To our shareowners:

In Amazon's 1997 letter to shareholders, our first, I talked about our hope to create an "enduring franchise," one that would reinvent what it means to serve customers by unlocking the internet's power. I noted that Amazon had grown from having 158 employees to 614, and that we had surpassed 1.5 million customer accounts. We had just gone public at a split-adjusted stock price of $1.50 per share. I wrote that it was Day 1.

We've come a long way since then, and we are working harder than ever to serve and delight customers. Last year, we hired 500,000 employees and now directly employ 1.3 million people around the world. We have more than 200 million Prime members worldwide. More than 1.9 million small and medium-sized businesses sell in our store, and they make up close to 60% of our retail sales. Customers have connected more than 100 million smart home devices to Alexa. Amazon Web Services serves millions of customers and ended 2020 with a $50 billion annualized run rate. In 1997, we hadn't invented Prime, Marketplace, Alexa, or AWS. They weren't even ideas then, and none was preordained. We took great risk with each one and put sweat and ingenuity into each one.

Along the way, we've created $1.6 trillion of wealth for shareowners. Who are they? Your Chair is one, and my Amazon shares have made me wealthy. But more than 7/8ths of the shares, representing $1.4 trillion of wealth creation, are owned by others. Who are they? They're pension funds, universities, and 401(k)s, and they're Mary and Larry, who sent me this note out of the blue just as I was sitting down to write this shareholder letter:

March 5, 2021

Mr. Jeff Bezos
Executive Chairman
Amazon.com, Inc.
410 Terry Avenue North
Seattle, WA 98109

Dear Mr. Bezos,

Thanks for making Amazon a great company! We thought you would like to know how it has benefited our family.

Back in 1997 when you made Amazon public, our son, Ryan, was 12 years old and a voracious reader. For his birthday, , 1997, we bought two shares of your new book selling company, which was all we could afford at the time. Within a year or so, the shares split 2 for 1, then 3 for 1, then 2 for 1 again, giving him 24 shares. The shares were in our names because of his age. We meant to put it in custody for him but we never got around to it but he knew they were for him.

Several times over the years, Ryan would want to cash in the stock but we always said we would "buy" it from him and then eventually turn around and give it back to him as a "gift". It was kind of a running joke in the family.

Due to the exponential growth in value, we decided to split the stock between ourselves and both of our children, Ryan and Katy.

This year Ryan is buying a house and would like to sell some shares. After searching for the original certificates, we needed to convert the paper shares into digital before selling them. We noticed that the first share certificate was a very low number, issue # . I can't image how many more shares have been issued since that date!

Included is a copy of the th certificate of Amazon on , 1997 - 24 years ago. Those two shares have had a wonderful influence on our family. We all enjoyed watching Amazon value grow year after year and it's a story we love to tell others.

Congratulations on a great career as CEO of Amazon. We can't even imagine how hard you and your team have worked to make Amazon the most successful and inventive company on the planet. Now may you have time to relax and catch up on things you want to do, like space exploration!

We cannot wait to see where Amazon delivers next! Next Day to Mars!

Sincerely,

Mary and Larry

Mary and Larry

P.S. We wished we had bought 10 shares!

I am approached with similar stories all the time. I know people who've used their Amazon money for college, for emergencies, for houses, for vacations, to start their own business, for charity – and the list goes on. I'm proud of the wealth we've created for shareowners. It's significant, and it improves their lives. But I also know something else: it's not the largest part of the value we've created.

Create More Than You Consume

If you want to be successful in business (in life, actually), you have to create more than you consume. Your goal should be to create value for everyone you interact with. Any business that doesn't create value for those it touches, even if it appears successful on the surface, isn't long for this world. It's on the way out.

Remember that stock prices are not about the past. They are a prediction of *future* cash flows discounted back to the present. The stock market anticipates. I'm going to switch gears for a moment and talk about the past. How much value did we create for shareowners in 2020? This is a relatively easy question to answer because accounting systems are set up to answer it. Our net income in 2020 was $21.3 billion. If, instead of being a publicly traded company with thousands of owners, Amazon were a sole proprietorship with a single owner, that's how much the owner would have earned in 2020.

How about employees? This is also a reasonably easy value creation question to answer because we can look at compensation expense. What is an expense for a company is income for employees. In 2020, employees earned $80 billion, plus another $11 billion to include benefits and various payroll taxes, for a total of $91 billion.

How about third-party sellers? We have an internal team (the Selling Partner Services team) that works to answer that question. They estimate that, in 2020, third-party seller profits from selling on Amazon were between $25 billion and $39 billion, and to be conservative here I'll go with $25 billion.

For customers, we have to break it down into consumer customers and AWS customers.

We'll do consumers first. We offer low prices, vast selection, and fast delivery, but imagine we ignore all of that for the purpose of this estimate and value only one thing: we save customers time.

Customers complete 28% of purchases on Amazon in three minutes or less, and half of all purchases are finished in less than 15 minutes. Compare that to the typical shopping trip to a physical store – driving, parking, searching store aisles, waiting in the checkout line, finding your car, and driving home. Research suggests the typical physical store trip takes about an hour. If you assume that a typical Amazon purchase takes 15 minutes and that it saves you a couple of trips to a physical store a week, that's more than 75 hours a year saved. That's important. We're all busy in the early 21^{st} century.

So that we can get a dollar figure, let's value the time savings at $10 per hour, which is conservative. Seventy-five hours multiplied by $10 an hour and subtracting the cost of Prime gives you value creation for each Prime member of about $630. We have 200 million Prime members, for a total in 2020 of $126 billion of value creation.

AWS is challenging to estimate because each customer's workload is so different, but we'll do it anyway, acknowledging up front that the error bars are high. Direct cost improvements from operating in the cloud versus on premises vary, but a reasonable estimate is 30%. Across AWS's entire 2020 revenue of $45 billion, that 30% would imply customer value creation of $19 billion (what would have cost them $64 billion on their own cost $45 billion from AWS). The difficult part of this estimation exercise is that the direct cost reduction is the smallest portion of the customer benefit of moving to the cloud. The bigger benefit is the increased speed of software development – something that can significantly improve the customer's competitiveness and top line. We have no reasonable way of estimating that portion of customer value except to say that it's almost certainly larger than the direct cost savings. To be conservative here (and remembering we're really only trying to get ballpark estimates), I'll say it's the same and call AWS customer value creation $38 billion in 2020.

Adding AWS and consumer together gives us total customer value creation in 2020 of $164 billion.