

Amazon has 3Q sales surge as holidays approach

October 22 2015, byMae Anderson



In this Feb. 13, 2015, file photo, a package moves along a conveyer belt during a media tour of the new Amazon.com fulfillment center in DuPont, Wash. Amazon.com reports quarterly financial results Thursday, Oct. 22, 2015. (AP Photo/Ted S. Warren)

Amazon is Primed for success as the busy holiday season approaches.

The e-commerce powerhouse reported a surprise third-quarter profit, driven by a boost in revenue from its Prime Day promotion and

continued strong growth in its cloud-computing offerings.

Results beat expectations, and Amazon's shares jumped 10 percent in aftermarket trading.

That paints a rosy picture for the Seattle company as the holiday shopping season approaches. The company has been investing heavily in warehouses and delivery capabilities.

"We are in good shape for the holidays and ready to go," said CFO Brian Olsavsky.

Amazon's strategy has long been to invest the money it makes back into its businesses, particularly by expanding offerings in its \$99-a-year Prime loyalty program and its cloud-computing business, called Amazon Web Services. But in recent quarters, it has shown an ability to turn a profit, too.

Revenue jumped 23 percent during the quarter, helped by strong sales of electronics and general merchandise, a good sign for the Seattle retailer ahead of the crucial holiday months of November and December, when retailers make a substantial percentage of their annual sales.

Prime Day, Amazon's 20th-anniversary sale in July, boosted revenue by 2 percentage points, the company said. Amazon did not break out sales figures. The company also said that more people signed up for a free trial of Prime on that day than any other day ever. And it said people converted to the paid program at the same rate they do on major shopping days such as Black Friday and Cyber Monday, the busy shopping days after Thanksgiving.

"Prime growth is fueling Amazon (in) getting a bigger share of the household budget," said Cowen analyst John Blackledge. He estimates

there are about 38 million Prime members in the U.S.

Amazon Web Services sales jumped 78 percent to \$2.09 billion.

Amazon Web Services is the biggest player in delivering Internet-based services for other companies. It has many times the business of its closest competitors, Microsoft's Azure, Google Cloud Platform, IBM and Salesforce. There have recently been casualties in the cut-throat space, with HP announcing it was shutting down its HP Helion public cloud.

"Amazon Web Services is a significant part of the business, and the consistent release of new products and features leads us to expect dramatic profit growth in the coming years," said Wedbush analyst Michael Pachter.

Amazon had net income of 17 cents per share. The average estimate of 14 analysts surveyed by Zacks Investment Research was for a loss of 10 cents per share.

The online retailer posted revenue of \$25.36 billion in the period. Thirteen analysts surveyed by Zacks expected \$24.85 billion.

For the current quarter ending in December, Amazon said it expects revenue in the range of \$33.5 billion to \$36.8 billion. Analysts surveyed by Zacks had expected revenue of \$35.2 billion.

Amazon has been adding staff and improving shipping capability for the holidays. It said Tuesday it plans to hire 100,000 people for the holidays, a 25 percent jump from last year. And in a call with analysts on Thursday the company said it has 30,000 robots in 13 warehouses to speed packing, up from 15,000 robots in 10 warehouses a year ago.

Stifel analyst Scott Devitt said Amazon's large and rapidly growing Prime membership base should help retail sales, while the strong cloud-computing business "should continue to benefit from greater scale and innovation."

Through the close of regular-session trading Thursday, Amazon shares have risen 82 percent since the beginning of the year, while the Standard & Poor's 500 index has stayed mostly unchanged.

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Citation: Amazon has 3Q sales surge as holidays approach (2015, October 22) retrieved 10 April 2024 from <https://phys.org/news/2015-10-amazon-3q-results-strong-sales.html>

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