UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission File No. 000-22513

AMAZON.COM, INC.
(Exact name of registrant as specified in its charter)

Delaware	**91-1646860**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

410 Terry Avenue North, Seattle, Washington 98109-5210
(206) 266-1000
(Address and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value $.01 per share	AMZN	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

10,334,030,586 shares of common stock, par value $0.01 per share, outstanding as of October 18, 2023

AMAZON.COM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 — ACCOUNTING POLICIES AND SUPPLEMENTAL DISCLOSURES

Unaudited Interim Financial Information

We have prepared the accompanying consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim financial reporting. These consolidated financial statements are unaudited and, in our opinion, include all adjustments, consisting of normal recurring adjustments and accruals necessary for a fair presentation of our consolidated cash flows, operating results, and balance sheets for the periods presented. Operating results for the periods presented are not necessarily indicative of the results that may be expected for 2023 due to seasonal and other factors. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) have been omitted in accordance with the rules and regulations of the SEC. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes in Item 8 of Part II, “Financial Statements and Supplementary Data,” of our 2022 Annual Report on Form 10-K.

Prior Period Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. “Other operating expense (income), net” was reclassified into “Depreciation and amortization of property and equipment and capitalized content costs, operating lease assets, and other” on our consolidated statements of cash flows.

Principles of Consolidation

The consolidated financial statements include the accounts of Amazon.com, Inc. and its consolidated entities (collectively, the “Company”), consisting of its wholly-owned subsidiaries and those entities in which we have a variable interest and of which we are the primary beneficiary, including certain entities in India and certain entities that support our health care services and seller lending financing activities. Intercompany balances and transactions between consolidated entities are eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent liabilities in the consolidated financial statements and accompanying notes. Estimates are used for, but not limited to, income taxes, useful lives of equipment, commitments and contingencies, valuation of acquired intangibles and goodwill, stock-based compensation forfeiture rates, vendor funding, inventory valuation, collectability of receivables, impairment of property and equipment and operating leases, valuation and impairment of investments, self-insurance liabilities, and viewing patterns of capitalized video content. Actual results could differ materially from these estimates.

For the nine months ended September 30, 2023, we recorded approximately $500 million of estimated severance costs primarily related to planned role eliminations. These charges were recorded primarily in “Technology and infrastructure,” “Sales and marketing,” and “General and administrative” on our consolidated statements of operations and included approximately $280 million recorded within our AWS segment.

For the nine months ended September 30, 2022 and 2023, we recorded approximately $350 million and $420 million of impairments of property and equipment and operating leases primarily related to physical stores in 2022 and fulfillment network facilities and physical stores in 2023. These charges were recorded in “Other operating expense (income), net” on our consolidated statements of operations and primarily impacted our North America segment. For the nine months ended September 30, 2022 and 2023, we also recorded expenses of approximately $300 million and $200 million primarily in “Fulfillment” in 2022 and “Cost of sales” and “Fulfillment” in 2023, on our consolidated statements of operations primarily relating to terminating contracts for certain leases not yet commenced as well as other purchase commitments, which primarily impacted our North America segment.

change due to economic, political, and other conditions and significant judgment is required in determining our ability to use our deferred tax assets.

Our effective tax rates could be affected by numerous factors, such as changes in our business operations, acquisitions, investments, entry into new businesses and geographies, intercompany transactions, the relative amount of our foreign earnings, including earnings being lower than anticipated in jurisdictions where we have lower statutory rates and higher than anticipated in jurisdictions where we have higher statutory rates, losses incurred in jurisdictions for which we are not able to realize related tax benefits, the applicability of special tax regimes, changes in foreign exchange rates, changes in our stock price, changes to our forecasts of income and loss and the mix of jurisdictions to which they relate, changes in our deferred tax assets and liabilities and their valuation, changes in the laws, regulations, administrative practices, principles, and interpretations related to tax, including changes to the global tax framework, competition, and other laws and accounting rules in various jurisdictions. In addition, a number of countries have enacted or are actively pursuing changes to their tax laws applicable to corporate multinationals.

We are also currently subject to tax controversies in various jurisdictions, and these jurisdictions may assess additional income tax liabilities against us. Developments in an audit, investigation, or other tax controversy could have a material effect on our operating results or cash flows in the period or periods for which that development occurs, as well as for prior and subsequent periods. We regularly assess the likelihood of an adverse outcome resulting from these proceedings to determine the adequacy of our tax accruals. Although we believe our tax estimates are reasonable, the final outcome of audits, investigations, and any other tax controversies could be materially different from our historical income tax provisions and accruals.

Liquidity and Capital Resources

Cash flow information is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	2022	**2023**	**2022**	**2023**	**2022**	**2023**
Cash provided by (used in):						
Operating activities	$ 11,404	$ 21,217	$ 17,579	$ 42,481	$ 39,665	$ 71,654
Investing activities	(15,608)	(11,753)	(26,780)	(37,232)	(39,360)	(48,053)
Financing activities	3,016	(8,948)	9,632	(9,133)	6,532	(9,047)

Our principal sources of liquidity are cash flows generated from operations and our cash, cash equivalents, and marketable securities balances, which, at fair value, were $70.0 billion and $64.2 billion as of December 31, 2022 and September 30, 2023. Amounts held in foreign currencies were $18.3 billion and $13.7 billion as of December 31, 2022 and September 30, 2023. Our foreign currency balances include British Pounds, Canadian Dollars, Euros, Indian Rupees, and Japanese Yen.

Cash provided by (used in) operating activities was $11.4 billion and $21.2 billion for Q3 2022 and Q3 2023, and $17.6 billion and $42.5 billion for the nine months ended September 30, 2022 and 2023. Our operating cash flows result primarily from cash received from our consumer, seller, developer, enterprise, and content creator customers, and advertisers, offset by cash payments we make for products and services, employee compensation, payment processing and related transaction costs, operating leases, and interest payments. Cash received from our customers and other activities generally corresponds to our net sales. The increase in operating cash flow for the trailing twelve months ended September 30, 2023, compared to the comparable prior year period, was due to an increase in net income (loss), excluding non-cash expenses, and changes in working capital. Working capital at any specific point in time is subject to many variables, including variability in demand, inventory management and category expansion, the timing of cash receipts and payments, customer and vendor payment terms, and fluctuations in foreign exchange rates.

Cash provided by (used in) investing activities corresponds with cash capital expenditures, including leasehold improvements, incentives received from property and equipment vendors, proceeds from asset sales, cash outlays for acquisitions, investments in other companies and intellectual property rights, and purchases, sales, and maturities of marketable securities. Cash provided by (used in) investing activities was $(15.6) billion and $(11.8) billion for Q3 2022 and Q3 2023, and $(26.8) billion and $(37.2) billion for the nine months ended September 30, 2022 and 2023, with the variability caused primarily by purchases, sales, and maturities of marketable securities and cash capital expenditures. Cash capital expenditures were $15.0 billion and $11.3 billion during Q3 2022 and Q3 2023, and $42.9 billion and $34.8 billion for the nine months ended September 30, 2022 and 2023, which primarily reflect investments in technology infrastructure (the majority of which is to support AWS business growth) and in additional capacity to support our fulfillment network. We expect cash capital expenditures to decrease in 2023, primarily due to lower spending on our fulfillment network. We made cash payments, net of acquired cash, related to acquisition and other investment activity of $885 million and $1.6 billion during Q3 2022 and Q3 2023, and $7.5 billion and $5.5 billion for the nine months ended September 30, 2022 and 2023. We funded the acquisitions of

International sales increased 16% in Q3 2023, and 9% for the nine months ended September 30, 2023 compared to the comparable prior year periods, primarily due to increased unit sales, primarily by third-party sellers, advertising sales, and subscription services. Increased unit sales were driven largely by our continued focus on price, selection, and convenience for our customers, including from our shipping offers. Changes in foreign exchange rates increased International net sales by $1.4 billion for Q3 2023, and reduced International net sales by $1.1 billion for the nine months ended September 30, 2023.

AWS sales increased 12% in Q3 2023, and 13% for the nine months ended September 30, 2023 compared to the comparable prior year periods. The sales growth primarily reflects increased customer usage, partially offset by pricing changes, primarily driven by long-term customer contracts.

Operating Income (Loss)

Operating income (loss) by segment is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2023	2022	2023
Operating Income (Loss)				
North America	$ (412)	$ 4,307	$ (2,607)	$ 8,416
International	(2,466)	(95)	(5,518)	(2,237)
AWS	5,403	6,976	17,636	17,464
Consolidated	$ 2,525	$ 11,188	$ 9,511	$ 23,643

Operating income increased from $2.5 billion in Q3 2022 to $11.2 billion in Q3 2023, and increased from $9.5 billion for the nine months ended September 30, 2022 to $23.6 billion for the nine months ended September 30, 2023. We believe that operating income is a more meaningful measure than gross profit and gross margin due to the diversity of our product categories and services.

The North America operating income in Q3 2023, as compared to the operating loss in the comparable prior year period, is primarily due to increased unit sales and increased advertising sales, partially offset by increased shipping and fulfillment costs. The North America operating income for the nine months ended September 30, 2023, as compared to the operating loss in the comparable prior year period, is primarily due to increased unit sales and increased advertising sales, partially offset by increased shipping and fulfillment costs, increased technology and infrastructure costs, and growth in certain operating expenses. Changes in foreign exchange rates negatively impacted operating income by $27 million for Q3 2023, and positively impacted operating income by $7 million for the nine months ended September 30, 2023.

The decrease in International operating loss in absolute dollars in Q3 2023, compared to the comparable prior year period, is primarily due to increased unit sales and increased advertising sales. The decrease in International operating loss in absolute dollars for the nine months ended September 30, 2023, compared to the comparable prior year period, is primarily due to increased unit sales and increased advertising sales, partially offset by increased fulfillment and shipping costs, increased technology and infrastructure costs, and growth in certain operating expenses. Changes in foreign exchange rates positively impacted operating loss by $228 million for Q3 2023, and by $86 million for the nine months ended September 30, 2023.

The increase in AWS operating income in absolute dollars in Q3 2023, compared to the comparable prior year period, is primarily due to increased sales and cost structure productivity, partially offset by spending on technology infrastructure, which was primarily driven by additional investments to support AWS business growth. The decrease in AWS operating income in absolute dollars for the nine months ended September 30, 2023, compared to the comparable prior year period, is primarily due to increased payroll and related expenses and spending on technology infrastructure, both of which were primarily driven by additional investments to support AWS business growth, partially offset by increased sales. Changes in foreign exchange rates negatively impacted operating income by $69 million for Q3 2023, and positively impacted operating income by $282 million for the nine months ended September 30, 2023.

Operating Expenses

Information about operating expenses is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2023	2022	2023
Operating Expenses:				
Cost of sales	$ 70,268	$ 75,022	$ 203,191	$ 212,186
Fulfillment	20,583	22,314	61,196	64,524
Technology and infrastructure	19,485	21,203	52,399	63,584
Sales and marketing	11,014	10,551	29,420	31,468
General and administrative	3,061	2,561	8,558	8,806
Other operating expense (income), net	165	244	504	613
Total operating expenses	$ 124,576	$ 131,895	$ 355,268	$ 381,181
Year-over-year Percentage Growth (Decline):				
Cost of sales	12 %	7 %	7 %	4 %
Fulfillment	11	8	16	5
Technology and infrastructure	35	9	29	21
Sales and marketing	38	(4)	35	7
General and administrative	42	(16)	36	3
Other operating expense (income), net	(1,619)	48	1,210	22
Percent of Net Sales:				
Cost of sales	55.3 %	52.4 %	55.7 %	52.4 %
Fulfillment	16.2	15.6	16.8	15.9
Technology and infrastructure	15.3	14.8	14.4	15.7
Sales and marketing	8.7	7.4	8.1	7.8
General and administrative	2.4	1.8	2.3	2.2
Other operating expense (income), net	0.1	0.2	0.1	0.2

Cost of Sales

Cost of sales primarily consists of the purchase price of consumer products, inbound and outbound shipping costs, including costs related to sortation and delivery centers and where we are the transportation service provider, and digital media content costs where we record revenue gross, including video and music.

The increase in cost of sales in absolute dollars in Q3 2023 and for the nine months ended September 30, 2023, compared to the comparable prior year periods, is primarily due to increased product and shipping costs resulting from increased sales, partially offset by fulfillment network efficiencies and lower transportation rates. Changes in foreign exchange rates increased cost of sales by $818 million for Q3 2023, and reduced cost of sales by $1.0 billion for the nine months ended September 30, 2023.

Shipping costs to receive products from our suppliers are included in our inventory and recognized as cost of sales upon sale of products to our customers. Shipping costs, which include sortation and delivery centers and transportation costs, were $19.9 billion and $21.8 billion in Q3 2022 and Q3 2023, and $58.8 billion and $62.2 billion for the nine months ended September 30, 2022 and 2023. We expect our cost of shipping to continue to increase to the extent our customers accept and use our shipping offers at an increasing rate, we use more expensive shipping methods, and we offer additional services. We seek to mitigate costs of shipping over time in part through achieving higher sales volumes, optimizing our fulfillment network, negotiating better terms with our suppliers, and achieving better operating efficiencies. We believe that offering low prices to our customers is fundamental to our future success, and one way we offer lower prices is through shipping offers.

Costs to operate our AWS segment are primarily classified as “Technology and infrastructure” as we leverage a shared infrastructure that supports both our internal technology requirements and external sales to AWS customers.

Fulfillment

Fulfillment costs primarily consist of those costs incurred in operating and staffing our North America and International fulfillment centers, physical stores, and customer service centers and payment processing costs. While AWS payment processing