

June Quarter 2020 Results



Disclaimer

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.

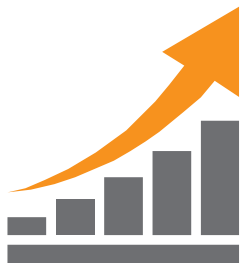
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Financial Results

June Quarter Financial Highlights

Revenue



34% YoY
Total Revenue Growth

34% YoY
Core Commerce
Revenue Growth

Cloud



59% YoY
Cloud Computing
Revenue Growth

Consumers



874 MM
Mobile MAUs⁽¹⁾

742 MM
Annual Active Consumers⁽²⁾

Profitability and Cash Flow



RMB45.4 Bn
(US\$6.4 Bn)⁽³⁾
Adjusted EBITA

RMB36.6 Bn
(US\$5.2 Bn)⁽³⁾
Non-GAAP Free Cash Flow

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

- (1) Number of mobile MAUs on our China retail marketplaces for the month ended June 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 June 30, 2020; the number of annual active consumers on our China retail marketplaces.
- (3) The translations of RMB into US\$ were made at RMB7.0651 to US\$1.00, the exchange rate on June 30, 2020 as set forth in the H.10 statistical release of the Federal Reserve Board.

June Quarter Revenue

- **Total Revenue** YoY growth of 34%. The increase was mainly driven by the robust revenue growth of our China commerce retail and cloud computing businesses.

Total Revenue Breakdown

Three months ended June 30, 2020

	RMB MM	% of Revenue	YoY %	
Core commerce:				
China commerce retail				
- Customer management	51,434	33%	23%	} 21% YoY
- Commission	19,781	13%	17%	
- Others ⁽¹⁾	30,106	20%	80%	
	<u>101,321</u>	<u>66%</u>	<u>34%</u>	
China commerce wholesale	3,484	2%	16%	
International commerce retail	7,012	5%	26%	
International commerce wholesale	3,204	2%	43%	
Cainiao logistics services	7,713	5%	54%	
Local consumer services	7,101	5%	15%	
Others	3,483	2%	78%	
Total core commerce	<u>133,318</u>	<u>87%</u>	<u>34%</u>	
Cloud computing	12,345	8%	59%	
Digital media and entertainment ⁽²⁾	6,994	4%	9%	
Innovation initiatives and others ⁽²⁾	1,094	1%	(6%)	
Total	<u>153,751</u>	<u>100%</u>	<u>34%</u>	

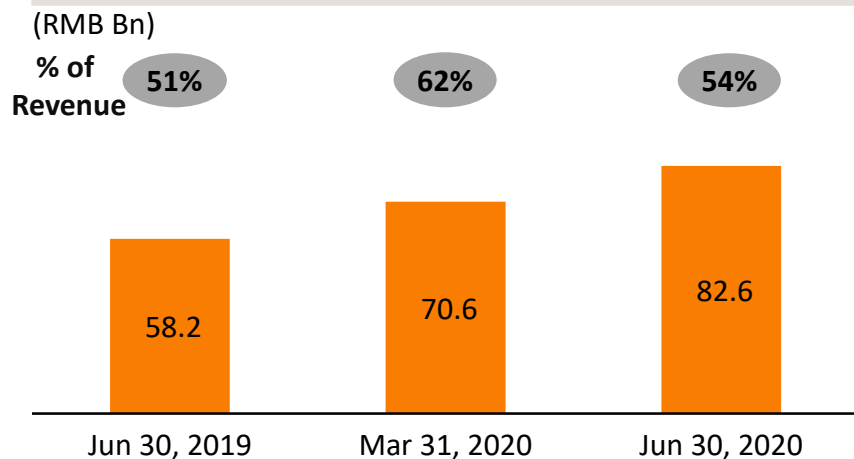
Notes:

(1) "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.

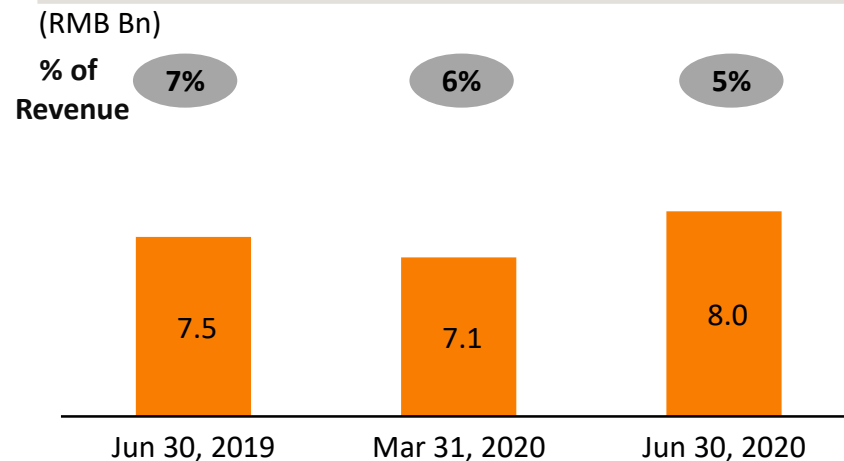
(2) Starting this quarter, we reclassified revenue from our self-developed online games business, which was previously reported under the innovation initiatives and others segment, as revenue from digital media and entertainment segment because it has moved beyond the incubation stage. This reclassification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

June Quarter Cost Trends

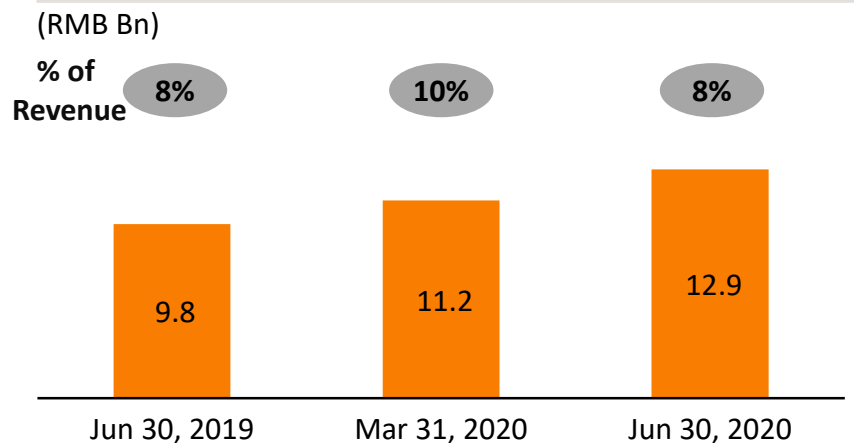
Cost of Revenue (Excluding SBC)



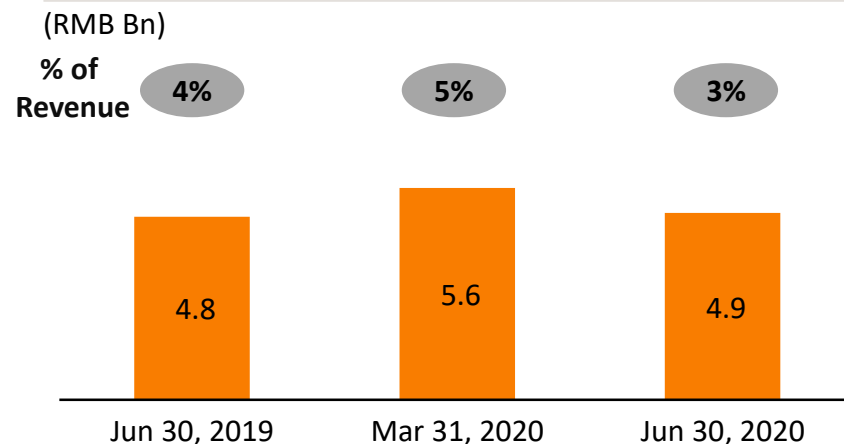
Product Development Expenses (Excluding SBC)










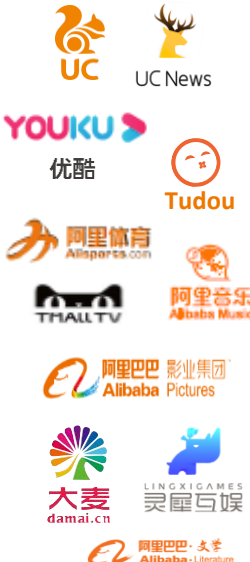

Sales & Marketing Expenses (Excluding SBC)



General & Administrative Expenses (Excluding SBC)



June Quarter Segment Reporting⁽¹⁾

	Core Commerce	Cloud Computing	Digital Media & Entertainment	Innovation Initiatives & Others	Un-allocated ⁽²⁾	Consolidated
	<p><i>China Commerce Retail</i></p>  <p><i>China Commerce Wholesale</i></p>  <p><i>International Commerce Retail</i></p>  <p><i>International Commerce Wholesale</i></p>  <p><i>Cainiao Network</i></p>  <p><i>Local Consumer Services</i></p> 					
Jun Q 2020 Revenue⁽³⁾ (MM)	RMB133,318 US\$18,870 34% YoY	RMB12,345 US\$1,747 59% YoY	RMB6,994 US\$990 9% YoY	RMB1,094 US\$155 (6%) YoY	-	RMB153,751 US\$21,762 34% YoY
Jun Q 2020 Adjusted EBITA⁽³⁾ (MM)	RMB51,237 US\$7,252	RMB(342) US\$(48)	RMB(1,321) US\$(187)	RMB(2,705) US\$(383)	RMB(1,497) US\$(212)	RMB45,372 US\$6,422
Jun Q 2020 Adjusted EBITA Margin (%)	38%	(3%)	(19%)	(247%)	-	30%

Notes:

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

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

(3) The translations of RMB into US\$ were made at RMB7.0651 to US\$1.00, the exchange rate on June 30, 2020 as set forth in the H.10 statistical release of the Federal Reserve Board.

June Quarter Adjusted EBITA by Segment

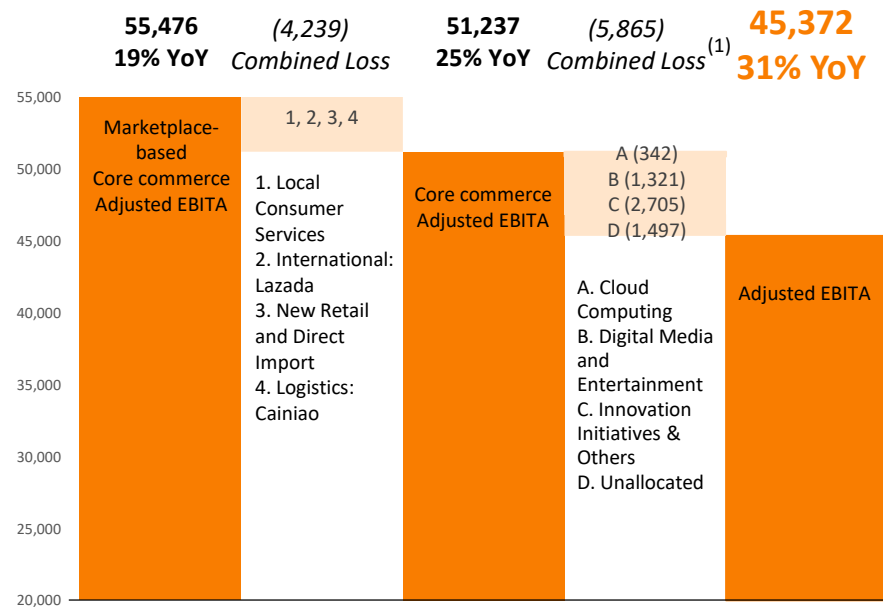
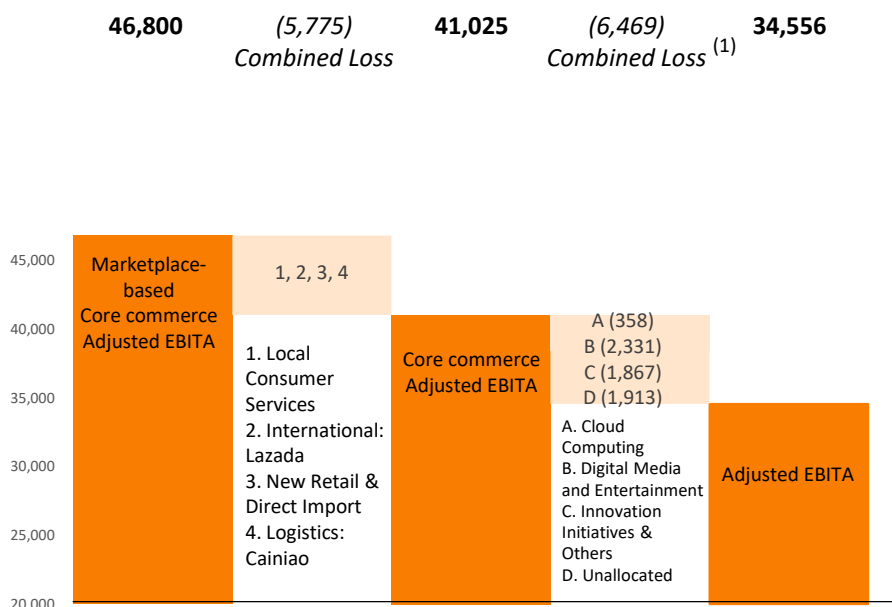
- **Marketplace-based Core Commerce Adjusted EBITA** increased by 19% YoY to RMB55,476 million (US\$7,852 million).
- **Core Commerce Adjusted EBITA** increased by 25% YoY to RMB51,237 million (US\$7,252 million). Core Commerce Adjusted EBITA margin was 38%.
- **Cloud Computing** revenue increased by 59% YoY to RMB12,345 million (US\$1,747 million), primarily driven by increased revenue contributions from both our public cloud and hybrid cloud businesses. Adjusted EBITA was a loss of RMB342 million (US\$48 million).
- **Digital Media and Entertainment** revenue increased 9% YoY to RMB6,994 million (US\$990 million), primarily due to an increase in revenues from online games and membership subscription, partly offset by the decrease in revenue from customer management. Adjusted EBITA was a loss of RMB1,321 million (US\$187 million).
- **Innovation Initiatives and Others** revenue decreased by 6% YoY to RMB1,094 million (US\$155 million). Adjusted EBITA was a loss of RMB2,705 million (US\$383 million).

June Quarter 2019

(RMB MM)

June Quarter 2020

(RMB MM)



Note:

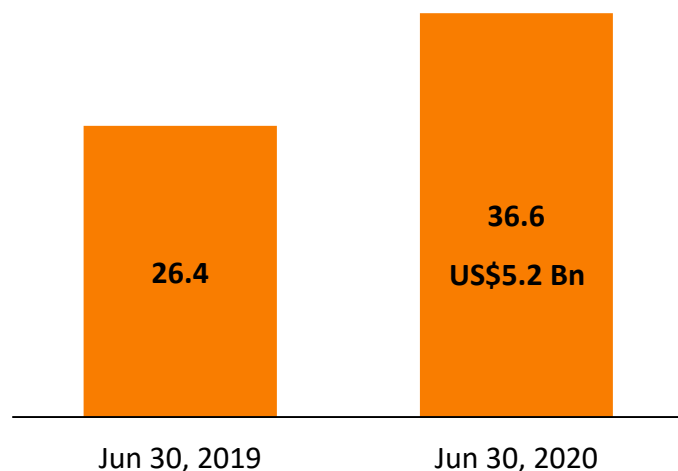
- (1) Starting this quarter, we reclassified the results of our self-developed online games business, which was previously reported under the innovation initiatives and others segment, to the digital media and entertainment segment because it has moved beyond the incubation stage. This reclassification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

June Quarter Free Cash Flow & Capital Expenditures

- As of June 30, 2020, **cash, cash equivalents and short-term investments** were RMB381,578 million (US\$54,009 million), compared to RMB358,981 million as of March 31, 2020. The increase was primarily due to free cash flow generated from operations of RMB36,570 million (US\$5,176 million), partly offset by net cash used in investment and acquisition activities of RMB9,993 million (US\$1,414 million).
- During the quarter, we generated **operating cash flow** of RMB50,099 million (US\$7,091 million), an increase of 45% YoY. **Free cash flow**, a non-GAAP measurement of liquidity, increased by 39% to RMB36,570 million (US\$5,176 million), mainly due to our robust profit growth.
- During the quarter, **capital expenditures** were RMB13,638 million (US\$1,930 million), which included cash outflow for acquisition of land use rights and construction in progress relating to office campuses.

Non-GAAP Free Cash Flow ⁽¹⁾

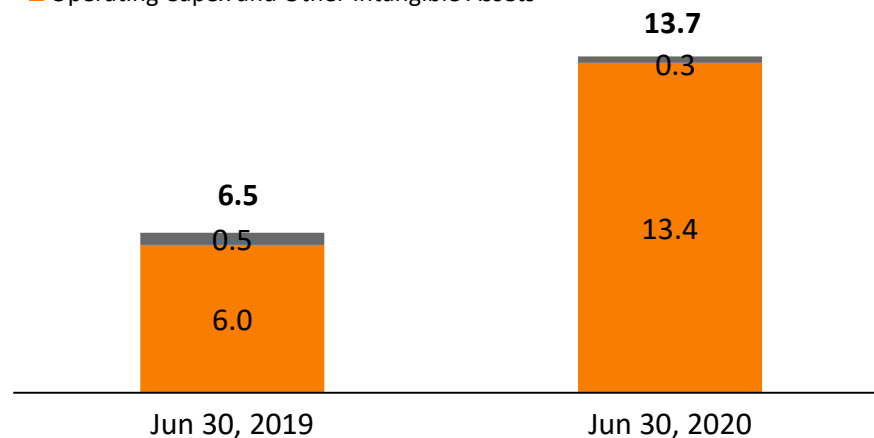
(RMB Bn)



Capital Expenditures and Other Intangible Assets ⁽²⁾

(RMB Bn)

- Land Use Rights and Construction in Progress Relating to Office Campuses
- Operating Capex and Other Intangible Assets ⁽³⁾



Notes:

- Non-GAAP free cash flow represents net cash provided by operating activities as presented in Alibaba Group's 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 this quarter, 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.
- Effective on April 1, 2020, we adopted ASU 2019-02, "Entertainment - Films - Other Assets - Film Costs (Subtopic 926-20) and Entertainment - Broadcasters - Intangibles - Goodwill and Other (Subtopic 920-350)". The adoption of this ASU requires us to change the classification of cash outflows for the acquisition of licensed copyrights from investing activities to operating activities in the consolidated statements of cash flows prospectively. Given the change in nature to operating activities, we no longer present such cash outflows relating to the acquisition of licensed copyrights in the chart above.
- Operating CAPEX refers to the purchases of property and equipment (excluding land use rights and construction in progress relating to office campuses).

June Quarter Other Financial Metrics

- **Share of results of equity method investees** in the quarter ended June 30, 2020 was RMB349 million (US\$49 million), compared to RMB517 million in the same quarter of 2019. We record our share of results of all equity method investees one quarter in arrears.
- The increase in share of loss of other equity method investees in the quarter ended June 30, 2020 was mainly due to a general decline in financial performance of our equity method investees.
- The increase in expenses in “Others” in the quarter ended June 30, 2020 was primarily due to the commencement of amortization of intangible assets of Ant Group upon our receipt of its equity interest in September 2019.

	Three months ended June 30,		(US\$MM) ⁽¹⁾
	2019	2020	
	(RMB MM)	(RMB MM)	
Share of profit (loss) of equity method investees			
- Ant Group	-	3,034	429
- Others	941	(1,471)	(208)
Dilution loss	(5)	(6)	(1)
Others ⁽²⁾	(419)	(1,208)	(171)
TOTAL	517	349	49

Notes:

(1) The translations of RMB into US\$ were made at RMB7.0651 to US\$1.00, the exchange rate on June 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.

GAAP to Non-GAAP Net Income Attributable to Shareholders

- **Net income attributable to ordinary shareholders** in the quarter ended June 30, 2020 was RMB47,591 million (US\$6,736 million), an increase of 124% compared to RMB21,252 million in the same quarter of 2019, mainly due to a net gain arising from the increase in the market prices of our equity investments in publicly-traded companies during the quarter, compared to a net loss arising from the decrease in the market prices of these investments in the same quarter of 2019.
- **Interest and investment income, net** in the quarter ended June 30, 2020 was RMB22,137 million (US\$3,133 million), compared to RMB187 million in the same quarter of 2019, primarily due to a net gain arising from the increase in the market prices of our equity investments in publicly-traded companies during the quarter, compared to a net loss arising from the decrease in the market prices of these equity investments in the same quarter of 2019. The above-mentioned gains and losses were excluded from our non-GAAP net income.
- **Non-GAAP net income attributable to ordinary shareholders for computing non-GAAP diluted earnings per share/ADS** in the quarter ended June 30, 2020 was RMB40,615 million (US\$5,748 million), an increase of 23% compared to RMB33,068 million in the same quarter of 2019.

	Three months ended June 30,		
	2019	2020	YoY %
	(RMB MM)	(RMB MM)	
Net income attributable to ordinary shareholders – basic	21,252	47,591	124%
Dilution effect on earnings arising from option plans operated by equity investees and subsidiaries	(11)	(13)	(18%)
Net income attributable to ordinary shareholders – diluted	21,241	47,578	124%
Less: (Loss) Gain on deemed disposals/disposals/revaluation of investments and others	1,626	(19,030)	N/A
Add: Share-based compensation expense	7,115	7,715	8%
Add: Amortization of intangible assets	3,066	2,952	(4%)
Add: Impairment of investments	250	103	(59%)
Add: Amortization of excess value receivable arising from the restructuring of commercial arrangements with Ant Group	66	-	-
Adjusted for tax effects on non-GAAP adjustments	(296)	1,297	N/A
Non-GAAP net income attributable to ordinary shareholders for computing non-GAAP diluted earnings per share/ADS	33,068	40,615	23%

GAAP to Adjusted/Non-GAAP Measures Reconciliation

	Three months ended June 30,		
	2019	2020	
	(RMB MM)	(RMB MM)	(US\$MM) ⁽¹⁾
Adjusted EBITA and Adjusted EBITDA			
Income from operations	24,375	34,705	4,912
Add: Share-based compensation expense	7,115	7,715	1,092
Add: Amortization of intangible assets	3,066	2,952	418
Adjusted EBITA	34,556	45,372	6,422
Add: Depreciation of property and equipment, and operating lease cost relating to land use rights	4,682	5,667	802
Adjusted EBITDA	39,238	51,039	7,224
Non-GAAP net income			
Net income	19,122	46,437	6,573
Add: Share-based compensation expense	7,115	7,715	1,092
Add: Amortization of intangible assets	3,066	2,952	418
Add: Impairment of investments	250	103	15
Less: (Loss) Gain on deemed disposals/disposals/revaluation of investments and others	1,626	(19,030)	(2,694)
Add: Amortization of excess value receivable arising from the restructuring of commercial arrangements with Ant Group	66	-	-
Adjusted for tax effects on non-GAAP adjustments ⁽²⁾	(296)	1,297	183
Non-GAAP net income	30,949	39,474	5,587
Non-GAAP Free cash flow			
Net cash provided by operating activities	34,612	50,099	7,091
Less: Purchase of property and equipment (excluding land use rights and construction in progress relating to office campuses)	(5,856)	(13,372)	(1,893)
Less: Acquisition of licensed copyrights ⁽³⁾ and other intangible assets	(2,395)	(56)	(8)
Less: Changes in the consumer protection fund deposits	-	(101)	(14)
Non-GAAP Free cash flow	26,361	36,570	5,176

Notes:

- (1) The translations of RMB into US\$ were made at RMB7.0651 to US\$1.00, the exchange rate on June 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 the share-based compensation expense, certain gains and losses from investments 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 in the first quarter of this fiscal year. 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

