

Amazon.com, Inc. (NASDAQ:[AMZN](#)) Q1 2017 Earnings Call April 27, 2017
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Executives

Darin Manney - Amazon.com, Inc.

Brian T. Olsavsky - Amazon.com, Inc.

Analysts

Justin Post - Bank of America Merrill Lynch.

Mark Mahaney - RBC Capital Markets LLC

Brian Nowak - Morgan Stanley & Co. LLC

Ronald V. Josey - JMP Securities LLC

Daniel Salmon - BMO Capital Markets (United States)

Stephen Ju - Credit Suisse Securities (NYSE:[USA](#)) LLC

Douglas T. Anmuth - JPMorgan Securities LLC

Mark A. May - Citigroup Global Markets, Inc.

Heath Terry - Goldman Sachs & Co.

Colin Alan Sebastian - Robert W. Baird & Co., Inc.

Scott Devitt - Stifel, Nicolaus & Co., Inc.

Jason Helfstein - Oppenheimer & Co., Inc.

Eric J. Sheridan - UBS Securities LLC

Greg Melich - Evercore Group LLC

Operator

Thank you for standing by. Good day, everyone, and welcome to the Amazon.com Q1 2017 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'll be turning the call over to the Director of Investor Relations, Darin Manney. Please go ahead.

Darin Manney - Amazon.com, Inc.

Hello, and welcome to our Q1 2017 financial results conference call. Joining us today to answer your questions is Brian Olsavsky, our CFO. As you listen to today's conference call, we encourage you to have our press release in front of you, which includes our financial results as well as metrics and commentary on the quarter.

Please note, unless otherwise stated, all comparisons in this call will be against our results for the comparable period of 2016. Our comments and responses to your questions reflect management's views as of today, April 27, 2017, 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 in our most recent annual report on Form 10-K and subsequent filings. During this call, we may discuss certain non-GAAP financial measures.

In our press release, slides accompanying this webcast and our filings with the SEC, each of which is posted on our IR website, you will find additional disclosures regarding these non-GAAP measures including reconciliations of these measures with comparable GAAP measures. Our guidance incorporates the order trends that we have seen to date and what we believe today to be appropriate assumptions. Our results are inherently unpredictable and may be materially affected by many factors, including fluctuations in foreign exchange rates, changes in global economic conditions and customer spending, world events, the rate of growth of the Internet, online commerce, and cloud services and the various factors detailed in our filings with the SEC.

Our guidance also assumes among other things that we don't conclude any additional business acquisitions, investments, restructurings, or legal settlements. It's not possible to accurately predict demand for our goods and services, and therefore our actual results could differ materially from our guidance.

Before moving to Q&A, I would like to draw attention to a new accounting rule that we implemented in Q1. The new rule requires excess tax benefits from stock-based compensation to be presented as an operating activity in the consolidated statements of cash flows. We retrospectively adjusted our consolidated statements of cash flows to re-classify excess tax benefits from financing activities to operating activities. And as a result, you will see an increase in our free cash flow measures for prior periods.

Additionally, beginning January 1, 2017, the excess tax benefit or deficiency for stock-based compensation is recognized as a component of tax expense rather than equity. This change resulted in a decrease to our tax expense for the quarter and a corresponding increase to our net income and earnings per share. Specific changes are presented in the footnotes to the consolidated statement of cash flows and related metrics provided in our press release. Further disclosure of the impact of the adoption of this accounting change can be found in our Form 10-Q.

With that, we will move to Q&A. Operator, please remind our listeners how to initiate a question

Question-and-Answer Session

Operator

At this time, we will now open up the call for questions. .

Thank you. Our first question comes from Justin Post with Merrill Lynch. Please proceed with your question.

Justin Post - Bank of America Merrill Lynch.

Got it. I saw on the front page of the release you're really focused on India. Can you give us a progress update on how you're doing? Any thoughts on how far you're willing to take the investment levels there? And what are your thoughts on maybe when international margins can start to make progress? Thank you.

Brian T. Olsavsky - Amazon.com, Inc.

Sure, Justin. Thank you. Yes, I think Jeff's comments were pretty dead on. The launch of Prime last year was a big turning point. We've increased Prime selection by 75% since launching that nine months ago in India, also increased the fulfillment capacity for sellers by 26% this year. On the content side, we've announced A-Team in the original TV series and we're customizing the content, so it's a really vast selection of local and global movies and TV shows that are available to the Indian public.

You'll also notice that the Fire TV Stick was – a new version of it was launched in India with some important features there such as the ability to search in Hindi and in English, free data usage for three months and also data monitoring, which is important there. So again, we continue to be encouraged by both the response from customers and sellers. As far as level of investment is concerned, it is certainly one of our important investment areas. We see a lot of potential for the country and our business there.

Justin Post - Bank of America Merrill Lynch.

Any thoughts on how much it is impacting your international profitability?

Brian T. Olsavsky - Amazon.com, Inc.

Sure. I can't quantify it, or break it out specifically, but I will say it's a large factor as well as a couple other things in the international segment. So, keep in mind that we launched Prime Video in the fourth quarter, and now we have that in over 200 countries and territories.

We're spreading a lot of the Prime benefits that we see in North America to other countries. We just opened up Amazon Fresh in Tokyo last weekend, but also Prime Now. You saw other things like our business B2B business just opened up in the UK. We have Amazon Devices. So there's a lot of moving parts here. The other big influence is the same trends are happening in international with respect to FBA growth and the fact that our Amazon fulfill network, or the units we shipped, are growing at a much faster clip than our paid unit growth.

Last year we said that was a 40% – nearly 40% growth worldwide. So we're making the investments in warehouses, fulfillment capacity and delivery capacity to handle that. So there's a lot going on in international. We are very encouraged with the growth of the Prime program, and we're hopeful for the Prime Video that we launched in the fall.

Operator

Thank you. Our next question comes from Mark Mahaney with RBC Capital Markets. Please proceed with your question.

Mark Mahaney - RBC Capital Markets LLC

Okay. Two questions. The North American operating margins seem to come down like 70 bps year-over-year, and I know it's not big books view of the margins, I get that. But it's sort of a change. You've had margins be flat or up year-over-year for quite some time, and then they dipped down. Just could you explain that?

And then secondly on these – on the Echo devices, the Echo family, Alexa devices that are coming out, could you comment at all about what kind of impact you're seeing in terms of increased wallet or per share within households? Are you seeing it have an impact in terms of Amazon customers more likely to spend more once they have these devices in particular categories like groceries or household products, pantry products that they're

more likely to spend because they have these devices in their houses, in their kitchens, in their living rooms? Thank you.

Brian T. Olsavsky - Amazon.com, Inc.

Sure, Mark. Let me start with the Echo question first. So, yeah, we're very encouraged by the customer response to the Echo products. Not only the Echo products but the ability to use tablets, our tablets now as Echo devices, since we've spread the Alexa technology to many of those devices. And we're also happy with the success we've had with developers. There's now over 12,000 Alexa skills. So we think that's all foundational. The monetization, as you might call it, is a theme of your questions.

That's not our primary issue right now. It's about building great products and delighting customers. We think as engagement – as we pick up engagement with the devices, it helps the engagement with Amazon as a whole. So whether someone is ordering off their Alexa device or whether they're going to their phone, or going to their computer, it all has the same effect for us. So, very pleased with the initial progress. We see a lot of momentum there and we continue to invest. And that's one of the answers to your second question on North America operating margin.

So if I step back, let me just talk generally about investments. So right now, we're just seeing a lot of great opportunities before us. And we're continuing to ramp up the investments in pursuit of those opportunities. And the big picture is, again, as we've said customers – the things customers love can grow to be large, we'll have strong financial returns and they're durable and can last for decades.

So in that category, and some of the things that we're investing the most in are as you say the Echo and Alexa devices. We're doubling down on that investment, video content and marketing, not only in the U.S. but globally with the launch of our Prime Video in the fall.

So, we're building global scale in that business in both content and marketing. As I said earlier, we're expanding Prime benefits in the U.S. and also globally. Things like Prime Music, Prime Now, Amazon Fresh, all expanding globally. And we have launched Prime in India, China and Mexico. I know I'm drifting a bit from North America, but it's all part of the same theme. We also have this trend going on in our fulfillment networks where strong FBA growth and high growth in Amazon fulfilled unit is resulting in a large increase in fulfillment capacity.

We're also investing in new technologies such as artificial intelligence, machine learning. You're starting to see some of that show up in things like Amazon Go, our beta store that we have developed in Seattle, drones. We

use those technologies a lot in our internal businesses and we're also developing services for AWS customers. So – and that's of course another area is AWS continues to grow and add services and features and doing so at an accelerating rate. So there's a long list, and I can keep going. But I think the general theme is there's a lot of investment in front of us that we're optimistic about, and we continue to ramp those investments. In North America, that manifests itself mostly in the device area, the content area and also the expansion of the fulfillment networks.

Operator

Thank you. Our next question comes from Brian Nowak with Morgan Stanley. Please proceed with your question.

Brian Nowak - Morgan Stanley & Co. LLC

Thanks for taking my questions. I have two. The first one, Amazon always had a pretty big focus on efficiencies. I'd be curious if you could talk about examples or areas where you have been able to iron out inefficiencies in the fulfillment process. And any still existing examples where you see low hanging fruit to really improve fulfillment efficiency?

And then back to the point on investment. You didn't mention brick and mortar at all. There's been a lot of mention in the press about Amazon brick and mortar. I guess it would be curious to hear how you think about the importance of an Amazon brick and mortar presence and how that fits into the long-term strategy?

Brian T. Olsavsky - Amazon.com, Inc.

Sure thing. So, particularly as it pertains to our fulfillment center networks, I think the biggest areas of efficiency right now are in our Amazon Robotics areas. That technology continues to improve, and we have – we're now multiple generations down. We just launched an Amazon Robotics fulfillment center in the Tokyo area recently, and I toured that last month, and it's just amazing to see the strides that Amazon Robotics has taken and the efficiency we're getting in our warehouse as a result.

The other efficiencies that we're seeing are network efficiencies, especially as we add things like sort centers. It's a collaboration and the movement between warehouses and sort centers and then to the end customer. The ability to have control through our sort centers has allowed us over the last few years to extend our cutoff times from 3:00 p.m. in most cases till midnight. So, greater control of our processes. If we do it cost effectively can also have favorable benefits both for our warehouse flow and also for our customers and their ordering pattern.

So, there's a lot of efficiencies that are going on day-to-day around here. One of the benefits of rapid growth is the ability to create leverage on purchases and a lot of the processes that we run.

So, your second question was on stores. Yes, I think you're seeing the expansion of our bookstores. We have six bookstores right now, and we have announced another six. The Amazon Go is in beta in Seattle, and while that's not large and only one site, we're excited about the potential there and the use of the technologies of computer vision, sensor fusion and deep learning. We think that has a lot of potential. Again, it's only one location that's still in beta. But along with the bookstores, we also have – you'll see us in pop-up stores and college pickup points. So, for us it's another way to reach the customer and test what resonates with them, and we're pleased with the results.

Operator

Thank you. Our next question comes from Ron Josey with JMP Securities. Please proceed with your question.

Ronald V. Josey - JMP Securities LLC

Great. Thanks for taking the question. Brian, I think you mentioned the accelerating growth within AWS on new products and last year you added about 1,000. Can you just talk about maybe the plans for AWS and product growth going forward here in 2017 and the focus on innovation? Thanks

Brian T. Olsavsky - Amazon.com, Inc.

Sure. Yes, we haven't updated that number, but suffice to say the innovation pace continues to accelerate. We are very proud of the launches in Q4. The Amazon Connect, which we think will provide customer service capability to customers, and Amazon Chime, which we also believe will resonate with customers. We've had a lot of adoption of our new services. We've had – customers migrated more than 23,000 data basis using the AWS Database Migration Service since that launched last year. And just generally we continue to expand geographically.

We have announced additional availability zones and regions worldwide. So, again, signed a number of big customers. I guess I would point out in the quarter, Liberty Mutual, Snap and Live Nation all starting relationships with us or expanding their current relationship. We're now over a \$14 billion run rate. We're happy with the business and the team, and again, for us innovation is going to be key as we move forward.

Operator

Thank you. Our next question comes from Dan Salmon with BMO Capital Markets. Please proceed with your question.

Daniel Salmon - BMO Capital Markets (United States)

Hey. Good afternoon, everyone. Brian, I had a couple questions about your growing advertising business. We see more and more of it appearing on the site. And I was interested to hear a little bit more about how you expect that business to roll out internationally. I think it's largely U.S. based today, but be curious to hear about that. And then second, I think it's fairly obvious why someone selling within the Amazon ecosystem would be interested in promoting on the platform, but maybe tell us a little bit about maybe over the long-term there are opportunities for sort of non-endemic advertisers within your platform. Thanks.

Brian T. Olsavsky - Amazon.com, Inc.

Sure. Yeah, it's pretty early in the days with advertising, but we're very pleased with the team we have and the results. Our goal is to be helpful to consumers and enhance their shopping or their viewing experience with targeted recommendations, and we think a lot of the information we have and preferences of customers and recommendations help us do that for customers. We have a sponsored product, it's off to a great start, and it's a very effective way for advertisers to reach those especially interested customers.

While you're on the topic of advertising, I thought I'd point out that in other revenue, advertising is in other revenue, as is co-branded credit card agreements and also some other advertising services. That decelerated from 99% in Q4 to 58% in Q1. But the fluctuation and the volatility was essentially in the co-branded credit card agreements and the other services, which can fluctuate quarter-to-quarter based on contract terms. And that's what happened. Advertising remained strong and was consistent growth with Q4.

Operator

Thank you. Our next question comes from Steven Ju with Credit Suisse. Please proceed with your question.

Stephen Ju - Credit Suisse Securities ([USA](#)) LLC

Thank you. So you periodically disclosed usage growth for AWS. But it has been some time since we saw one. So we're wondering if you can update us in terms of where you are now. If not, I mean, should we think about the

growth in your cash deployment as an indicator of the ongoing growth?
Thank you.

Brian T. Olsavsky - Amazon.com, Inc.

Yes. Sorry, I don't have a usage number to share with you today. If it will help, I will tell you that, again, we're now over \$14 billion run rate. You clearly see our – we break out very clearly our AWS segment revenue and operating income, and you'll also keep in mind that there's price decreases that are part of the business, and we're pretty public when we do those. And if you remember last call, I mentioned that we had seven price decreases that were timed for December 1. So, about a third of the impact of those was seen in Q4, and then again that's one element of the sequential operating margin. But in general, we're very happy with that team and the progress they're making. And we're deploying more capital as you can see to support the usage growth.

Operator

Thank you. Our next question comes from Douglas Anmuth with JPMorgan. Please proceed with your question.

Douglas T. Anmuth - JPMorgan Securities LLC

Thanks for taking the question. I just want to ask you about CapEx. It looks like CapEx including leases more than doubled year-over-year. So I know you listed kind of a long list of the many investment opportunities here, but can you just point out anything else in particular that drove the pretty substantial increase there? Thank you.

Brian T. Olsavsky - Amazon.com, Inc.

Sure. Yes, the CapEx, which is principally the fulfillment centers was – grew 51% year-over-year. As you'll remember, we added 26 warehouses last – fulfillment centers last year, 23 in the second half of the year. Some of that cost of start-up is before the start-up some comes in a quarter afterwards. So there was some carryover from that. But generally, the biggest trend here is that the differential between Amazon fulfilled network unit growth and paid unit growth.

So that nearly 40% growth in Amazon fulfilled units last year, and the continuation of the strong growth higher than the paid unit growth that we see in 2017 is resulting in a lot of fulfillment center capacity. And the fulfillment centers I'll also say with the robotics technology tend to be more capital intensive than prior versions of warehouses, and then they generally

have much better operating efficiencies and variable costs following their start-up.

On the capital leases, that grew 45%. A good deal of that is tied to the AWS business. As I just mentioned, a lot of that is tied to usage growth. But a caution; CapEx can fluctuate quarter-to-quarter, and if you look back to last year, the trailing 12 months was only 7% growth from the quarters through Q1 of last year. So certainly it was a bigger step-up in 2016 now carrying into 2017.

Operator

Thank you. Our next question comes from Mark May with Citi. Please proceed with your question.

Mark A. May - Citigroup Global Markets, Inc.

Thanks. I know that we talked about over the last couple of quarters that part of the step-up in CapEx was to catch up from the under-investment in 2015. Just curious if you'd say – have you made a lot of progress in terms of catching up with some of the fulfillment needs that you saw necessary in the business at the beginning of last year? And then I know you just said that you're – it's still early days in terms of advertising, but there's a perception out there that over the last year or so that the company has sort of really begun to focus more on this business opportunity. Has something really changed at the business in the last year? And do you see advertising becoming a more meaningful part of the business over the near to midterm, I guess?

Brian T. Olsavsky - Amazon.com, Inc.

Sure. Let me start with advertising. So, yes, I think scale is helping. We've had great teams working on advertising for a while now. Our scale and number of customers, number of clicks, number of eyeballs, and new content – video content and other opportunities for advertising has really helped create some scale in that business. So we're very happy. I can't project it forward. But we're happy with the growth there. I think the sponsor products was a very inventive move for us, and I think that is having some really good impact on advertising growth.

On your second point about fulfillment capacity; here's how I'd generally generalize it. In Q4 of 2015, we were pretty vocal or pretty transparent anyway that we ran out of space in Q4, especially due to some very strong demand for FBA space and services. Last year we changed some of our incentives and worked with FBA merchants to try and have better throughput through our FCs, particularly in Q4. That combined with the step-

up in fulfillment centers that I mentioned, the 26 new ones, left us in a really good position. We had a very clean holiday, and we think it worked well for both customers, Amazon and also for sellers – for FBA sellers.

So that leaves us now continuing to grow internationally as well because we continue to see strong FBA adoption, and it's a big part of our business, and it's a big part of our value with the additional Prime eligible ASNs that FBA provides. So, again, they're self-reinforcing, the FBA program and also our Prime program. The Prime program attracts more people to Amazon, and they buy more including FBA products and conversely more FBA products in our warehouses helps our in-stock of things that people want to buy, Prime eligible in-stock, and that helps reinforce the Prime program.

Operator

Thank you. Our next question comes from Heath Terry with Goldman Sachs. Please proceed with your question.

Heath Terry - Goldman Sachs & Co.

Great. Thanks. I'm wondering if you could give us a sense of how we should think about the increase in unearned revenue. Obviously, this quarter biggest increase that you have seen from at least from a dollar perspective. What does that say about the way customers are changing in the behavior in the AWS business? How should we think about the way that that might be impacting pricing, mix, near-term growth?

Darin Manney - Amazon.com, Inc.

Hi, Heath. This is Darin. Yeah, on a deferred revenue balances, as we've said in the past, the primary drivers of that increase are both the activity that we're seeing with our AWS customers and the purchase of Reserved Instances and prepaid credits for their account, as well as Prime member purchases. We're not breaking out the specific growth rates for Prime, but certainly it – we like what we see in terms of the growth, and it's been consistent with what we have seen over the last quarter or so. Certainly, the – part of that increase in deferred balances is related to Reserved Instances.

As customers get more comfortable and begin to put more sustained workloads into the AWS services through buying RIs, they're able to get fairly significant discounts on their usage. And so we like that model. Customers certainly like that model. And collecting that through deferred revenue and then letting customers use that over time is very helpful.

Operator

Thank you. Our next question comes from Colin Sebastian with Robert W. Baird. Please proceed with your question.

Colin Alan Sebastian - Robert W. Baird & Co., Inc.

Thank you. A question on the transportation and logistics initiatives. And in particular, if you could share any of the effects or learnings thus far with air cargo. In particular, what kind of performance or cost-efficiencies that you may be realizing or expect to realize from this effort. Thank you.

Brian T. Olsavsky - Amazon.com, Inc.

Sure, Colin. As you point out, we're – we have expanded our own fleet. We now have 18 planes in service for Amazon, and we have announced rights to lease up to 40 planes. So it's gone very well. The ability to control shipments within our network has gone up, and we think the cost is very good. So on that front, it's better control, better capacity control, especially search capacity, and also good costs. So we have great relationships with third party carriers. We will continue to and we value all our partner relationships as we develop our own capability particularly in intra-network. We're putting it to good use, as I mentioned before, with the sortation center example.

Operator

Thank you. Our next question comes from Scott Devitt with Stifel. Please proceed with your question.

Scott Devitt - Stifel, Nicolaus & Co., Inc.

Hi. Thanks. I was just wondering if you could talk a little bit about where you are in terms of an investment in capabilities in India at this point and how you think about that market longer term.

And then secondly, also if you could just comment on the limitations and your willingness to invest more throughout LatAm the way you have more recently in markets like China and India. And if I could, just finally, you've previously discussed satisfaction with the measurements of success for the video product in terms of consumer engagement, and the effects on Prime. I was just wondering if you could comment on whether these metrics are continuing to improve as spending continues to rise on video and consumer awareness is seemingly growing as well. Thank you.

Brian T. Olsavsky - Amazon.com, Inc.

Let me start with your middle question. I think it was about Latin America growth. Let me step back and talk about international growth in general. So

our approach varies by country, and if you look, historically we've taken multiple approaches. So in China, we bought an existing business Joyo.com and built off that base. In India, we started from scratch and have built a lot of things ourselves. And it's always going to depend on the country that the dynamics in that country both for retail, for online, and for foreign investment. But a real key factor in all of this generally is management bandwidth as well.

So, we pick our spots carefully. You'll see – you heard in the quarter that we've announced the intention to buy Souq in the Middle East. Where does that fit into this strategy? Well, Souq's pioneered e-commerce in the Middle East, and they're creating great shipping experience for their customers and they're multiple countries, and they're doing a great job. So we see this as an example where we can learn from them, and also support their efforts with our Amazon technology and global resources.

So we're in Mexico, but we're not in other parts of Latin America. We have a business in Brazil. But other countries we'll take on a case-by-case basis, again, bounded by what our management bandwidth can support and prioritization versus other things. You obviously heard my long list of investments. All of those are pretty much gated by the need for people and software engineers and strong teams to approach them. So international expansion gets played off in the same prioritization that other efforts do.

Operator

Thank you. Our next question comes from Jason Helfstein with Oppenheimer and Company. Please proceed with your questions.

Jason Helfstein - Oppenheimer & Co., Inc.

Thanks. So is there just an accounting housekeeping a way to think about stock-based comp? You guys aren't providing that by segment anymore, but the rates of growth kind of differed by the businesses. And so is there just a way to think about, A, will that be in the queue? Or are you not disclosing it anymore? And is there a way to think about what I guess the patterns would be consistent with historical patterns by segment? Thanks.

Darin Manney - Amazon.com, Inc.

Hi, Jason. This is Darin. Yes, we, a number of quarters back, started breaking out stock-based compensation by segment, and now we have collapsed that in our op income by segment. So it's definitely in there. We do provide some disclosure by P&L line item on a consolidated basis, that helps you identify that stock-based compensation expense in total and you'll see the trend and analysis and the metrics at the back of the press release.

Operator

Thank you. Our next question comes from Eric Sheridan with UBS. Please proceed with your question.

Eric J. Sheridan - UBS Securities LLC

Thanks for taking the question. Maybe I can take two away from the press release just to understand a little bit of the quarter-over-quarter cadence. On the retail subscription services, that saw a pretty big jump up in the growth rate year-on-year in Q1 versus Q4. I think that might be Prime memberships that come on to paid from trial. But just wanted to understand what maybe some of the driver was of that quarter-over-quarter in terms of the growth rate.

And net shipping costs actually grew at the slowest rate by our count in a couple of years. It looks like you're starting to get some improvements there in terms of revenue over costs on the shipping line. Just wanted to know what that was in terms of what is driving that and can we expect that to possibly continue. Thank you.

Brian T. Olsavsky - Amazon.com, Inc.

Sure. Let me start with the retail subscription services revenue. So there's multiple things in that category. The largest is Prime membership fees, but also other subscription services like audio books, eBooks, digital video, digital music, and other subscription services. So you're right, there was an acceleration, much like the comment I had on advertising and the other revenue category. The Prime membership growth rates for Q1 and Q4 last year are relatively consistent. So the volatility is in these other items. So I'm not quantifying the Prime membership or commenting on the growth rates, other than to say it's been very strong and Q4 strength has continued into Q1.

Your comment on shipping costs, yeah, that is going to – it was lower unit volume as well, but generally, costs are going to be a combination of the tail – the headwinds are obviously going to be FBA growth and shipping more products ourselves and this expansion of our Prime program and the demand for products from our Prime customers. And the demand has been great. Again, there's over 50 million items that people can get delivered to their doorstep within two days or, in some cases, next day or same day. So it's going to be a big part of our cost structure but it's an investment we work hard to reduce as far as rates, and we're glad to spend it to support our Prime program.

Operator

Thank you. And our final question will come from Greg Melich with Evercore ISI. Please proceed with your question.

Greg Melich - Evercore Group LLC

Hi. Thanks. I had a follow-up and then a new question. The follow-up is, would love an update. You talked a lot about the fulfillment centers, but could you update us on where we are in terms of rolling out Prime Now facilities and sorting centers? You're just accounting a few – you feel that scenario, it's a really ramped up investment this year or what you got last year is sort of what you need?

Brian T. Olsavsky - Amazon.com, Inc.

Sure. I'm sorry. You said Prime Now and what was the other thing?

Greg Melich - Evercore Group LLC

And the sorting centers.

Brian T. Olsavsky - Amazon.com, Inc.

Sort centers. Sort centers, right. Well, I don't have updated numbers for you, but the Prime Now is available in more than 45 cities across eight countries. The Same-Day is available in 30 cities in the U.S. So, that's a bit on the quantification of those. I can't tell you much more on sort centers.

Greg Melich - Evercore Group LLC

But were you thinking about building out the capacity? It sounds like last year, you had that big surge in fulfillment centers. There isn't a similar surge about to happen this year on some of those other areas?

Brian T. Olsavsky - Amazon.com, Inc.

Yes. I can't project that. We're still growing that and we're happy with the progress in Prime Now and the service that – the value that it creates for Prime customers. And as I said, we have expanded internationally, which was a big goal of ours as well. So we will continue to grow that. I can't quantify it for you right now. The other similar like facility metric you might want is that AmazonFresh is now in 21 metro areas in the U.S. as well as London and Tokyo.

Darin Manney - Amazon.com, Inc.

Thank you for joining us on our 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.