

# Amazon profit jumps while revenue misses mark (Update)

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Amazon reported on Thursday that profit leapt during the year-end holiday shopping season, but the tech giant saw shares sink as revenue fell shy of high expectations.

While revenue rose to \$43.7 billion from \$35.7 billion in a similar year-

over-year comparison, Wall Street had expected Amazon to take in more cash during the key holiday shopping season.

"Amazon is usually a retailer that operates at full volume, the noise of its sales growth a clarion call in an often muted retail sector," said GlobalData Retail analyst Anthony Riva.

"However, this quarter that volume seems to have been turned down a couple of notches."

Amazon shares were down more than four percent to \$805.40 in after-market trades that followed release of the earnings report.

Net income for the quarter was \$749 million, compared with \$482 in the same period a year earlier, according to earnings figures.

While Amazon is known for its huge online retail operations, it is also a major provider of cloud computing, and is a rival to Netflix in streaming video. It has been ramping up efforts in artificial intelligence with its Alexa-powered speakers and partnerships with makers of connected devices.

Amazon founder and chief executive Jeff Bezos said the company is looking for growth via its "Prime" subscription service, which gives customers access to video, music and other services and free two-day shipping.

Bezos said in a statement that Prime Video was now available in some 200 countries and territories.

Its retail operations took in \$26 billion in North America and \$14 billion in the rest of the world.

## **'Super Cloud'**

Amazon Web Services and rival Microsoft Azure will be the "only two super clouds" where businesses rent storage or computing power for online operations, but that value is already built into the share price, Global Equities Research analyst Trip Chowdhry said in a note to investors.

The earnings report said the cloud unit known as Amazon Web Services saw revenue jump 47 percent in the quarter to \$3.5 billion.

## **Echo resounding**

Devices infused with Alexa artificial intelligence were top selling products at Amazon.com during the holiday season, according to the company.

Sales of Echo home virtual assistant devices, which are built with internal machine smarts, jumped nine times higher than during the same quarter a year earlier, Amazon said.

Alexa was one of the big winners at this year's Consumer Electronics Show, cropping up in TVs, cars, fridges—you name it—in what appeared to be a breakthrough moment for the smart technology.

## **Out to deliver**

Amazon continues to invest in its core retail network. This week Amazon announced plans to strengthen its distribution muscle by building its first air freight hub—an investment of nearly \$1.5 billion.

A hub for the company's growing fleet of Prime Air cargo planes will be

built at an airport in northern Kentucky, adding more than 2,000 US workers to the approximately 10,000 people it already employs at fulfillment centers in that state.

Low cost and fast delivery are a fundamental part of Amazon's appeal to consumers, but are also its "Achilles' heel" because speedy shipping can be most costly, said analyst Riva.

"As much as this quarter has been more subdued, Amazon remains firmly on the front foot in terms of innovation," Riva said.

"This alone will continue to make it a retail out-performer, at least in sales terms, over the next year and beyond."

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