

Alibaba (BABA US)

FUNDAMENTAL VIEW ¹

As of 15 Sep 2025

- We maintain our O/P recommendation on BABA post its decent F1Q26 results; topline growth missed expectations, EBITDA margin fell 1 ppt, and FOCF turned negative; that said, gross leverage remained modest, with a strong net cash position intact. We view BABA as a core holding in China/Asia IG credits, and it is our preferred duration play. Its longer duration bonds trade ~40 bp wider than Chinese SOEs of similar tenors. In particular, we like BABA 2035. Within China tech credits, we prefer BABA over BIDU/JD, which are rated 1-2 notches lower but trade only marginally wider. We also view BABA to be more defensive compared to high beta BBB China tech credits while offering value.

RISKS & CATALYSTS

As of 15 Sep 2025

- While Chinese policymakers have adopted an increasingly friendly stance towards tech platforms, regulatory clampdown (e.g. anti-monopoly guidelines, data security laws, personal information protection laws) may still affect Alibaba as it increases compliance cost. There are regulatory risks given the corporate structure which uses variable interest entities (VIEs) to circumvent China's restrictions on foreign ownership of Internet Content Providers (ICPs).
- Intensifying competition amongst eCommerce platforms may result in slower topline growth and weaker EBITDA margins.
- Alibaba does not control Alipay but relies on Alipay to conduct substantially all the payment processing and escrow services on its marketplaces.
- US-China tension may escalate under the new Trump Administration, including additional chip sanctions, which may result in higher volatility. Failing to secure a stable supply of advanced AI chips and/or find domestic alternatives could weigh on the long-term AI development of Alibaba against international peers.

CREDIT QUALITY SCORE (CQS) ²

As of 24 Oct 2025

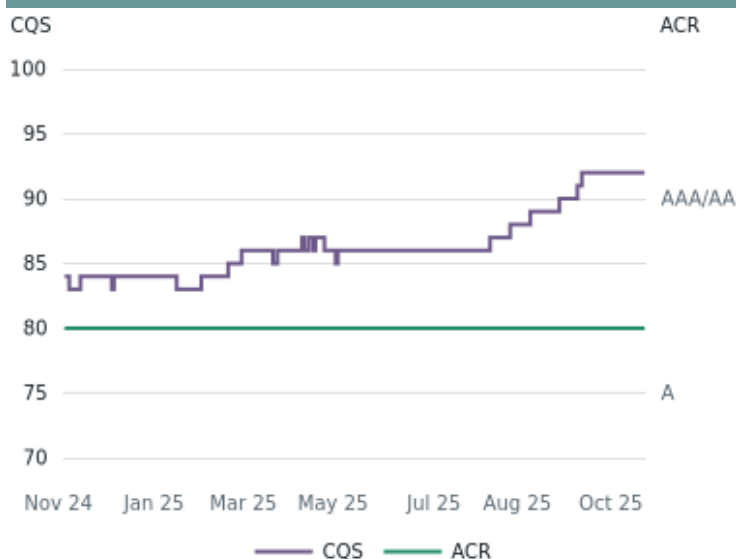
CURRENT CQS

92

CQS OUTLOOK ³



HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) VS CQS



KEY METRICS

As of 15 Sep 2025

CNY BN	FY22	FY23	FY24	FY25	LTM F1Q26
Debt to Book Cap	11.6%	12.6%	13.3%	17.5%	17.5%
Debt/Total Equity	13.1%	14.4%	15.3%	21.2%	21.2%
Debt/Total Assets	8.3%	9.2%	9.7%	12.8%	12.6%
Gross Leverage	0.9x	0.9x	0.9x	1.2x	1.2x
Interest Coverage	32.2x	29.6x	24.0x	20.7x	19.9x
EBITDA Margin	18.5%	20.2%	20.3%	19.9%	19.6%

Alibaba has historically maintained a net cash position. Year-end: 31 March

BUSINESS DESCRIPTION

As of 15 Sep 2025

- Founded in 1999, Alibaba is the largest retail commerce company in the world based on gross merchandise volume (GMV) as of 31 March 2023.
- The company's business segments comprise Taobao & Tmall Group (39% of F4Q25 revenue; China e-commerce incl. Taobao, Tmall, Taobao Deals, Taocaicai, 1688.com), International Digital Commerce (13%; incl. Lazada, AliExpress, Trendyol and Daraz), Cloud Intelligence Group (11%; incl. AliCloud, AI), logistic provider Cainiao (8%), Local Consumer Services (6%; incl. Ele.me, Amap), and Digital Media and Entertainment (2%, incl. Youku & Alibaba Pictures) and Others (21%; incl. Freshippo, Fliggy, Alibaba Health, Intelligent Information Platform, SunArt, DingTalk).
- Taobao/Tmall is Alibaba's core business and the main EBITA & cash generation unit of the group. Alibaba's annual active consumer exceeded 1 bn in June-2022.
- Alibaba had a market capitalization of RMB 2.7 tn as of 15 September 2025.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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