BERNSTEIN
SOCIETE GENERALE GROUP

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China Internet

China Internet: Is bad news now... good news?



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A bounce... or something more? In this note we outline some latest thoughts on the China Internet sector, taking stock of the latest developments and data points across the industry, recent discussions with the large caps we cover, and investor feedback we'd heard in a few dozen meetings with investors on the road in North America.

If it can't get worse... We started 2026 with a cautious top-down view. Some concerns on macro and regulation persist, though compared with December, investor perceptions and sector valuations have caught down in recent months. Some of the narratives we'd heard on AI costs (e.g. unconstrained inference costs even while agentic AI engagement remains low) had become misinformed and overly negative. At the risk of sounding wishful (consumption remains anemic, but non-growth in Q2 was at least partly influenced by high 6.18 comps), we do wonder if the NBS' willingness to report below-target GDP growth might precede a period of less repressive macro policy.

Is AI capex good again? The combination of Tencent's Hy3 release and Alicloud growth remaining on track (plus e-commerce profits proving better than feared) likely catalysed the recent bounce in sector sentiment. For Tencent, Xiaowei feedback and the timing of the next Hy4 pre-train represent the next data points to watch. Alibaba moving T-head into its Cloud segment felt a little cute, but should contribute to revenue growth. Chip sales to neocloud businesses (who then lease back compute?) feels circular, but are probably necessary on the path to a possible spin-off T-head IPO.

Beyond tokenmaxxing... the next leg of AI adoption. More cost-efficient use of AI should ultimately be bullish for adoption. Open source progress is bullish for everyone... except closed source AI labs rushing to IPO. That said, the transition between the top 1% of power users spending heavily, and more broad-based adoption, bears monitoring. In contrast with Western markets where investors have largely abandoned hope for consumer AI monetisation, trillions of RMB of Weixin Mini Program GMV represent the obvious opportunity for Tencent, with monetisation happening via merchants.

Beneficiaries of cheaper, more capable AI. Google Gemini using Capcom to justify the usefulness of its AI product felt like a useful data point in the gaming disruption debate. We remain of the view that AI solves for production, but not IP credibility or multiplayer network effects. Some give-back is likely in NetEase's shares after Sea of Remnants launches, but low H2 comps, higher buybacks, likely southbound inclusion, and eventual Ananta news remains an attractive catalyst runway in our view. AI enabling better matching should help Boss Zhipin improve ARPJ and enterprise ARPU.

Tactical stock thoughts. Tencent remains modestly valued in our view. The "all-clear" for shorter-term investors will likely require operating profit revisions to bottom, a blockbuster new game (Delta Force continues to perform strongly), or perhaps Hy4 to truly settle the AI debate. But we doubt the stock stays on 11-12x forward PE as these things play out. We like NetEase, and JD and BZ feel too cheap to us, given double-digit profit growth. Meanwhile, we won't have been the only ones to notice the seasonal trade in Alibaba's shares into the Apsara cloud conference... or the value of its CXMT and Kimi stakes.

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.

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BERNSTEIN TICKER TABLE

			17 Jul 2026		TTM	Adjusted EPS				Adjusted P/E (x)		
			Closing	Price	Rel.							
Ticker	Rating	Cur	Price	Target	Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
700.HK (Tencent)	O	HKD	461.60	780.00	(38.1)%	CNY	28.09	30.00	34.91	14.2	13.3	11.4
BABA (Alibaba)	O	USD	117.49	180.00	(18.3)%	CNY	65.41	26.82	46.57	12.2	29.7	17.1
9988.HK (Alibaba)	O	HKD	112.60	176.00	(27.3)%	HKD	8.82	3.69	6.68	11.0	26.4	14.6
NTES (NetEase)	O	USD	130.33	150.00	(20.6)%	CNY	58.02	62.29	66.77	15.2	14.2	13.2
9999.HK (NetEase)	O	HKD	202.80	235.00	(29.9)%	HKD	12.59	14.24	15.33	16.1	14.2	13.2
JD (JD)	O	USD	29.68	40.00	(27.6)%	CNY	18.15	**24.02**	**31.53**	11.1	8.4	6.4
OLD								22.08	30.12			
9618.HK (JD)	O	HKD	116.30	155.00	(34.0)%	HKD	10.46	**13.84**	**18.16**	11.1	8.4	6.4
OLD								12.72	17.35			
BZ (Kanzhun)	O	USD	15.15	18.00	(36.7)%	CNY	7.87	8.42	10.16	13.0	12.2	10.1
3690.HK (Meituan)	M	HKD	83.65	85.00	(60.7)%	CNY	(3.00)	0.39	4.25	(24.1)	183.6	17.0
PDD (PDD)	M	USD	86.68	110.00	(38.1)%	CNY	72.38	74.90	83.54	8.1	7.8	7.0
ASIAX			1,865.18									
SPX			7,457.69									

ESTIMATE CHANGE IN BOLD

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

Source: Bloomberg, Bernstein estimates and analysis.

INVESTMENT IMPLICATIONS

Was that rock bottom? From a starting point where valuation multiples in the sector fell mostly to trough 2022-2023 levels, Tencent's Hy3 model release and Alibaba Q1 earnings sounding better than feared - along with extreme semis positioning detonating - have catalysed a rebound in our sector coverage, and investor sentiment. The ROI on hyperscaler capex will continue to be debated. But some of the bearish views we'd heard around agentic AI inference costs had become badly misinformed, and almost certainly overly negative.

Tactically, the set-up for the next few months feels constructive to us. Q2 reporting should be somewhat de-risked at this point. Tencent's Xiaowei roll-out will be gradual, but early feedback has been solid, and it's not hard to see how the functionality can dovetail with agent2agent agreements signed with the main Android smartphone makers. The full Hy3 release has helped to improve perceptions of the company's model-building credentials. For Alibaba, the decision to move Freshippo and T-head into China E-commerce and Cloud segments should help to boost reported growth in these segments, on top of ongoing capex and potentially more price increases for compute supporting the latter. The CXMT IPO and Apsara cloud conference line the catalyst runway in the next few months.

Elsewhere, some give-back is likely in NetEase's shares after Sea of Remnants launches (the domestic mobile game launches Jul 23), but low H2 revenue comps, accelerating buybacks, southbound inclusion, and eventual Ananta news flow remains an attractive path forward in our view. We continue to like JD and Boss Zhipin too - trading on mid-single digit forward PE multiples (the latter 4x ex-cash and investments) in contrast with double-digit earnings growth.

VALUATION COMPS TABLE

EXHIBIT 1: **Asia Internet: valuation summary**

	Rating	Price target	Last price	Crncy	Market cap (US$mn)	PE 2026E	PE 2027E	PE 2028E	EV/sales 2026E	EV/sales 2027E	EV/sales 2028E
China Internet coverage											
Tencent	O	780	483.20	HKD	560,510	14.0x	12.0x	10.4x	4.6x	4.0x	3.5x
PDD	M	110	85.74	USD	122,042	7.9x	7.1x	6.3x	0.7x	0.4x	0.2x
Meituan	M	85	86.65	HKD	68,259	194.1x	18.0x	10.4x	0.9x	0.8x	0.6x
NetEase	O	150	129.76	USD	82,803	14.3x	13.3x	12.6x	3.4x	3.2x	3.0x
Boss Zhipin	O	18	14.90	USD	7,054	12.0x	10.0x	8.9x	3.0x	2.1x	1.6x
JD	O	40	29.28	USD	39,991	8.3x	6.3x	4.8x	0.2x	0.2x	0.2x
Alibaba	O	180	117.69	USD	282,111	29.5x	17.8x	14.6x	1.9x	1.8x	1.7x
China Internet other											
Kuaishou			47.64	HKD	26,386	11.0x	9.8x	8.5x	1.1x	1.0x	0.9x
Bilibili			18.28	USD	7,770	18.1x	14.3x	10.9x	1.2x	1.0x	1.0x
TME			8.86	USD	14,721	9.3x	8.5x	7.8x	1.9x	1.7x	1.6x
Baidu			111.48	USD	37,931	14.6x	12.8x	10.4x	1.1x	1.0x	0.9x
VIPshop			14.23	USD	6,834	5.6x	5.4x	5.2x	0.3x	0.2x	0.2x
Tencent Music			8.86	USD	14,721	9.3x	8.5x	7.8x	1.9x	1.7x	1.6x
Trip.com			42.87	USD	26,995	12.0x	10.4x	9.3x	2.0x	1.8x	1.6x
KE Holdings			17.03	USD	19,709	18.0x	15.4x	15.1x	1.2x	1.1x	1.1x
Asian Internet											
Naver	O	330,000	186,300	KRW	19,685	13.2x	11.8x	10.3x	1.3x	1.1x	0.7x
Kakao	O	80,000	34,950	KRW	10,423	19.6x	17.4x	14.3x	1.0x	0.7x	0.5x
Hybe	O	400,000	203,500	KRW	5,905	20.2x	20.0x	16.3x	1.3x	1.4x	1.2x
Coupang	U	12	17.42	USD	31,270	-46.0x	82.7x	40.2x	0.7x	0.7x	0.6x
Sea Ltd.			111.36	USD	68,206	30.5x	22.3x	17.8x	2.0x	1.7x	1.4x
Grab			3.82	USD	15,664	37.8x	25.3x	18.6x	2.8x	2.3x	1.9x
US Internet											
Amazon			254.96	USD	2,742,633	24.9x	22.0x	17.5x	3.4x	3.0x	2.7x
Alphabet			370.92	USD	4,511,595	25.7x	24.2x	20.1x	10.6x	8.7x	7.2x
Meta			681.31	USD	1,729,453	17.6x	15.5x	13.4x	6.9x	5.7x	4.9x
Netflix			73.68	USD	310,252	21.0x	19.2x	16.0x	6.1x	5.5x	5.0x
Uber			72.67	USD	147,927	22.1x	16.4x	13.3x	2.7x	2.3x	2.0x
Spotify			485.38	USD	99,907	33.2x	26.9x	22.0x	4.1x	3.5x	3.1x
DoorDash			190.16	USD	82,856	42.0x	28.5x	21.4x	4.5x	3.8x	3.2x

Pricing date July 16, 2026. The valuation multiples of our China and Asian Internet coverage are based on Bernstein estimates; the other companies shown reflect Bloomberg consensus estimates.
Source: Corporate reports, Bloomberg, Bernstein estimates and analysis.

DETAILS

TAKING STOCK OF THE CHINA INTERNET SECTOR

This note serves as a summary of some of our latest thoughts on the China Internet sector. At a high level, a confluence of fundamental and flow headwinds contributed to a difficult first six months of 2026, with the average stock we cover falling 16% year to date (after the recent pop). Some of the concerns we'd had about consumption growth and the state of regulation at the start of 2026 persist. On the other hand, the catch down in sector valuations since the start of the year left most stocks we cover back near trough 2022-2023 level valuations until a couple weeks ago, and should mean risk-reward in the sector is somewhat improved.

Fundamentally, some of the discourse around AI spend (e.g. the idea the platforms will need to sponsor inference cost ad infinitum) had become extreme in our view. The debate around AI capex and ROI will continue, but with Xiaowei (Weixin agent) now rolling out to users, and Alibaba's Apsara cloud conference on the horizon, we're hopeful the debate will at least partly shift to what can go right.

AI inference costs only scale if transactions and GMV follow

Aside from the ongoing global debate about the magnitude of AI capex, and the ROI that results, one of the core bearish arguments we've heard related to Tencent and Alibaba has centred around earnings revisions, and the risk the AI roll-out for these companies means they'll need to carry significant losses related to inference costs - while consumer AI monetization remains minimal.

Relative to operating cash flow, Tencent's capex (10.9% of LTM revenue) remains modestly lower than Alibaba levels (12.3% on the same basis). Compared on the basis of gross profit and operating cash flow, Tencent's capacity for capex raises remains far greater. Going forward, both Tencent's cash flow headroom and management commentary point to sequential capex increases in the next few quarters. The debate on long-term ROIC won't be settled anytime soon. Near term though we note Alicloud saw revenue accelerate to the mid-40% range in the June quarter, while low-teens margins likely implied 35-40% incremental cash margin. Alibaba signaled for compute price increases to continue in the rest of the year.

On inference costs, some spend is likely, we'd note that chatbot-style conversations typically consume hundreds of tokens, while agentic transactions require tens of thousands. Said differently, Tencent's token consumption only goes parabolic if agentic transaction volume and GMV take off. A time lag is likely between engagement and monetisation growth, but history suggests the latter is a matter of when not if. Alibaba notably now calls Qwen app engagement "less of a priority". That puts the billions of RMB spent on bubble tea subsidies into perspective… but more focused capital allocation is probably a good thing.

Food delivery losses are coming down faster than expected, but…

Overall, we thought Alibaba's tone on the June quarter sounded largely in-line with expectations, with the notable exception of quick commerce where losses are clearly coming down faster than we and the Street had modeled. We'd previously argued (and we think most buyside investors had anticipated) that Alibaba was likely to cut spend faster than guided.

Overall though we stand by our view that e-commerce, food delivery, and quick commerce had become a single market where online penetration had reached fairly high levels, and competition is likely to remain fierce and largely fungible. While non-growth in retail consumption in May was likely a function of high 6.18 comps from 2025, our 2.5% growth trend-line remains base case for retail consumption SAAR growth. In Q2, NBS data pointed to restaurant industry revenues reaching 12.9% of aggregate retail consumption, close to the 13% long-term average.

6-7x forward PE is probably a low-water mark even for e-commerce valuations. But even more generous multiples leave us with mixed feelings on Meituan upside after the rebound in recent weeks… especially if one assumes that LongCat 2.0 was closer to the beginning than the end of Meituan's AI investments (the ongoing will-they-won't-they in the Middle East is presumably not great for business growth, though lower order volumes likely still imply lower losses).

Reports that China's CSRC has approved a Shein IPO in Hong Kong might refocus investors on the question of what Temu should be worth - we don't begrudge tactical investors for trying to see the bright side. But PDD management's continued disinterest in engaging with investors remains the bigger issue for longer-term focused investors. What is the sum of discounted future cash flows for a stock, when management consistently refuse to entertain the concept of capital returns?

Further thoughts on Tencent's AI efforts

In recent weeks, the combination of Hy3 showing impressive gains from the April preview - and Xiaowei starting to be rolled out for testing - has driven a bounce in Tencent sentiment. Our recent meetings with investors in North America made us feel these developments remain under-appreciated among folks further from home. On the other hand, our observation that the company's Hy and Weixin teams had continued to work separately struck a nerve among investors.

In our discussions with the company, management noted that the decision to keep the work streams separate reflected the desire to avoid interdependence, and the risk that delays on one front might propagate to the other. While Hy3 may now be coming out of what's been a retooling phase, the Weixin team was able to leverage models at the China frontier (e.g. DeepSeek). Management pointed to Yuanbao and more recently Workbuddy engagement (8-9mn monthly users, compared with Z.ai management noting there were 8-10mn software engineers in China) as sources of user feedback for the Hy3 team… and noted that the smaller WeLM model should help to keep inference spend in check as consumer engagement ramps up.

Our updated base case is that over time the degree of co-design between the Hy and Weixin teams does ultimately increase, as Hy4 and subsequent models deliver stronger performance. Applying the "average" China AI lab of a 2.0-2.5x increase in parameter scale to the Hy3 team would imply a Hy4 preview landing sometime around year-end. In general our sense is that most things Tencent hopes to achieve within Weixin are relatively straightforward by broader agentic AI standards… meaning the in-house model becomes "good enough" relatively quickly.

This may be premature, but it increasingly feels like the makings of a coherent AI strategy are starting to come into view, consisting of a light WeLM model serving as the orchestration service for Mini Programs and various other parts of Weixin, and inference compute delegated to the edge over time. Recent innovations like 1-bit quantizations of Bonsai 27B and Tencent's Hy3 model strike us as important but easy to miss developments related to the latter.

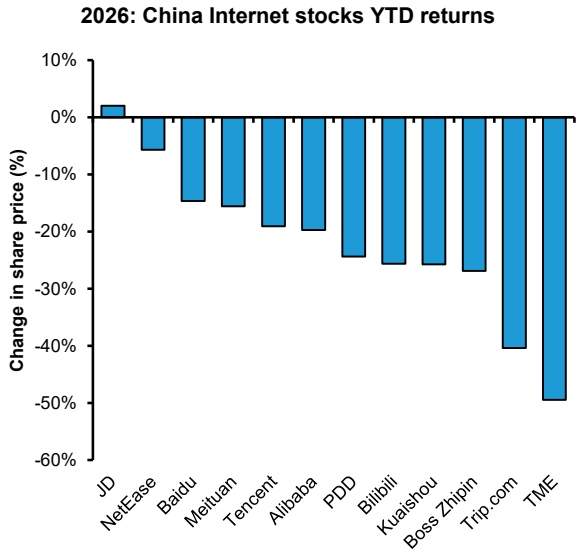
Broader stock views and tactical perspectives

Our sense is that Tencent's low valuation reflects a collection of concerns that are sensible in the moment (e.g. gaming slowdown given the lack of an obvious "next big game", AI investments driving operating expense headwinds)… but are ultimately temporary. It's easier to say now after a 15% bounce that 12x trailing PE in June was too low, and had perhaps priced in fears of perpetual non-growth in earnings. As some of these headwinds dissipate we'd expect Tencent's shares to re-rate back near its post-2021 average in the 17-18x forward PE range. New game announcements are hard to preempt, but over long horizons we'd expect Tencent to outperform a consolidating video gaming industry. Delta Force and broader PC growth likely continued to significantly outperform mobile growth in Q2.

Some of Alibaba's recent business realignments struck us as… cute, but ultimately probably share price positive. The company pointed to further cloud growth acceleration in the September quarter, while moving Hema from All Other to China E-commerce Group also helps to boost earnings in the parts of Alibaba investors value in an SOTP. Selling T-head chips to neocloud customers and then leasing back compute should help to reduce Alicloud's reported capital intensity, while feeding the narrative of external chip sales revenues. We won't be the only ones who've noticed that the September Apsara cloud conference represented the high-water mark for AI sentiment in both 2024 and 2025… or that the 5% or so of CXMT that Alibaba owns now stands to be worth a pretty penny.

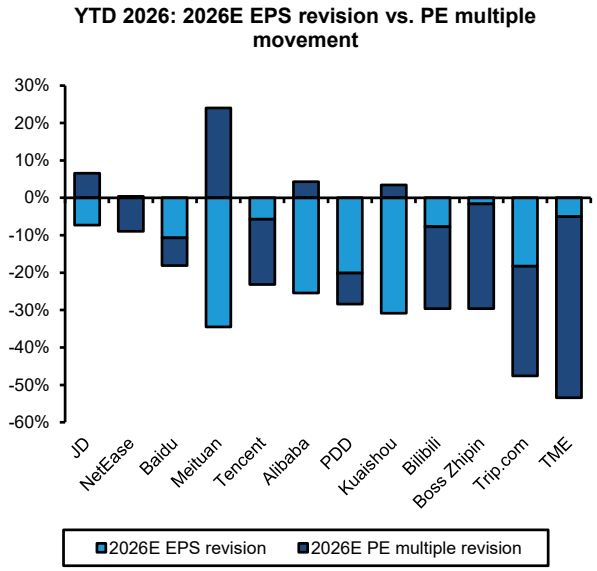
After a period of meaningful relative outperformance (+15% versus KWEB -5% since NetEase beat Q1), we'd expect some give-back in NetEase's shares after the Sea of Remnants release (the mobile game releases domestically on Jul 23). But low H2 revenue comps (reflecting the slowdown in the company's deferred revenue recognition last year), accelerating buybacks, southbound inclusion, and eventual Ananta news flow remains an attractive catalyst runway in our view. Back-testing NetEase buybacks in the last 10 years points to a very high correlation between accelerating buybacks and subsequent share price performance.

EXHIBIT 2: **The average stock we cover is down 16% year to date**



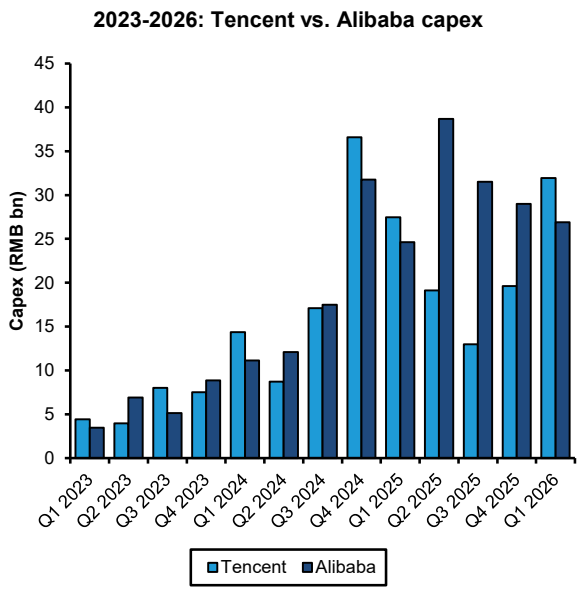
Source: Bloomberg and Bernstein analysis.

EXHIBIT 3: **A combination of earnings and sentiment headwinds have contributed**



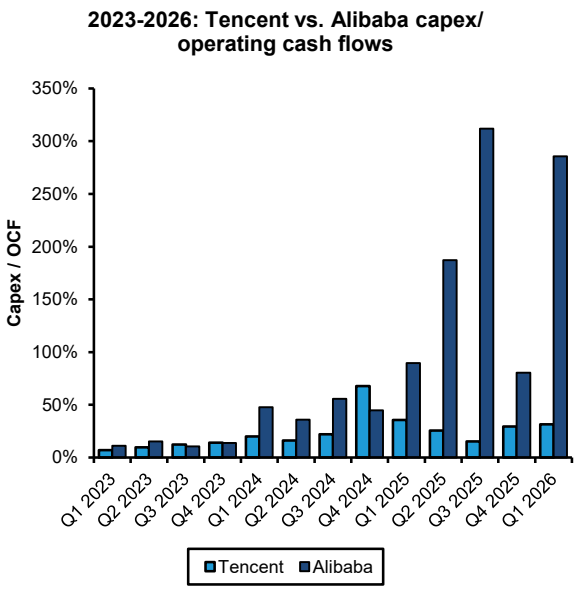
Meituan numbers are based on 2027E estimates.
Source: Bloomberg and Bernstein analysis.

EXHIBIT 4: **Tencent and Alibaba capex have featured heavily in our discussions on AI ROI**



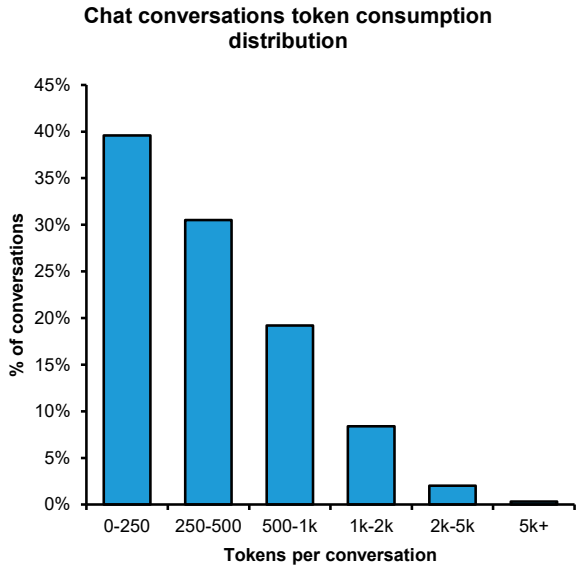
Source: Corporate reports and Bernstein analysis.

EXHIBIT 5: **The former's capacity for capex increases remains greater, relative to operating cash flow**



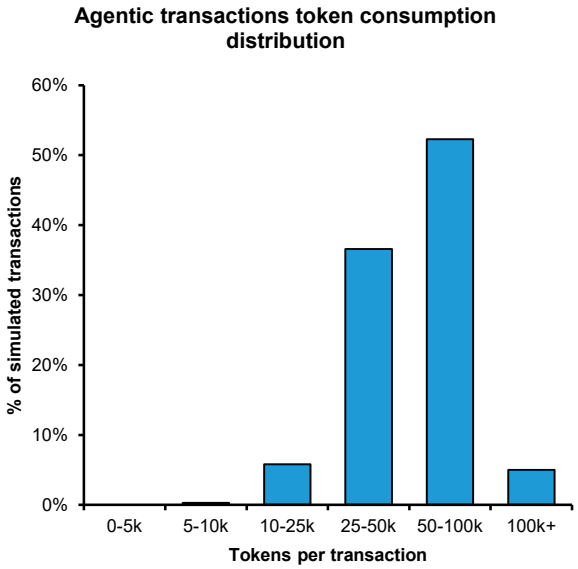
Source: Corporate reports and Bernstein analysis.

EXHIBIT 6: **Chatbot type conversations only typically generate a few hundred tokens**



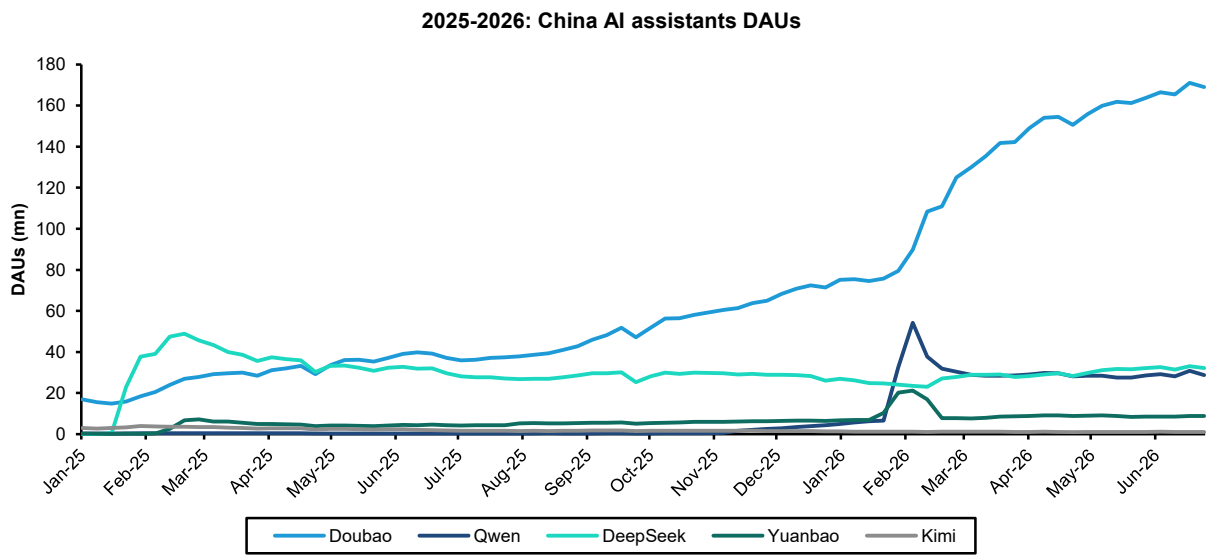
Source: Corporate reports and Bernstein analysis.

EXHIBIT 7: **Agentic transactions average closer to 50k tokens, but inference costs only jump if transactions do?**



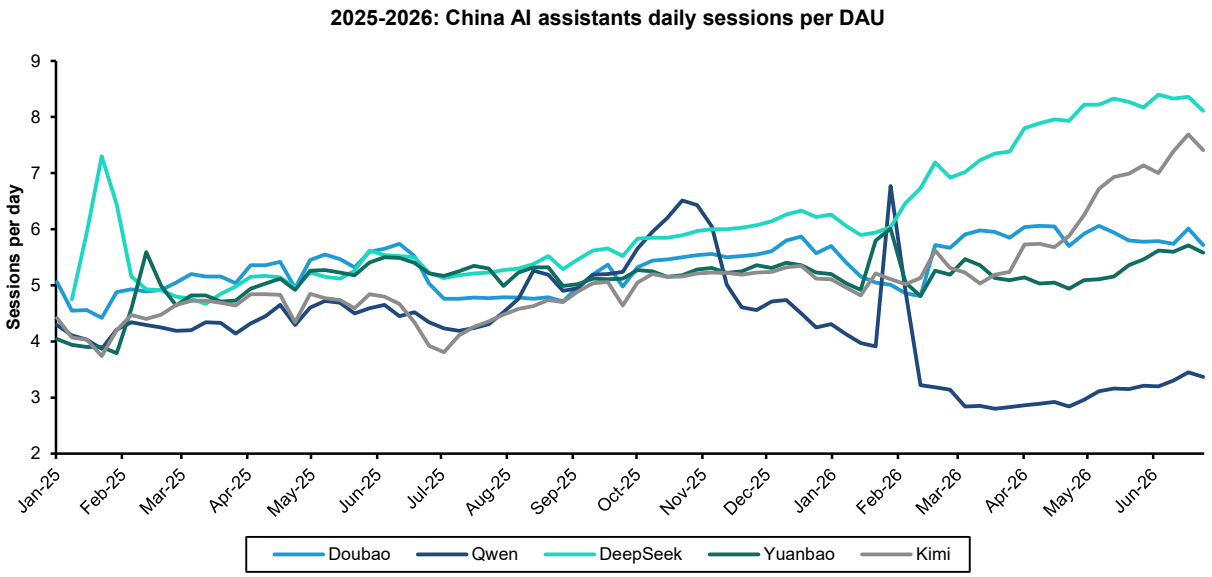
Source: Corporate reports and Bernstein analysis.

EXHIBIT 8: **Doubao remains the standout leader among consumer-oriented chatbots, but...**



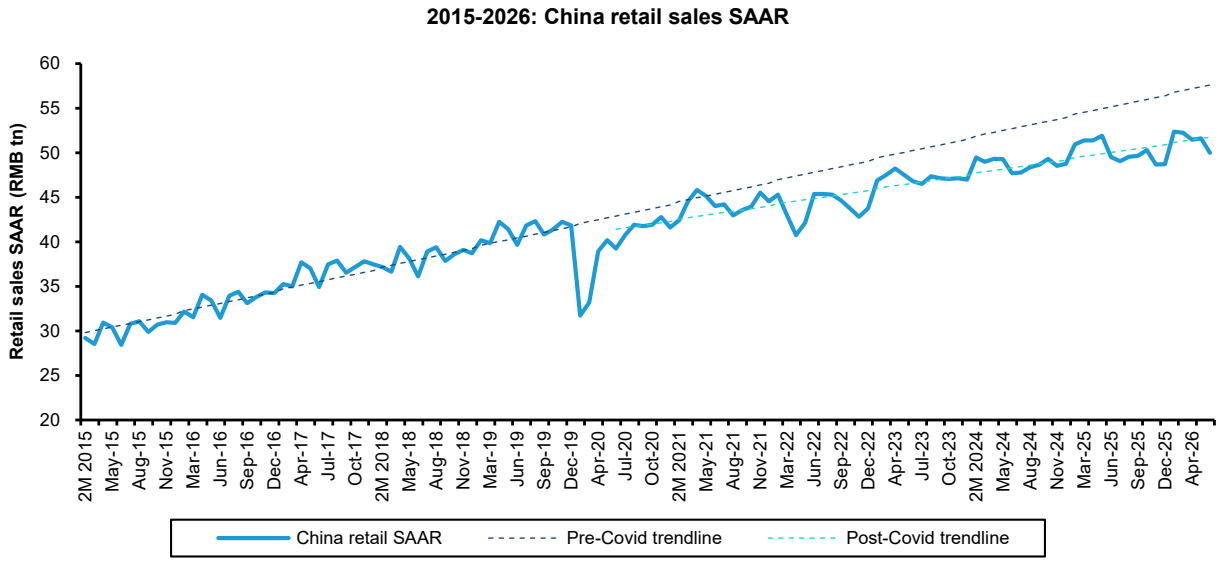
Source: QuestMobile and Bernstein analysis.

EXHIBIT 9: **...day to day engagement remains modest across the category, and it's notable that Alibaba now calls Qwen less of a priority**



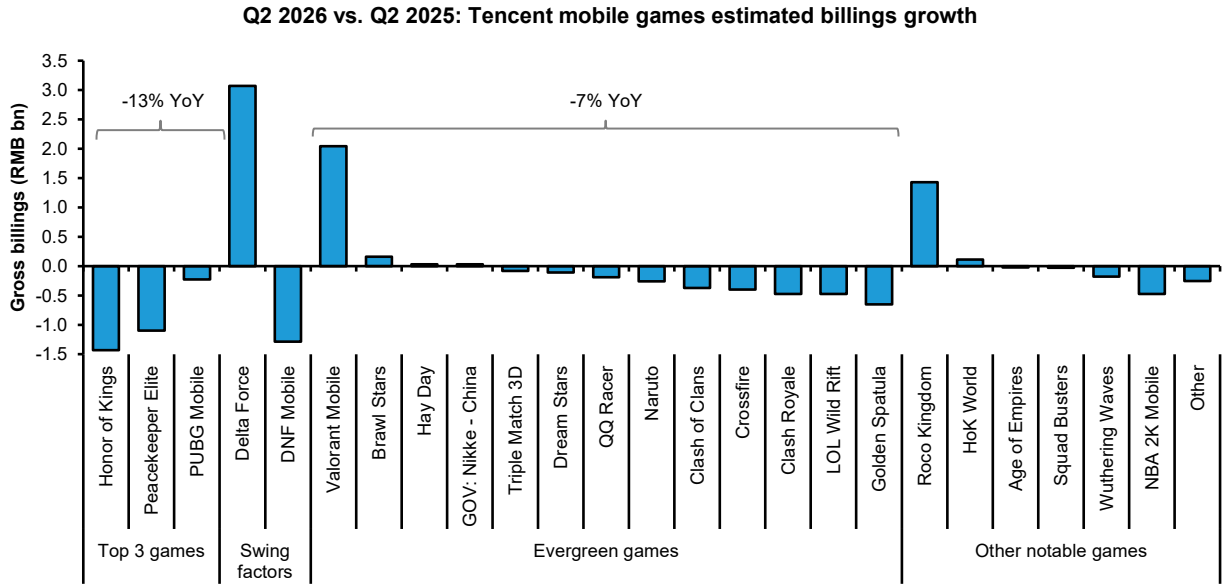
Source: QuestMobile and Bernstein analysis.

EXHIBIT 10: **The Chinese consumer remains weak... but our 2.5% growth trendline still holds in our view; Q2 weakness was likely at least partly exaggerated by high 6.18 comps from 2025**



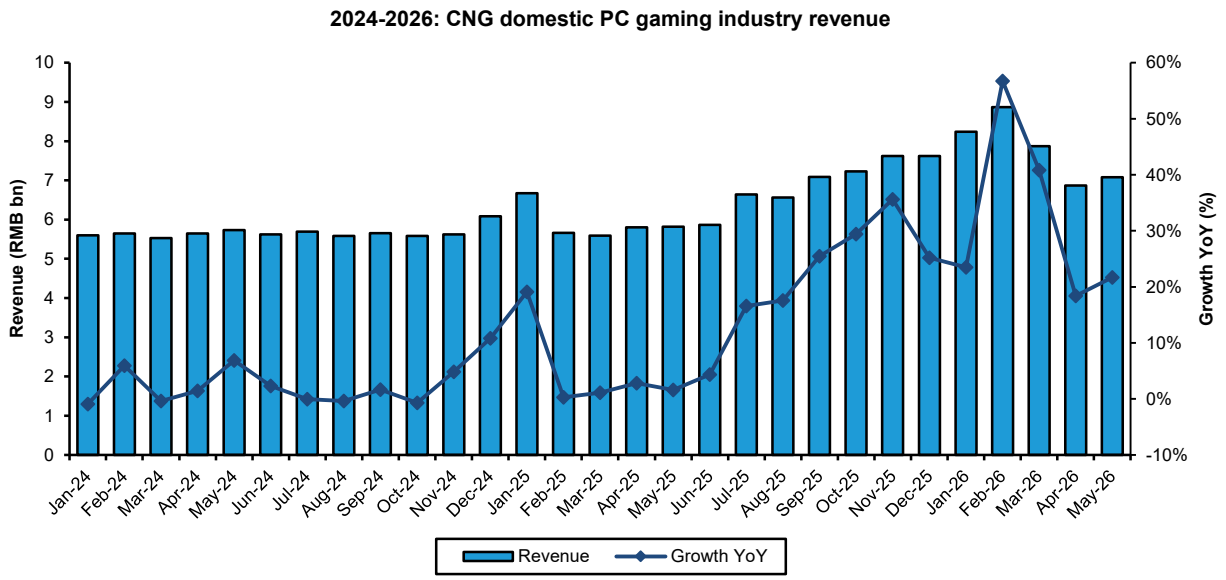
Source: NBS and Bernstein analysis.

EXHIBIT 11: **Sensor Tower data for Tencent mobile billings pointed to 2.6% aggregate decline in Q2 2026, though...**



Source: Corporate reports, Bernstein estimates and analysis.

EXHIBIT 12: **...PC gaming likely continued to perform much more strongly - CNG data pointed to 32% aggregate PC industry revenue growth in 5M 2026, including either side of 20% growth in April and May**



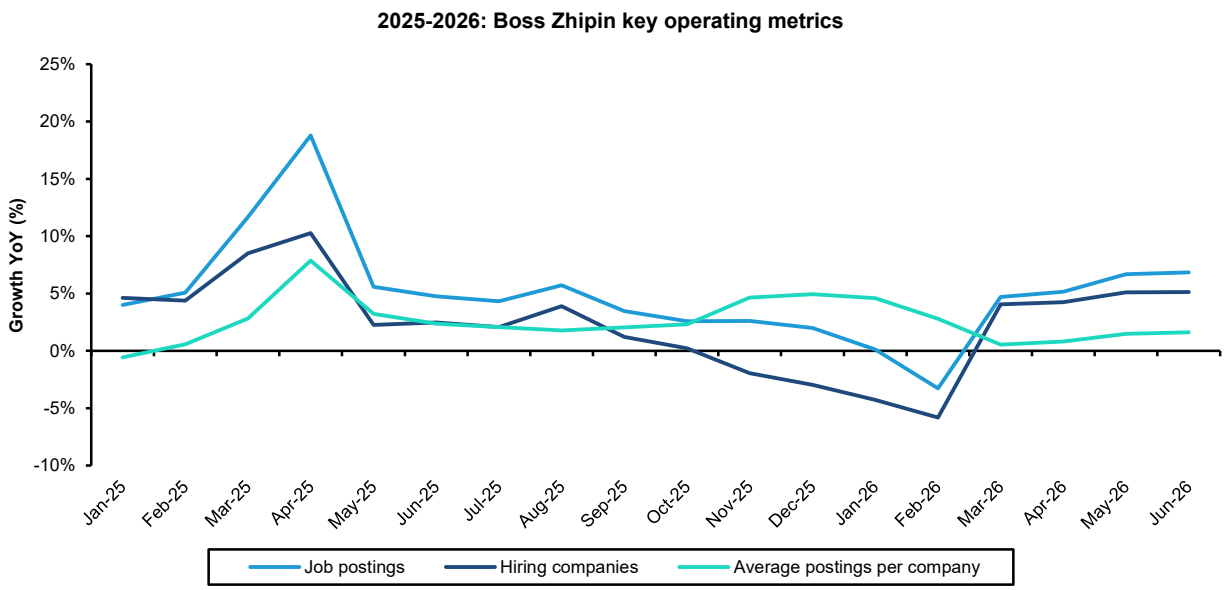
Source: CNG, Bernstein estimates and analysis.

EXHIBIT 13: **Deja vu? In both 2024 and 2025 Alibaba's shares performed strongly into the company's Apsara cloud conference in late September**



Source: Bloomberg and Bernstein analysis.

EXHIBIT 14: **For all the talk of AI disruption of jobs, high-frequency data we track continued to point to teens growth in job postings on Boss Zhipin**



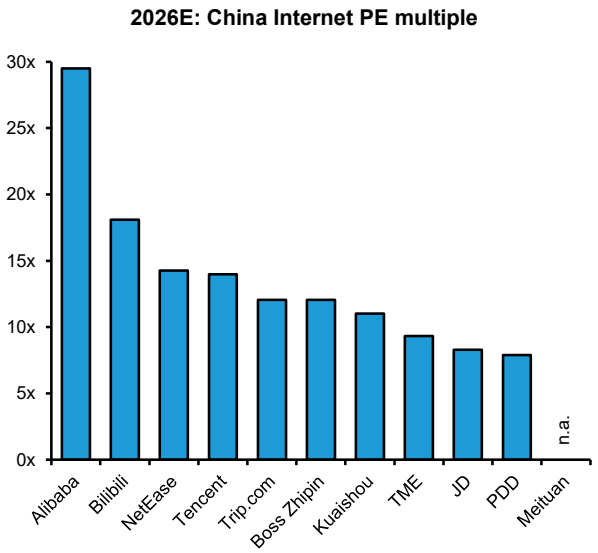
Source: BigOne and Bernstein analysis.

SECTOR VALUATION

The following are a group of charts we monitor as measuring sticks for sector valuation (see Exhibit 15 to Exhibit 18). The average stock we cover now trades on 14.3x and 12.1x 2026E and 2027E PE. The latter is only slightly higher than 2022-2023 lows, when the fundamental picture was dominated by China's Zero Covid policy, and associated economic misery. FCF/EV yields (a metric that helped to identify bottoms in 2021-2023) now stand near 5% for Tencent and JD, 10% for NetEase, and close to 20% for Boss Zhipin. Net cash now exceeds 40% for several companies we cover, like JD, Boss Zhipin and PDD. Across

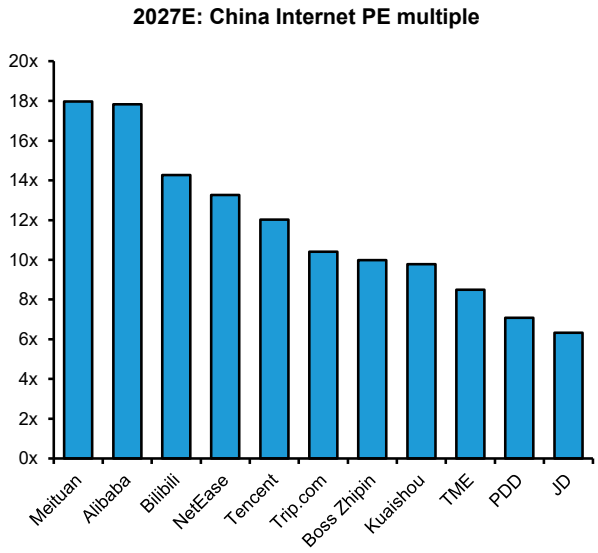
the latter group, JD and Boss Zhipin management have put money to work to buy back stock. The circumstances under which PDD management might follow suit remains one of life's great mysteries… but it's been notable to us that some investors are nonetheless starting to dip their toes back in the water.

EXHIBIT 15: **Alibaba aside, most of the companies we cover now trade close to trough 2022-2023 multiples**



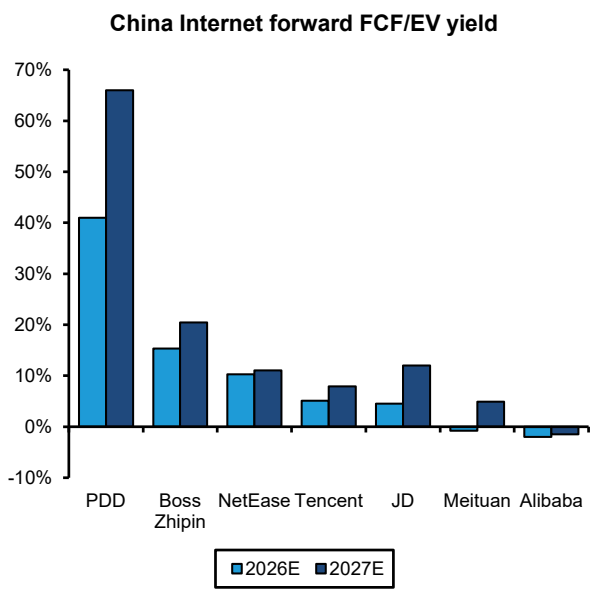
Multiples based on Bernstein estimates for coverage companies; Bloomberg consensus for others.
Source: Bloomberg, Bernstein estimates and analysis.

EXHIBIT 16: **2027E PE multiples look cheaper still - even Alibaba should go back to trading on a teens multiple**



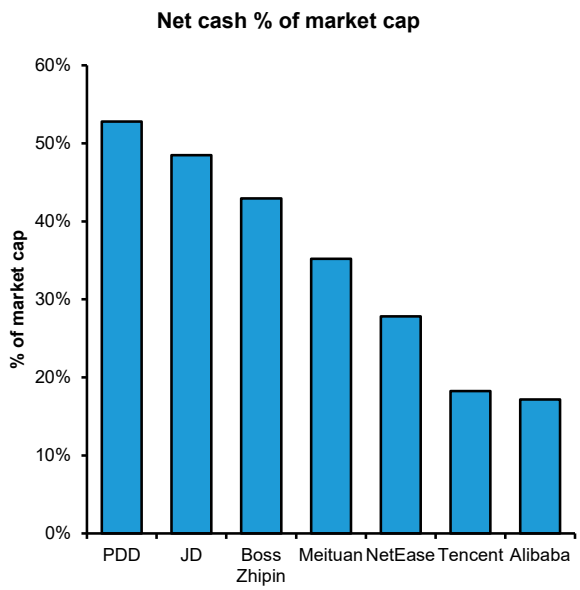
Multiples based on Bernstein estimates for coverage companies; Bloomberg consensus for others.
Source: Bloomberg, Bernstein estimates and analysis.

EXHIBIT 17: **FCF/EV yield helped to signal a floor in 2022-2023… Boss Zhipin is now close to 20%**



Source: Corporate reports, Bloomberg, and Bernstein analysis.

EXHIBIT 18: **Cash is now over 40% of market cap for JD, Boss Zhipin, and PDD**



Tencent figure reflects the latest value of its listed equity investments.
Source: Corporate reports, Bloomberg, Bernstein estimates and analysis.

UPDATING OUR ESTIMATES

With this note we've updated our estimates for Tencent, Alibaba, and JD, to reflect recent discussions with the companies. Our Tencent estimate changes are modest and chiefly reflect slower top-line growth in Business Services revenues.

Our Alibaba estimate changes chiefly reflect the company's segment reporting adjustments, faster-than-expected loss reduction in quick commerce, and higher "All Other" losses in the June quarter. Overall our estimates for the company are modestly lower.

Our JD estimate changes chiefly reflect slower top-line growth, lower food delivery losses, and higher R&D spending. On balance, our bottom-line estimates are higher, reflecting the company's continued focus on profitability amid macro uncertainty.

EXHIBIT 19: **Tencent: Summary of estimate changes**

Tencent: summary of estimate changes	2026E	2027E	2028E
Revenue			
Bernstein - Old	**828,757**	**917,101**	**1,007,193**
Growth YoY	10.2%	10.7%	9.8%
Bernstein - New	**823,827**	**912,280**	**1,002,035**
Growth YoY	9.6%	10.7%	9.8%
Consensus	**827,203**	**905,513**	**991,603**
Growth YoY	10.0%	9.5%	9.5%
New vs. old	**-0.6%**	**-0.5%**	**-0.5%**
New vs. consensus	**-0.4%**	**0.7%**	**1.1%**
Non-GAAP operating income			
Bernstein - Old	**295,913**	**333,253**	**373,958**
Growth YoY	5.4%	12.6%	12.2%
Margin	35.7%	36.3%	37.1%
Bernstein - New	**295,304**	**331,862**	**372,401**
Growth YoY	5.2%	12.4%	12.2%
Margin	35.8%	36.4%	37.2%
Consensus	**304,994**	**337,315**	**376,129**
Growth YoY	8.7%	10.6%	11.5%
Margin	36.9%	37.3%	37.9%
New vs. old	**-0.2%**	**-0.4%**	**-0.4%**
New vs. consensus	**-3.2%**	**-1.6%**	**-1.0%**
Non-GAAP EPS			
Bernstein - Old	**30.00**	**34.91**	**40.25**
Growth YoY	6.8%	16.4%	15.3%
Bernstein - New	**29.93**	**34.76**	**40.08**
Growth YoY	6.6%	16.1%	15.3%
Consensus	**30.04**	**32.99**	**36.30**
Growth YoY	7.0%	9.8%	10.0%
New vs. old	**-0.2%**	**-0.4%**	**-0.4%**
New vs. consensus	**-0.4%**	**5.4%**	**10.4%**

Source: Bloomberg, Corporate reports, Bernstein estimates and analysis.

EXHIBIT 20: **Alibaba: Summary of estimate changes**

Alibaba: summary of estimate changes	FY3/27E	FY3/28E	FY3/29E
Revenue (RMB mn)			
Bernstein - old	**1,139,702**	**1,243,361**	**1,330,220**
Growth YoY	11.3%	9.1%	7.0%
Bernstein - new	**1,121,987**	**1,221,625**	**1,311,121**
Growth YoY	9.6%	8.9%	7.3%
Consensus	**1,123,081**	**1,259,092**	**1,422,453**
Growth YoY	9.7%	12.1%	13.0%
New vs. old	**-1.6%**	**-1.7%**	**-1.4%**
New vs. consensus	**-0.1%**	**-3.0%**	**-7.8%**
Non-GAAP EBITA (RMB mn)			
Bernstein - old	**101,600**	**123,989**	**146,695**
Growth YoY	33.0%	22.0%	18.3%
Margin	8.9%	10.0%	11.0%
Bernstein - new	**97,348**	**125,140**	**146,129**
Growth YoY	27.4%	28.5%	16.8%
Margin	8.7%	10.2%	11.1%
Consensus	**116,279**	**164,815**	**219,644**
Growth YoY	52.2%	41.7%	33.3%
Margin	10.4%	13.1%	15.4%
New vs. old	**-4.2%**	**0.9%**	**-0.4%**
New vs. consensus	**-16.3%**	**-24.1%**	**-33.5%**
Non-GAAP diluted EPS (RMB)			
Bernstein - old	**46.57**	**54.66**	**61.99**
Growth YoY	73.6%	17.4%	13.4%
Bernstein - new	**45.09**	**55.04**	**61.80**
Growth YoY	68.1%	22.1%	12.3%
Consensus	**43.61**	**60.53**	**78.49**
Growth YoY	62.6%	38.8%	29.7%
New vs. old	**-3.2%**	**0.7%**	**-0.3%**
New vs. consensus	**3.4%**	**-9.1%**	**-21.3%**

Source: Corporate reports, Bloomberg, Bernstein estimates and analysis.

EXHIBIT 21: **JD: Summary of estimate changes**

JD: summary of estimate changes	2026E	2027E	2028E
Revenue			
Bernstein - old	**1,384,511**	**1,432,703**	**1,475,104**
Growth YoY	5.8%	3.5%	3.0%
Bernstein - new	**1,358,242**	**1,407,907**	**1,449,870**
Growth YoY	3.8%	3.7%	3.0%
Consensus	**1,370,916**	**1,455,404**	**1,531,060**
Growth YoY	4.7%	6.2%	5.2%
New vs. old	**-1.9%**	**-1.7%**	**-1.7%**
New vs. consensus	**-0.9%**	**-3.3%**	**-5.3%**
Non-GAAP operating income			
Bernstein - old	**22,799**	**34,737**	**50,129**
Growth YoY	136.4%	52.4%	44.3%
Margin	1.6%	2.4%	3.4%
Bernstein - new	**26,405**	**37,392**	**53,678**
Growth YoY	173.8%	41.6%	43.6%
Margin	1.9%	2.7%	3.7%
Consensus	**22,266**	**35,296**	**44,230**
Growth YoY	130.9%	58.5%	25.3%
Margin	1.6%	2.4%	2.9%
New vs. old	**15.8%**	**7.6%**	**7.1%**
New vs. consensus	**18.6%**	**5.9%**	**21.4%**
Non-GAAP net income			
Bernstein - old	**31,435**	**42,369**	**55,323**
Growth YoY	16.3%	34.8%	30.6%
Margin	2.3%	3.0%	3.8%
Bernstein - new	**34,204**	**44,353**	**58,044**
Growth YoY	26.5%	29.7%	30.9%
Margin	2.5%	3.2%	4.0%
Consensus	**31,300**	**41,604**	**48,990**
Growth YoY	15.8%	32.9%	17.8%
Margin	2.3%	2.9%	3.2%
New vs. old	**8.8%**	**4.7%**	**4.9%**
New vs. consensus	**9.3%**	**6.6%**	**18.5%**

Source: Corporate reports, Bloomberg, Bernstein estimates and analysis.

APPENDIX - FINANCIAL FORECASTS

EXHIBIT 22: **Tencent: Income Statement**

RMB million	2022	2023	2024	2025	2026E	2027E	2028E
Revenue	554,552	609,015	660,257	751,766	823,827	912,280	1,002,035
Gross profit	**238,746**	**293,109**	**349,246**	**422,593**	**477,308**	**533,711**	**602,403**
Sales & marketing expenses	-29,229	-34,211	-36,388	-41,727	-48,463	-51,307	-56,356
Admin expenses	-45,295	-39,447	-42,075	-50,380	-69,107	-71,179	-88,483
R&D expense	-61,401	-64,078	-70,686	-85,747	-103,130	-120,039	-128,398
Other income, net	8,006	4,701	8,002	-3,177	3,135	2,737	3,006
Operating profit	**110,827**	**160,074**	**208,099**	**241,562**	**259,743**	**293,923**	**332,173**
Non-GAAP operating profit	**144,526**	**191,886**	**237,811**	**280,656**	**295,304**	**331,862**	**372,401**
EBITDA	164,037	214,381	256,310	310,767	333,814	386,437	411,474
Profit before tax	210,225	161,324	241,485	277,249	297,778	345,565	397,382
Income tax expense	-21,516	-43,276	-45,018	-47,448	-57,101	-65,657	-75,503
Net Income	**188,709**	**118,048**	**196,467**	**229,801**	**240,677**	**279,907**	**321,880**
Net profit attributable to SHs	188,243	115,216	194,073	224,842	236,011	275,117	316,839
Non-GAAP net profit attributable to SHs	**115,649**	**157,688**	**222,703**	**259,626**	**274,172**	**315,250**	**359,561**
EPS (RMB)	19.76	12.19	20.94	24.75	26.16	30.81	35.88
Non-IFRS EPS (RMB)	**11.93**	**16.41**	**23.67**	**28.09**	**29.93**	**34.76**	**40.08**

Source: Corporate reports, Bernstein estimates and analysis.

EXHIBIT 23: **Tencent: Cash Flow Statement**

RMB million	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	**210,225**	**161,324**	**241,485**	**277,249**	**297,778**	**345,565**	**397,382**
Depreciation & amortization	61,216	59,008	56,213	66,028	89,636	117,400	110,250
Stock-based compensation	26,248	22,782	23,424	31,859	29,789	32,073	34,228
Other	-151,598	-21,152	-62,601	-72,084	-63,328	-54,737	-80,347
Cash flow from operations	**146,091**	**221,962**	**258,521**	**303,052**	**353,875**	**440,301**	**461,513**
Capex	-31,300	-30,300	-79,200	-95,900	-119,849	-116,753	-134,266
Additions of intangibles	-26,400	-24,700	-24,000	-24,600	-38,700	-33,016	-35,647
Other	-47,171	-70,161	-18,987	-85,232	17,249	-28,170	-36,752
Cash flow from investments	**-104,871**	**-125,161**	**-122,187**	**-205,732**	**-141,299**	**-177,939**	**-206,665**
Cash flow from financing	**-59,953**	**-82,573**	**-176,494**	**-87,155**	**-98,880**	**-118,202**	**-116,095**
Net effect of exchange rate changes	7,506	1,353	359	-1,643	-1,945	0	0
Net change in cash	**-11,227**	**15,581**	**-39,801**	**8,522**	**111,750**	**144,159**	**138,753**
Beginning cash	167,966	156,739	172,320	132,519	141,041	252,791	396,951
Ending cash	**156,739**	**172,320**	**132,519**	**141,041**	**252,791**	**396,951**	**535,704**

Source: Corporate reports, Bernstein estimates and analysis.

EXHIBIT 24: **Tencent: Balance Sheet**

RMB million	2022	2023	2024	2025	2026E	2027E	2028E
Cash & term deposits	261,515	358,303	325,496	377,842	458,328	602,488	741,241
Accounts receivable	45,467	46,606	48,203	49,930	51,945	54,830	57,384
Inventories	2,333	456	440	530	2,376	2,649	2,757
Other current assets	256,674	113,081	122,041	167,158	174,561	188,324	203,222
Total current assets	**565,989**	**518,446**	**496,180**	**595,460**	**687,210**	**848,292**	**1,004,605**
Long-term investments	252,715	261,665	297,415	348,712	355,770	386,475	425,629
Property, plant & equipment, net	104,336	105,028	134,084	200,231	241,471	268,602	302,619
Intangible assets	161,802	177,727	196,127	205,999	210,594	215,832	241,479
Other non-current assets	493,289	514,380	657,189	688,584	656,549	656,549	656,549
Total assets	**1,578,131**	**1,577,246**	**1,780,995**	**2,038,986**	**2,151,594**	**2,375,750**	**2,630,880**
Short-term debt	22,026	55,698	61,508	53,160	57,431	60,346	64,551
Accounts payable and other payables	301,485	177,543	202,744	217,623	223,640	243,659	254,789
Other current liabilities	110,693	118,916	132,657	141,968	158,085	168,444	172,431
Total current liabilities	**434,204**	**352,157**	**396,909**	**412,751**	**439,157**	**472,449**	**491,770**
Long-term debt	312,337	292,920	277,107	334,573	352,255	364,261	388,762
Other non-current liabilities	48,730	58,488	53,083	50,597	53,660	53,660	53,660
Total liabilities	**795,271**	**703,565**	**727,099**	**797,921**	**845,071**	**890,370**	**934,192**
Shareholders' equity	**782,860**	**873,681**	**1,053,896**	**1,241,065**	**1,306,523**	**1,485,381**	**1,696,687**
Total liabilities & shareholders' equity	**1,578,131**	**1,577,246**	**1,780,995**	**2,038,986**	**2,151,594**	**2,375,750**	**2,630,880**

Source: Corporate reports, Bernstein estimates and analysis.

EXHIBIT 25: **Alibaba: Income Statement**

RMB million	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26	FY3/27E	FY3/28E	FY3/29E
Revenue	853,062	868,687	941,168	996,347	1,023,670	1,121,987	1,221,625	1,311,121
Gross profit	**313,612**	**318,992**	**354,845**	**398,062**	**407,534**	**328,300**	**366,134**	**398,524**
Product development expenses	-55,465	-56,744	-52,256	-57,151	-66,533	-72,811	-79,054	-84,597
Sales & marketing expenses	-119,799	-103,496	-115,141	-144,021	-245,023	-137,357	-138,583	-141,944
General and administrative expenses	-31,922	-42,183	-41,985	-44,239	-33,082	-36,115	-39,065	-41,660
Other income/expenses, net	-36,788	-16,218	-32,113	-11,746	-12,746	-4,674	-4,544	-4,524
Operating profit	**69,638**	**100,351**	**113,350**	**140,905**	**50,150**	**77,343**	**104,888**	**125,799**
Non-GAAP EBITA	**130,397**	**147,400**	**165,028**	**173,065**	**76,416**	**97,348**	**125,140**	**146,129**
Adjusted EBITDA	158,205	175,199	191,668	202,325	113,483	148,720	188,355	226,794
Profit before tax	59,550	89,185	101,596	155,455	129,387	71,044	97,128	116,526
Income tax expense	-26,815	-15,549	-22,529	-35,445	-30,045	-14,568	-18,781	-21,897
Share of results of equity investees	14,344	-8,063	-7,735	5,966	2,785	1,654	2,332	3,092
Net income	47,079	65,573	71,332	125,976	102,127	58,130	80,679	97,721
Net profit attributable to SHs	**61,959**	**72,509**	**79,741**	**129,470**	**105,904**	**66,286**	**88,835**	**105,877**
Non-GAAP net profit to SHs	**143,968**	**143,991**	**158,359**	**157,940**	**64,359**	**109,441**	**134,699**	**152,452**
Diluted EPS (RMB)	22.74	27.46	31.24	53.59	43.02	27.32	36.31	42.92
Non-GAAP diluted EPS (RMB)	**52.86**	**54.56**	**62.23**	**65.41**	**26.82**	**45.09**	**55.04**	**61.80**

Source: Corporate reports, Bernstein estimates and analysis.

EXHIBIT 26: **Alibaba: Cash Flow Statement**

RMB million	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26	FY3/27E	FY3/28E	FY3/29E
Profit before tax	**59,550**	**89,185**	**101,596**	**155,455**	**129,387**	**71,044**	**97,128**	**116,526**
Stock-based compensation	23,971	30,831	18,546	13,970	11,180	15,331	15,708	15,806
Depreciation & amortization	48,065	41,303	48,232	35,596	42,001	56,045	67,759	85,189
Changes in working capital	-31,477	7,065	12,957	-38,361	-14,272	-5,869	15,111	19,549
Taxes, other adjustments	42,650	31,368	1,262	-3,151	-92,083	-14,568	-18,781	-21,897
Cash flow from operations	**142,759**	**199,752**	**182,593**	**163,509**	**76,213**	**121,983**	**176,926**	**215,173**
Capex	-53,309	-35,352	-24,085	-84,278	-122,021	-148,000	-171,000	-192,000
Additions of intangibles	-15	-22	-842	0	0	-4,033	-4,337	-4,655
Other	-145,268	-100,132	3,103	-101,137	54,685	-91,914	-88,986	-88,320
Cash flow from investments	**-198,592**	**-135,506**	**-21,824**	**-185,415**	**-67,336**	**-243,947**	**-264,322**	**-284,975**
Cash flow from financing	**-64,449**	**-65,619**	**-108,244**	**-76,215**	**-20,573**	**92,471**	**19,535**	**11,960**
Net effect of exchange rate changes	-8,834	3,530	4,389	965	-4,004	0	0	0
Net change in cash	**-129,116**	**2,157**	**56,914**	**-97,156**	**-15,700**	**-29,493**	**-67,862**	**-57,842**
Beginning cash	356,469	227,353	229,510	286,424	189,268	173,568	144,075	76,214
Ending cash	**227,353**	**229,510**	**286,424**	**189,268**	**173,568**	**144,075**	**76,214**	**18,372**

Source: Corporate reports, Bernstein estimates and analysis.

EXHIBIT 27: **Alibaba: Balance Sheet**

RMB million	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26	FY3/27E	FY3/28E	FY3/29E
Cash and cash equivalents	189,898	193,086	248,125	145,487	131,530	98,510	27,715	-34,122
Short term investments	256,514	326,492	262,955	228,826	155,310	155,310	155,310	155,310
Prepayments, receivables and other assets	192,123	178,388	241,784	299,736	323,929	359,041	385,795	411,847
Total current assets	**638,535**	**697,966**	**752,864**	**674,049**	**610,769**	**612,861**	**568,819**	**533,035**
Prepayments, receivables and other assets	113,147	110,926	116,102	83,431	94,996	106,910	115,895	124,216
Property and equipment, net	171,806	176,031	185,161	203,348	282,699	379,327	487,112	598,447
Intangible assets, net	59,231	46,913	26,950	20,911	16,983	16,343	16,135	16,266
Other non-current assets	712,834	721,208	683,752	822,488	904,123	985,777	1,068,109	1,151,201
Total assets	**1,695,553**	**1,753,044**	**1,764,829**	**1,804,227**	**1,909,570**	**2,101,217**	**2,256,071**	**2,423,165**
Short-term debt	8,841	12,266	29,001	22,562	28,224	106,910	115,895	124,216
Accounts payable	293,213	288,493	306,951	344,175	370,523	393,304	426,691	462,313
Merchant deposits	14,747	13,297	12,737	274	236	248	259	271
Other current liabilities	66,983	71,295	72,818	68,335	77,415	80,337	85,871	91,843
Total current liabilities	**383,784**	**385,351**	**421,507**	**435,346**	**476,398**	**580,799**	**628,716**	**678,643**
Long-term debt	132,503	149,088	141,775	172,307	164,935	205,193	235,370	264,312
Other long-term liabilities	97,073	95,684	88,948	106,468	141,967	142,142	142,485	142,859
Total liabilities	**613,360**	**630,123**	**652,230**	**714,121**	**783,300**	**928,134**	**1,006,571**	**1,085,814**
Shareholders' equity	**1,082,193**	**1,122,921**	**1,112,599**	**1,090,106**	**1,126,270**	**1,173,084**	**1,249,500**	**1,337,351**
Total liabilities & shareholders' equity	**1,695,553**	**1,753,044**	**1,764,829**	**1,804,227**	**1,909,570**	**2,101,217**	**2,256,071**	**2,423,165**

Source: Corporate reports, Bernstein estimates and analysis.

EXHIBIT 28: **JD: Income Statement**

RMB million	2022	2023	2024	2025	2026E	2027E	2028E
Revenue	1,046,236	1,084,662	1,158,819	1,309,085	1,358,242	1,407,907	1,449,870
Gross profit	**147,073**	**159,704**	**183,868**	**210,028**	**235,883**	**249,531**	**260,333**
Fulfilment	-63,011	-64,558	-70,426	-88,176	-93,207	-95,175	-96,553
Marketing expenses	-37,772	-40,133	-47,953	-83,953	-77,105	-74,580	-66,340
Technology & content expenses	-16,893	-16,393	-17,031	-22,229	-32,161	-34,335	-35,352
Admin expenses	-11,053	-9,710	-8,888	-11,980	-13,011	-13,506	-13,885
Operating profit	**19,723**	**26,025**	**38,736**	**2,774**	**20,398**	**31,934**	**48,203**
Non-GAAP operating profit	**27,583**	**35,441**	**44,029**	**9,643**	**26,405**	**37,392**	**53,678**
Adjusted EBITDA	33,602	42,452	51,923	18,344	36,408	47,254	63,409
Profit before tax	13,867	31,650	51,538	25,323	35,446	47,938	64,657
Income tax expense	-4,176	-8,393	-6,878	-2,181	-6,249	-8,150	-10,992
Net Income	**9,691**	**23,257**	**44,660**	**23,142**	**29,196**	**39,789**	**53,665**
Net profit attributable to SHs	10,380	24,167	41,359	19,631	25,641	36,095	49,768
Non-GAAP net profit attributable to SHs	28,220	35,200	47,827	27,032	34,204	44,353	58,044
Non-GAAP EPADS (RMB)	**17.74**	**22.20**	**31.10**	**18.15**	**24.02**	**31.53**	**41.66**

Source: Company reports, Bernstein estimates and analysis.

EXHIBIT 29: **JD: Cash Flow Statement**

RMB million	2022	2023	2024	2025	2026E	2027E	2028E
Profit before tax	**13,867**	**31,650**	**51,538**	**25,323**	**35,446**	**47,938**	**64,657**
Depreciation & amortization	7,236	8,292	8,904	9,747	10,276	9,862	9,731
Stock-based compensation	7,548	4,804	2,999	4,726	4,041	4,224	4,350
Changes in working capital	14,045	15,921	4,527	-7,678	6,951	4,536	4,225
Other	15,123	-1,146	-9,873	-13,127	-17,823	-8,150	-10,992
Cash flow from operations	**57,819**	**59,521**	**58,095**	**18,991**	**38,890**	**58,410**	**71,971**
Capex	-23,655	-25,350	-18,046	-17,622	-24,737	-26,718	-27,678
Other	-30,371	-34,193	17,175	59,454	-45,550	-15,871	-17,155
Cash flow from investments	**-54,026**	**-59,543**	**-871**	**41,832**	**-70,287**	**-42,588**	**-44,833**
Cash flow from financing	**1,180**	**-5,808**	**-21,004**	**-26,728**	**-24,878**	**-12,894**	**-13,838**
Net effect of exchange rate changes	3,490	125	98	-186	0	0	0
Net change in cash	**8,463**	**-5,705**	**36,318**	**33,909**	**-56,275**	**2,928**	**13,300**
Beginning cash	76,693	85,156	79,451	115,716	149,625	91,839	94,767
Ending cash	**85,156**	**79,451**	**115,769**	**149,625**	**93,350**	**94,767**	**108,067**

Source: Company reports, Bernstein estimates and analysis.

EXHIBIT 30: **JD: Balance Sheet**

RMB million	2022	2023	2024	2025	2026E	2027E	2028E
Cash & cash equivalents	78,861	71,892	108,350	137,488	78,935	81,500	94,440
Accounts receivable	20,576	20,302	25,596	27,333	30,044	31,166	32,099
Inventory	77,949	68,058	89,326	95,428	101,459	104,310	107,147
Other current assets	173,688	147,558	163,426	114,172	141,083	142,169	143,132
Total current assets	**351,074**	**307,810**	**386,698**	**374,421**	**351,522**	**359,145**	**376,817**
Long-term investments	36,270	102,564	87,538	83,368	129,473	141,359	154,423
Goodwill and intangible assets, net	9,139	6,935	7,793	7,723	6,514	5,805	5,488
Property, plant & equipment, ne	112,721	126,781	139,587	143,327	136,545	151,495	166,918
Other non-current assets	86,046	84,868	76,618	86,362	83,348	89,947	96,877
Total assets	**595,250**	**628,958**	**698,234**	**695,201**	**707,400**	**747,750**	**800,524**
Accrued and other liabilities	42,570	43,533	45,985	50,045	54,161	56,184	57,866
Accounts payable	160,607	166,167	192,860	188,379	200,285	205,913	211,513
Other current liabilities	63,384	55,950	60,676	67,648	69,198	70,779	72,093
Total Current Liabilities	**266,561**	**265,650**	**299,521**	**306,072**	**323,644**	**332,876**	**341,472**
Long-term debt	30,233	41,966	56,475	62,473	62,656	62,656	62,656
Other non-current liabilities	24,333	24,962	28,941	32,873	33,663	33,587	33,643
Total liabilities	**321,127**	**332,578**	**384,937**	**401,418**	**419,963**	**429,118**	**437,771**
Shareholders' equity	**274,123**	**296,380**	**313,297**	**293,783**	**287,438**	**318,632**	**362,753**
Total liabilities & shareholders' equity	**595,250**	**628,958**	**698,234**	**695,201**	**707,400**	**747,750**	**800,524**

Source: Company reports, Bernstein estimates and analysis.

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