

# Alibaba Group Holding Limited

Asia Satellite\*

Recommended since 29.06.2021

17.09.2024



<b>Country</b> HK	<b>Market capitalization (bn)</b> HKD 1584,2	<b>Perf. since reco. (%)</b>
<b>Sector</b> Internet & Direct Marketing Retail	<b>Free float</b> 99,9%	Alibaba Group -62,6
<b>Factset</b> 9988-HK	<b>Closing price</b> HKD 82,00	Sector 15,4
<b>ISIN</b> KYG017191142	<b>ESG Risk score*</b> 24,8 Medium risk	



**Profile**  
Alibaba is the leading e-commerce operator in China, earning revenues of \$126,7bn in its 2023 financial year. Its Core Commerce businesses encompass: (1) the B2C (Tmall, Taobao) and B2B (1688, LST) platforms in China, alongside (2) its International business activities in the shape of its B2C (AliExpress, Lazada and Kaola) and B2B (Alibaba) platforms. Alibaba also owns bricks-and-mortar retail businesses in Intime and Hema. Alibaba Group invests heavily in technologies and offers a range of cloud computing (Alibaba Cloud), logistics, media and marketing (Youku, Pictures, Alimama) services, coupled with payment services via its Ant Group subsidiary.

**Strengths/opportunities**

- ⊕ User retention rate on its platform of 98%.
- ⊕ Highly profitable e-commerce business model (>15% EBITDA margin).
- ⊕ No 1 in strategic investment in content, cloud computing and fintech (via Ant Financial).

**Weaknesses/threats**

- ⊖ Antitrust laws and government regulations might make a dent in Alibaba's profitability.
- ⊖ Fierce competition (PDD, Douyin, JD) with adverse impact on

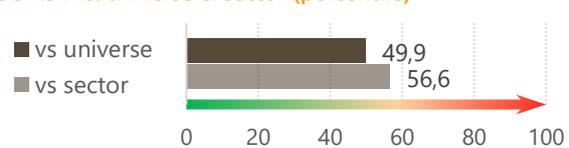
**Investment case**

- ⊕ Alibaba has developed into a conglomerate group focused on Big Data, capitalising on transactional data from its e-commerce, financial services and logistics operations, enabling it to offer competitive cloud-computing/e-comm solutions. This networking effect has allowed Alibaba to extend its reach into other fast-growing sectors, such as online media and entertainment or blockchain activities.
- ⊕ Its e-commerce business model can be described as being 'asset-light'. Alibaba acts as the intermediary between businesses and consumers and entails a minimal inventory risk. Furthermore, Alibaba monetises its business operations via Customer Management Services. At the end of the FY 2023, 67% of its revenues were generated by retail in China (Taobao, Tmall and other smaller businesses it owns). International trading (retail and wholesale) delivered 8% of its revenues. Logistics services accounted for 7% of revenues. New retail initiatives (investments 2021-2023) will bear fruit in a country where traditional retail is still highly fragmented (market share gains) and e-commerce is expected to sustain a CAGR of 11% by 2024-2026.
- ⊕ Alibaba Cloud ranks as one of the Top Four cloud providers worldwide and is the leading cloud service provider in China, comfortably ahead of its nearest rivals Tencent and Baidu. This business sector is not turning a profit yet and delivered just 9% of group revenues, but it is operating in a fast-expanding marketplace (>15% of growth for the next 3 years).
- ⊕ Alibaba is diversifying its income streams: consumer services (ele.me), online media & entertainment (Youku), which generated 6% and 4% respectively. Lastly, Alibaba invests heavily in various start-ups and emerging technologies (LLM) with potential monetization through its cloud infrastructure.

**Valuation**

Alibaba shares are trading at attractive levels, valued at P/E ratios of 10x, which, in our view, makes Alibaba an investment opportunity. Alibaba has been affected by negative news flow relating to the fierce competition in China, regulations and the macro situation in China.

**ESG risk vs. universe & sector (percentile)\***



USD	03/2024	2025e	2026e
Sales revenue (mio)	131 243	141 224	152 567
Sales growth	3,6%	7,6%	8,0%
EBIT adjusted (mio)	17 273	19 104	21 407
% of sales	13,2%	13,5%	14,0%
Net income (mio)	11 120	14 731	16 856
Net income growth	5,1%	32,5%	14,4%
FCF/Sales	124,4%	103,3%	160,9%
Net debt/Ebitda	-2,3x	-1,4x	-1,6x
Dividend yield	1,2%	1,4%	1,5%
PE	16,3x	10,2x	9,0x
P/BV	1,5x	1,4x	1,2x

Factset estimates

**ESG - risks and key points**

- ⊕ Ranked as 'Medium Risk' on account of its use of personally identifiable information (PII).
- ⊕ Alibaba remains exposed to antitrust investigations by China's regulatory agencies (anti-competitive practices, compliance with Internet laws, and its Variable Interest Entity structure).
- ⊕ Strict supervision of fintech sector risks and cooperation with financial institutions in these business areas.

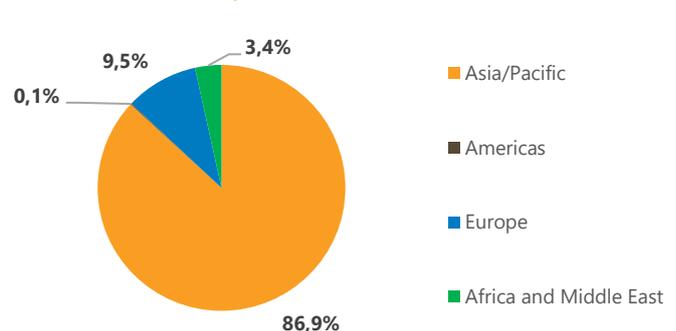
**5-year performance vs sector**



— S&P 500 / Consumer Discretionary Distribution & Retail -IG  
— Alibaba Group Holding Limited Sponsored ADR

Source: FactSet

**Sales breakdown - 03/2024**



\*: see overleaf

# Glossary

## Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

## ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

## b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

## Offices & Branches

### Bordier & Cie Genève

Rue Rath 16  
CH-1204 Genève  
Case postale  
CH-1211 Genève 3  
T + 41 58 258 00 00  
F + 41 58 258 00 40

### Bordier & Cie Berne

Spitalgasse 40  
Case postale  
CH-3001 Berne  
T + 41 58 258 07 00  
F + 41 58 258 07 10

### Bordier & Cie Nyon

Rue de la Porcelaine 13  
CH-1260 Nyon  
Case postale 1045  
CH-1260 Nyon 1  
T + 41 58 258 07 50  
F + 41 58 258 07 70

### Bordier & Cie Zurich

Talstrasse 83  
CH-8001 Zürich  
T + 41 58 258 05 00  
F + 41 58 258 05 50

### Bordier & Cie (France) S.A.

1, rue François 1er  
75008 Paris – France  
T + 33 1 55 04 78 78  
F + 33 1 49 26 92 48

### Bordier & Cie (Uruguay) S.A.

Edificio Beta 3, oficina 102  
Zonamerica  
91600 Montevideo  
Uruguay  
T + 598 2 518 2700  
F + 598 2 518 2703

### Bordier & Cie (Singapore) Ltd

CapitaGreen #14-00  
138 Market Street  
Singapore 048946  
T + 65 6239 9999  
F + 65 6239 9998

### Bordier Bank (TCI) Ltd

Leeward Highway  
Caribbean Place  
Providenciales  
Turks and Caicos  
T + 1 649 946 45 35  
F + 1 649 946 45 40

This document has been issued for information purposes and is exclusively supplied by Bordier & Cie SCmA in the framework of an existing contractual relationship with the recipient of this document. The views and opinions contained in it are those of Bordier & Cie SCmA. Its contents may not be reproduced or redistributed by unauthorized persons. The user will be held liable for any unauthorized reproduction or circulation of this document, which may give rise to legal proceedings. All the information contained in it is provided for information only and should in no way be taken as investment, legal or tax advice provided to third parties. Furthermore, it is emphasized that the provisions of our legal information page are fully applicable to this document and namely provisions concerning the restrictions arising from different national laws and regulations. Consequently, Bordier Bank does namely not provide any investment services or advice to "US persons" as defined by the Securities and Exchange Commission rules. Furthermore, the information on our website – including the present document – is by no mean directed to such persons or entities.