FEB 02
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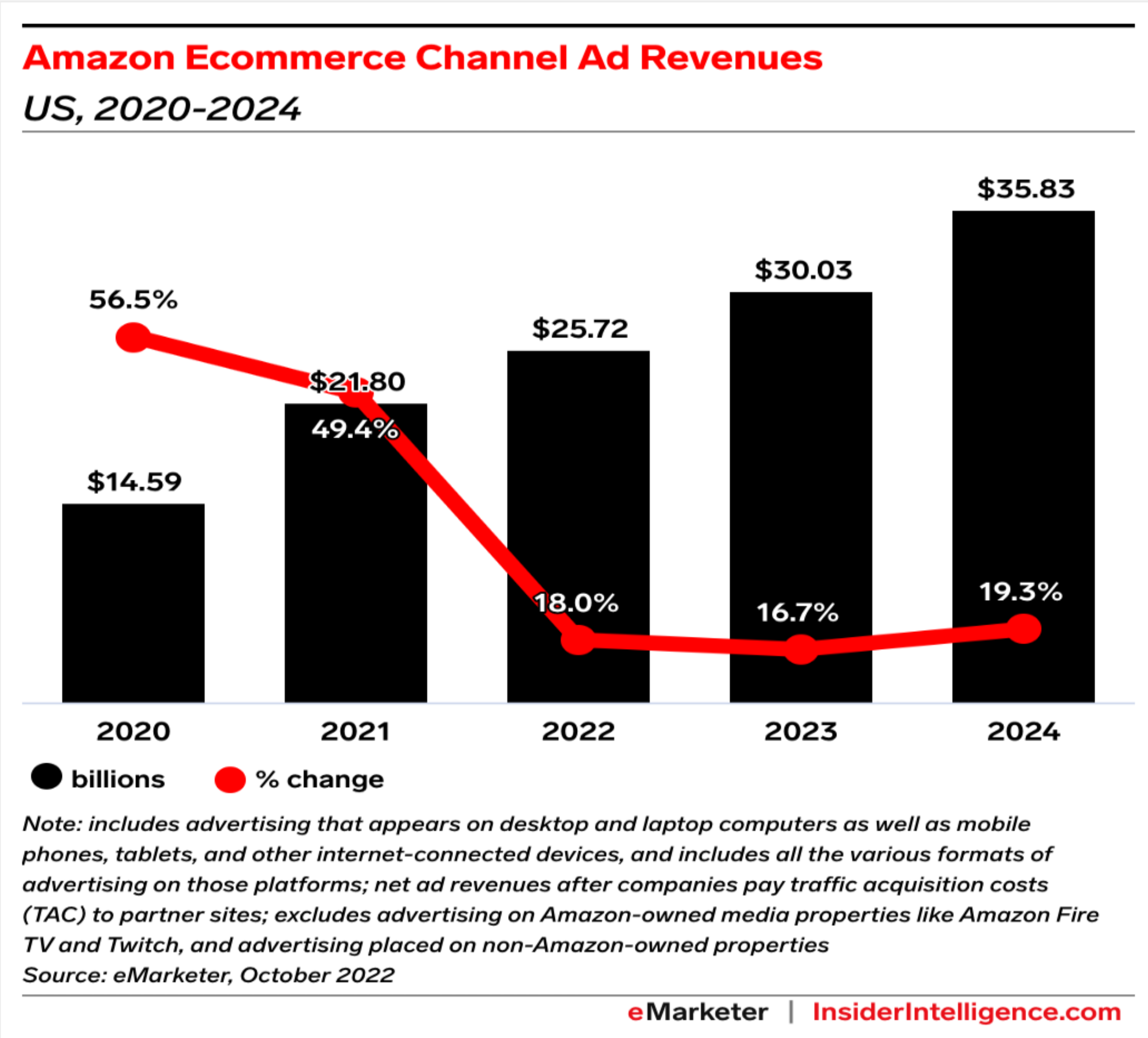
Amazon delivered a mixed bag in Q4

Article

The news: Amazon's Q4 results were a mixed bag as its revenues beat expectations despite a decline in its ecommerce sales.

- **The company's revenues grew 9% year-over-year (YoY) in Q4 to $149.2 billion.** Refinitiv's estimates expected the retail giant's revenues to be $145.42, and Amazon's guidance had been between $140.0 billion and $148.0 billion.
- **But its ecommerce revenues fell 2%** to $64.53 billion from $66.08 billion a year earlier.

- **One clear bright spot was the company's lucrative advertising business, which grew 19%** to $11.56 billion, outpacing StreetAccount's projection of $11.38 billion.



A warning sign: The decline in ecommerce revenues for the fourth time in the past five quarters is a clear warning sign for Amazon—particularly after the retailer attempted to goose sales via the launch of its Prime Early Access Sale.

- That said, there were some good signs. The company's third-party seller services revenues grew 20% YoY to $36.34 billion in Q4, and subscription services—which is mainly subscriptions to its Prime membership—grew 19% to $11.55 billion during the quarter.

Getting its costs in check: Amazon has been on an ongoing push under CEO **Andy Jassy** to focus squarely on its core businesses—like ecommerce, grocery, advertising, and AWS—and aggressively cut costs wherever possible.

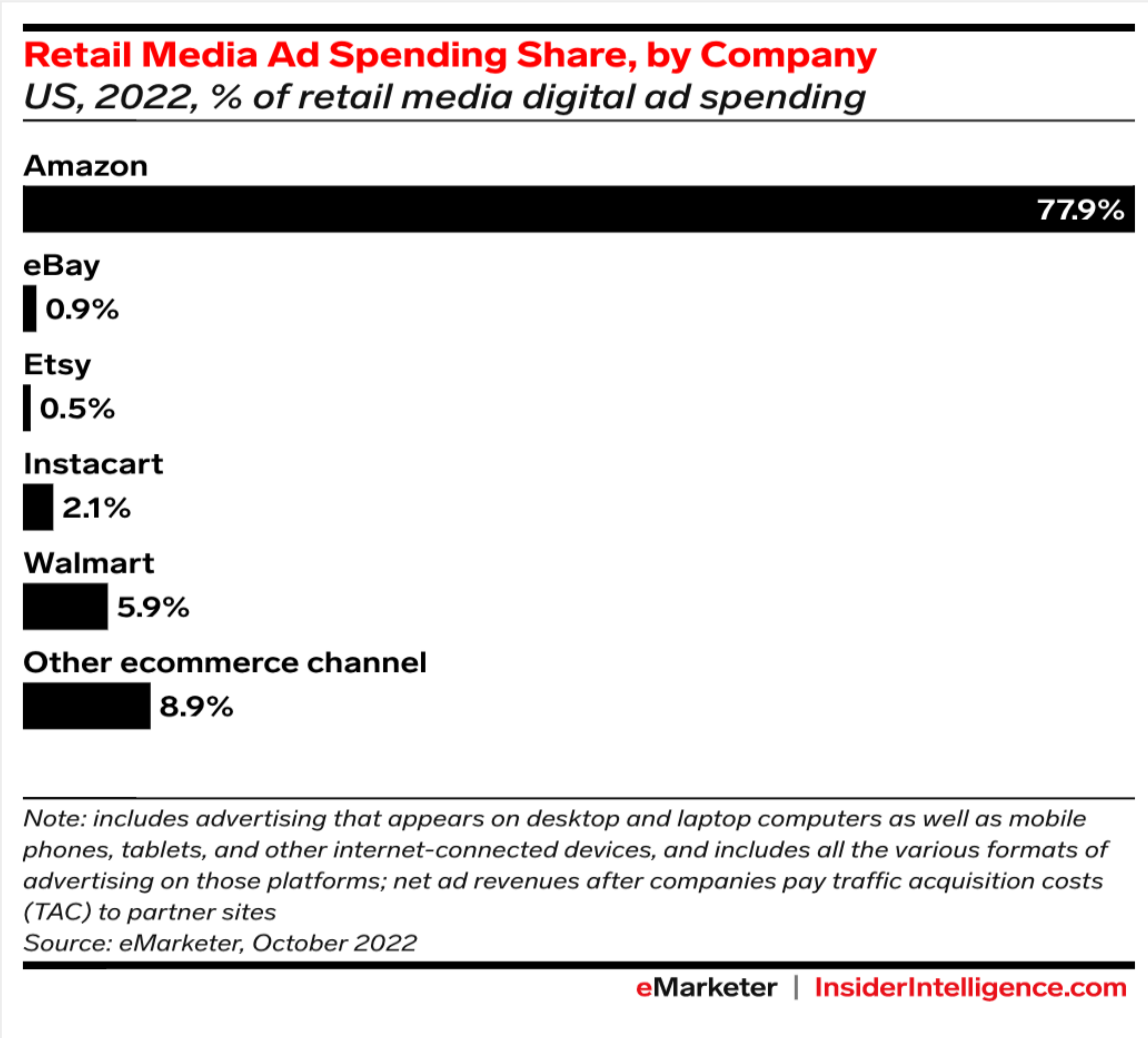
- That resulted in several large-scale cost-cutting measures such as laying off roughly 18,000 staff, slowing the opening of new warehouses, abandoning some facilities, and selling a Bay Area office complex that it had planned to convert to a logistics facility.
- It also made lower-profile changes including beginning to charge US Prime members for Amazon Fresh grocery orders under $150 and sunsetting its charity program, AmazonSmile.

Looking for growth: At the same time, Amazon continues to look for new growth opportunities.

- It recently expanded the availability of its Buy with Prime offering, which enables retailers to use Amazon's fulfillment and payments services.
- It has also sought to better align its businesses. For example, Amazon-owned **Zappos** recently began offering label-free, box-free returns at Amazon-owned **Whole Foods Markets** nationwide.
- Looking abroad, it launched a partnership with Bengaluru-based cargo airline **Quikjet** to launch its Amazon Air air freight service in India.

The big takeaway: Amazon is in the midst of its most difficult stretch in decades.

- While it is taking steps to correct its course, turning around such a large company takes time. That's evident in its Q1 guidance in which it expects net sales to rise between 4% and 8% and operating income to be between $0 and $4.0 billion.
- That said, there were some positive signs, including the continued strength of its retail media business, which we estimate accounted for nearly 78% of US retail media ad spending last year.



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