# Alibaba (NYSE:BABA) Soars 9% After Munger Doubles Down

## Description

**Alibaba Group Holdings** (NYSE:BABA) investors got a rare treat yesterday: A massive, one-day rally of Alibaba stock.



In the span of a single trading day, BABA shares rose 9%, following news that legendary value investor Charlie Munger had doubled down on the stock.

In a recent 13-F filing, the *Daily Journal* revealed that it had nearly doubled its position in Alibaba.

Munger, who manages investments for the *Daily Journal*, was thought to have been responsible for the decision. For years, Munger has been touting the inherent value in Chinese stocks. These stocks, he claims, are growing faster than U.S. stocks while also being cheaper. For a value investor, it's a winning formula, and Munger is putting his money where his mouth is.

## Why Munger likes BABA

Charlie Munger hasn't offered a whole lot of commentary on why he likes BABA specifically. However, he *has* said why he liked Chinese stocks *in general.* Specifically, he has said that it's because:

> *"They're cheaper, they're growing faster."*
> *– Charlie Munger*

What Munger is saying here is pretty much that Chinese stocks are solid "growth at a reasonable price" (GARP) investments right now. GARP is an investment philosophy that combines the best of value and growth investing. It says, basically, to buy stocks when the growth prospects are strong and the multiples are low.

Does this philosophy explain Munger's attraction to BABA?

Yes, it does. If you look at BABA's trailing 12-month period, we see metrics like:

- A 17 P/E ratio.
- A 2.9 price to book ratio.
- 40% revenue growth.
- 29% operating income growth.

Put simply, we've got growth and value in one package. A classic "GARP" play that Munger clearly loves.

## Are there similar Canadian stocks?

For Canadian investors, it's natural to ask whether there are Canadian stocks similar to Alibaba. Sure, anybody can buy BABA on the NYSE, but it's natural to root for the home team and give precedence to your own country's stocks.

So, are there any Canadian stocks similar to BABA?

Yes and no.



If you're looking for a Canadian stock that is *exactly* like BABA–a high-growth tech play that is also cheap–you're out of luck. Most Canadian tech stocks are very expensive and that's probably not changing any time soon.

If on the other hand, you're looking for Canadian stocks that meet the definition of "GARP" in the broadest sense, you may be in luck.

Specifically, Canadian banks like **the Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). Canadian banks offer *very* low multiples–much lower than BABA's–and decent growth. For the trailing 12-month period, TD had:

- 22% revenue growth.
- 64% diluted EPS growth.
- A 10 GAAP P/E ratio.
- An 11.5 adjusted P/E ratio.
- A 1.64 price-to-book ratio.

A super cheap stock, and with decent growth as well. Now before you get excited about the 64% diluted EPS growth, I have to warn you: that's largely due to base effects. TD's earnings cratered due to PCL build last year so last year's third quarter was very easy to beat. Still, the 22% revenue growth was impressive. And it doesn't hurt that we've got Charlie Munger himself investing in similar U.S. banks like **Bank of America.**

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