Q3 2020 Earnings Call

Company Participants

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

Other Participants

- Brian Nowak, Analyst
- Douglas Anmuth, Analyst
- Eric Sheridan, Analyst
- Heath Terry, Analyst
- Justin Post, Analyst
- Mark Mahaney, Analyst

Presentation

Operator

Good day, everyone, and welcome to the Amazon.com Q3 2020 Financial Results Teleconference. At this time, all participants are in a listen-only mode. After the presentation, we will conduct a quick-and-answer session. Today's call is being recorded.

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

Dave Fildes {BIO 20638976 <GO>}

Hello, and welcome to our Q3 2020 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 2019.

Our comments and responses to your questions reflect management's views as of today, October 29, 2020 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 fluctuations in foreign exchange rates, changes in global economic conditions and customer spending, 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 impact of the COVID-19 pandemic on our operations, including those discussed in our filings with the SEC, and is highly dependent on numerous factors that we may not be able to predict or control, including the duration and scope of the pandemic, including any recurrence; actions taken by governments, businesses and individuals in response to the pandemic; the impact of the pandemic on global and regional economies and economic activity, workforce staffing and productivity and our significant and continued spending on employee safety measures; our ability to continue operations in affected areas and consumer demand and spending patterns, as well as the effects on suppliers, creditors and third-party sellers, all of which are uncertain.

Our guidance also assumes, among other things, that we don't conclude any additional business acquisitions, investments, 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 T. Olsavsky {BIO 18872363 <GO>}

Thank you for joining us today. I'd like to start by extending a big thank you to all the folks who worked hard to make this year's Prime Day a great success, not only for our more than 150 million Prime members around the world, but also for the hundreds of thousands of small and medium-sized businesses, who sell on our Amazon store, many of whom are facing their own challenges during this pandemic. These businesses thrived on Prime Day, with third-party sellers recognizing more than $3.5 billion in sales over the two-day global event, that's a 60% increase compared to Prime Day last year. I also want to thank and recognize the contributions of the more than 1 million Amazon employees and delivery partners, who are continuing to work hard to serve our customers all around the world. We will continue to spend what it takes to help ensure the safety and well-being of our employees and partners.

Now, let me share some highlights from the quarter. Our Q3 results largely reflect the continuation of demand trends we saw when we exited the second quarter with strong demand and sales growth across our major product categories globally, including hardlines, consumables, softlines and media. We also continue to see strong Prime member engagement. Prime members continue to shop with greater frequency and across more categories and before the pandemic began. They continue to expand their usage of Prime's digital benefits, including Prime Video. Internationally, the number of Prime members who stream Prime Video grew by more than 80% year-over-year in the third quarter, and international customers more than doubled the hours of content they watch on Prime Video compared to last year.

We're also reaching more customers with our grocery offerings. In Q3, our year-over-year growth rate of online grocery sales continued to accelerate and we've continue to offer more convenient options for customers, including grocery pickup, which is now available from all Whole Foods Market stores. And just as we saw in Q2, Prime member renewal rates improved in Q3 year-over-year. 3P sellers, who as I mentioned, are largely comprised of small and medium-sized businesses continue to be important part of our offering to customers. Our 3P seller services revenue continued to grow faster than online stores revenue, with particularly strong growth this quarter in FBA, as we returned to a similar mix of FBA as a percentage of total 3P units as we've seen prior to COVID. 3P units continue to represent over half of overall unit volume, increasing to 54% of the total unit mix in Q3.

We're investing heavily to support sellers and are pleased to report that over 0.5 million sellers are seeing record sales in our stores this year. We continue to focus on stepped-up employee safety, particularly in our fulfillment and logistics operations, to help ensure the safety and well-being of our employees and partners, as well as the employees and customers shopping in our Whole Foods Market and other stores. This of course has added incremental cost to our P&L. The largest portion of these costs relate to continued productivity headwinds in our facilities, including process revisions to allow for social distancing and incremental cost to ramp up new facilities and the large influx of new employees hired to support strong customer demand. This also includes investments in PPE for employees and enhanced cleaning of our facilities.

In total, we have incurred more than $7.5 billion in incremental COVID-related costs in the first three quarters of 2020 and we expect to incur approximately $4 billion in Q4. The consolidated revenue and operating income exceeded the top end of our guidance range. As demand remain strong in the quarter, the extra volume and operating leverage helped us to achieve higher than expected profitability. And we saw another strong quarter of revenue growth and operating income performance in AWS and advertising with good leverage with our fulfillment centers as well as in Amazon Logistics, our transportation network, despite the higher COVID-related costs that I mentioned. Although we had strong growth in our network in Q3, some of our fulfillment network expansion shifted out a few weeks and will happen in Q4 rather than Q3. Once new buildings open, they are short-term headwind to profitability as they ramp up and we prepare for Q4 peak. More of this headwind will be felt in Q4 rather than in Q3, and this is reflected in our Q4 guidance.

We were able to meet the heightened demand in Q3, because we opened up more network capacity, particularly in our transportation network. I point to two important drivers of this. First, we hired a lot more people to support the strong customer demand. We welcomed 250,000 permanent, full-time and part-time employees just in Q3, and have already added about 100,000 more in the first month of Q4. I will note that these are permanent jobs with industry-leading pay, including Amazon's $15 minimum wage and great benefits, such as health insurance, 401(k) plan and parental leave. Secondly, this has been a big year for capital investments. We've invested nearly $30 billion in CapEx and finance leases through the first nine months of 2020, including over $12 billion in Q3.

As I mentioned last quarter, we expect to grow our fulfillment and logistics network square footage by approximately 50% this year, which include significant additions to our fulfillment centers as well as our transportation facilities, majority of these buildings open in late Q3 and into Q4. About half of the square footage growth will be on the transportation side through the opening of more sort centers and delivery stations. And finally, in AWS, customer usage remain strong. We continue to see companies meaningfully growing their plans to move to AWS, but we are busy gearing up for our Annual re:Invent Conference. This year, re:Invent will be a free three-week virtual conference running from November 30th through December 18th. We are extremely grateful to our employees across Amazon, who have delivered on unprecedented demand for several months now as well as the strong Prime Day in October. We are ready to go and looking forward to meeting the needs of our customers this holiday season.

With that, let's move on to Q&A.

Questions And Answers

Operator

At this time, we will now open the call up for questions. We ask each caller, please limit yourself to one question. (Operator Instructions) Our first question comes from Brian Nowak with Morgan Stanley. Please proceed with your question.

Q - Brian Nowak {BIO 16819013 <GO>}

Thanks for taking my question. I have two, Brian. Just the first one, you mentioned the fulfillment centers saw a good leverage in the quarter, can you just talk to us about some of the qualitative drivers of this improvement you're seeing and fulfillment cost per fulfilled unit in the quarter and sort of year-to-date and how to think about the durability of that over time? And then secondly, I think throughout the summer, Amazon Logistics launched the third-party delivery service in the UK, curious as to hear about sort of early learnings from that product and how you think about scaling that to other countries and maybe globally? Thanks.

A - Brian T. Olsavsky {BIO 18872363 <GO>}

Sure, Brian. Thanks for your question. So, yeah, the fulfillment center cost is going to be a blend of the COVID-related -- part of the COVID-related costs that I've mentioned and itemized, offset by some really strong leverage. I would say that we've been running very consistently high levels really since all of our employees were -- came back in the first or second week of May and it's -- some of them had been on unpaid leave. The -- so that demand is very consistent and strong and has created a lot of favorable leverage, because again the order pattern being high and consistent is leveraging our fixed cost assets, things like our delivery routes are more dense at high volumes. So we see even in transportation some increased efficiencies, offsetting that again is productivity elements that we've articulated things like social distancing, extended breaks, other steps we're taking to keep people safe and distanced in our facilities and in our delivery network.

A - Dave Fildes {BIO 20638976 <GO>}

Hey, and this is Dave. I don't have much to share. I think, what we've got going on with any of those AMZL efforts, other than I'd just say, we're always working to develop new and innovative ways to support the companies we work with, including small and medium-sized businesses, who sell on Amazon. And that includes testing and shipping programs that can help many of these businesses get packages to customers quickly and reliably.

Q - Brian Nowak {BIO 16819013 <GO>}

Great. Thank you, both.

Operator

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

Q - Douglas Anmuth {BIO 5591566 <GO>}

Thanks for taking the questions. Brian, just wanted to go back to the 4Q operating income guide, appreciate your thoughts there. Just trying to dig a little bit deeper in terms of how you're thinking about it kind of beyond the $4 billion in COVID cost. It still feels like maybe there is some more in there that we're not thinking about perhaps beyond the square footage increases and the incremental headcount, so if you have any comments there. And just curious, I know it's early on 2021, but you've obviously done a ton of investment this year, with the 50% square footage increase and you tend to cycle at times in terms of CapEx investment. Just how do you think about adjusting that kind of build out as you go forward? Thanks.

A - Brian T. Olsavsky {BIO 18872363 <GO>}

Sure. Doug. One last comment I forgot to mention to Brian on his last question is the fact that a lot of that heightened demand so far coming Q2 and Q3, when we tend to have excess capacity before Q4. So that's another source of leverage, especially in non-peak quarters. As far as guidance is concerned, again I think the -- there's a lot of uncertainty. Certainly, in Q4, we generally have a lot of uncertainty around the holiday, thing from holiday spending to what our cost to fulfill normal orders would be, weather issues that can come up, this year is an election year, we saw some disruption in 2016. So there's a whole host of issues that generally come to bear in Q4. I think, the fact that COVID is dwarfing all of those is causing us a lot of uncertainty on our top-line range. We do see continuation -- we saw a continuation in Q3 of some really good trends from Q2 and we project those into Q4. Some of the negative factors that you mentioned is for profitability is again the -- we'll see more of the brunt of the capital investment and the people investment. We had -- added lot of people in the last quarter and then we added another 100,000 people in October so far, so there is that. There is generally the dynamics of

Prime Day, because it's a deal-oriented time period that's usually not the highest margin period and that is shifted into Q4. But generally, we have really -- because of the calendar this year, we have really built our capacity, both in facilities and people and are carrying it through the entire quarter. We carried it through a Prime Day and now, we're carrying it through into the rest of the quarter. I think, in other quarters, you might have seen a more gradual build-up that would have occurred through October and been probably maximized in November and December. So that is the -- that's what I would tell you on holiday. Again, we have a normal caveats that there's a lot of uncertainty in things that could go right and wrong, so that's why we put a range around it. And I'm sorry, could you repeat your second question?

Q - Douglas Anmuth {BIO 5591566 <GO>}

Just on how you think about 2021 perhaps and just CapEx build-out going forward, given that you've really stepped up the investment in 2020.

A - Brian T. Olsavsky {BIO 18872363 <GO>}

Sure. I think some of the investment, things like grocery delivery and that capacity, are things that we would have invested in overtime and they're being matched by higher order volume. So our intent is to continue to deliver a great grocery delivery experience for our customers. So that is little bit of a pull forward. Yes, we did expect to build out our logistics capacity a lot this year, especially as we had been -- excuse me, as we had been rolling out one-day delivery the middle of last year, that was setting us up for a big build this year. So we pulled forward a bit from 2021 into this year to satisfy the demand. I think, we have a -- the logistics team is really good at, in one way, is locking up long-term commitments on space in buildings but on the other hand, being able to adjust the timeline in or out to match capacity and demand. I think, at this point, we are not trying to cut it close and we are erring on the side of having too much demand -- excuse me, too much capacity and we think that's the right call, it has been this year and we'll adjust. As we get through the holiday, we'll learn a lot more, hopefully the pandemic, we will be in better shape as a country and globe in Q1 of next year, but it's very reactionary at this point. We've got a play at the hand that we're dealt and we're trying to anticipate and keep the customer insulated from any variability, but challenging certainly.

Q - Douglas Anmuth {BIO 5591566 <GO>}

Thanks for the color, Brian.

Operator

Our next question comes from Justin Post with Merrill Lynch. Please proceed with your question.

Q - Justin Post {BIO 3469195 <GO>}

Great, thanks. When you look at 3Q with the environment, can you help us kind of understand the best you can quantify, how much of the incremental unit sales do you think are being aided by COVID or how much, is it just a natural recurring shift online that could recur and continue to grow next year, any thoughts on that? And then same type of question for the cloud. There's -- I'm guessing, there's some headwinds of lower transaction volumes for some of your customers and then maybe there is more demand from the work-at-home environment. So if you could give us any thoughts on both the retail and cloud and how COVID is impacting it and could there be -- how that will impact next year? Thank you.

A - Brian T. Olsavsky {BIO 18872363 <GO>}

Sure. It's hard to predict. I would say that there has been phases of this year. Last -- or excuse me, early on, there were a lot of stock ups of groceries and other household supplies followed by a wave of people buying gloves and disinfectant wipes and masks and that -- may be a bit of a bubble that people are not going to buy as much next year, hopefully, that be a good problem to have if those demand -- that demand went down. But otherwise, we're seeing Prime member engagement, so it's strengthening our Prime program. We're adding -- the renewal rates are going up and the engagement is going up and so people are buying more frequently and across more categories. They're using more of our digital benefits, so there -- we like the trends on kind of connectedness to our Prime program and we think that will have lasting value. When things open up a bit more and there is more store options for people to buy from, there will be a leveling of volume back to the stores, I would imagine but -- so we think the trends are good. They've been pulled forward probably a bit from our -- the adoption curve has been pulled forward from our pre-COVID thinking, especially on things like grocery delivery. So your second question on the cloud, cloud a mix bag right now, because I mean, we're very happy with the cloud performance and we're seeing a lot of customers who are now moving to the cloud at a faster pace, it accelerated their plans. There is anomalies in different industries going on this year. Things like travel and hospitality are down, a lot of companies are in a holding pattern in the middle and some are doing really well, things like video conferencing and gaming and remote learning and things tied to entertainment. So I would say that majority of the companies still are looking for ways to cut down on expenses. I mean, going to the cloud is a good way to cut down on expenses long term. They are trying to cut down on their short-term costs in the cloud by tuning their workloads and we're helping them do that and doing the best we can to help them save short-term dollars and again, tune their usage against some of our benchmark.

So we think that is good for the customer and that therefore be good for us long term. But even despite those actions, with strong growth, the year-over-year growth in absolute dollars this quarter were the largest we've ever seen. And we feel good about the state of the business and the state of our sales force and their ability to drive value during this period. We've seen a lot of companies extending their contracts with us. The backlog of multiyear deals has gone up quite a bit, so it's good from a customer connectedness standpoint. Certainly, each industry is going through different dynamics right now.

A - Dave Fildes {BIO 20638976 <GO>}

And you can see -- this is Dave. As well, I'll just add to that, you can see a number of significant new commitments from customers called out in and released the carrier mobile payments to number of others. There is also -- you're also seeing some good engagement with governments. They are recognizing the need to transform tech -- get their technology more nimble and innovative, schools and universities are planning for online learning. So a lot of help, we can work with customers to provide there. And on the

-- kind of from a product perspective, we're seeing significant momentum with our AWS-designed Graviton2 processors. So you've got customers like SmugMug and Netflix and there's many others, but they're realizing up to 40% better price performance from the newer Amazon EC2s, MRCT instance families. So when you compare that to the x86-based instances and -- so the Amazon EC2 instance families are all powered by our new AWS-designed Graviton2 processor. So really pleased with what we're seeing there in that engagement as well.

Operator

Our next question is from Heath Terry from Goldman Sachs. Please proceed with your question.

Q - Heath Terry {BIO 3406856 <GO>}

Great, thanks. Just a couple of things, want to -- kind of related, how should we think about where capacity utilization of the fulfillment infrastructure is at this point with the wave of growth that we've seen and the wave of new warehouse announcement? What kind of CapEx is going to be necessary to sort of bring you back to what you would consider normal levels that you're -- that you'd be growing from? And then, there's obviously been a lot of discussion around the capacity limitation that third-party shipping networks are going to see this holiday season, given demand. How much of an issue do you see that as being -- and given your investments in your own delivery capacity, does that become a competitive advantage for you during the holiday?

A - Brian T. Olsavsky {BIO 18872363 <GO>}

Yeah. Thanks, Heath. I'll start with that last one. Yes, and they're all intertwined here, so third-party shipping, we rely on third-party shippers. We have great partnerships around the globe with third-party shippers and we know that their capacity will be tight as well ours. We do feel good that we've invested quite a bit in our own capacity and you just mentioned that about half of our ops CapEx is going to expanding transportation, a lot of the people that we're hiring are also focused on transportation. So we feel good that we've been able to develop that capability a lot this year, because we've needed it and we're going to need it in Q4. Having said that, it's going to be tight for everyone and I think, it's -- we'll all be stretched and it's advantageous to the customer and probably to the companies for people to order early this year, but regardless of the order pattern, we're going to do our best to give the usual excellent service to our customers.

On CapEx levels, again, we've grown our infrastructure -- excuse me, our fulfillment and logistics infrastructure 50% this year. We'll see again what that implies for next year. We do see continued expansion and CapEx, specifically in our transportation area, so that will be the start of probably a multiyear period, where we're higher on CapEx for that, but we'll see. We are -- right now, we're just focused on Q4 and giving the guidance for Q4. Your question on capacity utilization. It's been very tight this year. Certainly, we're able to fill up a lot of our -- any excess capacity in Q2 and Q3, that might have seasonally been excess. As we get into Q4 and everything is stepping up, we're adding it and using it simultaneously. We had a really good test for Prime Day and we feel good about the performance of the network and we continue to add on top of that. So lots of excitement around the holiday and -- but we feel, we're in good shape and ready to go.

Operator

Our next question is from Mark Mahaney with RBC. Please proceed with your question.

Q - Mark Mahaney {BIO 3027058 <GO>}

Thanks. Two questions, please. How should we think about these $4 billion expenses in the fourth quarter, the $7 billion year-to-date like, do you view them more as one-time-ish or just overall increases as you build out the network? Are they structural or one-time-ish? I really want to get at that. Secondly, international segment has been nicely profitable or reasonably profitable for two quarters in a row, is there some reason to think that that's sustainable? And then, I'm sorry, the third question, the open [ph] to other revenue growth accelerated to 49%, can you give me any color behind that? Thanks a lot.

A - Brian T. Olsavsky {BIO 18872363 <GO>}

Hi, Mark. Thank you. Let me start with the COVID question. So we have -- again, our expenses in Q3 were estimated to be $2.5 billion, around $2.5 billion and we're seeing closer to $4 billion in Q4. The majority of that is due to the expansion of our operations, so things like productivity that -- there's productivity drags for things like new hire ramp, social distancing, extending break periods, things that we can quantify and say, look, this is a change in our process that has productivity. We also have costs related to -- they are more -- so those are calculated a bit, there's more direct costs around cleaning and supplies, testing and those are the main things, I would say. So what we're trying to do by capturing these costs is to -- so what is -- we believe is incremental and the intent is that these -- for our own knowledge as well that these will -- once the pandemic is over and hopefully, that's soon that these should be costs that don't recur, okay? We know though simultaneously, there is some benefits going on right now. There's things like, in Q2, we had lower marketing expense, you see that in our trends. It's starting to come back in Q3 and Q4 to more normalized levels but certainly, everyone -- there was not a lot of requirement or need to do marketing this year -- for parts of the year. We've saved nearly $1 billion in travel this year, because travel has ground to a halt, internal travel, traveling expenses. So there's things like that, that will resume at a later date and maybe not get to the same levels as the past, but they will be -- they won't be as artificially low as this year. So we're trying to be transparent as best we can on the cost we're seeing. We're now netting against some of the favorabilities from demand and some of the other costs that might be offsetting, although they're not offsetting to the extent that the COVID costs are sitting there. And then, I will point to the fact that we are -- because we're running at such a high level and a consistently high level, really in off-peak periods, we have been able to run these warehouses very efficiently. You have to split the discussion kind of between the cost penalty on the COVID-related issues but then there's certainly been some favorability from running assets at more a fall out condition, okay? So hopefully, that gives you some color on it.

International segment profitability, yeah, I would say -- and I think, we discussed this a bit last quarter. We're seeing an advancement of volume and very strong volume, if you will, in -- especially in our -- countries in Europe and Japan that -- so we may be putting in a way future volume onto this year's cost structure. So that is probably why you're starting to see -- that is why you're seeing profitability in international. I would say, generally, we are still investing ahead of the U.S. in a lot of dimensions internationally. Things like Prime benefits, things like the devices, things like international expansions might see the -- you might have seen that we just launched in Sweden yesterday. So there is a lot of competing factors going on right now internationally. But I think right -- because of the high volumes and the leverage we're seeing, particularly in places like the UK and Germany that it's creating profitability ahead of schedule, if you will. But we feel good about the level of investment that's continued and we see that we're committed to continuing that even after the pandemic and included in the international segment of course is India, where we've had -- we had a very strong Prime Day and Diwali is off to a good start.

And so anyway, the third comment was on other revenue. Yeah, that is essentially going to be mostly advertising and we had a very strong advertising performance in Q3. It's a continuation of the trends that we saw in Q2. We start to see advertising budgets increase from some of the contraction that has occurred earlier in Q2. And we just had a lot more traffic and we do a good job of turning that traffic into valuable real estate for our advertisers and for our customers to get -- to find out more about selection and brand discovery. So most of that is strong quarter -- it was strong quarter in advertising and that's what you're seeing in the other revenue line.

Operator

Our final question will come from Eric Sheridan with UBS. Please proceed with your question.

Q - Eric Sheridan {BIO 17860961 <GO>}

Thanks for taking the question. Maybe two, if I can. One following up on Mark's question on the advertising side. We continue to see you guys innovate a lot on the product side, especially with the programmatic advertising, video advertising. Can you just give us a little bit of a sense of how you see the advertising offering, both on Amazon and off Amazon sort of evolving in the years ahead? And the second question would be coming back Brian to your comments in the opening remarks around Prime Video and all the consumption you've seen globally in the recent past. How does that help inform what you think about in terms of the opportunity to invest against original content to continue to drive that sort of media consumption loop within the Prime membership? Thanks so much.

A - Dave Fildes {BIO 20638976 <GO>}

Yeah, great. Eric, I'll start off with the questions on advertising. So I think, just to ground you and I think our main priorities here in this space and some of these probably aren't too surprising, as we're focused on making our tools easier to use. So both on the sponsored ads and sponsored brands side, updating sponsored product targeting, working on just simplifying registration for agencies and marketers, getting them set up. We're also very focused on being smarter about servicing more relevant ads to customers. They can display ads easier and then increasing usability of the Amazon demand side platform. So we've been working on a number of those areas and then developing new products and a lot of that's focused around how are we serving brands from various areas, Twitch, sponsored brands, the stores of course and some other interesting areas.

So it's -- we're certainly in a unique position to be able to provide measurement services that help all these brands sort of understand the impact of their advertising in ways that are going to help them grow their business. Video, you mentioned, I think video is one that we're working hard on with some of the OTT video advertising opportunities there and seeing some good momentum with that. We offer inventory in the IMDb TV on ad-supported space and on some 3P apps, both on and off the Fire TV. So a lot of, I think good momentum there and a lot of good learnings on some of those initiatives there. I won't say too much about what we will look like next year, in the future but that gives you a kind of a sense of priorities, where we're spending our time and focused on.

A - Brian T. Olsavsky {BIO 18872363 <GO>}

And on your question on video, so step back, our goal is to deliver high quality and fresh content to our global Prime base -- member base. We're doing that by producing top-tier U.S. content that we show globally and then, we augment that with local originals in each region. If we do that job well, we've seen it as a very significant acquisition channel for new Prime members, especially in many smaller countries around the world, we see higher free trial conversion rates, higher membership renewal rates and then higher overall engagement as I mentioned in Q3 specifically. And when they do that, when they -- the more engaged they are, we know that that turns into more sales on Amazon and that's -- it's a self-reinforcing loop. So we're very happy with the video performance. Particularly during this period, I think people have gotten a really good chance to test out the content. Maybe people haven't used -- the Prime members haven't used that benefit as much in the past, giving another look and if really found value in it. We are in more than 240 countries and territories worldwide and again, we're seeing some really interesting localized content developing in places like India, Brazil, Mexico, Australia, UK and Spain, which I think the customers in those countries really appreciate.

A - Dave Fildes {BIO 20638976 <GO>}

Great. Thanks for joining us today, for 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 in Amazon, and we look forward to talking with you again next quarter.
