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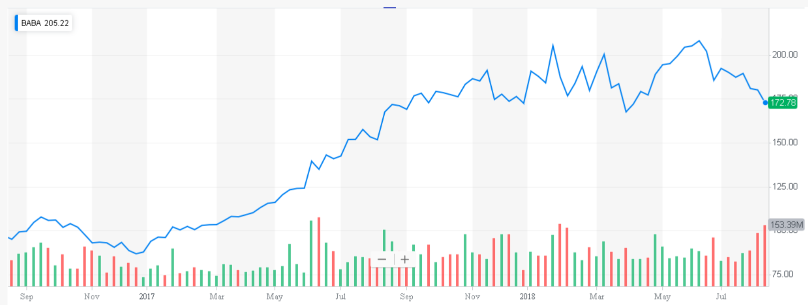
Knight Bridge Investment Consultants Limited – Alibaba Reports Later This Week – What to Look For

Alibaba's report arrives on the morning of Aug. 23, and an earnings call will be held at 7:30 a.m. ET. Here are some things for investors to keep an eye on.



BABA 2yr Chart - Solid Growth Amongst its Peers

HONG KONG, HONG KONG, HONG KONG, August 20, 2018 /EINPresswire.com/ -- After soaring from early 2016 to mid-2017, Alibaba's shares have mostly tread water over the past 12 months amid spending and macro worries. A sharp pullback and tepid second quarter results from rival Tencent hasn't helped sentiment around Alibaba.

That might set the [Chinese e-commerce giant] up well to rally following its June quarter (fiscal first quarter) report, should the report show that Alibaba's top-line momentum remains strong going into the back half of 2018. The consensus among analysts polled by FactSet is for June quarter revenue of RMB81.39 billion (up 65% annually and equal to $11.8 billion) and non-GAAP EPS of RMB8.28 ($1.20).

Jack Ma's company also provides full-year revenue growth guidance in its reports. In May, the company guided for revenue to officially grow over 60% on an RMB basis in fiscal 2019 (ends in March 2019), and over 50% if one excludes the impact of deals to take a majority stake in logistics firm Cainiao and full ownership of food delivery/local services firm Ele.me.

Alibaba's report arrives on the morning of Aug. 23, and an earnings call will be held at 7:30 a.m. ET. [Knight Bridge] earmarks some things for investors to keep an eye on.

#1. Taobao/Tmall Revenue Growth

While Alibaba's revenue growth doesn't depend on its giant Taobao and Tmall marketplaces to the same degree that it once did, Taobao and Tmall still accounted for 55% of its March quarter revenue and the lion's share of its gross profit.

"Customer management" revenue for Alibaba's China Commerce Retail segment, which is driven by ads shown on Taobao and Tmall, rose 35% last quarter to RMB17.1 billion. And the segment's commission revenue, which is driven by Tmall, rose 39% to RMB8.2 billion. Helping out: A still-growing shopper base, higher spending per shopper and higher monetization rates for Taobao/Tmall transactions.

#2. The Top and Bottom-Line Impact of Offline Retail and Logistics

Thanks to both acquisitions and organic investments, the "Others" reporting line for Alibaba's China Commerce Retail segment rose more than 10-fold annually in the June quarter to RMB5.8

billion. Among other things, this line covers Alibaba's offline stores, such as its Intime department stores and innovative Hema supermarkets, as well as Ele.me (set to be merged with Alibaba's Koubei local services JV) and its Tmall Direct Import online store.

Alibaba also reported RMB2.9 billion in revenue for Cainiao. These businesses are contributing strongly to Alibaba's revenue growth, but -- both due to large investments and their business models -- also weighing on its margins. In the March quarter, offline retail and Cainiao investments contributed to Alibaba's cost of revenue equaling 53% of revenue, up from 40% a year earlier.

#3. Content and Cloud Services Growth

Alibaba's Cloud Computing revenue, which is driven by its AliCloud public cloud platform (#1 in China), saw revenue rise 103% to RMB4.4 billion. For the June quarter, the consensus is for Cloud Computing revenue to rise 95% to RMB4.7 billion.

Meanwhile, Alibaba's Digital Media & Entertainment revenue, which among other things covers its Youku Tudou online video unit and its popular UCWeb mobile browser, is expected to see revenue rise 37% to RMB5.5 billion. Both of these segments, which are also seeing large investments made in them, lost money during the March quarter.

#4. International Growth

Thanks in large part to the growth of its Lazada unit (a major e-commerce player in Southeast Asia), Alibaba's International Commerce is expected to grow 49% in the June quarter to RMB6.2 billion. During the March quarter, Alibaba's retail international revenue (this includes Lazada) rose 63% to RMB4 billion, and its wholesale international revenue rose 13% to RMB1.7 billion.

#5. The Impact of Macro Trends

After falling sharply relative to the Chinese renminbi in 2017, the dollar has done the opposite since April. That's set to have an impact on the dollar-based growth that Alibaba reports. Whereas Alibaba saw 61% RMB-based growth and 76% dollar-based growth in the March quarter, the consensus for the June quarter is for 65% RMB-based growth and 59% dollar-based growth.

A weaker renminbi also of course makes imports on Alibaba's Chinese marketplaces more expensive. Albeit while making Chinese exports on its international marketplaces cheaper.

Knight Bridge expects a positive earnings call on Wednesday, with possible profit taking over the next couple of days prior and a strong rally once the official data has been fully analysed.

To find out more information on the opportunities Knight Bridge Investment Consultants see's with Alibaba and other Chinese companies listed in the US markets, visit www.knightbridgeinvestment.com or contact us at info@knightbridgeinvestment.com for further information.

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