Alibaba surges in Wall Street debut (Update)

September 19 2014, by Luc Olinga

A buying frenzy sent Alibaba shares sharply higher Friday as the Chinese online giant made its historic Wall Street trading debut.

Alibaba leapt from an offering price of $68 to $92.07 in the first trades, then headed to nearly $100 before settling back at the close to $93.89, a hefty gain of 38 percent.

Company founder Jack Ma was on the floor of the New York Stock Exchange before trading opened, while a group of Alibaba customers rang the opening bell.

By raising $25.02 billion, Chinese online giant Alibaba broke the record for the largest initial public offering in history, after investment underwriters exercised the option for 48 million extra shares, bringing the total to 368 million.

The previous record was set in 2010 by China's AgBank, which raised $22.1 billion.

Speaking to CNBC television from the trading floor, Ma said he was "very honored, and so excited" by the market debut and that he sees enormous growth potential for Alibaba.

"We have a dream," he said. "We hope in the next 15 years the world will change. We want to be bigger than Wal-Mart."

He added that he sees Alibaba as a company that will have a huge impact: "We hope people say in 15 (years) this is a company like Microsoft, like IBM."

With the surge in its share price, Alibaba's market value jumped to more than $220 billion—making it bigger than Facebook ($199 billion) and Amazon ($151 billion).

The rise also lifted Ma's personal net worth to some $17 billion, making him the richest person in China, according to Forbes magazine.

Upbeat analysts

Some analysts were also upbeat about Alibaba, which dominates the Chinese online retail space with Taobao.com and TMall.com.

"Alibaba has become the biggest e-commerce firm in the world in terms of gross merchandise volume," the research firm Trefis said.

"Alibaba will continue to retain the mammoth share of online shoppers, even if it is not able to increase it much."

Youssef Squali at Cantor Fitzgerald recommended buying Alibaba.

Alibaba presents an "opportunity to invest in China's largest e-commerce platform, which we believe has the potential to dominate global online commerce over time," the analyst said in a note to clients ahead of trading.

"While the stock's not cheap, we believe the company's outsized growth and margin profiles, if sustained, should support higher valuation over time."

The IPO allows investors to get a piece of the huge Chinese market, but it also will fuel Alibaba's international ambitions.

Alibaba's consumer services are similar to a mix of those offered by US Internet titans eBay, PayPal and Amazon, and it also operates services for wholesalers.

The company earlier this year announced plans for a US marketplace called 11 Main, which is currently in a test phase.

Ma told Bloomberg television Friday he has more plans for the US market.

"We already started helping a lot of small business in the US," he said.

"And still we sell American cherries and we're selling a lot of seafood. And we want to sell more things."

Asked if he would consider a partnership with Amazon, Ma said, "I would be interested in talking (with) anybody... involving helping small business."

Alibaba Group made a profit of nearly $2 billion on revenue of $2.5 billion in the quarter ending June 30.

Alibaba decided to list in New York because it wanted an alternative class share structure to give selected minority shareholders extra control over the board; the Hong Kong bourse declined to change its rules to allow this.

A US government panel has warned of risks to investors because of a complex corporate structure. Alibaba is registered in the Cayman Islands and controlled by a partnership through a series of shell companies.

The IPO is also a major event for US-based Yahoo, which bought a 40 percent stake in the Chinese online giant in 2005 for $1 billion and still holds 22.4 percent.

The California company is reaping close to $10 billion by paring that stake down to 16.3 percent.

But Yahoo shares were lower, amid indications that investors would cash out of the US Internet firm to invest directly in Alibaba. Yahoo closed down 2.7 percent at $40.93.