Amazon.com, Inc. (NASDAQ:AMZN) Q3 2013 Earnings Conference Call
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Executives

Sean Boyle - Vice President, Investor Relations

Tom Szkutak - Chief Financial Officer

Analysts

Ben Schachter - Macquarie

Scott Devitt - Morgan Stanley

Mark Mahaney - RBC Capital Markets

Victor Anthony - Topeka Capital Markets

Mark May - Citi

Carlos Kirjner - Sanford Bernstein

Mark Miller - William Blair

Kerry Rice - Needham & Company

Scott Tilghman - B. Riley & Co

Tom Forte - Telsey

Douglas Anmuth - JPMorgan

Greg Melich - ISI Group

John Blackledge - Cowen and Company

Ron Josey - JMP Securities

Brian Pitz - Jefferies

Jordan Rohan - Stifel Nicolaus

Heath Terry - Goldman Sachs

Operator

Thank you for standing by. Good day everyone and welcome to the Amazon.com Third Quarter 2013 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 Vice President of Investor Relations, Mr. Sean Boyle. Please go ahead sir.

Sean Boyle

Hello and welcome to our Q3 2013 financial results conference call. Joining us today is Tom Szkutak, our CFO. We will be available for questions after our prepared remarks.

The following discussion and responses to your questions reflect management's views as of today, October 24, 2013 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.

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 our metrics and commentary on the quarter. During this call, we will 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. Finally, unless otherwise stated, all comparisons in this call will be against our results for the comparable period of 2012.

Now, I'll turn the call over to Tom.

Tom Szkutak

Thanks Sean. I will begin with comments on our third quarter financial results. Trailing 12-month operating cash flow increased 48% to $4.98 billion. Trailing 12-month free cash flow decreased 63% to $388 million. Trailing 12-month capital expenditures were $4.59 billion. This amount includes $1.4 billion in purchases of our previously leased corporate office space as well as property for development of additional corporate office space located in Seattle, Washington, which we purchased in the fourth quarter of 2012. The increase in capital expenditures reflects additional investments in support of our continued business growth consisting of investments in technology infrastructure, including Amazon Web Services and additional capacity to support our fulfillment operations.

Return on invested capital was 3%, down from 10%. ROIC is TTM free cash flow divided by average total assets minus current liabilities excluding the current portion of long-term debt over five quarter ends. The combination of common stock and stock-based awards outstanding was 475 million shares compared with 469 million shares.

Worldwide revenue grew 24% to $17.09 billion or 26% excluding the $332 million unfavorable impact from year-over-year changes in the foreign exchange rate. We are grateful to our customers who continue to take advantage of our low prices, vast selection and shipping offers.

Media revenue increased to $5.03 billion, up 9% or 13% excluding foreign exchange. EGM revenue increased to $11.05 billion, up 29% or 31% excluding foreign exchange. Worldwide EGM increased to 65% of worldwide sales, up from 62%.Worldwide paid unit growth was 29%. Active customer accounts exceeded 224 million. Worldwide active seller accounts were more than 2 million. Seller units represented 40% of paid units.

Now, I will discuss operating expenses, excluding stock-based compensation. Cost of sales was $12.37 billion or 72.3% of revenue compared with 74.7%. Fulfillment, marketing, technology and content and G&A combined was $4.46 billion, or 26.1% of sales, up approximately 250 basis points year-over-year. Fulfillment was $1.96 billion, or 11.5% of revenue, compared with 10.5%. Tech and content was $1.58 billion, or 9.2% of revenue compared with 7.8%. Marketing was $671 million, or 3.9% of revenue, compared with 3.8%.

Now I'll talk about our segment results. In consistent with prior periods, we do not allocate the segments or stock-based compensation or other operating expense line item. In the North America segment, revenue grew 31% to $10.3 billion. Media revenue grew 18% to $2.61 billion. EGM revenue grew 33% to $6.73 billion, representing 65% of North America revenues up from 64%. North America segment operating income increased 1% to $295 million, a 2.9% operating margin.

In the International segment, revenue grew 15% to $6.79 billion. Adjusting for the $327 million year-over-year unfavorable foreign exchange impact, revenue growth was 20%. Media revenue increased 2% to $2.42 billion or 9% excluding foreign exchange. And EGM revenue grew 23% to $4.32 billion, or 28% excluding foreign exchange. EGM now represents 64% of International revenues up from 59%.

International segment operating loss was 28 million compared to a $59 million loss in the prior period. Consolidated segment operating income interested 15% to $267 million or 1.6% of revenue down approximately 10 basis points year-over-year. Excluding the unfavorable impact from foreign exchange CSOI increased 18%.

Unlike CSOI our GAAP operating income or loss includes stock based compensation expense and other operating expense. GAAP operating loss was $25 million compared to a $28 million in the prior year period. Our income tax benefit was $12 million, GAAP net loss was $41 million $0.09 per diluted share compared with net loss of $274 million or $0.60 per diluted share. The third quarter 2012 included a loss of $169 million or $0.37 per diluted share related to our equity method share of losses recorded by Living Social primarily attributable to impairment charge of certain assets including goodwill.

Turning to the balance sheet, cash and marketable securities increased $2.44 billion year-over-year to $7.69 billion. Inventory increased 20% to $6.07 billion and inventory turns were 9.2, down from 9.7 turns a year ago as we expanded selection, improved in stock levels and introduced new product categories. Accounts payable increased 20% to $10.04 billion and accounts payable days was 75 consistent with the prior year.

I will conclude my portion of today's call with guidance. Incorporated into our guidance are the order trends that we've seen to-date and what we believe today to be appropriately conservative assumptions. Our results are inherently unpredictable and maybe materially affected by many factors, including a high level of uncertainties surrounding exchange rate fluctuations, as well as the global economy and consumer spending. It's not possible to accurately predict demand, and therefore, our actual results could differ materially from our guidance.

As we described in more detail in our public filings, issues such as settling intercompany balances and foreign currencies amongst our subsidiaries, unfavorable resolution of legal matters and changes to our effective tax rates can all have a material effect on guidance. Our guidance further assumes that we don't conclude any additional business acquisitions, investments, restructurings or real settlements, record any further revisions to stock-based compensation estimates and that foreign exchange rates remain approximately where they've been recently.

For Q4 2013, we expect net sales of between $22.5 billion and $26.5 billion, a growth between 10% and 25%. This guidance anticipates approximately 125 basis points of unfavorable impact from foreign exchange rates. GAAP operating income or loss will be between a $500 million loss and $500 million in income compared to $405 million income in the fourth quarter of 2012. This includes approximately $350 million for stock-based compensation and amortization of intangible assets.

We anticipate consolidated segment operating income or loss, which excludes stock-based compensation and other expense to be between $150 million loss and $850 million income compared to $678 million income in fourth quarter 2012. We remain heads down focused on driving a better customer experience through price, selection and convenience. We believe putting customers first is the only reliable way to create lasting value for shareholders.

Thanks. And with that, Sean, let’s move to questions.

Sean Boyle

Great. Thanks Tom. Let’s move on to the Q&A portion of the call. Operator, will you please remind our listeners how to initiate a question?

Question-and-Answer Session

Operator

(Operator Instructions) We’ll go first to Ben Schachter with Macquarie.

Ben Schachter - Macquarie

Hey, Tom. On the press release it says that you have signed up millions of new Prime members and I believe if you read it says it if that happened in the last 90 days. I wonder if you ever commented on a time period like that before and is that a normal run rate to add millions of Prime users in 90 days or is there something special in this quarter that drove prime? Thanks.

Tom Szkutak

I don’t recall if we have actually given a 90-day period before. I don’t believe that we have in terms of beyond that it’s not all par that I can add to that, but we are very excited Prime is growing very fast, very excited for the service that we offer customers both in terms of physical and digital goods. So it’s exciting and that’s how we put it in there today in the release.

Operator

We’ll go next to Scott Devitt with Morgan Stanley.

Scott Devitt - Morgan Stanley

Hi, Tom. Two if I could, first on the Kindle family, it seems like the timing of device launches the e-book library size in local language content could be drivers of different levels of penetration of digital media in the U.S. relative to what you have been able to attain outside the U.S. to-date? And I was wondering if there was anything else notable that you would highlight that helps explain the different dynamic that seems to be playing out within the media revenue line domestically versus international? And whether you think in any of those issues are structural or to just work themselves out with the benefit of time and your execution? And then secondly, if you could talk a bit about how you think about the lifetime value of the non-Prime customer versus the Prime customer and what the intended outcome maybe as it relates to the increase in Super Saver pricing in the U.S. market? Thanks.

Tom Szkutak

In terms of the first question, certainly we have been launched devices in the U.S. earlier in terms of content both you are really referring to mostly e-book content, both growing very fast. The base is different. As you mentioned, we have a higher base in the U.S. just based on when we launch, so you are absolutely right, it's – you do see that difference in the median line between North America and international. And so it's just again both growing very nicely right now in terms of digital Kindle books in this case as you referenced, but it's just different base. And so it looks like lots of opportunity that we have in both segments there, but we are further ahead right now in North America. And then, I am sorry, could you repeat the second part of your question again?

Scott Devitt - Morgan Stanley

Just how you are thinking about the lifetime value of those that are not Prime sales versus Prime sale that you are having an increase recently did with Super Saver Shipping in the U.S. from $25 to $35 threshold?

Tom Szkutak

Sure. In terms of the Prime customers, we have seen knowing a very strong increase and primary [ph] but we have seen very good retention of prime numbers. And so you know certainly when you look at that in terms of lifetime value we have a customer base that's certainly staying with us longer, they are doing more cross shopping and you know they are getting benefits of prime that we're offering that we continue to you know add to and then we still have a very good customer base that's non-prime, you know the you mentioned that the threshold change we did change with different thresholds in various geographies around the world for super saved shipment, or super saver delivery in those geographies and the key to U.S. we have had the $25 threshold for over 10 years and we changed 35 and during this time frame we have certainly increased our selection that's eligible for that you know by millions items and certainly as you would know you know during this you know rather once the time frame transportation cost and fuel prices have changed them significantly over that time period so we had changed it. So we just thought that was the right thing to do.

Operator

And we will go next to Mark Mahaney with RBC Capital Markets.

Mark Mahaney - RBC Capital Markets

I want to ask about the North America EGM line, I guess it's the second quarter in a row you have had acceleration when I asked you about it last quarter I think you singled out fashion apparel and consumer staples. But the growth is, the acceleration really seems to be in-line with easing comps. Is there something in there that you indicates that you're getting real critical mass with your customers in those two particular categories and then just real quickly on the Kiva Robots is there a reason you would call that out? Should that have some sort of material impact overtime on leverage in the fulfillment cost line? Thank you.

Tom Szkutak

Sure in terms of you know our growth in EGM you highlighted a couple of categories that are growing very nicely, as we mentioned last quarter as well. You know what you're seeing there and actually the growth is very broad. We have added a lot of unique selection of both our hardline and soft lines categories including consumables and apparently as you mentioned the experience is getting better on the site, unique selection has increased dramatically over the past few year. So, just a number of things they are coming together in those category. So when I look at it, it just seems very broad which we like and you know there is just a lot of new selection with great you know category expansion too over the last several years. So that's really what you're seeing there. In terms of Kiva, you know we have launched few FCs you know we think it's an interesting opportunity. I think as I mentioned last quarter this time we're ahead of the schedule that we had set forth at the time, you know that we joined with Kiva and we're excited of what we see. It's certainly we will be adding associates certainly overtime in those FCs but this certainly will be productivity with Kiva and you know we will have to stay tuned to see what that looks like but we're certainly excited about that opportunity and the roll-up.

Operator

And we will go next to Victor Anthony with Topeka Capital Markets.

Victor Anthony - Topeka Capital Markets

So RC [ph] is a metric you've highlighted each quarter it's hardly around 20%, 30%, 40% range throughout the quarter in 2010, 2011. It's obviously been depressive over the past several year and half due to investments. Maybe you can help us with the timing of when you expect ROIC to return to levels so in 2011 and second you're investing a lot in video content for prime instant video, are there any (indiscernible) you can share in terms of conversions from different devices and in the past there has been talk about converting prime into video as a standalone maybe just show your thoughts there, thanks.

Tom Szkutak

Sure keep in mind when the you know as you mentioned we're investing you know very heavily in the business. We think that's the right thing to do, we have a lot of you know good long term opportunities which is why we're doing it. It is depressing, ROIC. Just keep in mind from a pure metric standpoint just as a reminder will we measure ROIC is free cash flow divided by average invested capital. So total assets might have current liabilities and that's over 5 point average. And so when you do that first in the numerator, we do have keep in mind it's about $4 billion in our free cash flow number that relates to the purchase. It goes back to Q4 last year, but it's entered TTM free cash flow that relates to the purchase of our campus here in Seattle and some nearby lands with $1.4 billion of that. So that's bringing the free cash flow down.

Also keep in mind in the invested capital, we do include cash and marketable securities, which is certainly the largest piece of our invested capital. We think that's the right thing to do until we have either deploy that capital or return it in some way, but just to keep in mind that that's included in the metric. So in terms of Prime video, we are getting great usage from a broad set of customers on Kindle as well as other devices and the adoption is going very well. At this point, we can't share any specific metrics today, but we like what we see. It certainly – we think it's certainly helping the Prime members, the Prime membership increases that you are seeing. And we think it's interesting and we are investing there. We included in both our Q3 results as well as the Q4 guidance our assumptions around additional content that we will be acquiring including original content, so very excited about that opportunity.

Operator

We'll go next to Mark May with Citi.

Mark May - Citi

Thanks for taking my question. The seasonal hiring is I think last year grew about in line with the growth rate in U.S. revenue growth, but this year it looks it's – you are growing at about 10 percentage points above the midpoint of your range. Is there anything that's different this year that is driving that? And then second question on pricing, there have been numerous reports recently and I think for a while now that the multi-channel competitors are competing more fiercely with the Amazon in terms of price parity etcetera, what impact are you seeing or do you think you could see from that and sort of how are you addressing it? Thanks.

Tom Szkutak

In terms of the seasonal employees, unfortunately, there is not a lot I can add to that. We are getting ready for an exciting holiday season and that includes making sure that we have the right amount of employees as well as seasonal help during that period. It also includes making sure we have the right capacity in place, making sure we have had a lot of selection in the past couple of years and particularly over the past 12 months and making sure that we have good in-stock levels related to that selection. We are making sure that we have people to help us with not only serving customers with our retail inventory, but also are fulfilled by Amazon grown certainly very strongly over the past year and that impacts the capacity and a number of employees that you see there. So that's what you are seeing in that number.

In terms of pricing, we operate in a very competitive arena. That's something that's new, that's something that we have been doing since our inception. We have many, many different competitors. You will pass those competitors on your way to work, on the way home. They are offline, they are online. It's a very competitive marketplace. It's something – pricing is something that we worked very hard at over the years. We want to make sure we have great values for customers and something that we spend a lot of time on and work very hard to make sure that we can offer that to customers. So I wouldn't say that it's done anything. It's something that we have been dealing with since our inception, but it is a very competitive environment.

Operator

We'll go next to Carlos Kirjner with Sanford Bernstein.

Carlos Kirjner - Sanford Bernstein

Two quick questions, first how do you see your competitive position versus Alibaba in China and what gives you confidence that you've a chance of being a relevant player there even in the long term and secondly in the U.S.

you’ve a service similar to subscription video-on-demand which is feature applying which is Amazon Prime Video. While in Europe you’ve a full blown spend alone service with (indiscernible). Why is your strategy in Europe so different from the strategy in the U.S. when it comes to video-on-demand? Thank you.

Tom Szkutak

You know in terms of China it's very early there, there is certainly a room for many winners and it's a very large segment and you know we have seen we have good business there in terms of top-line it's growing and we will continue to look for ways to make sure that we satisfy customer demand. We work on a lot of the same inputs, we work on our other geographies, make sure we have great prices, good selection, speed of delivery, we work very hard in terms of putting in a lot of capacity close to our customers and so are the things that we’re working on and try to ensure success there. In terms of individual competitors you know we have a long standing practice of not let other companies but again there is room for a lot of winners and in terms of you know video content is not a lot. I can you know add to that question I apologize but certainly we had being ramping up our content in the U.S. on Amazon.com as part of Amazon Prime It's something that we have been you know looking at very carefully. We like what we see so far and we think it's interesting but beyond that I can’t speculate where we might do or might not do another location.

Operator

We will go next to Mark Miller with William Blair.

Mark Miller - William Blair

On AmazonFresh can you comment on what you’re seeing in LA versus the Seattle test, how important is the attachment rate with general merchandise and then as you’re making more frequent deliveries are you finding that is driving higher sales of general merchandise?

Tom Szkutak

It's very, very early in LA so there is not what we see so far what we would like, we’re having a lot of selection there on behalf of our customers. It is a great opportunity for customers to get both a number of different items through AmazonFresh and so we’re excited. We like you know the trials that we have done have been very good, the conversion has been good. We look forward even improving that experience even more overtime for customers but it's very early but we like what we see which I will stay tuned on that one.

Mark Miller - William Blair

And general merchandise?

Tom Szkutak

I’m sorry?

Mark Miller - William Blair

Are you selling more general merchandise as a result of more frequent deliveries in that market?

Tom Szkutak

Yes.

Operator

We will go next to Kerry Rice with Needham & Company.

Kerry Rice - Needham & Company

I just wanted to ask a question on your acquisition of TenMarks which is really diving a little bit deeper into that cap market. I know you sell and rent the text books. Can you talk a little bit maybe what you’re strategy is there?

Tom Szkutak

You know it's a company that’s doing some interesting things about helping you know students and children learn math. We thought it was an interesting fit for us and you know we look forward to exploring what opportunities we can do together there and you’ve to stay tuned on that one but we think it's doing a very nice job and we’re very excited to have them as part of the Amazon business.

Operator

We will go next to Scott Tilghman with B. Riley.

Scott Tilghman - B. Riley & Co

Just wanted to touch on the North America segment margins for a little bit. We have seen some pretty good progress there in terms of year-over-year improvement, you know little bit of back step last quarter but not too much and the categories fell back. I am just kind of wondering if there is anything unusual in there in terms of timing or investments that maybe called out and how should we think about it – that over the next few quarters?

Tom Szkutak

Sure. In terms of Q3 specifically, Q3 just because of the – as I would call it the Q4 readiness, the seasonal readiness, you see this often in Q3 where both our total and our segment operating profit is lower than other quarters. And that's certainly what you are seeing in Q3 in North America. So that's in terms of the investments we are making to get ready for the season we talked about. You start and just quote the capacity that we are adding certainly in multiple geographies, but certainly in the North America it is impacting that as well. You can see it in our fulfillment line item as a percentage of revenue being up. You can see it in our techno content, so we are certainly investing. The other part two that I mentioned earlier is we are investing in video content for Prime in the U.S. And you see that has certainly in those results as well.

Operator

We'll go next to Tom Forte with Telsey.

Tom Forte - Telsey

Great. Thanks for taking my question. I wanted to know where you stand. Last year, I think you added 20 fulfillment centers on a full year basis and then last time you gave us an update, I think this year it was 5 U.S. and a handful international. I wanted to know where you stood on that and why the change versus last year? And then also very quickly, I want to see where you stood or how you felt about your Amazon Locker initiative? Thank you.

Tom Szkutak

Sure. In terms of fulfillment centers, it's – the number is seven, but it's a net number. And so included in that are several consolidations, we are building generally larger FCs and we are consolidating some of those. So that's a net seven. And so what that means is if you were to take that as a percentage of our total fulfillment centers, you certainly a get number that's less than square footage that we are actually adding. So we are adding square footage that would be significantly higher than that. In terms of lockers, it's early – it's another way to get closer to customers to make it convenient for customers. And it's interesting we have it in a few different geographies right now. And but it is limited, we don't have it broadly across our full network and so something that we are learning. And it's an interesting experience and it's certainly something that over time we will continue to take a closer look at and certainly expand if it makes sense to do so on behalf of customers.

Operator

We'll go next to Douglas Anmuth with JPMorgan.

Douglas Anmuth - JPMorgan

Great, thanks for taking the question. Just want to ask two things. First, Tom, can you give us some color on where you are in the shift from third-party to first-party e-books and how much of the factor that's been in reaccelerating media revenue, you have seen reacceleration in media in the last three quarters, I think in North America? And then secondly, it looks like there is six fewer shopping days this holiday season between Black Friday and Christmas, just curious what you do with anything differently to prepare for that and do you think that could actually even drive more holiday shopping online? Thanks.

Tom Szkutak

Sure. In terms of your second one, second question, there are fewer days. There is not a lot that we do different. We certainly see when that happens. And there is some behavioral differences on behalf of customers just because of the shorter time period that we have certainly some more sizable days during that period, but there is not a lot to add to that. In terms of the transition for e-books, in terms of our total growth across Amazon both North America total, our global total, it's not a significant or meaningful impact to the overall growth rates and certainly this transition has been going on for you know some number of quarters now so it's not a lot I can help you with there.

Operator

We will go next to Greg Melich with ISI Group.

Greg Melich - ISI Group

I want to dig into the inventory a little bit. It looks like the growth slowed to 20% but the sales accelerated. Can you give us some insight as to why that is and maybe which category have outperformed in the quarter?

Tom Szkutak

Sure. I would look at it more from turns perspective and if you look at it more over you know an average turns basis it has gone down and the reason is unique selection, we keep having growth in unique selection it has increased over the past year and stock levels have gotten better and so those are things that are really driving it. In terms of endpoints or any particular quarter you know they can be a little bit lumpy but I would look to the turns.

Operator

We will go next to John Blackledge with Cowen and Company.

John Blackledge - Cowen and Company

Two questions, first into the priorities offered one day or same day delivery at some point, there is something better there you're offering same day deliver in large markets for certain brick and mortar retailers. And then secondly can you talk about the prospects for login and pay program, how many online merchants have signed up for it and what is Amazon getting out of it economically and/or from getting may be getting data out of purchases? Thank you.

Tom Szkutak

In terms of speed of delivery whether be it one day or same day, you know what's happened certainly over the past 10 plus years is we have added a lot of selection. We have added fulfillment centers as a result of that we have selection that's by default you know increased amount of selection that's closer to customers. As a result of that our speed of delivery has improved and you know certainly for prime customers you know depending upon the geography in the case of U.S. you know express two day shipping for free and then for small fees they can certainly get faster than that. That's something that you know as you have seen that improvement you know gradually over the past 10 plus years, you've seen it, it has certainly gotten even better over the last few years as we have you know rapidly increased the number of fulfillment centers. So that's something that we think it's important and we will continue to work on behalf of customers to give them those options and to make sure that you know they get product when they want it. In terms of login and pay you know it's something that we think is interesting, you know because of our large customer base and you know the credentials that we have and the secure payments that we have we think it's an interesting opportunity and we think there is certainly interesting ways to monetize that overtime and but again we think it's an interesting opportunity.

Operator

We will go next to Ron Josey with JMP Securities.

Ron Josey - JMP Securities

I wanted to talk new international markets and specifically I think Amazon India was called out given 10 new category launches in the past 120 days or so. So my question related to really the infrastructure in India and how good is it, and to so that Amazon can continue to grow there and in specifically if other countries can follow a model like this and you know Brazil comes to mind. Thank you.

Tom Szkutak

Sure. We have a few different models in India and we from a marketplace model which we offer fulfilled by Amazon which as you mentioned certainly the infrastructure is not as advanced as in some geographies but we also view it as an opportunity and we're happy to help sellers fulfill it by Amazon. So it's an interesting opportunity, it's very, very early. We're in investment mode there, it's a long term opportunity but that's a very exciting opportunity. We were very strong team that's working on that opportunity. So we are excited about it.

Operator

We'll go next to Brian Pitz with Jefferies.

Brian Pitz - Jefferies

Great, thanks. Maybe you could comment on what you are seeing domestically and internationally in terms of e-commerce trends in the current quarter, anything specific standout, especially North America given some of the mix commentary we have heard from some of your competitors? And then just some additional comments if you could on growth in the other revenue category, specifically on AWS and/or your advertising business? Thanks.

Tom Szkutak

Sure. I'll take the second one first. In terms of AWS, it's growing very, very strong. It's an area that's very early for us. It's growing very, very strong. We have a great team that's working on it, servicing customers and we are very excited about the long-term opportunity. In terms of you have mentioned the trends in the North America, what you have seen is really a nice steady acceleration of growth since Q4 last year. So if you look back to Q4 last year for North America specifically and you just stress that back over the past four quarters, you are seeing a really nice sequential increase from quarter-to-quarter. And again that gets back to went from 23% in Q4 last year to 26% to 30% and 31% versus the year-over-year increases by quarter for North America revenue. And a lot of this what we talked about earlier, it's focused on a lot of the retail basics as well as also improving seller performance as well. And so those are the things that are driving it.

Operator

We’ll go next to Jordan Rohan with Stifel Nicolaus.

Jordan Rohan - Stifel Nicolaus

Thank you so much. A follow-up to the last question on U.S., in particular, did you see any weakness or any discernible trends around the government shutdown in August, politics going on in Washington in September and early October? And separately, can you talk about what you are learning from being an investor in living social with the accounting charges aside. Can you talk about your own local business how it may compete with other players in the space and all of the various initiatives you have with, what can be learned from what you know at this point you are no longer a new investor in that company? Thank you.

Tom Szkutak

In terms of North America growth other than what I mentioned on the quarterly growth, Q3 was strong. It was 31% growth. Again, we see the nice steady increase over the past four quarters that the overlap in the quarter from Q3 of last year that was 33%. So again, we like we see some growth perspectives in Q3 for North America. In terms of total growth, given the wide range for Q4 and that reflects our view for Q4, but we are excited about the quarter and about getting ready for customers during this heavy seasonal quarter. So we are excited about what we see there. In terms of living social, there is really not a lot I can add to your question, I apologize. They are doing a good job in terms of local. And we also have a local offering on Amazon. Team is very dedicated to make that work and it’s an interesting area we are learning, but it’s early.

Operator

Our final question will come from Heath Terry with Goldman Sachs.

Heath Terry - Goldman Sachs

Great, thank you. When you look at the deceleration in growth in North America and other revenue, I mean, obviously it’s still at a very high level, but when we are thinking about the major component to that line, AWS, advertising, credit card relationship, is there anything relevant to the relative growth rates between those components that we should be thinking about?

Tom Szkutak

I am not sure how to answer your question. It is, the only part I would call out you mentioned is a number of different items that are in there. Certainly the largest and you know fastest growing largest area by far is AWS and it's growing very nicely and that certainly reflected in that line item.

Sean Boyle

Thank you for joining us on the call today and for your questions. A replay will be available on our Investor Relations website at least through the end of the quarter. We appreciate your interest in Amazon.com and look forward to talking with you again next quarter.

Operator

Thank you. That does conclude our conferee. You may now disconnect.