

FY2026Q4 earnings review: Resonance between cloud and core businesses, full-stack AI begins to show results

Key takeaway

In FY2026Q4, Alibaba recorded revenue of RMB243.38bn, up 2.93% YoY, while Non-GAAP net profit was RMB86mn, down 99.71% YoY. China commerce group recorded revenue of RMB122.22bn, up 5.96% YoY, with adjusted EBITA of RMB24.01bn, down 39.59% YoY; among which CMR revenue was RMB73.024bn, up 1.17% YoY. Subsidies were netted against revenue (similar to the OMS practice of PDD), and after adding back subsidies CMR grew 8% YoY. Cloud intelligence group recorded revenue of RMB41.626bn, up 38.17% YoY, with growth further accelerating QoQ; external revenue growth accelerated to 40%. Adjusted EBITA of cloud intelligence reached RMB3.796bn, corresponding to a margin of 9.12%. AIDC recorded revenue of RMB35.429bn, up 5.51% YoY, with adjusted EBITA of -RMB138mn, and losses narrowed significantly both YoY and QoQ. All Others recorded revenue of RMB65.459bn, down 21.40% YoY, mainly due to the deconsolidation of Sun Art Retail. Adjusted EBITA was -RMB21.16bn, with losses expanding significantly both YoY and QoQ, mainly due to investment in AI businesses such as Qwen.

Event

On May 13, 2026, Alibaba disclosed its FY2026Q4 earnings. In FY2026Q4, Alibaba recorded revenue of RMB243.38bn, up 2.93% YoY, while Non-GAAP net profit was RMB86mn, down 99.71% YoY.

Brief analysis

FY2026Q4 key results: Total revenue was RMB243.38bn, up 2.93% YoY, while Non-GAAP net profit was RMB86mn, down 99.71% YoY. China commerce group recorded revenue of RMB122.22bn, up 5.96% YoY, with adjusted EBITA of RMB24.01bn, down 39.59% YoY; among which CMR revenue was RMB73.024bn, up 1.17% YoY. Subsidies were netted against revenue (similar to the OMS practice of PDD), and after adding back subsidies CMR grew 8% YoY. Cloud intelligence group

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Maintain

Buy

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Current Price: HKD 132.80

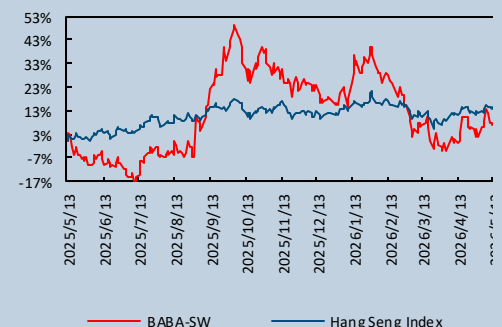
6-month TP: HKD 208.71

Main Data

Absolute/relative share performance (%)

1 month	3 months	12 months
5.82/3.91	-16.27/-13.88	1.22/-10.84
12-month high/low (HKD)		185.10/102.90
Total share capital (10,000 shares)		1,919,240.40
Tradable H shares (10,000 shares)		1,919,240.40
Total market cap (HKD'00mn)		25,487.51
Tradable market cap (HKD'00mn)		25,486.63
3-month average daily trading volume (10,000 shares)		8550.32
Main shareholders		
JPMorgan Chase & Co.		5.44%

Share performance



recorded revenue of RMB41.626bn, up 38.17% YoY, with growth further accelerating QoQ; external revenue growth accelerated to 40%. Adjusted EBITA of cloud intelligence reached RMB3.796bn, corresponding to a margin of 9.12%. AIDC recorded revenue of RMB35.429bn, up 5.51% YoY, with adjusted EBITA of -RMB138mn, and losses narrowed significantly both YoY and QoQ. All Others recorded revenue of RMB65.459bn, down 21.40% YoY, mainly due to the deconsolidation of Sun Art Retail. Adjusted EBITA was -RMB21.16bn, with losses expanding significantly both YoY and QoQ, mainly due to investment in AI businesses such as Qwen.

Alibaba Cloud + Qwen + T-Head: Full-stack AI begins to show results. (1) For Alibaba Cloud, revenue growth accelerated to 38% this quarter, while external revenue growth accelerated to 40%. AI-related products achieved triple-digit YoY growth for 11 consecutive quarters. AI revenue reached RMB9bn this quarter (ARR RMB36bn), accounting for 30% of external cloud revenue and expected to increase to 50% within one year. External cloud revenue growth is expected to further accelerate next quarter, and AI-related revenue growth is expected to maintain triple-digit growth. (2) At the model level, after the establishment of the ATH business group, multiple models have been released, including Qwen3.6-Plus (coding flagship), HappyOyster (world model), and HappyHorse (multimodal). Alibaba's model capabilities continue to validate themselves. Compared with multimodal capabilities, the market may pay more attention to coding capabilities in the short term. The upcoming Qwen3.6-Max flagship is expected to further improve coding performance. Currently, MaaS revenue mainly comes from Qwen and the Bailian platform. MaaS-related revenue exceeded RMB8bn (about USD1.2bn) this quarter. ARR is expected to reach RMB10bn (about USD1.5bn) in the June quarter and exceed RMB30bn (about USD4.5bn) by year-end. (3) Regarding T-Head, the self-developed Zhenwu PPU has deployed more than 100,000 cards on Alibaba Cloud's public cloud platform. Internal pricing follows a cost-plus model, while external pricing follows market competition. The gross margin for internal supply is about 20–30 pcts lower than that for external customers. This year, the share of T-Head's external revenue has increased significantly. In March, the company also mentioned during a callback that Alibaba Cloud could reach USD100bn in external revenue in five years and achieve a steady-state margin of 20%, but the market did not accept this view at that time. During this earnings call and callback, the company provided a more detailed breakdown of how full-stack AI and long-term margins could reach 20%. Alibaba's primary goal is currently growth and consolidating its market leadership, while the secondary goal is profit improvement. Benefiting from the full-stack AI strategy, cost reductions at T-Head and a higher share of high-margin MaaS revenue, cloud business margin is expected to improve significantly over the next 2–4 quarters.

QC commentary turns more positive, expectations for easing competition strengthen further. During the earnings call, management stated that the FY2027 QC UE breakeven means achieving positive monthly UE in certain months of that fiscal year, rather than a positive full-year average. The company maintains its target of halving QC losses in FY2027 and FY2028 and achieving overall profitability in FY2029. Overall, management expressed a more positive view on narrowing losses in instant retail, further strengthening expectations that the flash sale competition will ease. In the medium term, repairing the competitive landscape requires resonance between internal and external variables: It depends on continued regulatory standardization and proactive cost reduction and efficiency improvement by platforms, and it also requires more group resources to shift from food delivery toward AI.

Earnings forecast and valuation: Revenue growth for Alibaba is expected to reach 11.10% and 13.22% in FY2027–

2028. Non-GAAP net profit is projected at RMB139.98bn and RMB179.97bn, with YoY growth of 130.77% and 28.57%, respectively. Using the sum-of-the-parts valuation method, the implied valuation per ADS for the China commerce group and the cloud intelligence group is USD90.86 and USD122.38, respectively. The target price is USD213.24/ADS, corresponding to HKD208.71/share in Hong Kong.

Risks: New model release pace below expectations, new model capability below expectations, coding capability below expectations; flash purchase loss reduction below expectations, flash purchase order volume and market share below expectations, flash purchase user retention below expectations, flash purchase cross-selling ROI below expectations; cloud business revenue growth below expectations, profit margin improvement below expectations, AI revenue contribution below expectations; T-head progress below expectations; US chip sanctions on China affecting the company's cloud business growth; core business recovery pace below expectations, macro economy and retail sales growth weak, CMR growth below expectations, domestic e-commerce market share declines more than expected; intense competition in overseas e-commerce markets, AIDC losses exceed expectations; overseas tariff policy adjustments affect AIDC growth; industry regulatory risks; the Fed's rate-cutting process below expectations; uncertainty in China-US relations; delisting risk of Chinese ADRs.

Table1: Alibaba earnings forecast (unit: RMB mn)

Balance Sheet	FY2025	FY2026	FY2027E	FY2028E	Income statement	FY2025	FY2026	FY2027E	FY2028E
Total Current Assets	674,049	610,769	658,488	742,001	Revenue	996,347	1,023,670	1,137,278	1,287,683
Total Non-Current Assets	1,130,178	1,298,801	1,332,404	1,400,927	Cost of sales	(598,285)	(616,136)	(682,367)	(772,610)
Total Assets	1,804,227	1,909,570	1,990,891	2,142,928	R&D expenses	(57,151)	(66,533)	(73,917)	(83,692)
Total Current Liabilities	435,346	476,398	530,242	602,820	Selling Expenses	(144,021)	(245,023)	(216,083)	(206,029)
Total Non-Current Liabilities	278,775	306,902	205,434	207,624	Administrative Expenses	(44,239)	(33,082)	(36,753)	(41,614)
Total Liabilities	714,121	783,300	735,676	810,444	Amortization of intangible assets	(6,336)	(5,079)	(6,061)	(6,157)
Total shareholders' equity (excluding minority interests)	1,009,858	1,060,886	1,189,831	1,267,100	Goodwill impairment loss	(6,171)	(9,515)	0	0
Minority interests	68,535	57,539	57,539	57,539	Other Net Operating Income	761	1,848	0	0
Total shareholders' equity (including minority interests)	1,078,393	1,118,425	1,247,370	1,324,639	EBIT	140,905	50,150	122,097	177,580
Mezzanine equity	11,713	7,845	7,845	7,845	Interest income and investment gains and losses	20,759	87,512	30,000	20,000
Total Equity and Liabilities	1,804,227	1,909,570	1,990,891	2,142,928	Interest expense	(9,596)	(9,793)	(9,112)	(9,500)
					Other income	3,387	1,518	1,686	1,910
					EBT	155,455	129,387	144,671	189,989
Cash Flow Statement					Income tax	(35,445)	(30,045)	(34,721)	(45,597)
Net Cash Generated from Operating Activities	163,509	76,213	284,714	359,615	Share of gains and losses from equity investments	5,966	2,785	9,596	11,545
Net Cash Provided by Investing	(185,415)	(67,336)	(134,904)	(152,745)	Net Profit (Including	125,976	102,127	119,546	155,936

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Activities					Minority Interests)				
Net Cash Provided by Financing Activities	(76,215)	(20,573)	(130,041)	(160,358)	Non-GAAP net profit	158,122	60,658	139,980	179,971
Effect of Exchange Rate Changes	965	(4,004)	0	0	Key Ratios				
Net Increase/Decrease in Cash and Cash Equivalents	(97,156)	(15,700)	19,769	46,512	Operating Revenue YOY	5.86%	2.74%	11.10%	13.22%
Cash and Cash Equivalents at Beginning of Period	286,424	189,268	173,568	193,337	Non-GAAP net profit YoY	0.41%	-61.64%	130.77%	28.57%
Cash and Cash Equivalents at End of Period	189,268	173,568	193,337	239,849	Non-GAAP net margin	15.87%	5.93%	12.31%	13.98%

Source: Bloomberg, China Securities

Analysts

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		Overweight	Increase by 5% - 15% relative to the benchmark index
		Neutral	Increase by - 5% - 5% relative to the benchmark index
		Underweight	Decrease by 5% - 15% relative to the benchmark index
		Sell	Decrease by more than 15% relative to the benchmark index
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		Neutral	Increase by - 10% - 10% relative to the benchmark index
		Underperform	Decrease by more than 10% relative to the benchmark index

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