



China | TMT

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Alibaba Group (9988 HK)

Advancing a 3Y Rmb380bn AI infrastructure build-out

Alibaba actively advancing a 3Y Rmb380bn AI infrastructure build-out

At the 2025 Apsara Conference held in Hangzhou on September 24, Alibaba Group's CEO, Eddie Yongming Wu, delivered a keynote speech titled "The Path to Super AI," outlining the company's ambitious artificial intelligence strategy. "An intelligence revolution driven by AI has just begun," he noted. According to Wu, achieving artificial general intelligence (AGI) is now a certainty; this, however, is only the starting point. The ultimate goal is artificial superintelligence (ASI) that can self-iterate and fully surpass human capabilities. He outlined a three-stage path to ASI: (1) "Intelligent Emergence," where AI gains generalized intelligence by learning vast human knowledge; (2) "Autonomous Action," (the current phase) where AI masters tool use and coding to "assist humans"; and (3) "Self-Iteration," where AI connects to the physical world and self-learns, ultimately "surpassing humans." As a "full-stack AI services provider," Alibaba Cloud will execute on two core pillars: (i) keep the Qwen (通義千問) family open-source and open; and (ii) build a "Super AI Cloud" as the next-generation computer. Wu disclosed that Alibaba is actively advancing a three-year Rmb380bn AI infrastructure program and will continue to increase investment. Under the long-term plan, by 2032 the power consumption of Alibaba Cloud's global data centers is expected to be 10× that of 2022.

Qwen3-Max's text capability surpasses GPT-5-Chat

Technically, the event was highlighted by the release of seven major model updates by CTO Jingren Zhou, including the flagship large language model Qwen3-Max. Qwen3-Max is Alibaba's largest and most capable model to date. It comes in two tracks—Instruct and Thinking. The preview version ranks third on the Chatbot Arena leaderboard, surpassing well-known models such as GPT-5-Chat. On SWE-Bench Verified—an evaluation of how well an LLM uses coding to solve real-world issues—the Instruct variant scored 69.6, placing it in the global first tier. On Tau2-Bench, which focuses on agent tool-calling capability, Qwen3-Max achieved a breakthrough score of 74.8, above Claude Opus 4 and DeepSeek-V3.1. The Thinking model also showed standout performance: combining tool use and parallel reasoning, it set new highs on reasoning tasks and reportedly achieved perfect 100-point scores on math-focused AIME 25 and HMMT—said to be a first domestically.

A Super AI Cloud as the next-generation computer

The Super AI Cloud is positioned as the next-generation computer—accelerating the industry's shift from CPU-centric traditional computing to GPU-centric AI computing. The new AI compute paradigm requires denser compute, more efficient networking and larger cluster scale. AI will supplant energy as the most important "commodity," and tokens are the "electricity" of the future. The vast majority of AI capabilities will be generated and delivered as tokens over cloud networks. Looking to the next decade, Alibaba Cloud aims to be a full-stack AI services provider and management predicts only five to six such super AI cloud platforms will exist globally in the future.

Cloud growth logic clearer; mid-term margin structure could improve

Alibaba Cloud has formed a Physical AI partnership with NVIDIA to jointly advance embodied-AI applications. Alibaba Cloud's Platform for AI (PAI) will integrate NVIDIA's Physical AI software stack and combine it with Alibaba Cloud's big-data/AI platform capabilities to provide end-to-end services—data preprocessing, synthetic-data generation, model training/evaluation, robotics reinforcement learning, and simulation testing—thereby shortening development cycles for embodied AI and ADAS-type use cases. In our view, it can provide a standardized R&D environment for clients in sectors like autonomous driving and robotics. This, combined with Alibaba's own large language models (LLMs), significantly enriches the depth and appeal of Alibaba Cloud's enterprise solutions.

We believe this year's Apsara Conference marks Alibaba Cloud's shift from a "follower" to an "AI technology definer." The coordinated breakthrough across the full stack (models + infrastructure + ecosystem) adds visibility to medium/long-term cloud growth. While the cloud growth logic is clearer and the margin mix could improve in the medium term, elevated capex may weigh on near-term free cash flow. We recommend investors to monitor the Group's pace of AI commercialization and signs of GPM improvement.

NON-RATED

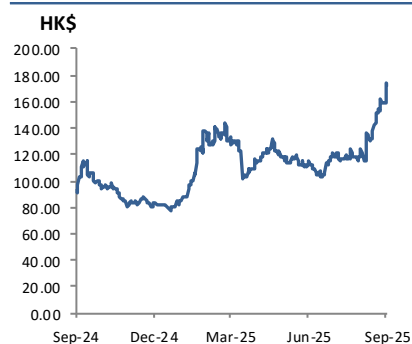
Last Price (HK\$)*	172.00
Target Price (HK\$)	N/A
Upside / (Downside)(%)	N/A
Previous rating	NON-RATED
Previous TP	N/A
Hang Seng Index*	26,484.68
* Prices as of	25-Sep-25

Key Data

Ticker	9988 HK
Market Cap (HK\$m)	3,280,493
3M avg daily T/O (HK\$m)	14,432.0
52-week High (HK\$)	177.80
52-week Low (HK\$)	76.74
Free Float (%)	90.3%
Shares O/S (m)	19,072.6

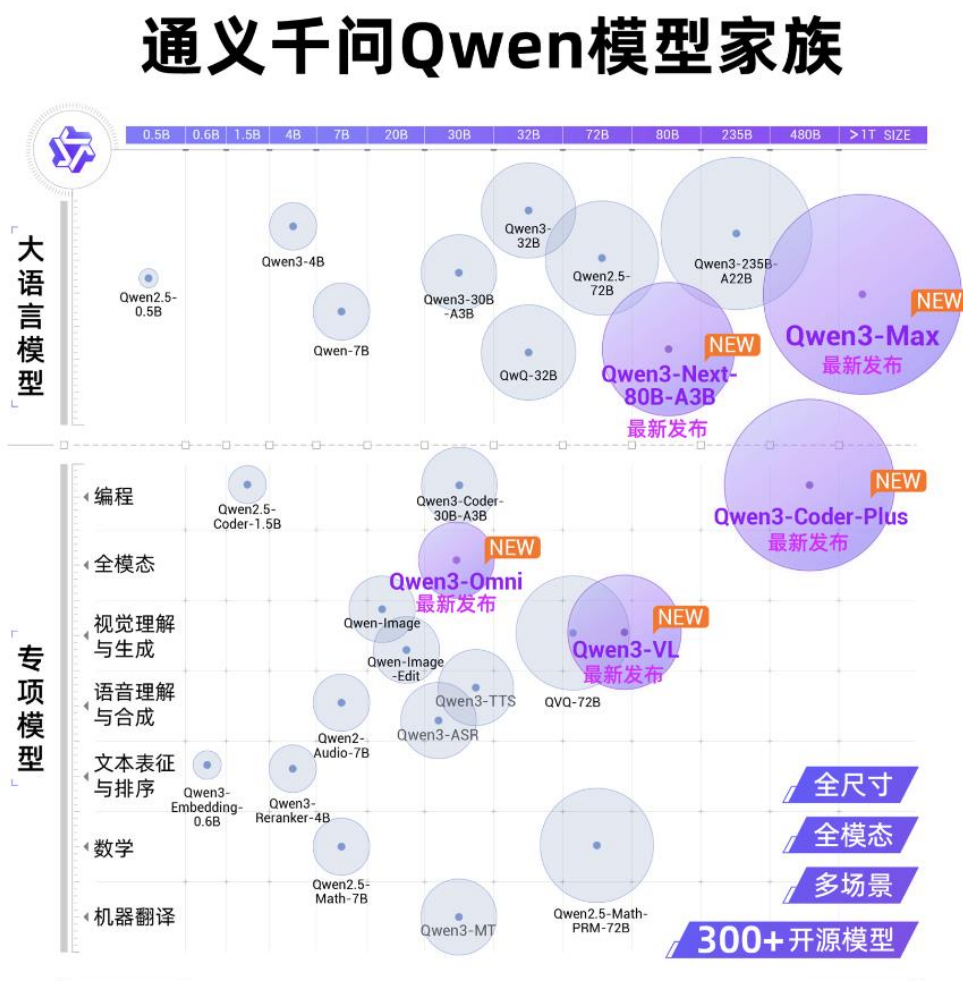
Performance	Absolute	Relative
1 month	38.2%	34.7%
3 months	48.9%	37.6%
6 months	34.7%	18.7%

Price Chart



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Figure 1 Qwen Family



开源全球第一 ■ 17万+全球衍生模型 ■ 全球下载量6亿+

苹果 FastVLM-7B | 英伟达 Qwen3-235B-A22B-Eagle3 | 英特尔 hebrew-math-tutor-v1 | 微软 GUI-Actor-7B-Qwen2-VL
DeepSeek DeepSeek-R1-Distill-Qwen-7B | 字节跳动 cudaLLM-8B | 金山软件 QZhou-Embedding | stepfun-ai/GOT-OCR2_0
月之暗面 Kimi-Dev-72B | 百川智能 Baichuan-M2-32B | 快手 Klear-Reasoner-8B |

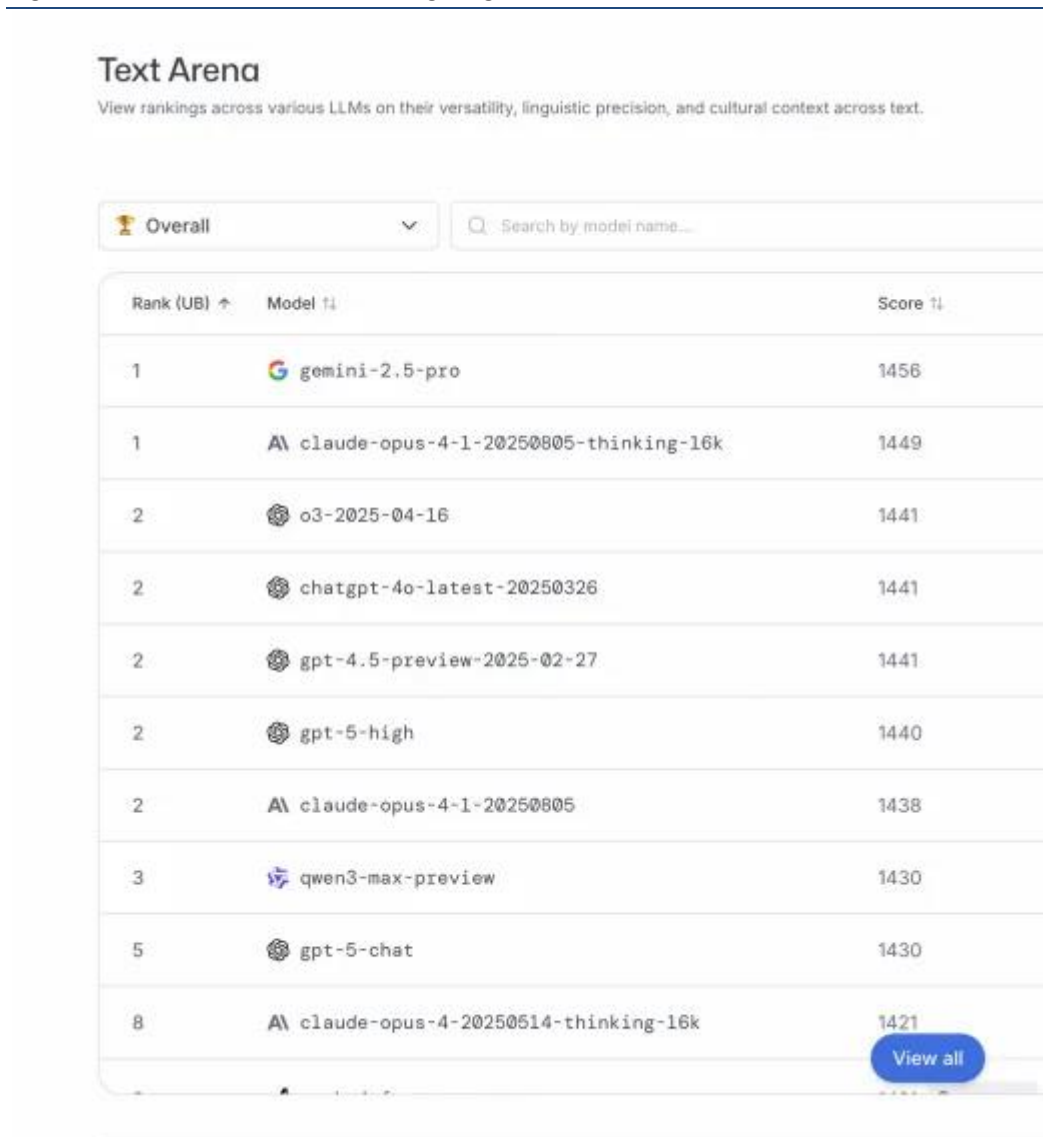
服务千行百业 ■ 100万+客户 ■ 中国企业使用量最多

※ 全球首个太阳大模型“金乌” | 辅助医生诊疗 | 手机终端智能体 | 超大城市治理数字化转型
政务服务智能助手 | 商户智能审核助手 | 汽车智能座舱 | 条款解读助手 | 智能眼镜

Source: Company data, Crosby Securities



Figure 2 Text Arena – Qwen3 Max ranking is higher than Chat-5-GPT



Source: Company data, Crosby Securities



Figure 3 Flagship model Qwen3-VL-235B-A22B performance is equal or better than Gemini 2.5 Pro

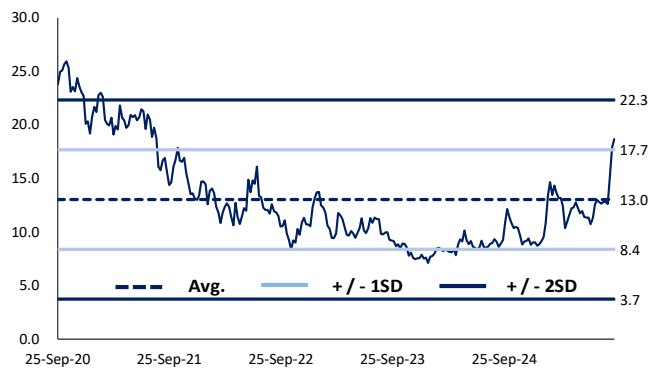
		Qwen3-VL 235B-A22B Instruct	Gemini2.5-Pro Thinkingbudget 128	GPT5 Minimal or Without thinking	Claude-Opus-4.1 Without thinking	Other Best Without thinking
STEM&Puzzle	MMMU _{VAL}	78.7	80.9	74.4*	77.2	73.6* (Seed1.5VL)
	MMMU_Pro	68.1	71.2	62.7*	60.7	59.9* (Seed1.5VL)
	MathVista _{mini}	84.9	77.7	50.9	74.5	83.0* (Seed1.5VL)
	MathVision	66.5	66.0	45.8	57.7	65.5* (Seed1.5VL)
	MathVerse _{mini}	72.5	65.9	43.0	68.1	65.4* (GLM4.5V)
	VisuLogic	29.9	26.9	27.2	27.2	33.0* (Seed1.5VL)
General VQA	MMBench_EN_V1.1 _{dev}	89.9	86.6	81.4	84.1	89.0* (InternVL3)
	RealWorldQA	79.3	76.0	77.3	68.5	78.0* (InternVL3)
	MMStar	78.4	78.5	65.2	71.0	76.2* (Seed1.5VL)
	SimpleVQA	63.0	66.9	56.7	55.7	63.1* (Seed1.5VL)
Subjective Experience and Instruction Following	HallusionBench	63.2	60.9	53.7	55.1	60.0* (Seed1.5VL)
	MM_MT_Bench	8.5	7.6	7.5	7.9	7.6* (Qwen2.5VL)
	MIABench	91.3	91.3	92.6	90.0	90.8 (Seed1.5VL)
Text Recognition and Chart/Document Understanding	MMLongBench-Doc	57.0	51.2	42.4	48.1	50.1 (Seed1.5VL)
	DocVQA _{TEST}	97.1	94.0	89.6	89.2	96.7* (Seed1.5VL)
	InfoVQA _{TEST}	89.2	82.9	69.9	60.9	87.3* (Qwen2.5VL)
	AI2D _{TEST}	89.7	90.0	84.1	84.4	89.7* (InternVL3)
	OCRBench	920.0	872.0	787.0	750.0	906* (InternVL3)
	OCRBenchV2 _[en/ch]	67.1 / 61.8	55.2 / 53.1	48.2 / 37.7	47.2 / 38.0	61.5 / 63.7* (Qwen2.5VL)
	CC_OCR	82.2	76.8	66.1	66.0	79.8* (Qwen2.5VL)
	CharXiv(RQ)	62.1	62.9	57.8*	60.2	59.8* (Seed1.5VL)
2D/3D Grounding	RefCOCO _{avg}	91.9	—	—	—	91.6* (Seed1.5VL)
	CountBench	93.0	91.0	87.8	91.9	93.6* (Qwen2.5VL)
	ODinW13	48.6	34.5	—	—	40.6 (Seed1.5VL)
	ARKitScenes	56.9	—	—	—	27.5 (Seed1.5VL)
	Hypersim	13.0	—	—	—	9.6 (Seed1.5VL)
	SUNRGBD	39.4	—	—	—	33.5* (Seed1.5VL)
	BLINK	70.7	70.0	62.8	62.9	70.2* (Seed1.5VL)
	MUIRBENCH	72.8	74.0	66.5	—	71.1* (GLM4.5V)
Embodied and Spatial Understanding	ERQA	51.3	50.3	42.0*	26.0	46.5* (GLM4.5V)
	VSI-Bench	62.6	31.4	—	—	48.4* (InternVL3)
	EmbSpatialBench	83.1	73.3	75.1	66.0	78.6* (RoboBrain 2.0)
	RefSpatialBench	65.5	35.4	23.1	—	54.0* (RoboBrain 2.0)
	RoboSpatialHome	69.5	49.2	43.6	—	72.4* (RoboBrain 2.0)
Video	VideoMME(w/o sub)	79.2	80.6	77.3	73.3	77.6* (Seed1.5VL)
	MLVU	84.3	81.2	78.3	71.2	81.8* (Seed1.5VL)
	LVBench	67.7	69.0	—	—	64.0* (Seed1.5VL)
	CharadesSTA	64.8	—	—	—	64.7* (Seed1.5VL)
	VideoMMU	74.7	79.4	61.6*	70.1	72.1* (Seed1.5VL)
Agent	ScreenSpot	95.4	—	—	—	88.7* (InternVL3)
	ScreenSpot Pro	62.0	—	—	—	60.9* (Seed1.5VL)
	OSWorldG	66.7	—	—	—	53.2* (InternVL3)
	AndroidWorld	63.7	—	—	—	62.1* (Seed1.5VL)
Coding	Design2Code	92.0	90.3	88.9	85.3	84.5* (GLM4.5V)
	ChartMimic_v2_Direct	80.5	79.9*	—	—	—
	UniSvg	69.3	67.9	—	—	—

Note: The default evaluation is conducted through API calls, and * indicates scores from the report. Results on video understanding are measured using a 256k-token context, handling up to 2048 frames.

Source: Company data, Crosby Securities

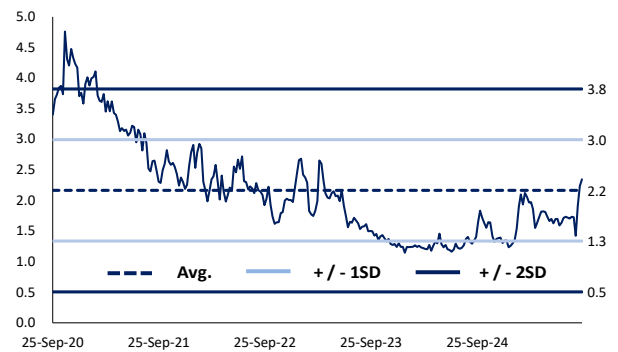


Figure 4 Historical 5-year forward PE range



Source: Bloomberg, Crosby Securities

Figure 5 Historical 5-year forward PB range



Source: Bloomberg, Crosby Securities

Summary financials

Yr ended 31 Mar	FY 2023	FY 2024	FY 2025
Income Statement (CNY'm)			
Revenue	868,687	941,168	996,347
YoY%	1.8	8.3	5.9
Gross profit	318,992	354,845	398,062
YoY%	1.7	11.2	12.2
EBITDA	158,091	168,606	193,795
YoY%	22.9	6.7	14.9
Net profit	72,783	80,009	130,109
YoY%	16.9	9.9	62.6
EPS (Fully diluted)	N/A	N/A	N/A
YoY%	N/A	N/A	N/A
DPS	N/A	N/A	N/A
YoY%	N/A	N/A	N/A
Balance Sheets (CNY'm)			
Cash & Cash Equiv	193,086	248,125	145,487
ST Investments	331,384	322,904	282,606
AR	32,134	30,686	31,172
Inventories	28,547	25,460	18,887
Other current assets	112,815	125,689	195,897
Total Current Assets	697,966	752,864	674,049
PP&E	253,459	262,088	242,550
LT Investments	245,737	220,942	356,818
Other Non-curr assets	555,904	528,970	530,832
Total Non-Current Assets	1,055,100	1,012,000	1,130,200
Payables & Accruals	281,562	299,654	339,299
ST Debts	19,197	36,298	27,438
Other current Liabilities	84,592	85,555	68,609
Total Current Liabilities	385,351	421,507	435,346
LT Debts	176,372	169,316	220,672
Other LT Liabilities	68,400	61,407	58,103
Total Long-Term Liabilities	244,772	230,723	278,775
Shareholders' Equity	999,537	997,307	1,021,593
Minority interests	123,406	115,327	68,535
Total Equity	1,122,943	1,112,634	1,090,128
Total Debts	195,569	205,614	248,110
Net cash / (debts)	(2,483)	42,511	(102,623)

Source: Company data, Crosby Securities

Yr ended 31 Mar	FY 2023	FY 2024	FY 2025
Cash Flow Statement (CNY'm)			
Net Income	72,783	80,009	130,109
Dep & Amort.	46,938	44,504	42,459
Working capital changes	13,482	(13,749)	(23,988)
Other adjustments	66,549	71,829	14,929
Cash From Operations (CFO)	199,752	182,593	163,509
YoY%	39.9	(8.6)	(10.5)
Capex	(34,352)	(32,929)	(85,972)
Other investments	(101,154)	11,105	(99,443)
Cash From Investing Activities	(135,506)	(21,824)	(185,415)
Free Cash Flow (CFO - Capex)	165,400	149,664	77,537
YoY%	84.9	(9.5)	(48.2)
Net change in debts	18,972	10,045	42,496
Shares issue & buyback (net)	(74,735)	(87,902)	(86,652)
Dividends	0	(17,946)	(29,077)
Others	(5,295)	(9,927)	(7,499)
Cash from Financing Activities	(61,058)	(105,730)	(80,732)
Opening cash	189,898	193,086	248,125
Net Changes in Cash	3,188	55,039	(102,638)
Closing cash	193,086	248,125	145,487
Ratios			
Gross margin	36.7%	37.7%	40.0%
Ebitda margin	18.2%	17.9%	19.5%
Net margin	8.4%	8.5%	13.1%
Payout	25.8%	22.5%	13.8%
Effective tax	17.4%	22.2%	22.8%
Ebit margin (%)	10.0	10.8	17.2
Interest burden (x)	1.02	1.00	0.91
Tax burden (x)	0.81	0.78	0.83
Asset turnover (x)	0.50	0.54	0.56
Leverage (x)	1.76	1.76	1.77
ROE	7.5%	8.1%	13.0%
ROIC	5.5%	5.9%	8.3%
Total debts / Total Capital	14.8%	15.6%	18.5%
Net debts / SH Equity	0.2%	Net cash	10.0%



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Neutral (N): The stock's potential total return is expected to be ranging from -10% to 10%/15% for Large Caps/Small&Mid Caps, respectively.

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