Twitter Thread by Frank Taber



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Thread/

$BABA cloud business is being completed missed by the market.

Let me explain why Alibaba Cloud, which makes up just ~10% of LTM revenues, could become worth more than the entire current market cap by FY25

1/

Alibaba Cloud made US$9.2 Billion in revenue for FY21 and grew 33% YoY.

They have ~38% market share of the cloud industry in China. Which is slightly more market share than AWS has in the US.

2/

In their investor presentation, $BABA projected that the cloud market in China will grow at a 37% CAGR until 2025.

The IDC estimated the CAGR to be 33% over the next 5 years.

The global cloud market is estimated to grow at 17.5% annually.

3/

If we take the IDC's more conservative annual growth estimation of 33%, and $BABA maintains their 38% market share, they would generate $28.8 billion of revenue in FY25.

Alibaba cloud even benefit from scale economies and continue to take more market share.

4/

If we apply a 10x sales multiple we get to a $288 billion valuation for the cloud business in FY25.

Analysts typically value AWS, Azure & Google cloud at closer to 15x sales. So a 10x multiple for a company with more

domestic market share and a higher CAGR isn’t unreasonable

5/

The $288 Billion FY25 valuation is equal to 88% of the current $BABA market cap. Whilst it currently contributes to just ~10% of the total revenues.

The upside from Alibaba cloud is something the market seems to be missing, although it is uncertain.

6/

I’ll discuss China’s cloud industry in depth in my newsletter write-up on $TCEHY which is out in a few days.

Sign-up for free for a monthly deep dive.
https://t.co/8aND3n3T0Y