

# September Quarter 2020 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), marketplace-based core commerce adjusted EBITA, 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.

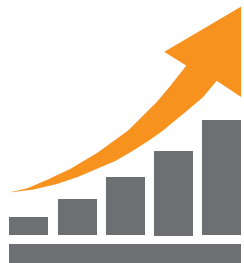
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# Financial Results

# September Quarter Financial Highlights

## Revenue



**30%** YoY  
Total Revenue Growth

**29%** YoY  
Core Commerce  
Revenue Growth

## Cloud



**60%** YoY  
Cloud Computing  
Revenue Growth

## Consumers



**881 MM**  
Mobile MAUs<sup>(1)</sup>

**757 MM**  
Annual Active Consumers<sup>(2)</sup>

## Profitability and Cash Flow



**RMB41.2 Bn**  
(US\$6.1 Bn)<sup>(3)</sup>  
Adjusted EBITA

**RMB40.5 Bn**  
(US\$6.0 Bn)<sup>(3)</sup>  
Non-GAAP Free Cash Flow

Notes: Unless otherwise indicated, all figures above are for the three months ended September 30, 2020.

- (1) Number of mobile MAUs on our China retail marketplaces for the month ended September 30, 2020; in a given month, the number of unique mobile devices that were used to visit or access certain of our mobile applications at least once during that month.
- (2) For the 12-month period ended September 30, 2020; the number of annual active consumers on our China retail marketplaces.
- (3) The translations of RMB into US\$ were made at RMB6.7896 to US\$1.00, the exchange rate on September 30, 2020 as set forth in the H.10 statistical release of the Federal Reserve Board.

# September Quarter Revenue

- **Total Revenue** YoY growth of 30%. The increase was mainly driven by the robust revenue growth of our China commerce retail, cloud computing and Cainiao logistics services businesses.

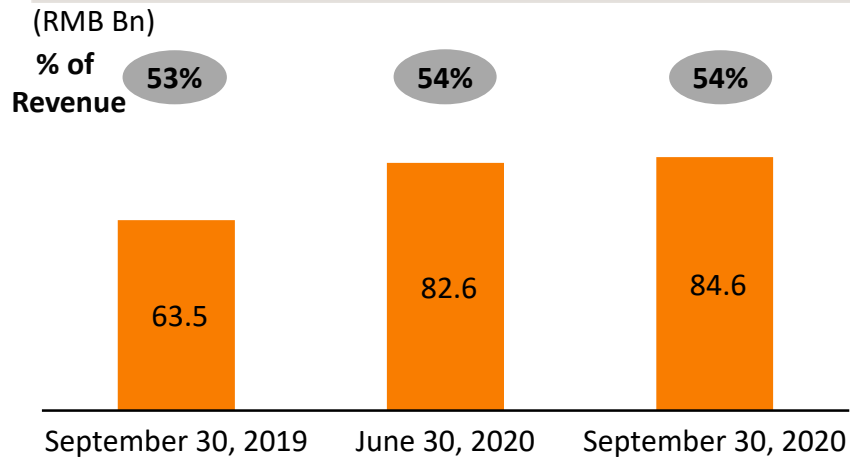
Total Revenue Breakdown	Three months ended September 30, 2020		
	RMB MM	% of Revenue	YoY % Change
Core commerce:			
China commerce retail			
- Customer Management <sup>(1)</sup>	69,338	45%	20%
- Others <sup>(2)</sup>	26,132	17%	44%
	<u>95,470</u>	<u>62%</u>	<u>26%</u>
China commerce wholesale	3,637	2%	11%
International commerce retail	7,789	5%	30%
International commerce wholesale	3,510	2%	44%
Cainiao logistics services	8,226	5%	73%
Local consumer services	8,839	6%	29%
Others	3,451	2%	63%
<b>Total core commerce</b>	<b><u>130,922</u></b>	<b><u>84%</u></b>	<b><u>29%</u></b>
Cloud computing	14,899	10%	60%
Digital media and entertainment <sup>(3)</sup>	8,066	5%	8%
Innovation initiatives and others <sup>(3)</sup>	1,172	1%	10%
<b>Total</b>	<b><u>155,059</u></b>	<b><u>100%</u></b>	<b><u>30%</u></b>

#### Notes:

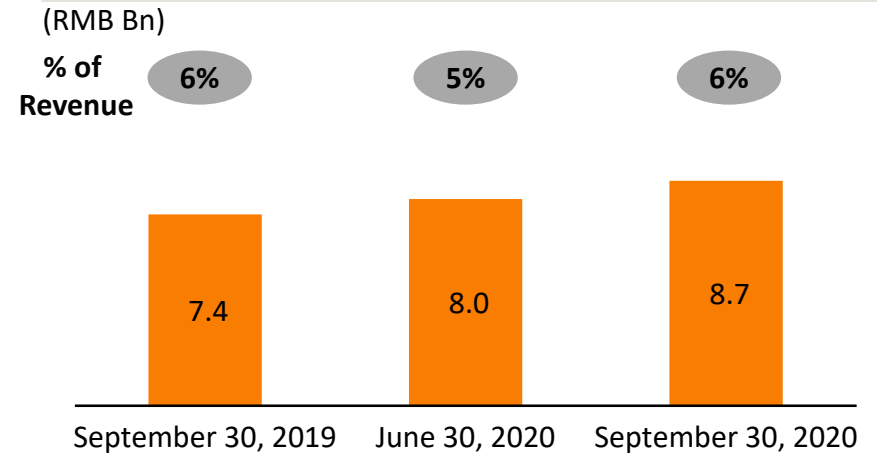
- (1) Starting this quarter, we have grouped our commission revenue as previously reported into the customer management revenue in order to better reflect our value proposition to merchants on our platforms. Comparative figures have also been revised to conform to the current presentation.
- (2) "Others" revenue under China commerce retail is primarily generated by our New Retail and direct sales businesses, comprising mainly Tmall Supermarket, Freshippo, direct import and Intime.
- (3) Starting from the quarter ended June 30, 2020, we reclassified revenue from our self-developed online games business, which was previously reported under the innovation initiatives and others segment, as revenue from digital media and entertainment segment because it has moved beyond the incubation stage. This reclassification conforms to the way that we manage and monitor segment performance. Comparative figures have also been reclassified to conform to the current presentation.

# September Quarter Cost Trends

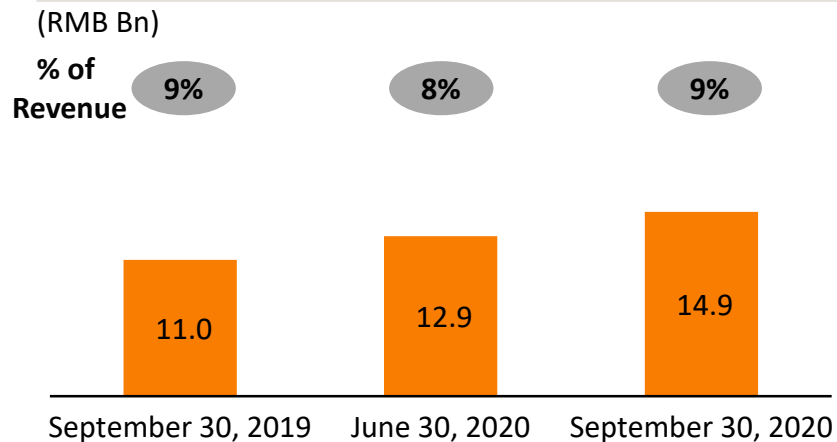
## Cost of Revenue (Excluding SBC)



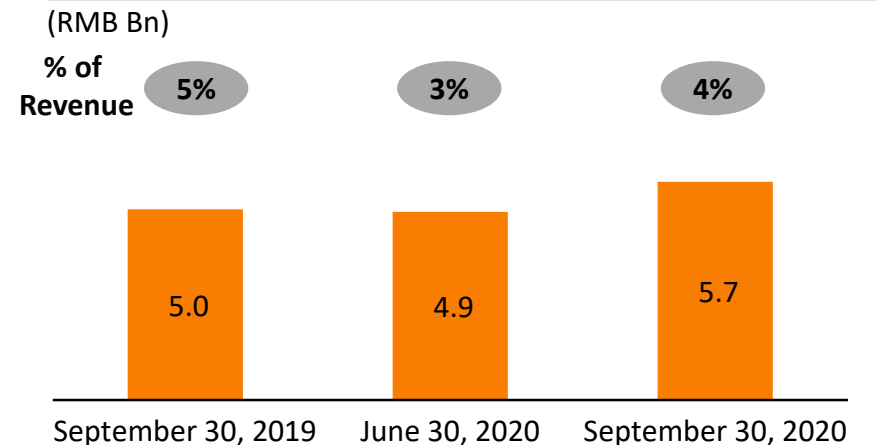
## Product Development Expenses (Excluding SBC)







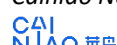




## Sales & Marketing Expenses (Excluding SBC)



## General & Administrative Expenses (Excluding SBC)



# September Quarter Segment Reporting<sup>(1)</sup>

	<b>Core Commerce</b> <i>China Commerce Retail</i>  <i>China Commerce Wholesale</i>  <i>International Commerce Retail</i>  <i>International Commerce Wholesale</i>  <i>Cainiao Network</i>  <i>Local Consumer Services</i> 	<b>Cloud Computing</b> 	<b>Digital Media &amp; Entertainment<sup>(2)</sup></b> 	<b>Innovation Initiatives &amp; Others<sup>(2)</sup></b> 	<b>Un-allocated<sup>(3)</sup></b>	<b>Consolidated</b>
<b>Sep Q 2020 Revenue<sup>(4)</sup> (MM)</b>	<b>RMB130,922</b> <b>US\$19,283</b> <b>29% YoY</b>	<b>RMB14,899</b> <b>US\$2,194</b> <b>60% YoY</b>	<b>RMB8,066</b> <b>US\$1,188</b> <b>8% YoY</b>	<b>RMB1,172</b> <b>US\$173</b> <b>10% YoY</b>	-	<b>RMB155,059</b> <b>US\$22,838</b> <b>30% YoY</b>
<b>Sep Q 2020 Adjusted EBITA<sup>(4)</sup> (MM)</b>	<b>RMB45,958</b> <b>US\$6,769</b>	<b>RMB(156)</b> <b>US\$(23)</b>	<b>RMB(710)</b> <b>US\$(105)</b>	<b>RMB(2,381)</b> <b>US\$(351)</b>	<b>RMB(1,495)</b> <b>US\$(220)</b>	<b>RMB41,216</b> <b>US\$6,070</b>
<b>Sep Q 2020 Adjusted EBITA Margin (%)</b>	<b>35%</b>	<b>(1)%</b>	<b>(9)%</b>	<b>(203)%</b>	-	<b>27%</b>

Notes:

(1) Segmental information is presented after elimination of inter-company transactions.

(2) Starting from the quarter ended June 30, 2020, we reclassified the results of our self-developed online games business, which was previously reported under the innovation initiatives and others segment, to the digital media and entertainment segment because it has moved beyond the incubation stage. This reclassification conforms to the way that we manage and monitor segment performance. Comparative figures have also been reclassified to conform to the current presentation.

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

(4) The translations of RMB into US\$ were made at RMB6.7896 to US\$1.00, the exchange rate on September 30, 2020 as set forth in the H.10 statistical release of the Federal Reserve Board.

# September Quarter Adjusted EBITA by Segment

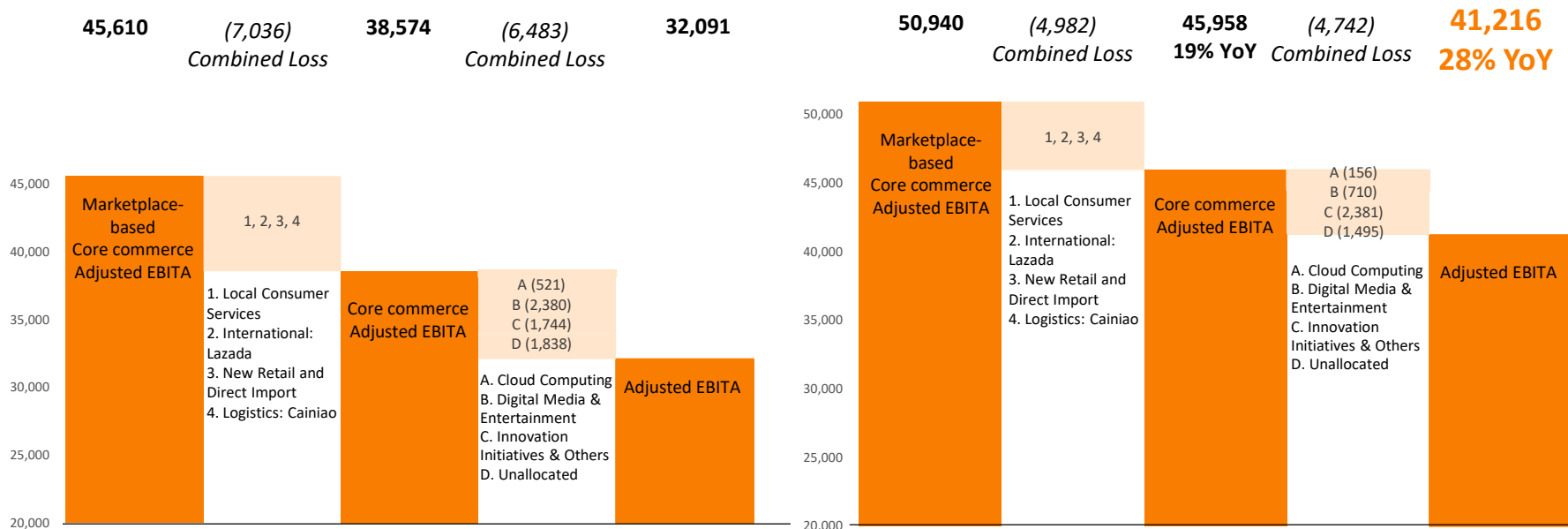
- **Marketplace-based Core Commerce Adjusted EBITA** increased by 12% YoY to RMB50,940 million (US\$7,503 million).
- **Core Commerce Adjusted EBITA** increased by 19% YoY to RMB45,958 million (US\$6,769 million), primarily due to an increase in marketplace-based core commerce adjusted EBITA, as well as reduced losses for local consumer services business. Core Commerce Adjusted EBITA margin was 35%.
- **Cloud Computing** revenue increased by 60% YoY to RMB14,899 million (US\$2,194 million), primarily driven by growth in revenues from customers in the Internet, finance and retail industries. Adjusted EBITA was a loss of RMB156 million (US\$23 million).
- **Digital Media and Entertainment** revenue increased 8% YoY to RMB8,066 million (US\$1,188 million), primarily due to an increase in revenues from online games, partly offset by the decrease in revenue from customer management. Adjusted EBITA was a loss of RMB710 million (US\$105 million).
- **Innovation Initiatives and Others** revenue increased by 10% YoY to RMB1,172 million (US\$173 million). Adjusted EBITA was a loss of RMB2,381 million (US\$351 million).

## September Quarter 2019

(RMB MM)

## September Quarter 2020

(RMB MM)





# September Quarter Other Financial Metrics

- **Share of results of equity method investees** in the quarter ended September 30, 2020 was a profit of RMB4,244 million (US\$625 million), compared to a loss of RMB11,960 million in the same quarter of 2019.
- We record our share of results of all equity method investees one quarter in arrears. The share of profit of other equity method investees in the quarter ended September 30, 2020, compared to a share of loss of other equity method investees in the previous quarter, was mainly due to a general improvement in financial performance of our equity method investees.

	Three months ended			(US\$MM) <sup>(1)</sup>
	September 30, 2019	June 30, 2020	September 30, 2020	
	(RMB MM)	(RMB MM)	(RMB MM)	
<b>Share of (loss) profit of equity method investees</b>				
- Ant Group	-	3,034	4,681	689
- Others	(2)	(1,471)	987	145
<b>Impairment loss</b>	<b>(11,590)</b>	<b>-</b>	<b>(5)</b>	<b>-</b>
<b>Dilution loss</b>	<b>(20)</b>	<b>(6)</b>	<b>(3)</b>	<b>-</b>
<b>Others<sup>(2)</sup></b>	<b>(348)</b>	<b>(1,208)</b>	<b>(1,416)</b>	<b>(209)</b>
<b>TOTAL</b>	<b>(11,960)</b>	<b>349</b>	<b>4,244</b>	<b>625</b>

Notes:

(1) The translations of RMB into US\$ were made at RMB6.7896 to US\$1.00, the exchange rate on September 30, 2020 as set forth in the H.10 statistical release of the Federal Reserve Board.

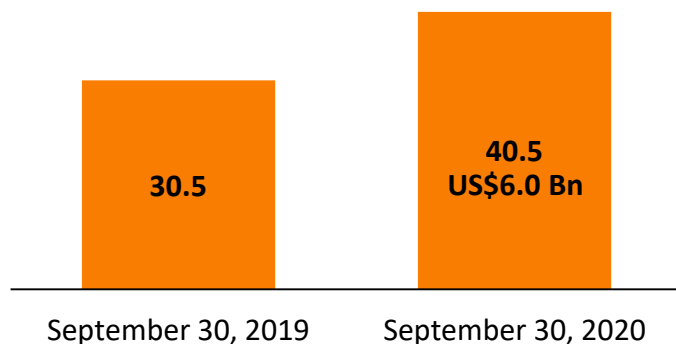
(2) Others mainly include amortization of intangible assets of equity method investees and share-based compensation expense related to share-based awards granted to employees of our equity method investees.

# September Quarter Free Cash Flow & Capital Expenditures

- As of September 30, 2020, **cash, cash equivalents and short-term investments** were RMB405,912 million (US\$59,784 million), compared to RMB381,578 million as of June 30, 2020.
- During the quarter, we generated **cash flow from operating activities** of RMB54,296 million (US\$7,997 million), an increase of 15% YoY. **Free cash flow**, a non-GAAP measurement of liquidity, increased by 33% to RMB40,540 million (US\$5,971 million), mainly due to our robust profit growth.
- During the quarter, **capital expenditures** were RMB14,280 million (US\$2,103 million), which included cash outflow for acquisition of land use rights and construction in progress relating to office campuses.

## Non-GAAP Free Cash Flow <sup>(1)</sup>

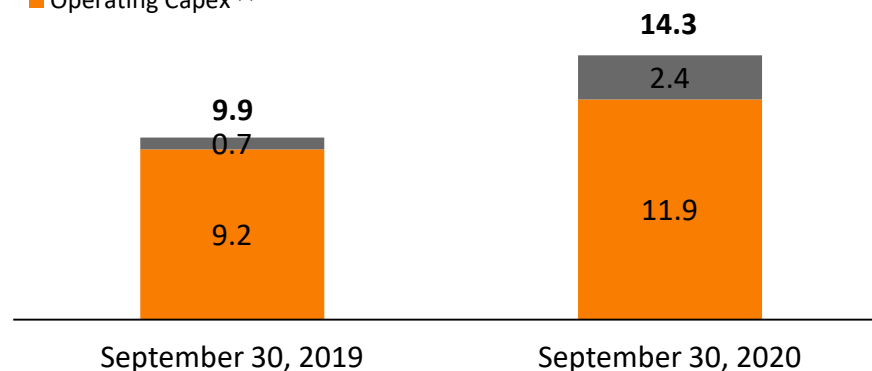
(RMB Bn)



## Capital Expenditures

(RMB Bn)

- Land Use Rights and Construction in Progress Relating to Office Campuses
- Operating Capex <sup>(2)</sup>



### Notes:

- Non-GAAP free cash flow represents net cash provided by operating activities as presented in our consolidated cash flow statements less purchases of property and equipment (excluding acquisition of land use rights and construction in progress relating to office campuses) and other intangible assets, as well as adjustments to exclude from net cash provided by operating activities the consumer protection fund deposits from merchants on our China retail marketplaces. Prior to June quarter 2020, we also deducted acquisition of licensed copyrights from cash flows from investing activities, in which the nature of acquisition of licensed copyrights has been changed prospectively to operating activities as a result of our adoption of ASU2019-02, "Entertainment — Films — Other Assets — Film Costs (Subtopic 926-20) and Entertainment — Broadcasters — Intangibles — Goodwill and Other (Subtopic 920-350)".
- Operating Capex refers to the purchases of property and equipment (excluding land use rights and construction in progress relating to office campuses).

# GAAP to Non-GAAP Net Income Attributable to Shareholders

- **Net income attributable to ordinary shareholders** in the quarter ended September 30, 2020 was RMB28,769 million (US\$4,237 million), and **net income** was RMB26,524 million (US\$3,907 million), which represent decreases of 60% and 63%, respectively, over the same period last year, when we booked a significant one-time gain upon the receipt of the 33% equity interest in Ant Group. The increase in the share-based compensation expense related to Ant Group share-based awards granted to our employees also contributed to the year-over-year decrease, which was partly offset by a net gain arising from changes in the fair value of our equity investments in the quarter ended September 30, 2020, and impairment charges relating to our equity method investees in the quarter ended September 30, 2019.
- **Non-GAAP net income attributable to ordinary shareholders for computing non-GAAP diluted earnings per share/ADS** in the quarter ended September 30, 2020 was RMB49,320 million (US\$7,263 million), an increase of 43% compared to RMB34,538 million in the same quarter of 2019.

	Three months ended September 30,		
	2019	2020	YoY %
	(RMB MM)	(RMB MM)	
<b>Net income attributable to ordinary shareholders – basic</b>	<b>72,540</b>	<b>28,769</b>	<b>(60%)</b>
Dilution effect on earnings arising from option plans operated by equity method investees and subsidiaries	(4)	(13)	225%
<b>Net income attributable to ordinary shareholders – diluted</b>	<b>72,536</b>	<b>28,756</b>	<b>(60%)</b>
Add: Share-based compensation expense	8,145	24,694	203%
Add: Amortization of intangible assets	3,006	2,888	(4)%
Add: Impairment of investments and goodwill	19,855	5,666	(71)%
Less: (Loss) Gain on deemed disposals/disposals/ revaluation of investments and others	291	(12,721)	N/A
Less: Gain in relation to the receipt of the 33% equity interest in Ant Group	(69,225)	-	N/A
Add: Amortization of excess value receivable arising from the restructuring of commercial arrangements with Ant Group	31	-	N/A
Adjusted for tax effects on non-GAAP adjustments <sup>(1)</sup>	(101)	37	N/A
<b>Non-GAAP net income attributable to ordinary shareholders for computing non-GAAP diluted earnings per share/ADS</b>	<b>34,538</b>	<b>49,320</b>	<b>43%</b>

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.

# GAAP to Adjusted/Non-GAAP Measures Reconciliation

	Three months ended September 30,		
	2019	2020	
	(RMB MM)	(RMB MM)	(US\$MM) <sup>(1)</sup>
<b>Adjusted EBITA and Adjusted EBITDA</b>			
Income from operations	20,364	13,634	2,008
Add: Share-based compensation expense	8,145	24,694	3,637
Add: Amortization of intangible assets	3,006	2,888	425
Add: Impairment of goodwill	576	-	-
<b>Adjusted EBITA</b>	<b>32,091</b>	<b>41,216</b>	<b>6,070</b>
Add: Depreciation of property and equipment, and operating lease cost relating to land use rights	5,010	6,309	930
<b>Adjusted EBITDA</b>	<b>37,101</b>	<b>47,525</b>	<b>7,000</b>
<b>Non-GAAP net income</b>			
Net income	70,748	26,524	3,907
Add: Share-based compensation expense	8,145	24,694	3,637
Add: Amortization of intangible assets	3,006	2,888	425
Add: Impairment of investments and goodwill	19,855	5,666	835
Less: (Loss) Gain on deemed disposals/disposals/revaluation of investments and others	291	(12,721)	(1,874)
Less: Gain in relation to the receipt of the 33% equity interest in Ant Group	(69,225)	-	-
Add: Amortization of excess value receivable arising from the restructuring of commercial arrangements with Ant Group	31	-	-
Adjusted for tax effects on non-GAAP adjustments <sup>(2)</sup>	(101)	37	5
<b>Non-GAAP net income</b>	<b>32,750</b>	<b>47,088</b>	<b>6,935</b>
<b>Non-GAAP Free cash flow</b>			
Net cash provided by operating activities <sup>(3)</sup>	47,326	54,296	7,997
Less: Purchase of property and equipment (excluding land use rights and construction in progress relating to office campuses)	(9,176)	(11,876)	(1,749)
Less: Acquisition of licensed copyrights <sup>(3)</sup> and other intangible assets	(2,451)	(1,662)	(245)
Less: Changes in the consumer protection fund deposits	(5,211)	(218)	(32)
<b>Non-GAAP Free cash flow</b>	<b>30,488</b>	<b>40,540</b>	<b>5,971</b>

Notes:

- (1) The translations of RMB into US\$ were made at RMB6.7896 to US\$1.00, the exchange rate on September 30, 2020 as set forth in the H.10 statistical release of the Federal Reserve Board.
- (2) 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.
- (3) We adopted ASU 2019-02, "Entertainment — Films — Other Assets — Film Costs (Subtopic 926-20) and Entertainment — Broadcasters — Intangibles — Goodwill and Other (Subtopic 920-350)," on April 1, 2020. As a result of our adoption of this new accounting update, we are now reporting cash outflows for the acquisition of licensed copyrights as operating activities in the consolidated statements of cash flows prospectively beginning on April 1, 2020. Prior to our adoption of ASU 2019-02, cash outflows for the acquisition of licensed copyrights were previously classified as investing activities in the consolidated statements of cash flows.



Alibaba Group

阿里巴巴集团

