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## Amazon.com Inc. Q1 2009 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from Douglas Anmuth – Barclays Capital.

#### Douglas Anmuth – Barclays Capital

Can you talk a little bit more about the Q2 guidance and in particular is there something that you're seeing early in the quarter that's making the outlook look a little bit lower than we would have expected versus the 1Q numbers particularly on the margin side?

#### Tom Szkutak

Our guidance from a revenue standpoint is growth of 6% to 17%. That's on a dollar basis, on a local currency basis that works out to be 13% to 24%. A few things to keep in mind; one, last year Q2 was our strongest growth quarter so if you take a look at the splits by quarter, last year we had 41% growth rate in Q2 or 35% growth rate on a local currency basis. We're overlapping that growth rate in the strongest quarter.

The other thing to keep in mind on the top line as well, smaller impacts, but certainly Easter was in Q1 last year last year and Q2 this year, so we had that benefit in Q1 and will be overlapping that in Q2. Also, as I mentioned from an exchange standpoint, the 700 basis points is more than you saw in Q1, so again those are the impacts on the top line.

So that's why the high end of the range works out to be 24% which is a little bit lower than we came in for Q1. So that translates down into a lower operating income. The other thing to keep in mind too is as you look at our Q2, seasonally, Q2 is our lowest quarter from a revenue perspective which means with that top line you get a little bit less leverage, particularly the fixed operating costs. So that's reflected in the guidance.

#### Operator

Your next question comes from James Mitchell – Goldman Sachs.

#### James Mitchell – Goldman Sachs

The question is about improvements in gross margin year on year in the first quarter. Were there any unusual gross margin influences other than our old friends inventory management, product mix, lower prices?

**Tom Szkutak**

Those are the big piece of inventory management. We worked well with vendors in terms of getting vendor savings. An example would be something that we've been working on for a number of quarters but certainly working with them to ship when they have shipments, to ship in bulk to the nearest fulfillment center.

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