

October 1, 2021

Dear Investors,

We hope you and your families are doing well. Thank you for considering investing in Alibaba. Upon investing, you will embark on a journey with the company, and in this letter, we would like to share with you our September Quarter 2021 results and forecast for the upcoming quarters which would guide you in the investing process.

This quarter Alibaba continued to fund in our key strategic areas being cloud services, globalization, and domestic consumption.

BUSINESS HIGHLIGHTS

In the quarter ended September 30, 2021:

- **Revenue** was US\$33,319 million, an increase of around 37% growth. Our international revenue was US\$7,641 million and revenue in China was US\$74,094 million. The highest revenue Growth % was recorded for China commerce retail being 66% of the total sales following which is Cloud computing with 8% sales.
- **Annual Active consumers** reached 890 million across the world. This includes 954 million consumers in China and 286 million consumers international.
- **No. of employees** has doubled since the previous year reaching up to 251 thousand this quarter. This illustrates how we have naturally advanced, and we are preparing for the next stage of growth.
- **Singles day sales** has 10% growth from the previous year which recorded an aggregated sales of US\$85 billion.
- **Freshippo stores** has expanded to 265 in this quarter, increasing from 257 in the previous quarter.
- **Mobile users** have been sequentially increasing to YoY. This quarter it has reached 948 million users.

Forecast for Q4 2021 and 2022:

- **Revenue** is expected to reach US\$28,883 million, a slight decrease in growth. But there is a high probability that the revenue will rise to US\$31,829 in the first quarter of 2022. Fiscal year 2022 revenue to grow 20% to 23% year-over-year.
- **Annual Active consumers** has been exponentially increasing and is expected to hit 1.24 billion coming quarter.
- **No. of employees** has doubled since the previous year reaching up to 251 thousand this quarter. This illustrates how we have naturally evolved and we are preparing for the next stage of growth.
- **Freshippo** expected to open Next Generation Distribution Centre early 2022 and to have 40 to 45 stores in service or under construction by the end of 2022.
- **Cloud computing services** to expand in Asia, in plans to open data centres in South Korea and Thailand in 2022 which is expected to show 37% growth.

BUSINESS AND STRATEGIC PLANS

Freshippo expansion:

The company's vision for the future is to build infrastructure for commerce which will seamlessly integrate online and offline shopping. This concept was launched with supermarkets which targets the grocery sector. This has been implemented to keep up with the consumer's demands and high-quality produce. This will help enhance efficiency and will impact revenue positively with 34% revenue growth in 2022.

Cloud Services:

Alibaba's cloud revenue has been progressing and it is estimated to hold 6% of China's cloud market share. Cloud market in China is expected to intensify. To keep the cloud revenue, move forward company has launched a new server chip called Yitian 710 that will be inserted into servers called Panjiu. The aim of this chip is to power artificial intelligence applications on Alibaba's cloud. Also, it has plans to open new data centres in South Korea and Thailand in 2022. This will help us the company stand out in the competitive cloud computing market. Cloud computing is one of our key profit drivers which accounts for around 8% of the total revenue.

Singles Day:

We celebrated our thirteenth annual Global Shopping festival which generated 84 billion USD\$. This will build a sustainable future. This has provided a great platform for small to medium scale businesses. This has been one of the key contributions since 2008.

International Markets:

The company has plans to smooth out the barriers in international market. Company is focussing to improve ways to increase the International revenue. Currently company may not be entirely global as it mostly operates from China through Lazada, AliExpress, Trendyol and Daraz. The company is now expanding its scope to include any type of company anywhere.

RECOMMENDATION:

As per analysis for 2022 based on the business and strategic plans, compared to the average US market (14.25%) company's earnings forecast to grow swiftly (17.72% per year). Similarly on comparison with the US Internet Retail industry average (13.03%) Alibaba's revenues are forecast to grow rapidly (13.4% per year). By 2025 the average revenue per user (ARPU) in China's e-commerce market is estimated to be worth \$1,562. Whereas in US market it is \$2,278. However, China will lead because of its population. User engagement is expected to hit 1,223.9M users in China compared to 291.2M users in the US. Based on this prediction I strongly recommend investing in Alibaba as we can see the growth for the upcoming years.

Sincerely,
Yogitha Ranga
Analyst



