

Key Takeaways from Amazon's Latest Results

No bombshells, just (growing) business as usual for Amazon

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During Thursday's earnings call, Amazon reported Q3 revenue of \$56.6 billion, up 29% year-over year. This upward trajectory is being driven by the ecommerce giant's advertising business, Amazon Web Services (AWS) and third-party sellers.

This year, **Amazon's online sales grew nearly 30%**, outpacing total US retail ecommerce's growth of 16%, to take almost half the share of retail ecommerce sales in the US. Online marketplace sales are now responsible for a majority of Amazon's ecommerce sales.

Third-party sellers also are driving Amazon's ad revenues. "Amazon's other revenues, representing primarily advertising, shows that third-party sellers are investing in ads on the platform at similar levels as the past two quarters, a trend that bodes well for the platform's advertising revenues during the Q4 holiday shopping season," said Monica Peart, senior forecasting director at eMarketer.

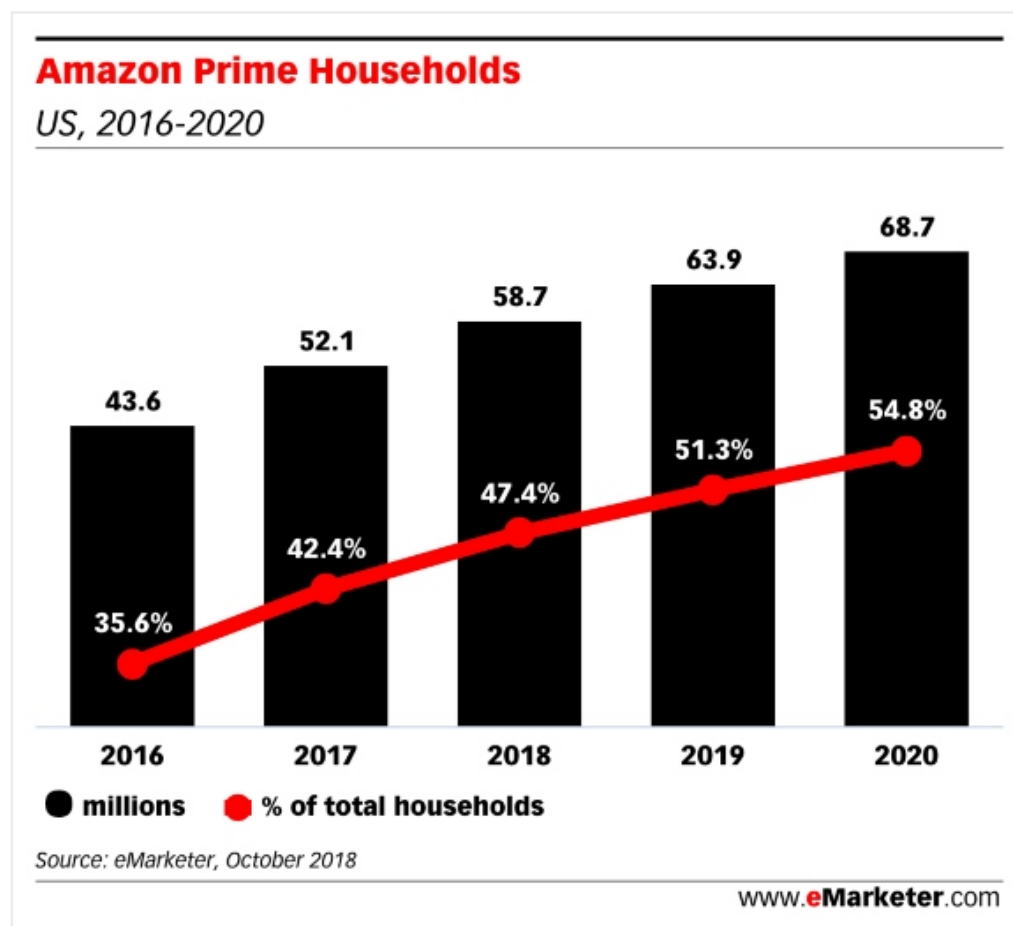
Speaking to Amazon's advertising business, chief financial officer Brian Olsavsky said, "We are seeing really strong adoption across a number of groups. Amazon vendors and sellers for sure, authors, as well as third-party advertisers who want to reach Amazon customers."

There were no major announcements akin to **the Prime membership fee increase** earlier this year. But Prime is playing a prominent role in

Amazon's growth. Its overall subscription revenue (including Audible.com, Amazon Music, and other digital services), grew 52% year-over-year to \$3.7 billion.

In Q3, the retailer expanded its grocery delivery and pickup services with **Whole Foods**. The **Prime Now pickup option** is currently available in eight US cities. And glitches aside, **Prime Day** was a resounding success. **Sales were dominated by Amazon branded electronics** like Amazon Fire Sticks, TVs and Echo products.

We forecast that next year the number of US Amazon Prime households will reach 63.9 and tip over to more than half (51.3%).



The growth rate is slowing to single digits, but still be a strong 8.9% in 2019.