

December Quarter 2020 Results



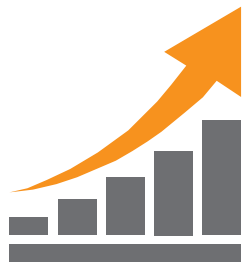
Disclaimer

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.

This presentation contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” “potential,” “continue,” “ongoing,” “targets,” “guidance” and similar statements. In addition, statements that are not historical facts, including statements about Alibaba’s strategies and business plans, Alibaba’s beliefs, expectations and guidance regarding the growth of its business and its revenue, the business outlook and quotations from management in this presentation, as well as Alibaba’s strategic and operational plans, are or contain forward-looking statements. Alibaba may also make forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission (the “SEC”), in announcements made on the website of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: Alibaba’s ability to maintain the trusted status of its ecosystem; risks associated with sustained investments in Alibaba’s business and strategic acquisitions and investments; Alibaba’s expected revenue growth and ability to maintain or grow its revenue or business; Alibaba’s ability to continue to compete effectively and maintain and improve the network effects of its ecosystem; company culture; Alibaba’s ability to continue to innovate; risks and challenges associated with operating a complex and large-scale company; risks associated with expanding our international and cross-border businesses and operations; fluctuations in general economic and business conditions in China and globally; impacts of the COVID-19 pandemic; uncertainties arising from competition among countries and geopolitical tensions, including protectionist or national security policies; changes in laws, regulations and regulatory environment that affect Alibaba’s business operations; risks associated with the performance of our business partners, including but not limited to Ant Group; privacy and data protection regulations and concerns; and security breaches, and assumptions underlying or related to any of the foregoing. Further information regarding these and other risks is included in Alibaba’s filings with the SEC and announcements on the website of the Hong Kong Stock Exchange. All information provided in this presentation is as of the date of this presentation and are based on assumptions that we believe to be reasonable as of this date, and Alibaba does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

December Quarter Financial Highlights

Revenue



37% YoY
Total Revenue Growth

38% YoY
Core Commerce
Revenue Growth

Cloud



50% YoY
Cloud Computing
Revenue Growth

Positive Adjusted EBITA
for the First Time

Consumers



902 MM
Mobile MAUs⁽¹⁾

779 MM
Annual Active Consumers⁽²⁾

Profitability and Cash Flow



RMB61.3 Bn
(US\$9.4 Bn)⁽³⁾
Adjusted EBITA

RMB96.2 Bn
(US\$14.7 Bn)⁽³⁾
Non-GAAP Free Cash Flow

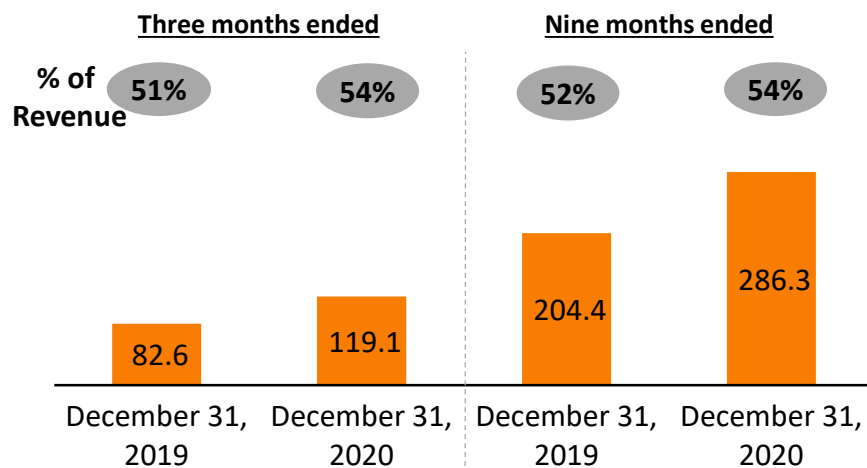
Notes: Unless otherwise indicated, all figures above are for the three months ended December 31, 2020.

- (1) Number of mobile MAUs on our China retail marketplaces for the month ended December 31, 2020; 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, 2020; the number of annual active consumers on our China retail marketplaces.
- (3) The translations of RMB into US\$ were made at RMB6.5250 to US\$1.00, the exchange rate on December 31, 2020 as set forth in the H.10 statistical release of the Federal Reserve Board.

December Quarter Cost Trends

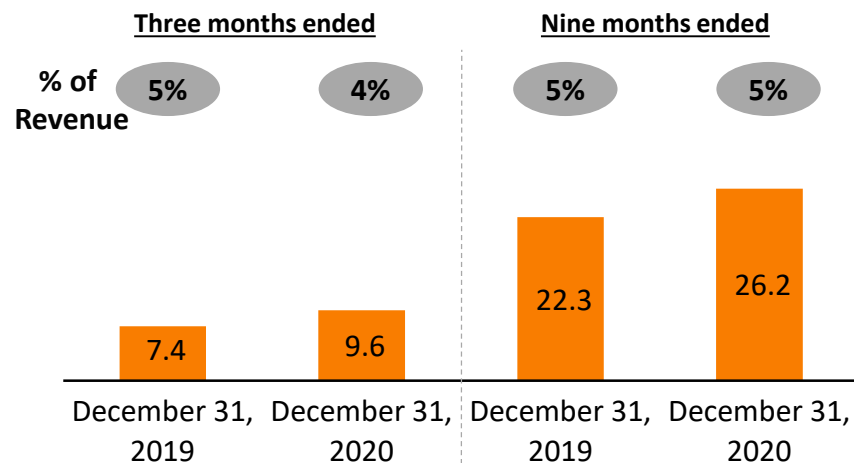
Cost of Revenue (Excluding SBC)

(RMB Bn)



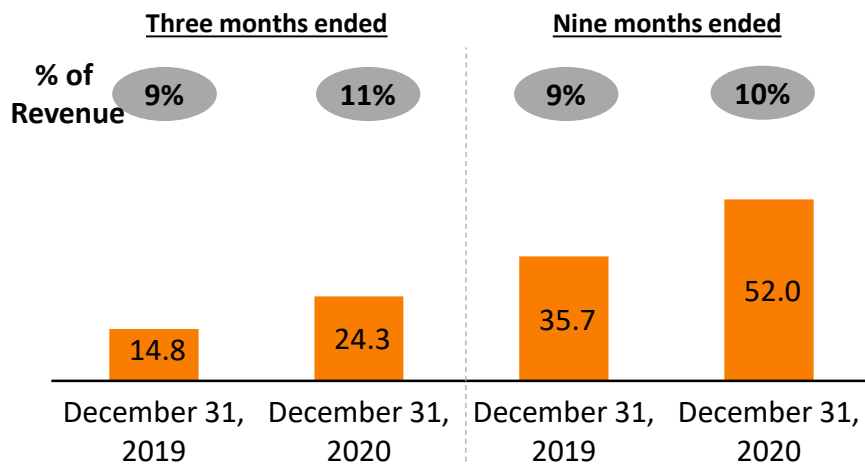
Product Development Expenses (Excluding SBC)

(RMB Bn)



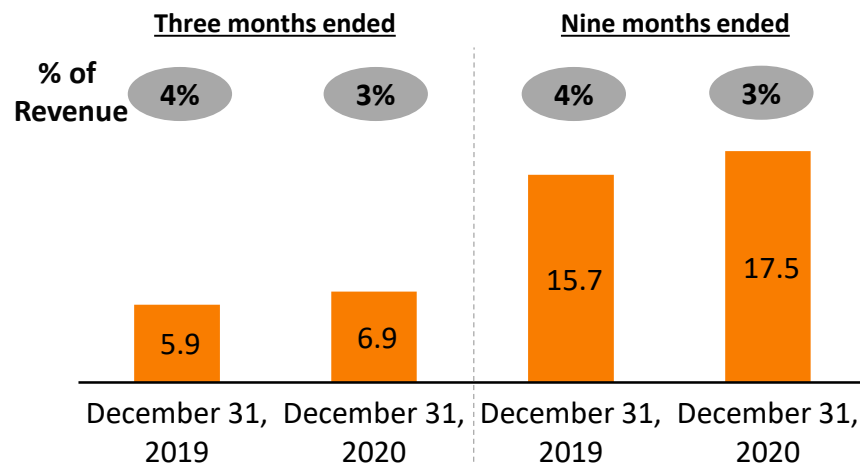
Sales & Marketing Expenses (Excluding SBC)

(RMB Bn)



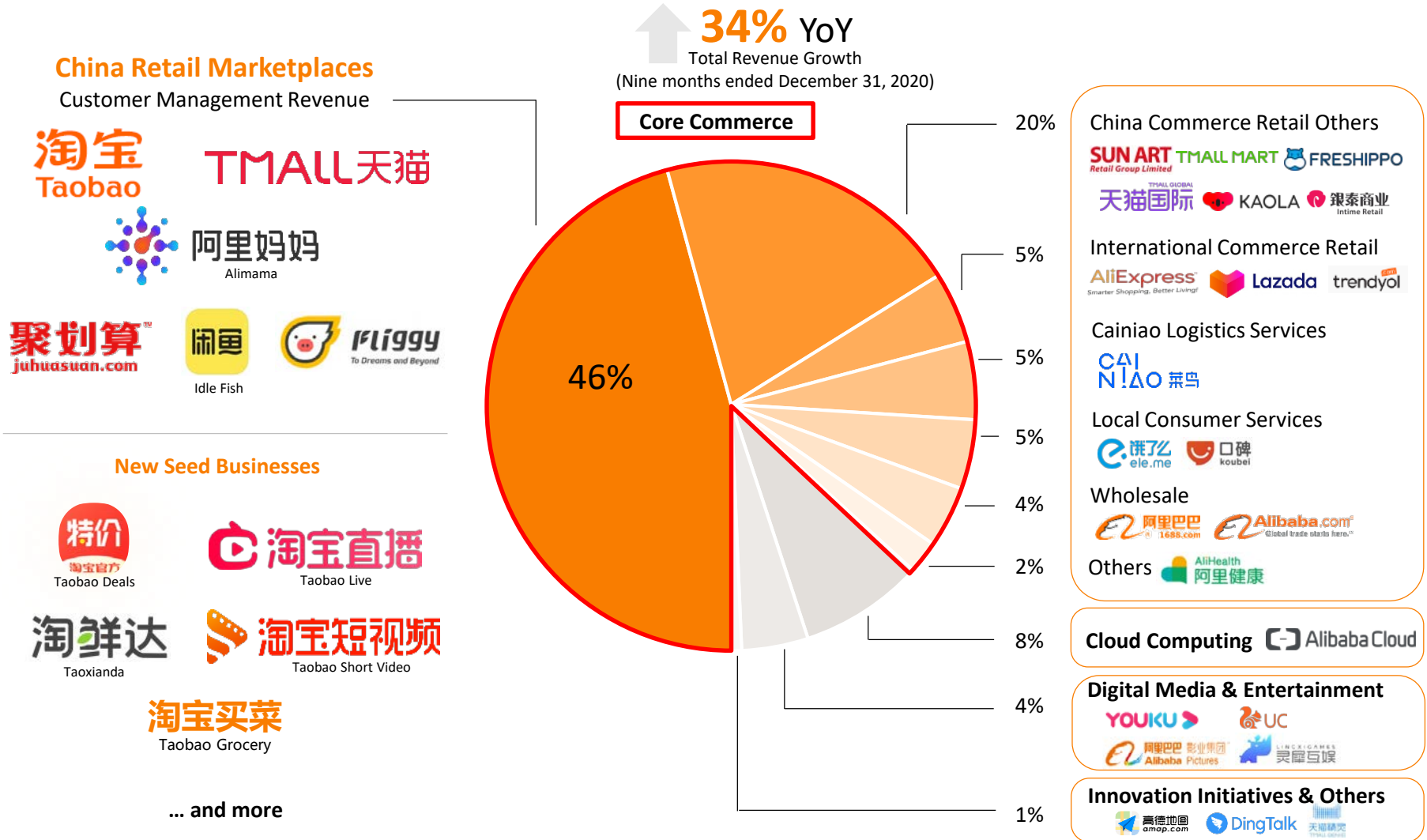
General & Administrative Expenses (Excluding SBC)

(RMB Bn)



Multi-Engine Businesses Driving Long-Term Growth

Revenue Contribution By Segments (Nine months ended December 31, 2020)



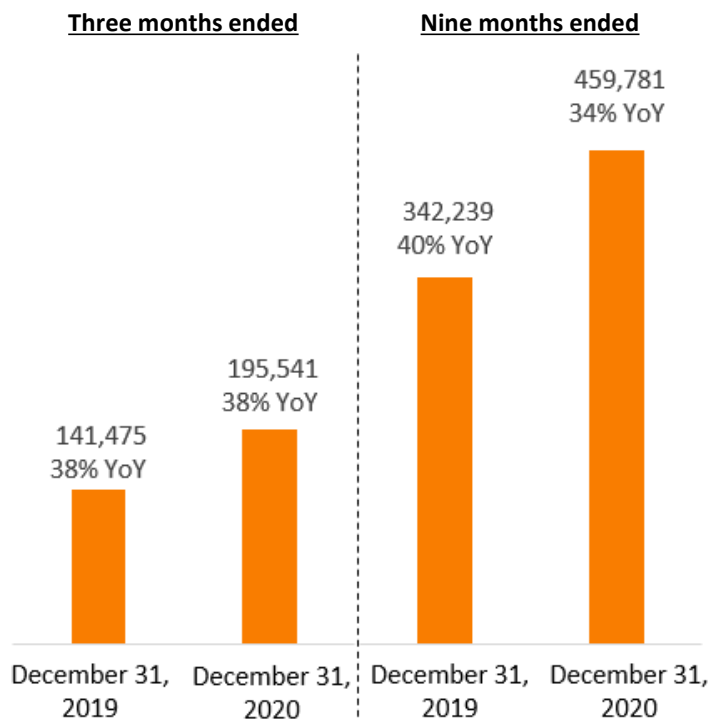
Note: The areas inside the red line include all businesses under Core Commerce.

Segment Reporting: Core Commerce

- Revenue from our core commerce business in the quarter ended December 31, 2020 was RMB195,541 million (US\$29,968 million), an increase of 38% compared to the same quarter of 2019.
- Adjusted EBITA increased by 15% to RMB66,637 million (US\$10,213 million), compared to RMB58,075 million in the same quarter of 2019, primarily due to an increase in marketplace-based core commerce adjusted EBITA as well as reduced losses for local consumer services business.

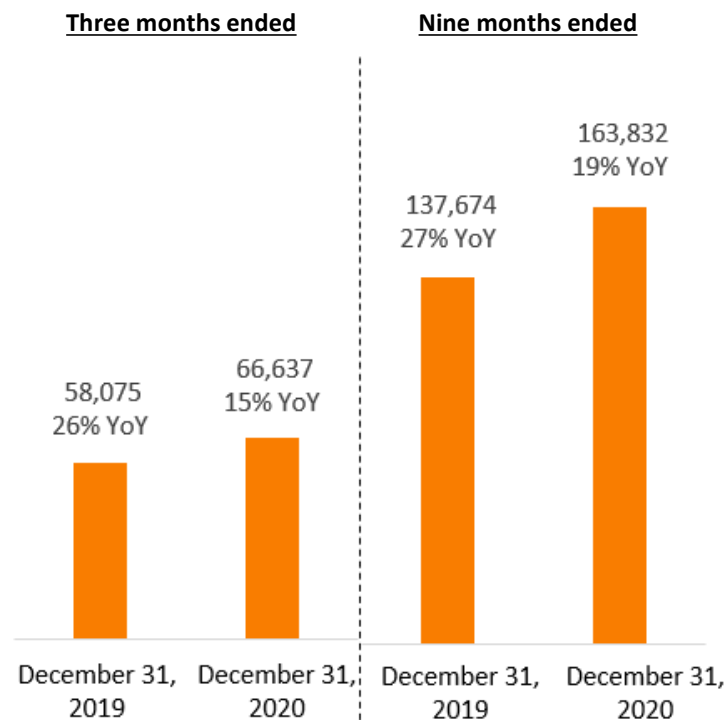
Revenue

(RMB MM)



Adjusted EBITA

(RMB MM)

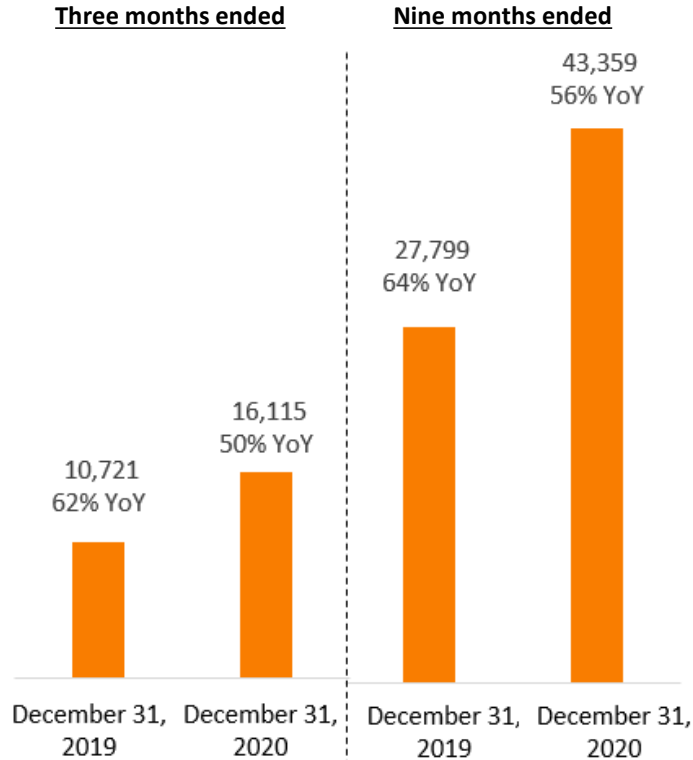


Segment Reporting: Alibaba Cloud

- Revenue from our cloud computing business in the quarter ended December 31, 2020 was RMB16,115 million (US\$2,470 million), an increase of 50% compared to RMB10,721 million in the same quarter of 2019, primarily driven by robust growth in revenue from customers in the Internet and retail industries and the public sector.
- Adjusted EBITA of RMB24 million (US\$3 million) in the quarter was profitable for the first time, compared to a loss of RMB356 million in the same quarter of 2019, primarily attributable to the realization of economies of scale.

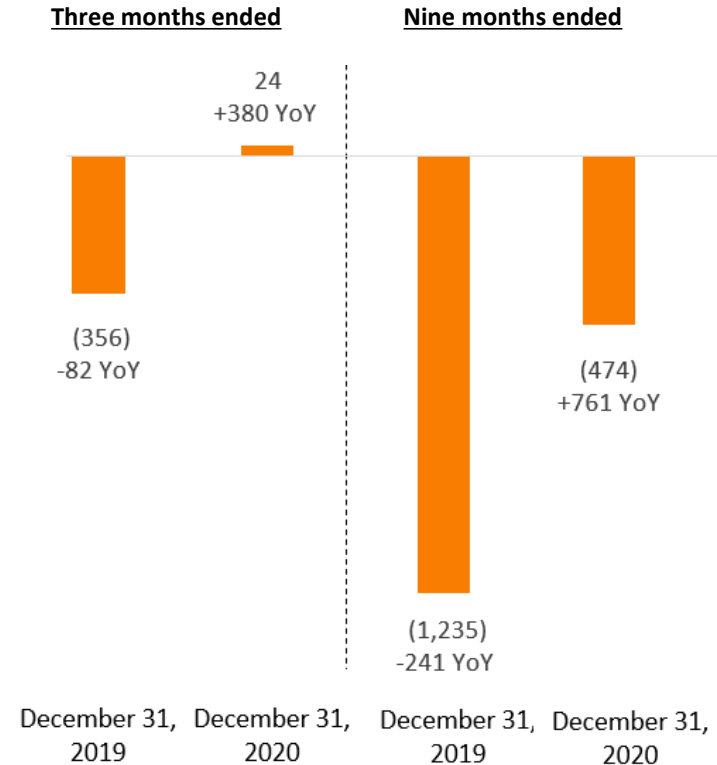
Revenue

(RMB MM)



Adjusted EBITA

(RMB MM)

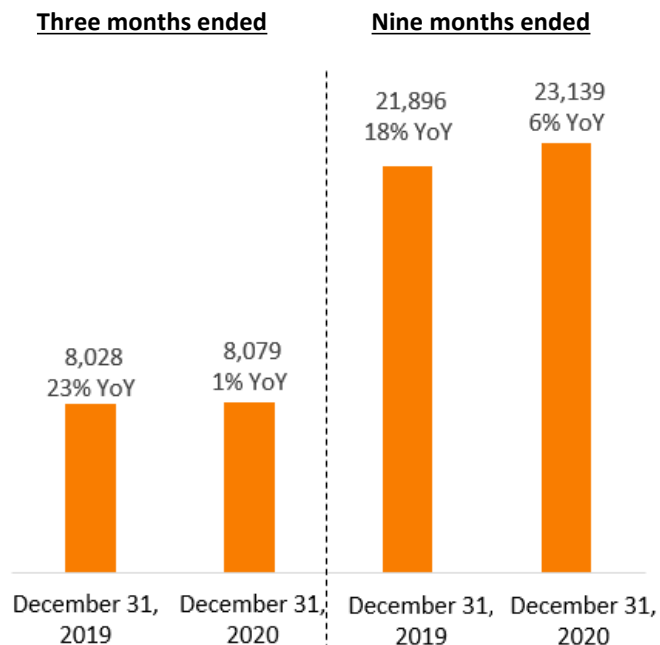


Segment Reporting: Digital Media & Entertainment

- Revenue from our digital media and entertainment segment in the quarter ended December 31, 2020 was RMB8,079 million (US\$1,238 million), an increase of 1% compared to RMB8,028 million in the same quarter of 2019. The slight increase was primarily due to the increase in revenue from online games business, largely offset by the decrease in revenue from customer management.
- Adjusted EBITA in the quarter was a loss of RMB1,389 million (US\$213 million), compared to a loss of RMB3,400 million in the same quarter of 2019. Adjusted EBITA margin improved to negative 17% in the quarter ended December 31, 2020 from negative 42% in the quarter ended December 31, 2019, primarily due to reduced losses in Youku and increased contribution from our online games business.

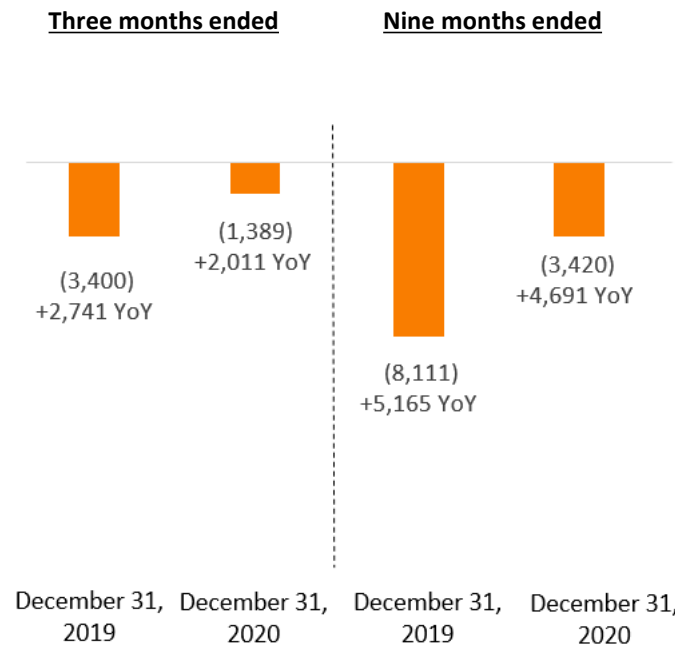
Revenue⁽¹⁾

(RMB MM)



Adjusted EBITA⁽¹⁾

(RMB MM)



Note:

(1) Beginning on April 1, 2020, we reclassified the results of our self-developed online games business, which was previously reported under the innovation initiatives and others segment, to the digital media and entertainment segment because it has moved beyond the incubation stage. This reclassification conforms to the way that we manage and monitor segment performance. Comparative figures were reclassified to conform to this presentation.

Revenue and Adjusted EBITA

Total Revenue Breakdown	Three months ended December 31, 2020			Nine months ended December 31, 2020		
	RMB MM	% of Total	% YoY	RMB MM	% of Total	% YoY
China commerce retail	153,679	69%	39%	350,470	66%	34%
- Customer Management ⁽¹⁾	101,919	46%	20%	242,472	46%	21%
- Others ⁽²⁾	51,760	23%	101%	107,998	20%	78%
China commerce wholesale	3,831	2%	14%	10,952	2%	14%
International commerce retail	10,158	5%	37%	24,959	5%	32%
International commerce wholesale	3,762	2%	53%	10,476	2%	47%
Cainiao logistic services	11,360	5%	51%	27,299	5%	58%
Local consumer services	8,348	4%	10%	24,288	5%	18%
Others	4,403	2%	63%	11,337	2%	68%
Total Core Commerce	195,541	89%	38%	459,781	87%	34%
Cloud Computing	16,115	7%	50%	43,359	8%	56%
Digital Media and Entertainment ⁽³⁾	8,079	4%	1%	23,139	4%	6%
Innovation Initiatives and Others ⁽³⁾	1,349	0%	9%	3,615	1%	4%
Total Revenue	221,084	100%	37%	529,894	100%	34%
<i>Total Revenue (excl. Sun Art)</i>	<i>205,658</i>		<i>27%</i>	<i>514,468</i>		<i>30%</i>

Total Adjusted EBITA Breakdown	Three months ended December 31, 2020			Nine months ended December 31, 2020		
	RMB MM	Change YoY	% YoY	RMB MM	Change YoY	% YoY
Core Commerce	66,637	8,562	15%	163,832	26,158	19%
Cloud Computing	24	380	N/A	(474)	761	62%
Digital Media and Entertainment ⁽³⁾	(1,389)	2,011	59%	(3,420)	4,691	58%
Innovation Initiatives and Others ⁽³⁾	(1,992)	(224)	(13)%	(7,078)	(1,699)	(32)%
Unallocated	(2,027)	(138)	(7)%	(5,019)	621	11%
Total Adjusted EBITA	61,253	10,591	21%	147,841	30,532	26%

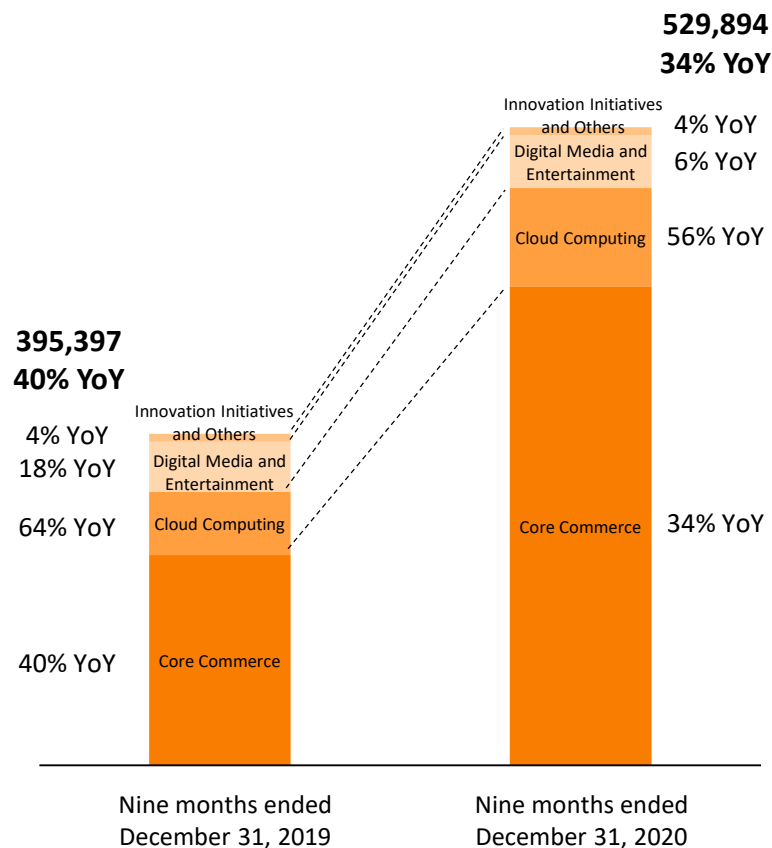
Notes:

- (1) We presented our commission revenue as part of customer management revenue in order to better reflect our value proposition to merchants on our platforms. Comparative figures were presented in the same manner accordingly.
- (2) "Others" revenue under China commerce retail is primarily generated by our New Retail and direct sales businesses, comprising mainly Sun Art, Tmall Supermarket, Freshippo, direct import and Intime.
- (3) Beginning on April 1, 2020, we reclassified the results of our self-developed online games business, which was previously reported under the innovation initiatives and others segment, to the digital media and entertainment segment because it has moved beyond the incubation stage. This reclassification conforms to the way that we manage and monitor segment performance. Comparative figures were reclassified to conform to this presentation.

Revenue and Adjusted EBITA

Revenue⁽¹⁾

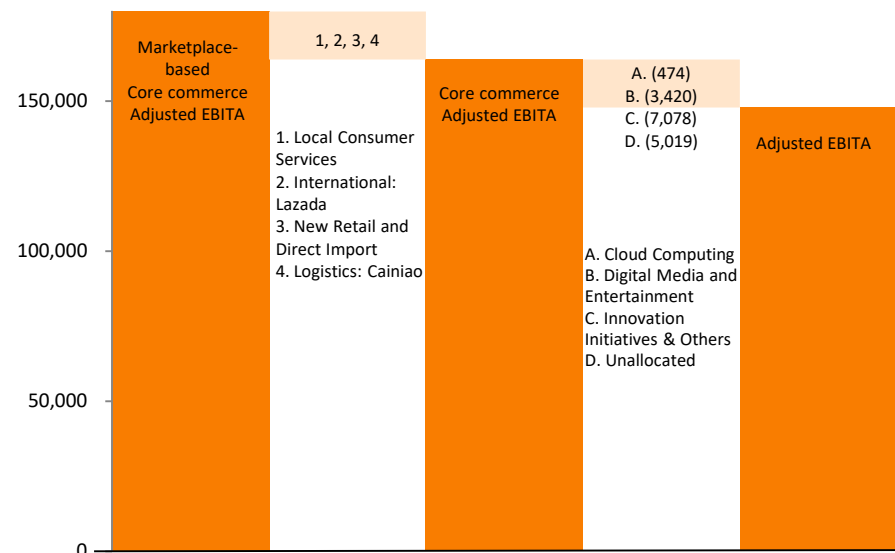
(RMB MM)



Adjusted EBITA⁽¹⁾

(RMB MM)

Period	Adjusted EBITA	Combined Loss	Core Commerce Adjusted EBITA	Combined Loss	Total Adjusted EBITA
Nine months ended December 31, 2019	158,781	(21,107)	137,674	(20,365)	117,309
	+25% YoY		+27% YoY		+36% YoY
Nine months ended December 31, 2020	179,743	(15,911)	163,832	(15,991)	147,841
	+13% YoY		+19% YoY		+26% YoY



Note:

(1) Beginning on April 1, 2020, we reclassified the results of our self-developed online games business, which was previously reported under the innovation initiatives and others segment, to the digital media and entertainment segment because it has moved beyond the incubation stage. This reclassification conforms to the way that we manage and monitor segment performance. Comparative figures were reclassified to conform to this presentation.

Income Statement: Selected Financial Metrics

- **Interest and investment income, net** in the quarter ended December 31, 2020 was RMB40,036 million (US\$6,135 million), an increase from RMB17,136 million in the same quarter of 2019. The increase is primarily due to an increase in the net gain arising from increases in the market prices of our equity investments in publicly-traded companies in the quarter. In addition, we recognized a one-time gain of RMB6.4 billion (US\$981 million) arising from the revaluation of our previously held equity interests in Sun Art upon our consolidation in the quarter, compared to a one-time gain of RMB10.3 billion recognized in relation to our deconsolidation of AliExpress Russia businesses in the same quarter of 2019.
- **Other income, net** in the quarter ended December 31, 2020 was RMB2,826 million (US\$433 million), compared to RMB987 million in the same quarter of 2019. The increase in other income, net was primarily due to the increase in the amount of input VAT super-credit that can be offset against our VAT payable.
- **Share of results of equity method investees** in the quarter ended December 31, 2020 was a loss of RMB3,601 million (US\$552 million), compared to a profit of RMB2,165 million in the same quarter of 2019. The decrease was mainly due to impairment loss with respect to certain equity method investees as a result of their prolonged decline in market values against our carrying values, partly offset by increase of our share of profit in Ant Group. We record our share of results of all equity method investees one quarter in arrears.

	Three months ended Dec 31			Nine months ended Dec 31		
	2019	2020	% YoY	2019	2020	% YoY
Total revenue	161,456	221,084	37%	395,397	529,894	34%
Cost of revenue	(84,332)	(121,268)	44%	(209,865)	(295,751)	41%
Gross Profit	77,124	99,816	29%	185,532	234,143	26%
Product development expenses	(11,077)	(13,607)	23%	(32,493)	(43,934)	35%
Sales and marketing expenses	(15,800)	(25,343)	60%	(38,494)	(56,366)	46%
General and administrative expenses	(7,415)	(8,692)	17%	(20,326)	(27,490)	35%
Amortization of intangible assets	(3,272)	(3,172)	(3)%	(9,344)	(9,012)	(4)%
Impairment of goodwill	-	-	N/A	(576)	-	N/A
Income from operations	39,560	49,002	24%	84,299	97,341	15%
Interest and investment income, net	17,136	40,036	134%	80,671	72,683	(10)%
Interest expense	(1,309)	(1,092)	(17)%	(4,015)	(3,316)	(17)%
Other income, net	987	2,826	186%	6,259	5,467	(13)%
Income before income tax and share of net losses of equity method investees	56,374	90,772	61%	167,214	172,175	3%
Income tax expenses	(8,407)	(9,194)	9%	(17,934)	(22,229)	24%
Share of results of equity method investees	2,165	(3,601)	N/A	(9,278)	992	N/A
Net income	50,132	77,977	56%	140,002	150,938	8%
Adjusted EBITDA	55,880	68,380	22%	132,219	166,944	26%
Adjusted EBITA	50,662	61,253	21%	117,309	147,841	26%
Non-GAAP Net income	46,493	59,207	27%	110,192	145,769	32%

Free Cash Flow & Capital Expenditures

- As of December 31, 2020, **cash, cash equivalents and short-term investments** were RMB456,314 million (US\$69,933 million), compared to RMB405,912 million as of September 30, 2020. The increase during the quarter ended December 31, 2020 was primarily due to free cash flow generated from operations of RMB96,210 million (US\$14,745 million), partly offset by cash used in investment and acquisition activities of RMB46,852 million (US\$7,180 million).
- In the quarter ended December 31, 2020, **net cash provided by operating activities** was RMB103,208 million (US\$15,817 million), an increase of 7% compared to RMB96,505 million in the same quarter of 2019. **Free cash flow**, a non-GAAP measurement of liquidity, increased by 23% to RMB96,210 million (US\$14,745 million), from RMB78,279 million in the same quarter of 2019, mainly due to our robust profit growth.

	Three months ended December 31			Nine months ended December 31		
	2019	2020	% YoY	2019	2020	% YoY
	RMB MM	RMB MM		RMB MM	RMB MM	
Operating Cash Flow ⁽¹⁾	96,505	103,208	7%	178,443	207,603	16%
Less: Purchase of property (excluding land use rights and construction in progress)	(5,749)	(4,869)	(15)%	(20,781)	(30,117)	45%
Less: Acquisition of licensed copyrights ⁽¹⁾ and intangible assets	(5,274)	(15)	(100)%	(10,120)	(1,733)	(83)%
Less: Changes in the consumer protection fund deposits	(7,203)	(2,114)	(71)%	(12,414)	(2,433)	(80)%
Free Cash Flow	78,279	96,210	23%	135,128	173,320	28%

Note:

- (1) We adopted ASU 2019-02, "Entertainment — Films — Other Assets — Film Costs (Subtopic 926-20) and Entertainment — Broadcasters — Intangibles — Goodwill and Other (Subtopic 920-350)," on April 1, 2020. As a result of our adoption of this new accounting update, we are now reporting cash outflows for the acquisition of licensed copyrights as operating activities in the consolidated statements of cash flows prospectively beginning on April 1, 2020. Prior to our adoption of ASU 2019-02, cash outflows for the acquisition of licensed copyrights were previously classified as investing activities in the consolidated statements of cash flows.

GAAP to Non-GAAP Net Income Attributable to Shareholders

- **Net income attributable to ordinary shareholders** in the quarter ended December 31, 2020 was RMB79,427 million (US\$12,173 million), an increase of 52% compared to RMB52,309 million in the same quarter of 2019, and **net income** was RMB77,977 million (US\$11,950 million), an increase of 56% compared to RMB50,132 million in the same quarter of 2019. The year-over-year increases of 52% and 56% were mainly due to an increase in the net gain arising from increases in the market prices of our equity investments in publicly-traded companies in the quarter ended December 31, 2020.
- **Non-GAAP net income attributable to ordinary shareholders for computing non-GAAP diluted earnings per share/ADS** in the quarter ended December 31, 2020 was RMB60,630 million (US\$9,293 million), an increase of 25% compared to RMB48,638 million in the same quarter of 2019.

	Three months ended December 31			Nine months ended December 31		
	2019 (RMB MM)	2020 (RMB MM)	YoY %	2019 (RMB MM)	2020 (RMB MM)	YoY %
Net income attributable to ordinary shareholders – basic	52,309	79,427	52%	146,101	155,787	7%
Dilution effect on earnings arising from option plans operated by equity method investees and subsidiaries	(32)	(27)	(16)%	(47)	(53)	13%
Net income attributable to ordinary shareholders – diluted	52,277	79,400	52%	146,054	155,734	7%
Add: Share-based compensation expense	7,830	9,079	16%	23,090	41,488	80%
Add: Amortization of intangible assets	3,272	3,172	(3)%	9,344	9,012	(4)%
Add: Impairment of investments and goodwill	4,842	8,436	74%	24,947	14,205	(43)%
Less: Gain on deemed disposals/disposals/revaluation of investments and others	(17,015)	(37,639)	121%	(15,098)	(69,390)	360%
Less: Gain in relation to the receipt of the 33% equity interest in Ant Group	(2,336)	-	N/A	(71,561)	-	N/A
Add: Amortization of excess value receivable arising from the restructuring of commercial arrangements with Ant Group	-	-	N/A	97	-	N/A
Adjusted for tax effects on non-GAAP adjustments ⁽¹⁾	(232)	(1,818)	684%	(629)	(484)	(23)%
Non-GAAP net income attributable to ordinary shareholders for computing non-GAAP diluted earnings per share/ADS	48,638	60,630	25%	116,244	150,565	30%

Note:

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

GAAP to Adjusted/Non-GAAP Measures Reconciliation

	Three months ended December 31		
	2019	2020	
	(RMB MM)	(RMB MM)	(US\$MM) ⁽¹⁾
Adjusted EBITA and Adjusted EBITDA			
Income from operations	39,560	49,002	7,510
Add: Share-based compensation expense	7,830	9,079	1,391
Add: Amortization of intangible assets	3,272	3,172	486
Adjusted EBITA	50,662	61,253	9,387
Add: Depreciation of property and equipment, and operating lease cost relating to land use rights	5,218	7,127	1,093
Adjusted EBITDA	55,880	68,380	10,480
Non-GAAP net income			
Net income	50,132	77,977	11,950
Add: Share-based compensation expense	7,830	9,079	1,391
Add: Amortization of intangible assets	3,272	3,172	486
Add: Impairment of investments	4,842	8,436	1,293
Less: Gain on deemed disposals/disposals/revaluation of investments and others	(17,015)	(37,639)	(5,768)
Less: Gain in relation to the receipt of the 33% equity interest in Ant Group	(2,336)	-	-
Adjusted for tax effects on non-GAAP adjustments ⁽²⁾	(232)	(1,818)	(278)
Non-GAAP net income	46,493	59,207	9,074
Non-GAAP Free cash flow			
Net cash provided by operating activities ⁽³⁾	96,505	103,208	15,817
Less: Purchase of property and equipment (excluding land use rights and construction in progress relating to office campuses)	(5,749)	(4,869)	(746)
Less: Acquisition of licensed copyrights ⁽³⁾ and other intangible assets	(5,274)	(15)	(2)
Less: Changes in the consumer protection fund deposits	(7,203)	(2,114)	(324)
Non-GAAP Free cash flow	78,279	96,210	14,745

Notes:

- (1) The translations of RMB into US\$ were made at RMB6.5250 to US\$1.00, the exchange rate on December 31, 2020 as set forth in the H.10 statistical release of the Federal Reserve Board.
- (2) Tax effects on non-GAAP adjustments primarily comprised of tax effects relating to certain gains and losses from investments, share-based compensation expense and amortization of intangible assets.
- (3) We adopted ASU 2019-02, "Entertainment — Films — Other Assets — Film Costs (Subtopic 926-20) and Entertainment — Broadcasters — Intangibles — Goodwill and Other (Subtopic 920-350)," on April 1, 2020. As a result of our adoption of this new accounting update, we are now reporting cash outflows for the acquisition of licensed copyrights as operating activities in the consolidated statements of cash flows prospectively beginning on April 1, 2020. Prior to our adoption of ASU 2019-02, cash outflows for the acquisition of licensed copyrights were previously classified as investing activities in the consolidated statements of cash flows.



Alibaba Group

阿里巴巴集团

