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# All of Amazon's 2017 operating income comes from AWS

Amazon had a great e-commerce quarter, but AWS' growth was strong to pad the bottom line.



By [Larry Dignan](#) for [Between the Lines](#) | February 1, 2018 -- 21:23 GMT (13:23 PST) | Topic: [Cloud](#)



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sales as the company took retail share to handily top e-commerce units in U.S. and international were well

quarter (<http://phx.corporate-ir.net/phoenix.zhtml?>

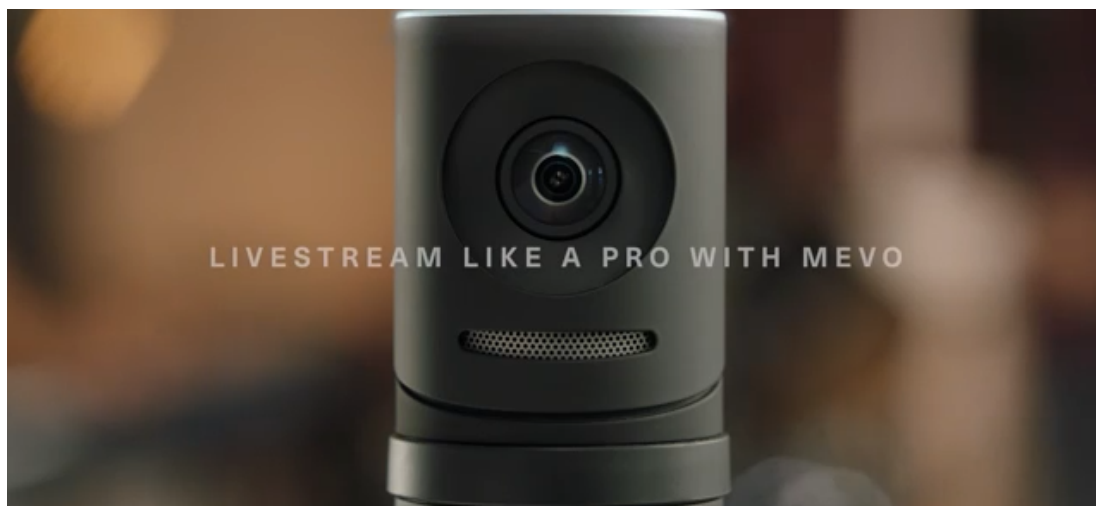
ion, or \$3.75 a share, on revenue of \$60.5 billion, up from last quarter. Earnings per share got a boost from a tax benefit of \$789

Wall Street was looking for fourth quarter earnings of \$1.85 a share on revenue of \$59.83 billion.

Re:Invent 2017: AWS all about capturing data flows via AI, Alexa, database, IoT cloud services (<https://www.zdnet.com/article/reinvent-2017-aws-all-about-capturing-data-flows-via-ai-alexa-database-iot-cloud-services/>) | Alexa for Business likely to win in smart office (<https://www.zdnet.com/article/alexa-for-business-likely-to-win-in-smart-office-leverage-aws-echo-developers-and-consumers/>) | **TechRepublic:** Amazon AI: The smart person's guide (<http://www.techrepublic.com/article/amazon-ai-the-smart-persons-guide/>) | How to become an Alexa developer: The smart person's guide (<http://www.techrepublic.com/article/how-to-become-an-alexa-developer-the-smart-persons-guide/>) | Cheat sheet: Alexa for Business (<https://www.techrepublic.com/article/cheat-sheet-alexa-for-business/>)

For 2017, Amazon reported net income of \$3 billion, or \$6.15 a share, on revenue of \$177.9 billion, up 31 percent a year ago.

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While the numbers from Amazon's e-commerce operations were impressive, the cash cow remains Amazon Web Services. Consider:

- Amazon's North America e-commerce business delivered fourth quarter operating income of \$1.69 billion on revenue of \$37.3 billion.
- International e-commerce sales were \$18.04 billion with a operating loss of \$919 million.
- AWS had operating income of \$1.35 billion for the fourth quarter with sales of \$5.11 billion.

- For the year, Amazon's international e-commerce operating losses eclipsed the company's North American operating profit. AWS had 2017 operating income of \$4.33 billion on sales of \$17.46 billion.

In other words, on an annual basis all of Amazon's operating income derives from AWS.



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Amazon CFO Brian Olsavsky was asked about what factors were driving AWS results. He said:

AWS, yes, if you remember last year, we did have price increases in December of last year towards the end. So it had a partial impact on the quarter. But generally, just strong usage growth -- usage growth continues to be strong growing at a higher rate than our revenue growth rate, and customers continued to add workloads and expand. And as I said, we're adding new services and features all the time, over 1,400 in 2017 alone. So it's a number of factors, I would say. It's not as simple as lapping a cost error -- excuse me, price

decrease last year, but we're very happy with the performance in the AWS business. Now over a \$20 billion run rate.

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**Segment Information**  
(in millions)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2016	2017	2016	2017
	(unaudited)			
<b>North America</b>				
Net sales	\$26,240	\$37,302	\$ 79,785	\$106,110
Operating expenses	25,424	35,610	77,424	103,273
Operating income	<u>\$ 816</u>	<u>\$ 1,692</u>	<u>\$ 2,361</u>	<u>\$ 2,837</u>
<b>International</b>				
Net sales	\$13,965	\$18,038	\$ 43,983	\$ 54,297
Operating expenses	14,452	18,957	45,266	57,359
Operating income (loss)	<u>\$ (487)</u>	<u>\$ (919)</u>	<u>\$ (1,283)</u>	<u>\$ (3,062)</u>
<b>AWS</b>				
Net sales	\$ 3,536	\$ 5,113	\$ 12,219	\$ 17,459
Operating expenses	2,610	3,759	9,111	13,128
Operating income	<u>\$ 926</u>	<u>\$ 1,354</u>	<u>\$ 3,108</u>	<u>\$ 4,331</u>

As for the outlook, Amazon projected sales between \$47.75 billion to \$50.75 billion with operating income between \$300 million and \$1 billion. That wide range compares to \$1 billion in operating income in the first quarter of 2017.

CEO Jeff Bezos in a statement talked up Alexa's ecosystem and that the company will "double down" on the personal assistant. "We've reached an important point where other companies and developers are accelerating adoption of Alexa. There are now over 30,000 skills from outside developers, customers can control more than 4,000 smart home devices from 1,200 unique

brands with Alexa, and we're seeing strong response to our new far-field voice kit for manufacturers," said Bezos.

Other key figures:

- Technology and content expenses were \$22.62 billion for 2017, up from \$16.08 billion in 2016.
- AWS sales were up 45 percent in the fourth quarter.
- North America e-commerce fourth quarter sales were 62 percent of revenue with international representing 30 percent. AWS was 8 percent.
- Subscription services, notably Prime, delivered fourth quarter revenue of \$3.18 billion.

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**Supplemental Financial Information and Business Metrics**  
(in millions, except employee data)  
(unaudited)

	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Y/Y % Change
<b>Net Sales:</b>							
Online stores (1)	\$21,590	\$29,548	\$22,826	\$23,754	\$26,392	\$35,383	20%
Online stores — Y/Y growth, excluding F/X	20%	16%	16%	18%	22%	17%	N/A
Physical stores (2)					\$ 1,276	\$ 4,522	N/A
Third-party seller services (3)	\$ 5,652	\$ 7,456	\$ 6,438	\$ 6,991	\$ 7,928	\$10,523	41%
Third-party seller services — Y/Y growth, excluding F/X	46%	39%	36%	40%	40%	38%	N/A
Subscription services (4)	\$ 1,532	\$ 2,130	\$ 1,939	\$ 2,165	\$ 2,441	\$ 3,177	49%
Subscription services — Y/Y growth, excluding F/X	47%	33%	52%	53%	59%	47%	N/A
AWS	\$ 3,231	\$ 3,536	\$ 3,661	\$ 4,100	\$ 4,584	\$ 5,113	45%
AWS — Y/Y growth, excluding F/X	55%	47%	43%	42%	42%	44%	N/A
Other (5)	\$ 709	\$ 1,071	\$ 850	\$ 945	\$ 1,123	\$ 1,735	62%
Other — Y/Y growth, excluding F/X	74%	99%	58%	53%	58%	60%	N/A

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