Shareholder Letters: Accounting Themes

Operating income and segments

Amazon letters: 2024, 2023

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What the Letter Says

> *"Amazon's operating income in 2024 improved 86% YoY, from $36.9B (an operating margin of 6.4%) to $68.6B (an operating margin of 10.8%)."*
>
> Andrew R. Jassy, 2024 letter

- Key letters: 2024, 2023
- Course fit: ACC250 Ch3 · ACC531 Analytics · Difficulty: Intro

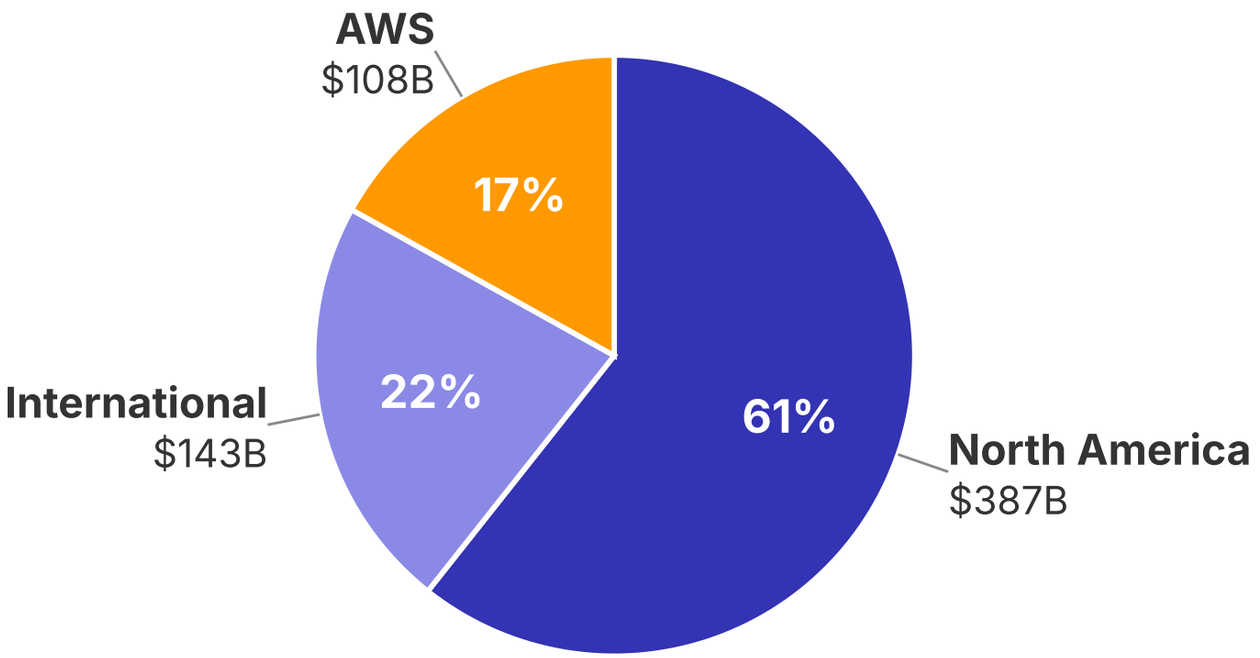
Step 1: Operating Margin

- **Operating margin** = operating income ÷ revenue: cents of operating profit per $1 of sales.

Amazon ($ billions)	2022	2023	2024
Revenue	$514	$575	$638
Operating income	$12.2	$36.9	$68.6
Operating margin	2.4%	6.4%	10.8%

Amounts from the 2023 and 2024 letters.

Step 2: Revenue by Segment (2024)



Total revenue: $638B, 2024

Segment revenue from the 2024 letter.

Step 3: Operating Income by Segment (2024)

$ billions	Revenue	Operating income	Margin
North America	$387	$25.0	6%
International	$143	$3.8	3%
AWS	$108	$39.8	37%
Total	$638	$68.6	11%

- AWS: 17% of revenue but 58% of operating income.

Segment operating income from Amazon’s 2024 Form 10-K (segment information); margins computed.

Back to the Letter

- Jassy (2023, 2024): operating income rose from $12.2B to $68.6B in two years.
- Segment results show **where** the profit comes from: here, mostly AWS.

Questions

1. In 2024 Amazon's revenue was $638 billion and its operating income was $68.6 billion (2024 letter). What was its operating margin (%, one decimal)?
2. Amazon reports three segments: North America, International and AWS. Why do segment results matter to readers?

   A. They report each segment's share price

   B. They show which parts of the business produce the revenue and operating income

   C. They replace the income statement

   D. They are used only for income taxes

Sources

- Andrew R. Jassy, 2024 letter (ir.aboutamazon.com)
- Andrew R. Jassy, 2023 letter (ir.aboutamazon.com)
- Reading packet and question sheet for this theme

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