

Amazon.com's profit tumbles more than expected

April 26 2011, By JORDAN ROBERTSON , AP Technology Writer



In this Nov. 11, 2010 file photo, Katherine Braun sorts packages toward the right shipping area at an Amazon.com fulfillment center, in Goodyear, Ariz. Amazon.com Inc., releases quarterly financial results Tuesday, April 26, 2011, after the market close. (AP Photo/Ross D. Franklin, file)

(AP) -- Amazon.com said Tuesday that its net income fell 33 percent in the latest quarter, a steeper drop than Wall Street expected as the online retailer poured more money into expanding its operations.

While Amazon's profit was a disappointment, its revenue topped expectations. The company's management says that the stronger sales mean Amazon needs more warehouses and upgraded technology, which require bigger investments that cut into earnings.

The world's biggest online retailer is also facing competitive challenges

from Wal-Mart Stores Inc. and other rivals, and is spending to shore up its lead.

Amazon's expansion is also being complicated by ongoing battles with states over when Internet retailers should be forced to collect sales taxes from their customers.

And Amazon's Web hosting service, one of the Seattle-based company's biggest new initiatives, suffered an embarrassing setback last week. Major websites that use the service, including Foursquare and Reddit, crashed or suffered slowdowns, raising questions about the reliability of Amazon's "cloud computing" offerings.

Shares of the Seattle-based company dropped about 6 percent when the results were reported after the stock market's close Tuesday. They recovered some and down \$3.05, or 1.7 percent, to \$179.25.

The stock's recovery from its extended-trading lows appeared to reflect investors' belief that Amazon's expansion may be costly but will make the company more competitive.

Thomas Szkutak, Amazon's chief financial officer, said the higher expenses were directly related to higher demand for the goods sold on Amazon.

"We're just seeing tremendous growth, and because of that we're having to invest in a lot of capacity," he said on a conference call with reporters. He added that Amazon's international sales took a hit from the deadly earthquake and tsunami in Japan on March 11, which also cut into Amazon's profit.

The company said after the market closed that its net income was \$201 million, or 44 cents per share, down from \$299 million, or 66 cents per

share, a year ago. The earnings were well short of the 61 cents per share that analysts polled by FactSet expected.

But revenue rose 38 percent to \$9.86 billion, ahead of the \$9.54 billion that analysts were forecasting, and up from \$7.13 billion a year ago.

Amazon's second quarter revenue guidance also topped analysts' projections.

Amazon says it expects revenue of \$8.85 billion to \$9.65 billion. Analysts were expecting \$8.75 billion.

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Citation: Amazon.com's profit tumbles more than expected (2011, April 26) retrieved 11 May 2024 from <https://phys.org/news/2011-04-amazoncom-profit.html>

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