

# Amazon surprises with profit despite fierce spending

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Amazon surprised the market Thursday with a quarterly profit far better than anticipated for the online giant known for pouring money into projects such as original video programs and delivery drones.

"Amazon beat estimates even though Jeff Bezos is moving at a paranoid

pace; pretty much spending money as fast as it comes in and going flat out as if there were somebody right on his heels chasing him," said independent analyst Rob Enderle of Enderle Group in Silicon Valley.

"When a competitor does emerge they won't have a chance of catching him. It's the most aggressive growth strategy for such a long period of time that I have ever seen."

Amazon posted earnings of \$214 million for the fourth quarter as sales jumped 15 percent to \$29.3 billion, swinging to profit after two consecutive losing quarters.

For the full year 2014, Amazon posted a net loss of \$241 million on sales of \$89 billion.

Amazon has faced pressure from shareholders to deliver profits even as founder Jeff Bezos has invested in a vast array of projects—from online video to its own smartphones and delivery drones to business email.

"I see Amazon creating lots of experiments to change from being a giant Web mall to being a much more diverse company," said Forrester analyst Frank Gillett.

Bezos said the company is reaping benefits from "Amazon Prime," an online subscription service.

Last year, the price was raised to \$99 annually for US customers and membership grew 53 percent, according to Amazon.

"Prime is a one-of-a-kind, all-you-can-eat, physical-digital hybrid—in 2014 alone we paid billions of dollars for Prime shipping and invested \$1.3 billion in Prime Instant Video," Bezos said.

A Prime subscription gives members unlimited video and music streaming and, in some locations, offers same-day delivery on groceries.

Amazon managed the profit even as it ramped up its video offerings to compete against Netflix and others.

At the same time, Amazon has been working to boost sales from its traditional online marketplace and a large cloud services operation for businesses.

Amazon this week announced plans to offer a cloud-based email and calendar service to directly compete with Microsoft Outlook and others.

In contrast, Amazon pulled its private-label Elements premium diapers from its virtual shelves last week, after telling shoppers it wants to make design improvements.

Amazon took on the giants of the diaper industry in early December with a competitively priced product pitched at environmentally conscious buyers.

But the company removed the diapers from its virtual shelves due to quality concerns. An Amazon Fire smartphone launched last year flopped.

## **Bold bets**

Bezos last month publicly acknowledged missteps which have cost the tech giant billions, but said that is the price for taking "bold bets."

"I've made billions of dollars of failures at Amazon.com," Bezos told a New York conference sponsored by the news website Business Insider.

In addition to the smartphone, Amazon last year unveiled an upgraded line of Kindle tablet computers and introduced a streaming media player.

The Seattle-based company bolstered its online gaming presence with a \$970-million acquisition of the game platform Twitch, and expanded its "Amazon Fresh" grocery delivery service.

Bezos has said he hopes to move forward on plans to use drones for delivery of goods, but has said this could be delayed by red tape.

Shares in Amazon shot up more than 12 percent to \$349.93 in after-hours trading following the release of earnings figures that eclipsed Wall Street forecasts.

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