

## Flash note

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### Alibaba under threat of expulsion from US exchanges

The US's SEC has added the company to a list of stocks that may be removed from New York exchanges because of Beijing's refusal to allow the company's audit to be reviewed. This has led investors to believe the company's ADRs would be delisted. Later, the company issued a statement reiterating its intent to stay listed in New York and Hong Kong.

Alibaba announced plans last week to seek a primary listing in Hong Kong, that would enable it to tap more mainland investors, and this caused the stock to rally briefly, but the gains have since vanished (shares declined 3.8% in Hong Kong last night) due to the lack of positive news on the US-China negotiations on the audit issues, causing a believe that Chinese ADRs will inevitably be delisted, and with analysts predicting that the firm will announce its first-ever negative quarterly revenue growth.

The SEC's move follows a growing roster of companies facing removal because of Beijing's refusal to permit American officials to review their auditors' work.

#### What to do?

Despite the low multiples caused by the correction of more than 70% in this value, caution should still prevail when deciding to invest in these shares, at least as long as we do not see a willingness on the part of Beijing to offer more transparency and guarantee access to the company's data for audit by the North American regulator.

Another necessary condition before entering Chinese shares at risk of being delisted in the US, is a relaxation of political and diplomatic relations between both nations, today very stressed by the Taiwan issue. As long as this does not happen, it will be difficult to see gestures of rapprochement and visibility on the issue of the ADRs.

**I enclose some comparable figures (last 12 months)**

	ALIBABA GROUP	AMAZON
Enterprise Value to Revenue	1,7	2,89
PE	26,75	65,26
Price to Sales	1,91	2,88
Price to Book Value	1,68	10,25
ROA	1,93%	2,98%
ROE	6,51%	9,43%
ROIC	8,81%	7,20%



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