

Amazon's disappointing guidance overshadows a strong close to 2024

Article



The news: Amazon's faster-than-ever delivery speeds—including over 65% more items supplied to US Prime members the same day or overnight than in Q4 2023—helped the retail giant best analysts' expectations in Q4.

However, its weak outlook cast a shadow over those results as the retailer sees headwinds ahead.

The numbers:

- Revenues rose 10.5% year over year (YoY) to \$187.79 billion, outpacing LSEG's forecast of \$187.30 billion.
- North America retail sales grew 9.5% YoY, with record results during Black Friday and Cyber Monday sales events that contributed to a holiday season that Amazon called its "most successful yet."
- Advertising revenues rose 18% YoY to \$17.29 billion, slightly short of the \$17.4 billion expected.
- Earnings per share of \$1.86 were up 86% YoY, well ahead of the \$1.49 expected.

First, the bad news: The company expects Q1 sales to range between \$151 billion and \$155.5 billion, short of the \$158.5 billion analysts expected.

- The low end of that range would be Amazon's slowest growth since it went public in 1997.
- Amazon told CNBC it expects an "unusually large, unfavorable impact" from foreign exchange rates totaling \$2.1 billion, or 1.5%. However, even excluding FX effects, the company would still fall short of expectations, signaling broader challenges ahead.

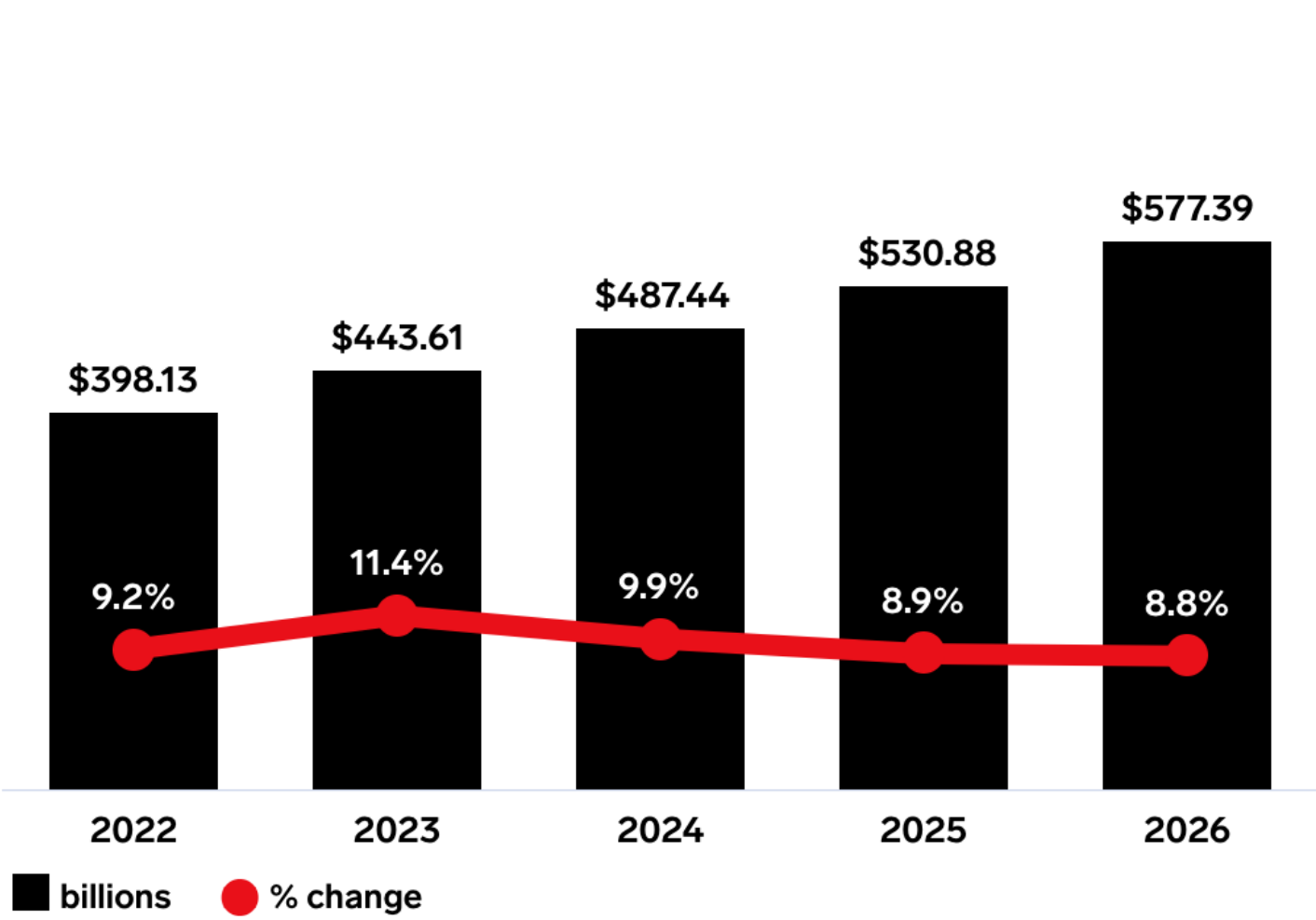
Now the good news: Despite the headwinds, there's plenty to be bullish about.

- CEO **Andy Jassy's** efforts to cut costs by shuttering experimental and unprofitable initiatives such as contactless tech at its **Amazon Fresh** and **Whole Foods** grocery stores are paying off in strong bottom-line results.
- Amazon is winning ecommerce share in everyday essentials like health and personal care, thanks to its relentless focus on speed. The company delivered over 2 billion essential items in the US within a day last year—a 50% YoY increase—helping consumers feel more comfortable ordering items like toothpaste and toilet paper online.
- These sales are important to Amazon's growth, especially as economic uncertainty looms. Nearly one-third (31%) of US consumers would prioritize spending on essential items if tariffs or a trade war drove up prices on their regular purchases. By locking in shoppers now, Amazon is positioning itself as their go-to retailer—no matter the economic climate.
- Prime Video programming like "Red One," "Beast Games," and "Thursday Night Football" are shattering streaming records, providing a lucrative advertising revenue source.

Our take: While Amazon isn't the first retailer to issue cautious guidance, it's certainly the most significant. When the industry's biggest player sees storm clouds ahead, it raises red flags for a broad swath of companies—suggesting that retail headwinds could be more widespread than expected.

Amazon Retail Ecommerce Sales

US, 2022-2026



Note: represents the gross value of products or services sold on amazon.com (browser or app), regardless of the method of payment or fulfillment; excludes travel and event tickets, Amazon Web Services (AWS) sales, advertising services, and credit card agreements; includes direct and marketplace sales

Source: EMARKETER Forecast, October 2024

