



Alibaba Group Chairman & CEO Daniel Zhang Addresses Analysts after Announcing September 2020 Quarter Earnings on November 5, 2020

Hello everyone. Thanks for joining our earnings call today.

Alibaba has delivered another strong quarter, thanks to digital adoption accelerated by COVID and the rapid economic recovery in China following its effective control of the pandemic. According to the National Bureau of Statistics, China's economy continued to recover in the September quarter, with GDP growth reaching 4.9% year-over-year and retail sales resuming positive growth year-over-year. Digitalization is now universally recognized as the way forward in the post-pandemic world. And as I shared during Investor Day, Alibaba is best positioned to enable everyone to capture the opportunity of digitalization.

Our China retail marketplaces continued its healthy growth this quarter. Annual active consumers on our China retail marketplaces reached 757 million for the 12 months ended September 30, 2020, representing a quarterly net increase of 15 million, while our Mobile MAUs reached 881 million. These reflect Taobao's continuing strong consumer mindshare, healthy user stickiness and engaging user experience as a leading consumer community globally. Tmall online physical goods GMV, excluding unpaid orders, grew 21% year-over-year this quarter.

FMCG continued to be the fastest-growing category with 28% GMV growth year-over-year, of which food and healthcare increased 38% and 50% year-over-year, respectively. In addition, the growth rate of Tmall apparel is now higher than what it was during the pre-Covid December quarter. For Tmall electronics, GMV growth slowed down during the quarter partially due to the delay in iPhone's new model release date this year relative to last year. In October, we saw growth of over 50% year-over-year in Tmall's mobile phone category.

This past quarter, we upgraded the Taobao mobile app homepage, and user feedback has been incredibly positive. The new homepage features a more-immersive user experience and enhanced content distribution in the recommendation feed. We saw a marked increase in both user time spent as well as page views of both product listings and content in response to the changes, which sets the stage for potential monetization opportunities in the future.

Taobao Deals, our marketplace for value-conscious consumers, continued its strong growth during the quarter. Mobile MAU exceeded 70 million in September, which

represented a net add of 30 million MAUs since June. Consumers who use both the Taobao app and the Taobao Deals app to make purchases showed faster growth in purchase frequency and average spending compared to those who only use the Taobao app.

We kicked off the 2020 11.11 Global Shopping Festival and this year we extended the festival from 24-hours to a 11-day campaign with two shopping windows. The first window is from November 1st to November 3rd and the second is November 11th. We have made this change for a number of important reasons. We want to give consumers more time to browse and get the deals while easing pressure on the logistics infrastructure. This helps consumers receive their packages sooner and enjoy a better shopping experience.

Our merchants will also benefit from more exposure and selling opportunities that will help them recover from the impact of the pandemic. This year, 11.11 goes beyond online shopping for physical products.

Alipay, together with our local services platforms, will also offer digital vouchers for services and experiences such as dining, beauty treatments, travel and entertainment. Our youthful and fun interactive engagement features this year aim to create a delightful shopping experience for our consumers and a better platform for brand expression for our merchants. On November 1, the first day of Double 11, over 100 brands each surpassed RMB100 million GMV within the first 111 minutes. On the same day, 357 new brands on the platform became the top seller in their respective subcategories.

Our new retail businesses Freshippo and Taoxianda continued their rapid growth during the quarter. Many consumers started ordering fresh produce and groceries online from their neighborhood stores during the pandemic, and this has become a habit in the post-pandemic environment. Serving the local neighborhood through online channels has become a necessity for all brick-and-mortar businesses. In October, we invested US\$3.6 billion to acquire a controlling stake in Sun Art. The purpose of this investment is to further strengthen our explorations in New Retail by driving deeper digital transformation of the hypermarket model, to leverage Sun Art's competitive advantages in supply chain, and to create more synergies between Sun Art and Alibaba's digital ecosystem.

Ele.me's average daily number of paying members in the September quarter grew 45% year-over-year due to the acquisition of high-quality merchants and addition of highly engaging content. Alipay continued to play an important role in Ele.me's new user acquisition. Through category expansion and service differentiation, Ele.me is also expanding from a food delivery platform to a destination for on-demand delivery services and in-store consumption services.

Our businesses related to the international markets continued to enjoy rapid growth. As the leading cross-border import platform in China, Tmall Global GMV grew 37% year-over-year during the quarter excluding unpaid orders. The number of brands and

merchants on Tmall Global as of September 30, 2020 grew at a double-digit rate year-over-year. In October, we announced an investment in Dufry, an international travel retailer, to set up a strategic joint venture in China to explore the travel retail market. Lazada, our leading e-commerce platform in Southeast Asia, continued to grow over 100% year-over-year in order volume despite new waves of COVID-19 in many markets. AliExpress, our international cross-border marketplace, continued its business recovery amid the ongoing impact of the pandemic.

Cainiao Network continued to expand both its domestic services and global smart logistics infrastructure. Its consumer-facing services in China include Cainiao Post, which operates a network of community stations, campus stations and smart pickup lockers; and Cainiao Guoguo, which offers crowdsourced parcel pick-up and delivery service through its app. These two services continued to grow rapidly during the quarter. Overseas, Cainiao has established in-market local logistics networks in 15 countries and regions by collaborating with global partners. During our Investor Day, we announced that Cainiao is expected to achieve positive operating cash flow this fiscal year. We are happy to see the progress of Cainiao's business development and improvement in its financial results. At the same time, Cainiao will continue to invest for the future to create long-term value.

Alibaba Cloud delivered strong revenue growth at 60% year-over-year during the quarter, with public sectors and financial services contributing the highest growth. We announced at our Investor Day that Alibaba Cloud is expected to turn profitable by the end of this fiscal year. We believe cloud computing is fundamental infrastructure for the digital era, but it is still in the early stage of growth. We are committed to further increasing our investments in cloud computing.

As you may know, Ant Group closed its IPO subscription on October 30th with oversubscriptions from institutional and retail investors. However, on November 3, Ant Group announced that it was notified by the relevant regulators that its proposed A Share listing on the Shanghai Stock Exchange was suspended due to material matters relating to the regulatory interview of its ultimate controller, executive chairman and chief executive officer by the relevant regulators and recently proposed changes in the Fintech regulatory environment. Consequently, the concurrent proposed H Share listing on the Hong Kong Stock Exchange was also suspended. As Ant Group's major shareholder, Alibaba is actively evaluating the impact on our business in response to the recently proposed changes in the fintech regulatory environment, and will take appropriate measures accordingly.

During Investor Day, I had shared my view that digitalization is the biggest opportunity of our time. Alibaba is fully prepared to capture the opportunity with the solid foundation that we built over the past 20 years. Looking forward, we will continue to drive our business with our three strategies: domestic consumption, cloud computing and data intelligence, and globalization. We look forward to exploring the future of this digital era together with you.