Amazon.com (NASDAQ:AMZN) Q4 2011 Earnings Call January 31, 2012 5:00 PM ET

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Scott W. Devitt - Morgan Stanley, Research Division

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Heather Bellini - Goldman Sachs Group Inc., Research Division

Justin Post - BofA Merrill Lynch, Research Division

Jordan Rohan - Stifel, Nicolaus & Co., Inc., Research Division

Charles Eugene Munster - Piper Jaffray Companies, Research Division

Douglas Anmuth - JP Morgan Chase & Co, Research Division

Operator

Good day, everyone, and welcome to the Amazon.com Fourth Quarter 2011 Financial Results Teleconference. [Operator Instructions] Today's call is being recorded. For opening remarks, I would like to turn the call over to Vice President of Investor Relations, Sean Boyle. Please go ahead, sir.

Sean Boyle

Hello, and welcome to our Q4 2011 Financial Results Conference Call. Joining us today is Tom Szkutak, our CFO; and John Felton, our Director of Investor Relations. 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, January 31, 2012, 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 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 reconciliation 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 2010. Now I'll turn the call over to Tom.

Thomas J. Szkutak

Thanks, Sean. I'll begin with comments on our fourth quarter financial results. Trailing 12-month operating cash flow increased 12% to $3.9 billion. Trailing 12-month free cash flow decreased 17% to $2.09 billion. Return on invested capital is 22%, down from 34%. Return on invested capital is TTM free cash flow divided by average total assets minus current liabilities, excluding the current portion of long-term debt over 5 quarter ends.

The combination of common stock and stock-based awards outstanding was 468 million shares compared with 465 million shares. During the quarter, we repurchased 1.5 million shares of our common stock for $277 million.

Worldwide revenue grew 35% to $17.43 billion, or 34% excluding the $101 million favorable impact from year-over-year changes in foreign exchange rates. We're grateful to our customers, who continue to take advantage of our low prices, vast selection and shipping offers.

Media revenue increased to $6.01 billion, up 15% or 14% excluding foreign exchange. EGM revenue increased to $10.91 billion, up 48%, or 47% excluding foreign exchange. Worldwide EGM increased to 63% of worldwide sales, up from 57%.

Worldwide paid unit growth was 46%. Active customer accounts exceeded $164 million. Worldwide active seller accounts were more than $2 million. Seller units were 36% of paid units compared to 32% of paid units in Q4 2010.

Now I'll discuss our operating expenses, excluding stock-based compensation. Cost of sales was $13.83 billion, or 79.3% of revenue compared with 79.7%. Fulfillment, marketing, technology and content and G&A combined was $3.14 billion or 18% of sales, up approximately 250 basis points year-over-year.

Fulfillment was $1.62 billion or 9.3% of revenue compared with 8.2%. Tech and content was $782 million or 4.5% of revenue compared with 3.5%. Marketing was $581 million or 3.3% of revenue compared with 2.8%.

Now I'll talk about our segment results. And 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 37% to $9.9 billion. Media revenue grew 8% to $2.56 billion. EGM revenue grew 51% to $6.88 billion, representing 69% of North America revenues, up from 63%.

North America segment operating income decreased 4% to $285 million, a 2.9% operating margin. In the International segment, revenue grew 31% to $7.53 billion. Adjusting for the $102 million year-over-year favorable foreign exchange impact, revenue growth was 29%.

Media revenue grew 20% to $3.45 billion, or 18% excluding foreign exchange rates. And EGM revenue grew 42% to $4.03 billion, or 41% excluding foreign exchange. EGM now represents 54% of international revenues, up from 49%.

International segment operating income decreased 46% to $177 million, a 2.4% operating margin. Excluding the favorable impact from foreign exchange rates, International segment operating income decreased 46%.

CSOI decreased 26% to $462 million, or 2.7% of revenue, down approximately 216 basis points year-over-year. Excluding the favorable impact from foreign exchange, CSOI decreased 27%. Unlike CSOI, our GAAP operating income includes stock-based compensation expense and other operating expense.

GAAP operating income decreased 45% to $260 million, or 1.5% of net sales. Our income tax expense was $86 million in Q4, resulting in a 32% rate for the quarter and a 31% rate for the full year 2011. GAAP net income was $177 million, or $0.38 per diluted share, compared with $416 million and $0.91 per diluted share.

Now I'll discuss the full year results. Revenue grew 41% to $48.08 billion. North America revenue grew 43% to $26.71 billion, and International grew

38% to $21.37 billion, 31% growth excluding year-over-year changes in foreign exchange rates.

Consolidated Segment Operating Income, or CSOI, decreased 19% to $1.57 billion, or 21% excluding the favorable year-over-year impact from foreign exchange. And operating margin decreased 239 basis points to 3.3%. GAAP operating income decreased 39% to $862 million, or 1.8% of net sales.

Turning to the balance sheet, cash and marketable securities increased $814 million year-over-year to $9.58 billion. Inventory increased 56% to $4.99 billion. And inventory turns were 10.3, down from 11.4 turns a year ago as we expanded selection, improved in-stock levels and introduced new product categories. Accounts payable increased 38% to $11.14 billion, and accounts payable days increased to 74 from 72 in the prior year.

Our Q4 2011 capital expenditures were $550 million. The increase in capital expenditures reflects additional investments in support of continued business growth, including investments in technology, infrastructure, including Amazon Web Services and additional capacity to support our fulfillment operations.

I'll 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 may be materially affected by many factors, including a high level of uncertainty 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 in 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 or investments, record any further revisions to stock-based compensation estimates and that foreign exchange rates remain approximately where they've been recently.

For Q1 2012, we expect net sales between $12 billion and $13.4 billion, a growth of between 22% and 36%. This guidance anticipates approximately 50 basis points of unfavorable impact from foreign exchange. GAAP operating income or loss to be between a loss of $200 million and $100 million of income, or between 162% decline and 69% decline. This includes approximately $200 million for stock-based compensation and amortization of intangible assets. We anticipate Consolidated Segment Operating Income, which excludes stock-based compensation and other operating expense, to be between 0 and $300 million, or between 100% decline and 36% decline.

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] And we'll take our first question from analyst Jeetil Patel from Deutsche Bank Securities.

Jeetil J. Patel - Deutsche Bank AG, Research Division

A couple of questions, actually. First of all, on the Kindle Fire, I guess, Tom, can you maybe talk about Kindle Fire hardware units? Or did you see an increase in terms of unit sales on a month-on-month basis in terms of linearity? Second, as it relates to fulfillment, can you talk about what's your thinking in terms of getting closer to the end consumer and trying to drop delivery times to same-day delivery as you kind of look forward in terms of planning and thinking of what's the optimal experience from a consumer standpoint?

Thomas J. Szkutak

In terms of data related to Kindle Fire and actually Kindle itself, the only thing I can help you with is on the holiday season, which we put in the release. We had a -- our unit sales nearly tripled. It was up 177%, and that includes both our Kindle e-reader and Kindle Fire. So we're very pleased with the great growth we had. And obviously, we've been growing quite fast over the last several years from a unit perspective in launching Kindle. So it's on a very good base. In terms of fulfillment and delivery time, we're continually trying to improve all of our processes around from a customer standpoint, and that includes fulfillment and delivery speed. And so you've seen over the last several years, we've gotten closer and closer to customers from a delivery speed standpoint. And when we do that, it not only helps our retail offering, but it helps also our third parties who are participating in Fulfilled by Amazon. And one of the things that you're seeing in our Q4 numbers is we saw very good unit growth. And you're seeing that we expanded our third party as a percentage of total units. And one of the ways we did that is certainly by Fulfilled by Amazon because again, from a customer standpoint, those units are available for express 2-day shipping or 1-day if you're a Prime member and you pay the small fee, as well as our free shipping offers.

Operator

And we'll take our next question from analyst Scott Devitt from Morgan Stanley.

Scott W. Devitt - Morgan Stanley, Research Division

Two if I could. The first one, Tom, North American segment sales decelerated, and if you can, adjustment for Kindle Fire, by a pretty good bit. You mentioned third-party mix, which I think is a negative impact on that, and was wondering if you could just talk through the other dynamics if Prime is becoming more mature in the U.S. and/or the agency book business, the mix shift you're having given the strength of the Kindle product, if that's actually having a negative impact on revenue growth?

Thomas J. Szkutak

Sure. In terms of our overall -- I'll talk to the total worldwide, as well as to the North America piece. But what I was mentioning was our growth rate for global revenue was 34%, excluding exchange. That compares to 39% in Q3 and 37% last year. If you compare our unit growth, that's a paid unit growth, was 46%. Again this is globally in Q4. That compares to 37% in Q4 last year. So we saw an acceleration in unit growth. On top of that, what we saw was third-party units grew 65% year-over-year, and our third-party units as a percentage of total units were 36%, up from 32%. And so really what you're seeing is you're seeing great adoption. Certainly, great revenue from a third-party perspective. But you're seeing very good adoption of FBA that has grown considerably over the last few years, and that's certainly impacting that number. But obviously, we only book a portion of the revenue based on the commissions we receive for that business and our top line growth. So that's what you're seeing in total. And you're seeing that also happen in North America, as well as International. To the other comments, a few other things to call out in terms of North America. If you take a look at our EGM revenue, certainly there was some impact in certain subcategories related to the Thailand flood. It certainly impacted some supply. Again, the good news is we certainly had some good third-party offerings in many of those subcategories as well. Same as -- another similar fact is in North

America media, we saw very, very strong growth in digital media from books to video, music. All of those grew very well. We did see video games, which includes both consoles and games. Keep in mind that Q4 is very seasonal for video games. We actually saw our revenue decline year-over-year in video games. We had very strong third-party offerings, so our third-party growth was up. Our unit growth in video games was up, but our revenue was down. And that's what you're seeing impacting the North American media number, particularly versus Q4 last year. So again, those are some of the dynamics. But again, what you're seeing is some of this, certainly the strong performance on third-party sellers, is also impacting the top line, because we just recorded a portion of that sale, the commission. But you're seeing it positively impact operating income, which is why you see it came in a little bit above the guidance that we gave.

Scott W. Devitt - Morgan Stanley, Research Division

And as it relates to CapEx, the run rate, if you go back to '05, you were about 2% -- a little over 2% of revenue, and it's been ramping. I know some of the last 2 years this included the building, but we exited 2012 I think at a 3.7% of revenue on a trailing basis. So I was wondering if you can just talk to the way that we should think about CapEx as a percentage of revenue or otherwise over the next few years.

Thomas J. Szkutak

Sure. We look at it certainly on an incremental -- from an incremental growth standpoint. And we look at it versus incremental unit growth, as well as what we think the NPVs for those specific investments are. But if you break down the individual pieces, again, as we've talked about in the last several calls, we've just seen such dramatic growth in both, first of all, from a retail perspective, on our retail offerings, been growing very fast. Our third-party with Fulfilled by Amazon, very fast. AWS has been growing very fast, and so the capacity that we've needed to support both our operations capability, as well as the infrastructure capability for our Web Services and our Retail business has been very high. That said, we feel that we're efficiently deploying that capital. We added -- as we talked about last call, we had planned to add 17 FCs, which is what we did in 2011, bringing our total to 69. And again, that represents the high growth that we're experiencing. So we feel very good about the investments that we're making. And with 46% paid unit growth in Q4, we're still experiencing very high growth.

Operator

Our next question is coming from analyst Mark Mahaney from the firm of Citi.

Mark S. Mahaney - Citigroup Inc, Research Division

Tom, just a little more color on that North American media growth. You talked about the unit trends and the revenue trends in video games. Anything you'd want to call out in terms of the other media segments: books, music and video? And then real briefly, the share buybacks. I think this is the first time in at least 2 years you've done that. Any particular reason why you brought back stock in the quarter?

Thomas J. Szkutak

Sure. In terms of the North American media, again, across all of digital media, very strong growth. Another call-out that I didn't mention is physical books. Unit growth was double digit in Q4 year-over-year, which we were very pleased with if you think about the shift to digital content and just the really rapid growth on the Kindle side. We were pleased to see that. And then I'd mentioned the video games was again down from a revenue perspective. Third-party GMS was up strongly. Unit growth in total for video games was up. Again, there's some difficult compares as you can imagine with some of the console piece of that. And again, when I talk video games, it's both console and video games. And keep in mind that video games in particular is very seasonal, and usually, we see in Q4, and we did see this Q4 as well as other Q4s, that video games sales for the quarter is multiples of what we see in other quarters, again because of the seasonality. So hopefully that's helpful. And then in terms of the stock purchase, we've had a -- there's not a lot to comment there. We have said in the past that we'll opportunistically buy when we think it's the right value, and that's what we did.

Operator

Our next question is coming from analyst Spencer Wang from the firm of Crédit Suisse.

Spencer Wang - Crédit Suisse AG, Research Division

Tom, 2 quick questions. One is, I think the new disclosure on service sales, maybe I missed the footnote in the press release, could you just clarify what's included there? Is that 3P, FBA, Prime, AWS and shipping? Or did I maybe miss something? And then secondly, can you share with us maybe your plans for how many fulfillment centers you plan on opening in 2012?

Thomas J. Szkutak

Sure. In terms of the disclosure, I would want to guide you right to the release to see exactly what's included in there. But certainly, in terms of some of the big pieces, it is our third-party. It is also AWS and a number of other service offerings. And so those are again documented well there, and I'd like to point you to that. Also, you can see that it's growing very well, and it reflects on the comments I made earlier about the fast-growing AWS businesses, the fast-growing third-party business. Service revenue is up approximately 74% year-over-year in Q4. And then in terms of fulfillment, we added 17 new FCs in 2011. That's globally. We do plan, based on the strong growth, to add more in 2012. As you can imagine, coming out of Q4, we're finalizing our plans for what we're going to do there. And you'll have to stay tuned, and we'll keep you updated as we go throughout the year.

Operator

[Operator Instructions] And our next question comes from Youssef Squali with Jefferies & Company as the firm.

Youssef H. Squali - Jefferies & Company, Inc., Research Division

So going back to the media question, Tom, can you maybe just help us quantify the video games revenue impact, maybe just on the level of deceleration? We would've thought that maybe with the launch of Kindle Fire, et cetera, we would've seen maybe a higher attach rate and therefore, maybe a higher media revenue growth. And second, just on the streaming service, any plans to separate -- to offer separate pricing for the video streaming product? And that's it.

Thomas J. Szkutak

Yes, just to be clear, I'm separating our digital -- when I talk about our growth rates, I'm talking about our digital content businesses across-the-board grew very strongly during Q4. The video games, physical, as well as consoles business, again grows. It's just seasonally very high. It's not -- if you take a look at it, it's not too dissimilar to what you'd see with our electronics portion of our EGM business. It's a very seasonal business, very heavy weighted in Q4. And so that's no different. That's not different this year than in other years. What is different is growth was down from a revenue perspective year-over-year. It was up from a units perspective. And again, the reason why it was up is because we had strong third-party sales in Q4. Keep in mind though, certainly console is a part of that. And again, we include consoles and video games as part of our video games line within North America media. And you've probably seen other press related to that as you look at other releases and updates. But there has been a lot of new offerings there recently.

Youssef H. Squali - Jefferies & Company, Inc., Research Division

And on the video streaming?

Thomas J. Szkutak

I'm sorry, what was your question on that? Could you repeat it again?

Youssef H. Squali - Jefferies & Company, Inc., Research Division

Just on the video streaming side, trying to figure out whether there are any other short-term plans to offer -- to strip that out basically from Kindle from the Prime and offer it as a standalone offering?

Thomas J. Szkutak

Well, for digital video, we have a couple different offerings. One is a paid or rental offering as part of Amazon Video. We also have a service as part of Prime. We like both of them. We made some -- we put some comments in the release about the growth rates associated with those. And on the Prime that's in Video, we actually like what we see there also. And so it's still early, but we like what we see. We are investing in digital content. We're seeing great adoption. We're looking at it very carefully to understand a lot of different metrics around that business as you'd expect. And it's still early again. We really like what we see so far. We're going to continue to monitor it closely, but we will be continuing to add content there.

Operator

And our next question is coming from analyst Heather Bellini with firm, Goldman Sachs.

Heather Bellini - Goldman Sachs Group Inc., Research Division

I was wondering if you could comment a little bit about any cannibalization you think you saw in traditional Kindle readers as a result of the Fire launch. And subsequently, how are you feeling about the Prime conversion of the Fire units versus your expectations?

Thomas J. Szkutak

In terms of both devices, meaning the readers and Fire, did very well and we're very pleased with the growth we're seeing there. And that's part of the -- both are included in the growth rate that we had in our release, which is again during the holiday season. It was up 177% year-over-year. And again, we've been growing certainly our Kindle reader business very fast over the past several years since introduction. And so it's on top of a good base. And so we're pleased with the growth rate, and customers like both the reader and the Fire. Early to tell on Prime conversion. But again, early stats that we're seeing, we like a lot. And so we'll continue to see how that looks going forward, but we like what we're seeing.

Operator

Our next question is coming from analyst Justin Post with firm Bank of America Merrill Lynch.

Justin Post - BofA Merrill Lynch, Research Division

Your headcount growth in the quarter was 67%, which is quite a bit higher than units or revenue growth. Can you talk about what all those people are focused on, maybe a couple of the bigger areas? And is there are day coming when you could envision that kind of slowing to below either unit or revenue growth with maybe the timeframe on that?

Thomas J. Szkutak

Sure. First thing is we are investing in a lot of different areas across the business, as we've talked about. That being said, when you look at that increase that you're referring to, the majority of those increases are in our operations and customer service area. And so again, it's in support of the growth. And certainly, you're seeing it also in our operating costs. And again, we're fortunate to have a lot of opportunities. We're fortunate to have the growth that we're experiencing, and that's why you're seeing that growth. But certainly, you'll see that. As you have over time, you'll see that growth rate will go in cycles. But we certainly are feeding the growth that we're seeing and the opportunities that we have.

Operator

And our next question is coming from Jordan Rohan with the firm Stifel, Nicolaus.

Jordan Rohan - Stifel, Nicolaus & Co., Inc., Research Division

So I'm trying to better understand the guided range for 1Q. And specifically, I'm looking at 2 things. First, the impact of currency and really more macro weakness in Western Europe. Are you seeing anything there? Is there anything that makes you think that things could be getting materially worse in any of your territories? And specific language around which of the countries you may be seeing could be quite helpful. And second, I'm wondering if you are seeing, or have seen over the course of the last quarter, a shift of consumer buying habits towards the hardware device sales and away from media, and perhaps that could explain the deceleration in the media that we appear to be seeing in North America.

Thomas J. Szkutak

In terms of international growth or in terms of, first of all, your question on guidance and the impact of exchange, we have a modest assumption around exchanges. Again, we're using the recent exchange rates. But the range for growth was 22% to 36%, and it was unfavorably impacting us by about 50 basis points for foreign exchange. In terms of growth in, you mentioned Western Europe, if you take a look at International in Q4, it was up 29% on a local-currency basis. It did hold up pretty well given obviously the challenges that are going on, specifically in Europe from an economic standpoint. We're not -- we don't view ourselves as a bellwether for the economy, but certainly we're seeing that it is softer. Hard to quantify how much higher that international growth would have been. But it was certainly -- we're all seeing the same thing in terms of the reports in Europe and it's certainly soft. So it is impacting our overall growth rate, but hard to tell how much. And then on the -- again on the North America media growth, it's actually again very, very strong on the digital content side. Physical books were up double digits from a unit perspective, which we thought was impressive given the shift to Kindle. And again, video games and video game consoles were certainly the biggest call-out there from a negative standpoint. And that growth was down year-over-year on a revenue basis but up from a unit perspective.

Operator

Our next question is from analyst Gene Munster with the firm of Piper Jaffray.

Charles Eugene Munster - Piper Jaffray Companies, Research Division

If we just take a step back and look at this from a high level, over the last couple of years, you've been making significant investments in the business, and it's been paying off with just some impressive growth numbers off of what have been larger and larger numbers. And I think the big surprise for investors tonight is just what appears to be a diminishing return on that investment. And I don't know if you can use this as a forum to kind of address that concern.

Thomas J. Szkutak

Yes, I'm not sure how to answer that, or exactly what you mean. What I would say is we have been investing very heavily as you mentioned. And as a result of that, Q4 unit growth was 46% year-over-year. That's paid unit growth. And we see a lot of opportunity in front of us. And yes, there's some pockets of softness or challenges with some of the economic impact, particularly in Europe. We did see some supply issues with the Thailand flood, with certainly some subcategories within some of our hard lines businesses as a result. We think those things will work themselves out over time. But we're incredibly optimistic about the opportunity that we have, and that's why we have invested the way we have and why we're continuing to invest in the business. So we're very pleased to see it and very pleased to have the opportunities that we have in front of us.

Charles Eugene Munster - Piper Jaffray Companies, Research Division

Okay. So your outlook in terms of investment philosophy hasn't changed versus last quarter going forward.

Thomas J. Szkutak

No, no. We're continuing to look. As we always do, we learn every week and every month and every quarter about more and more about customer adoption. And we're looking at just a lot of positive things across the business in terms of adoption of our digital offerings, very specifically Kindle growth from a device standpoint and the content that's following that. And we're seeing some very strong growth along many categories. If you look at EGM, we're seeing very good growth in categories like soft lines, particularly clothing. We're seeing very good growth in consumables. We're seeing very good growth outside of some of these supply-constrained areas. Within consumer electronics, we're seeing good growth. So there's a lot of positive things within EGM. Within our business, we're seeing just tremendous growth in Amazon Web Services, so I'm very pleased with how the team is doing there, and they're just doing a great job. And so there's a lot of interesting opportunities that we continue to invest in. So we're very pleased, and we're very pleased with the performance in Q4 and what it means going forward for us.

Operator

Our last question is from analyst Doug Anmuth with the firm of JP Morgan.

Douglas Anmuth - JP Morgan Chase & Co, Research Division

Just a couple things. So you're obviously building a lot into Prime with video and also the Kindle Lending Library. Can you just give us a sense of how the profitability of a Prime customer changes over time? And then also, if you could comment more specifically on the early returns on sort of the media rate -- media purchases as it relates to Kindle Fire owners specifically?

Thomas J. Szkutak

Sure. In each of our video -- excuse me, in each of our digital contents that we're offering, whether it be as part of Prime, whether it be Lending Library or whether it be video, we just have early results. And so from a return perspective, we're going to see -- what we can see so far is what's happening with adoption of Prime members, what's happening with free trial conversion, what's happening with Prime memberships that we can attribute directly to those services. And again, it's very, very early. But so far, we see, we like, which is why we're continuing down the path specifically of adding more content to Prime and making Prime better. And so that's something that we, over time, we've learned both with our physical offerings and now early on in our digital offering, it's something that we think is very good for customers and very good for share owners. And so that's something that we're focused a lot on. Because we're investing a lot there, we are taking a very close look at and making sure that we understand it very well. And from what we see so far, it supports a continued strong investment there. And so that's what we're doing. But again, we'll continue to monitor that very closely. And over time, we'll be sharing more about how we're doing there.

Operator

That concludes today's question-and-answer session. Mr. Boyle, at this time, I will turn the conference back to you for any additional or closing remarks.

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

Ladies and gentlemen, that does conclude today's conference call. Thank you for your participation.