# Q1 2022 Earnings Call

## Company Participants

- Brian Olsavsky, Senior Vice President and Chief Financial Officer
- Dave Fildes, Director of Investor Relations



## Other Participants

- Brian Nowak
- Doug Anmuth
- Eric Sheridan
- Jason Helfstein
- Justin Post
- Mark Mahaney
- Ross Sandler

## Presentation

### Operator

Thank you for standing by. Good day, everyone, and welcome to the Amazon.com Q1 2022 Financial Results Teleconference. At this time, all participants are in a listen-only mode. After the presentation, we will conduct a question-and-answer session. Today's call is being recorded.

For opening remarks, I will be turning the call over to the Director of Investor Relations, Dave Fildes. Please, go ahead.



### Dave Fildes {BIO 20638976 <GO>}

Hello, and welcome to our Q1 2022 financial results conference call. Joining us today to answer your questions is Brian Olsavsky, our CFO.

As you listen to today's conference call, we encourage you to have our press release in front of you, which includes our financial results as well as metrics and commentary on the quarter. Please note, unless otherwise stated, all comparisons in this call will be against our results for the comparable period of 2021.

Our comments and responses to your questions reflect management's views as of today, April 28, 2022 only, and will include forward-looking statements. Actual results may differ materially. Additional information about factors that could potentially impact our financial results is included in today's press release and our filings with the SEC, including our most recent Annual Report on Form 10-K and subsequent filings.

During this call, we may discuss certain non-GAAP financial measures in our press release, slides accompanying this webcast, and our filings with the SEC, each of which is posted on our IR website. You will find additional disclosures regarding these non-GAAP measures, including reconciliations of these measures with comparable GAAP measures.

Our guidance incorporates the order trends that we've seen to-date and what we believe today to be appropriate assumptions. Our results are inherently unpredictable, and may be materially affected by many factors, including uncertainty regarding the impacts of the COVID-19 pandemic, fluctuations in foreign exchange rates, changes in global economic conditions and customer demand and spending, inflation, labor market and global supply chain constraints, world events, the rate of growth of the internet, online commerce and cloud services, and the various factors detailed in our filings with the SEC.

This guidance also reflects our estimates to-date regarding the impacts of the COVID-19 pandemic on our operations, including those discussed in our filings with the SEC. Our guidance also assumes, among other things, that we don't conclude any additional business acquisitions, restructurings or legal settlements. It's not possible to accurately predict demand for our goods and services, and therefore, our actual results could differ materially from our guidance.

And now, I'll turn the call over to Brian.

## Brian Olsavsky {BIO 18872363 <GO>}

Thank you for joining today's call.

I'd like to start with a few comments on what we're seeing as we're coming out of the pandemic, both on the customer experience side and on the operating cost side in this current inflationary environment.

Let's start with demand and customer experience. Worldwide net sales in Q1 were $116.4 billion, an increase of 9% year-over-year, excluding the impact of foreign exchange. This is the top end of our guidance range of $112 billion to $117 billion. Our compound annual growth since before the pandemic stands at 25%, a growth rate higher than what we were seeing before the pandemic.

Our Prime Members continue to be a key driver of growth. Prime Members have meaningfully increased their spend since the start of the pandemic and we continue to see consistently high member renewal rates. We also added millions more new Prime Members during the quarter.

Throughout the past two years, we've seen stronger usage of Prime benefits by Prime Members and a greater reliance on Amazon for their shopping and entertainment.

In the first quarter, we made encouraging progress on key customer metrics. Delivery speed performance is now approaching levels not seen since the months immediately preceding the pandemic in early 2020. And we now have the widest selection ever available for Prime's fast delivery. We work to protect and enhance the customer experience, despite a sharp increase in cost, particularly over the past three quarters.

We've seen a large cost to keep up with demand these past two years. During this period, we doubled the size of our operations and nearly doubled our workforce to 1.6 million employees. Labor and physical space are no longer the bottlenecks they were throughout much of 2020 and 2021. However, we continue to face a variety of cost pressures in our consumer business. We'll break these into two buckets, externally driven cost, primarily inflation; and internally controllable cost, primarily productivity and fixed cost deleverage.

The externally driven costs are a result of intensifying inflationary pressures throughout Q1. Line haul air and ocean shipping rates continue to be at or above the rates in the second half of last year, which are already much higher than pre-COVID levels. Some of this is due to the impact of the Omicron variant in China and labor shortages at point of origin.

And the start of the war in the Ukraine has contributed to high fuel prices. For example, the cost of shipping overseas containers more than doubled compared to pre-pandemic rates. The cost of fuel is approximately 1.5x higher than it was even a year ago. Combined with the year-over-year increases in wage inflation, these inflationary pressures have added approximately $2 billion of incremental cost when compared to last year. While we will continue to look for ways to mitigate these costs, we expect they will be around for some time.

The next bucket of costs related to productivity and fixed cost leverage, which we consider to be more within our control and are working to reduce. These additional costs correspond to the state of the labor force and fulfillment network following two years of disruption and large demand variability. We now look forward to more predictability in our consumer order patterns and greater stability in our operations.

Let's start with labor. As a reminder, in the second half of 2021, we were operating in the labor constrained environment. With the emergence of the Omicron variant in late 2021, we saw a substantial increase in fulfillment network employees out on leave and we continued to hire new employees to cover these absences. As the variant subsided in the second half of the quarter and employees returned from leave, we quickly transitioned from being understaffed to being overstaffed, resulting in lower productivity. This lower productivity added approximately $2 billion in cost compared to last year.

In the last few weeks of the quarter and into April, we've seen productivity improvements across the network and we expect to reduce these cost headwinds in Q2.

The last issue relates to our fixed cost leverage. Despite still seeing strong customer demand and expansion of our FTA business, we currently have excess capacity in our fulfillment and transportation network. Capacity decisions are made years in advance and we made conscious decisions in 2020 and early 2021 to not let space be a constraint on our business.

During the pandemic, we were facing not only unprecedented demand, but also extended lead times on new capacity. We built towards the high end of a very volatile demand outlook. Now that demand patterns have stabilized, we see an opportunity to better match our capacity to demand. We've lowered our operations capital expenditures for 2022 and are evaluating other ways to increase our fixed cost leverage. We estimate that the server capacity coupled with the extraordinary leverage we saw in Q1 of last year, resulted in $2 billion of additional cost year-over-year in Q1.

We do expect the effects of these fixed cost leverage to persist for the next several quarters as we grow into this capacity. When we combine the impacts of the externally driven costs and the internally controllable costs, you get approximately $6 billion in incremental cost for the quarter. Approximately two-thirds of these costs are within our control and with demand normalizing, we remain focused on right-sizing our cost structure and driving out any cost inefficiencies. Our guidance includes an expectation that we will incur approximately $4 billion of these incremental costs in Q2.

We saw another strong quarter of innovation and customer engagement in the AWS segment, where net sales were $18.4 billion in Q1, up 37% year-over-year and now represent an annualized sales run rate of nearly $74 billion. Developers and organizations of all sizes, from governments and not-for-profits, to startups and enterprises continue to choose Amazon Web Services. Companies like Telefonica, Verizon, Boeing, MongoDB, Amdocs, Bundesliga, Maple Leaf Sports and Entertainment, the NHL and THREAD announced new agreements and service launches supported by AWS.

We also continue to build support infrastructure to best serve AWS's millions of customers. We recently completed the launch of our first 16 local zones in the United States with 32 more to come across 26 countries. Local zones extend AWS regions to place our services at the edge of the cloud near large population, industry and IT centers, expanding our infrastructure footprint and enabling customers to build with single-digit millisecond latency performance.

Last quarter, I provided some detail on our overall capital investments. So, let me add to that with our current thinking. First as a reminder, we look at the combination of CapEx plus finance leases. Capital investments were $61 billion on a trailing 12-month period ended March 31. About 40% of that went to infrastructure primarily supporting AWS, but also supporting our sizable consumer business. About 30% is fulfillment capacity, primarily fulfillment center warehouses. A little less than 25% is for transportation. So, think of that as the middle and last-mile capacity related to customer shipments. Remaining 5% or so is comprised of things like corporate space and physical stores.

For full year 2022, we do expect infrastructure spend to grow year-over-year, in large part to support the rapid growth in innovation we're seeing within the AWS. We expect infrastructure should represent about half of our total capital investments in 2022.

For the consumer business, as I said earlier, we currently have some excess capacity in the network that we need to grow into. So we brought down our build expectations. And note again, that many of the build decisions were made 18 to 24 months ago, so there are limitations on what we can adjust mid-year. That said, we expect fulfillment dollars spent on capital projects to be lower in 2022 versus the prior year. We also expect transportation dollars spent on capital projects to be flat to slightly down.

Finally, I'll highlight a few additional items.

We reported overall net loss of $3.8 billion in the first quarter, but we primarily focus our comments on operating income and point out that this net loss includes a pretax valuation loss of $7.6 billion, included in non-operating expense from our common stock investment in Rivian Automotive. You may remember that we had a $12 billion gain on Rivian in Q4.

We also provided our second quarter financial guidance as part of our earnings release. As a reminder, our comparable period of Q2, 2021, included the continuation extraordinary net sales growth through roughly the first half of that quarter. That began to moderate in the second half as vaccines became more readily available in many countries and people started getting out of their homes.

In addition, note that this year's Prime Day sales event will occur in the third quarter, in July to be specific. Last year in 2021, Prime Day occurred in the second quarter. Prime Day contributed about 400 basis points to our Q2, 2021 year-over-year revenue growth rate.

Lastly, as you look at our Q2 operating income guidance, a reminder that we will see our seasonal step-up in stock-based compensation expense as our employees receive annual restricted stock unit grants in the second quarter. This year we expect to see stock-based compensation expense of approximately $6 billion, up from $3.3 billion in Q1, largely reflecting wage inflation as we continue to hire and retain employees in high demand areas, including engineers and other tech workers.

With that, let's move on to your questions.

# Questions And Answers

## Operator

(Question And Answer)

Thank you. At this time, we will now open the call up for questions. We ask each caller to please limit yourself to one question. (Operator Instructions) Please hold while we poll for your questions. Thank you.

Our first question comes from Mark Mahaney with Evercore ISI. Please proceed with your question.

## Q - Mark Mahaney {BIO 3027058 <GO>}

Okay. Thanks. I'm going to ask two questions, please. In terms of the revenue guide for the June quarter, I think it sort of implies about 3% and if you look -- sequentially, and if you look back at the last couple of years, the non-COVID years, the growth has been between 4% and 6%. Are you seeing signs of consumer softness or weakening? Is there any particular factor that would be -- cause your sequential growth to be lower than typical?

And then briefly on the margins for Q2, so you got $4 billion in kind of these incremental costs versus $6 billion in the March quarter, but yet your guidance year-over-year implies kind of the same sort of year-over-year margin decline about 500 bps. Could you just explain that a little bit? Thanks.

## A - Brian Olsavsky {BIO 18872363 <GO>}

Hi, Mark. How're you doing?

## Q - Mark Mahaney {BIO 3027058 <GO>}

Good.

## A - Brian Olsavsky {BIO 18872363 <GO>}

On revenue, yes, the revenue guidance we've given is kind of our best view of what we're seeing right now. Customer demand does remain strong. We're seeing again continued strength in Prime purchases, Prime commitment, levels of usage, benefits being used, et cetera. And the big part of the year-over-year comp is that we're comping the last part of the very elevated year-over-year step up that lasted about half of last year's second quarter, and then we moved Prime Day to Q3.

So we're not seeing softness. We're on -- we're cognizant of the current inflationary environment and the impact it has on consumer -- or excuse me, the household budgets. A lot of times that is the time when people come to Amazon, because they know we have great prices and selection and convenience. So it can go one of two ways, but we don't see any macroeconomic factors generally in this forecast on the demand side. We definitely see it on the cost side though.

## A - Dave Fildes {BIO 20638976 <GO>}

And Mark, I think that your second question was related to the operating income guidance and some of the detail there. So, as Brian said, this is the first time we've given the guidance for the second quarter, but he detailed the number of pieces, but like you said, expect to see in aggregate about $4 billion of pressure for the three buckets that Brian talked about, higher inflationary pressures, lower productivity, and some fixed cost to leverage, persisting into Q2. So that will be at some lower levels as we aim to and kind of expect to see some improvement in productivity, some of those other areas.

We're also committed to just generally reducing variable cost per unit and working to lever our fixed costs, specifically, where we have those controllable cost buckets Brian spoke about. The other thing in it, again Brian mentioned it towards the end there, (inaudible) to see that seasonal step up in stock-based compensation expense. So, recall that our employees receive those RSU grants in the second quarter. This year, we expect to see the expense of approximately $6 billion and so that's up from about $3.3 billion in the first quarter.

## Operator

Our next question comes from Justin Post with Bank of America. Please proceed with your question.

## Q - Justin Post {BIO 3469195 <GO>}

Great. Thank you. Big picture. Amazon hasn't really been around during a period of high inflation. How do you think about passing through the higher input cost through pricing? When you look at your units, they're flat and you're just not seeing any price increases in there. I know FX is a headwind, but how do you think about passing that through and when can we start to see that?

And then the second question, it looks like your shipping costs are up 14 versus units flat, probably makes sense with the input costs. But we would expect some savings as you bring a lot of that transportation in-house, a lot of the delivery in-house. Are you seeing savings there and how do you think about shipping costs versus units? Thanks.

## A - Brian Olsavsky {BIO 18872363 <GO>}

Sure. Let me make a comment on units first. If we step back, first year of the pandemic from essentially, from our world from the middle of May 2020 to May 2021, we saw high growth. We went from a 20% growth rate in revenue to a 40% growth rate almost overnight and held it for a year. And then we started to lap that for the last year that will essentially end in the middle of this next month. And we -- so I noted step downs in the run rate as soon as the middle of May hit last year.

So on units though, units grew during that instead of jumping from 40%, they jumped to the mid 45 -- the mid 40% to 50% range mainly because of the product mix. People were buying a lot more gloves and cleaning agents and all the things tied to the pandemic. So there was a lot of -- if you look at the unit data with -- keeping that in mind, because there's a mix -- heavy mix issue.

But putting all that aside, you asked the question about transportation, shipping rates. Our shipping rates are very competitive and we are seeing savings versus what we would get from external carriers. And it's beyond that. We would not even necessarily have had the capacity to -- from external third-party providers, to handle the transportation loads that we've seen in the last couple of years. So we're really glad that we have our -- is we built our AMZL network, we would not be able to have a one day program, same day and one day shipments, if we tried to deliver it with third-party shippers, it just would not be cost-effective.

So, what you're seeing there in the growth in shipping cost versus the unit growth, little bit on the unit side, but essentially a factor of inflation and productivity that I've mentioned to you on the component that hits in the transportation area.

## A - Dave Fildes {BIO 20638976 <GO>}

And Justin on your second point regarding inflation, of course, we talked about, we're not immune to inflationary pressures on the cost side and with the ongoing supply chain disruptions and the start of the war in the Ukraine since our last quarter. We see larger impacts of inflation from line haul, shipping rates, fuel, shipping supplies, and wages, which we talked about in some recent quarters as well. And we also see some volatility in utility pricing for some of the energy costs and operating the AWS data centers.

Now, when you look at costs for customers and sellers, in terms of product pricing, I'd just reinforce our pricing philosophy hasn't changed. We aim to offer low competitive pricing, and try to stay on top of that pricing environment to make sure we're delivering a great price for customers. For our 1P business, that means continuing to be really competitive in that space with low prices, relative to the reputable competitors out there and just staying really close to having the data.

For third-party, we don't control that price that's set by third-party sellers. So, they're running their own businesses and will adjust the pricing to account for inflationary cost in their environment as well. And of course, on pricing and other -- many other services with sellers, we offer services to help them not only to handle the logistics, but also get better pricing information to make sure that they're staying on top of that as well. So where we can help them, we do that.

We did increase some fees effective I believe it's today related to the FBA sellers and some surcharge there. We're focused on, of course, addressing permanent costs and ensuring our fees are competitive versus those charged out there by other sellers, but it's still unclear if the inflationary costs will go up or down and so -- and for how long they'll persist. So rather than a permanent fee change, we implemented that fuel and inflation surcharge for the first time and it's, of course, a mechanism that's broadly used across the supply chain providers that are out there already, but it's the first time that we've done something like this.

## Operator

Our next question comes from Brian Nowak with Morgan Stanley. Please proceed with your question.

## Q - Brian Nowak {BIO 16819013 <GO>}

Great. Thanks for taking my questions. I have two. First one, Brian, I want to ask you about one day, same day. Now that you're getting inventory selection, SKU selection, in some cases back to where it was pre-pandemic, what are you seeing from a demand or an elasticity perspective as you get more inventory available for one day, same day? Is it really leading to incremental sales based on your data?

And the second one, I want to ask about tech and content. It came in a little higher despite AWS costs coming in lower. Is there anything else we should sort of be thinking about in our modeling in tech and content whether it's Kuiper or other items that are moving through that line item for the year? Thanks.

## A - Brian Olsavsky {BIO 18872363 <GO>}

Yeah. Let me start with your first question on one day and same day. Yes, we're approaching the service levels that we had pre-pandemic, and that's a positive sign, but this doesn't -- it doesn't turn on a dime. I think as is consumer, I noticed it myself, I see more things in stock and I -- it opens up the consideration set for things that I may have had to run to the store to get in a short period of time. And that trust -- as you see more and more that you trust it and you continue to order and you then go to Amazon first and say, okay, well, this may be my first stop before I even think about going to the store.

So, it has to be built over time, doesn't take years, it takes hopefully weeks and months, but we're hopeful and expectant that that will add good elasticity, the same elasticities that we started to see pre-pandemic.

## A - Dave Fildes {BIO 20638976 <GO>}

On the second point, the technology and content, just as a reminder, the components in there as you got the Amazon Tech and the AWS infrastructure, so everything from servers, network and equipment, data center related depreciation, rent utilities, those types of things, the AWS tech employee costs and costs to support the dot com website and a number of other technology initiatives that we're working on. For Q1, it was up about 19% year-over-year, which was down a little bit less than what you see for year-over-year growth throughout 2021. That growth rate though does of course include an offset Q1 2022 related to, a partial offset, I should say related to the change in estimated useful lives for servers which was a little under $1 billion of impact in the first quarter.

In terms of just the investment area, as I just reinforced it, it's continued investment in the tech infrastructure. One of the bigger pieces that remains AWS across there. And then just broadly speaking, inclusive of AWS, the headcount to support the build-out and support that the AWS team is doing as well as some consumer tech teams, the Alexa and Echo devices and certain other areas there.

## Operator

Our next question comes from Doug Anmuth with J.P. Morgan. Please proceed with your question.

## Q - Doug Anmuth

Thanks for the question. You talked about how you're no longer chasing physical or staffing capacity, and in fact you're actually running at an excess at the moment. So if you could talk a little bit about how long you think it could take to regain some of the productivity and cost efficiencies in the fulfillment network? Thank you.

## A - Brian Olsavsky {BIO 18872363 <GO>}

Sure. Thanks. Well, let me start with productivity. We began and ended the quarter with essentially a billion -- excuse me, 1.6 million employees mostly -- most of them of course were in operations. During the quarter, we had a peak of 1.7 million, and we were able to work that down by the end of the quarter. So we have certain ability with contractors and all to adjust headcount, but for the most part, our employees are, we call blue badges or permanent Amazon employees, and now we work on getting productivity up.

It's a combination of productivity at the employee level, but it's also a matter of productivity and harmonization of the network, having the right demand in the right -- excuse me, the right capacity and the right demand matched at the warehouse level and the transportation level. So that's where we're working on and we made good strides in the last month. And we're -- we see a line of sight to getting back, not all the way to pre-pandemic rates in the next quarter or two, but a good bit of the way, and that's we're firmly focused on and working on and that's in the warehouses and also in transportation.

Is there a second half to the question? Okay, go ahead.

## Operator

Our next question comes from Eric Sheridan with Goldman Sachs. Please proceed with your question.

## Q - Eric Sheridan {BIO 22465717 <GO>}

Thanks for taking the question, and hope you're both well. Maybe I could just stick in on the capacity issues for a minute. In terms of the $4 billion number you're calling out, maybe the first part of the question would be, is that entirely the additional issues that are now front and center versus the issues we talked about from Q4 into first half of '22 from a logistics and supply chain standpoint where we had talked about permanent versus transient cost nature of that $4 billion as you move through the first half of the year, so, is this above and beyond that and above and beyond some of the lingering COVID cost that you had called out in prior periods? Just wanted to unpack some of the stack build of the $4 billion versus thing we already knew before.

And then maybe following up on Doug's question and asking it a little bit differently. When you look out to the back part of the year, not asking for how you might guide, but there's a typical cadence to fulfillment expense build and employee build and headcount build into the back part of the year as you build the capacity towards the holidays. Will that have a very different cadence to it this year, because you find yourself with this much excess capacity at Q1, Q2, versus prior years, just so we can keep that in front of mind. Thanks so much.

## A - Brian Olsavsky {BIO 18872363 <GO>}

Sure. Thanks. Good questions, Eric. Let me start with the cost penalties. So, in Q4, we did mention $4 billion of cost penalties and drag on that quarter, and a $1 billion of that was fixed cost deleverage, principally a combination of having enough space and having super high leverage in the prior year when we were chasing volume and had less space, and we indicated that that would be carrying over into 2022 and it has.

From a productivity standpoint, our issues in the second half of last year were different. They were -- we didn't have as much labor, even though we added I believe is 200 -- have it right here, 270,000 workers in the second half of last year. We were chasing labor and it was creating much disruption within our network, long zone shipments, half full trucks, all kinds of negative consequences of not having labor, but we made it through Q4 with the anticipation that we would be able to hold our labor for Q1, and labor certainty would be a lot better and we can start containment of our network.

That is still the plan and we're probably a couple months late on that because of some of the issues with Omicron in January, and our reaction to it was -- in an uncertain labor environment where a lot of people are on leave, we hired more people and then found ourselves overstaffed when the Omicron variant subsided rather quickly at least from our standpoint in the warehouses.

So the issue is a switch from disruption to productivity losses to overcapacity on labor. And we believe that that will dissipate. It'll take time in Q2, but it's -- still it's not the full -- we don't get the full $2 billion back in Q2, but we will make great strides on that.

Inflation has been in both periods. Inflation was in the transportation cost, especially in wage inflation last year. It remains there. It's been amplified a bit by the fuel costs following the Ukraine conflict, which has happened since we last spoke. So, it's more a factor of that. Those costs will now, we believe will persist a little longer than we were hoping at the beginning of the year.

And I mentioned some of the per unit rates for transportation, cargo shipments, and also fuel costs. Those are real and we have to find ways to offset those or use less of high-cost things like transportation and fuel. So, we're working on that. As we progress -- this is only guidance for Q2, but what we see is that the fixed cost deleverage will narrow as we go through the year, and we'll be really glad we have this capacity in Q3 when Prime day hits because that's always a big surge of both inventory and orders and then definitely in the holiday season.

So we will -- the way we see it is we've come out of a very tumultuous two years. We are glad we made the decisions we made over the past two years. And now we have a chance to more right size our capacity to a more normalized demand pattern. So, what's left there is really inflation and that's what we're working on and evaluating and finding ways to mitigate, and in some cases having to pass some of the cost through to third-party sellers as well so that we're not subsidizing sales there and then we will see.

So we expect the year-over-year revenue comps to improve in the second half of the year because again, we're passing this year of super high growth that I mentioned before, from May 2020 to May 2021, but it's not like the volume has receded. Like in Q1, literally revenue is 61% higher over two years from 2020. So, the way to think about it is it went up and stayed up and now it'll resume in a more normal growth pattern, but I wouldn't be fooled by the revenue growth rates in this difficult comp period.

## Operator

Our next question comes from Ross Sandler with Barclays. Please proceed with your question.

## Q - Ross Sandler {BIO 15948659 <GO>}

Hey, guys. So the letter mentioned some impacts post the Ukraine invasion. I'm guessing, it's mostly on the inflation and the fuel cost you just mentioned. But any comment about how revenue trajectory compared in March after the conflict started versus before across your geographies? And was there any noticeable difference between Prime member volume and non-Prime? Thanks a lot.

## A - Brian Olsavsky {BIO 18872363 <GO>}

Yeah. Hi, Ross. No, I would say there's not a lot of Prime versus non-Prime differential. We had a what's considered be a very strong March. It's very hard to compare year-over-year because March last year was at the height of some stimulus payments in the United States. But from kind of a sequential period, we thought March was strong.

So, there is no indicators that we're seeing of weakness in consumer demand. But we're weary of it as probably all companies are, because household budgets are tightened when fuel costs are doubling and big part of it ripples through food, it ripples through everything else. So, we're cognizant of that. But what we're focused on is the customer experience, continue to get our delivery times to be better, and increasing selection which is better than pre-pandemic time period and making the customer experience great on a lot of dimensions.

## Operator

Our final question comes from Jason Helfstein with Oppenheimer. Please proceed with your question.

## Q - Jason Helfstein {BIO 2527987 <GO>}

Thanks. Two questions. Just can you talk about advertising a bit? Are you seeing supply chain disruption having any impact on advertising? Just any comments there.

And then second, I don't think AWS backlog, would ask if there's any numbers you can share on AWS backlog growth this quarter versus last quarter. Thanks.

## A - Dave Fildes {BIO 20638976 <GO>}

Hi, Jason. I'll take the second one first just on the backlog. So, yeah and we were continuing to see what the backlog is, that is the increase of AWS customers making long-term commitments for AWS. At the March period ended, we had $88.9 billion balance for that. So that's up about 68% year-over-year, and the weighted average remaining kind of life term for those is 3.8 years.

## A - Brian Olsavsky {BIO 18872363 <GO>}

And on revenue -- excuse me, advertising revenue was up 25% year-over-year, and that's a strong run rate compared to the revenue growth rate. So we're still very happy and pleased with the way the advertising team is performing and how advertising has been valued by both sellers and vendors and others, who use it to reach our customer base at the point where they're considering purchases.

So, strong quarter and continue to roll out new and new products for sellers to manage their advertising and increase the ability to analyze and calculate the payback on marketing investments with us.

### A - Dave Fildes {BIO 20638976 <GO>}

Thank you for joining us today on the call and for your questions. A replay will be available on our investor relations website for at least three months. We appreciate your interest and we look forward to speaking with you again next quarter.