

Amazon Q1 revenue, profit grow but cloud unit a concern

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The price of Amazon stock is shown on a screen at the Nasdaq MarketSite, Wednesday, Dec. 20, 2017, in New York. Amazon reports earnings on Thursday, April 27, 2023. Credit: AP Photo/Mark Lennihan, File

Amazon on Thursday reported stronger-than-expected revenue and

profits for the first quarter, sending its stocks higher in after-hours trading. But its prices took a dip in the evening amid concerns about a continued slowdown in the company's profitable cloud computing unit AWS.

Seattle-based Amazon said it pulled in \$127.4 billion in revenue for the January-March quarter, a 9% growth compared to the \$116.4 billion it reported during the same period last year. Analysts surveyed by FactSet had expected \$124.6 billion.

Profits came out to \$3.2 billion, or 31 cents per share, higher than the \$2.24 billion industry analysts had expected. It's also a strong improvement from the same period last year, when the e-commerce giant reported its first quarterly loss in years mainly driven by a loss in value of its investment in the electric vehicle company Rivian Automotive.

Amazon's stock rose as much as 10% in after-hours trading as investors initially welcomed the news, but later dipped 2% after company executives expressed during a call with investors lingering challenges with AWS.

The report on Thursday rounds out a busy earnings week for major tech companies. On Wednesday, Facebook parent [Meta beat profit and revenue expectations](#), leading to a bounce in its stocks in after-hours trading. Microsoft posted a spike in profits on Tuesday driven by a strong showing in its cloud segment Azure, which recently saw some slowdowns in growth. Google reported its cloud business grew by a strong 28%, leading to its first operating profit. But it grew at a slower pace compared to the same period last year.

Amazon CEO Andy Jassy wrote in his annual shareholder's letter released earlier this month that AWS, the leader in the cloud market,

was facing short-term headwinds as companies become more cautious in their spending amid more uncertainty in the economy. The company said Thursday the segment grew 16% during the first quarter, which beat analyst expectations but had a much slower showing than a 37% growth rate a year prior.

"Amazon did what it needed to do in Q1 by reversing—or at least stalling—its most troublesome declining growth trends," Insider Intelligence principal analyst Andrew Lipsman said in a statement before the company's stocks took a dip.

"For the first time in several quarters, Amazon may finally have a bit of wind at its back," he said.

Amazon reported no growth in the first quarter in its online retail business. The unit grew by 3% excluding foreign exchange rates, according to Amazon's calculations. Company executives have said shoppers have become more conscious about their spending and are trying to save costs when they can. On top of that, many shoppers have let go of their pandemic-fueled reliance on e-commerce, which led Amazon to report record revenue figures at the time.

During a call with reporters on Thursday, Amazon Chief Financial Officer Brian Olsavsky said consumers continue to be cautious with their spending amid high inflation and are looking to stretch their budgets further by purchasing lower-priced items.

But he said the company continues to see bright spots in international sales helped by easing economic pressures in Europe, as well as its advertising businesses and other areas.

Amazon too has been cutting its expenses amid more overall sluggish online sales and concerns over whether the U.S. will dip into a recession.

The company began trimming its spending last year by canceling some of its warehouse expansion plans and reducing headcount in its facilities through attrition. And it's been moving its warehouses from a national to a regionalized network model as part of an effort to improve delivery speed and save costs.

Amazon [accelerated cost-saving measures](#) over the past couple of quarters by cutting 27,000 corporate roles in different units, including devices, advertising, AWS and Twitch, the popular live streaming platform it acquired in 2014. It has also axed several businesses that weren't bringing in enough cash, such as its healthcare startup Amazon Care, subsidiary fabric.com and the video calling device Amazon Glow. On Wednesday, the company said it would shut down its health-focused Halo devices and related membership service on August 1.

In February, the retailer said it would shut down some of its Amazon Fresh and Go convenience stores and pause expansions as it attempts to find the right formula for its grocery business. Amazon has also paused construction on the second phase of its headquarters in northern Virginia. It expects to bring thousands into the first phase of the development when it opens in June, and has asked for \$152.7 million in state incentives for bringing those jobs to Virginia.

Jassy has signaled confidence that the company can get its costs under control. He has also said Amazon will continue to expand its investments in a number of areas that are further from its core business, such as healthcare, generative AI and Kuiper, a satellite broadband project the company unveiled in 2020.

The company said Thursday it expects to post revenue between \$127.0 billion and \$133.0 billion during the second quarter, bracketing the average analyst estimate of \$129.87 billion.

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