

Alibaba (BABA US)

In-depth analysis into segment value

Alibaba's adjustment on Taobao and Tmall strategies is delivering early-stage results. The strategic move drives user engagement improvement through enhancing supply of value for money products and brands to reach targeted consumers, which in turn improves merchants' willingness to invest in advertising, securing long-term revenue and earnings growth prospects to be in line with industry trend. International expansion and technology enhancement are still on track to drive long-term revenue and earnings growth. Although near-term business development trajectory may face short-term fluctuations due to macro uncertainties, Alibaba has proved its ability to drive better operating efficiency across business lines, and is better positioned to recover along with overall consumption recovery ahead. We adjusted SOTP valuation to reflect Alibaba's reorganization, and finetuned TP to US\$156.1 (was US\$156.6). Reiterate BUY.

- TT Group: operation adjustment delivered early-stage results.** The strategy to "put users first, build a prosperous ecosystem and realize technology driven innovation" adopted by Taobao and Tmall Group (TT Group) is developing a flywheel effect among users, merchants and revenue growth, in our view. In the near term, we expect TT Group to sustain its reinvestment to drive user growth and user engagement improvement throughout FY24, which likely weighs on the pace of short-term margin expansion, but this should revive long-term revenue and earnings growth outlook, in our view. We estimate revenue/adjusted EBITA growth of 11.3/7.6% in FY24E for TT Group.
- AIDC is on track to support long-term revenue growth.** Aided by strong order growth and improvement in monetization which drove robust revenue growth of international commerce retail business, Alibaba International Digital Commerce Group (AIDC) achieved 40.7% YoY revenue growth in 1QFY24. Leveraging strong domestic supply chain capabilities and operation know-how, AIDC is on track to become a powerful engine to drive Alibaba's long-term revenue growth. We forecast FY23-26E CAGR of 28% for AIDC business, with revenue to reach RMB147.9bn in FY26E.
- Proven ability to drive business scale expansion in an efficient way.** Alibaba has proved its ability to drive business scale expansion in an efficient way, in our view. On a combined basis, AIDC, Local Services Group, Cainiao, Cloud Intelligence Group, and Digital Media and Entertainment Group saw total revenue growth of 25% YoY in 1QFY24, while their combined adjusted EBITA loss narrowed by RMB4.0bn YoY to RMB1.1bn. Driven by operating efficiency improvement and solid revenue growth, we forecast Alibaba's consolidated EBITA to achieve a FY23-26E CAGR of 17.8%, with overall adjusted EBITA margin to improve to 19.8% in FY26E, from 17.0% in FY23.

Earnings Summary

(YE 31 Mar)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	853,062	868,687	985,180	1,108,744	1,215,544
YoY growth (%)	18.9	1.8	13.4	12.5	9.6
Adjusted net profit (RMB mn)	143,515.0	143,991.0	176,829.2	194,207.6	220,548.3
EPS (Adjusted) (RMB)	53.26	54.91	69.37	76.11	86.35
Consensus EPS (RMB)	53.26	54.56	59.20	66.33	75.85
P/E (x)	46.5	23.0	13.0	11.0	9.6
ROE (%)	6.5	7.4	11.9	11.6	11.7

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price US\$156.10
 (Previous TP US\$156.60)
Up/Downside 63.1%
Current Price US\$95.72

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Stock Data

Mkt Cap (US\$ mn)	245,555.4
Avg 3 mths t/o (US\$ mn)	1,483.4
52w High/Low (US\$)	120.57/63.15
Total Issued Shares (mn)	2565.4

Source: FactSet

Shareholding Structure

SoftBank	13.9%
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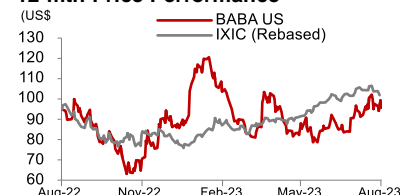
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	4.3%	5.2%
3-mth	8.9%	-1.6%
6-mth	-7.7%	-20.7%

Source: FactSet

12-mth Price Performance



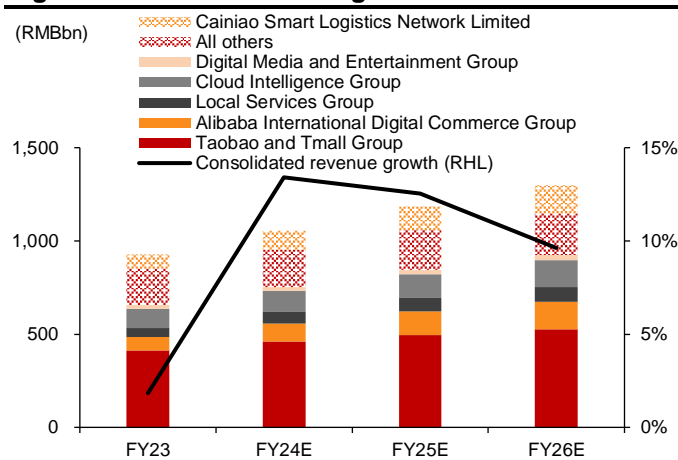
Source: FactSet

Key business segment update post “1+6+N” reorganization

Alibaba has updated its segment reporting starting from 1QFY24 to reflect “1+6+N” business reorganization, and segment revenue and segment adjusted EBITA are presented before consolidation adjustment, which are primarily related to inter-segment adjustments.

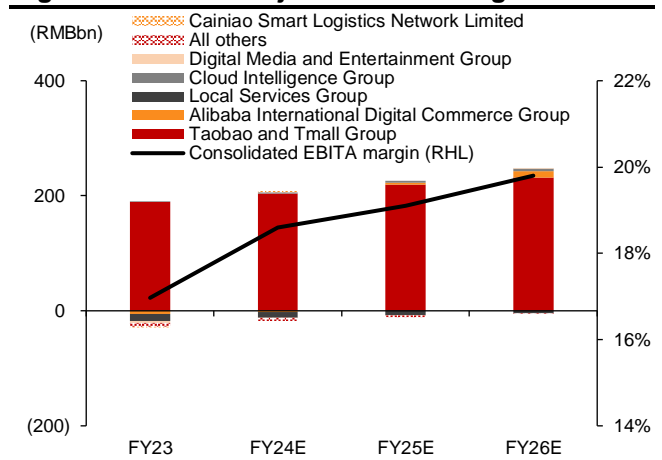
Under the new business segmentation, we are forecasting consolidated revenue CAGR of 11.8% over FY23-FY26E, driven by robust revenue growth of AIDC, Cainiao Smart Logistics Network (Cainiao), and revived revenue growth from Taobao and Tmall Group, aided by the implementation of business adjustment to focus more on user growth and user engagement improvement, as well as product supply enhancement in value for quality products. We have made an in-depth analysis into Alibaba's segment value within this report, and specified the valuation for each of the segment post “1+6+N” reorganization, please refer to page 8 for details.

Figure 1: Alibaba: revenue growth forecast



Source: Company data, CMBIGM estimates

Figure 2: Alibaba: adj. EBITA and margin forecast



Source: Company data, CMBIGM estimates

In addition, Alibaba has proved its ability to drive business scale expansion in an efficient way, in our view. On a combined basis, AIDC, Local Services Group, Cainiao, Cloud Intelligence Group, and Digital Media and Entertainment Group saw total revenue growth of 25% YoY in 1QFY24, while their combined adjusted EBITA loss narrowed by RMB4.0bn YoY to RMB1.1bn. Driven by operating efficiency improvement and solid revenue growth, we forecast Alibaba's consolidated EBITA to achieve a FY23-26E CAGR of 17.8%, with overall adjusted EBITA margin to improve to 19.8% in FY26E, from 17.0% in FY23.

Figure 3: Business groups and key businesses within each business group

Business Group and segmentation	Major business units within the group
Taobao & Tmall Group	Taobao, Tmall, Xianyu, Taobao Deals, Taocaicai, 1688.com and other businesses
Cloud Intelligence Group	Alibaba Cloud, AI, DingTalk and other businesses
Local Services Group	Mainly includes the “To-Home” business of Ele.me and the “To-Destination” business of Amap
Alibaba International Digital Commerce Group	Lazada, AliExpress, Trendyol, Daraz, Alibaba.com and other businesses
Cainiao Smart Logistics Network Limited	-
Digital Media and Entertainment Group	Youku, Damai, Alibaba Pictures and other businesses Sun Art, Freshippo, Alibaba Health, Lingxi Games, Intime, Intelligent Information Platform (which mainly consists of UCWeb and Quark businesses), Fliggy and other businesses
All others	

Source: Company data, CMBIGM

Figure 4: Alibaba: revenue and margin summary under new business segmentation

(RMBbn)	2Q22	3Q22	4Q22	1Q23	2Q23
Taobao and Tmall Group	102.5	93.7	127.1	89.9	115.0
YoY %					12.1%
- CMR	72.4	66.4	92.3	59.2	79.7
YoY %					10.0%
- Direct sales and others	25.0	23.1	30.5	26.8	30.2
YoY %					20.7%
Alibaba International Digital Commerce Group	15.7	16.0	19.8	18.9	22.1
YoY %					40.7%
Local Services Group	11.1	13.4	13.4	12.3	14.5
YoY %					29.8%
Cainiao Smart Logistics Network Limited	17.3	18.3	23.0	18.9	23.2
YoY %					34.0%
Cloud Intelligence Group	24.1	27.0	26.9	24.8	25.1
YoY %					4.1%
Digital Media and Entertainment Group	4.0	5.2	4.3	5.0	5.4
YoY %					35.7%
All others	45.2	48.0	50.1	53.0	45.5
YoY %					0.9%
Consolidated revenue	205.6	207.2	247.8	208.2	234.2
YoY %	-0.1%	3.2%	2.1%	2.0%	13.9%
Gross profit	75.9	76.0	97.8	69.4	91.8
Operating profit	24.9	25.1	35.0	15.2	42.5
Net profit	22.7	-20.6	46.8	23.5	34.3
Adjusted net profit	31.4	34.3	50.3	28.0	44.7
YoY %	-31.5%	12.6%	9.9%	30.3%	42.7%
Gross profit margin (%)	36.9%	36.7%	39.5%	33.3%	39.2%
G&A expense ratio (%)	4.1%	5.1%	4.2%	6.2%	3.1%
S&M expense ratio (%)	12.4%	10.8%	12.4%	12.0%	11.6%
Operating margin (%)	12.1%	12.1%	14.1%	7.3%	18.1%
NPM (%)	11.1%	-9.9%	18.9%	11.3%	14.7%
Non-IFRS NPM (%)	15.3%	16.6%	20.3%	13.4%	19.1%

Source: Company data, CMBIGM

Figure 5: Alibaba: adjusted summary under new business segmentation

Adjusted EBITA					
(RMBmn)	2Q22	3Q22	4Q22	1Q23	2Q23
Taobao and Tmall Group	45,219	45,635	59,245	39,041	49,319
Alibaba International Digital Commerce Group	-1,380	-748	-645	-2,171	-420
Local Services Group	-2,834	-3,328	-2,923	-4,063	-1,982
Cainiao Smart Logistics Network Limited	-185	125	-12	-319	877
Cloud Intelligence Group	188	428	366	396	387
Digital Media and Entertainment Group	-907	-362	-391	-1,129	63
All others	-2,275	-2,331	-795	-1,264	-1,204
Consolidated EBITA	34,419	36,164	52,048	25,280	45,371
Adjusted EBITA margin					
(%)	2Q22	3Q22	4Q22	1Q23	2Q23E
Taobao and Tmall Group	44.1%	48.7%	46.6%	43.4%	42.9%
Alibaba International Digital Commerce Group	-8.8%	-4.7%	-3.3%	-11.5%	-1.9%
Local Services Group	-25.5%	-24.9%	-21.8%	-32.9%	-13.7%
Cainiao Smart Logistics Network Limited	-1.1%	0.7%	-0.1%	-1.7%	3.8%
Cloud Intelligence Group	0.8%	1.6%	1.4%	1.6%	1.5%
Digital Media and Entertainment Group	-22.9%	-6.9%	-9.2%	-22.6%	1.2%
All others	-5.0%	-4.9%	-1.6%	-2.4%	-2.6%
Consolidated EBITA margin	16.7%	17.5%	21.0%	12.1%	19.4%

Source: Company data, CMBIGM

Within our target valuation, Taobao and Tmall Group, Cloud intelligence Group, Alibaba International Digital Commerce Group (including Lazada, AliExpress, Trendyol, Daraz, Alibaba.com, and other businesses), contributed to 47%, 17%, and 11% of total valuation respectively, followed by 9% for investments (including Ant and other investments, assigned 30% holding discount), 7% for all others business (including Sun Art, Freshippo, Alibaba Health, etc), and 4% each for Cainiao and Local Services Group, and 1% for Digital Media and Entertainment Group. (Please refer to details of valuation method on page 8).

Figure 6: Alibaba: SOTP valuation

#	Segment (US\$mn)	Valuation method	FY24E Rev (US\$mn)	Adj. EBITA post tax	P/E (x)	EV/S (x)	Val. RMB mn	Val. US\$m	\$/share	Value split
1	Taobao and Tmall Group	8.0x FY24E P/E; 20% tax rate on adjusted EBITA	66,399	23,504	8.0		1,302,126	188,033	73.3	47%
2	International Digital Commerce Group	3.0x FY24E EV/S	14,224			3.0	295,513	42,673	16.6	11%
3	Local Services Group	1.7x FY24 EV/S	9,167			1.7	107,918	15,584	6.1	4%
4	Cainiao Smart Logistics Network Limited	Last round transaction value; 63% shareholding	14,724				122,325	17,664	6.9	4%
5	Cloud Intelligence Group	4.2x FY24 EV/S on revenue before intersegment elimination	15,664			4.2	458,846	66,259	25.8	17%
6	Digital Media and Entertainment Group	1.7x FY24 EV/S, inline with iQIYI target EV/S	3,137			1.7	36,933	5,333	2.1	1%
7	All others	1.0x FY24 EV/PS	28,843			1.0	199,737	28,843	11.2	7%
Total Alibaba business							2,523,399	364,390	142.0	
INVESTMENTS										
1	Ant Group	Last round share buyback valuation; 33% share holding					187,143	27,024	10.5	
2	Others	Market valuation					170,283	24,590	9.6	

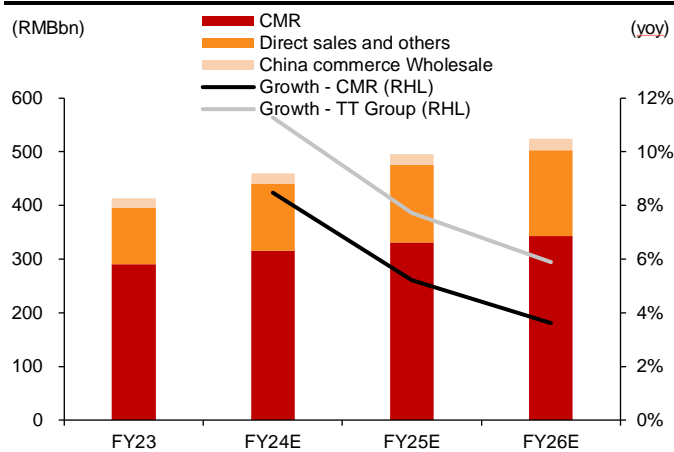
Total investment (with 30% holding discount)	14.1	9%
Total (US\$m)	156.1	
#s of diluted ADS (mn)	2,565	

Source: Caixin, Bloomberg, Company data, CMBIGM estimates Note: we assume RMB:USD exchange rate of 6.925:1

Taobao and Tmall Group (45.8% of 1QFY24 revenue)

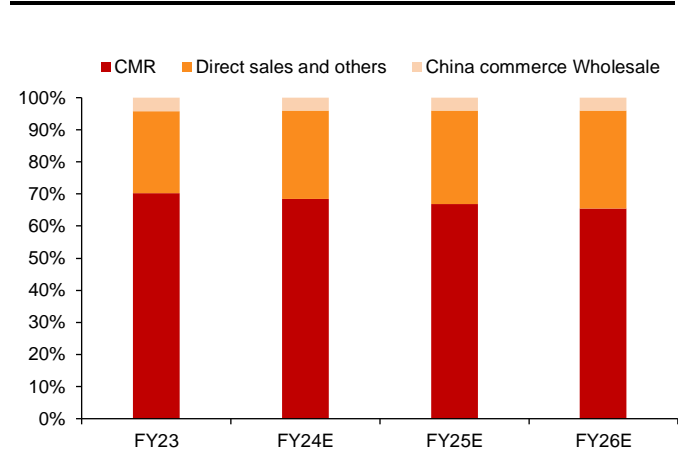
In 1QFY24, revenue generated from TT Group was RMB115.0bn, up 12.1%, among which revenue generated from customer management revenue (CMR) came in at RMB79.7bn, up 10% YoY, better than our estimate at 8% YoY, thanks to better-than-expected increase in merchants' willingness to invest in advertising aided by better user engagement of Taobao and Tmall platform.

Figure 7: TT Group: revenue growth forecast



Source: Company data, CMBIGM estimates

Figure 8: TT Group: revenue breakdown

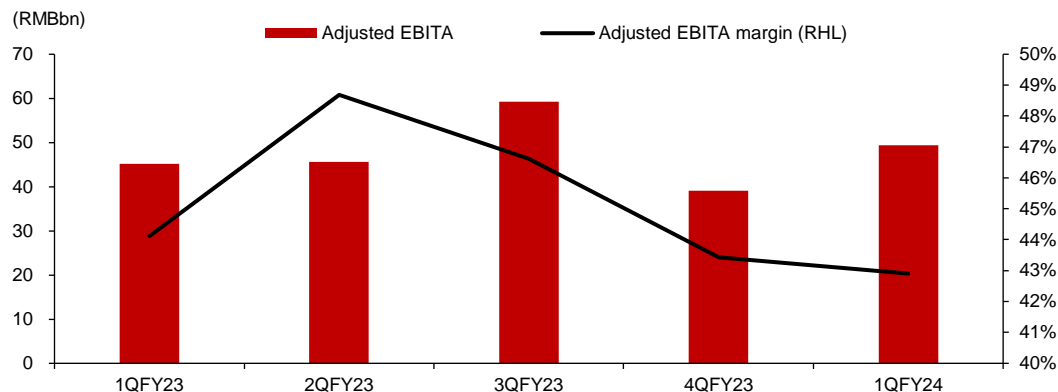


Source: Company data, CMBIGM estimates

TT Group has been adopting a strategy since late FY23 to put users first, build a prosperous ecosystem and realize technology driven innovation. In addition, Taobao app is at the core of this strategy as TT Group builds mindshare as a one-stop destination for consumption and daily life needs serving the largest number of users. The strategy has delivered early-stage results, in our view, which is likely to revive long-term revenue growth prospects of CMR.

For FY24, TT Group remains focused on improving the customer value proposition of Taobao app by: 1) increasing media content that strengthens consumer engagement; 2) enhancing price competitiveness through effective targeting and introduction of new marketing features; and 3) catering to consumers' time sensitive needs for high-frequency everyday necessities through neighbourhood businesses.

According to company data, average daily active user (DAU) for Taobao app grew 6.5% YoY in June 2023, and trended up further to over 7% in July, aided by the implementation of user first strategy, and management highlighted that incremental user growth was coming from both the youth user group and the elderly, as well as from lower tier cities. With the enhancement of price competitiveness through effective targeting and introduction of new marketing features, user engagement has been further enhanced, which in turn drove 20% YoY growth in the number of daily average paying merchants for advertising business.

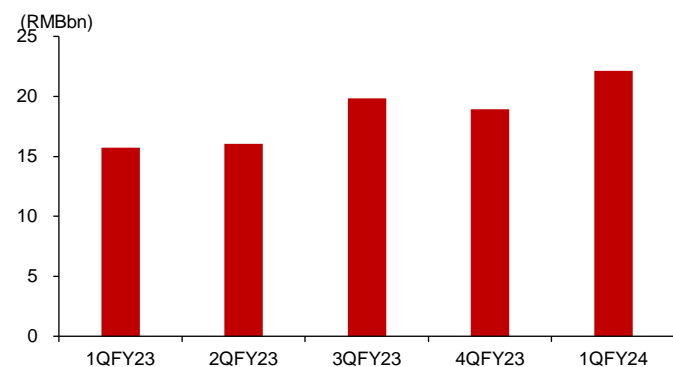
Figure 9: TT Group: quarterly adjusted EBITA and margin

Source: Company data, CMBIGM

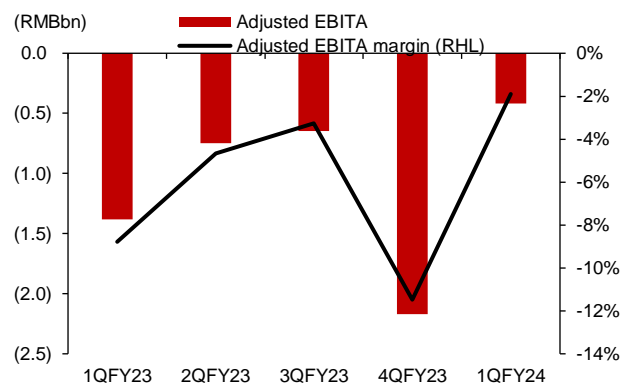
Adjusted EBITA for the segment was RMB49.3bn in 1QFY24, up 9.1% YoY, driven by the increase in profit from CMR services and narrowing losses in certain business. Overall adjusted EBITA margin for the segment was 42.9% in 1QFY24, down 1.2pp YoY, which in our view can be attributed to: 1) increase in revenue mix from direct sales business which has relatively low margin compared with that of CMR; 2) reinvestment to drive user growth, and to enhance user stickiness of Taobao and Tmall platform. Looking ahead, we expect TT Group will sustain its reinvestment throughout FY24, which likely weighs on the pace of near-term margin expansion, but will revive long-term revenue and earnings growth outlook. We estimate revenue/adjusted EBITA growth of 11.3/7.6% in FY24E for TT Group.

AIDC (8.8% of 1QFY24 revenue)

In 1QFY24, revenue generated from AIDC was RMB22.1bn, up 40.7% YoY, among which international commerce retail revenue was up 59.5% YoY and international commerce wholesale was flat YoY. The strong revenue growth in commerce retail business was primarily due to strong combined order growth of retail business (25% YoY) driven by solid performance of all major retail platforms, and improvements in monetization.

Figure 10: AIDC: revenue generation

Source: Company data, CMBIGM

Figure 11: AIDC: adj. EBITA loss and margin

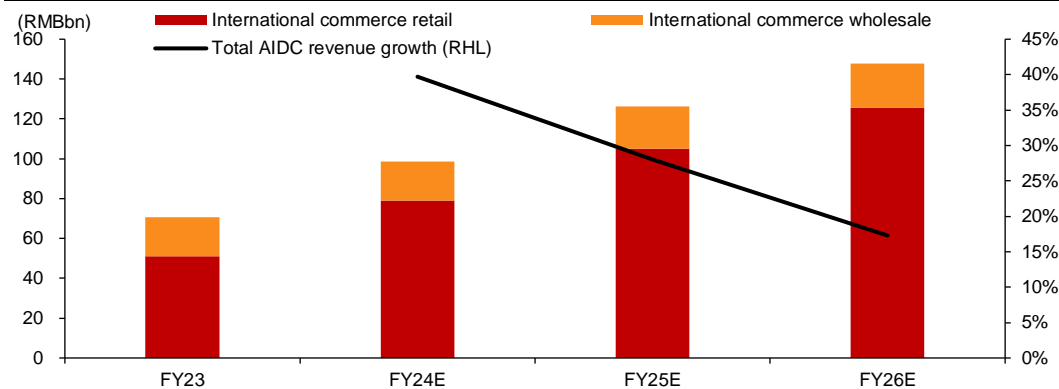
Source: Company data, CMBIGM

Within commerce retail business: 1) AliExpress delivered robust order growth driven by growth of transacting users and enhanced consumer experience; 2) Lazada recorded double-digit order growth YoY, and its unit economics continued to improve compared to the same period last year; 3) Trendyol continued to deliver strong order growth driven by both its e-commerce and local consumer services businesses. According to Alibaba, Trendyol achieved positive operating results during 1QFY24 for the first time.

Adjusted EBITA loss for AIDC has narrowed from RMB1.4bn in 1QFY23 to RMB420mn in 1QFY24, thanks to the turnaround of operating results of Trendyol, and improved margins of Lazada, although partly offset by the increase in investments in new businesses, such as Miravia and AliExpress.

Leveraging strong domestic supply chain capabilities and operation know-how, AIDC is on track to become a powerful engine to drive Alibaba's long-term revenue growth. We forecast FY23-26E CAGR of 28% for AIDC business, with revenue to reach RMB147.9bn in FY26E.

Figure 12: AIDC: revenue growth forecast



Source: Company data, CMBIGM estimates

Local Services Group (5.8% of 1QFY24 revenue)

Revenue from Local Services Group (LSG) was RMB14.5bn in 1QFY24, up 30% YoY, thanks to robust GMV growth of Ele.me and the rapid order growth of Amap. LSG's adjusted EBITA loss narrowed to RMB2.0bn in 1QFY24 (1QFY23: loss of RMB2.8bn), thanks to the continued narrowing of losses driven by Ele.me's order growth and positive unit economics per order, as well as rapid order growth of Amap driven by market demand.

Cainiao (9.2% of 1QFY24 revenue)

Revenue from Cainiao came in at RMB23.2bn in 1QFY24, up 34% YoY, driven by increase in revenue from international fulfilment solution services and domestic consumer logistics services. Due to the improved results from international fulfilment services and domestic consumer logistics services, adjusted EBITA swung from loss of RMB185mn in 1QFY23 to profit of RMB877mn in 1QFY24. Looking ahead, we expect Cainiao to pass on profit to its customers and partners in order to lay a more solid foundation for long-term revenue and scale expansion.

Cloud Intelligence Group (10.0% of 1QFY24 revenue)

Revenue of Cloud Intelligence group came in at RMB25.1bn in 1QFY24, up 4% YoY, in line with our estimates. We attribute the mild recovery in revenue growth to soft demand recovery amid macro headwinds, and normalization of CDN demand compared to the same period last year. Although recovery in revenue growth of cloud likely still takes time, long-term revenue growth is still on track, since cloud business can effectively help enterprises improve operating efficiency.

Due to reduced colocation and bandwidth costs of DingTalk as a result of normalization of usage compared to 1QFY23, adjusted EBITA increased to RMB387mn in 1QFY24 (1QFY23: RMB188mn). We forecast Cloud Intelligence Group revenue to grow 6% YoY to RMB108.5bn in FY24, and to achieve adjusted EBITA of RMB2.1bn in FY24, implying an EBITA margin of 1.9%, up 0.6pp YoY.

Revision of forecast and valuation

Key changes to our forecast include:

- 1) We lifted FY24/25/26E revenue forecast by 2/6/8%, in order to reflect better-than-expected revenue growth outlook for TT Group driven by the implementation of business adjustment, and better-than-expected revenue growth outlook for Cainiao, thanks to better-than-expected revenue growth driven by international expansion.
- 2) Driven by better-than-expected unleash of operating leverage aided by better-than-expected revenue growth, and operating efficiency improvement across business lines, we lifted non-GAAP NPM forecast by 0.9/0.8/1.4pp for FY24/25/26E.

Figure 13: Alibaba: forecast revision

RMB bn	Current			Previous			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	985.2	1108.7	1215.5	963.1	1048.8	1122.3	2.3%	5.7%	8.3%
Gross Profit	371.4	414.7	454.6	350.6	380.7	406.3	5.9%	8.9%	11.9%
Non-GAAP net profit	176.8	194.2	220.5	163.3	175.5	187.2	8.3%	10.7%	17.8%
Gross Margin	37.7%	37.4%	37.4%	36.4%	36.3%	36.2%	1.3 ppt	1.1 ppt	1.2 ppt
Non-GAAP net margin	17.9%	17.5%	18.1%	17.0%	16.7%	16.7%	0.9 ppt	0.8 ppt	1.4 ppt

Source: CMBIGM estimates

Figure 14: CMBIGM estimates vs consensus

RMB bn	Current			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	985.2	1108.7	1215.5	948.8	1031.7	1122.3	3.8%	7.5%	8.3%
Gross Profit	371.4	414.7	454.6	351.3	384.5	421.3	5.7%	7.8%	7.9%
Non-GAAP net profit	176.8	194.2	220.5	159.6	166.0	176.7	10.8%	17.0%	24.8%
Gross Margin	37.7%	37.4%	37.4%	37.0%	37.3%	37.5%	0.7 ppt	0.1 ppt	-0.1 ppt
Non-GAAP net margin	17.9%	17.5%	18.1%	16.8%	16.1%	15.7%	1.1 ppt	1.4 ppt	2.4 ppt

Source: Bloomberg, CMBIGM estimates

Valuation: target price of US\$156.1 per ADS

We updated our SOTP valuation to reflect Alibaba's "1+6+N" business reorganization. Our SOTP-based target price is US\$156.1 per ADS, and translates into 15.7x FY24E PE.

- 1) US\$73.3 per ADS for Taobao and Tmall Group, based on 8.0x FY24E EV/adjusted EBITA;
- 2) US\$16.6 per ADS for AIDC, based on 3.0x FY24E EV/revenue, currently we are assuming 20% net profit margin and 15x PE for the business at steady state;
- 3) US\$6.1 per ADS for local consumer services, based on an unchanged 1.7x EV/revenue on FY24E revenue. The 1.7x PS implies a discount to the current trading 2023E PS of 2.8x for Meituan, as Ele.me has relatively smaller market share.
- 4) US\$6.9 per ADS for Cainiao, based on the transaction in the most recent round of financing and Alibaba's 63% shareholding.
- 5) US\$25.8 per ADS for the Cloud Intelligence Group, based on a 4.2x PS multiple on FY24E revenue (before intersegment elimination), in line with the FY24E valuation multiple implied in our previous valuation.
- 6) US\$2.1 per ADS for Digital Media and Entertainment Group, based on 1.7x FY24 EV/S, in line with the 2023E target EV/revenue of iQIYI;
- 7) US\$11.2 per ADS for All Others, based on 1.0x FY24E EV/Sales.
- 8) US\$14.1 per ADS for strategic investment with 30% holding discount.

Figure 15: Alibaba: SOTP valuation

#	Segment (US\$m)	Valuation method	FY24E Rev (US\$m)	Adj. EBITA post tax	P/E (x)	EV/S (x)	Val. RMB mn	Val. US\$m	\$/share	Value split
1	Taobao and Tmall Group	8.0x FY24E P/E; 20% tax rate on adjusted EBITA	66,399	23,504	8.0		1,302,126	188,033	73.3	47%
2	Digital Commerce Group	3.0x FY24E EV/S	14,224			3.0	295,513	42,673	16.6	11%
3	Local Services Group	1.7x FY24 EV/S	9,167			1.7	107,918	15,584	6.1	4%
4	Cainiao Smart Logistics Network Limited	Last round transaction value; 63% shareholding	14,724				122,325	17,664	6.9	4%
5	Cloud Intelligence Group	4.2x FY24 EV/S on revenue before intersegment elimination	15,664			4.2	458,846	66,259	25.8	17%
6	Digital Media and Entertainment Group	1.7x FY24 EV/S, inline with iQIYI target EV/S	3,137			1.7	36,933	5,333	2.1	1%
7	All others	1.0x FY24 EV/PS	28,843			1.0	199,737	28,843	11.2	7%
Total Alibaba business							2,523,399	364,390	142.0	
INVESTMENTS										
1	Ant Group	Last round share buyback valuation; 33% shareholding					187,143	27,024	10.5	
2	Others	Market valuation					170,283	24,590	9.6	
Total investment (with 30% holding discount)									14.1	9%
Total (US\$m)									156.1	
#s of diluted ADS (mn)									2,565	

Source: CMBIGM estimates

Figure 16: Cloud computing: peers valuation comps

Companies	Ticker	Revenue growth (YoY%)			PS(x)		
		2023E	2024E	2025E	2023E	2024E	2025E
Amazon	AMZN US	11.3	12.0	12.6	2.6	2.3	2.0
Microsoft	MSFT US	8.9	12.2	13.5	10.8	9.6	8.5
Google	GOOG US	7.7	12.7	13.3	6.6	5.8	5.2
Salesforce	CRM US	11.8	10.8	10.9	6.0	5.4	4.8
Average					6.5	5.8	5.1

Source: Bloomberg, CMBIGM

Note: data as of 14 Aug 2023

Figure 17: Food delivery: peers valuation comps

Companies	Ticker	Revenue growth (YoY%)			PS (x)		
		2023E	2024E	2025E	2023E	2024E	2025E
Meituan	3690 HK	21.4	23.3	19.9	2.8	2.3	1.9
DoorDash	DASH US	28.8	17.3	16.8	3.7	3.2	2.7
Delivery Hero	HER GR	9.7	15.8	17.9	1.0	0.9	0.8
Just Eat Takeaway	TKWY NA	(0.5)	7.7	8.2	0.6	0.5	0.5
Average					2.0	1.7	1.5

Source: Bloomberg, CMBIGM

Note: data as of 14 Aug 2023

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Mar (RMB mn)						
Revenue	717,289	853,062	868,687	985,180	1,108,744	1,215,544
Cost of goods sold	(421,205)	(539,450)	(549,695)	(613,767)	(694,074)	(760,930)
Gross profit	296,084	313,612	318,992	371,413	414,670	454,613
Operating expenses	(206,406)	(243,974)	(218,641)	(219,715)	(236,162)	(250,402)
SG&A expense	(136,743)	(151,721)	(145,679)	(155,658)	(169,638)	(181,116)
R&D expense	(57,236)	(55,465)	(56,744)	(52,215)	(55,437)	(57,131)
Others	(12,427)	(36,788)	(16,218)	(11,842)	(11,087)	(12,155)
Operating profit	89,678	69,638	100,351	151,698	178,508	204,211
Interest income	72,794	(15,702)	(11,071)	(5,714)	2,217	2,188
Interest expense	(4,476)	(4,909)	(5,918)	(6,896)	(6,431)	(7,293)
Other income/expense	7,582	10,523	5,823	5,911	6,098	6,685
Pre-tax profit	165,578	59,550	89,185	144,999	180,393	205,792
Income tax	(29,278)	(26,815)	(15,549)	(24,650)	(36,079)	(41,158)
Others	6,984	14,344	(8,063)	10,837	9,979	10,940
After tax profit	143,284	47,079	65,573	131,186	154,293	175,573
Minority interest	7,294	15,170	7,210	4,926	6,652	8,509
Others	(270)	(290)	(274)	90	0	0
Net profit	150,308	61,959	72,509	136,202	160,945	184,082
Adjusted net profit	178,954	143,515	143,991	176,829	194,208	220,548
BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Mar (RMB mn)						
Current assets	643,360	638,535	697,966	903,899	1,029,450	1,205,986
Cash & equivalents	321,262	189,898	193,086	386,344	494,222	655,846
Restricted cash	35,207	37,455	36,424	36,424	36,424	36,424
Prepayment	124,708	145,995	137,072	149,747	167,420	182,332
Financial assets at FVTPL	162,183	265,187	331,384	331,384	331,384	331,384
Non-current assets	1,046,858	1,057,018	1,055,078	1,167,559	1,241,788	1,316,925
PP&E	147,412	171,806	176,031	268,047	319,050	372,533
Investment in JVs & assos	200,189	219,642	207,380	205,955	203,672	202,350
Intangibles	70,833	59,231	46,913	118,647	138,714	157,713
Goodwill	292,771	269,581	268,091	268,091	268,091	268,091
Financial assets at FVTPL	237,221	223,611	245,737	245,737	245,737	245,737
Other non-current assets	98,432	113,147	110,926	61,081	66,525	70,502
Total assets	1,690,218	1,695,553	1,753,044	2,071,458	2,271,238	2,522,911
Current liabilities	377,358	383,784	385,351	437,435	451,809	495,458
Short-term borrowings	3,606	8,841	7,466	8,336	9,427	10,335
Tax payable	25,275	21,753	12,543	21,692	30,667	33,750
Other current liabilities	87,337	81,730	89,392	94,452	106,810	117,099
Accrued expenses	261,140	271,460	275,950	312,955	304,905	334,275
Non-current liabilities	229,226	229,576	244,772	223,809	232,748	240,887
Long-term borrowings	38,335	38,244	52,023	52,023	51,186	51,186
Deferred income	3,158	3,490	3,560	3,975	4,495	4,928
Other non-current liabilities	187,733	187,842	189,189	167,811	177,068	184,774
Total liabilities	606,584	613,360	630,123	661,244	684,557	736,346
Share capital	1	1	1	1	1	1
Capital surplus	394,308	410,506	416,880	554,082	576,256	600,567
Retained earnings	554,924	563,557	599,028	735,140	896,085	1,080,167
Other reserves	(3,090)	(15,930)	(16,394)	2,511	2,511	2,511
Total shareholders equity	946,143	958,134	999,515	1,291,733	1,474,853	1,683,246
Minority interest	137,491	124,059	123,406	118,480	111,828	103,319
Total equity and liabilities	1,690,218	1,695,553	1,753,044	2,071,458	2,271,238	2,522,911

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Mar (RMB mn)						
Operating						
Profit before taxation	165,578	59,550	89,185	144,999	180,393	205,792
Depreciation & amortization	47,909	48,065	46,938	9,852	11,087	12,155
Tax paid	(29,278)	(26,815)	(15,549)	(24,650)	(36,079)	(41,158)
Change in working capital	50,297	(18,150)	13,482	68,680	(4,496)	28,298
Others	(2,720)	80,109	65,696	25,235	26,613	28,006
Net cash from operations	231,786	142,759	199,752	224,115	177,519	233,092
Investing						
Capital expenditure	(41,450)	(53,309)	(34,330)	(49,259)	(51,002)	(53,484)
Acquisition of subsidiaries/ investments	(1,735)	(15)	(22)	(31,154)	(31,154)	(31,154)
Net proceeds from disposal of short-term investments	(114,826)	(106,984)	(61,086)	0	0	0
Others	(86,183)	(38,284)	(40,068)	12,262	12,262	12,262
Net cash from investing	(244,194)	(198,592)	(135,506)	(68,151)	(69,894)	(72,376)
Financing						
Net borrowings	32,008	0	0	0	0	0
Proceeds from share issues	175	109	11	0	0	0
Share repurchases	(773)	(61,225)	(74,746)	0	0	0
Others	(1,328)	(3,333)	9,116	870	253	908
Net cash from financing	30,082	(64,449)	(65,619)	870	253	908
Net change in cash						
Cash at the beginning of the year	345,982	356,469	227,353	229,510	386,344	494,222
Exchange difference	(7,187)	(8,834)	3,530	0	0	0
Cash at the end of the year	356,469	227,353	229,510	386,344	494,222	655,846
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Mar						
Revenue	na	18.9%	1.8%	13.4%	12.5%	9.6%
Gross profit	na	5.9%	1.7%	16.4%	11.6%	9.6%
Operating profit	na	(22.3%)	44.1%	51.2%	17.7%	14.4%
Net profit	na	(58.8%)	17.0%	87.8%	18.2%	14.4%
Adj. net profit	na	(19.8%)	0.3%	22.8%	9.8%	13.6%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Mar						
Gross profit margin	41.3%	36.8%	36.7%	37.7%	37.4%	37.4%
Operating margin	12.5%	8.2%	11.6%	15.4%	16.1%	16.8%
Adj. net profit margin	24.9%	16.8%	16.6%	17.9%	17.5%	18.1%
Return on equity (ROE)	na	6.5%	7.4%	11.9%	11.6%	11.7%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Mar						
Net debt to equity (x)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)
Current ratio (x)	1.7	1.7	1.8	2.1	2.3	2.4
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Mar						
P/E	30.2	46.5	23.0	13.0	11.0	9.6
P/E (diluted)	30.7	47.0	23.2	13.0	11.0	9.7
P/B	4.9	3.0	1.7	1.4	1.2	1.1
P/CFPS	24.2	32.6	10.1	10.2	14.1	9.9

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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