

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

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended March 31, 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**  
(State or other jurisdiction of  
incorporation or organization)

**91-1646860**  
(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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 ☒

10,260,353,688 shares of common stock, par value \$0.01 per share, outstanding as of April 19, 2023

foreign exchange rates. 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 reduced International net sales by \$2.3 billion for Q1 2023.

AWS sales increased 16% in Q1 2023 compared to the comparable prior year period. 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 March 31,	
	2022	2023
Operating Income (Loss)		
North America	\$ (1,568)	\$ 898
International	(1,281)	(1,247)
AWS	6,518	5,123
Consolidated	<u>\$ 3,669</u>	<u>\$ 4,774</u>

Operating income increased from \$3.7 billion in Q1 2022 to \$4.8 billion in Q1 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 Q1 2023, as compared to the operating loss in the comparable prior year period, is primarily due to increased unit sales, primarily by third-party sellers, and increased advertising sales, partially offset by increased technology and content costs, increased fulfillment and shipping costs, and growth in certain operating expenses. Changes in foreign exchange rates positively impacted operating income by \$41 million for Q1 2023.

The decrease in International operating loss in absolute dollars in Q1 2023, compared to the comparable prior year period, is primarily due to increased unit sales, primarily by third-party sellers, and increased advertising sales, partially offset by increased technology and content costs, increased fulfillment and shipping costs, and growth in certain operating expenses. Changes in foreign exchange rates negatively impacted operating loss by \$174 million for Q1 2023.

The decrease in AWS operating income in absolute dollars in Q1 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 positively impacted operating income by \$272 million for Q1 2023.

### Operating Expenses

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

	Three Months Ended March 31,	
	2022	2023
Operating expenses:		
Cost of sales	\$ 66,499	\$ 67,791
Fulfillment	20,271	20,905
Technology and content	14,842	20,450
Sales and marketing	8,320	10,172
General and administrative	2,594	3,043
Other operating expense (income), net	249	223
Total operating expenses	<u>\$ 112,775</u>	<u>\$ 122,584</u>
Year-over-year Percentage Growth (Decline):		
Cost of sales	7 %	2 %
Fulfillment	23	3
Technology and content	19	38
Sales and marketing	34	22
General and administrative	31	17
Other operating expense (income), net	562	(11)
Percent of Net Sales:		
Cost of sales	57.1 %	53.2 %
Fulfillment	17.4	16.4
Technology and content	12.7	16.1
Sales and marketing	7.1	8.0
General and administrative	2.2	2.4
Other operating expense (income), net	0.2	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 Q1 2023, compared to the comparable prior year period, is primarily due to increased product and shipping costs resulting from increased sales, partially offset by fulfillment network efficiencies. Changes in foreign exchange rates reduced cost of sales by \$1.6 billion for Q1 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 \$19.6 billion and \$19.9 billion in Q1 2022 and Q1 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, including faster delivery, 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 content” 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 and related transaction costs are included in “Fulfillment,” AWS costs are primarily classified as “Technology and content.”

Fulfillment costs as a percentage of net sales may vary due to several factors, such as payment processing and related transaction costs, our level of productivity and accuracy, changes in volume, size, and weight of units received and fulfilled, the extent to which third-party sellers utilize Fulfillment by Amazon services, timing of fulfillment network and physical store expansion, the extent we utilize fulfillment services provided by third parties, mix of products and services sold, and our ability to affect customer service contacts per unit by implementing improvements in our operations and enhancements to our customer self-service features. Additionally, sales by our sellers have higher payment processing and related transaction costs as a percentage of net sales compared to our retail sales because payment processing costs are based on the gross purchase price of underlying transactions.

The increase in fulfillment costs in absolute dollars in Q1 2023, compared to the comparable prior year period, is primarily due to increased sales, partially offset by fulfillment network efficiencies. Changes in foreign exchange rates reduced fulfillment costs by \$396 million for Q1 2023.

We seek to expand our fulfillment network to accommodate a greater selection and in-stock inventory levels and to meet anticipated shipment volumes from sales of our own products as well as sales by third parties for which we provide the fulfillment services. We regularly evaluate our facility requirements.

#### *Technology and Content*

Technology and content costs include payroll and related expenses for employees involved in the research and development of new and existing products and services, development, design, and maintenance of our stores, curation and display of products and services made available in our online stores, and infrastructure costs. Infrastructure costs include servers, networking equipment, and data center related depreciation and amortization, rent, utilities, and other expenses necessary to support AWS and other Amazon businesses. Collectively, these costs reflect the investments we make in order to offer a wide variety of products and services to our customers, including expenditures related to initiatives to build and deploy innovative and efficient software and electronic devices and the development of a satellite network for global broadband service and autonomous vehicles for ride-hailing services.

We seek to invest efficiently in numerous areas of technology and content so we may continue to enhance the customer experience and improve our process efficiency through rapid technology developments, while operating at an ever increasing scale. Our technology and content investment and capital spending projects often support a variety of product and service offerings due to geographic expansion and the cross-functionality of our systems and operations. We expect spending in technology and content to increase over time as we continue to add employees and technology infrastructure. These costs are allocated to segments based on usage. The increase in technology and content costs in absolute dollars in Q1 2023, compared to the comparable prior year period, is primarily due to increased payroll and related costs associated with technical teams responsible for expanding our existing products and services and initiatives to introduce new products and service offerings, and an increase in spending on technology infrastructure. Changes in foreign exchange rates reduced technology and content costs by \$304 million for Q1 2023. See Item 7 of Part II, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview” of our 2022 Annual Report on Form 10-K for a discussion of how management views advances in technology and the importance of innovation.

#### *Sales and Marketing*

Sales and marketing costs include advertising and payroll and related expenses for personnel engaged in marketing and selling activities, including sales commissions related to AWS. We direct customers to our stores primarily through a number of marketing channels, such as our sponsored search, social and online advertising, third-party customer referrals, television advertising, and other initiatives. Our marketing costs are largely variable, based on growth in sales and changes in rates. To the extent there is increased or decreased competition for these traffic sources, or to the extent our mix of these channels shifts, we would expect to see a corresponding change in our marketing costs.

The increase in sales and marketing costs in absolute dollars in Q1 2023, compared to the comparable prior year period, is primarily due to increased payroll and related expenses for personnel engaged in marketing and selling activities.

While costs associated with Amazon Prime membership benefits and other shipping offers are not included in sales and marketing expense, we view these offers as effective worldwide marketing tools, and intend to continue offering them indefinitely.

#### *General and Administrative*

The increase in general and administrative costs in absolute dollars in Q1 2023, compared to the comparable prior year period, is primarily due to an increase in payroll and related expenses.