

## El Alibaba (BABA US / 9988.HK)



Alibaba Group Holding Ltd. is a China's largest online E-Commerce company. The company also provides cloud computing, delivery and technology infrastructure services. Its key products are Taobao, Tmall and Alibaba.com.

### Market environment

Domestic environment is getting more favorable for the company as China's "anti-tech" and "anti-gaming" policies ease up and confidence in direct competitors decline at faster rates.

However, despite uplifting news of China reopening, there are still persisting geopolitical risks.

US-China relations has always weighed on Chinese tech stock prices, and Alibaba is no exception. April 25th the Hang Seng Tech Index slid 3.5 basis points week after US announce preparations to limit investment in key parts of China economy.

### Alibaba potential split

With ease in regulations and investor sentiment that Alibaba growth may be slowing, Alibaba has shared plans of getting IPOs for each of its 6 segments to better meet investor objectives and allow them to focus on their own business.

Many are optimistic of the decision as spin offs (similar to JD Logistics, JD Health, etc.) have historically performed well and allowed segments (that were already highly competitive amongst each other) to no longer be constrained by an overall strategic direction.

With this possible restructuring, there is an opportunity for investors to capitalize on the price shift during that stage of the cycle.

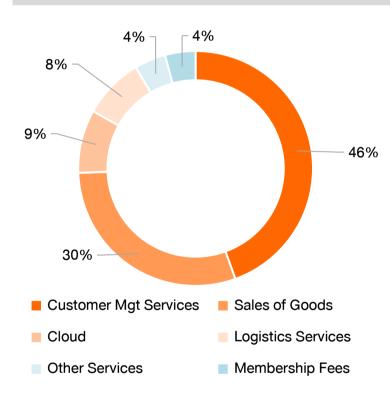
## Competition

Alibaba is the largest E-Commerce company in the world by market cap. aside from Amazon (4-5x the market cap). Their 12.6 PE ratio is much lower compared to the industry's 130 (and compared to JD.com and Amazon.com, 18.99 and 142.15). PBV is also fairly low at 1.56 compared to the same competitors with 1.74 and 7.36. Alibaba has a relatively healthy PE ratio of 0.90 compared to Amazon's 16.04. Alibaba Group Holding Ltd. is undervalued compared to the industry and its direct competitors.

**E-Commerce** Industry **HKD 81.30 Last Price** Bloomberg TP HKD 143.04 Upside/Downside +75.9%

| Financial (CNY)   | 22A    | 23E    | 24E    |
|-------------------|--------|--------|--------|
| Revenue (bn)      | 864.53 | 872.46 | 964.70 |
| Net Profit (bn)   | 120.91 | 137.55 | 154.61 |
| Profit Margin     | 14.0%  | 15.8%  | 16.0%  |
| EBITDA Margin     | 25.7%  | 19.3   | 19.4%  |
| Earning Per Share | 45.51  | 53.29  | 57.57  |
| Valuation         | 22A    | 23E    | 24E    |
| P/E (x)           | 12.60  | 10.76  | 9.96   |
| P/B (x)           | 1.56   | 2.35   | 2.02   |

#### Revenue Breakdown











# **HK Stock Report**



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