Politics, mobile overshadow Alibaba's fairy-tale run

REUTERS, *San Francisco*

Alibaba Group Holding Ltd's underwhelming holiday quarter performance and an escalating war of words with a powerful Chinese industry regulator highlight two major risks to its seemingly fairy-tale ascent: politics and the shift to mobile commerce.

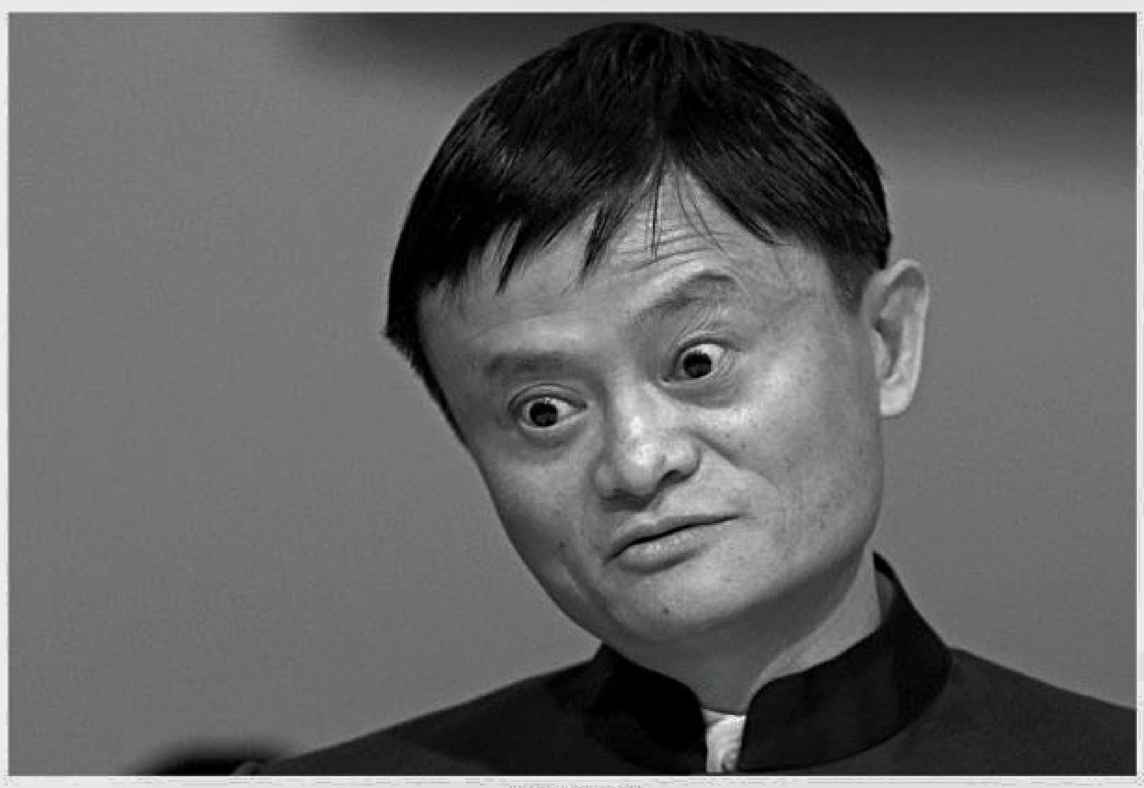
The Chinese e-commerce giant has acquired a rosy aura since its record-breaking IPO last spring, revealing growth rates and volumes that dwarfed industry stalwarts Amazon.com Inc and eBay Inc.

Now, Wall Street is cutting back on expectations in part because of fears that Chinese regulators are sharpening their scrutiny of counterfeit products on e-commerce sites, an endemic problem that Alibaba and others have fought for years.

"As the China-factor gets tempered, then excitement (around Alibaba) is going to get tempered as well," Cantor Fitzgerald's Youssef Squali said, after cutting estimates for 2015 revenue and earnings. "At some point, you're not going to dominate the market and you're just going to grow in line with the market. But we're not there yet," he added.

The gradual migration of users to mobile platforms threatens to weigh on the top line. On Thursday, Alibaba disappointed with 40 percent revenue growth and a monetization rate, the percentage of ecommerce transactions it earns, below Wall Street expectations. That was due to the rising proportion of purchases on mobile devices, from which Alibaba earns less. Its stock fell 9 percent.

Alibaba-watchers were also treated to the unusual sight of a company, regarded as a standard-bearer for a burgeoning technology industry, trading barbs with a government body. China's State Administration for Industry and Commerce (SAIC) surprised investors by publishing a scathing report - since pulled from its website - lambasting the company for not doing enough to suppress counterfeits.



Jack Ma

Throw in questions around how much the world's largest economy will decelerate, and the Alibaba picture begins to look less than certain for 2015.

"Alibaba does outline anti-counterfeit measures in its filings, but the SAIC report puts the effectiveness of these measures into question," Stifel analysts Scott Devitt and George Askew wrote on Thursday as the brokerage downgraded Alibaba to a hold from a buy. "The perception issue may persist."

It is unclear whether the SAIC intends any specific action. But the Chinese company is sensitive to accusations about its efforts to suppress counterfeit products. Meanwhile Beijing, facing persistent U.S. pressure, has declared protecting intellectual property a government priority.

Alibaba's Vice Chairman Joseph Tsai fired back on Thursday, accusing the influential body of "flawed" methodology and preparing to file a formal complaint. To be sure, Alibaba's 40-plus percent growth in revenue and gross merchandise value remains the envy of its rivals. It has been able to sustain that pace thanks to its 80 percent share of a Chinese online market that industry executives agree still has enormous room to grow.

But the world's largest economy is poised to decelerate after years of eye-popping growth. Economists also warn of a property market deflation and pressure on wage growth.

Last week, Alibaba Chairman Jack Ma brushed aside fears that a slowdown may squeeze his company.

Yet while e-commerce should continue to grow in the Middle Kingdom, the increasing shift to mobile commerce means that the amount Alibaba actually earns will come under downward pressure.

Two-thirds of the company's sales still come from its consumer-to-consumer marketplace Taobao, where it primarily earns revenue from advertising and marketing services. As with Google Inc and Facebook Inc, Alibaba charges less for marketing on mobile devices than on computers.

It reported a monetization rate of just below 2 percent from mobile, which now comprises 42 percent of overall gross merchandise value versus 36 percent in the previous quarter.

"Near-term predictability of growth and margins has deteriorated given the company's continued transition to mobile and changes to its user experience," Cantor Fitzgerald's Squali wrote in a research note. "This is amplified by recent tensions with SAIC."

Chevron slashes investment, share buybacks

AFP, *New York*

Chevron slashed $5 billion from its investment budget and shut down its share buyback program Friday as the crude price plunge continued to savage budgets of oil industry powerhouses.

Chevron said it would spend $35 billion on exploration and production projects, 13 percent less than last year, in response to the nearly 60 percent fall of the oil price since the middle of 2014 due to a global glut.

In addition, after spending $5 billion on share repurchases in 2014 -- a program that shores up the company's share price, benefiting stockholders -- chief financial officer Patricia Yarrington said the program would be frozen this year.

"Given the change in market conditions, we are suspending our share repurchase program for 2015," she announced as the company presented its fourth-quarter earnings.

The company turned in its poorest quarter, profits-wise, since 2009, "largely due to the sharp decline in crude oil prices," said chairman and chief executive John Watson.

Revenues for the three months dropped 17.9 percent from a year earlier to $42.1 billion, and net income sank 30.0 percent, to $3.5 billion.

The company produced the same amount of oil as it did a year ago -- an average of 2.58 million barrels a day in the quarter -- but the average sales price was $66 a barrel, compared with $90 a year ago.

Watson said earnings were helped by gains in refining operations.

"Improved downstream results and higher gains on asset sales related to our divestment program partially offset the effect of lower crude prices," he said in a statement.

Novo Nordisk profit boosted by North American growth

AFP, *Copenhagen*

The world's biggest insulin maker, Novo Nordisk, on Friday reported a five percent rise in annual profit, driven by sales of the group's key drug Victoza and modern insulin.

Net profit reached 26.48 billion kroner (3.56 billion euros, $4.03 billion) as revenue grew six percent to 88.8 billion kroner, helped by sales of Victoza, which controls blood sugar levels by mimicking an intestinal hormone called GLP-1, and long acting insulin Levemir.

The North American market accounted for 61 percent of growth measured in local currencies, the group -- which holds 47 percent of the global insulin market -- said in a statement. "The results are strong. Earnings are better than anticipated while revenue is in line with expectations," Sydbank analyst Soeren Loentoft Hansen told Danish news agency Ritzau.

Novo Nordisk said sales were expected to grow between six and nine percent in local currencies in 2015, reflecting strong performances from Victoza and once-daily insulin Tresiba.

The launches of obesity drug Saxenda and Xultophy, which combines Tresiba and Victoza, would result in "modest" growth contributions, it said.

Panasonic closes TV plant in China

AFP, *Tokyo*

Panasonic has closed its last remaining TV manufacturing factory in China and is to sell its plant in Mexico as part of a restructuring plan aimed at stemming losses, a newspaper said Saturday.

The Japanese electronics giant was forced to pull the plug on local production in the two countries due to a sharp decline in TV prices in North America and China, the Nikkei newspaper said.

The move will see Panasonic cutting back overseas production by 700,000 units a year, representing about 10 percent of worldwide output, the business daily said.

In China, the firm stopped production at an 80 percent-owned joint venture in Shandong Province on Friday, the newspaper said. The company plans to liquidate the venture with the several hundred workers there likely to be laid off, the daily said.

It will continue to sell TVs in China by outsourcing production for the roughly 200,000 units a year that it used to manufacture in-house, it said.

In Mexico, Panasonic is expected later this year to sell a plant that has annually churned out about 500,000 units mostly shipped to the US market, the Nikkei said.