

Alibaba says profit fell 74% in 'volatile' environment

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Alibaba's Hong Kong and US-listed shares have lost half their value over the past year.

Chinese e-commerce giant Alibaba on Thursday said profit in the October-December period fell 74 percent, the company's third straight

quarterly drop as it faces myriad challenges including a government crackdown, slowing sales growth and intensifying domestic competition.

Hangzhou-based Alibaba Group cited a "complex and volatile market environment" in announcing net income of 20.43 billion yuan (\$3.2 billion), a fall of 74 percent on-year.

Revenue grew just 10 percent to 242.6 billion yuan, the smallest percentage increase reported by the company since it went public in 2014, according to Bloomberg financial news.

Alibaba's Hong Kong- and US-listed shares have lost half their value over the past 12 months due to the company's troubles, headlined by a wide-ranging crackdown by Chinese regulators on alleged anti-competitive practices by Alibaba and other domestic tech giants.

The scrutiny, which kicked off in late 2020, caused a record-breaking planned IPO by Alibaba's digital-payments affiliate Ant Group to be pulled at the last minute, while Alibaba was hit with a record \$2.75 billion fine for the alleged unfair practices.

Other tech giants were also hit with fines and various business restrictions.

The government has taken aim at allegations of abuse of user data and monopolistic business practices, and authorities have signalled concern that Ant Group's foray into online lending could fuel worrisome debt levels in the economy.

But the crackdown also appears motivated in part by the wider perception that Chinese Big Tech had become too powerful and under-regulated.

The pressure comes as Alibaba's days of massive jumps in sales and earnings growth appear numbered.

The quarter is highlighted by China's annual "Singles' Day" shopping spree which climaxes on November 11.

The world's biggest shopping festival, it was patterned on—but now dwarfs—the "Black Friday" promotions in the United States.

But sales the latest time around, while still a record, grew at a slower-than-usual pace.

The 10 percent quarterly increase in revenue reported by Alibaba was well down from its past years of growth in excess of 40 percent.

The group said in its statement that net income was also hit by the impairment of goodwill in relation to its digital and entertainment division.

Analysts say Alibaba is facing sales headwinds as China's zero-tolerance approach to Covid-19—which can include targeted lockdowns, business closures and other draconian measures—disrupts consumer spending, and as competition intensifies from rivals such as JD.com and Pinduoduo.

The government pressure shows little sign of abating.

Chinese regulators have ordered the country's biggest state-owned firms and banks to initiate a new round of checks on their financial exposure and other links to Ant Group and its subsidiaries, according to a Bloomberg report earlier this week.

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