Alibaba profit slumps nearly 60% as tech crackdown, Covid bite

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An Alibaba sign is seen outside the company's offices in Beijing.

Chinese e-commerce giant Alibaba said Thursday its profit fell 59 percent in the last fiscal year, joining other tech firms that reported lacklustre results while grappling with COVID-19 restrictions and a sector crackdown.

China's economy has been battered by the fallout from strict COVID curbs including lockdowns and transport restrictions that have kept consumers home, pushed up unemployment, and tangled supply chains.

Alibaba has also had to contend with heightened competition and a wide-ranging regulatory crackdown on alleged anti-competitive practices by China's tech giants, driven by fears that massive internet companies control too much data and expanded too quickly.

The Hangzhou-based group warned it would not give forward-looking financial guidance due to COVID risks and uncertainty after full-year profit slumped to 62 billion yuan ($9.8 billion).

Citing "macro challenges that impacted supply chains and consumer sentiment", Alibaba also announced a loss of 16.2 billion yuan for the January-March quarter, as the value of its investments fell.

The tech behemoth has seen its market value plummet since Beijing launched its sweeping crackdown in 2020 on some of China's largest home-grown companies.

The crackdown included a last-minute cancellation of a planned IPO by Alibaba's financial arm Ant Group—which would have been the world's largest public offering at the time.

The company was also hit with a record $2.75 billion fine for alleged unfair practices last year.

But Alibaba—seen as a gauge of consumer sentiment—said Thursday its revenue grew nine percent in the last quarter to 204.1 billion yuan.

This was better than expected in a Bloomberg forecast, after Chinese consumers took to online shopping during COVID lockdowns that kept millions at home.

The company's revenues—generated mainly by its core e-commerce operations—were up 19 percent for the fiscal year ending March 31.

COVID 'uncertainties'

In a sign of a patchy outlook however, the company warned that its domestic business has been "significantly affected by the COVID-19 resurgence in China, particularly in Shanghai".

"Considering the risks and uncertainties arising from COVID-19... we believe it is prudent at this time not to give financial guidance as we typically do at the start of the fiscal year," it added.

Alibaba's earnings follow a series of sluggish results by prominent Chinese tech firms, with internet giant Baidu on Thursday reporting a net loss of 885 million yuan ($140 million) in the first quarter.

Baidu's business has been "negatively impacted" by China's recent COVID-19 resurgence since mid-March, co-founder Robin Li said in a statement.

He added that virus-related challenges continue to pressure its near-term operations.

Tencent last Wednesday reported record low quarterly revenue growth at 135.5 billion yuan ($20.1 billion) in the first quarter, putting year-on-year expansion at nearly zero.

China is the last major economy to stick to a strict zero-COVID policy, which is now being tested by the infectious Omicron variant.

The country's economic slowdown now appears to have motivated a softer approach towards the vast, money-spinning tech sector.

In recent weeks the government has said it will roll out measures to support the virus-battered economy, and indicated that it will ease the crackdown.

Chinese tech shares surged in late April after officials pledged support for internet firms at a Politburo meeting.