

FLASH REPORT



Alibaba (BABA) 2Q FY18 Results: Beats on Earnings and Highest Revenue Growth Since its IPO

	2Q FY18	2Q FY17	YoY Change
Revenue (RMB Bil.)	¥55.1	¥34.3	61%
Gross Margin	60.1%	61.7%	(165) bps
SG&A/Sales	17.6%	19.5%	(191) bps
Operating Margin	30.1%	26.4%	371 bps
Adjusted EPS (RMB), non-GAAP	¥8.57	¥5.26	63%

Source: Company reports

- **Alibaba reported 2Q FY18 revenues of ¥55.1 billion, up 61% year over year, the highest growth since its IPO. It also beat the consensus estimate by 26%. The company attributed the strong results to the robust revenue growth from its core commerce segment, as well as the Alibaba cloud business. The company is seeing early results from efforts to integrate online and offline retail under its New Retail strategy.**
- **Core commerce revenues reached ¥46.5 billion, up 61% year over year. China retail and wholesale together contributed 75% of total revenues. International retail revenues were up 115% year over year, primarily driven by increasing revenues from AliExpress and Lazada.**
- **Cloud computing sales reached ¥3.0 billion, up 99% year over year, driven by robust growth in paying customers, as well as an improving revenue mix to higher valued-added services.**
- **Alibaba raised its FY18 revenue growth guidance range to 49%–53%, due to consolidation of Cainiao in the fiscal year. Excluding this, the company stated that it is well on track to delivering the prior guidance range of 45%–49% provided during the Investor Day.**

2Q FY18 Results

Alibaba reported 2Q FY18 revenues of ¥55.1 billion (\$8.3 billion), up 61% year over year, and beat the consensus estimate by 26%. The strong growth was mainly driven by robust revenue growth from its core commerce segment, as well as the Alibaba cloud business.

Non-GAAP diluted EPS was ¥8.57 (\$1.29), ahead of the ¥6.82 (\$1.03) consensus estimate and up 63% year over year.

**Performance by Segment**

Revenue (RMB Bil.)	2Q FY18	2Q FY17	YoY Change
Core Commerce	¥46.5	¥28.5	63%
China Retail	¥39.6	¥24.1	64%
China Wholesale	¥1.7	¥1.4	19%
International Retail	¥2.9	¥1.3	115%
International Wholesale	¥1.7	¥1.5	10%
Others	¥0.66	¥0.10	530%
Cloud Computing	¥3.0	¥1.5	99%
Digital Media and Entertainment	¥4.8	¥3.6	33%
Innovation Initiatives and Others	¥0.9	¥0.7	27%

Source: Company reports

Core commerce: Core commerce revenues reached ¥46.5 billion, up 63% year over year. China retail and wholesale together contributed 75% of total revenues. International retail revenues continued to see triple-digit growth.

- **China retail revenues:** Alibaba reported China retail revenues of ¥39.6 billion, up 64% year over year. Annual active consumers reached 488 million, up 4.7% from the last quarter, and up 11% year over year. Revenue per consumer increased by 7.3% quarter over quarter to ¥293. Mobile monthly active users (MAU) grew to 549 million, up 3.8% quarter over quarter. Revenue per mobile MAU was ¥213, up 8.7% quarter over quarter.
- **China wholesale revenues:** Revenues for China wholesale were up 19% year over year to reach ¥1.7 billion.
- **International retail revenues:** International retail revenues continued to see triple-digit growth, up 115% year over year, and reached ¥2.9 billion, primarily driven by growing revenues from Lazada and AliExpress, with both marketplaces recording robust gross merchandise value (GMV) growth.
- Management expects to increase investments in the second half of the fiscal year, where the focus will be on further market penetration, improving the user experience, new growth businesses in line with its New Retail strategy and international expansion. In the long term, the company aims to invest significantly in technology, with the focus on growth and efficiency gains.

Digital media and entertainment: Consisting mainly of the advertising and subscription business, including Youku Tudou and UCWeb, this segment reported revenues of ¥4.8 billion, up 33% year over year. The growth was primarily driven by increased revenues from mobile value-added services provided by UCWeb.

Outlook

Alibaba maintains a policy of not providing earnings guidance with its quarterly results. The company raised its FY18 revenue growth guidance range to 49%–53%, due to consolidation of Cainiao later in the fiscal year. Excluding the Cainiao consolidation, Alibaba stated that it is well on track to deliver the prior guidance range of 45%–49% provided during the Investor Day.



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