

Alibaba says profit falls 81% as China cracks down on big tech

18 November 2021, by Dan Martin



Alibaba's offices in Beijing.

Chinese e-commerce leader Alibaba Group said on Thursday that its profit for the most recent quarter tumbled 81 percent as it grappled with a government crackdown on the country's big tech champions.

Alibaba said profit came in at 5.37 billion yuan (\$833 million) for the July-September period, falling from 28.77 billion yuan earned over the same stretch last year.

It did not cite any impact on operations due to the clampdown, instead blaming the decline in earnings largely on "increased investments in key strategic areas" such as lower-tier segments of its consumer markets and its international operations.

However, its revenue for the period also slightly missed forecasts by analysts polled by Bloomberg News.

The Hangzhou-based company's revenues—generated mainly by its core e-commerce operations—reached 200.7 billion yuan, up 29 percent.

It forecast revenue growth of 20-23 percent for the full 2022 [fiscal year](#), down from the 27 percent that had been projected by analysts, Bloomberg said.

Alibaba's earnings have been keenly anticipated as a gauge of how one of the country's highest-profile companies was faring under the government's drive to rein in big tech.

Chairman and CEO Daniel Zhang, speaking after the earnings announcement, said Alibaba would continue to invest heavily in developing its businesses and would exhibit "perseverance".

"No matter the challenges in the current macroeconomic environment, and with more and more players entering the industry, we remain very confident in our business strategy and our future," he said.

Earlier on Thursday, Alibaba's main e-commerce rival JD.com announced that it had fared even more poorly, posting a loss of 2.8 billion yuan.

Both companies have shares listed in the United States and Hong Kong.

China's ruling Communist Party had previously relied upon its tech giants to push forward digital transformation in the country.

But it abruptly turned on the sector late last year as concerns mounted over its aggressive expansion, alleged monopolistic practices, and data security — paralleling similar unease with tech firms in the United States and elsewhere.

Alibaba was the first to feel the wrath. Last year the government scuppered what would have been a world-record stock IPO by Alibaba's financial arm, Ant Group, and in April fined Alibaba a record \$2.78 billion for anti-competitive practices, which dragged Alibaba to a rare loss earlier this year.

The government has also taken a number of other measures against major Chinese digital players, sending their share prices tumbling.

Last week, gaming and messaging giant Tencent reported its slowest revenue growth since 2004. The government's tech crackdown has also included measures to restrict playing time by minors and has slowed approvals for new titles in the world's biggest gaming market.

On Wednesday, Baidu reported a net loss as the government tightening appeared to have weakened prospects for its important online marketing revenues.

Alibaba reported record sales on its platforms during its annual November 1-11 "Singles Day" shopping festival — China's answer to the US "Black Friday" event — though it was markedly more low key than in past years due to government pressure to tone down the aggressive sales promotions and rampant consumerism.

Alibaba platforms saw more than \$85 billion worth of transactions during the promotion, a new record, but the rate of growth was well below that seen in past years as the company faces increasing competition from rivals like JD.com and Pinduoduo.

The Chinese government's moves to restrict the sector have added to gloom in technology shares on global markets.

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