



Amazon.com, Inc. (NASDAQ: AMZN)

Consumer Goods



Recommendation: Buy | **Target Price:** \$245.15 | **Implied Upside:** 27%

Ethan Busch – Portfolio Manager

Dev Saroya – Associate

Kristina Désormeaux – Senior Analyst

Charlie McGee – Junior Analyst

Chanel Lafrance – Junior Analyst

Amazon.com, Inc. (NASDAQ: AMZN)

Company Overview

- Amazon, the world's largest online retailer, has strategically expanded into high-growth sectors such as advertising, cloud computing, and subscription services, reinforcing its position as a global powerhouse and driving sustained growth
- The market is undervaluing Amazon's advertising and subscription growth, with our model estimating an intrinsic value of \$245.15 per share, representing a 27% upside

Industry Overview

- Amazon maintains a dominant competitive moat in the U.S. e-commerce market, holding an estimated 37.8% share. With the sector projected to grow at a CAGR of 8.99% over the next five years, Amazon is well-positioned to capitalize on this expansion
- The broader economic downturn has led to stock price volatility among large equities, presenting a buying opportunity for companies like Amazon, which boast strong business models and significant growth potential

Investment Thesis

- The investment theses for Amazon is split into three parts:
 - **Significant opportunity in advertising:** Amazon's advertising segment has seen substantial growth, with revenues increasing 18% year over year
 - **Dominance in E-commerce:** Amazon continues to dominate the global e-commerce market
 - **Subscription services growth:** Amazon Prime recently crossed 200 million subscribers worldwide

Valuation

- Amazon's intrinsic value was estimated using a weighted average of the Discounted Cash Flow (DCF) Analysis output and analyst price targets
- Our model projects an intrinsic value of \$245.15 per share, indicating a 27% upside from the current price

Risks & Catalysts

- Despite Amazon's dominant position in the global e-commerce market, the company still faces certain risks:
 - **Weakening consumer sentiment:** The University of Michigan Consumer Sentiment Index fell to 64.7 in February from 71.7 in January, reflecting heightened consumer concerns about the overall economy
 - **Growing competition:** In each of Amazon's key markets, competition is rising as more rivals emerge
 - **AWS growth slowdown:** AWS, which draws the most market attention, has shown signs of slowing down

Appendix

- The Appendix offers a detailed breakdown of Amazon's financials, including the UFCF and WACC build-outs, along with deeper insights into its business model
- Additionally, the Appendix examines the broader macroeconomic downturn in public markets and highlights why this environment presents a prime opportunity to deploy capital by purchasing assets at a discount

Amazon.com, Inc. (NASDAQ: AMZN)

Company Overview

Industry Overview

Investment Thesis

Valuation

Risks & Catalysts

Recommendation

Amazon.com, Inc. (NASDAQ: AMZN)

Amazon continues to be an absolute moat in the global e-commerce space, commanding significant market share but has recently emphasized revenue diversification through its strong ventures in AWS, advertising, and subscription services

Business Description

- Founded by Jeff Bezos in 1994, Amazon started as an online bookstore before evolving into the global marketplace it is today
- Amazon is the world's largest e-commerce company, delivering products to over 100 countries through its network of 175 fulfillment centers
- In early 2025, Amazon surpassed Walmart in quarterly revenue for the first time, generating \$187.8 billion and marking a major milestone in becoming the world's largest retailer
- However, Amazon has evolved beyond its roots as an online marketplace. To stay competitive among large global equities, management has prioritized growth in key segments, including advertising, web services, subscriptions, and brick-and-mortar retail, all of which the company has experienced tremendous success within
- The company is prioritizing its relevance in the era of artificial intelligence by making substantial investments to advance its web services, enhance retail and customer experiences, and optimize logistics and fulfillment operations

Revenue Sources

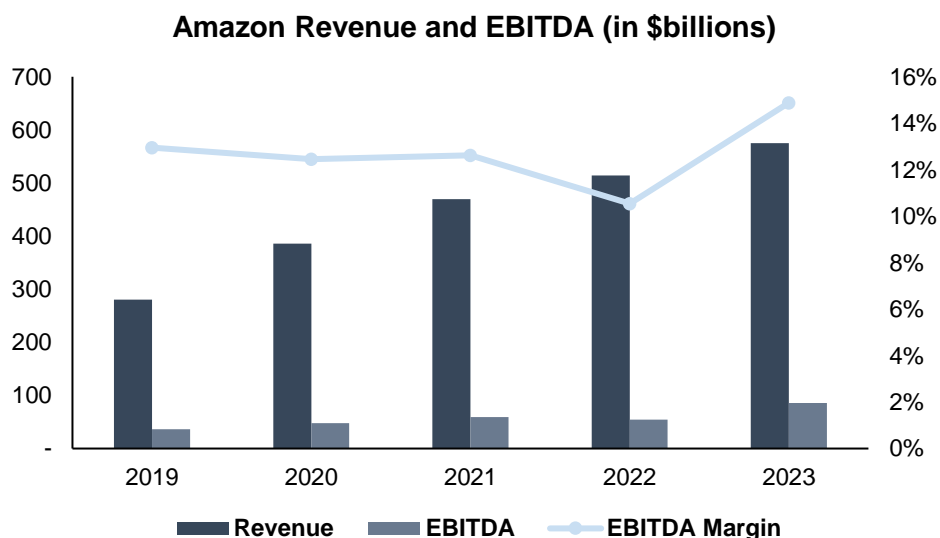
Source	Description
Retail Segment	1st-party retail, where Amazon buys from vendors and sells to consumers, and 3rd-party retail, where vendors sell to consumers
AWS Segment	Cloud computing services provided to companies worldwide, which process data needed for machine learning and AI
Prime Services Segment	Prime Services offers accelerated shipping and a bundle of streaming services, including Prime video and music
Advertising Segment	Amazon has recently expanded its advertising ecosystem, allowing vendors to showcase product ads directly on their websites

Management Team



	Jeffrey Bezos	Andy Jassy	Brian Olsavsky	Matt Garman
Position	Executive Chair	CEO	CFO	CEO AWS
Tenure (Years)	31+	4+	10+	1+

Revenue and EBITDA (2019-2023)



Retail Segment

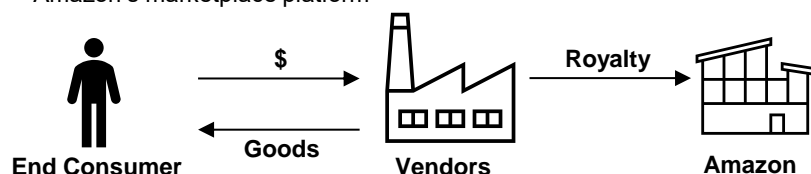
Amazon's retail segment, encompassing both first-party (1P) and third-party (3P) sales, has established itself as a reliable cash cow, generating substantial cash flow. This steady revenue stream enables the company to invest in other business areas and drive continued growth

Amazon Marketplace

- Amazon online marketplace is divided into two key parts:
 - 1st Party Retail:** Amazon purchases goods from vendors and sells them directly to consumers



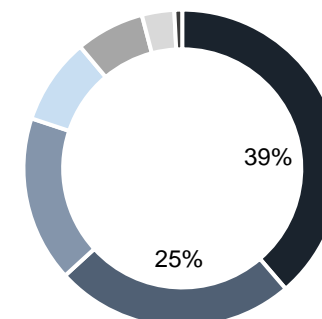
- 3rd Party Retail:** Vendors sell their products directly to consumers through Amazon's marketplace platform



Amazon Revenue Segmentation





Amazon FY2024 Revenue Segmentation

- 1P Retail
- 3P Retail
- AWS
- Advertising Services
- Subscription Services
- Physical Stores
- Other



Approximately 64% of Amazon's total revenue in FY2024 came from 1st and 3rd Party Retail, highlighting the segment's critical role in the company's financial performance

Key Competitors In The Retail industry

Competitor	Description	Market Cap (US\$m)	Key Products/Services
	Walmart is a global retail giant offering low-cost groceries, household goods, and more through its vast network of stores and e-commerce	\$685,650	Household essentials, apparel, electronics, pharmacy services, online shopping, and financial services
	Target is a major retail chain known for stylish, affordable products across home, clothing, and essentials, both in-store and online	\$47,970	Home goods, electronics, groceries, beauty products, furniture, and online shopping services
	eBay is an online marketplace where users buy and sell new and used goods through auctions and direct sales	\$31,270	Electronics, fashion collectibles, home goods, automotive parts, sporting goods, and auction-based online shopping
	Alibaba Group is a global e-commerce and technology conglomerate specializing in online retail, cloud computing, and digital payments.	\$335,130	Global e-commerce, cloud computing, digital payments, logistics, wholesale trade, and business services

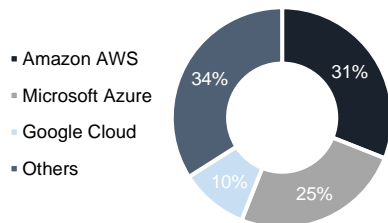
AWS Segment

AWS Market Share & Operating Income

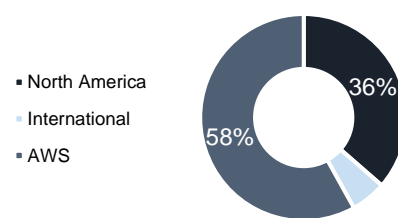
Cloud services: IT resources managed by AWS, delivered over the internet

- AWS represents 31% of the Global Cloud Infrastructure Services market
- AWS accounted for 58% of Amazon's total operating income in 2024
- AWS Segment experienced a 61.7% increase in operating income from 2023 to 2024

Global Market Share



Amazon's Operating Income



AWS & AI

- Cloud services provided necessary infrastructure, scalability and computing power to process big data needed for Machine Learning and AI

Trainium chips: AWS AI chips built for AI training and inference

Inferentia chips: AWS AI chip developed for high performance inference predictions

- Chips power EC2, lowering AI training costs ~ 50% and cost/inference by 70%, respectively

Amazon Bedrock: Service provides developers tools and computing power to build, train and use generative AI applications

- Offer variety of Large Language Models (LLM) by partnering with leading generative AI providers (examples: Anthropic and AI21 Labs)
 - Developers can upload data to further customize model

Amazon Q: Gen AI assistant that facilitates software development, accelerates tasks and provides specialized insights on internal data

- *Business:* Provide tailored assistance to entire organization by utilizing internal data and systems to increase productivity
- *Developer:* Supports all aspects of building and operating software, including coding, security test, data analytic guidance, AI/ML etc.

Key AWS Components

Elastic Compute Cloud (EC2): Service that allows customers to create and run virtual servers (instances) based on the businesses with full administrative control

- Located in a Virtual Private Cloud (VPC) with temporary or long-term instance storage available

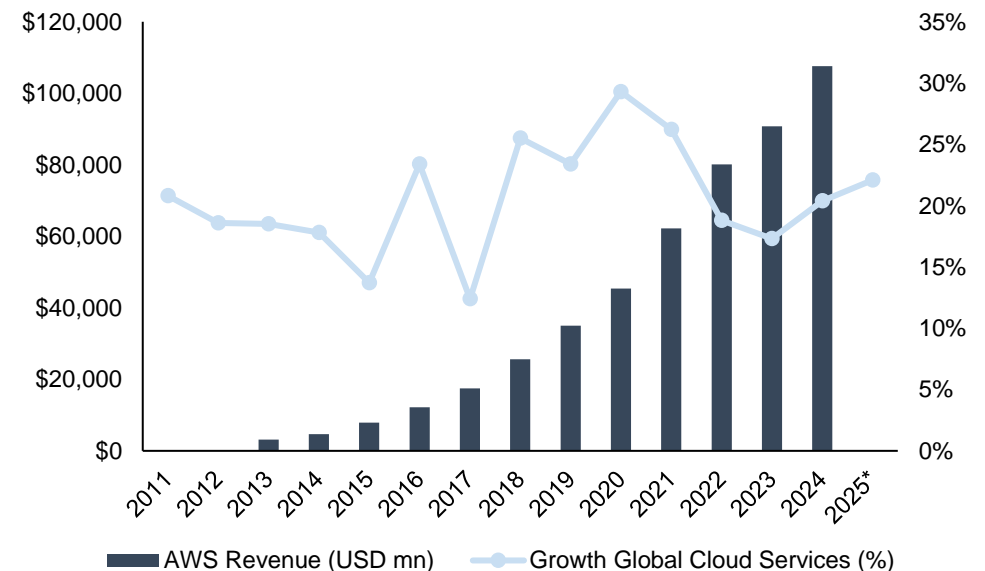
Simple Storage Service (S3): Cloud service that stores, manages and analyzes data based on security access, budget and performance requirements tailored to business

- Private and encrypted by default, auditing capabilities monitor data access

Relational Database Service (RDS): Facilitates creating, managing and scaling database instances using 6 major database engines including Amazon Aura, Oracle etc.

- Automates tedious administrative tasks such as backups, patching, and database configuration
- EC2 and S3 are fully elastic – Auto scale services based on business resource needs and charge clients based on usage





Cloud Service Market and Revenue Growth



Prime Services Segment

Amazon Prime offers users a valuable suite of services while providing Amazon with a steady stream of recurring revenue as its subscriber base continues to grow. Recently, the company has made substantial investments in expanding and enhancing its Prime Services segment

Prime Service Offerings

 <p>Prime's most convenient feature is fast & free shipping. Products can arrive in two days, one day, or even two hours</p>	 <p>Prime Video provides access to a library of movies, TV shows, and sports offerings such as exclusive NBA & NFL games</p>	 <p>Amazon Music provides ad free streaming of millions of songs and podcasts for listeners online or offline</p>	 <p>Prime Gaming provides access to free games, in game content, and a monthly Twitch subscription</p>
--	---	--	--

Continued Investments In Prime Service Offerings



NBA x Prime Services 11-Year Deal

Starting in the 2025-2026 season, Amazon Prime Video will exclusively stream 66 regular-season NBA games, the Emirates Cup quarterfinals and semifinals, and the NBA Finals in 6 of the next 11 years. The 11-year deal is valued at over \$77 billion and is partnership with Disney and NBC.

NFL Thursday Night Football on Prime Video

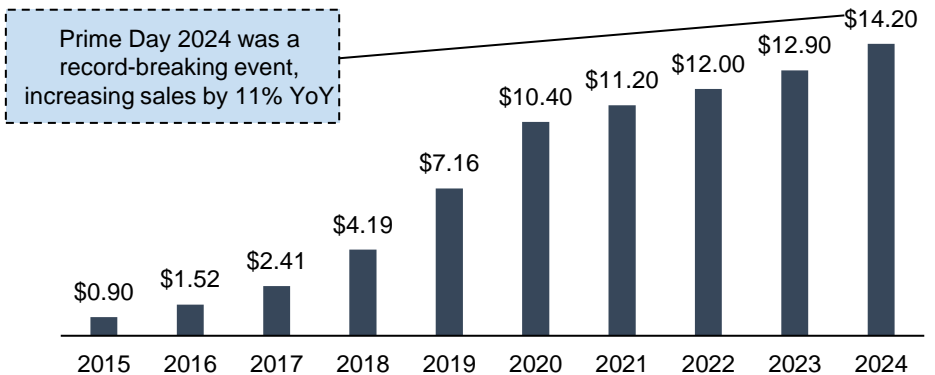
In 2021, Amazon signed a 10-year deal with the NFL to exclusively stream 15 Thursday Night Football games per season on Prime Video. It led to Amazon's biggest three-hour subscriber growth span at launch and averaged 13.2 million viewers per game last season.

Amazon Prime Video branching into sports widens subscriber base

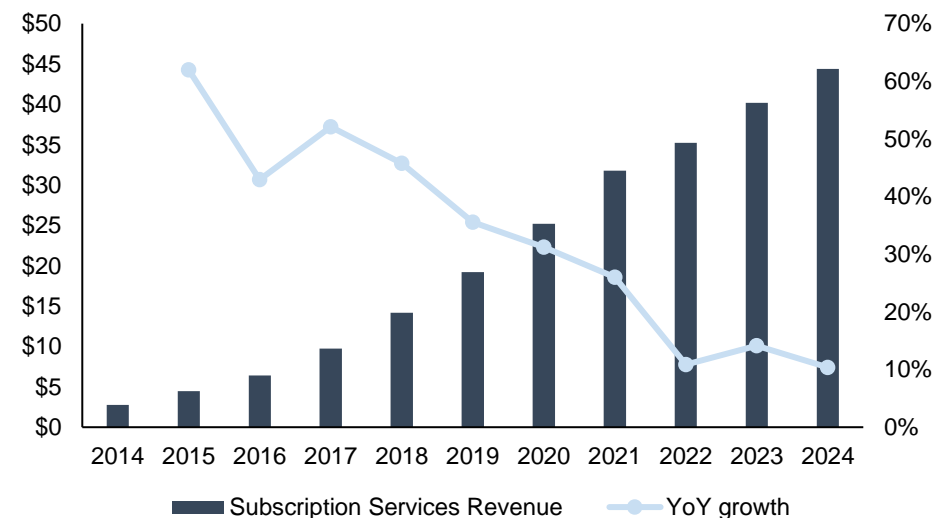
Amazon Prime's investments in major sports leagues like the NBA and NFL attract their large fan bases, driving subscriber growth. Exclusive game broadcasts incentivize users to subscribe to Prime, boosting recurring revenue.

Prime Day

Global Revenue generated from Prime Day (\$bn)



Amazon Subscription Services Revenue Growth (\$bn)



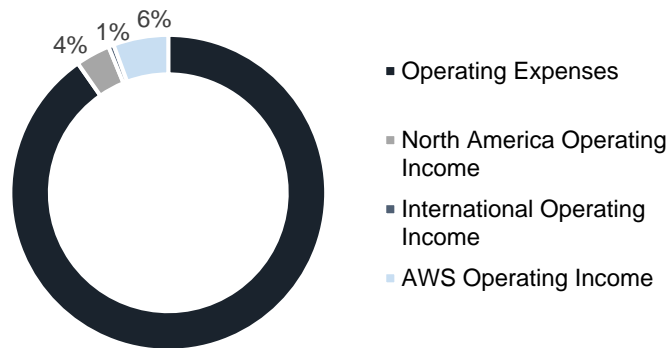
Although Prime is Amazon's longest-running service, its subscription base still grows by about 10% annually, reflecting strong consumer demand fueled by Amazon's investments in the platform and offerings

Advertising Segment

Often overshadowed, Amazon's advertising segment is its second most profitable unit after AWS. Its pay-per-click model drives high margins and offers significant scalability. In Q4 2024, advertising revenue grew 18% YoY as Amazon gains a stronger foothold in the global ad market

Powering Amazon's Operating Income

Amazon Y2024 Operating Income Breakdown



Advertising Segment Produces 2nd Highest Operating Income:

Amazon's overall operating margin was approximately 11%, with AWS contributing more than half of that despite accounting for just 15% of total revenue. Outside of AWS and advertising, most of Amazon's business operates at relatively low margins. While the company doesn't disclose the exact operating margin for its advertising segment, analysts estimate it to be around 40%, making it a key driver of profitability.

Amazon Pay Per Click (PPC) Case Study – Creates Bidding War



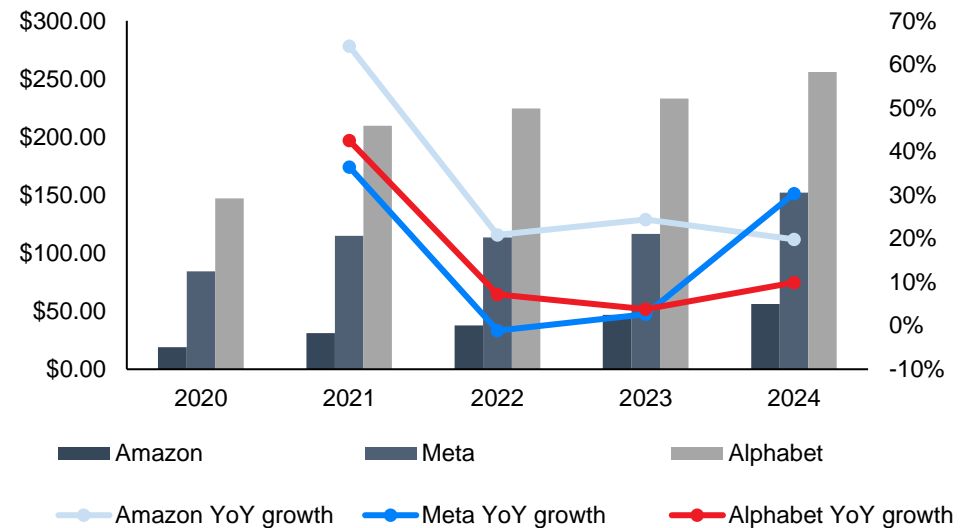
Tide bids on the keyword's "laundry" and "detergent", aiming to get a prime position on Amazon's marketplace

PPC Model

Amazon operates a PPC ad model where brands like Tide bid on specific key words or products. Amazon runs an auction among advertisers on that keyword

Amazon's bidding model fuels brand competition, driving up ad spend to secure top marketplace positions

Advertising Revenue YoY Growth Compared To Key Competitors



The three biggest players in the advertising industry are Alphabet, Meta, and Amazon. Over the past five years, Amazon has consistently posted over 20% annualized revenue growth, surpassing its key competitors that specialize solely in advertising.

Amazon's Future Plans With Advertising

Integration of AI in Advertising

Amazon is leveraging AI and machine learning models to improve targeting and campaign management

Expansion of Ad-Supported Streaming Services

Amazon is increasing advertisements on its Prime Video platform. The company plans to amplify this in 2025

Collaboration with Social Media Platforms

Amazon is collaborating with TikTok, Facebook, and Instagram to showcase ads across their platforms

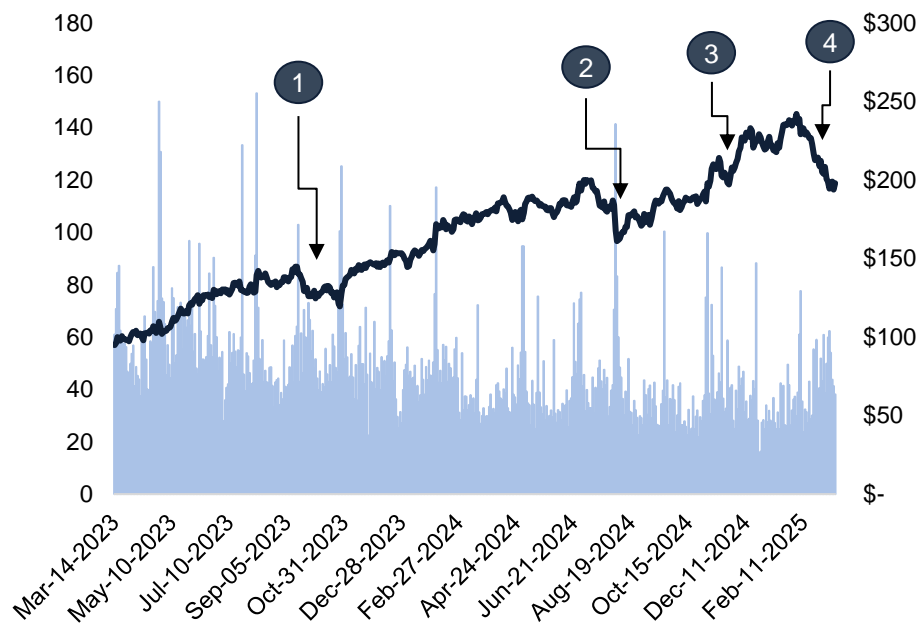
Enhancement of Advertising Tools and Measurement

Amazon has recently introduced new tools to help advertisers manage and enhance their streaming ad purchases

Price Volume Analysis

Amazon Price Volume Analysis

2 Year Price-Volume Chart & Commentary



1

September 2023

Announced they will go on a hiring spree and raise hourly wages

2

August 2024

Stock Dropped after second-quarter report

3

November 2024

Amazon beat earnings expectations in its third-quarter report

4

February 2025

Amazon announces aggressive spending increases on capital

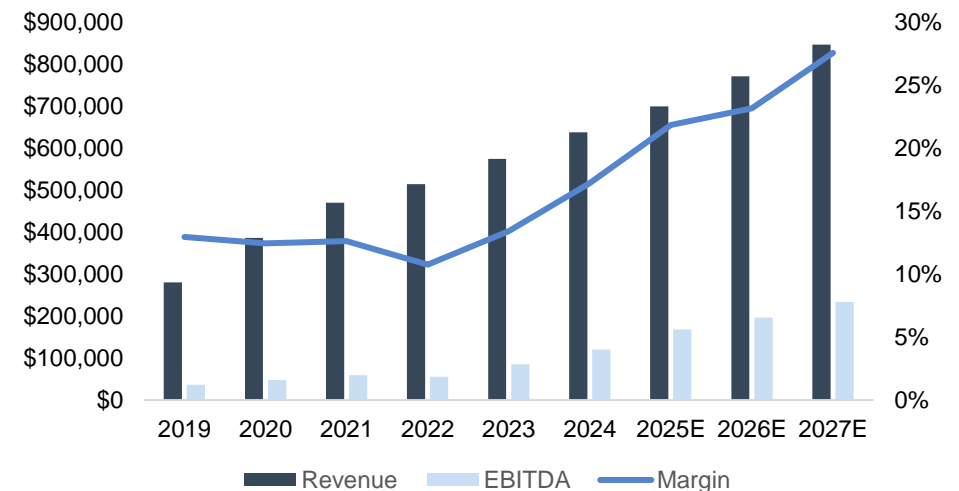
Enterprise Value Build

As of 2025-03-14

(US\$ billions)

Market Capitalization	2,042.4
(-) Cash & Cash Equivalents	(101.2)
(+) Total Debt	155.4
= Total Enterprise Value (TEV)	2,096.6

Key Financials



Amazon has experienced strong, sustained revenue growth each year whilst the EBITDA margin has been constant for many years, however, it has experienced high growth since 2022.

Shareholder/Ownership Structure

Amazon's ownership structure reflects its status as one of the largest companies in the world by market value. Founder, Jeff Bezos is Amazon's largest individual shareholder, with ~\$208.26bn worth of shares

Top Institutional Shareholders

Major Shareholders	% Hold	# of Shares	Value (\$bn)
Jeffrey Bezos	8.58%	909,709,895	\$208.26
Vanguard Group Inc	7.60%	805,725,206	\$184.45
Blackrock Inc	6.30%	667,251,704	\$152.75
State Street Corp	3.39%	359,179,990	\$82.23
Fmr LLC	3.08%	326,738,561	\$74.80
Geode Capital Management LLC	1.89%	199,915,046	\$45.77
JP Morgan Chase Co	1.70%	179,718,747	\$41.14
Price T Rowe Associates Inc	1.69%	178,725,972	\$40.92
Morgan Stanley	1.51%	159,532,766	\$36.52
Capital Research Global Investors	0.87%	92,619,413	\$21.20
North Trust Corp	0.80%	85,149,527	\$19.49
Wellington Management Group LLP	0.66%	70,372,389	\$16.11

Amazon is the fourth-largest company in the world by market capitalization (\$2.08 trillion) and ranked second in revenue for FY2024, generating \$574.8 billion, just behind Walmart. As a blue-chip stock and a major large-cap holding, it attracts backing from some of the most influential investors and institutions as shown above. This institutional support enhances financial stability, liquidity, long-term backing, market credibility, and access to capital.

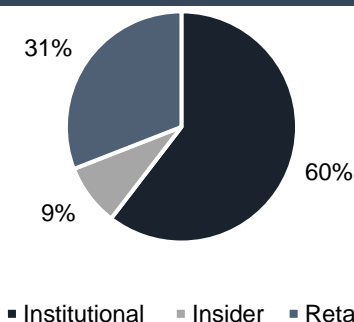
Top Individual Shareholders

The top three individual shareholders include :

1. Jeff Bezos
2. Andrew Jassy
3. Douglas Herrington

Amazon's top three institutional shareholders:

1. Vanguard
2. Blackrock
3. State Street



Ownership Breakdown

- Amazon went public on May 15, 1997, with an IPO price of \$18 per share. This was the company's first issuance of shares to the public
- In 1998, Amazon had a 2-for-1 stock split, and in 1999, another 2-for-1 split. In recent years, Amazon has continued to issue new shares to fund its growth initiatives, including acquisitions like Whole Foods Market and investments in new technologies and infrastructure
- Unlike many of its competitors, Amazon still has significant influence from its founder, Jeff Bezos, who remains one of the largest individual shareholders. This can impact the company's strategic direction and long-term vision

Why doesn't Amazon pay a dividend to shareholders?

Most of the largest companies worldwide like Tesla, Berkshire Hathaway, and Meta don't pay dividends

1 Reinvestment in Growth

- Amazon continuously reinvests in new business segments like AWS, and its subscription services to maintain a competitive edge in the market

2 Stock Appreciation over Dividends

- Amazon rewards shareholders through stock price appreciation rather than cash payouts. Since going public, it has incurred an annualized return of 30%, beating the market's return of 10%

Amazon.com, Inc. (NASDAQ: AMZN)

Company Overview

Industry Overview

Investment Thesis

Valuation

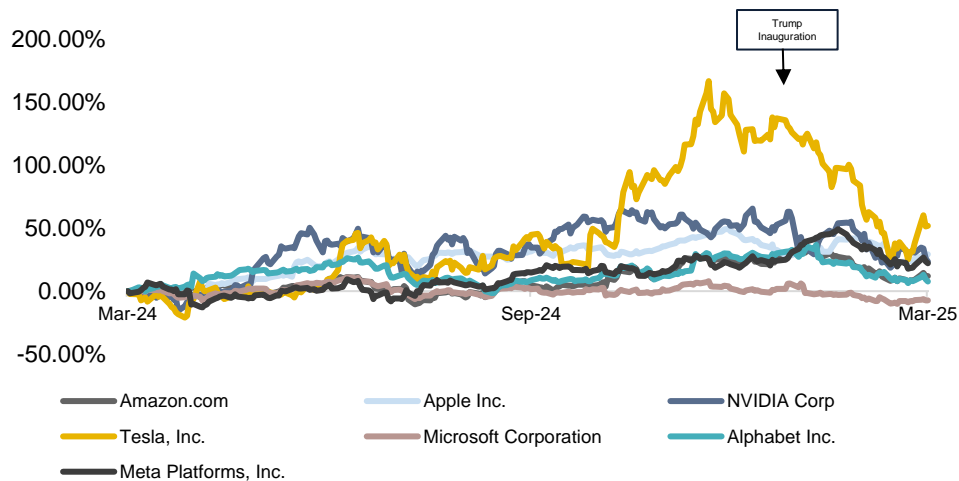
Risks & Catalysts

Recommendation

Macroeconomic Overview

Inflation, policy uncertainty, and trade war has fueled economic unease in early 2025, leading to a sharp decline in U.S. consumer sentiment, weakening confidence in Canada, and mixed corporate earnings. Fragile balance between resilience and risk across North American markets.

Canada-USA Trade War Impact On The Magnificent Seven



Recessionary Fears Lower Consumer Sentiment

- U.S. Consumer sentiment decreased significantly in February 2025 because of the trade war and uncertainty regarding the economy (University of Michigan Consumer confidence index)
 - Rising inflation expectations, policy uncertainty, and concerns over tariffs have dampened optimism. Year-ahead inflation expectations surged to 4.9%, marking the highest level since late 2022
- Consumer confidence in Canada is below historical averages, with the Ipsos Consumer Confidence Index at 48.6 points in January 2025
 - High inflation, elevated housing costs, and economic uncertainty are weighing heavily on Canadian households. Despite recent interest rate cuts, consumers remain cautious about spending
- In the U.S., Costco has reported mixed results, with revenue growth but missed earnings expectations
 - Amazon's U.S. sales increased by 5.9% compared to the eight-week average, demonstrating the company's ability to maintain growth even amidst challenges

Key Economic Indicators

- The Canadian headline inflation rate accelerated to 2.6%, substantially higher than the 2.2% expected by the market and the 1.9% January reading
- Federal Reserve held interest rates steady at 4.5% in its March meeting last week. Chair Powell acknowledged the high degree of uncertainty from the US
- In February 2025, Canada's unemployment rate held steady at 6.6%. The U.S. unemployment rate rose to 4.1% in February 2025, up from 4.0% in January
- The unemployment rate and limited job growth suggest underlying challenges in the Canadian and American labour market, signaling potential concerns for policymakers and businesses alike as they navigate economic conditions
- Retailers may face challenges in hiring due to a tight labour market, potentially driving up wages and operational costs
- Employment gains in wholesale and retail trade (+51,000 jobs in February 2025) suggest resilience in these sectors, but broader economic uncertainty could still dampen growth

Opportunistic Time To Buy Equities At A Discount

1 Market Cycles and Recovery Potential

- Historically, markets tend to recover after downturns, rewarding investors who buy during periods of undervaluation

2 Discounted Valuations

- Many high-quality companies are trading below their intrinsic value due to temporary market sentiment. This creates an opportunity to acquire strong assets at a discount, maximizing potential returns

3 Hedge Against Inflation

- Equities often outperform inflation over the long term. By investing now, you can protect your purchasing power while benefiting from market recovery

Key Competitors – Emerging Trends

The Magnificent Seven (Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla) are all aligning with several major rising trends that are shaping the future of technology, finance, and consumer behavior








AI and Generative AI Integration

- Every company in the group is aggressively investing in Artificial Intelligence (AI), particularly Generative AI and large language models (LLMs).
 - Microsoft (OpenAI partnership, Copilot),
 - Alphabet (Gemini, DeepMind),
 - Meta (Llama models),
 - Amazon (AWS AI, Alexa),
 - Apple (AI-focused chips),
 - Tesla (Full Self-Driving AI),
 - Nvidia (GPUs for AI) are all competing in AI-driven innovation
- The 2025 AI Summit in Paris brought together world leaders, tech innovators, and policymakers to address the opportunities and challenges posed by AI
 - AI Regulation: Debates over the regulation of AI, aiming for international standards. Vice President JD Vance's speech at the summit reinforced the U.S. commitment to fostering innovation over regulation

Custom Silicon & Semiconductor Development

- Generative AI is driving significant growth in the semiconductor industry, with generative AI chips projected to contribute over \$150 billion in sales by 2025.
- The industry is expected to reach \$1 trillion in sales by 2030.
- The top 10 global chip companies saw their market capitalization rise to \$6.5 trillion in 2024, reflecting optimism in the sector.
- Communication and computer chips accounted for 57% of semiconductor sales in 2023, while automotive and industrial chips contributed 31%
- Amazon Web Services (AWS) has developed in-house chips like Graviton processors, Inferentia, and Trainium, optimized for cloud workloads and AI tasks. These chips reduce reliance on external suppliers and enhance efficiency.
 - Amazon has invested in research facilities and semiconductor engineering talent, collaborating with partners like Taiwan Semiconductor Manufacturing Company (TSMC) for chip fabrication.

Magnificent Seven Alignment with Arising Trends

Key Trend								
1	Subscription Based Service:	Prime, AWS cloud subscriptions	Apple One, iCloud, Apple Music	Microsoft 365, Game Pass, AI Copilot subscriptions	YouTube Premium, Google Cloud	Ad-free Instagram and Facebook subscriptions	FSD software subscriptions	Enterprise AI cloud services
2	AI Integration:	AWS AI, Alexa	AI-focused chips	OpenAI partnership, Copilot	Gemini, DeepMind	Llama models	Full Self-Driving AI	GPUs for AI
3	Custom Silicon & Semiconductor Development:	Graviton, Inferentia AI chips for AWS	M-series chips, AI-optimized processors	Custom AI chips for Azure	TPUs for AI workloads	AR/VR chips for metaverse projects	Dojo AI supercomputer for self-driving	Dominant AI chip leader, but faces rising competition from these firms

Amazon.com, Inc. (NASDAQ: AMZN)

Company Overview

Industry Overview

Investment Thesis

Valuation

Risks & Catalysts

Recommendation

Thesis (1/3): Significant Opportunity in Advertising

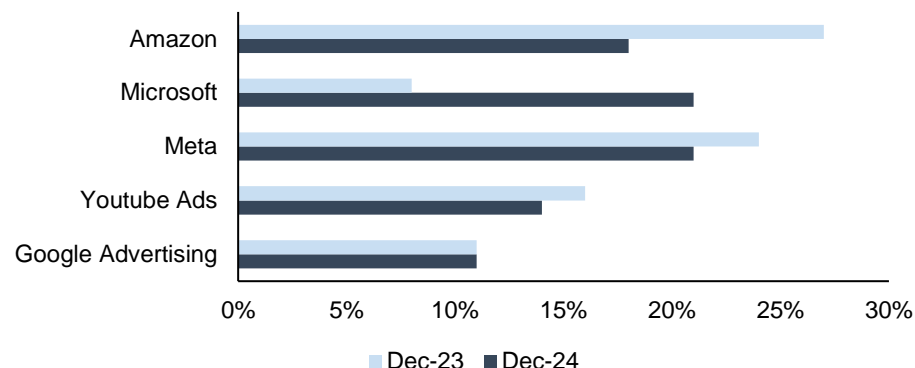
Amazon's Advertising segment operates at the second-highest margin, around 40%, trailing only AWS. In FY2024, Amazon made significant strides in capturing market share from pure-play competitors like Alphabet and Meta, driven by the strong performance of its PPC model

Amazon's Advertising Model

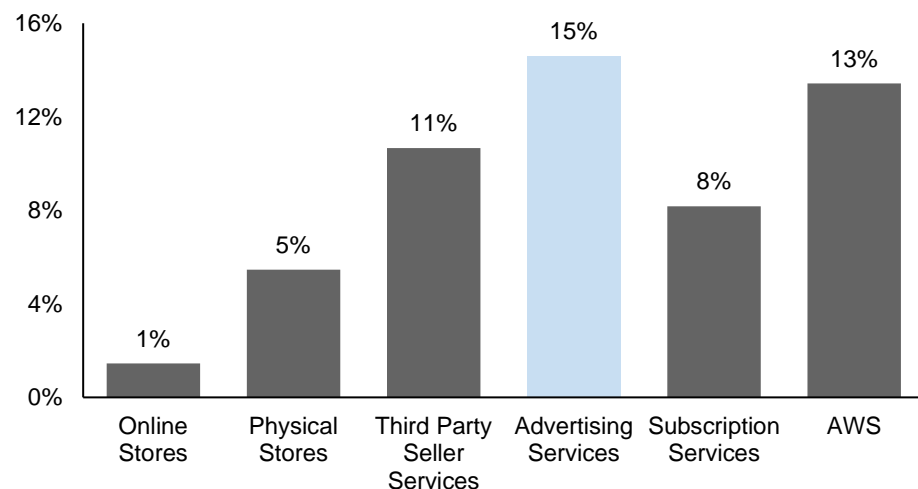
- Amazon's advertising model uses a pay per click (PPC) system where companies bid for prominent placement
- Companies pay Amazon to show their ads when customers search for specific keywords. Being at the top of search results often leads to sales, motivating companies to spend significantly on advertising to secure top positions
- Amazon is attempting to take share of the advertising market which is dominated by Alphabet which holds approximately a 30% market share of the global ad market
- Analysts believe this substantial growth in advertising revenue is overshadowed by Amazon's main segment, e-commerce and its cloud computing service, AWS
- Amazon's Advertising progress remains strong, growing 24% YoY from \$38B in 2022 to \$47B in 2023, primarily driven by our sponsored ads (2023 Annual Report)

Digital Advertising Revenue Growth

YoY % Change in Quarter Ending December 30th



Amazon's Compound Annual Growth Rate per Top Sectors



Advertising Opportunity

- Amazon's online advertising business logged \$17.29 billion in Q4 2024. The online retail giant revealed its latest advertising sales results as part of its fourth-quarter earnings
- Industry opportunity:** Digital advertising industry is expected to reach \$600 billion by 2026
 - Analysts expect Amazon's advertising segment to see continued double digit growth for the next few years and expect ad revenue to surpass \$70 billion by 2025
- Amazon is still seen mainly as an e-commerce business, opposed to a diversified company with revenue generated from multiple streams
- Recent large contributions from ad revenue require more evidence for investors. Investors and analysts focus more on AWS due to its high margin
- Amazon's ad segment, though is often neglected by investors and analysts

Thesis (2/3): Dominance in E-commerce

Amazon is the global leader in the online retail space, driven by consumer loyalty, logistical superiority, and technological advancements. Its expansive product selection and seamless shopping experience to reinforce its dominance in e-commerce

Competitive Advantage Over Competitors

- They have 175 fulfillment centers worldwide, which enable millions of products to be shipped the same day
- Amazon has extremely high brand loyalty with 74% of customers stating they would still buy from Amazon even if the price was higher and 87% of customers stating they prefer buying from Amazon than the brand's website
- Competitors like Walmart and Costco are still viewed as brick-and-mortar stores even though they have made strides to enter the growing e-commerce market
- Free and Easy returns:** Amazon has over 4000 drop off locations in the US alone and is extremely efficient and customer friendly with refunds, causing 74% of consumers to choose Amazon over other providers based on the return policy alone
- Leading market share of 38% in the US

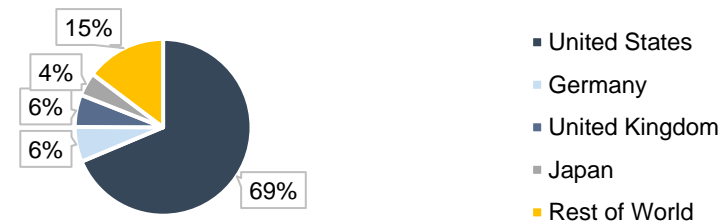
Why Isn't It Priced In?

- Investors have a perception that this is a low-margin business. As Amazon continually invests in technology, COGS will decrease, and margins will increase
- International growth isn't appreciated, even though it is expected to grow faster than the US
- Continued focus on the AI trend and AWS which dismisses their main segment
- Amazon's Valuation is increasingly tied to AWS which is overshadowing its e-commerce dominance
- Macroeconomic Factors such as tariffs and economic uncertainty are putting downward pressure on the stock price
- Lack of emphasis placed on customer loyalty which is one of Amazon's strongest qualities

Opportunity In The Overseas Market

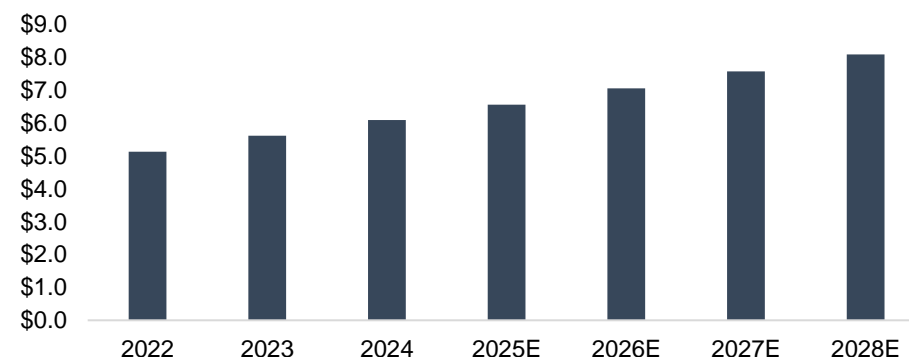
- Despite its robust presence in the US, it is not nearly as large in countries like India and Latin America which are still developing. There is a large opportunity to gain market share in the international markets. The African market is also in its infancy
- The e-commerce market continues to grow at 12% to 14% each year as consumers continually seek a more convenient shopping experience

Percentage of Net Sales By Region



Global E-Commerce Market Growth Over The Next Five Years

E-Commerce Global Sales (USD Trillions)



As one of the largest E-commerce firms, Amazon is well-positioned to capitalize on the expected growth over the next few years

Thesis (3/3): Amazon's Subscription Services Growth

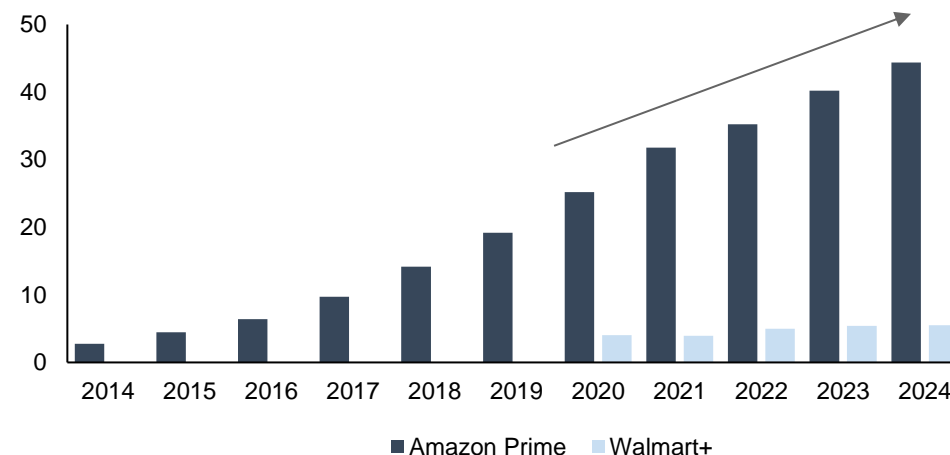
Amazon is the global leader in the online retail space, driven by consumer loyalty, logistical superiority, and technological advancements. Its expansive product selection and seamless shopping experience to reinforce its dominance in e-commerce

Amazon's Subscription Services Model

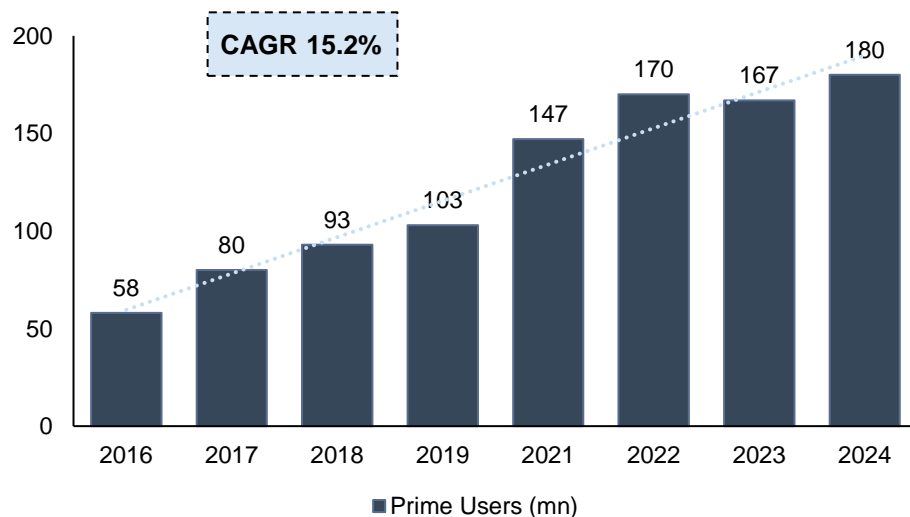
Amazon's Prime Membership provides:

- Marketplace benefits including free expedited shipping (one-, two- or same-day) and discounts on Whole Foods Market products
- Access to Amazon video, music, kindle and game streaming + other digital services
- Consumers can choose a monthly or annual flat-fee subscription plan
 - Discounted price offered for annual subscriptions and students
- An estimated 67% of US internet users have Amazon Prime Subscription
- Closest competitor is Walmart+, Walmart's membership service launched in 2020
 - Enjoy free delivery on groceries, pharmacy essentials, and store items, plus access to Paramount+ streaming, Burger King discounts, special offers on auto travel, and more
 - Approximately 13-20% of US households subscribe to Walmart+

Walmart+ vs Prime – Global Annual Subscription Revenue (\$mm)



Amazon Prime Subscribers in the US (mn)



Opportunity Within Subscription Model

- Global e-commerce market revenue is expected to reach US\$5.89tn by 2029 at a projected CAGR of 8% from 2025-2029
 - US market is projected to reach US\$1.9tn by 2029, representing a forecasted 32% of global e-commerce revenue
- Amazon holds a dominant position in the e-commerce subscription service landscape with a leading market share of 37% in the US
 - Closet comparable comprehensive subscription service, in terms of benefits, is Walmart+, however Prime subscription revenue and growth is unrivaled
- Amazon is acquiring exclusive streaming rights for major sports league events, such as Marquee games - a capital investment that supports subscription growth
- Amazon is investing in AI to improve customer experience
 - Better forecast future demand, control inventory, optimize warehouse layout and plan delivery routes to increase same-day deliveries in metropolitan areas
 - Personalized product recommendations based on individual shopping habits

Amazon.com, Inc. (NASDAQ: AMZN)

Company Overview

Industry Overview

Investment Thesis

Valuation

Risks & Catalysts

Recommendation

Comparable Company Analysis (1/2)

Due to Amazon's diverse revenue streams and business segments, the comparable companies are segmented into i) First Person Retail ii) Third Person Retail iii) AWS and iv) Advertising

US\$mm Company			Market Data			LTM Valuation			NTM Valuation		
	Share Price	Shares Outstanding	Equity Value	Net Debt	Enterprise Value	EV/Revenue	EV/EBITDA	P/E	EV/Revenue	EV/EBITDA	P/E
First Person Retail Segment											
Costco	\$916.61	\$443.70	\$406,699.86	(\$5,119.00)	\$401,580.86	1.5x	33.3x	53.5x	1.4x	29.6x	48.3x
JD.com	\$45.21	\$1,451.50	\$65,622.32	(\$19,955.90)	\$45,666.42	0.3x	7.0x	12.2x	0.3x	5.7x	9.5x
Walmart Inc,	\$87.46	\$8,016.80	\$701,149.33	\$53,076.00	\$754,225.33	1.1x	17.8x	36.3x	1.1x	16.7x	33.1x
Average						1.0x	19.4x	34.0x	0.9x	17.3x	30.3x
Median						1.1x	17.8x	36.3x	1.1x	16.7x	33.1x
Third Person Retail Segment											
Etsy Inc.	\$46.29	\$107.10	\$4,957.66	\$1,394.70	\$6,352.36	2.3x	14.5x	19.7x	2.3x	8.3x	9.3x
eBay Inc.	\$67.44	\$466.00	\$31,427.04	\$1,966.00	\$33,393.04	3.2x	13.0x	17.1x	3.2x	10.2x	12.7x
Alibaba Group	\$147.57	\$2,259.60	\$333,449.17	(\$26,147.70)	\$307,301.47	2.3x	11.7x	21.6x	2.1x	9.6x	14.9x
Average						2.6x	13.0x	19.5x	2.5x	9.4x	12.3x
Median						2.3x	13.0x	19.7x	2.3x	9.6x	12.7x
AWS											
Oracle Corporation	\$154.01	\$2,804.20	\$431,874.84	\$91,353.00	\$523,227.84	9.4x	22.8x	36.2x	8.3x	16.0x	24.1x
Salesforce Inc.	\$280.75	\$961.00	\$269,800.75	(\$1,962.00)	\$267,838.75	7.1x	24.0x	44.1x	6.6x	16.7x	25.2x
SAP SE	\$269.71	\$1,166.60	\$314,643.69	(\$1,021.10)	\$313,622.59	8.4x	32.2x	93.0x	7.5x	24.0x	39.4x
Average						8.3x	26.4x	57.8x	7.4x	18.9x	29.6x
Median						8.4x	24.0x	44.1x	7.5x	16.7x	25.2x
Advertising											
Alphabet Inc.	\$164.29	\$12,190.00	\$2,002,695.10	(\$67,520.00)	\$1,935,175.10	5.5x	14.9x	20.4x	5.0x	11.2x	18.3x
Meta Platforms Inc.	\$604.90	\$2,533.70	\$1,532,635.13	(\$28,046.00)	\$1,504,589.13	9.1x	18.0x	25.4x	8.0x	13.3x	23.9x
Average						7.3x	16.5x	22.9x	6.5x	12.3x	21.1x
Median						7.3x	16.5x	22.9x	6.5x	12.3x	21.1x
Amazon.com Inc.	\$195.54	\$10,597.70	\$2,072,274.26	\$54,199.00	\$2,126,473.26	3.3x	17.7x	35.4x	3.0x	12.6x	30.8x

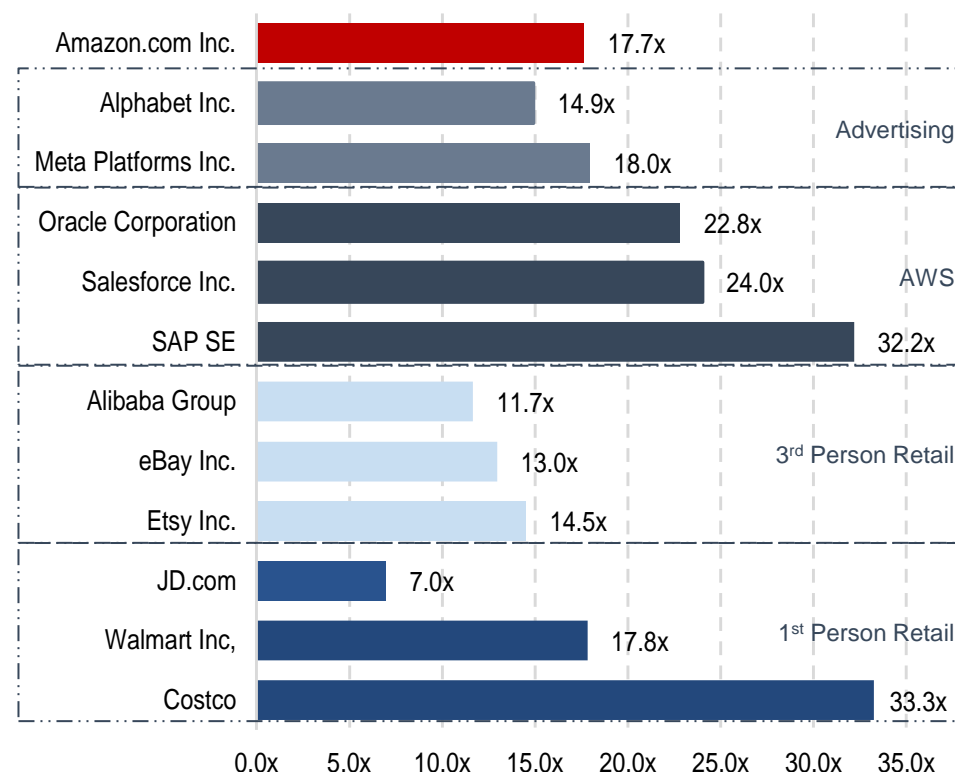
Comparable Company Analysis (2/2)

Amazon's corporate level multiples fall comfortably within the upper and lower bounds of their peers in their respective industries. This is driven by Amazon's cost efficiency, continued innovation to maintain a significant player in the markets it operates in, and diversified operations

Analysis Commentary

- Due to Amazon's diverse business segments, it is difficult to assign a weight to any of the comp sets, rather they serve as a range of potential valuations for the company
- The set of comparable companies were segmented by AMZN's primary business segments, the subscription (or prime adjacent) segment has no truly comparable corporates, as most major streaming services are baked into much larger conglomerates (i.e. Apple, Disney) or the nature of the subscription largely differs from that of Amazons
- Amazon's overall multiples are justified by its diversified business model, which balances high-growth, high-margin segments like AWS and Advertising with the more stable but lower-margin retail operations
- Cloud Services premium valuation significantly boosts the overall EV/Revenue and EV/EBITDA, reflecting its market leadership in cloud computing
 - The P/E multiple of 35.4x (LTM) and 30.8x (NTM) aligns with a growth company that reinvests heavily in innovation (e.g., AI, logistics, and ad tech), while still delivering strong earnings growth
- Amazon.com Inc.'s overall multiples are EV/Revenue of 3.3x (LTM) and 3.0x (NTM), EV/EBITDA of 17.7x (LTM) and 12.6x (NTM), and P/E of 35.4x (LTM) and 30.8x (NTM).
 - These figures are a composite of its diverse segments, with AWS and Advertising pulling the revenue multiple higher due to their growth profiles, while the retail segments temper the overall profitability multiples due to their lower margins and higher operational costs

EV/EBITDA Visualization of Peer Universe



Rationale on excluding Comparable Company Analysis from valuation weighting

Ultimately, these comparable companies provide a benchmark for evaluating Amazon's various business segments. As Amazon's financial statements do not disclose segment-level COGS or operating expenses, it is not feasible to estimate the EBITDA for each segment. The investment team does not consider revenue multiples to be a reliable metric for valuation in this context; instead, as they neglect the cost structure and cost efficiency which are key value drivers of a business such as Amazon..

Discounted Cash Flow Analysis (1/2)

The DCF Valuation, using the perpetuity method, implies a share price of \$225.71, representing a 17% premium to the current share price of \$192.72. This upside is driven by Amazon's continual FCF growth, which is supported by a conservative perpetuity growth rate of 3% and WACC of 10.6%

Discounted Cash Flow Output Table									Key Assumptions	
(US\$mm) Period	Historicals			Forecast Period					As of 2025-03-14	
	2022A	2023A	2024A	2025F	2026F	2027F	2028F	2029F		
				1	2	3	4	5		
Retail 1P Products Net Sales	238,967	251,902	268,244	284,023	303,681	324,701	347,177	371,213	Current Share Price	\$192.72
Retail 3P Seller Services Net Sales	117,716	140,053	156,146	168,292	181,755	196,295	211,999	228,959	Net Debt	\$54.2bn
Retail Subscription Services Net Sales	35,218	40,209	44,374	48,704	53,575	60,271	67,805	74,586	Perpetual Growth Rate	3.00%
Advertising Services Net Sales	37,739	46,906	56,214	64,528	74,207	85,338	98,139	112,860	Implied Exit Multiple (EV/EBITDA)	9.4x
AWS Net Sales	80,096	90,757	107,556	123,189	141,667	159,375	179,297	201,709	WACC	10.60%
Other Net Sales	4,247	4,958	5,425	5,684	5,968	6,266	6,580	6,908	Tax Rate	13.50%
Revenue	513,983	574,785	637,959	694,419	760,852	832,247	910,997	996,235		
Growth Rate (%)		12%	11%	9%	10%	9%	9%	9%		
(-) COGS	288,831	304,739	326,288	347,617	372,589	395,067	423,340	452,987		
Gross Profit	225,152	270,046	311,671	346,802	388,264	437,180	487,658	543,248		
Margin (%)	44%	47%	49%	50%	51%	53%	54%	55%		
(-) Fulfillment	84,299	90,619	98,505	107,714	117,640	127,847	139,033	151,045		
(-) R&D	73,213	85,622	88,544	95,675	104,072	113,005	122,787	133,280		
(-) S&M	42,238	44,370	43,907	47,104	50,849	54,788	59,061	63,591		
(-) G&A	11,891	11,816	11,359	11,665	12,022	12,317	12,572	12,752		
(-) Other Opex	1,263	767	763	829	908	994	1,088	1,189		
EBIT (Operating Income)	12,248	36,852	68,593	83,815	102,773	128,229	153,116	181,390		
Margin (%)	2%	6%	11%	12%	14%	15%	17%	18%		
(-) Taxes	(3,217)	7,120	9,265	11,321	13,882	17,320	20,682	24,501		
Tax Rate (%)	NMF	19.3%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%		
Net Operating Profit After Tax (NOPAT)	15,465	29,732	59,328	72,494	88,891	110,909	132,435	156,889		
(+) Depreciation & Amortization	41,317	47,957	51,957	61,078	59,134	57,809	55,993	54,623		
Growth Rate (%)				22%	23%	25%	19%	18%		
Margin (%)	3%	5%	9%	10%	12%	13%	15%	16%		
(+ / -) Change in NWC	(20,886)	(11,541)	(15,541)	4,852	5,709	6,135	6,767	7,325		
Growth Rate (%)				(131%)	18%	7%	10%	8%		
Margin (%)	(4%)	(2%)	(2%)	1%	1%	1%	1%	1%		
(-) Capital Expenditures	58,321	48,133	77,658	56,000	56,000	56,000	56,000	56,000		
Growth Rate (%)				(28%)	-	-	-	-		
Margin (%)	11%	8%	12%	8%	7%	7%	6%	6%		
Unlevered Free Cash Flow (UFCF)	(22,425)	18,015	18,086	82,423	97,734	118,852	139,195	162,837		
Growth Rate (%)		NMF	0%	356%	19%	22%	17%	17%		
WACC (%)				11%	11%	11%	11%	11%		
Present Value UFCF				74,563	79,982	87,989	93,221	98,655		
Sum of Present Value UFCF			434,409							

Discounted Cash Flow Analysis (2/2)

Illustrating Amazon's strong upside potential and explaining the rationale behind key assumptions that went into the model

Discounted Cash Flow Analysis Commentary

- **Revenue and Cost Assumptions**
 - The revenue and cost assumptions were based on management's guidance which we believe to be a strong indicator as they fall in line with historicals
 - Extremely conservative as they assume <100bps margin expansion per year
- **Depreciation & Amortization**
 - Expected to increase as Amazon spends more on capex
- **Weighted Average Cost of Capital (WACC)**
 - Quite high for a company of this stature and size
 - Driven by debt which accounts for roughly 16% of Amazon's capital structure and the cost of equity is roughly 12%
- **Methodology Rationale**
 - We decided to not use the exit multiple method as it is highly unlikely Amazon would ever be acquired because of their size
 - Arrive at an implied exit multiple of 9.4x which is less than its current multiple

WACC Build

Numerical data is taken from Capital IQ

The cost of equity is calculate using the Capital Asset Pricing Model (CAPM)

Amazon's WACC is influenced by two key factors: **its debt and cost of equity**. Consumer goods companies generally face a higher cost of equity due to their dependence on broader economic trends

WACC

Fully Diluted Share Count	10.6bn
Fully Diluted Market Cap	\$2.04bn
Total Debt	\$338.92mm
Cost of Debt	4.25%
Risk Free Rate	4.22%
Cost of Equity	11.68%
Expected Return on the Market	10.49%
Effective Tax Rate	13.50%
Beta	1.19
WACC	10.54%

Sensitivity Analysis

		WACC						
		8.29%	9.04%	9.79%	10.54%	11.29%	12.04%	12.79%
Perpetuity Growth Rate	4.50%	\$429.65	\$361.89	\$313.12	\$276.29	\$247.44	\$224.20	\$205.06
	4.00%	\$382.44	\$328.34	\$288.06	\$256.85	\$231.93	\$211.53	\$194.52
	3.50%	\$345.09	\$300.84	\$266.98	\$240.17	\$218.40	\$200.35	\$185.12
	3.00%	\$314.79	\$277.90	\$249.00	\$225.71	\$206.51	\$190.40	\$176.67
	2.50%	\$289.73	\$258.46	\$233.49	\$213.04	\$195.98	\$181.50	\$169.05
	2.00%	\$268.65	\$241.79	\$219.96	\$201.86	\$186.57	\$173.48	\$162.13
	1.50%	\$250.67	\$227.32	\$208.07	\$191.91	\$178.13	\$166.22	\$155.83

Amazon.com, Inc. (NASDAQ: AMZN)

Company Overview

Industry Overview

Investment Thesis

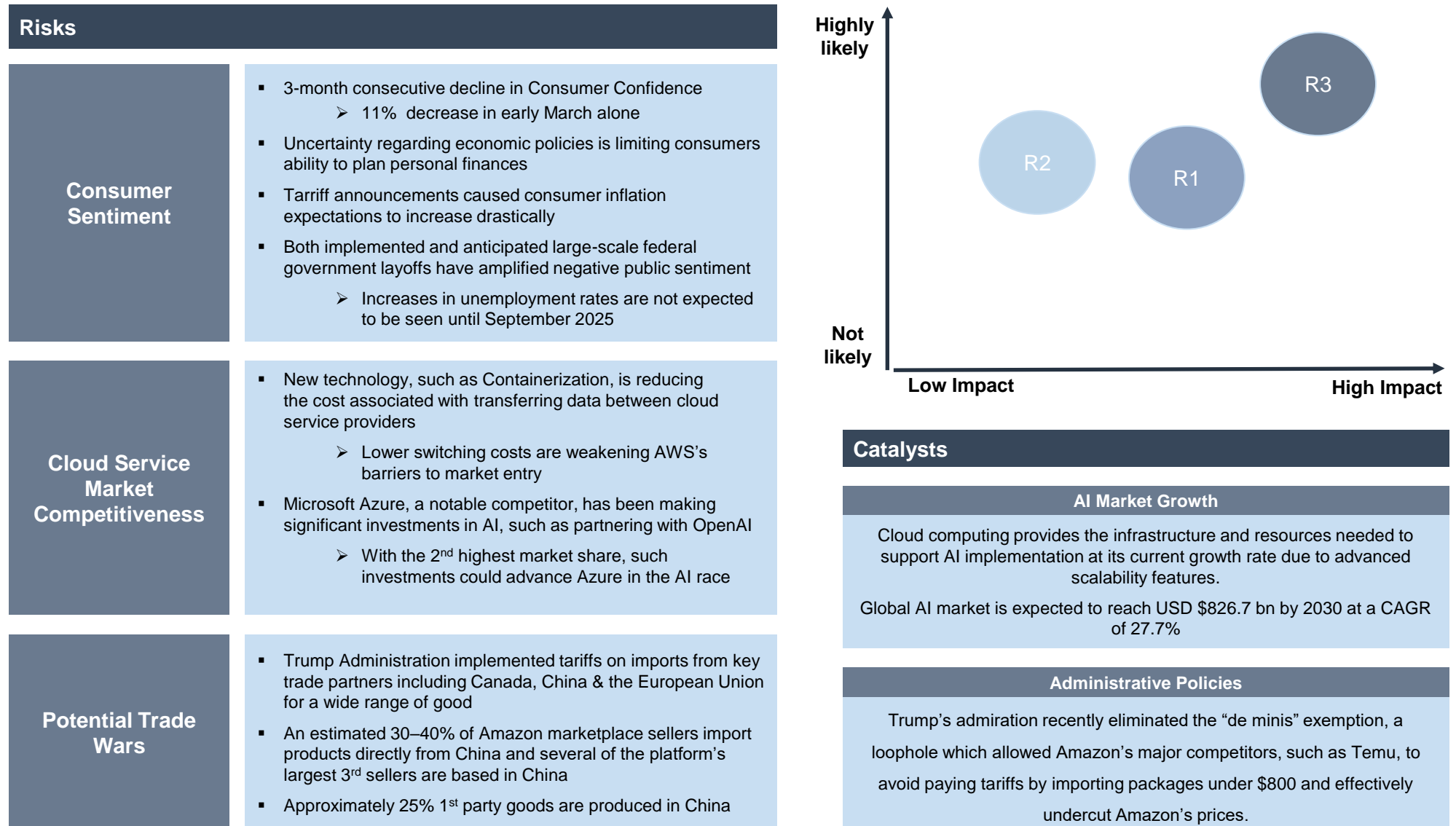
Valuation

Risks & Catalysts

Recommendation

Risks & Catalysts

Amazon is the global leader in the online retail space, driven by consumer loyalty, logistical superiority, and technological advancements. Its expansive product selection and seamless shopping experience to reinforce its dominance in e-commerce



Amazon.com, Inc. (NASDAQ: AMZN)

Company Overview

Industry Overview

Investment Thesis

Valuation

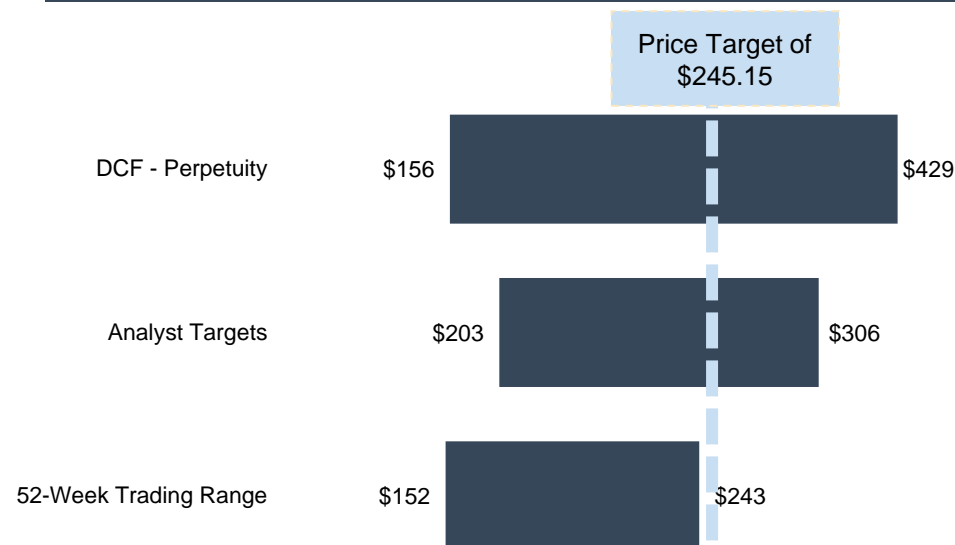
Risks & Catalysts

Recommendation

Buy With A Price Target Of \$245.15

In the CFAC case, this results in an implied upside of ~27%

Indicative Valuation Range



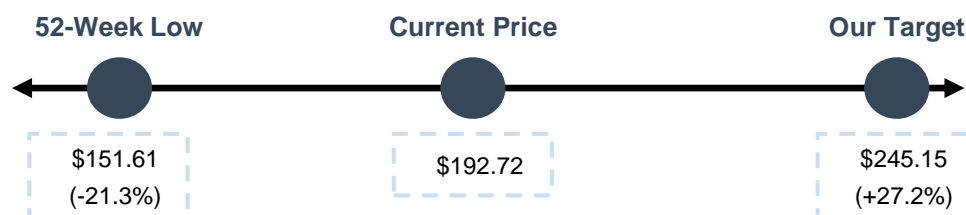
Significant opportunity in advertising segment

Dominance in global e-commerce

Amazon's subscription services growth

Price Target

Valuation Summary - Price Target		
Analysis	Price	Weight
DCF - Perpetuity	\$225.71	50%
Analyst Price Targets	\$264.59	50%
Weighted Average	\$245.15	



Selected Broker Summary

