

Alibaba profit tumbles, but revenue surprises despite virus

May 22 2020



Alibaba's dominant position in e-commerce means its results are closely watched as a barometer of overall consumer sentiment

Chinese e-commerce leader Alibaba said Friday its net profit fell 88 percent in the first quarter of the year, but revenue beat analyst forecasts

despite the disruptions caused by the coronavirus.

The Hangzhou-based company said [net profit](#) fell to 3.16 billion yuan (\$447 million) in January-March, compared to 25.83 billion yuan over the same period last year.

But company officials expressed optimism after revenue came at 114.31 billion yuan, nearly seven percent higher than the average forecast of analysts polled by Bloomberg.

The pandemic emerged late last year in the central Chinese city of Wuhan, later spreading globally.

Aggressive containment measures have largely tamed the outbreak in China and allowed [economic activity](#) to resume weeks ago, even as other nations continue to struggle.

"Although the pandemic negatively impacted most of our domestic core commerce businesses starting in late January, we have seen a steady recovery since March," Chief Financial Officer Maggie Wu said in the company's profit statement.

Alibaba's expectations for the quarter had been a mystery, with top company officials saying early in the pandemic that predictions were extremely difficult due to the unprecedented nature of the outbreak.

China imposed quarantines on millions of people and shut down transport throughout the country during the peak of its coronavirus crisis in January and February.

That caused uncertainty over whether the transport disruptions would hurt Alibaba's core e-commerce business or whether revenue would get a bump as millions idled at home turned to [online platforms](#) for food and

basic necessities.

Analysts have said that ultimately the longer-term social-distancing concerns associated with the pandemic could further boost e-commerce in China, where it is already the go-to shopping method for hundreds of millions of consumers.

"The pandemic has fundamentally altered consumer behaviour and enterprise operations, making digital adoption and transformation a necessity," Alibaba CEO Daniel Zhang said in the profit statement.

"We believe we will emerge from this crisis stronger and be ready to capture more growth in the future."

Alibaba's [dominant position](#) in e-commerce means its results are closely watched as a barometer of overall consumer sentiment.

Quarterly revenue growth, the key measure of the company's business health, has continued a gradual slowdown in recent years from levels in excess of 50 percent.

Analysts note, however, that it would be difficult for Alibaba to maintain those past growth rates forever, and that consumption should remain solid in the future—facilitated by China's rapid digital transformation and a government push to encourage domestic consumption as an economic driver.

A leadership team led by CEO Daniel Zhang has taken over after charismatic founder Jack Ma stepped aside as group leader in September in a succession years in the making.

Listed in the US since 2014, Alibaba in late November raised billions in a second listing on Hong Kong's stock exchange.

© 2020 AFP

Citation: Alibaba profit tumbles, but revenue surprises despite virus (2020, May 22) retrieved 3 May 2024 from <https://techxplore.com/news/2020-05-alibaba-profit-revenue-virus.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.