

Amazon 3Q net income sinks, missing analyst views

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FILE - In this Sept. 28, 2011 file photo, Jeff Bezos, Chairman and CEO of Amazon.com, introduces the Kindle Fire at a news conference, in New York. Amazon.com releases quarterly financial results Tuesday, Oct. 25, 2011, after the market close. (AP Photo/Mark Lennihan, File)

(AP) -- Amazon's spending on expansion will eventually help its bottom line, but right now it's costing the online retailer on Wall Street.

The Seattle-based company's third-quarter net income fell 73 percent despite revenue growth as Amazon built sales fulfillment centers at a rapid clip. Neither that drop nor its revenue outlook for the current quarter made investors happy.

Its stock fell more than 12 percent after hours.

Amazon.com Inc. earned \$63 million, or 14 cents per share, for the quarter, compared with \$231 million, or 51 cents per share, a year earlier.

Analysts polled by FactSet had hoped for much more: 24 cents per share in net income, on average.

Revenue climbed 44 percent to \$10.9 billion, in line with the nearly \$11 billion analyst were looking for.

Sales in the company's media business, which includes books, CDs and DVDs, rose 24 percent to \$4.2 billion. Its revenue from electronics and other general merchandise rose 59 percent to \$6.3 billion.

But Amazon's operating expenses rose 48 percent to \$10.8 billion. The increase came mainly from a higher cost of sales. This is the third consecutive quarter in which Amazon's expenses have cut into its bottom line.

To support its growth, Amazon is building 17 new fulfillment centers this year, adding to the 52 it had at the end of last year. This ensures that the company can keep up as it sells more of everything from stuffed animals to power tools. The company also is investing in its Kindle e-reader line and digital-content business.

"You have to go back to year 2000 to see those kind of growth rates," Chief Financial Officer Tom Szkutak said during a conference call with reporters.

Amazon CEO Jeff Bezos gave some details about the health of the company's family of Kindles. In the Amazon's earnings release, Bezos said the Kindle's "biggest order day ever" was Sept. 28. That day, Amazon trotted out several new Kindle models, including its first-ever

tablet computer, the \$199 Kindle Fire. Amazon began selling a \$79 model and took advance orders for others.

The Fire, which will begin shipping in November, is Amazon's answer to Apple Inc.'s popular iPad. Amazon sees the Kindles as a way to spur more sales of the digital content it sells, which include e-books, music, games and apps.

Bezos said advance orders for the Fire are so high that Amazon is making "millions more" than it had intended, and other models have been selling twice as fast since Sept. 28 as they did after the last launch of a Kindle device.

As in the past, Amazon did not release details about Kindle sales, but the company undoubtedly expects the device to help its holiday results.

Amazon expects revenue of \$16.5 billion to \$18.7 billion in the October-December quarter - usually the biggest quarter for retailers in terms of revenue. Analysts expect \$18.1 billion in revenue.

In the conference call, CFO Szkutak said the company "feels very good" about demand thus far. But Amazon gave a large range for its guidance, as usual.

Amazon's stock sank \$28.47, or 12.5 percent, to \$198.68 after hours. It had finished regular trading at \$227.15, down \$10.46, or 4.4 percent.

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