit (adj.)	2,326	2,104	2,418	2,781

Balance Sheet

Year to 31 Mar (Rmbm)	2026	2027F	2028F	2029F
Fixed assets	27	20	13	6
Other LT assets	7,644	7,638	7,637	7,638
Cash/ST investment	5,434	8,939	10,396	12,068
Other current assets	9,988	5,977	6,532	7,181
Total assets	**23,093**	**22,574**	**24,578**	**26,893**
ST debt	-	-	-	-
Other current liabilities	5,093	5,537	6,085	6,732
LT debt	-	-	-	-
Other LT liabilities	143	143	143	143
Shareholders' equity	17,855	16,893	18,348	20,016
Minority interest	1	1	1	1
Total liabilities & equity	**23,093**	**22,574**	**24,578**	**26,893**

Cash Flow

Year to 31 Mar (Rmbm)	2026	2027F	2028F	2029F
Operating	**1,237**	**2,154**	**2,434**	**2,798**
Pre-tax profit	2,274	2,353	2,704	3,059
Tax	(338)	(350)	(402)	(454)
Deprec. & amort.	53	53	53	53
Associates	-	-	-	-
Working capital changes	(790)	13	(21)	(20)
Non-cash items	-	-	-	-
Other operating cashflows	37	85	100	160
Investing	**2,021**	**49**	**49**	**49**
Capex (growth)	(7)	(7)	(7)	(7)
Investments	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	2,028	56	56	56
Financing	**(14)**	**(3,130)**	**(1,026)**	**(1,175)**
Dividend payments	-	(3,087)	(1,002)	(1,151)
Proceeds from borrowings	-	-	-	-
Loan repayment	-	-	-	-
Others/interest paid	(14)	(42)	(24)	(24)
Net cash inflow (outflow)	**3,243**	**(926)**	**1,457**	**1,672**
Beginning cash & cash equivalent	**2,218**	**9,865**	**8,939**	**10,396**
Changes due to forex impact	(28)	-	-	-
Ending cash & cash equivalent	**5,434**	**8,939**	**10,396**	**12,068**

Key Metric

Year to 31 Mar (%)	2026	2027F	2028F	2029F
Profitability				
Gross margin	24.0	23.2	23.5	23.6
Pre-tax margin	6.6	6.4	6.6	6.7
Net margin	5.7	5.4	5.6	5.7
ROA	8.7	8.8	9.8	10.1
ROE	11.3	11.5	13.1	13.6
Growth				
Turnover	12.0	8.1	10.5	11.0
Gross profit	10.5	4.8	11.7	11.6
Pre-tax profit	45.8	3.5	14.9	13.1
Net profit	35.2	3.5	14.9	13.1
Net profit (adj.)	19.3	(9.5)	14.9	15.0
EPS	18.8	(9.6)	14.9	15.0
Leverage				
Debt to total capital	-	-	-	-
Debt to equity	-	-	-	-
Net debt/(cash) to equity	(30.4)	(52.9)	(56.7)	(60.3)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at this link or by scanning the QR code below:

The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full.