

June Quarter 2021 Results



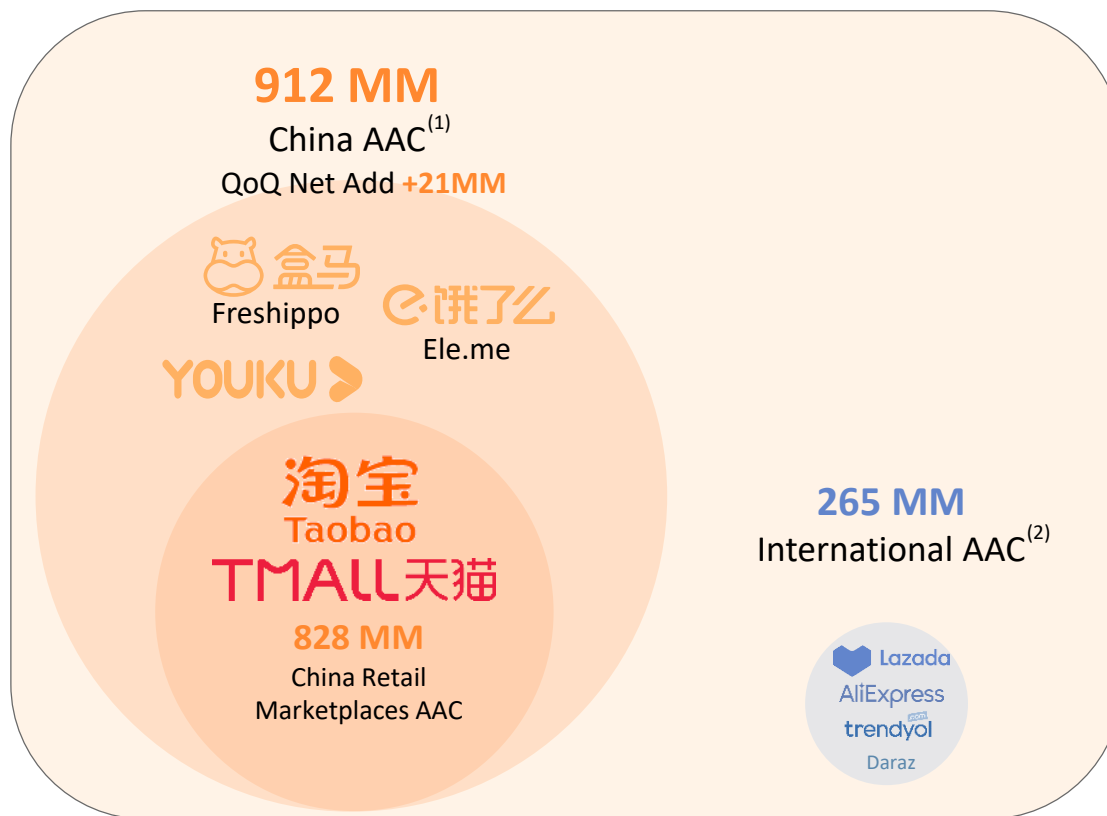
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This presentation contains certain financial measures that are not recognized under generally accepted accounting principles in the United States (“GAAP”), including adjusted EBITDA (including adjusted EBITDA margin), adjusted EBITA (including adjusted EBITA margin), Commerce adjusted EBITA before key strategic investments, 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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Annual Active Consumers (AAC)

1.18 Bn Global AAC QoQ Net Add **+45MM**



Notes:

- (1) Including 828 million annual active consumers on our China retail marketplaces, and additional unique annual active consumers primarily from Local Consumer Services, Digital Media and Entertainment and Freshippo, for the twelve months ended June 30, 2021.
- (2) This included annual active consumers of Lazada (Southeast Asia), AliExpress (Europe and Latin America), Trendyol (Turkey) and Daraz (South Asia) for the twelve months ended June 30, 2021.

June Quarter Highlights

	Three months ended June 30,		
	2020	2021	YoY%
	RMB MM	RMB MM	
Revenue	153,751	205,740	34% ⁽¹⁾
Income from operations	34,705	30,847	(11)% ⁽¹⁾
Adjusted EBITDA	51,039	48,628	(5)% ⁽¹⁾
Adjusted EBITDA margin	33%	24%	
Adjusted EBITA	45,372	41,731	(8)% ⁽¹⁾
Adjusted EBITA margin	30%	20%	
Non-GAAP net income	39,474	43,441	10%
Non-GAAP net income margin	26%	21%	
Net income	46,437	42,835	(8)%
Free cash flow	36,570	20,683	(43)% ⁽²⁾

Notes:

- (1) The year-over-year decreases were primarily due to our investments in strategic areas to capture incremental opportunities, such as Community Marketplaces, Taobao Deals, Local Consumer Services and Lazada, as well as our increased spending on growth initiatives within China retail marketplaces, such as Idle Fish and Taobao Live, and our support to merchants.
- (2) The year-over-year decrease was mainly due to the partial settlement in the amount of RMB9,114 million (US\$1,412 million) of the RMB18,228 million Anti-monopoly Fine and a decrease in profit as a result of our investments in key strategic areas. All translations of RMB into US\$ were made at RMB6.4566 to US\$1.00.

Multi-Engine Businesses Driving Long-Term Growth

Total Revenue Breakdown	Three months ended June 30,			
	2020	2021		
	RMB mm	RMB mm	% of Total	% YoY
China commerce retail	101,321	135,806	66%	34%
- Customer management	71,215	81,002	39%	14%
- Others ⁽¹⁾	30,106	54,804	27%	82%
China commerce wholesale	3,484	3,924	2%	13%
International commerce retail	7,012	10,800	5%	54%
International commerce wholesale	3,204	4,402	2%	37%
Cainiao logistic services	7,713	11,601	6%	50%
Local Consumer Services	7,101	8,757	4%	23%
Others	3,483	4,951	2%	42%
Total commerce	133,318	180,241	87%	35%
Cloud computing ⁽²⁾	12,437	16,051	8%	29%
Digital media and entertainment	6,994	8,073	4%	15%
Innovation initiatives and others ⁽²⁾	1,002	1,375	1%	37%
Total revenue	153,751	205,740	100%	34%
<i>Total revenue (excl. Sun Art)</i>		<i>187,306</i>		<i>22%</i>

Notes:

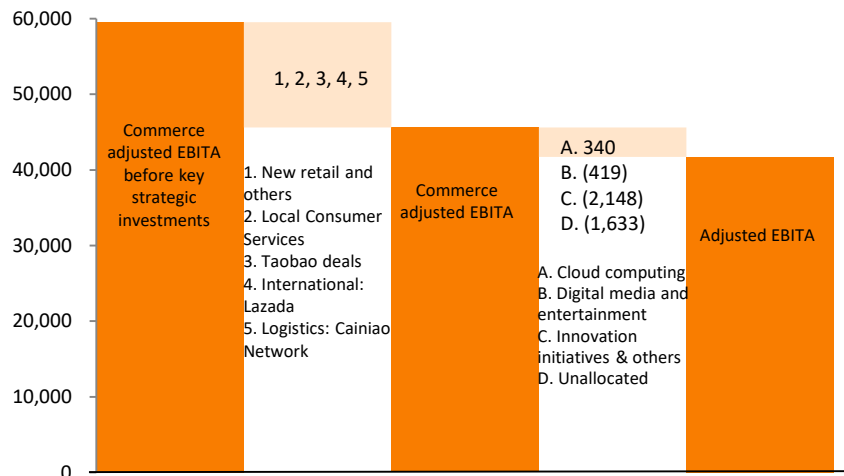
- (1) "Others" revenue under China commerce retail is primarily generated by our direct sales businesses, comprising mainly Sun Art, Tmall Supermarket, Freshippo, direct import and Intime, where revenue is recorded on a gross basis including the cost of inventory.
- (2) Beginning on April 1, 2021, we reclassified the results of our DingTalk business, which was previously reported under the innovation initiatives and others segment, to the cloud computing segment. Comparative figures were reclassified to conform to this presentation. Because DingTalk remains in the investment phase, the reclassification of DingTalk's financials resulted in a lowering of cloud computing profitability and did not materially add to revenue during the quarter.

Investment in Key Strategic Areas

- **Commerce adjusted EBITA before key strategic investments** increased 6% year-over-year to RMB59,515 million. The slower year-over-year growth rate was primarily due to our increased spending on growth initiatives within China retail marketplaces, such as Idle Fish and Taobao Live, as well as our support to merchants.
- **Commerce adjusted EBITA** decreased by 11% to RMB 45.6 billion. The decrease reflected stepped up investments in key strategic areas with combined losses of RMB13.9 billion. The primary areas of incremental investments were in growth businesses, such as Community Marketplaces, Taobao Deals, Local Consumer Services and Lazada, which are all showing rapid growth in operating metrics.

Where We Invested

	(RMB MM)				
For three months ended June Q 2020	56,411 +18% YoY	(5,174) <i>Combined loss</i>	51,237 +25% YoY	(5,865) <i>Combined loss</i>	45,372 31% YoY
For three months ended June Q 2021	59,515 +6% YoY	(13,924) <i>Combined loss</i>	45,591 -11% YoY	(3,860) <i>Combined loss</i>	41,731 -8% YoY



Business progress



GMV +200% QoQ ⁽¹⁾

GFA +260% QoQ ⁽¹⁾



Idle Fish

>100mn MAU



Taobao Deals

>190mn AAC



+50% Orders YoY



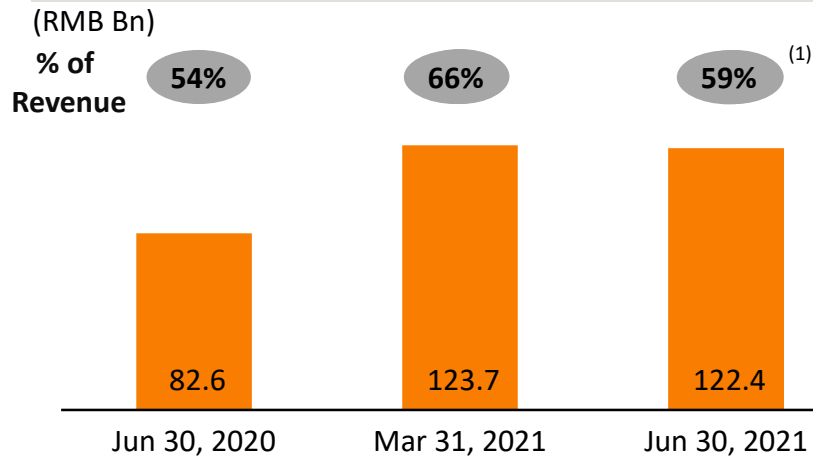
+90% Orders YoY

Notes:

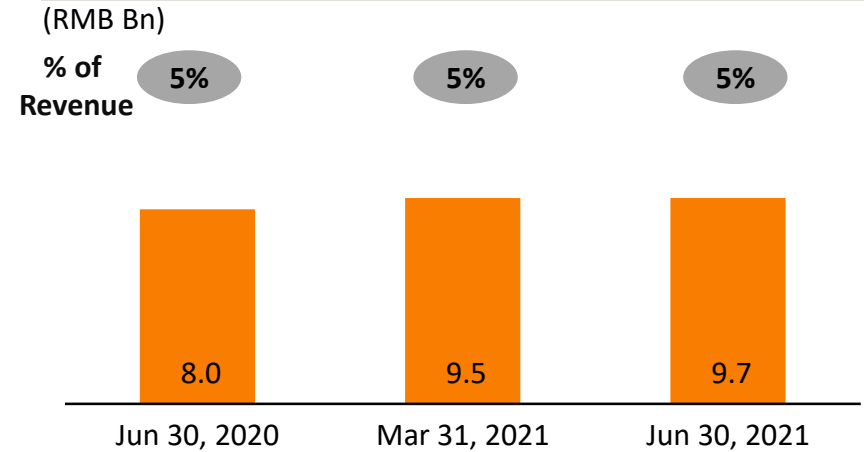
(1) Growth rate of gross merchandise value (GMV) and gross floor area(GFA) of our regional distribution centers (RDC) in the quarter ended June 30, 2021, compared to the quarter ended March 31, 2021.

June Quarter Cost Trends

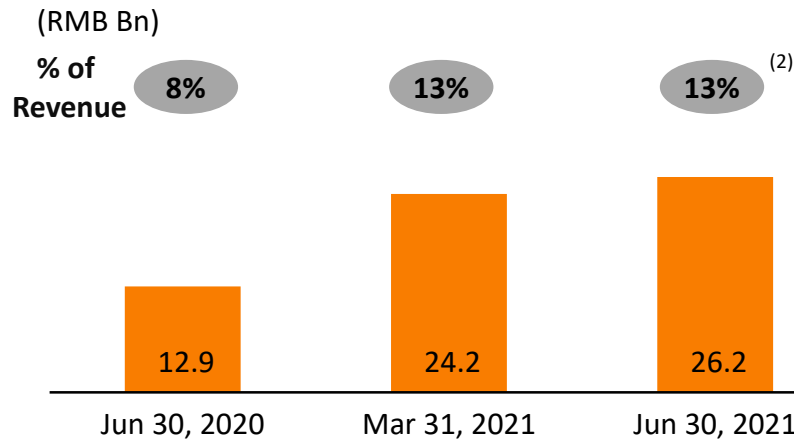
Cost of Revenue (excluding SBC)



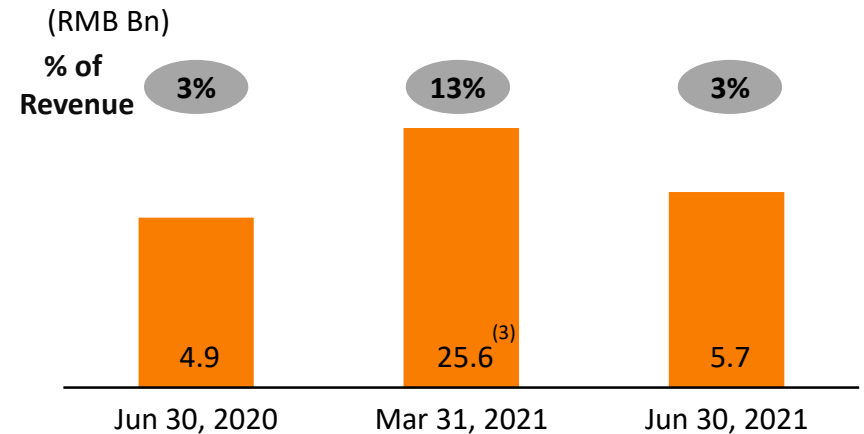
Product Development Expenses (excluding SBC)



Sales & Marketing Expenses (excluding SBC)



General & Administrative Expenses (excluding SBC)



Notes: Graphs shown above are all for the three months ended on the respective dates.

(1) The YoY increase was primarily attributable to higher proportion of our direct sales businesses, mainly from the consolidation of Sun Art, which resulted in increased cost of inventory.

(2) The YoY increase was primarily due to an increase in marketing and promotional spending for key strategic areas such as Taobao Deals and growth initiative businesses such as Idle Fish and Taobao Live, as well as user acquisition and engagement on our marketplaces.

(3) This included the Anti-monopoly Fine in the amount of RMB18,228 million.

June Quarter Revenue and EBITA by Segments

Three months ended June 30, 2021

	Commerce	Cloud computing ⁽¹⁾	Digital media and entertainment	Innovation initiatives and others	Unallocated ⁽¹⁾	Consolidated
	RMB	RMB	RMB	RMB	RMB	RMB
Revenue	180,241	16,051	8,073	1,375	—	205,740
Income (Loss) from operations	39,022	(1,643)	(1,010)	(2,939)	(2,583)	30,847
Add: Share-based compensation expense	3,780	1,979	383	777	892	7,811
Add: Amortization of intangible assets	2,789	4	208	14	58	3,073
Adjusted EBITA	45,591	340	(419)	(2,148)	(1,633)	41,731

Three months ended June 30, 2020

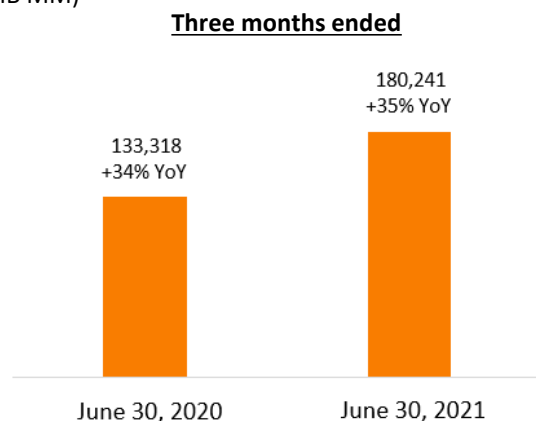
	Commerce	Cloud computing ⁽¹⁾	Digital media and entertainment	Innovation initiatives and others	Unallocated ⁽¹⁾	Consolidated
	RMB	RMB	RMB	RMB	RMB	RMB
Revenue	133,318	12,437	6,994	1,002	—	153,751
Income (Loss) from operations	45,192	(2,691)	(2,018)	(2,648)	(3,130)	34,705
Add: Share-based compensation expense	3,425	1,563	452	699	1,576	7,715
Add: Amortization of intangible assets	2,620	7	245	23	57	2,952
Adjusted EBITA	51,237	(1,121)	(1,321)	(1,926)	(1,497)	45,372

Notes:
 (1) Unallocated expenses primarily relate to corporate administrative costs and other miscellaneous items that are not allocated to individual segments.

- Revenue** from our commerce segment in the quarter ended June 30, 2021 was RMB180,241 million (US\$27,916 million), an increase of 35% compared to the same quarter of 2020. Customer management revenue grew 14% year-over-year, primarily due to the growth of online physical goods GMV on our China retail marketplaces. The growth also reflected the increase in revenue from new monetization formats, such as recommendation feeds and an increase in the average unit price per click in search monetization.
- China retail others revenue** was RMB54,804 million (US\$8,488 million), achieving year-over-year growth of 82% compared to RMB30,106 million in the same quarter of 2020. The increase was primarily driven by the consolidation of Sun Art, as well as the contributions from our direct sales businesses, including Tmall Supermarket.

Revenue

(RMB MM)



Adjusted EBITA

	Three months ended June 30,		
	2020	2021	
	RMB MM	RMB MM	% YoY
Commerce adjusted EBITA before key strategic investments	56,411	59,515	6%
Investment in key strategic areas	(5,174)	(13,924)	(169)%
Commerce ⁽¹⁾	51,237	45,591	(11)%

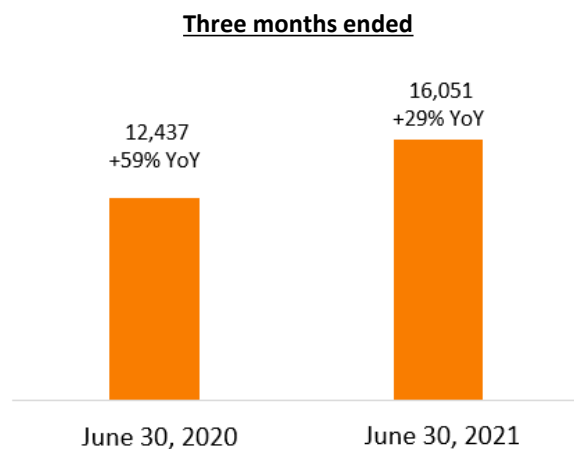
Note: please see slide in 'Investment in Key Strategic Areas' for discussion on Commerce adjusted EBITA and Commerce adjusted EBITA before key strategic investments.

(1) "Commerce" segment was previously referred to as "Core Commerce" segment.

- **Revenue** from our cloud computing segment in the quarter ended June 30, 2021 was RMB16,051 million (US\$2,486 million), an increase of 29% compared to RMB12,437 million in the same quarter of 2020. Similar to last quarter, the slower quarterly revenue growth was primarily due to revenue decline from a top cloud customer in the Internet industry that has stopped using our overseas cloud services with respect to their international business due to non-product related requirements. Going forward, we believe that our cloud computing revenue will be further diversified across customers and industries.
- Segment **Adjusted EBITA** was a profit of RMB340 million (US\$53 million) in the quarter ended June 30, 2021, compared to a loss of RMB1,121 million in the same quarter of 2020, primarily attributable to the realization of economies of scale.
- Beginning on April 1, 2021, we reclassified the results of our DingTalk business, which was previously reported under the innovation initiatives and others segment, to the cloud computing segment. This reclassification conforms to the way that we manage and monitor segment performance and reflects the integration of DingTalk with Alibaba Cloud to further facilitate the digital transformation of our enterprise customers. Comparative figures were reclassified to conform to this presentation. Because DingTalk remains in the investment phase, the reclassification of DingTalk's financials resulted in lowering of cloud computing profitability and did not materially add to revenue during the quarter.

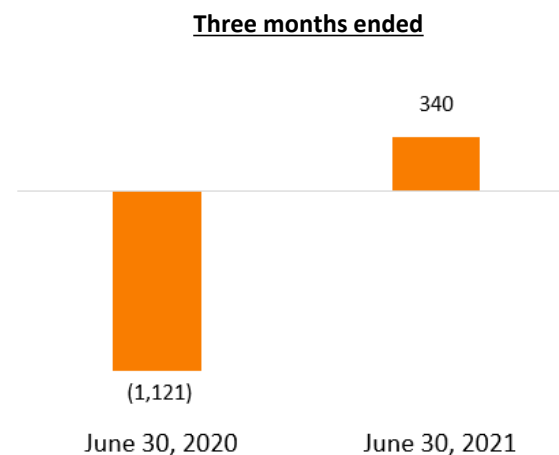
Revenue

(RMB MM)



Adjusted EBITA

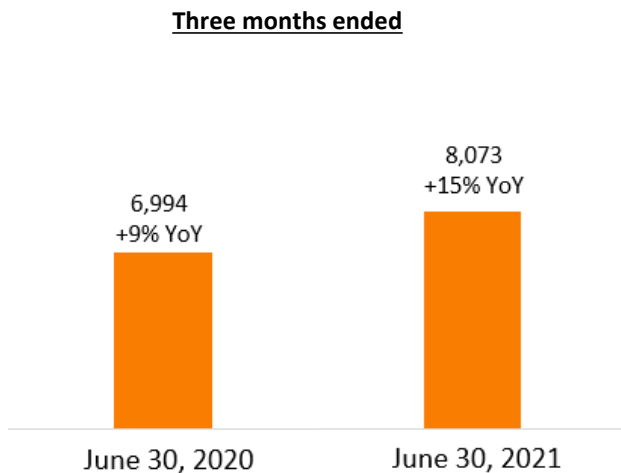
(RMB MM)



- **Revenue** from our digital media and entertainment segment in the quarter ended June 30, 2021 was RMB8,073 million (US\$1,250 million), an increase of 15% compared to RMB6,994 million in the same quarter of 2020. The increase was primarily due to the increase in revenues from Youku, Alibaba Pictures and other entertainment businesses.
- Segment **Adjusted EBITA** in the quarter ended June 30, 2021 was a loss of RMB419 million (US\$65 million), compared to a loss of RMB1,321 million in the same quarter of 2020. Segment Adjusted EBITA margin improved to negative 5% in the quarter ended June 30, 2021 from negative 19% in the quarter ended June 30, 2020, primarily due to improved quality of content that resulted in reduced losses of Youku and Alibaba Pictures.

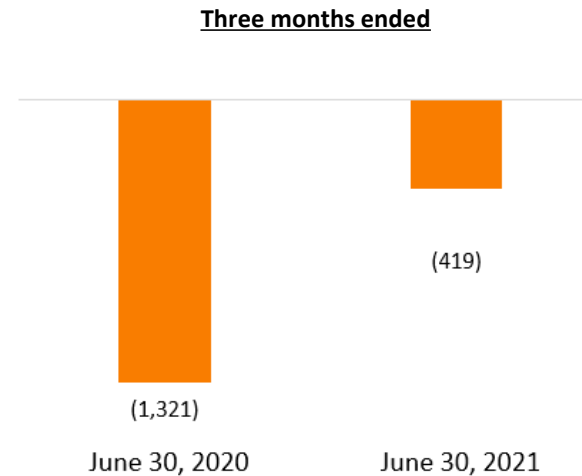
Revenue

(RMB MM)



Adjusted EBITA

(RMB MM)



Income Statement: Selected Financial Metrics

- **Interest and investment income, net** in the quarter ended June 30, 2021 was RMB14,101 million (US\$2,184 million), compared to RMB22,137 million in the same quarter of 2020, primarily due to the year-over-year decrease in net gains arising from the fair value changes of our investments in the quarter ended June 30, 2021. The above-mentioned gains were excluded from our non-GAAP net income.
- **Share of results of equity method investees** in the quarter ended June 30, 2021 was RMB6,093 million (US\$944 million), compared to RMB349 million in the same quarter of 2020. We record our share of results of all equity method investees one quarter in arrears. The year-over-year increase in share of profit of equity method investees in the quarter ended June 30, 2021 was mainly due to the increase in share of profit of Ant Group by RMB 1,460 million to RMB 4,494 million (US\$696 million), as well as a general improvement in financial performance of other equity method investees.

	Three months ended June 30,		
	2020	2021	
	RMB MM	RMB MM	US\$ MM
Revenue	153,751	205,740	31,865
Cost of revenue	(84,523)	(124,097)	(19,220)
Product development expenses	(11,082)	(13,519)	(2,094)
Sales and marketing expenses	(13,652)	(27,036)	(4,187)
General and administrative expenses	(6,837)	(7,168)	(1,110)
Amortization of intangible assets	(2,952)	(3,073)	(476)
Income from operations	34,705	30,847	4,778
Interest and investment income, net	22,137	14,101	2,184
Interest expense	(1,123)	(1,267)	(196)
Other income, net	1,493	2,157	333
Income before income tax and share of results of equity method investees	57,212	45,838	7,099
Income tax expenses	(11,124)	(9,096)	(1,409)
Share of results of equity method investees	349	6,093	944
Net income	46,437	42,835	6,634

GAAP to Non-GAAP Net Income Attributable to Ordinary Shareholders

- **Net income attributable to ordinary shareholders** in the quarter ended June 30, 2021 was RMB45,141 million (US\$6,991 million), a decrease of 5% compared to RMB47,591 million in the same quarter of 2020.
- Excluding the share-based compensation expense, revaluation and disposal gains/losses of investments, impairment of investments and certain other items, **non-GAAP net income** in the quarter ended June 30, 2021 was RMB43,441 million (US\$6,728 million), an increase of 10% compared to RMB39,474 million in the same quarter of 2020, mainly due to the increase in share of profit of equity method investees.

	Three months ended June 30,		
	2020	2021	
	RMB MM	RMB MM	US\$MM
Net income attributable to ordinary shareholders – basic	47,591	45,141	6,991
Dilution effect on earnings arising from option plans operated by equity method investees and subsidiaries	(13)	(2)	—
Net income attributable to ordinary shareholders – diluted	47,578	45,139	6,991
Add: Non-GAAP adjustments to net income	(6,963)	606	94
—Add: Share-based compensation expense	7,715	7,811	1,209
—Add: Amortization of intangible assets	2,952	3,073	476
—Add: Impairment of investments	103	397	61
—Less: Gain on deemed disposals/disposals/revaluation of investments and others	(19,030)	(10,624)	(1,645)
—Adjusted for tax effects on non-GAAP adjustments ⁽¹⁾	1,297	(51)	(7)
Non-GAAP net income attributable to ordinary shareholders for computing non-GAAP diluted earnings per share/ADS	40,615	45,745	7,085

Note:

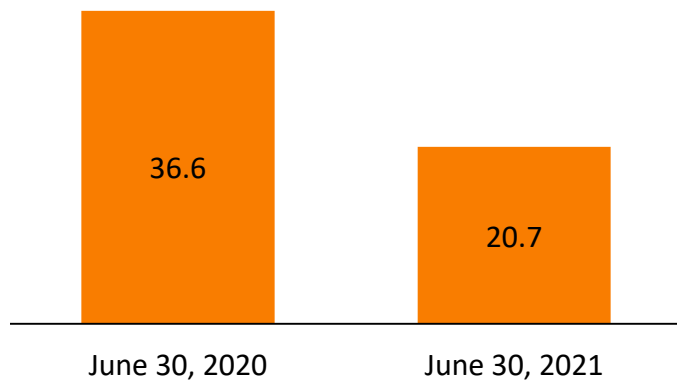
(1) Tax effects on non-GAAP adjustments primarily comprised of tax effects relating to certain gains and losses from investments, share-based compensation expense and amortization of intangible assets.

June Quarter Free Cash Flow & Capital Expenditures

- As of June 30, 2021, **cash, cash equivalents and short-term investments** were RMB470,824 million (US\$72,921 million), compared to RMB473,638 million as of March 31, 2021, mainly due to cash used in investment and acquisition activities of RMB12,186 million (US\$1,887 million), repurchase of ordinary shares of RMB7,134 million (US\$1,105 million) and acquisition of additional equity interests in non-wholly owned subsidiaries of RMB4,304M (US\$667 million), partly offset by free cash flow generated from operations of RMB20,683 million (US\$3,203 million).
- Net cash provided by operating activities** in the quarter ended June 30, 2021 was RMB33,603 million (US\$5,204 million), a decrease compared to RMB50,099 million in the same quarter of 2020. **Free cash flow**, a non-GAAP measurement of liquidity, in the quarter ended June 30, 2021 decreased to RMB20,683 million (US\$3,203 million), from RMB36,570 million in the same quarter of 2020. The year-over-year decrease was mainly due to the partial settlement in the amount of RMB9,114 million (US\$1,412 million) of the RMB18,228 million Anti-monopoly Fine and a decrease in profit as a result of our investments in key strategic areas.
- During the quarter, **capital expenditures** were RMB12,518 million (US\$1,939 million), which comprised of **operating capital expenditures** of RMB10,897 million (US\$1,688 million) and cash outflow for acquisition of land use rights and construction in progress relating to office campuses of RMB1,621 million (US\$251 million).

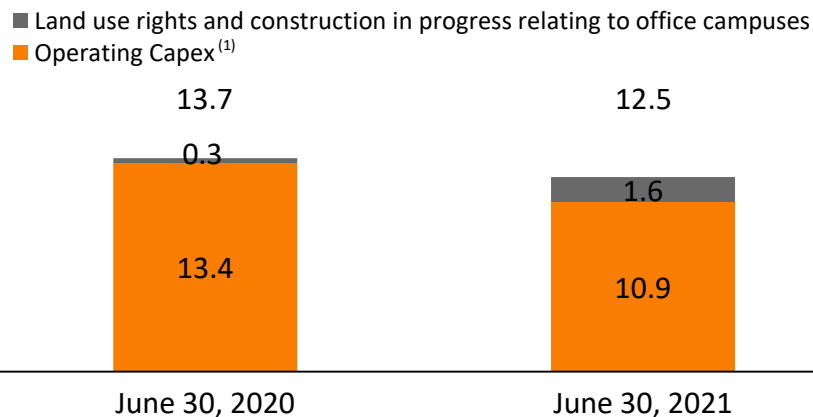
Non-GAAP Free Cash Flow

(RMB Bn)



Capital Expenditures

(RMB Bn)



Note:
 (1) Operating Capex refers to the purchases of property and equipment (excluding land use rights and construction in progress relating to office campuses).

GAAP to Adjusted/Non-GAAP Measures Reconciliation

	Three months ended June 30,		
	2020	2021	
	RMB MM	RMB MM	US\$MM
Adjusted EBITA and Adjusted EBITDA			
Income from operations	34,705	30,847	4,778
Add: Share-based compensation expense	7,715	7,811	1,209
Add: Amortization of intangible assets	2,952	3,073	476
Adjusted EBITA	45,372	41,731	6,463
Add: Depreciation of property and equipment, and operating lease cost relating to land use rights	5,667	6,897	1,069
Adjusted EBITDA	51,039	48,628	7,532
Non-GAAP net income			
Net income	46,437	42,835	6,634
Add: Share-based compensation expense	7,715	7,811	1,209
Add: Amortization of intangible assets	2,952	3,073	476
Add: Impairment of investments	103	397	61
Less: Gain on deemed disposals/disposals/revaluation of investments and others	(19,030)	(10,624)	(1,645)
Adjusted for tax effects on non-GAAP adjustments ⁽¹⁾	1,297	(51)	(7)
Non-GAAP net income	39,374	43,441	6,728
Non-GAAP Free cash flow			
Net cash provided by operating activities	50,099	33,603	5,204
Less: Purchase of property and equipment (excluding land use rights and construction in progress relating to office campuses)	(13,372)	(10,897)	(1,688)
Less: Acquisition of intangible assets	(56)	(1)	—
Less: Changes in the consumer protection fund deposits	(101)	(2,022)	(313)
Non-GAAP Free cash flow	36,570	20,683	3,203

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.



Alibaba Group
阿里巴巴集团

