

Amazon warns costs may eviscerate profits, shares crash



Amazon's shares fell 19 percent in after-hours trade on its bleak forecast for the holiday season
[File: Pascal Rossignol/Reuters]

New York, October 28 (RHC)-- Amazon.com Inc has warned that costs might eviscerate its profit for the current quarter, as early holiday marketing does little to boost sales growth while labour and delivery expenses continue to swell.

Shares fell 19 percent in after-hours trade after the e-commerce giant's bleak forecast on Thursday for the holiday quarter ending December. The last three months of the year include some of the biggest

shopping events for sellers in the U.S. including Halloween, Thanksgiving and Christmas.

Amazon has sought higher revenue in all places. It raised fees for its fast-shipping club Prime up to an annual 43 percent in Europe this quarter. It imposed a fuel and inflation surcharge on some merchants and for the first time, it had not one but two cornerstone sales events in a year: Prime Day in July and the Prime Early Access Sale in October.

These efforts might not pay off. Amazon's net sales were \$127.1 billion in the third quarter that ended September 30, a little lower than analysts' expectations of \$127.46 billion, according to IBES data from Refinitiv. And for the holiday quarter, the world's biggest online retailer forecast net sales of between \$140bn and \$148 billion. Analysts were expecting \$155.15 billion.

Amazon Web Services, the company's lucrative data storage and cloud computing platform which serves businesses, only helped so much. While it provided much-needed operating income, just like Microsoft, Amazon fell short of estimates.

It increased third-quarter cloud sales by 28 percent to \$20.5 billion, while analysts had expected more than \$21.1 billion. Facing high inflation and receding consumer demand, new Chief Executive Officer Andy Jassy has raced to control costs across Amazon's vast array of businesses.

For months, the online retailer has slowed warehouse openings and refrained from filling some open positions. It announced it would shut down its virtual healthcare service by year-end and it is scaling back a long-touted effort to deliver goods via small autonomous sidewalk cars.

Its peers have seen few bright spots. In the retail sector, United States online sales are expected to rise at their slowest pace in years this holiday season. Results in the tech industry were just as poor this week for cloud-computing rivals Microsoft Corp and Alphabet Inc's Google, adding to recession fears. US consumer con

Amazon's net income decreased to \$2.9 billion in the third quarter, ahead of analysts' average estimate of a \$2.2 billion profit, according to IBES data from Refinitiv.

In a statement, Jassy said: "There is obviously a lot happening in the macroeconomic environment, and we'll balance our investments to be more streamlined without compromising our key long-term, strategic bets."

Worldwide shipping costs grew 10 percent in the third quarter to \$19.9 billion.

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