

Amazon beats Q4 revenue estimates, but profits slump

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The Amazon DTW1 fulfillment center is shown in Romulus, Mich., April 1, 2020. Amazon reports financial earnings on Thursday, Feb. 2, 2023. Credit: AP Photo/Paul Sancya

Amazon on Thursday reported worse-than-expected fourth-quarter profits, but its revenue beat expectations boosted by sales in its cloud-computing unit AWS, which is also seeing a slow-down in growth.

Amazon said it earned \$300 million, or 3 cents per share, in the October-December quarter. Industry analysts were expecting the Seattle-based company to earn 17 cents a share, according to FactSet.

The e-commerce giant said its bottom line was dented by a \$2.3 billion write-down of the value of its stock investment in electric vehicle startup Rivian Automotive.

Amazon's fourth quarter profits represent a significant drop from the \$14.3 billion it posted during the same period in 2021, when the company had a nearly \$12 billion gain from its investment in Rivian Automotive.

Shares in Amazon.com Inc. fell 4% in after-hours trading.

At the same time, Amazon said its overall revenue rose 9% to \$149.2 billion, higher than the \$145.7 billion analysts were expecting. It said it expects revenue of between \$121 billion and \$126 billion during the current quarter. Analysts had been expecting \$125 billion.

The earnings report closes a rough 2022 for Amazon. The company's stock lost nearly half of its value last year amid a broader sell-off of tech shares tied to rising inflation, interest rates and concerns about the wider economy. On Thursday, it posted a loss of \$2.7 billion for the full-year.

"While some of this is down to the company's investment in Rivian, which is putting significant pressure on the bottom line, it is also clear that a material slowdown across many parts of the business is causing considerable pain," said Neil Saunders, managing director of GlobalData.

Amazon has been struggling to right-size its business in the past year as consumers pulled back from the pandemic-induced move towards online

shopping. To keep up with the demand at the time, it boosted hiring at its corporate offices and its warehouses, nearly doubling its workforce to more than 1.6 million by the beginning of last year.

But as its retail business cooled, Amazon has been attempting to curb expenses that have outpaced sales in its North America and international businesses since the fourth quarter of 2021. It spent some of last year reducing its warehouse workforce through attrition, and canceling or delaying plans to open warehouses in different parts of the country. The company said Thursday its North America business grew by 13%, but expenses still outpaced growth.

Amazon has been further tightening its budget by eliminating certain parts of its business and laying off workers in the past few months amid rising concerns about whether the U.S. will dip into a recession. In November, it began what would be the largest set of job cuts among its corporate offices, expected to be over 18,000 jobs in total, according to a note to employees by the company's CEO Andy Jassy. Other tech companies that hired rapidly during the pandemic, including Facebook parent Meta, Microsoft and Salesforce, [have also been cutting jobs](#).

Shoppers have been reducing their spending in recent months amid high inflation and wider economic uncertainty. Retail sales fell a worse-than-expected 1.1% in December, following a revised 1% drop in November, according to the Commerce Department.

To entice budget-conscious shoppers, Amazon, along with other retailers, began offering holiday deals in October. The company said in November it saw its biggest ever Thanksgiving holiday shopping period. But Thursday's report shows its online stores division fell by 2%.

"We saw customers spend less in discretionary categories, shift to lower-priced items and value-brands," Amazon's Chief Financial Officer Brian

Olsavsky said during a media call Thursday, adding the company was seeing lower growth rates internationally as consumers abroad feel the effects of high inflation and the economic repercussions of war in Ukraine.

Amid the consumer pullback in online shopping, the company has relied on other profitable areas of its business to boost its revenue. Amazon's advertising arm saw a 23% growth during the fourth quarter, but it's been slowing in growth as businesses cut their advertising costs. Meanwhile, its cloud-computing unit AWS grew by 20%, compared to 40% during the same period in 2021. Jassy said in an earnings call with analysts on Thursday that businesses that would use the service are being more cautious and looking for ways to save money.

"We're going to help our customers find ways to spend less money," he said.

Amazon's physical stores unit, which includes Whole Foods, grew by 6%. But Saunders said much of the could be tied to inflation rather than more sales.

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