Operating income and segments

Amazon letters: 2024, 2023 · Difficulty: Intro

Summary

Operating margin = operating income ÷ revenue. Jassy's letters report revenue for Amazon's three **segments** (North America, International and AWS) and show operating margin rising from 2.4% in 2022 to 6.4% in 2023 and 10.8% in 2024.

2024 letter

Our total revenue grew 11% year-over-year ("YoY") from $575B to $638B. By segment, North America revenue increased 10% YoY from $353B to $387B, International revenue grew 9% YoY from $131B to $143B, and AWS revenue increased 19% YoY, from $91B to $108B. For perspective, just 10 years ago, AWS revenue was $4.6B; and in that same year, Amazon's total revenue was $89B. 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%).

Free Cash Flow, adjusted for equipment finance leases improved from $35.5B in 2023 to $36.2B.

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We're just launching our first production satellites, and will ultimately have over 3,200 in orbit over the next few years. While capital-intensive to launch, we believe Kuiper will be a meaningful operating income and ROIC business for us. Why does healthcare have to be so stressful?

2023 letter

In 2023, Amazon's total revenue grew 12% year-over-year ("YoY") from $514B to $575B. By segment, North America revenue increased 12% YoY from $316B to $353B, International revenue grew 11% YoY from $118B to $131B, and AWS revenue increased 13% YoY from $80B to $91B. Further, Amazon's operating income and Free Cash Flow ("FCF") dramatically improved. Operating income in 2023 improved 201% YoY from $12.2B (an operating margin of 2.4%) to $36.9B (an operating margin of 6.4%).

Trailing Twelve Month FCF adjusted for equipment finance leases improved from -$12.8B in 2022 to $35.5B (up $48.3B).

Source: Andrew R. Jassy, Letters to Amazon.com Shareholders: 2024, 2023 (ir.aboutamazon.com). Excerpts © Amazon.com, Inc., all rights reserved; reproduced in part for non-commercial teaching. "…" marks skipped text. The summary is original course material by Jaeyoon Yu; not affiliated with or endorsed by Amazon.com, Inc.