

Alibaba vs. JD.com: An Analysis of Financial Statements and Investment Value

Shortly after Alibaba and JD released their respective annual financial reports in the first half of 2019, investment manager Zhang Wei received a call from an institutional investor intending to purchase shares in Alibaba or JD and hoping to obtain an prior assessment of the investment value of both companies. Alibaba and JD adopt different development strategies and business models, ranking as the top two in China's ecommerce arena. Which company is of higher investment value: Alibaba or JD? Zhang has decided to analyze the two companies' financial statements and evaluate the investment value and investment risk of each.

Case Questions:

- Analyze the causes of the inconsistency in the behavior of ROE at Alibaba and JD over the five-year period provided in the case.
 - Compare net income to operating income for both companies. Which of the two firms has less of a discrepancy between operating income and net income?
 - Use DuPont Analyses to analyze profitability of both firms.
- **Attempt** to analyze the ROIC of both firms over the five-year period (use the CapitalIQ financials provided on Brightspace).
- Analyze the growth potential of both firms.
 - What have the growth rates been for the two firms over the five-year period? Which firm appears to have better growth potential?
- Analyze the leverage and liquidity ratios of both companies. What do the ratios tell you?
- Does it appear that there is a correlation between the stock performance and financial results at Alibaba and JD?
 - (You do not need to run a regression – just take a look at the numbers and try to answer this).
- Based on the above, what investment value and investment risk do Alibaba and JD each have?

Case Submissions:

The assignment is due at the beginning of class on Thursday, September 19th. Please submit a written memo (two pages maximum) plus appendices that summarizes your findings in PDF format on Brightspace. Include all relevant spreadsheets and tables in the PDF (do not upload your Excel file to Brightspace). Please use the following format:

Date: September 19
From: Team Member 1, Team Member 2, Team Member 3, Team Member 4 and Team Member 5
To: Scott Abrams
Re: Alibaba vs. JD.com

**Note: If you inadvertently submit a wrong file to Brightspace, you can resubmit the correct file before the deadline.*