

 Investing

# Alibaba (BABA) Stock Soars as Earnings Wallop Expectations

Chinese e-commerce titan Alibaba is soaring after an impressive quarterly report.



(The Associated Press)



By [John Divine](#) | Staff Writer

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Alibaba Group Holding (ticker: [BABA](#)), the largest [Chinese company](#) listed on a U.S. exchange, easily beat earnings and revenue expectations for its fiscal first quarter, the company says, sending the company's stock roaring as much as 5 percent higher in early trading.

BABA stock hit a 52-week high of \$87.73 on Wednesday, so Thursday's numbers are only continuing that trend, with the stock sure to touch new yearly highs in intraday trading. Shares traded above \$91.50 in early trading.

Adjusted [earnings per share](#) rose 33 percent to 74 cents, easily beating the FactSet consensus of 62 cents. Revenue growth of 59 percent to \$4.84 billion also easily topped expectations, which called for \$4.56 billion.

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Mobile monthly active users rose from 410 million in March to 427 million in June – or about 100 million more mobile users than the entire population of the U.S. Mobile growth is a vitally important statistic, as gross merchandise volume is increasingly driven by those users; mobile GMV is now responsible for 75 percent of total GMV.

"With revenues from mobile representing 75 percent of China's commerce retail, BABA is on their way from being a mobile-first company to a mobile-only company," says Phil Barrett, senior vice president and general manager of Purch, a digital content company.

One of the more important factors for BABA stock owners to factor in fiscal 2017 is the [weakening renminbi](#). As China allows its currency to depreciate – and as the dollar continues to strengthen against a basket of foreign currencies – Alibaba's top- and bottom-lines will face downward pressure.

Other than reducing one's exposure to foreign stocks or hedging with complex [foreign exchange contracts](#), there's not much the common investor can do to fight currency risk. The hope with BABA is simply that it's dominant and growth-y enough to overcome these pressures, and the good news is that Alibaba is both of those things.

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The Chinese equivalent of [Amazon.com \(AMZN\)](#), Alibaba is increasingly looking to the U.S. for growth. Not only that, but Alibaba is looking to become a powerhouse in cloud computing and online entertainment, much like Jeff Bezos's Amazon. While BABA's cloud computing business grew at a blistering 156 percent pace last quarter, it still pales in comparison to Amazon Web Services, and only took in \$187 million in the most recent quarter.

This was a great quarter for Alibaba, without doubt. It gets fiscal 2017 started off on the right foot, and should be encouraging for investors worried about whether currency fluctuations will impact the business. But Alibaba still faces some serious challenges, especially as it regards the prevalence of counterfeit goods listed on its sites.

How BABA addresses adversity like that going forward may be more important for its long-term health as a company than any singular [earnings report](#).

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"Alibaba's earnings and growth surpassed expectations but questions on murky financial dealings and obfuscation remain," says Usha Haley, a management professor at West Virginia University. "How Alibaba calculates gross merchandise volume, a key SEC concern and metric to calculate growth in e-commerce, continues to elude. There is no doubt that Alibaba is growing, but how and why will remain a bit of a mystery for Western regulators."

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