Amazon value down as slowest growth expected over Christmas period

Shares in Amazon fell as the company expected slower Christmas sales and increased expenses.

Shares fell nearly 20% as inflation and interest rate costs threatened to eat up profits.

The world's <u>largest online retailer</u> forecast comparatively weak growth for the next three months, typically the busiest Christmas period.

The lacklustre forecast came at the same time that operating expenses increased. Those costs came to \$355.3bn (£308bn) for the nine months up to the end of September this year, up from \$311bn (£269.7bn) during the same period last year.

One of the higher costs the company has grappled with after the pandemic is mounting shipping prices. They rose from \$19.6bn (£17bn) in the first three months of this year to \$20bn (£17.3bn) in the third quarter.

And while sales are expected to increase over the next three months, the growth is below what analysts had expected.

Net sales are expected to be between \$140bn (£121.4bn) and \$148bn (£128.3bn), equivalent to growth of 2% and 8% on the same three months last year. That would be the slowest holiday-quarter growth in the company's history and down on analysts' expected \$155.2bn (£134.5bn).

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That is despite efforts by the company to raise more revenue and reduce costs. The rollout of new facilities has been slowed, warehouses have been rented out and a hiring freeze implemented in some parts of the business. Increased revenue has been sought across the board including increasing the cost

of its fast shipping service Prime.

There <u>had been fears</u> of a slowdown at the company from earlier this year as the <u>COVID-19</u> boom in sales came to an end.

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So far the efforts had not yielded big results. Amazon's net sales were \$127.1bn (£110.1bn) in the third quarter, less than analysts' expectations of \$127.5bn (£110.5bn).

The lucrative Amazon Web Services (AWS) data-storage and computing division also fell short of estimates. Sales did increase to \$20.5bn (£17.8bn) but it was also below the expected \$21.1bn (£18.3bn).

Addressing the strong headwinds CEO Andy Jassy said: "We're also encouraged by the steady progress we're making on lowering costs in our stores fulfilment network, and have a set of initiatives that we're methodically working through that we believe will yield a stronger cost structure for the business moving forward.

"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."