

Amazon's Web Services boosts 1Q revenue

23 April 2015, byMae Anderson



This Sept. 6, 2012 photo shows an Amazon logo at the introduction of the new Amazon Kindle Fire HD and Kindle Paperwhite personal devices, in Santa Monica, Calif. Amazon will report earnings Thursday April 23, 2015. (AP Photo/Reed Saxon)

Strong demand for cloud computing services helped Amazon's revenue jump 15 percent in the first quarter.

The company also reported a smaller quarterly loss than expected and its shares rose 7 percent in aftermarket trading.

Investors have been growing restless with Amazon's long-term strategy of plowing most of the money it makes into new areas like cloud computing, streaming video and hardware—leading to razor-thin profits or, in this quarter's case, a loss.

The company shows no sign of slowing down new offerings. In recent months Amazon introduced Amazon Echo, a Bluetooth speaker that responds to voice commands and Amazon Dash, stand-alone buttons that can be pressed to reorder common household goods like Tide detergent.

It has also rolled out services that help users book travel and hire people to complete household

projects. And it's expanding Amazon Prime Instant Video, developing new content for its Prime members including a TV series with Woody Allen.

But this quarter investors are most interested in details about Amazon's Web Services because it is the first time the Seattle company broke out figures for the fast-growing category. Amazon Web Services is a suite of products and services offered to businesses by way of the "cloud," remote servers that enable users to access applications on any machine with an Internet connection

Revenue in that business rose 49 percent to \$1.57 billion. Meanwhile, total revenue rose to revenue of \$22.72 billion, slightly below analyst expectations of \$22.37 billion.

"Amazon Web Services is a \$5 billion business and still growing fast—in fact it's accelerating," said CEO Jeff Bezos.

Amazon Web Services is the biggest player in the public [cloud-computing](#) space, 5 or 6 times bigger than its closest competitor, Microsoft's Azure, and Google a distant third, according to analysts.

Gartner estimates that the total public cloud services market totaled \$152.45 billion in 2014 and it expected to grow 16 percent to \$176.38 billion in 2015.

"What's kept Amazon on top is they've had a relentless approach to innovation, adding 40 to 50 new services a year while still dropping prices constantly," said Forrester analyst David Bartoletti. He said the company has dropped prices 50 times in the nine years it has been around.

One of its most recent offerings announced in January is WorkMail, which helps run companies email and calendar services. Amazon also makes the different components of Amazon Web Services easy to try for free.

"If they don't work, they can turn them off," he said.

"That's the beauty of the cloud."

During the quarter ended Seattle-based Amazon reported a loss of \$57 million, after reporting a profit in the same period a year earlier. The Seattle-based company said it had a loss of 12 cents per share.

The results surpassed Wall Street expectations. The average estimate of 17 analysts surveyed by Zacks Investment Research was for a loss of 13 cents per share.

The online retailer posted revenue of \$22.72 billion in the period, also beating Street forecasts. Seventeen analysts surveyed by Zacks expected \$22.42 billion.

For the current quarter ending in June, Amazon said it expects revenue in the range of \$20.6 billion to \$22.8 billion. Analysts surveyed by Zacks had expected revenue of \$22.24 billion.

Amazon's shares rose \$27.90 to \$417.89 in aftermarket trading following the earnings report.

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