

# Amazon shares slip on revenue miss, profit outlook

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In this Oct. 18, 2010 photo, Amazon.com boxes await delivery in a UPS truck in Palo Alto, Calif. Online retailer Amazon.com Inc. is set to report its fourth-quarter results Thursday, Jan. 27, 2011 after the close of trading on Wall Street. (AP Photo/Paul Sakuma)

(AP) -- Amazon.com's results for the holiday shopping season highlight the inherent tension between retailers and consumers: What's good for one isn't necessarily good for the other.

The intense competition from Wal-Mart Stores Inc. and other discounters that kept a lid on many prices may have been great for

shoppers in stores and online.

But the world's biggest online retailer's shares sank nearly 9 percent after hours Thursday after it said its holiday-season revenue uncharacteristically fell short of Wall Street's expectations and it offered a disappointing profit outlook for the current quarter.

Under pressure from Wal-Mart, Amazon has lowered its prices. And it scrambled to match Wal-Mart's surprise offer in the fourth quarter of free shipping on tens of thousands of items - another boon for consumers, though it may have hurt both companies.

The disappointment in Amazon's latest results was fueled in part by the high expectations investors had for a company whose stock had jumped nearly 75 percent since its 52-week low of \$105.80 in July, and since other consumer-oriented technology companies, such as Google Inc. and Netflix Inc., wowed Wall Street with their results.

It is now clear, though, that not all Internet companies benefited equally from the holiday shopping season. And retail's recovery from the Great Recession is still more uneven.

Many people have increased their spending but most remain picky about what they buy. For instance, in consumer electronics, laptop computers and TVs are lagging while smart phones and the iPad are hot sellers.

Amazon CEO Jeff Bezos noted two important milestones: The company cracked \$10 billion in quarterly revenue for the first time, and it sold more electronic books for its hot-selling Kindle reader than it did paperback books.

And Amazon's net income beat expectations, hitting \$416 million, or 91 cents per share, while analysts expected 88 cents per share, according to

FactSet. In the same period the previous year, Amazon earned \$384 million, or 85 cents per share.

But analysts were expecting an even bigger jump in revenue than the 36 percent Amazon reported. They forecast \$13.02 billion on average, according to FactSet, while the company took in \$12.95 billion for the quarter.

Investors focused on that miss and on the higher costs that hurt Amazon's profit margin as it continued to spend heavily on building its shipping and "cloud computing" businesses.

Amazon shares fell \$17.30, or 9.4 percent, to \$167.15 in extended trading after ending regular trading at \$184.45, up \$9.05, or 5.2 percent.

The company's first-quarter guidance of \$9.1 billion to \$9.9 billion in revenue was in line with analyst projections of \$9.32 billion. But the company warned that operating profit could decline as much as 34 percent compared with the first quarter of 2010.

Amazon continues to be tightlipped about its hottest seller, its Kindle e-reader, which is the best-selling item in the company's 16-year history. It has said only that sales have been in the "millions" of devices. They start at \$139.

The Kindle's rise has coincided with big shifts in the electronics industry that are forcing retailers to rethink their strategies in stores and online.

Amazon has taken pains to paint the market for e-readers as additive to the overall computer market, even as evidence mounts that mobile gadgets - particularly Apple Inc.'s iPad tablet - are forcing people to change how they spend their technology dollars.

The economic downturn continues to depress retail spending overall. Holiday spending in the U.S. reached the highest level on record last year at \$462 billion, according to the National Retail Federation, but would have been below pre-recession levels if inflation were factored in.

Because of Amazon's reach - the Seattle-based company shipped to 178 countries over the holidays - its business affects a swath of industries, from retailing to manufacturing to shipping. UPS and FedEx, for example, depend on online retailers such as Amazon to feed their pipelines during the busiest shipping days of the year.

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