

Amazon profits surge on strong trading season and cloud computing growth

Publication Date: 2024-02-01

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Section: Technology

Tags: Amazon, E-commerce, Quarterly results, news

Article URL: <https://www.theguardian.com/technology/2024/feb/01/amazon-earnings-q4>



Profits at Amazon have surged on strong seasonal trading and robust growth in its powerhouse cloud computing business. The world's largest retailer generated revenue of \$170bn in the three months to December, up 14% on the same period of 2022, and clearing expectations on Wall Street of about \$166bn. Net income hit \$10.6bn in the fourth quarter, from \$278m a year previously, after the company moved to cut costs and draw a line under years of rapid expansion following the onset of the pandemic. Earnings per share hit \$1.03. Shares in the business rose 5.5% during out-of-hours trading in New York. After Amazon, valued at \$1.6tn on the stock market, cut 27,000 jobs last year, the layoffs have continued, albeit at a lesser pace, in recent weeks. On Thursday, Andy Jassy, the group's chief executive, said: "This Q4 was a record-breaking holiday shopping season and closed out a robust 2023 for Amazon. While we made meaningful revenue, operating income and free cash flow progress, what we're most pleased with is the continued invention and customer experience improvements across our businesses." Amazon has built a sprawling digital empire around its e-commerce platform, from smart speakers to sports broadcasting. Through Amazon Web Services (AWS), it also leads the lucrative cloud computing market, though Microsoft, now worth \$3tn, has eaten into its lead as operators work to integrate artificial intelligence into their offerings. The company announced it would integrate a shopping assistant, powered by AI and named Rufus, into its app prior to the earnings call. Jassy said on the earnings call that Amazon's AI offerings are "really resonating with customers", though revenue had yet to make a meaningful contribution to the company's bottom line. On Thursday, the company said it is launching an AI-powered shopping assistant named Rufus on its mobile app. Regulators have sought to curb the company's growth: earlier this week, Amazon abandoned a planned \$1.4bn acquisition of the robot vacuum cleaner company iRobot amid European opposition to the deal. US regulators announced last week they would probe the company's deals with fledgling AI companies such as Anthropic. Revenue at AWS increased 13% to \$24.2bn in the fourth quarter. Amazon's fast-growing advertising business continues to "drive positive results", Jassy noted: sales generated by the division climbed 27% to \$14.7bn. For the current quarter, which runs to March, Amazon forecast sales growth of up to 13%. Operating profits are also set to rise significantly, it estimated, from \$4.8bn to between \$8bn and \$12bn.