

December Quarter 2019 Results



This presentation contains certain financial measures that are not recognized under generally accepted accounting principles in the United States (“GAAP”), including adjusted EBITDA (including adjusted EBITDA margin), adjusted EBITA (including adjusted EBITA margin), marketplace-based core commerce adjusted EBITA, non-GAAP net income, non-GAAP diluted earnings per share/ADS and free cash flow. For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures, see GAAP to Adjusted/Non-GAAP Measures Reconciliation.

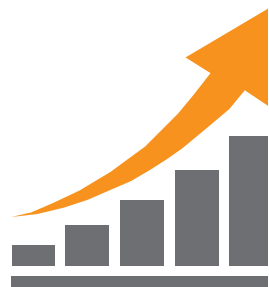
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Financial Results

December Quarter 2019 Financial Highlights

Revenue



38% YoY
Total Revenue Growth

38% YoY
Core Commerce
Revenue Growth

Cloud



62% YoY
Cloud Computing
Revenue Growth

Consumers



824 MM
Mobile MAUs ⁽¹⁾

711 MM
Annual Active Consumers ⁽²⁾

Profitability and Cash Flow



RMB50.7 Bn
(US\$7.3 Bn)⁽³⁾
Adjusted EBITA

RMB78.3 Bn
(US\$11.2 Bn)⁽³⁾
Non-GAAP Free Cash Flow

Notes: Unless otherwise indicated, all figures above are for the three months ended December 31, 2019.

(1) For the month ended December 31, 2019; in a given month, the number of unique mobile devices that were used to visit or access certain of our mobile applications at least once during that month.

(2) For the 12-month period ended December 31, 2019; the number of annual active consumers on our China retail marketplaces.

(3) All translations of RMB into US\$ in this presentation were made at RMB6.9618 to US\$1.00, the exchange rate on December 31, 2019 as set forth in the H.10 statistical release of the Federal Reserve Board.

December Quarter Revenue

- **Total Revenue** YoY growth of 38% was mainly driven by the robust revenue growth of our China commerce retail business and cloud computing.
- Excluding the effects of consolidating acquired businesses, total revenue would have increased by 33% YoY.

Total Revenue Breakdown

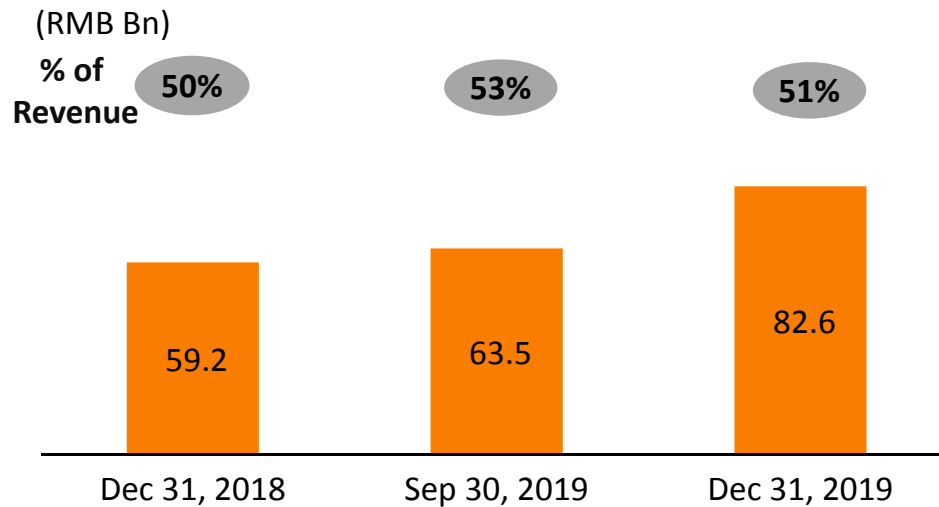
	<u>Three months ended December 31, 2019</u>			
	<u>RMB MM</u>	<u>% of Revenue</u>	<u>YoY %</u>	
Core commerce:				
China commerce retail				} 21% YoY
- Customer management	61,235	38%	23%	
- Commission	23,409	14%	16%	
- Others*	25,814	16%	128%	
	<u>110,458</u>	<u>68%</u>	<u>36%</u>	
China commerce wholesale	3,365	2%	25%	
International commerce retail	7,396	5%	27%	
International commerce wholesale	2,457	1%	13%	
Cainiao logistics services	7,518	5%	67%	
Local consumer services	7,584	5%	47%	
Others	2,697	2%	88%	
Total core commerce	<u>141,475</u>	<u>88%</u>	<u>38%</u>	
Cloud computing	10,721	7%	62%	
Digital media and entertainment	7,396	5%	14%	
Innovation initiatives and others	1,864	0%	40%	
Total	<u>161,456</u>	<u>100%</u>	<u>38%</u>	

Note:

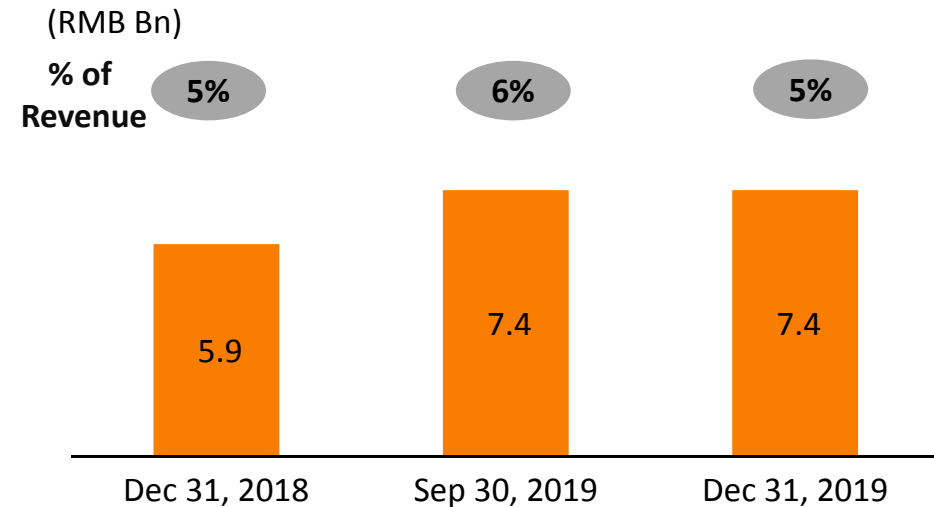
* "Others" revenue under China commerce retail is primarily generated by our New Retail and direct sales businesses, comprising mainly direct import, Tmall Supermarket, Freshippo and Intime.

December Quarter Cost Trends

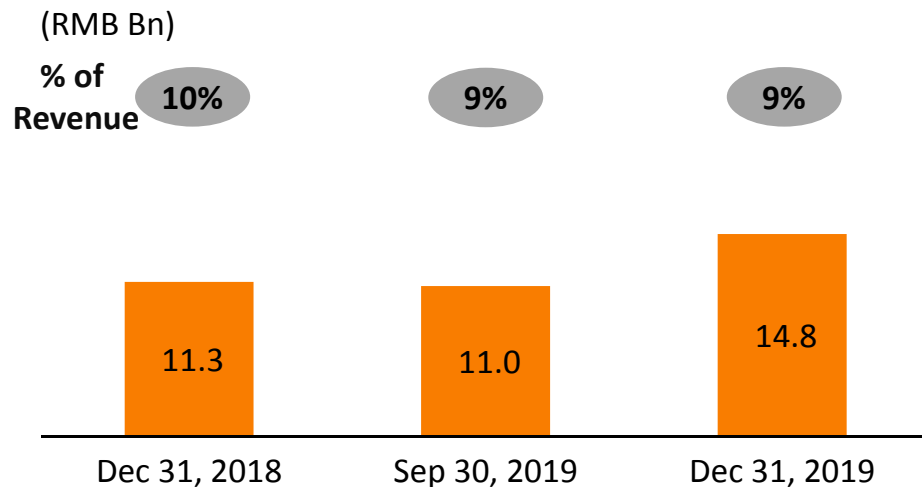
Cost of Revenue (Excluding SBC)



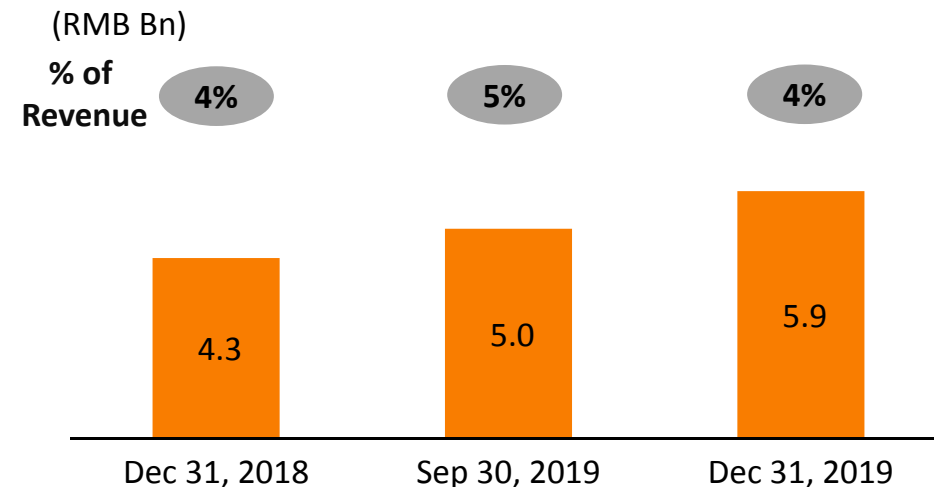
Product Development Expenses (Excluding SBC)













Sales & Marketing Expenses (Excluding SBC)



General & Administrative Expenses (Excluding SBC)



December Quarter Segment Reporting⁽¹⁾

	Core Commerce <i>China Commerce Retail</i>   <i>China Commerce Wholesale</i>  <i>International Commerce Retail</i>  <i>International Commerce Wholesale</i>  <i>Cainiao Logistics Services</i>  <i>Local Consumer Services</i> 	Cloud Computing 	Digital Media & Entertainment 	Innovation Initiatives & Others 	Un-allocated⁽²⁾	Consolidated
Dec Q 19 Revenue (MM)	RMB 141,475 US\$ 20,322 38% YoY	RMB 10,721 US\$ 1,540 62% YoY	RMB 7,396 US\$ 1,062 14% YoY	RMB 1,864 US\$ 268 40% YoY	-	RMB 161,456 US\$ 23,192 38% YoY
Dec Q 19 Adjusted EBITA (MM)	RMB 58,075 US\$ 8,342	RMB (356) US\$ (51)	RMB (3,298) US\$ (474)	RMB (1,870) US\$ (269)	RMB (1,889) US\$ (271)	RMB 50,662 US\$ 7,277
Dec Q 19 Adjusted EBITA Margin (%)	41%	(3%)	(45%)	(100%)	-	31%

Notes:

(1) Segmental information is presented after elimination of inter-company transactions.

(2) Unallocated expenses are primarily related to corporate administrative costs and other miscellaneous items that are not allocated to individual segments.

December Quarter Adjusted EBITA by Segment



- **Marketplace-based Core Commerce Adjusted EBITA** increased 22% YoY to RMB66,371 million (US\$9,534 million). Strong marketplace-based core commerce profits allow us to invest in areas that add value to our customers and contribute to long-term growth for the company.
- **Core Commerce Adjusted EBITA** increased 26% YoY to RMB58,075 million (US\$8,342 million). Core Commerce Adjusted EBITA margin was 41%.
- **Cloud Computing** revenue increased 62% YoY to RMB10,721 million (US\$1,540 million), primarily driven by increased revenue contributions from both our public cloud and hybrid cloud businesses. Adjusted EBITA was a loss of RMB356 million (US\$51 million). Quarterly revenue has reached a milestone of more than RMB10 billion.
- **Digital Media and Entertainment** revenue increased 14% YoY to RMB7,396 million (US\$1,062 million), primarily due to our consolidation of Alibaba Pictures starting in March 2019. Adjusted EBITA was a loss of RMB3,298 million (US\$474 million).
- **Innovation Initiatives and Others** revenue increased 40% YoY to RMB1,864 million (US\$268 million). Adjusted EBITA was a loss of RMB1,870 million (US\$269 million).

December Quarter 2018

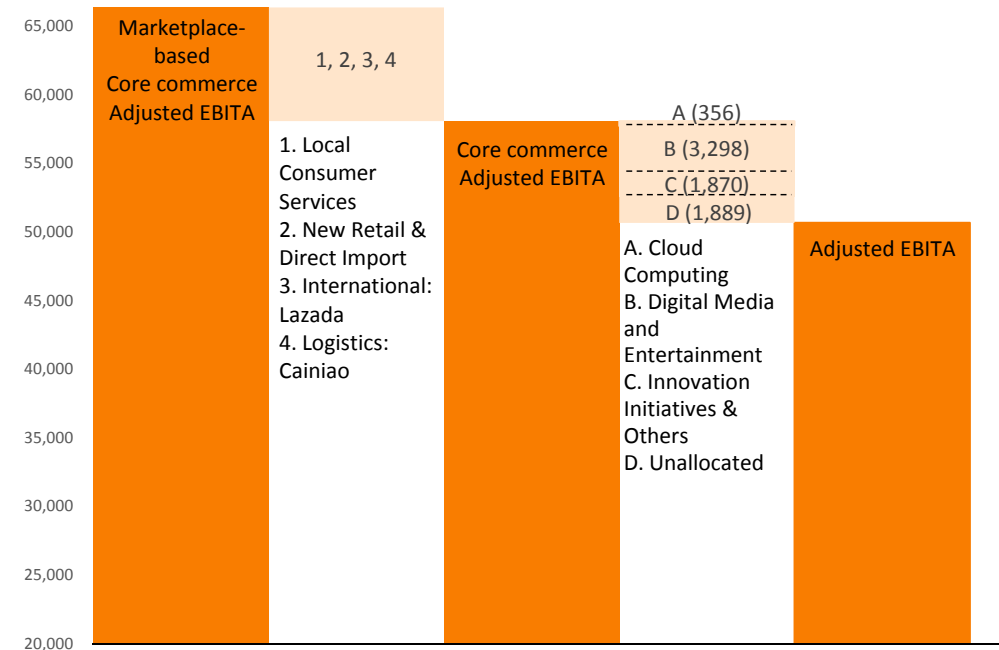
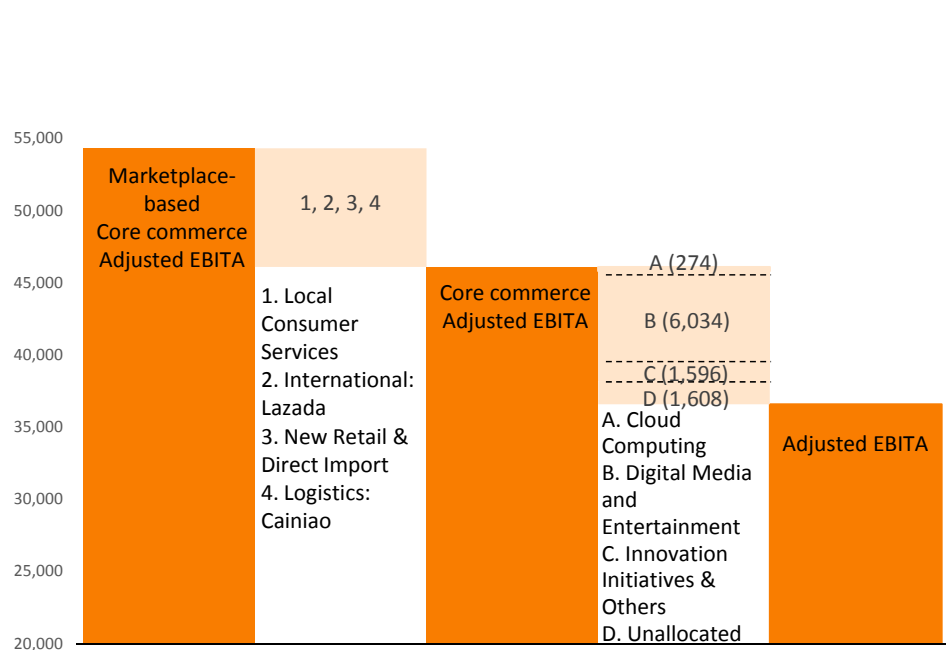
(RMB MM)

December Quarter 2019

(RMB MM)

54,303 (8,224) Combined Loss 46,079 (9,512) Combined Loss 36,567

66,371 22% YoY (8,296) Combined Loss 58,075 26% YoY (7,413) Combined Loss 50,662 39% YoY

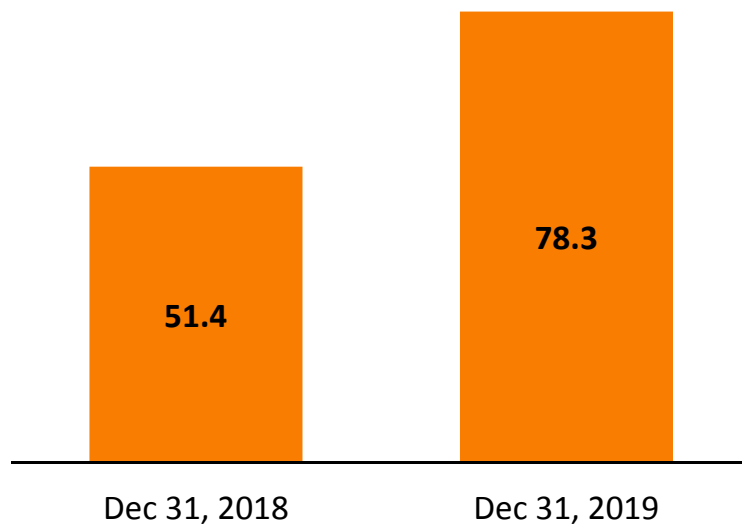


Free Cash Flow & Capital Expenditures

- As of December 31, 2019, **cash, cash equivalents and short-term investments** were RMB351,946 million (US\$50,554 million), compared to RMB235,251 million as of September 30, 2019. The increase in cash, cash equivalents and short-term investments during the quarter ended December 31, 2019 was primarily due to net proceeds of RMB90,610 million (US\$13,015 million) from the issuance of shares in connection with our global offering and free cash flow generated from operations of RMB78,279 million (US\$11,244 million), partly offset by net cash used in investment and acquisition activities of RMB20,590 million (US\$2,957 million), repayment of unsecured senior notes of US\$2,250 million and cash used to acquire additional shares of Cainiao Network from a third party.
- Net cash provided by operating activities** in the quarter ended December 31, 2019 was RMB96,505 million (US\$13,862 million), an increase of 49% compared to RMB64,898 million in the same quarter of 2018. **Free cash flow**, a non-GAAP measurement of liquidity, in the quarter ended December 31, 2019 increased by 52% to RMB78,279 million (US\$11,244 million), from RMB51,373 million in the same quarter of 2018, which was primarily due to our robust profitability growth as well as a decrease in capital expenditure spending and an increase in annual service fee deposits from merchants.

Non-GAAP Free Cash Flow ⁽¹⁾

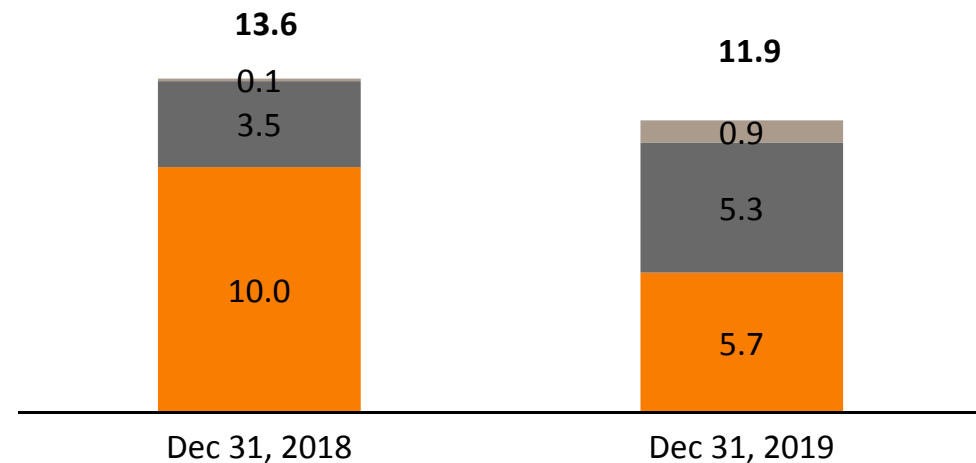
(RMB Bn)



Capital Expenditures, Licensed Copyrights and Other Intangible Assets

(RMB Bn)

- Land Use Rights and Construction in Progress Relating to Office Campuses
- Licensed Copyrights and Other Intangible Assets
- Operating Capex⁽²⁾



Notes: For the three months ended on the respective dates.

- Non-GAAP free cash flow represents net cash provided by operating activities as presented in our consolidated cash flow statement less purchases of property and equipment (excluding acquisition of land use rights and construction in progress relating to office campuses), licensed copyrights and other intangible assets, as well as adjustments to exclude from net cash provided by operating activities the consumer protection fund deposits from merchants on our China retail marketplaces.
- Operating CAPEX refers to the purchases of property and equipment (excluding land use rights and construction in progress relating to office campuses).

Other Financial Metrics

- **Share of results of equity investees** in the quarter ended December 31, 2019 was a profit of RMB2,165 million (US\$311 million), compared to a loss of RMB861 million in the same quarter of 2018. We record our share of results of equity investees one quarter in arrears.

In RMB MM	Dec Q 2018	Sep Q 2019	Dec Q 2019
Share of profit (loss) of equity investees			
- Ant Financial ⁽¹⁾	-	-	215
- Others ⁽²⁾	22	(2)	2,229
Impairment loss	(493)	(11,590)	-
Dilution gain (loss)	26	(20)	166
Others⁽³⁾	(416)	(348)	(445)
Total	(861)	(11,960)	2,165

Notes:

- (1) We received the 33% equity interest in Ant Financial on September 23, 2019. As such, the share of profit of Ant Financial in the quarter ended December 31, 2019 reflects our share of profit of Ant Financial for the period from the day following receipt of the equity interest to the end of the quarter on September 30, 2019.
- (2) The share of profit of other equity investees in the quarter ended December 31, 2019 mainly include our share of profit in Suning, which primarily reflected a significant gain arising from Suning's deconsolidation of one of its subsidiaries.
- (3) Others mainly include amortization of intangible assets of equity investees and share-based compensation expense.

GAAP to Non-GAAP Net Income

	Three months ended		YoY %
	Dec 31, 2018	Dec 31, 2019	
	(RMB MM)	(RMB MM)	
Net income	30,964	50,132	62%
Less: Gain on deemed disposals/disposals/ revaluation of investments and others	(16,859)	(17,015) ⁽¹⁾	(1)%
Less: Gain in relation to the receipt of the 33% equity interest in Ant Financial	--	(2,336) ⁽²⁾	N/A
Others ⁽³⁾	15,692	15,712	0%
Non-GAAP net income	29,797	46,493	56%

- (1) This includes a one-time gain of RMB10.3 billion (US\$1.5 billion) in relation to our contribution of the AliExpress Russia businesses into a joint venture we set up with Russian partners, which resulted in our deconsolidation of these businesses in this quarter and net gains arising from changes in the fair value of our equity investments.
- (2) In relation to the 33% equity interest in Ant Financial that we received in September 2019, we recognized in this quarter an upward adjustment of RMB2.3 billion (US\$330 million) to the amount of the one-time gain we recognized in the previous quarter. This amount primarily represents adjustment of the fair value of our share of Ant Financial's net assets as of the completion date of the transaction.
- (3) Others include share-based compensation expense, impairment of investments and goodwill, amortization of intangible assets, amortization of excess value receivable arising from the restructuring of commercial arrangements with Ant Financial, and adjusted for tax effects on non-GAAP adjustments.

GAAP to Adjusted/Non-GAAP Measures Reconciliation

	Three months ended		
	Dec 31, 2018	Dec 31, 2019	
	(RMB MM)	(RMB MM)	(US\$MM)
Adjusted EBITA and Adjusted EBITDA			
Income from operations	26,798	39,560	5,682
Add: Share-based compensation expense	6,960	7,830	1,125
Add: Amortization of intangible assets	2,809	3,272	470
Adjusted EBITA	36,567	50,662	7,277
Add: Depreciation and amortization of property and equipment, and operating lease cost relating to land use rights	4,141	5,218	750
Adjusted EBITDA	40,708	55,880	8,027
Non-GAAP net income			
Net income	30,964	50,132	7,201
Add: Share-based compensation expense	6,960	7,830	1,125
Add: Amortization of intangible assets	2,809	3,272	470
Add: Impairment of investments and goodwill	7,552	4,842	695
Less: Gain on deemed disposals/disposals/revaluation of investments and others	(16,859)	(17,015)	(2,444)
Less: Gain in relation to the receipt of the 33% equity interest in Ant Financial	-	(2,336)	(336)
Add: Amortization of excess value receivable arising from the restructuring of commercial arrangements with Ant Financial	66	-	-
Adjusted for tax effects on non-GAAP adjustments ⁽¹⁾	(1,695)	(232)	(33)
Non-GAAP net income	29,797	46,493	6,678
Non-GAAP Free cash flow			
Net cash provided by operating activities	64,898	96,505	13,862
Less: Purchase of property and equipment (excluding land use rights and construction in progress relating to office campuses)	(10,011)	(5,749)	(825)
Less: Acquisition of licensed copyrights and other intangible assets	(3,514)	(5,274)	(758)
Less: Changes in the consumer protection fund deposits	--	(7,203)	(1,035)
Non-GAAP Free cash flow	51,373	78,279	11,244

Note:

(1) Tax effects on non-GAAP adjustments primarily comprised of tax effects relating to the share-based compensation expense, certain gains and losses from investments and amortization of intangible assets.

GAAP to Adjusted/Non-GAAP Measures Reconciliation

	Three months ended		
	Dec 31, 2018	Dec 31, 2019	
Marketplace-based core commerce adjusted EBITA	(RMB MM)	(RMB MM)	(US\$MM)
Adjusted EBITA for core commerce	46,079	58,075	8,342
Less: Effects of local consumer services, New Retail and direct import, Lazada and Cainiao Network	8,224	8,296	1,192
Marketplace-based core commerce adjusted EBITA	54,303	66,371	9,534

YTD December Adjusted EBITA by Segment

YTD December 2018

(RMB MM)

YTD December 2019

(RMB MM)

126,901

(18,218)
Combined Loss

108,683

(22,459)
Combined Loss

86,224

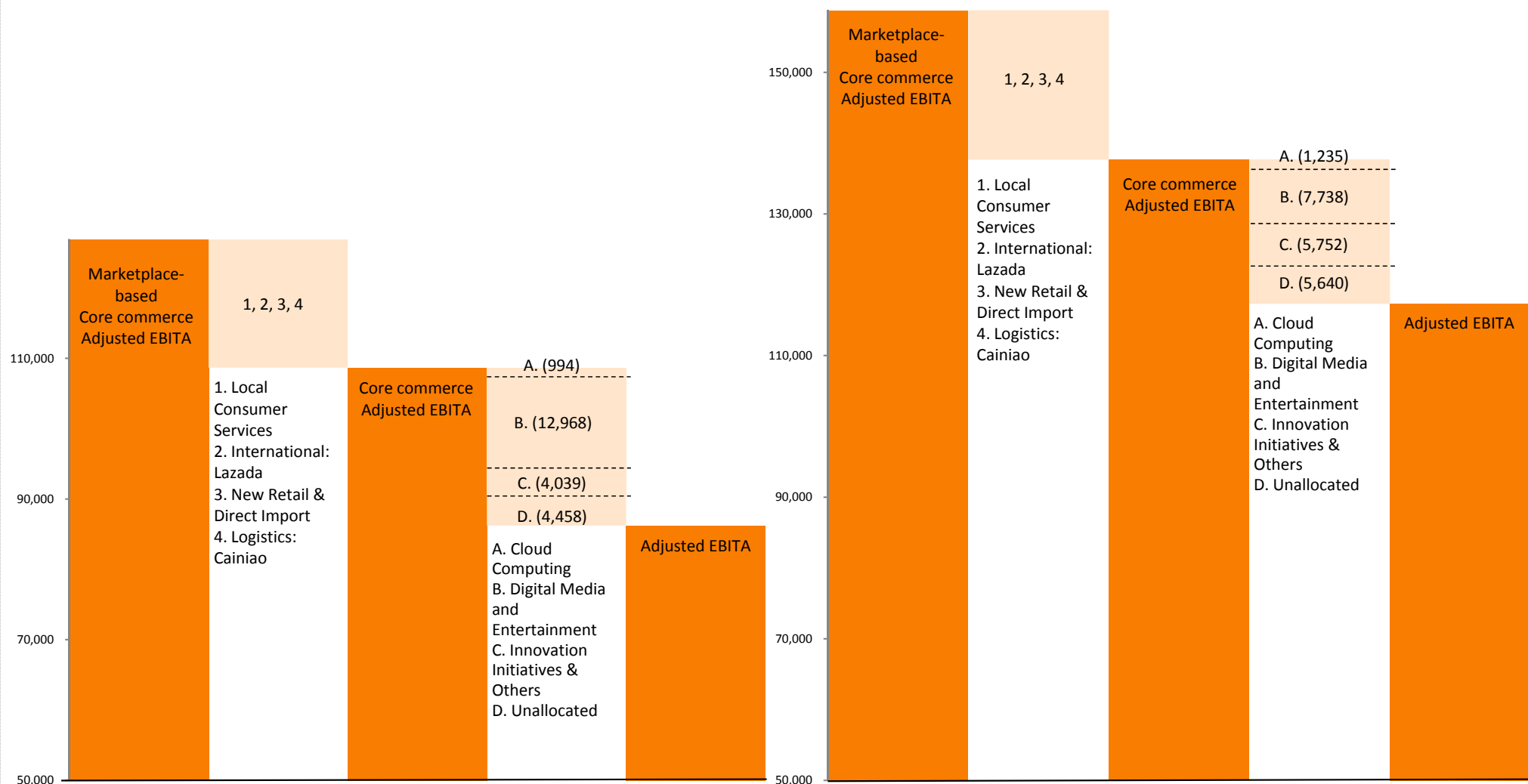
158,781
25% YoY

(21,107)
Combined Loss

137,674
27% YoY

(20,365)
Combined Loss

117,309
36% YoY





Alibaba Group

阿里巴巴集团