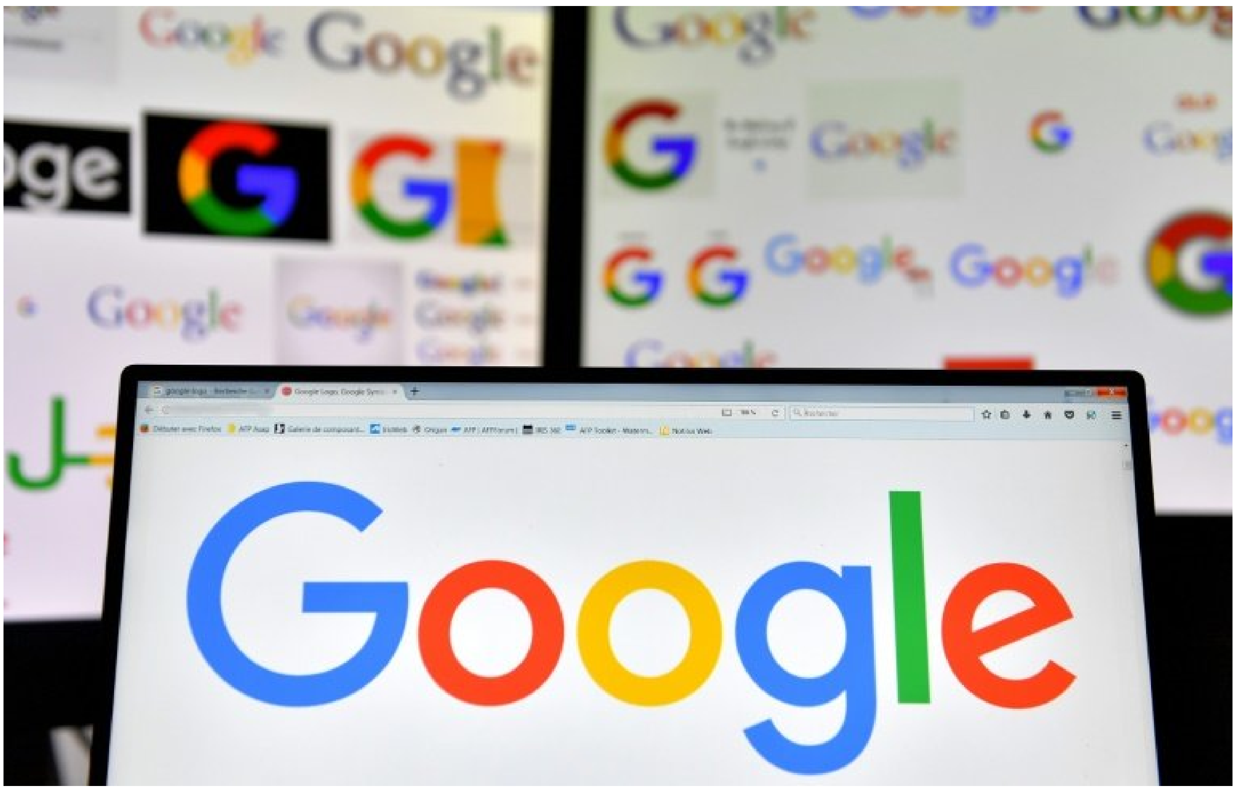
PHYS.ORG

Google, Amazon suffer market setbacks on sales outlook

October 26 2018, by Glenn Chapman, Julie Charpentrat



Google reported a surge in profits in the last quarter, revenue came up short of expectations

Internet titans Google and Amazon came under an investor cloud after posting disappointing sales updates, with the search leader also on the defensive for reportedly hushing up sexual misconduct.

Two of the world's most valuable companies suffered slides in their share prices after releasing their quarterly earnings, declines that fuelled pessimism in Asian and European stock markets on Friday.

While both on Thursday reported bumper profits in the past quarter, revenues came up short of expectations at Google and Amazon spooked the markets with a so-so forecast for the all-important holiday season coming up.

"Given the current market backdrop, your earnings report has to be perfect or your stock will get punished," said Vic Anthony, an analyst at Aegis Capital Corp.

Contributing to Google's bad day was a New York Times report that one senior employee, Android creator Andy Rubin, received an exit package worth $90 million as he faced allegations of misconduct, and that Google had covered up other claims of sexual harassment.

Google chief executive Sundar Pichai sent an email to employees stating that 48 people had been terminated for sexual harassment in the past two years, including 13 who were senior managers and above, but that none received any exit package.

He said Google was "dead serious" about providing a safe workplace and that the report on Rubin and others was "difficult to read", but did not directly address the claims.

Sam Singer, a spokesman for Rubin, rejected the allegations against him in a statement to AFP, saying Rubin had left Google of his own accord in 2014 to launch venture capital firm Playground.

The latest report added to a chorus of voices denouncing sexist culture in male-dominated Silicon Valley, which has knocked a number of internet industry executives at other tech giants from their perches.

Nerves despite net growth

Google is already under scrutiny along with Facebook for its privacy and data protection policies, but on the business front has continued to wrack up monster earnings.

Google's parent company Alphabet said its third-quarter net profit rose 36 percent to $9.2 billion, fueled by gains in digital advertising delivered online and on smartphones.

Alphabet has been working to become more diversified, with its own Pixel brand of smartphones and tablets, its Google Home smart speakers which are gaining ground on market leader Amazon, and services like cloud computing, another area where Amazon is strong.

"Our hardware efforts are picking up real momentum," Pichai told analysts on a conference call.

Investors are disappointed at Amazon's predictions for revenue and profit in the busy period leading up to Christmas

But Alphabet's revenues fell short of forecasts, rising 21 percent to $33.7 billion in the three months ending in September, compared with the same period a year earlier.

"Alphabet is the ad revenue king, so any softness makes people nervous," said independent technology analyst Rob Enderle.

Alphabet shares lost ground after the earnings report and were down 5.04 percent in pre-market trading Friday.

For its part Amazon stock was down 8.66 percent ahead of Friday's opening, despite seeing its quarterly net profit grow ten-fold from a year earlier to $2.9 billion.

The Seattle-based company touted the growing popularity of Amazon Business, a service tailored as a source of all kinds of equipment and supplies for companies.

"And we're not slowing down—Amazon Business is adding customers rapidly, including large educational institutions, local governments and more than half of the Fortune 100," Amazon founder and chief executive Jeff Bezos said in a statement.

Rivals to Amazon's crown

Net sales at the West's e-commerce leader climbed to $56.6 billion in the third quarter, up 29 percent year-on-year.

That was less than forecast, and investors were also disappointed at Amazon's predictions for revenue and profit in the busy period leading up to Christmas.

Amazon's bottom line is being affected by its heavy investment in cloud data centers and voice-based hardware, and by its decision to bump up its starting wage for US workers to $15 an hour, amid criticism of low pay.

GlobalData Retail managing director Neil Saunders said that while Amazon had enviable numbers, its net sales growth was the weakest in a year, and online competition was picking up from bricks-and-mortar rivals in the US such as Walmart and Target.

"Make no mistake, Amazon remains a behemoth in the online market—nor do we believe it is under any serious threat," Saunders said.

"However, others are now getting better at nibbling away at its dominance."

— Bloomberg News contributed to this report —

Citation: Google, Amazon suffer market setbacks on sales outlook (2018, October 26) retrieved 26 April 2024 from https://phys.org/news/2018-10-google-amazon-setbacks-sales-outlook.html