

December Quarter 2022 Results

February 23, 2023

 **Alibaba**



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), 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 Non-GAAP Measures Reconciliation, GAAP to Non-GAAP Net Income Attributable to Ordinary Shareholders and the slides presenting revenue and EBITA by segments.

This presentation contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “may,” “will,” “expect,” “anticipate,” “future,” “aim,” “estimate,” “intend,” “seek,” “plan,” “believe,” “potential,” “continue,” “ongoing,” “target,” “guidance,” “is/are likely to” and similar statements. In addition, statements that are not historical facts, including statements about Alibaba’s strategies and business plans, Alibaba’s beliefs, expectations and guidance regarding the growth of its business and its revenue, the business outlook and quotations from management in this presentation, as well as Alibaba’s strategic and operational plans, are or contain forward-looking statements. Alibaba may also make forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission (the “SEC”), in announcements made on the website of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: Alibaba’s ability to maintain the trusted status of its ecosystem; risks associated with sustained investments in Alibaba’s business, strategic acquisitions and investments; Alibaba’s ability to maintain or grow its revenue or business; Alibaba’s ability to continue to compete effectively and maintain and improve the network effects of its ecosystem; company culture; Alibaba’s ability to continue to innovate; risks and challenges associated with operating a complex and large-scale company; risks associated with our acquisitions, investments and alliances; risks associated with expanding our international and cross-border businesses and operations; uncertainties arising from competition among countries and geopolitical tensions, including protectionist or national security policies; changes in laws, regulations and regulatory environment that affect Alibaba’s business operations (including in the areas of anti-monopoly and unfair competition); risks associated with the performance and regulatory environment of our business partners, including but not limited to Ant Group; privacy and data protection regulations and concerns; security breaches; fluctuations in general economic and business conditions in China and globally; impacts of the COVID-19 pandemic and assumptions underlying or related to any of the foregoing. Further information regarding these and other risks is included in Alibaba’s filings with the SEC and announcements on the website of the Hong Kong Stock Exchange. All information provided in this presentation is as of the date of this presentation and are based on assumptions that we believe to be reasonable as of this date, and Alibaba does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

Financial Highlights

(in RMB millions, except per share data and percentages)	Three months ended December 31,				Nine months ended December 31,			
	2021	2022	YoY%	% Total Revenue	2021	2022	YoY%	% Total Revenue
Total revenue	242,580	247,756	2%	100%	649,010	660,487	2%	100%
China commerce ⁽¹⁾	171,901	169,986	(1)%	69%	451,501	446,658	(1)%	68%
International commerce	16,449	19,465	18%	8%	46,743	50,663	8%	8%
Local consumer services ⁽¹⁾	12,466	13,164	6%	5%	33,920	37,563	11%	6%
Cainiao	13,078	16,553	27%	7%	34,525	42,062	22%	6%
Cloud	19,539	20,179	3%	8%	55,597	58,621	5%	9%
Digital media and entertainment	8,113	7,586	(6)%	3%	24,267	23,209	(4)%	3%
Innovation initiatives and others	1,034	823	(20)%	0%	2,457	1,711	(30)%	0%
Income from operations	7,068	35,031	396% ⁽³⁾	14%	52,921	85,111	61%	13%
Share-based compensation expense	9,776	8,773	(10)%	4%	27,708	23,285	(16)%	4%
Amortization and impairment of intangible assets	2,837	5,530	95%	2%	8,816	11,010	25%	2%
Impairment of goodwill	25,141	2,714	(89)%	1%	25,141	2,714	(89)%	0%
Diluted earnings per share ⁽⁶⁾⁽⁷⁾	1.27	2.24	76% ⁽⁵⁾⁽⁸⁾		3.58	2.31	(35)%	
Diluted earnings per ADS ⁽⁶⁾⁽⁷⁾	10.19	17.91	76% ⁽⁵⁾⁽⁸⁾		28.62	18.49	(35)%	
Non-GAAP Measures								
Adjusted EBITA ⁽²⁾	44,822	52,048	16% ⁽⁴⁾	21%	114,586	122,631	7%	19%
Non-GAAP diluted earnings per share ⁽²⁾⁽⁷⁾	2.11	2.41	14% ⁽⁴⁾⁽⁸⁾		5.59	5.48	(2)%	
Non-GAAP diluted earnings per ADS ⁽²⁾⁽⁷⁾	16.87	19.26	14% ⁽⁴⁾⁽⁸⁾		44.69	43.80	(2)%	

Notes:

- (1) Beginning on October 1, 2022, we reclassified the revenue of our Instant Supermarket Delivery (全能超市) business, which was previously reported under China commerce segment, as revenue from Local consumer services segment following the strategy refinement of Instant Supermarket Delivery business to focus on building customer mindshare for grocery delivery services through Ele.me platform. This reclassification conforms to the way that we manage and monitor segment performance. Comparative figures were reclassified to conform to this presentation.
- (2) See the section entitled "GAAP to Non-GAAP Measures Reconciliation" for more information about the non-GAAP measures referred to on Pages 16 and 17.
- (3) The year-over-year increase was primarily due to a RMB22,427 million decrease in impairment of goodwill in relation to Digital media and entertainment segment. We excluded impairment of goodwill from our non-GAAP measurements.
- (4) The year-over-year increase was primarily due to the narrowed adjusted EBITA losses of International commerce, Local consumer services and Digital media and entertainment, as well as an increase in China commerce adjusted EBITA.
- (5) The year-over-year increase was primarily due to a RMB22,427 million decrease in impairment of goodwill in relation to Digital media and entertainment segment.
- (6) As noted in our results announcement for the quarter and fiscal year ended March 31, 2022, which we announced on May 26, 2022, net income attributable to ordinary shareholders and earnings per share/ADS in the consolidated financial information for the three months and nine months ended December 31, 2021, which we announced on February 24, 2022, were understated. This understatement was due to a non-cash goodwill impairment charge that should have been partially attributed to noncontrolling interests but was fully recorded in net income attributable to ordinary shareholders. We have performed quantitative and qualitative assessments and concluded that the effect of the attribution was not material to the consolidated financial information for the three months and nine months ended December 31, 2021. The financial results for the three months and nine months ended December 31, 2021 as presented have been revised to reflect the above attribution ("Revised attribution to noncontrolling interests").
- (7) Each ADS represents eight ordinary shares.
- (8) The year-over-year percentages as stated are calculated based on the exact amount and there may be minor differences from the year-over-year percentages calculated based on the RMB amounts after rounding.

Cost of Revenue and Operating Expenses

Cost of Revenue (excluding SBC)

(RMB Mn)

Three months ended

Nine months ended

% of Revenue

60%

60%

61%

61%

144,351

148,345

394,088

406,397

Dec 31, 2021

Dec 31, 2022

Dec 31, 2021

Dec 31, 2022

Sales & Marketing Expenses (excluding SBC)

(RMB Mn)

Three months ended

Nine months ended

% of Revenue

15%

12%

13%

11%

35,507

29,547

89,350

75,713

Dec 31, 2021

Dec 31, 2022

Dec 31, 2021

Dec 31, 2022

Product Development Expenses (excluding SBC)

(RMB Mn)

Three months ended

Nine months ended

% of Revenue

4%

4%

5%

5%

11,509

9,766

32,079

32,288

Dec 31, 2021

Dec 31, 2022

Dec 31, 2021

Dec 31, 2022

General & Administrative Expenses (excluding SBC)

(RMB Mn)

Three months ended

Nine months ended

% of Revenue

3%

3%

3%

4%

6,391

8,050

18,907

23,969

Dec 31, 2021

Dec 31, 2022

Dec 31, 2021

Dec 31, 2022

Income Statement: Selected Financials

	Three months ended December 31,				Nine months ended December 31,			
	2021	2022	YoY%	Change YoY	2021	2022	YoY%	Change YoY
<i>(in RMB Mn, except percentages)</i>								
Income from operations	7,068	35,031	396%	27,963	52,921	85,111	61%	32,190
Interest and investment income, net	18,361	15,516	(15)%	(2,845)	21,006	(21,567)	N/A	(42,573)
Interest expense	(1,186)	(1,550)	31%	(364)	(3,720)	(4,182)	12%	(462)
Other income, net	5,083	1,462	(71)%	(3,621)	8,903	4,515	(49)%	(4,388)
Income before income tax and share of results of equity method investees	29,326	50,459	72%	21,133	79,110	63,877	(19)%	(15,233)
Income tax expenses	(9,553)	(3,820)	(60)%	5,733	(24,736)	(11,791)	(52)%	12,945
Share of results of equity method investees	(549)	(893)	63%	(344)	11,062	(8,509)	N/A	(19,571)
Net income	19,224	45,746	138%⁽²⁾	26,522	65,436	43,577	(33)%	(21,859)
Net income attributable to ordinary shareholders⁽¹⁾	27,692	46,815	69%⁽²⁾	19,123	78,200	48,993	(37)%	(29,207)
Adjustments to reconcile net income to non-GAAP net income:								
Share-based compensation expense	9,776	8,773	(10)%	(1,003)	27,708	23,285	(16)%	(4,423)
Amortization and impairment of intangible assets	2,837	5,530	95%	2,693	8,816	11,010	25%	2,194
Impairment of goodwill and investments	31,444	3,927	(88)%	(27,517)	34,961	17,061	(51)%	(17,900)
(Gain) Loss on deemed disposals/disposals/revaluation of investments and others	(16,823)	(11,187)	(34)%	5,636	(16,174)	25,661	N/A	41,835
Equity-settled donation expense	-	-	N/A	N/A	-	511	N/A	511
Tax effects ⁽³⁾	(1,834)	(2,857)	56%	(1,023)	(4,158)	(7,101)	71%	(2,943)
Non-GAAP net income	44,624	49,932	12%	5,308	116,589	114,004	(2)%	(2,585)
Non-GAAP net income attributable to ordinary shareholders	45,829	50,341	10%	4,512	122,090	116,044	(5)%	(6,046)

Notes:

- (1) The financial results for the three months and nine months ended December 31, 2021 as presented have been revised to reflect the Revised attribution to noncontrolling interests.
- (2) The year-over-year increase of net income was primarily due to a RMB22,427 million decrease in impairment of goodwill in relation to Digital media and entertainment segment, while net income attributable to ordinary shareholders would further take into account the relevant attributions to noncontrolling interests.
- (3) Tax effects primarily comprise tax effects relating to share-based compensation expense, amortization and impairment of intangible assets and certain gains and losses from investments, and others.

Cash Flow & Balance Sheet: Selected Financials

	Three months ended December 31,			Nine months ended December 31,		
	2021	2022		2021	2022	
	RMB Mn	RMB Mn	USD Mn	RMB Mn	RMB Mn	USD Mn
Cash Flow						
Net cash provided by operating activities	80,366	87,370	12,668	149,799	168,351	24,409
Less:						
Purchase of property and equipment (excluding land use rights and construction in progress relating to office campuses)	(9,253)	(5,793)	(840)	(32,827)	(27,860)	(4,039)
Purchase of intangible assets (excluding those acquired through acquisitions)	-	-	-	(15)	(22)	(3)
Changes in the consumer protection fund deposits	(91)	(63)	(10)	(3,013)	(1,073)	(156)
Free cash flow	71,022	81,514	11,818	113,944	139,396	20,211
Capital Expenditure	(13,351)	(6,897)	(1,000)	(41,807)	(30,852)	(4,473)
Net cash (outflow for) inflow from investment and acquisition activities ⁽¹⁾	(4,716)	1,890	274	(33,556)	(2,318)	(336)
Share Repurchase	(8,785)	(24,455)	(3,546)	(49,093)	(62,135)	(9,009)

	As of September 30,	As of December 31,	
	2022	2022	
	RMB Mn	RMB Mn	USD Mn
Balance Sheet			
Cash and cash equivalents	206,711	195,249	28,308
Short-term investments	270,166	315,990	45,814
Other treasury investments	8,000	27,977	4,057
Restricted cash and escrow receivables	40,139	40,188	5,827
Cash balance	525,016	579,404	84,006
Less:			
Current and non-current bank borrowings	(55,665)	(56,558)	(8,200)
Current and non-current unsecured senior notes	(105,775)	(103,267)	(14,972)
Net cash position	363,576	419,579	60,834
Net cash position (excluding restricted cash and escrow receivables)	323,437	379,391	55,007

Note:

(1) Net cash used in investment and acquisition activities represent cash outflow for investment and acquisition activities, net of cash inflow from disposal of investments.

Three months ended December 31, 2022

	China commerce ⁽¹⁾	International commerce	Local consumer services ⁽¹⁾	Cainiao	Cloud	Digital media and entertainment	Innovation initiatives and others	Unallocated ⁽²⁾	Consolidated
(in RMB Mn, except percentages)									
Revenue	169,986	19,465	13,164	16,553	20,179	7,586	823	-	247,756
Revenue YoY% Change	(1)%	18%	6%	27%	3%	(6)%	(20)%	N/A	2%
Adjusted EBITA	58,627	(763)	(3,137)	(12)	356	(25)	(1,235)	(1,763)	52,048
Adjusted EBITA YoY Change	749	2,154	1,939	80	222	1,349	374	359	7,226
Adjusted EBITA YoY% Change ⁽³⁾	1%	74%	38%	87%	166%	98%	23%	17%	16%
Adjusted EBITA margin	34%	(4)%	(24)%	(0)%	2%	(0)%	(150)%	N/A	21%

Three months ended December 31, 2021

	China commerce ⁽¹⁾	International commerce	Local consumer services ⁽¹⁾	Cainiao	Cloud	Digital media and entertainment	Innovation initiatives and others	Unallocated ⁽²⁾	Consolidated
(in RMB Mn, except percentages)									
Revenue	171,901	16,449	12,466	13,078	19,539	8,113	1,034	-	242,580
Adjusted EBITA	57,878	(2,917)	(5,076)	(92)	134	(1,374)	(1,609)	(2,122)	44,822
Adjusted EBITA margin	34%	(18)%	(41)%	(1)%	1%	(17)%	(156)%	N/A	18%

Notes:

- (1) Beginning on October 1, 2022, we reclassified the results of our Instant Supermarket Delivery (全能超市) business, which was previously reported under China commerce segment, to Local consumer services segment following the strategy refinement of Instant Supermarket Delivery business to focus on building customer mindshare for grocery delivery services through Ele.me platform. This reclassification conforms to the way that we manage and monitor segment performance. Comparative figures were reclassified to conform to this presentation.
- (2) Unallocated expenses primarily relate to corporate administrative costs and other miscellaneous items that are not allocated to individual segments.
- (3) For a more intuitive presentation, widening of loss in YoY% is shown in terms of negative growth rate, and narrowing of loss in YoY% is shown in terms of positive growth rate.

China Commerce Retail revenue

- **Revenue from our China commerce retail business** in the quarter ended December 31, 2022 was **RMB165,765 million** (US\$24,034 million), a decrease of **1%** compared to RMB167,670 million in the same quarter of 2021. Customer management revenue decreased by 9% year-over-year, primarily due to the mid-single-digit decline of online physical goods GMV generated on Taobao and Tmall, excluding unpaid orders year-over-year, which was mainly due to soft consumption demand and ongoing competition as well as a surge in COVID-19 cases in China that resulted in supply chain and logistics disruptions in December 2022.
- **Direct sales and others revenue** under China commerce retail business in the quarter ended December 31, 2022 was **RMB74,421 million** (US\$10,790 million), an increase of **10%** compared to RMB67,581 million in the same quarter of 2021, primarily due to the revenue growth contributed by our Freshippo and Alibaba Health's direct sales businesses.

China Commerce Wholesale revenue

- **Revenue from our China commerce wholesale business** in the quarter ended December 31, 2022 was **RMB4,221 million** (US\$612 million), remained stable compared to RMB4,231 million in the same quarter of 2021.

Segment adjusted EBITA

- **China commerce adjusted EBITA** increased by **1%** to **RMB58,627 million** (US\$8,500 million) in the quarter ended December 31, 2022, compared to RMB57,878 million in the same quarter of 2021. The increase was primarily due to reduced losses of Taobao Deals, Freshippo and Taocaicai, partly offset by a decrease in profit from customer management services. Adjusted EBITA margin remained stable at 34% in the quarter ended December 31, 2022, as compared to the same quarter of 2021. During the quarter ended December 31, 2022, Taobao Deals significantly narrowed losses year-over-year, driven by optimized spending in user acquisition. Freshippo significantly narrowed losses year-over-year, mainly due to the improved gross margin and fulfillment efficiency. Taocaicai significantly narrowed losses year-over-year, driven by improving overall operating efficiency.

(in RMB Mn, except percentages)	Three months ended December 31,			Nine months ended December 31,		
	2021	2022	YoY %	2021	2022	YoY %
Customer management	100,089	91,344	(9)%	251,617	230,104	(9)%
Direct sales and others	67,581	74,421	10%	187,555	203,166	8%
China commerce wholesale	4,231	4,221	(0)%	12,329	13,388	9%
Revenue	171,901	169,986	(1)%	451,501	446,658	(1)%
Adj. EBITA	57,878	58,627	1%	150,197	146,375	(3)%
Adj. EBITA Margin	34%	34%		33%	33%	

**International Commerce Retail revenue**

- Revenue from our International commerce retail business in the quarter ended December 31, 2022 was **RMB14,644 million** (US\$2,123 million), an increase of **26%** compared to RMB11,606 million in the same quarter of 2021. The increase was primarily due to an increase in revenue contributed by Trendyol. The increase in revenue from Trendyol resulted from robust year-over-year order growth and more efficient use of subsidies.

International Commerce Wholesale revenue

- Revenue from our International commerce wholesale business in the quarter ended December 31, 2022 was **RMB4,821 million** (US\$699 million), remained stable compared to RMB4,843 million in the same quarter of 2021.

Segment adjusted EBITA

- International commerce adjusted EBITA was a loss of **RMB763 million** (US\$111 million) in the quarter ended December 31, 2022, compared to a loss of RMB2,917 million in the same quarter of 2021. The decrease in loss year-over-year was primarily due to the reduced losses from Trendyol and Lazada. The reduced loss from Trendyol is primarily due to revenue growth and enhanced operating efficiency. Continued narrowing of losses from Lazada was a result of continued improvement in monetization rate by offering more value-added services as well as enhanced operating efficiency.

	Three months ended December 31,			Nine months ended December 31,		
<i>(in RMB Mn, except percentages)</i>	2021	2022	YoY %	2021	2022	YoY %
International commerce retail	11,606	14,644	26%	32,781	35,906	10%
International commerce wholesale	4,843	4,821	(0)%	13,962	14,757	6%
Revenue	16,449	19,465	18%	46,743	50,663	8%
Adj. EBITA	(2,917)	(763)	(74)%	(6,428)	(3,290)	(49)%
Adj. EBITA Margin	(18)%	(4)%		(14)%	(6)%	

Segment revenue

- Revenue from Local consumer services, which includes “To-Home” and “To-Destination” businesses such as Ele.me, Amap and Fliggy, was **RMB13,164 million** (US\$1,909 million) in the quarter ended December 31, 2022, an increase of **6%** compared to RMB12,466 million in the same quarter of 2021, primarily due to positive GMV growth of “To-Home” business driven by higher average order value of Ele.me.

Segment adjusted EBITA

- Local consumer services adjusted EBITA was a loss of **RMB3,137 million** (US\$455 million) in the quarter ended December 31, 2022, compared to a loss of RMB5,076 million in the same quarter of 2021, primarily due to the continued narrowing of loss from our “To-Home” business. Narrowing of loss from our “To-Home” business was driven by Ele.me’s improved unit economics per order, which was due to increased average order value and reduced delivery cost per order year-over-year.

(in RMB Mn, except percentages)	Three months ended December 31,			Nine months ended December 31,		
	2021	2022	YoY %	2021	2022	YoY %
Revenue	12,466	13,164	6%	33,920	37,563	11%
Adj. EBITA	(5,076)	(3,137)	38%	(16,524)	(9,868)	40%
Adj. EBITA Margin	(41)%	(24)%		(49)%	(26)%	

Segment Revenue

- **Revenue from Cainiao**, which represents revenue from its domestic and international one-stop-shop logistics services and supply chain management solutions, **after inter-segment elimination, was RMB16,553 million** (US\$2,400 million) in the quarter ended December 31, 2022, an increase of **27%** compared to RMB13,078 million in the same quarter of 2021, primarily contributed by the increase in revenue from domestic consumer logistics services as a result of service model upgrade since late 2021 whereby Cainiao takes on more responsibilities throughout the logistics process to better serve customers and enhance customer experience, as well as the increase in revenue from international fulfillment solution services.
- **Total revenue generated by Cainiao, before inter-segment elimination**, which includes revenue from services provided to other Alibaba businesses, was **RMB23,023 million** (US\$3,338 million), an increase of **17%** compared to RMB19,600 million in the same quarter of 2021.

Segment adjusted EBITA

- **Cainiao adjusted EBITA** was a loss of **RMB12 million** (US\$2 million) in the quarter ended December 31, 2022, compared to a loss of RMB92 million in the same quarter of 2021.

<i>(in RMB Mn, except percentages)</i>	Three months ended December 31,			Nine months ended December 31,		
	2021	2022	YoY %	2021	2022	YoY %
Revenue	13,078	16,553	27%	34,525	42,062	22%
Adj. EBITA	(92)	(12)	87%	(553)	(72)	87%
Adj. EBITA Margin	(1)%	(0)%		(2)%	(0)%	

Segment Revenue

- Revenue from our Cloud segment, after inter-segment elimination, was **RMB20,179 million** (US\$2,925 million) in the quarter ended December 31, 2022, an increase of **3%** year-over-year mainly driven by healthy public cloud growth, partially offset by declining hybrid cloud revenue, as we continue to drive high-quality, recurring revenue growth.
- During the quarter, after inter-segment elimination, revenue from non-Internet industries grew **9%** year-over-year and contributed **53%** of overall Cloud revenue. The non-Internet revenue growth was mainly driven by solid growth of revenue from financial services, education and automobile industries, which was partially offset by the decline in revenue from public services industry.
- Revenue from customers in the Internet industry declined by **4%** year-over-year, mainly driven by declining revenue from the top Internet customer that has gradually stopped using our overseas cloud services for its international business, partially offset by improving demands from other customers in China's Internet industry.

- Total revenue from our Cloud segment, before inter-segment elimination, which includes revenue from services provided to other Alibaba businesses, was **RMB26,693 million** (US\$3,870 million), an increase of **1%** compared to RMB26,431 million in the same quarter of 2021.

Segment adjusted EBITA

- Cloud adjusted EBITA, which comprises Alibaba Cloud and DingTalk, was **RMB356 million** (US\$52 million) in the quarter ended December 31, 2022, compared to RMB134 million in the same quarter of 2021.

(in RMB Mn, except percentages)	Three months ended December 31,			Nine months ended December 31,		
	2021	2022	YoY %	2021	2022	YoY %
Revenue	19,539	20,179	3%	55,597	58,621	5%
Adj. EBITA	134	356	166%	870	1,037	19%
Adj. EBITA Margin	1%	2%		2%	2%	

Segment Revenue

- Revenue from our Digital media and entertainment segment in the quarter ended December 31, 2022 was **RMB7,586 million** (US\$1,100 million), a decrease of **6%**, compared to RMB8,113 million in the same quarter of 2021, primarily due to the decrease in revenue from Alibaba Pictures.

	Three months ended December 31,			Nine months ended December 31,		
<i>(in RMB Mn, except percentages)</i>	2021	2022	YoY %	2021	2022	YoY %
Revenue	8,113	7,586	(6)%	24,267	23,209	(4)%
Adj. EBITA	(1,374)	(25)	98%	(2,724)	(772)	72%
Adj. EBITA Margin	(17)%	(0)%		(11)%	(3)%	

Segment Adjusted EBITA

- Digital media and entertainment adjusted EBITA in the quarter ended December 31, 2022 was a loss of **RMB25 million** (US\$4 million), compared to a loss of RMB1,374 million in the same quarter of 2021, primarily due to the narrowing of loss from Youku driven by disciplined investment in content and production capability.

Innovation Initiatives and Others

Segment Revenue

- Revenue from Innovation initiatives and others was **RMB823 million** (US\$119 million) in the quarter ended December 31, 2022, a decrease of 20% compared to RMB1,034 million in the same quarter of 2021.

	Three months ended December 31,			Nine months ended December 31,		
<i>(in RMB Mn, except percentages)</i>	2021	2022	YoY %	2021	2022	YoY %
Revenue	1,034	823	(20)%	2,457	1,711	(30)%
Adj. EBITA	(1,609)	(1,235)	23%	(4,677)	(5,077)	(9)%
Adj. EBITA Margin	(156)%	(150)%		(190)%	(297)%	

Segment Adjusted EBITA

- Innovation initiatives and others adjusted EBITA in the quarter ended December 31, 2022 was a loss of **RMB1,235 million** (US\$179 million), compared to a loss of RMB1,609 million in the same quarter of 2021.



Appendix

Revenue Breakdown

(in RMB Mn, except percentages)	Three months ended December 31,				Nine months ended December 31,			
	2021	2022	% YoY	% Total Revenue	2021	2022	% YoY	% Total Revenue
Total China commerce	171,901	169,986	(1)%	69%	451,501	446,658	(1)%	68%
China commerce retail								
- Customer management	100,089	91,344	(9)%	37%	251,617	230,104	(9)%	35%
- Direct sales and others ⁽¹⁾⁽²⁾	67,581	74,421	10%	30%	187,555	203,166	8%	31%
China commerce wholesale	4,231	4,221	(0)%	2%	12,329	13,388	9%	2%
Total International commerce	16,449	19,465	18%	8%	46,743	50,663	8%	8%
International commerce retail	11,606	14,644	26%	6%	32,781	35,906	10%	6%
International commerce wholesale	4,843	4,821	(0)%	2%	13,962	14,757	6%	2%
Local consumer services⁽¹⁾	12,466	13,164	6%	5%	33,920	37,563	11%	6%
Cainiao	13,078	16,553	27%	7%	34,525	42,062	22%	6%
Cloud	19,539	20,179	3%	8%	55,597	58,621	5%	9%
Digital media and entertainment	8,113	7,586	(6)%	3%	24,267	23,209	(4)%	3%
Innovation initiatives and others	1,034	823	(20)%	0%	2,457	1,711	(30)%	0%
Total	242,580	247,756	2%	100%	649,010	660,487	2%	100%

Notes:

(1) Beginning on October 1, 2022, we reclassified the revenue of our Instant Supermarket Delivery (全能超市) business, which was previously reported under China commerce segment, as revenue from Local consumer services segment following the strategy refinement of Instant Supermarket Delivery business to focus on building customer mindshare for grocery delivery services through Ele.me platform. This reclassification conforms to the way that we manage and monitor segment performance. Comparative figures were reclassified to conform to this presentation.

(2) Direct sales and others revenue under China commerce retail primarily represents our direct sales businesses, comprising mainly Sun Art, Tmall Supermarket and Freshippo, where revenue and the cost of inventory are recorded on a gross basis.

GAAP to Non-GAAP Measures Reconciliation

	Three months ended December 31,			Nine months ended December 31,		
	2021	2022		2021	2022	
	RMB Mn	RMB Mn	USD Mn	RMB Mn	RMB Mn	USD Mn
Adjusted EBITA and Adjusted EBITDA						
Income from operations	7,068	35,031	5,079	52,921	85,111	12,340
Share-based compensation expense	9,776	8,773	1,272	27,708	23,285	3,376
Amortization and impairment of intangible assets	2,837	5,530	801	8,816	11,010	1,596
Impairment of goodwill	25,141	2,714	394	25,141	2,714	394
Equity-settled donation expense	-	-	-	-	511	74
Adjusted EBITA	44,822	52,048	7,546	114,586	122,631	17,780
Depreciation and impairment of property and equipment, and operating lease cost relating to land use rights	6,542	7,114	1,032	20,246	20,956	3,038
Adjusted EBITDA	51,364	59,162	8,578	134,832	143,587	20,818
Non-GAAP net income						
Net income	19,224	45,746	6,633	65,436	43,577	6,318
Adjustments to reconcile net income to non-GAAP net income:						
Share-based compensation expense	9,776	8,773	1,272	27,708	23,285	3,376
Amortization and impairment of intangible assets	2,837	5,530	801	8,816	11,010	1,596
Impairment of goodwill and investments	31,444	3,927	569	34,961	17,061	2,474
(Gain)Loss on deemed disposals/disposals/revaluation of investments and others	(16,823)	(11,187)	(1,622)	(16,174)	25,661	3,720
Equity-settled donation expense	-	-	-	-	511	74
Tax effects ⁽¹⁾	(1,834)	(2,857)	(414)	(4,158)	(7,101)	(1,029)
Non-GAAP net income	44,624	49,932	7,239	116,589	114,004	16,529
Non-GAAP Free cash flow						
Net cash provided by operating activities	80,366	87,370	12,668	149,799	168,351	24,409
Less:						
Purchase of property and equipment (excluding land use rights and construction in progress relating to office campuses)	(9,253)	(5,793)	(840)	(32,827)	(27,860)	(4,039)
Purchase of intangible assets (excluding those acquired through acquisitions)	-	-	-	(15)	(22)	(3)
Changes in the consumer protection fund deposits	(91)	(63)	(10)	(3,013)	(1,073)	(156)
Free cash flow	71,022	81,514	11,818	113,944	139,396	20,211

Note:

(1) Tax effects primarily comprise tax effects relating to share-based compensation expense, amortization and impairment of intangible assets and certain gains and losses from investments, and others.

GAAP to Non-GAAP Net Income Attributable to Ordinary Shareholders



(in Mn, except per share data)	Three months ended December 31,			Nine months ended December 31,		
	2021	2022		2021	2022	
	RMB	RMB	USD	RMB	RMB	USD
Net income attributable to ordinary shareholders – basic ⁽¹⁾	27,692	46,815	6,788	78,200	48,993	7,103
Dilution effect on earnings arising from option plans operated by equity method investees and subsidiaries	(26)	(8)	(1)	(29)	(9)	(1)
Net income attributable to ordinary shareholders – diluted ⁽¹⁾	27,666	46,807	6,787	78,171	48,984	7,102
Non-GAAP adjustments to net income attributable to ordinary shareholders ⁽²⁾	18,137	3,526	511	43,890	67,051	9,721
Non-GAAP net income attributable to ordinary shareholders for computing non-GAAP diluted earnings per share/ADS	45,803	50,333	7,298	122,061	116,035	16,823
Weighted average number of shares on a diluted basis for computing non-GAAP diluted earnings per share/ADS (million shares) ⁽⁵⁾	21,716	20,912		21,849	21,190	
Diluted earnings per share ⁽¹⁾⁽³⁾⁽⁵⁾	1.27	2.24	0.32	3.58	2.31	0.33
Non-GAAP diluted earnings per share ⁽⁴⁾⁽⁵⁾	2.11	2.41	0.35	5.59	5.48	0.79
Diluted earnings per ADS ⁽¹⁾⁽³⁾⁽⁵⁾	10.19	17.91	2.60	28.62	18.49	2.68
Non-GAAP diluted earnings per ADS ⁽⁴⁾⁽⁵⁾	16.87	19.26	2.79	44.69	43.80	6.35

Notes:

- (1) The financial results for the three months and nine months ended December 31, 2021 as presented have been revised to reflect the Revised attribution to noncontrolling interests.
- (2) See the section entitled “GAAP to Non-GAAP Measures Reconciliation” for the reconciliation of net income to non-GAAP net income for more information of these non-GAAP adjustments.
- (3) Diluted earnings per share is derived from dividing net income attributable to ordinary shareholders by the weighted average number of shares, on a diluted basis. Diluted earnings per ADS is derived from the diluted earnings per share after adjusting for the ordinary share-to-ADS ratio.
- (4) Non-GAAP diluted earnings per share is derived from dividing non-GAAP net income attributable to ordinary shareholders by the weighted average number of shares for computing non-GAAP diluted earnings per share, on a diluted basis. Non-GAAP diluted earnings per ADS is derived from the non-GAAP diluted earnings per share after adjusting for the ordinary share-to-ADS ratio.
- (5) Each ADS represents eight ordinary shares.

Revenue and Adjusted EBITA by Segments for December Quarter

Three months ended December 31, 2022									
	China commerce ⁽¹⁾	International commerce	Local consumer services ⁽¹⁾	Cainiao	Cloud	Digital media and entertainment	Innovation initiatives and others	Unallocated ⁽²⁾	Consolidated
(in RMB Mn, except percentages)									
Revenue	169,986	19,465	13,164	16,553	20,179	7,586	823	-	247,756
YoY % Change	(1)%	18%	6%	27%	3%	(6)%	(20)%	N/A	2%
Income (Loss) from operations	53,127	(1,661)	(5,473)	(983)	(1,495)	(1,024)	(1,933)	(5,527)	35,031
Add: Share-based compensation expense	2,390	869	942	717	1,848	522	487	998	8,773
Add: Amortization and impairment of intangible assets	3,110	29	1,394	254	3	477	211	52	5,530
Add: Impairment of goodwill	-	-	-	-	-	-	-	2,714	2,714
Adjusted EBITA	58,627	(763)	(3,137)	(12)	356	(25)	(1,235)	(1,763)	52,048
Adjusted EBITA margin	34%	(4)%	(24)%	(0)%	2%	(0)%	(150)%	N/A	21%
Three months ended December 31, 2021									
	China commerce ⁽¹⁾	International commerce	Local consumer services ⁽¹⁾	Cainiao	Cloud	Digital media and entertainment	Innovation initiatives and others	Unallocated ⁽²⁾	Consolidated
(in RMB Mn, except percentages)									
Revenue	171,901	16,449	12,466	13,078	19,539	8,113	1,034	-	242,580
Income (Loss) from operations	54,558	(3,707)	(7,733)	(987)	(2,137)	(2,139)	(2,434)	(28,353)	7,068
Add: Share-based compensation expense	2,740	769	1,158	639	2,267	566	608	1,029	9,776
Add: Amortization of intangible assets	580	21	1,499	256	4	199	217	61	2,837
Add: Impairment of goodwill	-	-	-	-	-	-	-	25,141	25,141
Adjusted EBITA	57,878	(2,917)	(5,076)	(92)	134	(1,374)	(1,609)	(2,122)	44,822
Adjusted EBITA margin	34%	(18)%	(41)%	(1)%	1%	(17)%	(156)%	N/A	18%

Notes:

- (1) Beginning on October 1, 2022, we reclassified the results of our Instant Supermarket Delivery (全能超市) business, which was previously reported under China commerce segment, to Local consumer services segment following the strategy refinement of Instant Supermarket Delivery business to focus on building customer mindshare for grocery delivery services through Ele.me platform. This reclassification conforms to the way that we manage and monitor segment performance. Comparative figures were reclassified to conform to this presentation.
- (2) Unallocated expenses primarily relate to corporate administrative costs and other miscellaneous items that are not allocated to individual segments. The goodwill impairment is presented as an unallocated item in the segment information because our management does not consider this as part of the segment operating performance measure.

Revenue and Adjusted EBITA by Segments for Nine months ended December 31

	Nine months ended December 31, 2022								
	China commerce ⁽¹⁾	International commerce	Local consumer services ⁽¹⁾	Cainiao	Cloud	Digital media and entertainment	Innovation initiatives and others	Unallocated ⁽²⁾	Consolidated
	(in RMB Mn, except percentages)								
Revenue	446,658	50,663	37,563	42,062	58,621	23,209	1,711	-	660,487
YoY % Change	(1)%	8%	11%	22%	5%	(4)%	(30)%	N/A	2%
Income (Loss) from operations	135,662	(5,455)	(16,703)	(2,455)	(4,241)	(2,936)	(6,972)	(11,789)	85,111
Add: Share-based compensation expense	6,425	2,096	2,609	1,622	5,269	1,315	1,262	2,687	23,285
Add: Amortization and impairment of intangible assets	4,288	69	4,226	761	9	849	633	175	11,010
Add: Impairment of goodwill	-	-	-	-	-	-	-	2,714	2,714
Add: Equity - settled donation expense	-	-	-	-	-	-	-	511	511
Adjusted EBITA	146,375	(3,290)	(9,868)	(72)	1,037	(772)	(5,077)	(5,702)	122,631
Adjusted EBITA margin	33%	(6)%	(26)%	(0)%	2%	(3)%	(297)%	N/A	19%
	Nine months ended December 31, 2021								
	China commerce ⁽¹⁾	International commerce	Local consumer services ⁽¹⁾	Cainiao	Cloud	Digital media and entertainment	Innovation initiatives and others	Unallocated ⁽²⁾	Consolidated
	(in RMB Mn, except percentages)								
Revenue	451,501	46,743	33,920	34,525	55,597	24,267	2,457	-	649,010
Income (Loss) from operations	139,980	(8,737)	(24,214)	(2,839)	(5,765)	(4,849)	(6,697)	(33,958)	52,921
Add: Share-based compensation expense	7,980	2,233	3,035	1,481	6,623	1,515	1,775	3,066	27,708
Add: Amortization of intangible assets	2,237	76	4,655	805	12	610	245	176	8,816
Add: Impairment of goodwill	-	-	-	-	-	-	-	25,141	25,141
Adjusted EBITA	150,197	(6,428)	(16,524)	(553)	870	(2,724)	(4,677)	(5,575)	114,586
Adjusted EBITA margin	33%	(14)%	(49)%	(2)%	2%	(11)%	(190)%	N/A	18%

Notes:

- (1) Beginning on October 1, 2022, we reclassified the results of our Instant Supermarket Delivery (全能超市) business, which was previously reported under China commerce segment, to Local consumer services segment following the strategy refinement of Instant Supermarket Delivery business to focus on building customer mindshare for grocery delivery services through Ele.me platform. This reclassification conforms to the way that we manage and monitor segment performance. Comparative figures were reclassified to conform to this presentation.
- (2) Unallocated expenses primarily relate to corporate administrative costs and other miscellaneous items that are not allocated to individual segments. The goodwill impairment, and the equity-settled donation expense related to the allotment of shares to a charitable trust, are presented as unallocated items in the segment information because our management does not consider these as part of the segment operating performance measure.

