amazon

THE CHAINGANG

FEAT. JEFFREY P. BEZOS

amazon

THE CHAINGANG

FEAT. JEFFREY P. BEZOS

amazon

THE CHAINGANG

FEAT. JEFF BEZOS

amazon

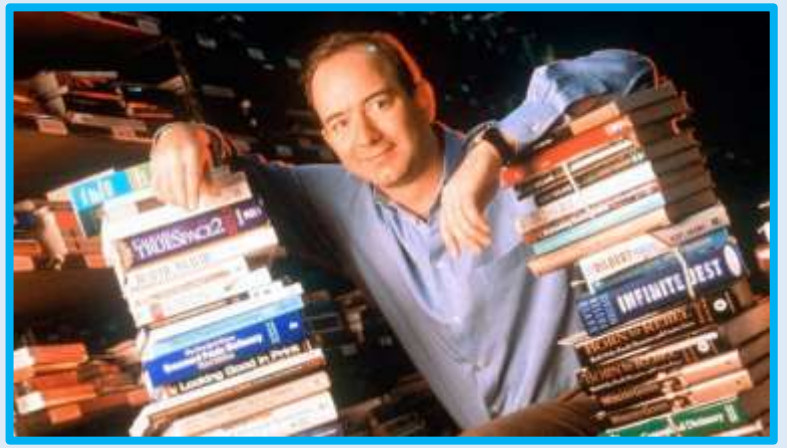
COMPANY OVERVIEW

amazon

Company Overview

- Headquartered in Seattle, Washington
- Stock Price: $3,400
- Market Cap: $1.9 Trillion
- Ticker Symbol: AMZN
- IPO in 1997 at $18
- Employs nearly 1.3 Million people

History



Amazon is founded — 1994

IPO at $18 — 1997

Amazon secures 1-Click Patent/third-party marketplace — 1999

AWS is launched — 2003

Amazon Prime is Launched — 2005

Kindle goes on sale; Audible is acquired — 2007-2008

Seven days a week — 2013

Amazon Echo enters the market — 2015

Reaches $1 Trillion Market Cap — 2018

amazon

Company Overview

- World’s Largest Retailer
- Clear Leader in Cloud Computing Market
- Third-Party Marketplace
- Amazon Web Services (AWS)

amazon

Company Overview

- Amazon Prime
- Consumer Electronics
  - Amazon Alexa
  - Amazon Echo
- Support for Content Creators

MANAGEMENT

amazon

Management

Jeffrey Bezos
Executive Chair

Andy Jassy
President & CEO

Dave Clark
CEO of Worldwide Consumer

Brian T. Olsavsky
CFO

amazon

Management

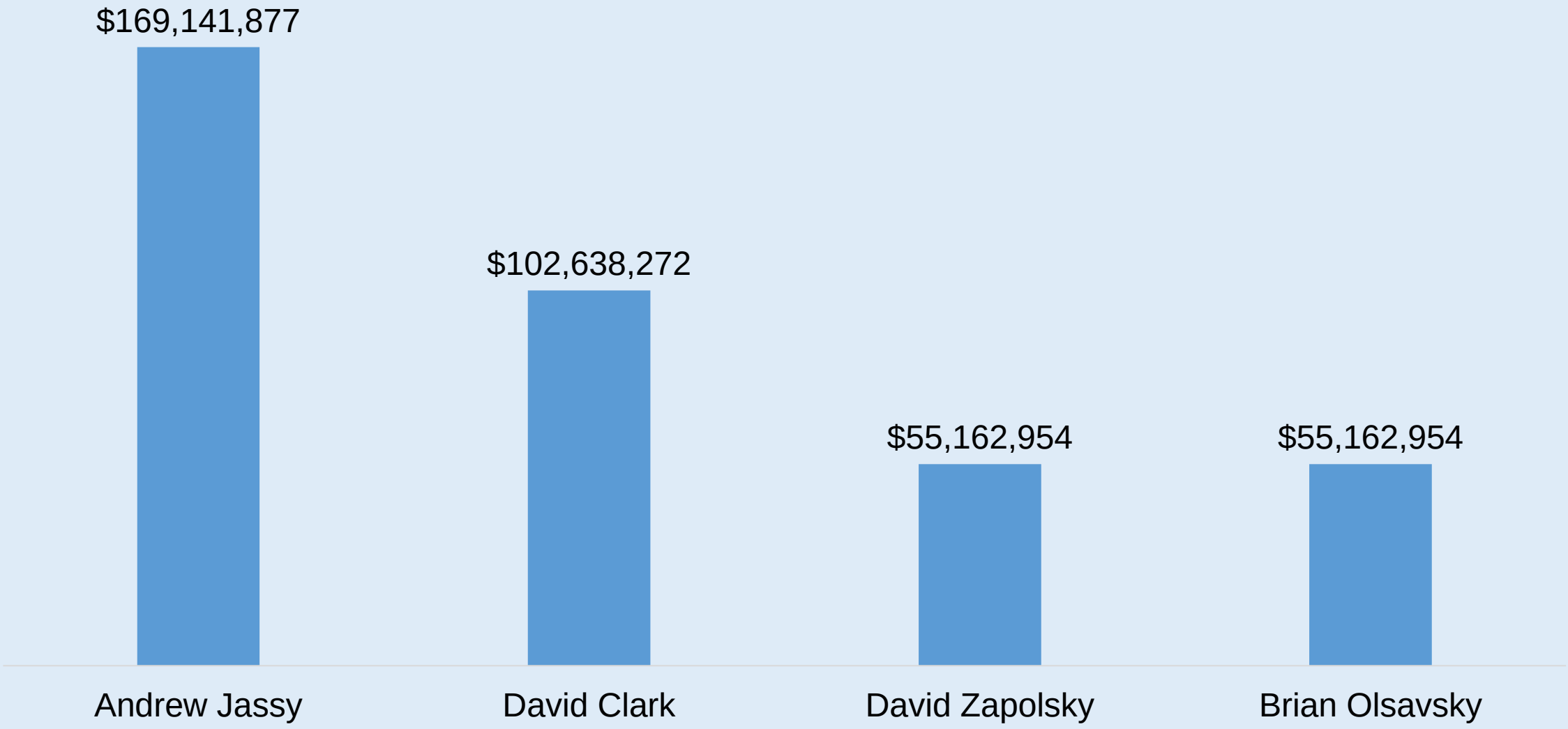
Adam Selipsky
CEO of Amazon
Web Services

Shelley Reynolds
Vice President of
Finance

David Zapolsky
Vice President
and Head of Litigation

amazon

Executive Compensation – Ownership



Life After Bezos

Andy Jassy, CEO

- Turned AWS into $40 billion business
- 24-year tenure with the company
- Industry Renowned
- Shadow Advisor to Bezos

- Focus: Innovation & Customer Experience

amazon

Recent News

RECENT NEWS

- Rise of Andy Jassy
- Jeff Bezos steps down
- Renegotiation of JEDI Cloud Contract
    - $10 Billion Multi-Vendor Contract

BUSINESS SEGMENTS

Business Segments

North America

International

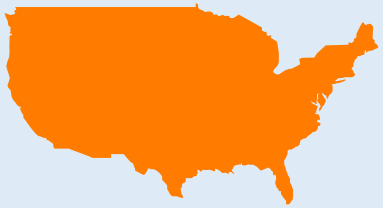
AWS

amazon

Business Segments – North America

Consists of US, Mexico, and Canada

- Retail Sales
  - E-Commerce
  - Physical Stores
- Third-Party Seller Fees
  - Fulfillment by Amazon (FBA)
- Amazon Prime Subscription Fees
- Export Sales
- Other Revenue: Advertising Business



amazon

Business Segments – International

Consists of products and service sales outside of North America

- Retail Sales
  - E-Commerce
- Third-Party Seller Fees
  - Fulfillment by Amazon (FBA)
- Amazon Prime Subscription Fees
- Export Sales

Business Segments – AWS

Amazon Web Services (AWS)

- Is a *Cloud Computing-Services* platform providing:
  - Database Storage
  - Machine Learning
  - Artificial Intelligence
  - Also includes: AWS Semiconductor

amazon web services

amazon

What is Cloud Computing?

Cloud Computing is…

- On-demand delivery of IT resources over the Internet
- Pay-as-you-go pricing

What is cloud computing used for?

- Software Development
- Big Data Analytics
- Customer-Facing Web Applications
- Healthcare
- Financial Services
- Online Video Games

amazon

amazon
web services™
Public data storage
Private data storage
Dynamic web hosting
Web Apps hosting
Web Apps hosting
VPN gateway
Multimedia streaming
Load balancing
Auto scaling
... and much, much more!

AWS Clients

NETFLIX
twitch
Disney
Turner
MORNINGSTAR®
facebook
NFL
Adobe
BBC
salesforce
ESPN
Baidu 百度

Amazon Prime

The Backbone and X-Factor of Amazon Ecosystem

- 200 Million+ Subscribers
- Expedited Delivery Times on Designated Prime Items
  - Same-Day Delivery
  - Two-Day Shipping
- Prime Video: Access to Streaming Content
  - 1000s of movies, TV shows, and Music
  - Amazon Exclusive Content
- Whole Foods Market Discounts

Amazon Logistics

The company's primary marketing avenue and largest expense

- Consists of
  - Fulfillment Centers
    - 283 in North America
    - 521 Globally
  - Ground
    - Trucking
    - Delivery Vans

amazon

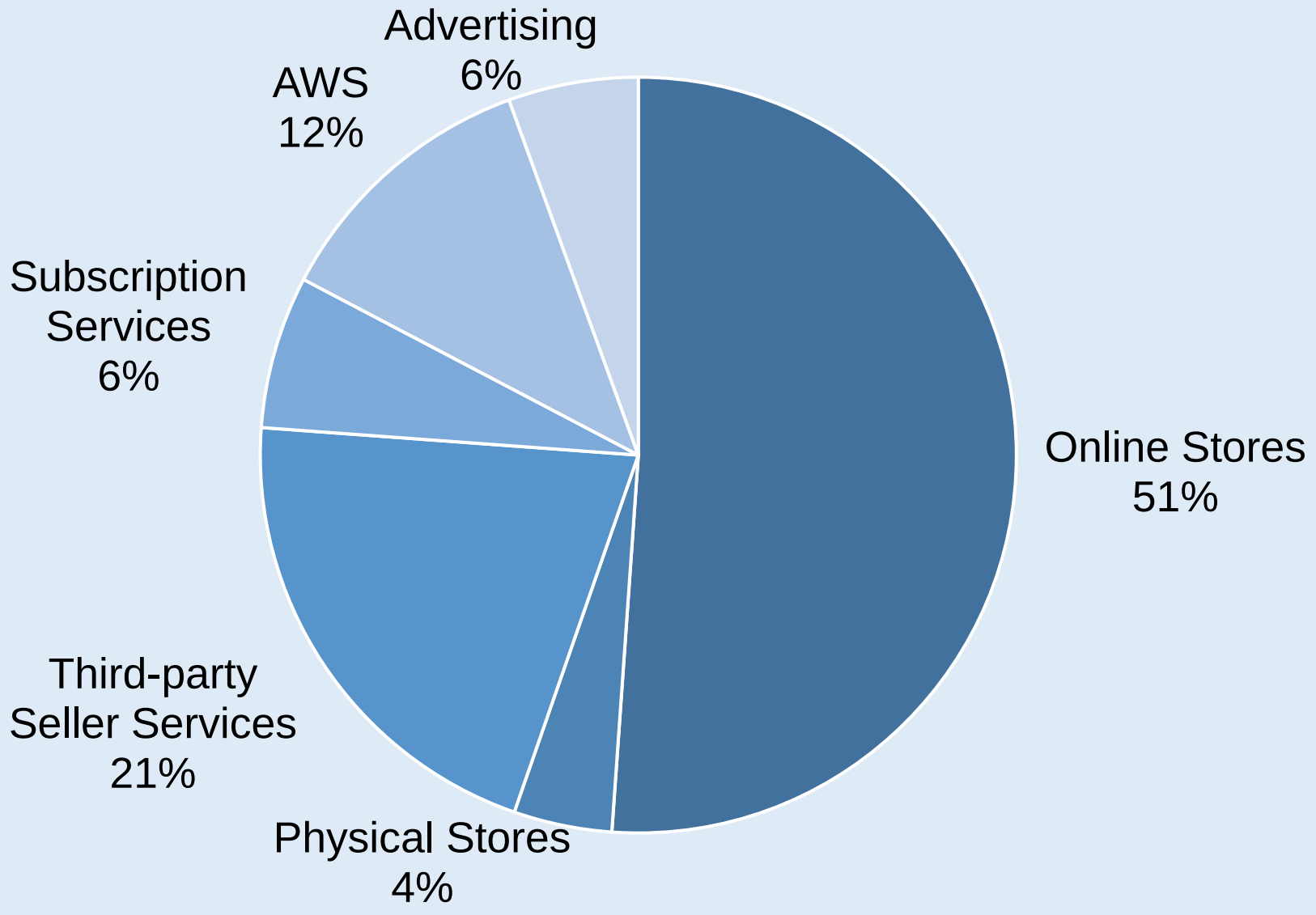
Advertising

Designed to create a relevant experience for Amazon customers, sellers, and vendors

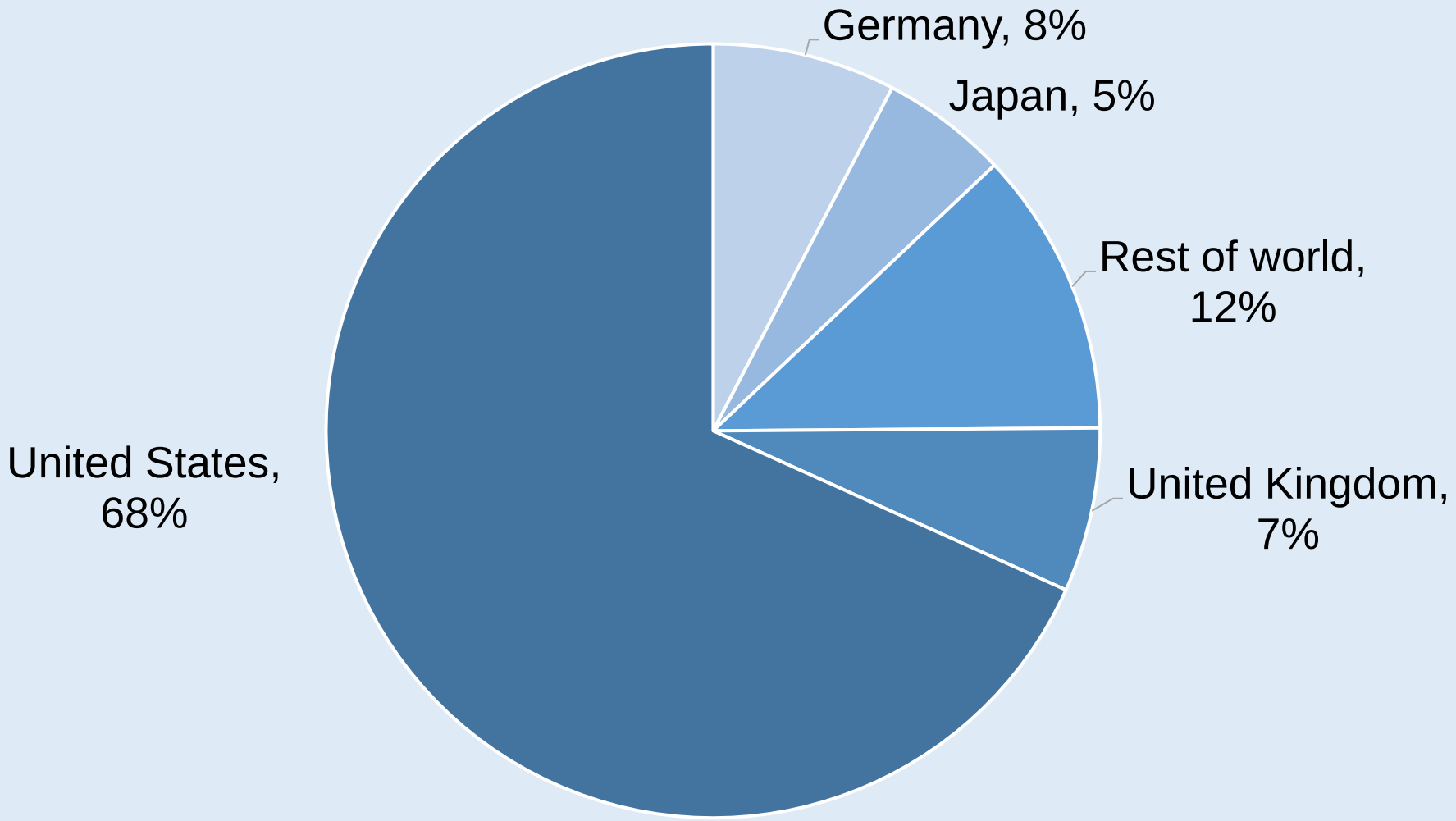
- Amazon.com
  - Sponsored Products
  - Sponsored Brands
  - Sponsored Display
- Digital Streaming
  - Audio Ads
  - Video Ads

REVENUE BREAKDOWN

Revenue Breakdown



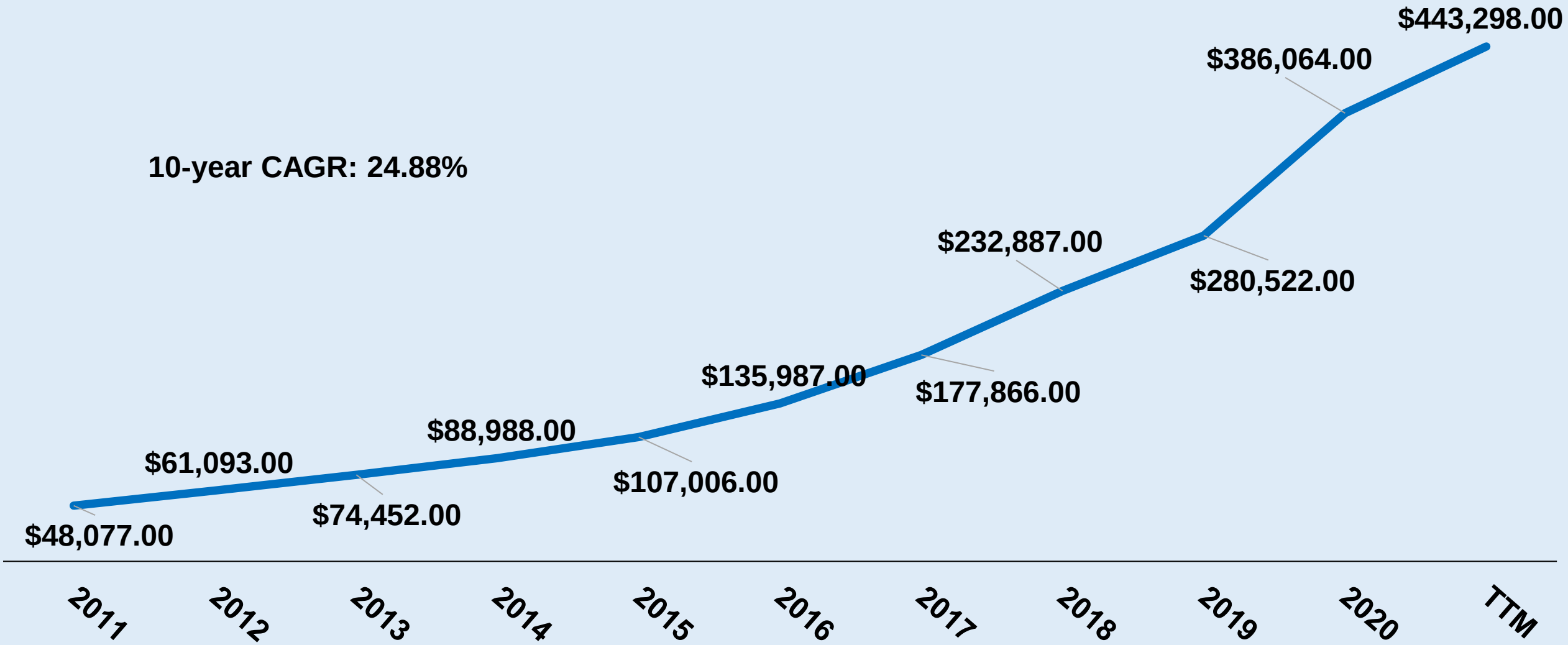
Revenue Breakdown: Geographical Breakdown



INTERPRETATION OF FINANCIAL $TATEMENT$

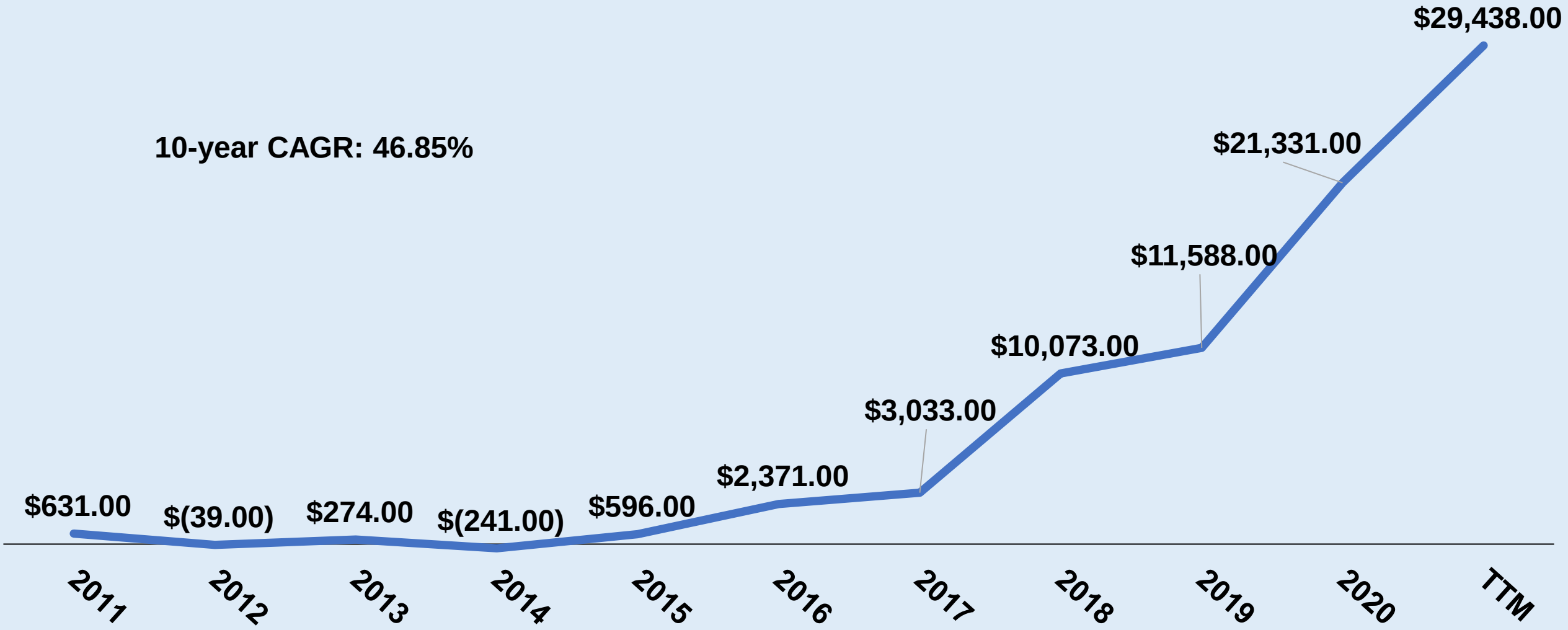
amazon

Revenue



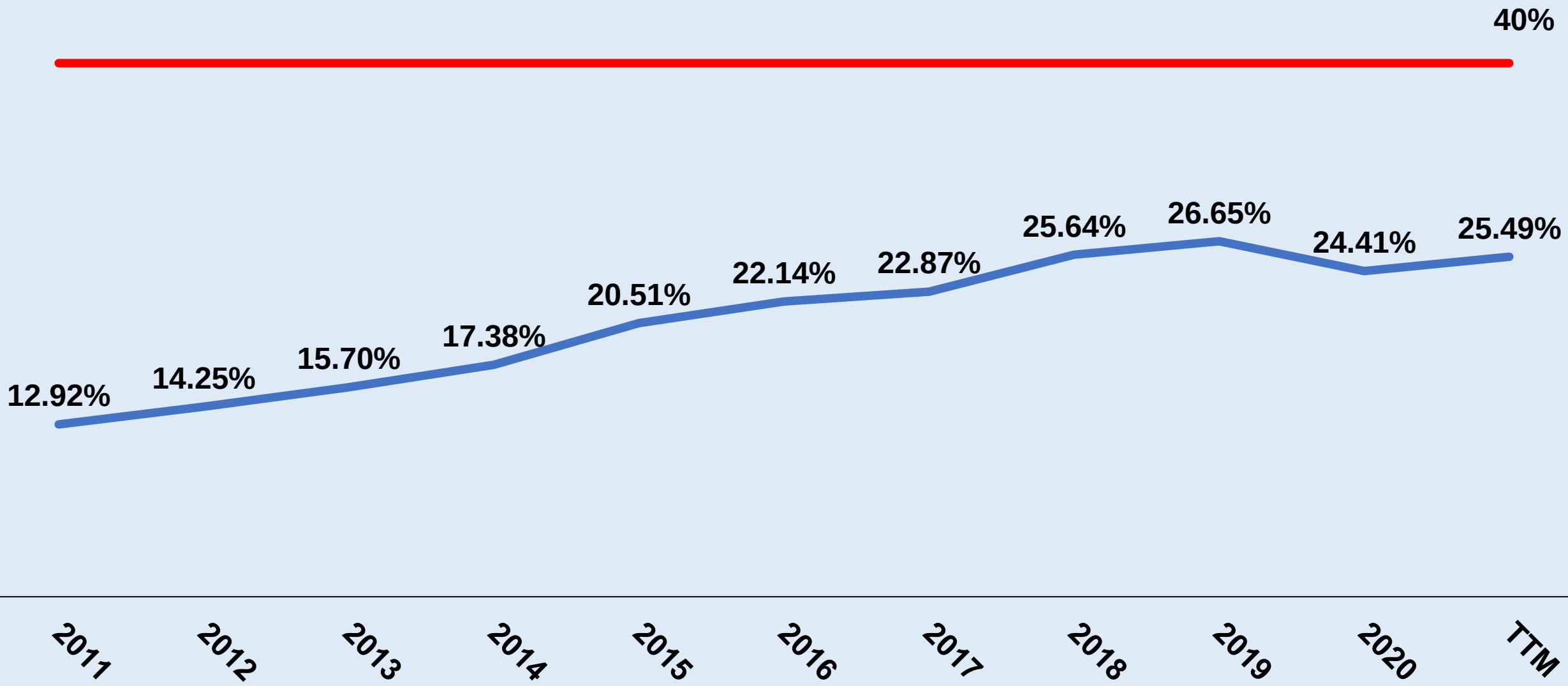
amazon

Net Income



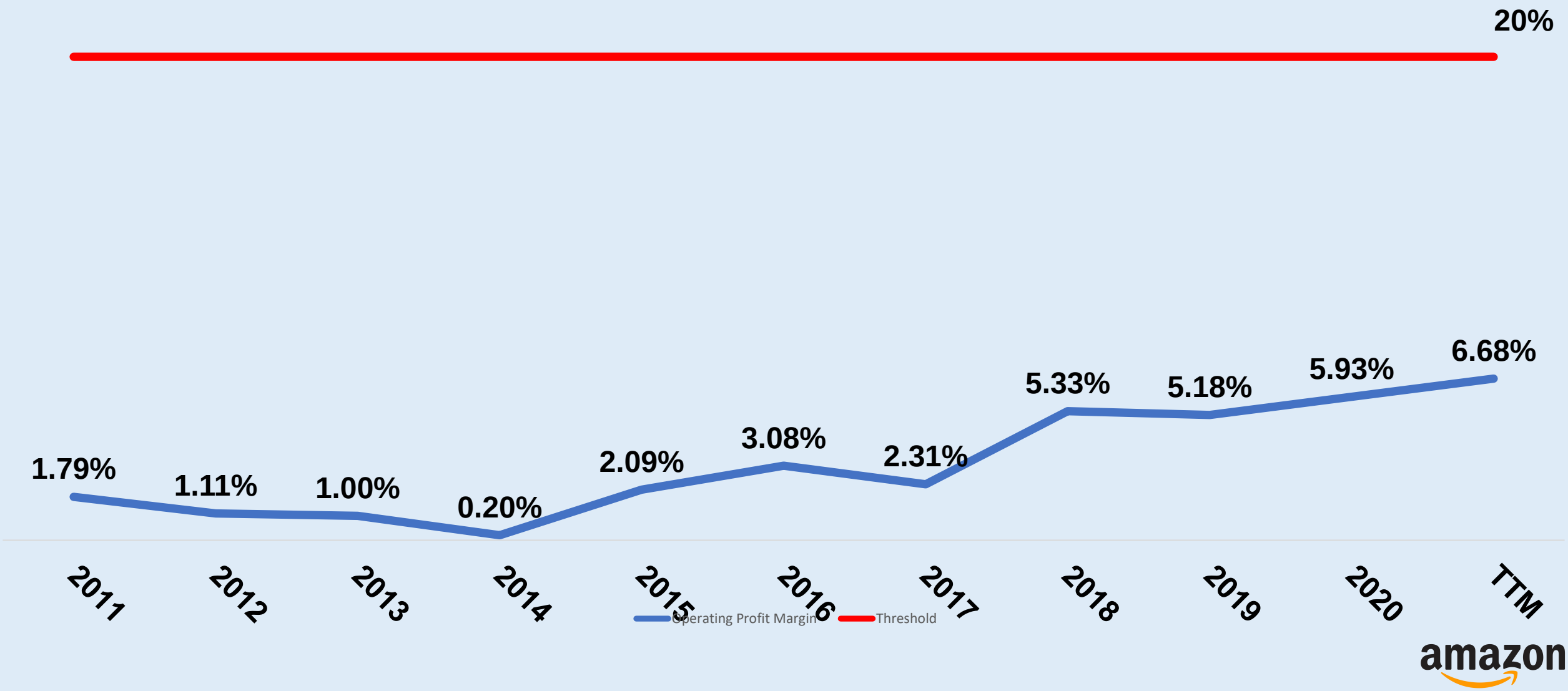
amazon

Gross Profit Margin



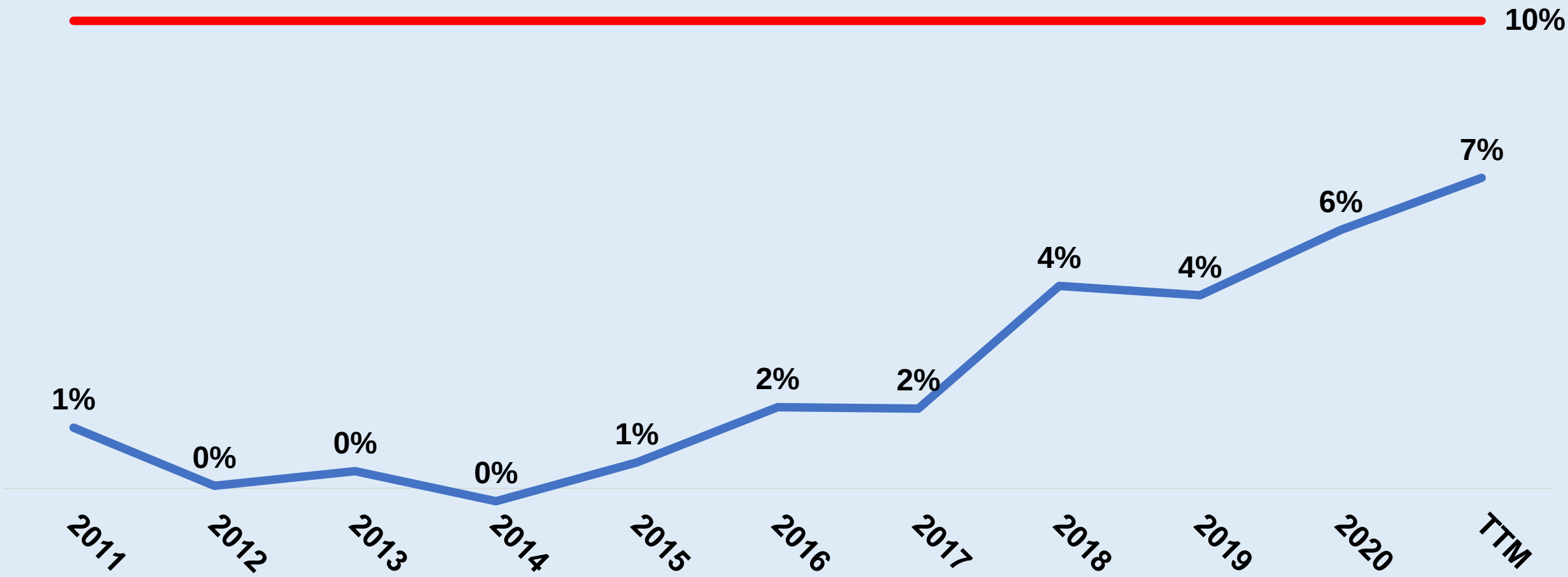
amazon

Operating Profit Margin



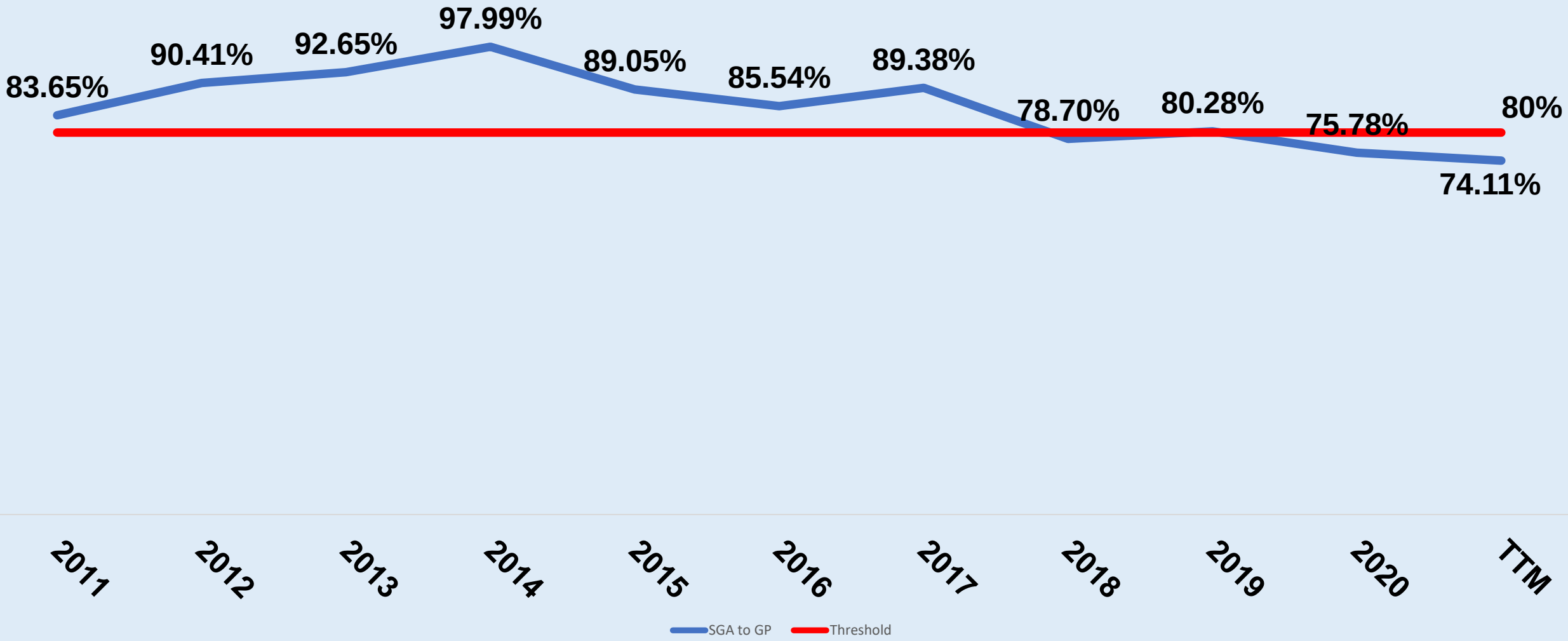
amazon

Net Margin



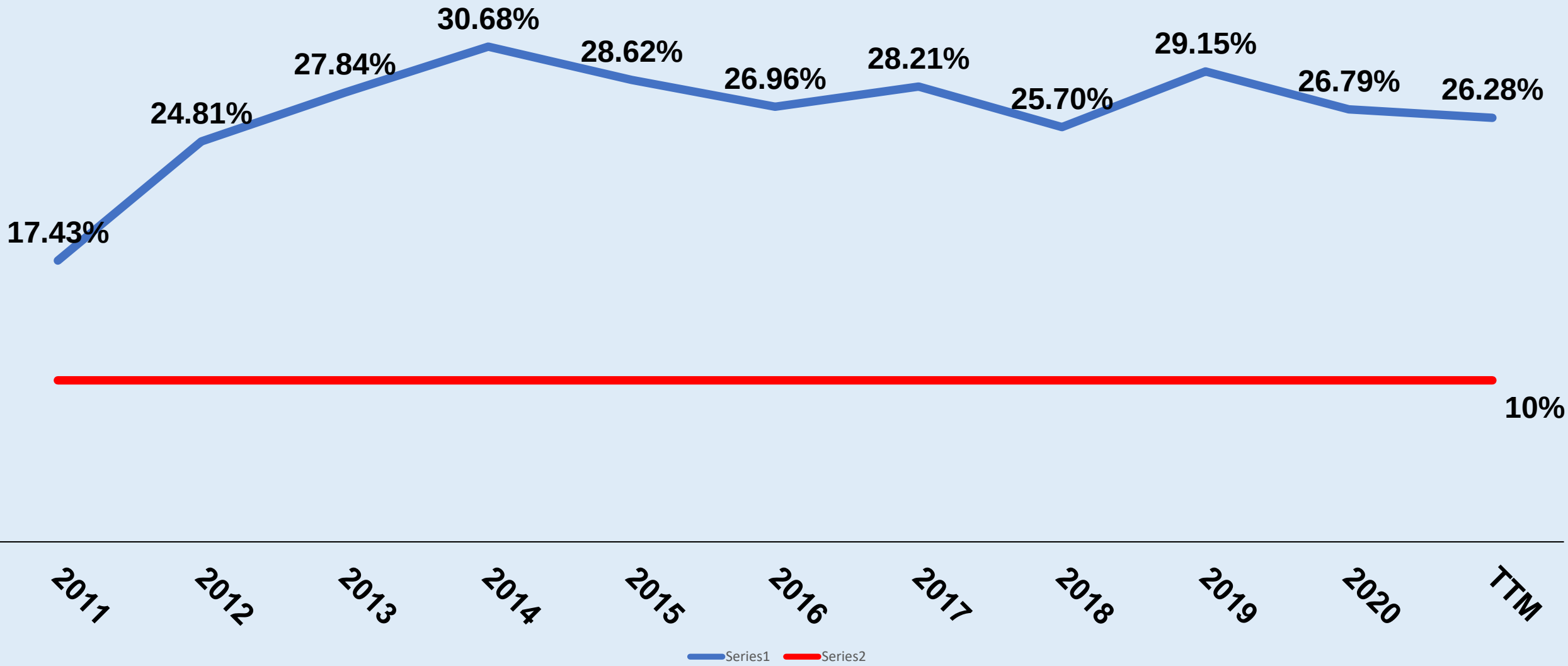
amazon

SG&A to Gross Profit



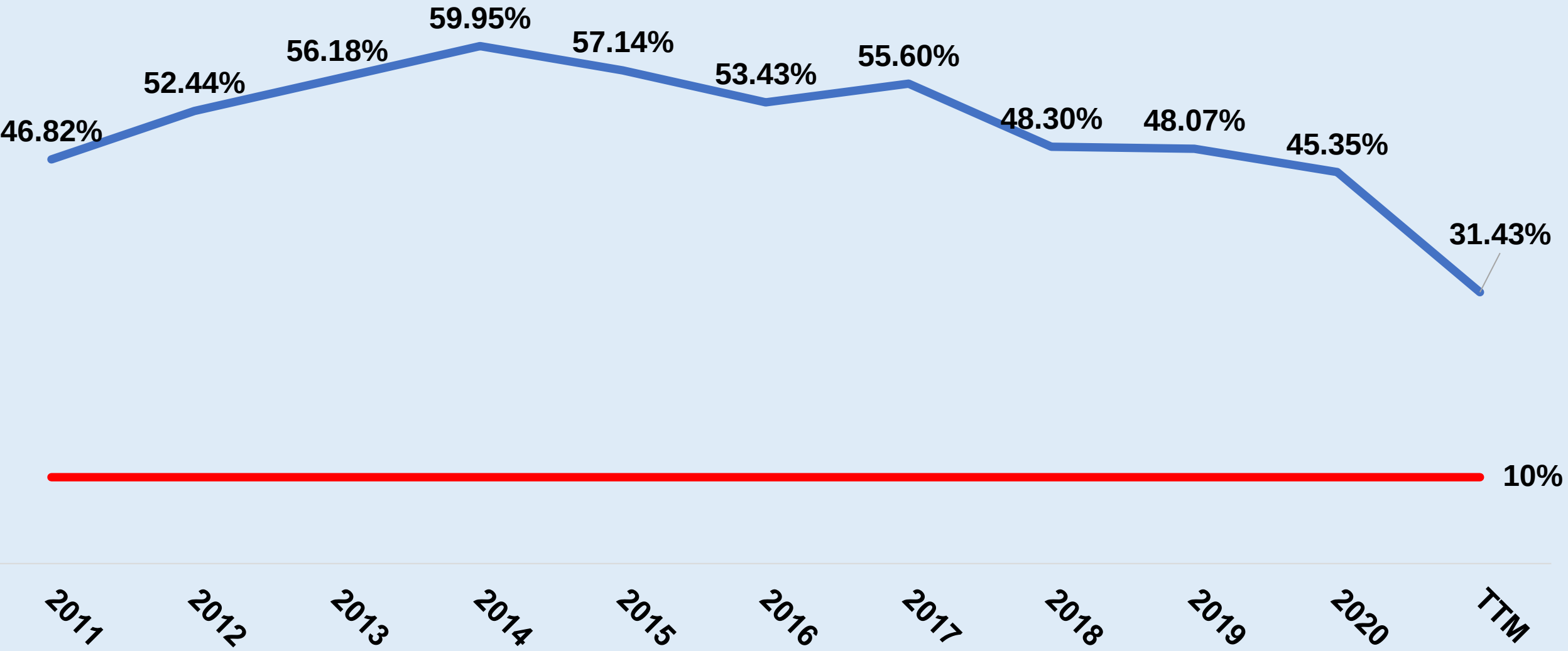
amazon

DA to Gross Profit



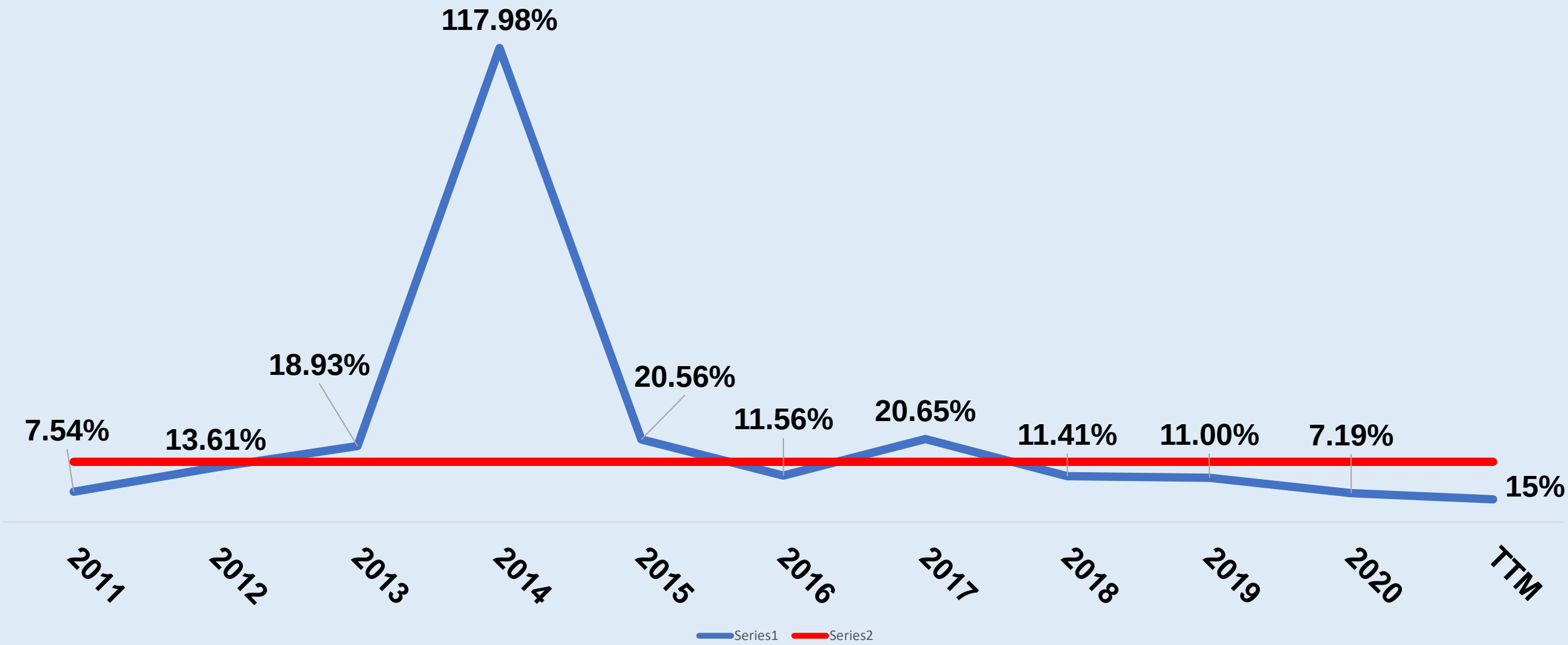
amazon

RD to Gross Profit



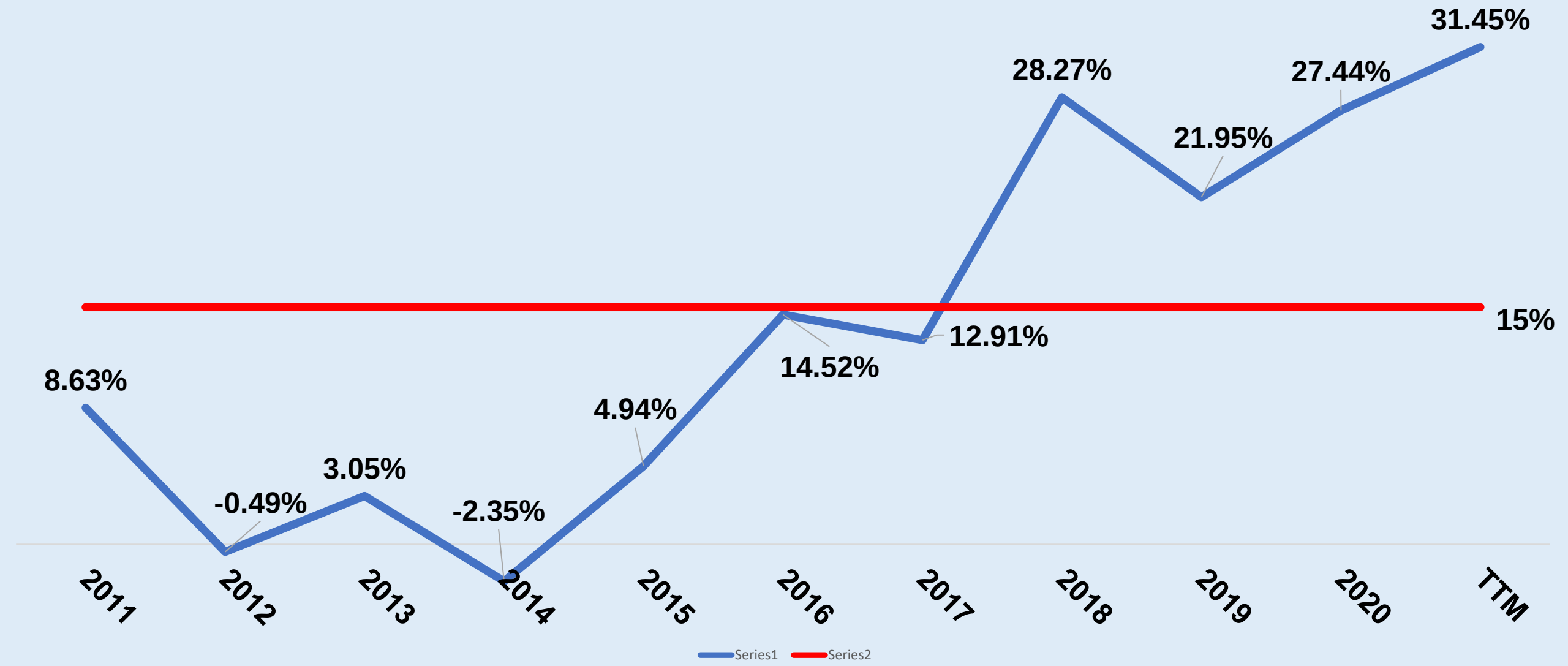
amazon

Interest Expense to Operating Income



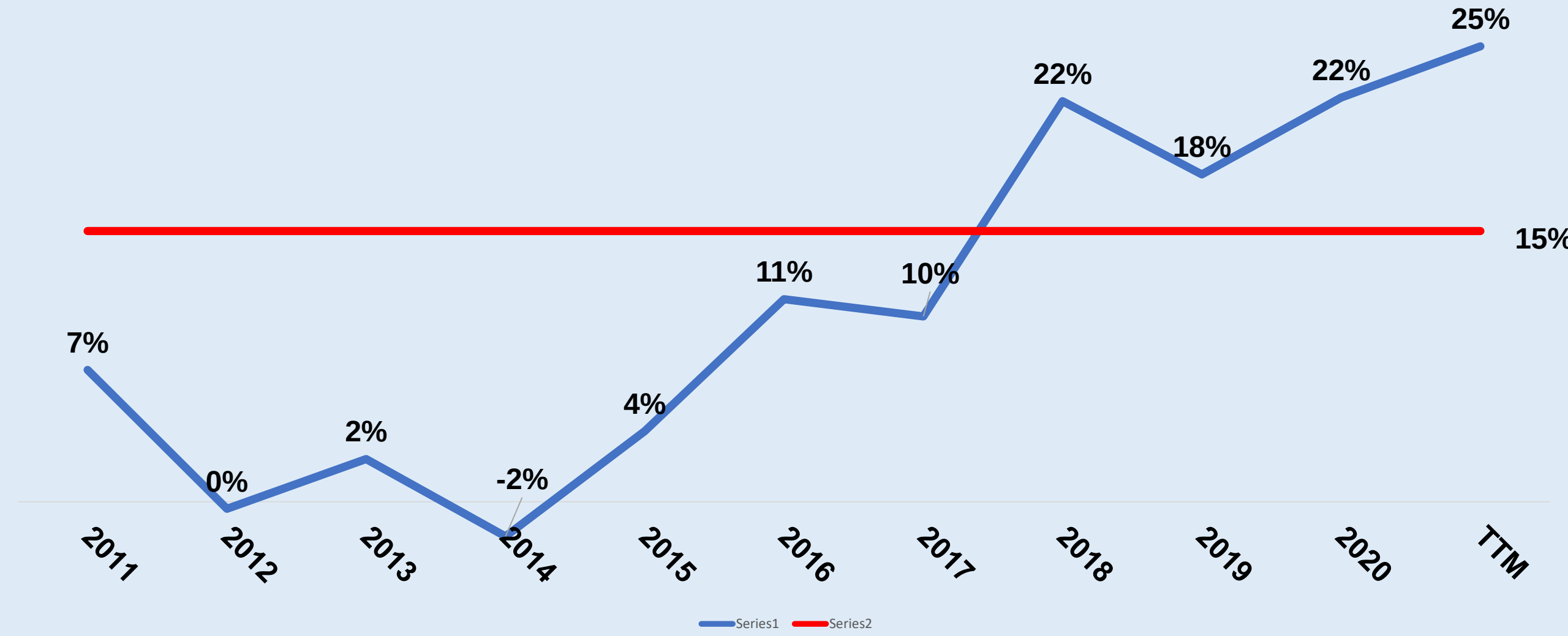
amazon

Return on Equity



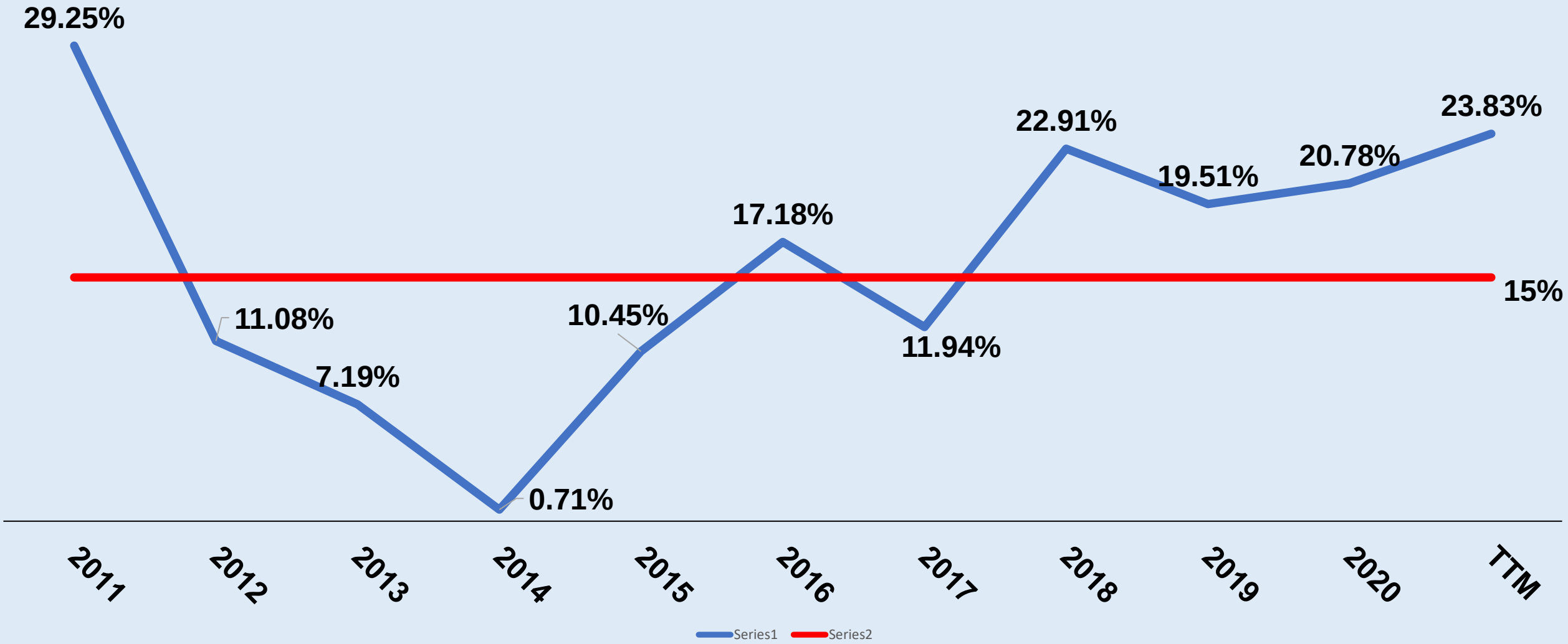
amazon

Return on Equity with Treasury Stock



amazon

Return on Capital



amazon

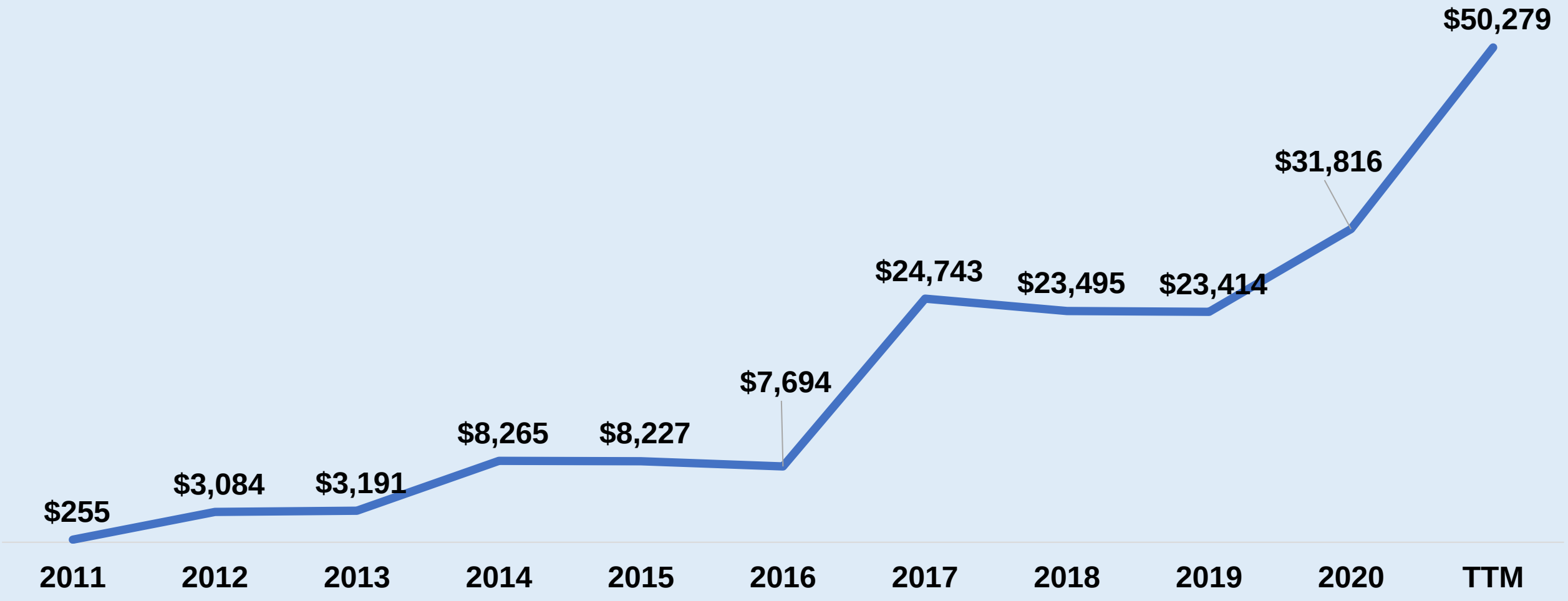
Adjusted Return on Capital

amazon

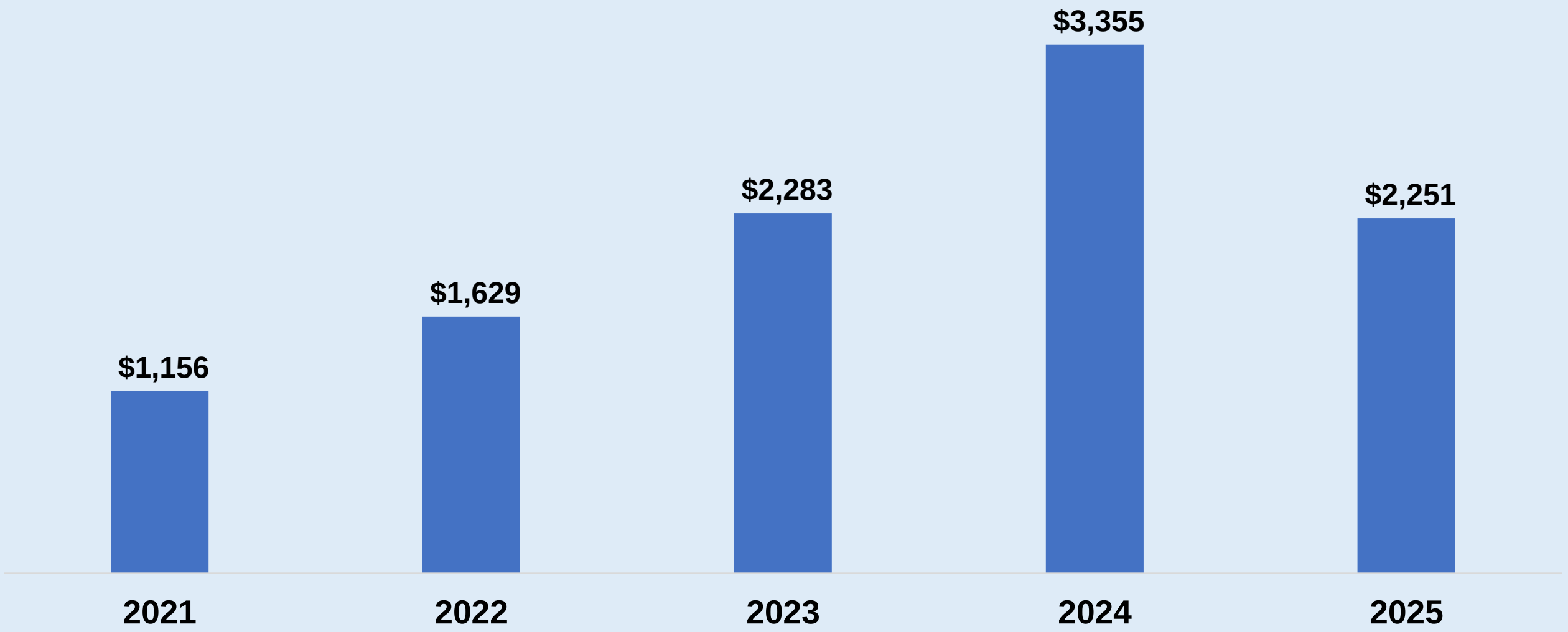
Obligation Ratio

Total Debt	$ 31,868.00
Pension	$0
Preferred Stock	$0
Leases x7	$ 39,200.00
Cash & Cash Equivalents	$ 73,270.00
Net Income (TTM)	$ 28,580.00
Threshold <5 yrs	-0.08 Years

Long Term Debt



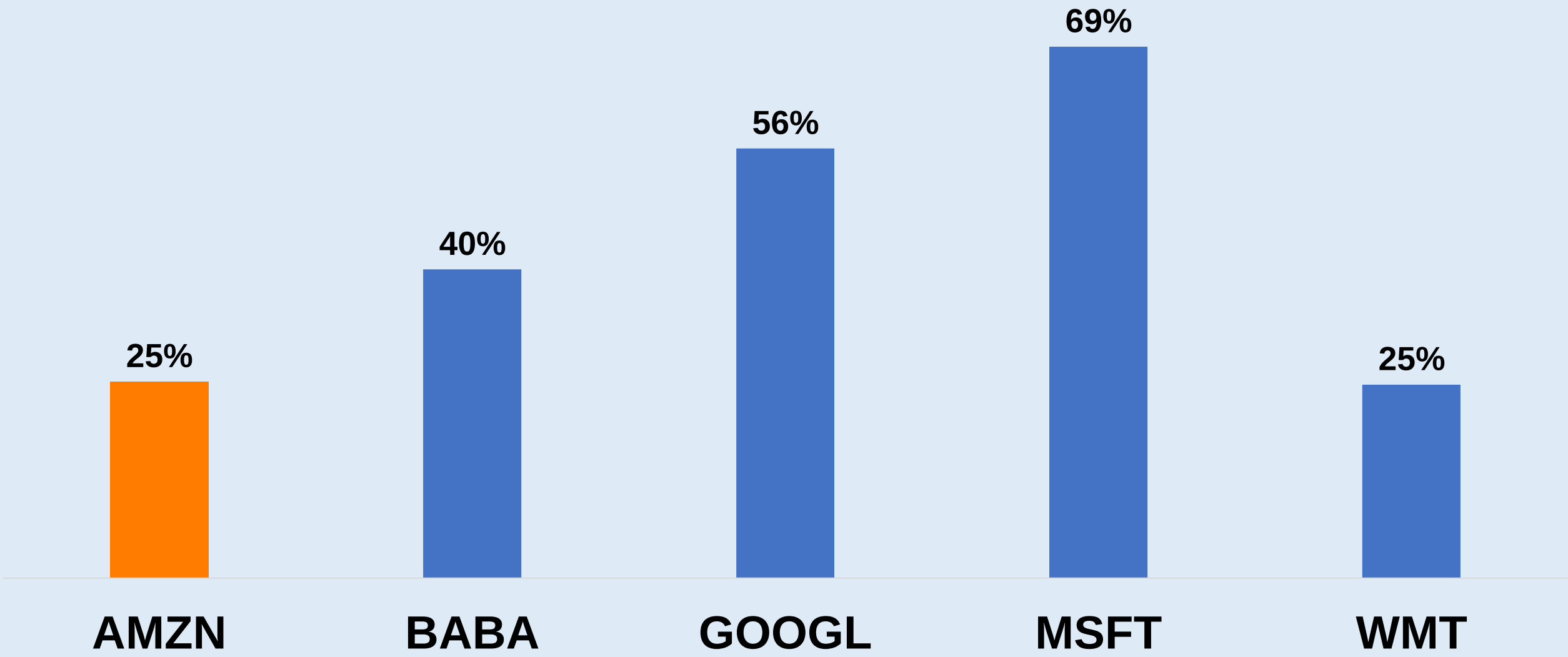
Debt Obligation Schedule



COMPETITOR ANALYSIS

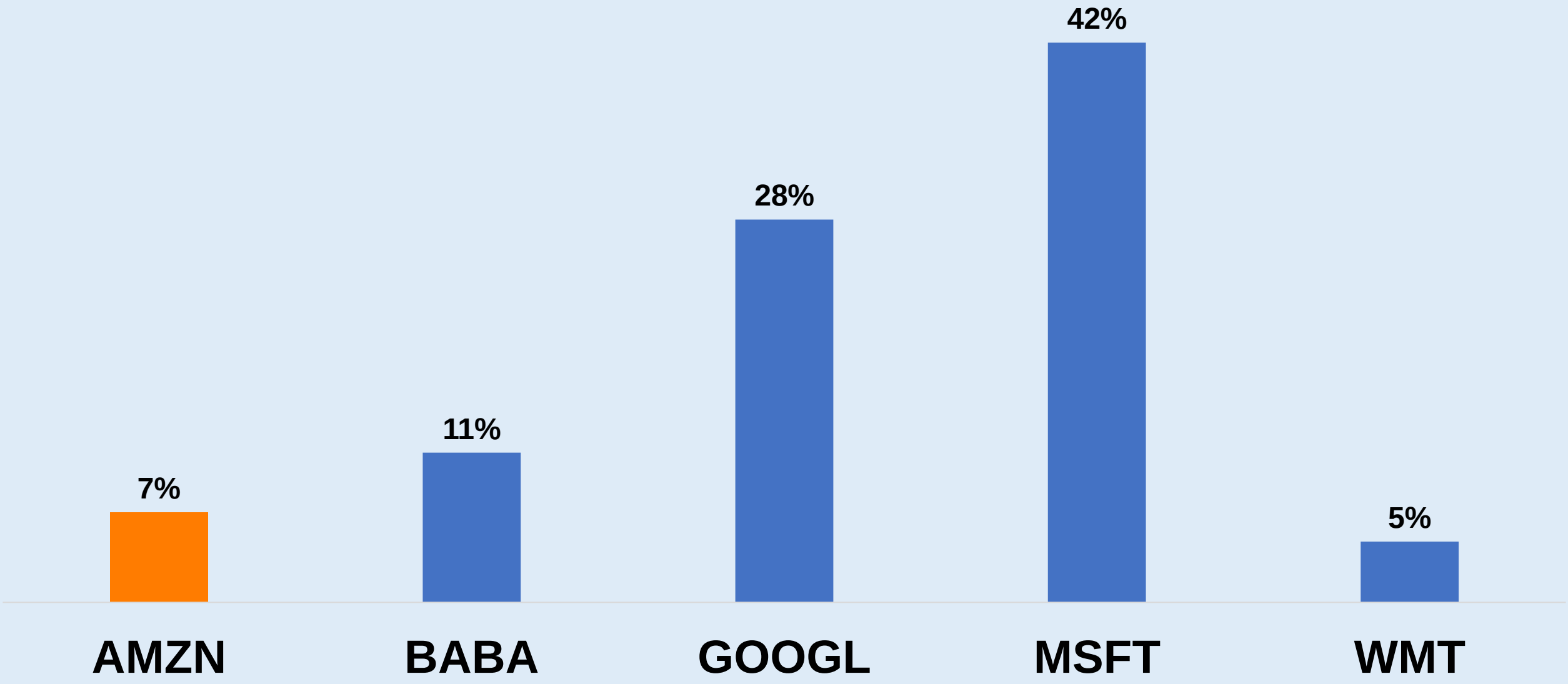
Revenue (Annual)

Gross Profit Margin

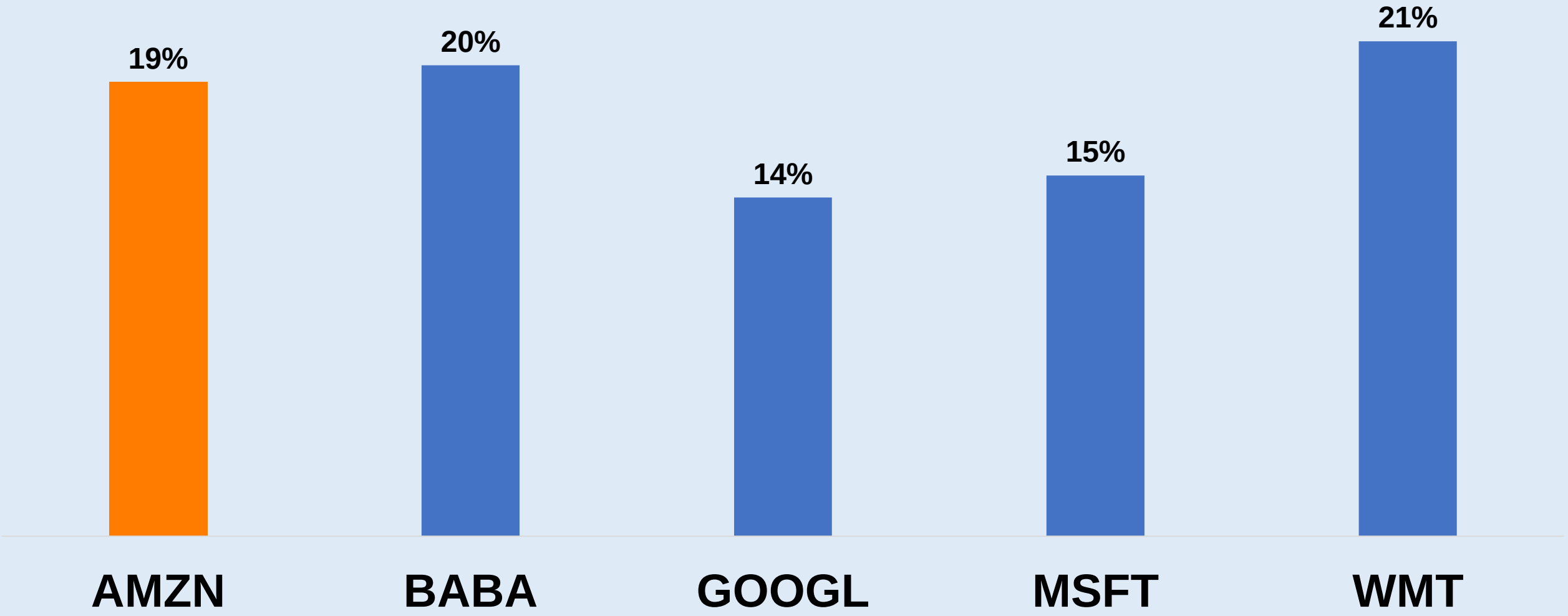


amazon

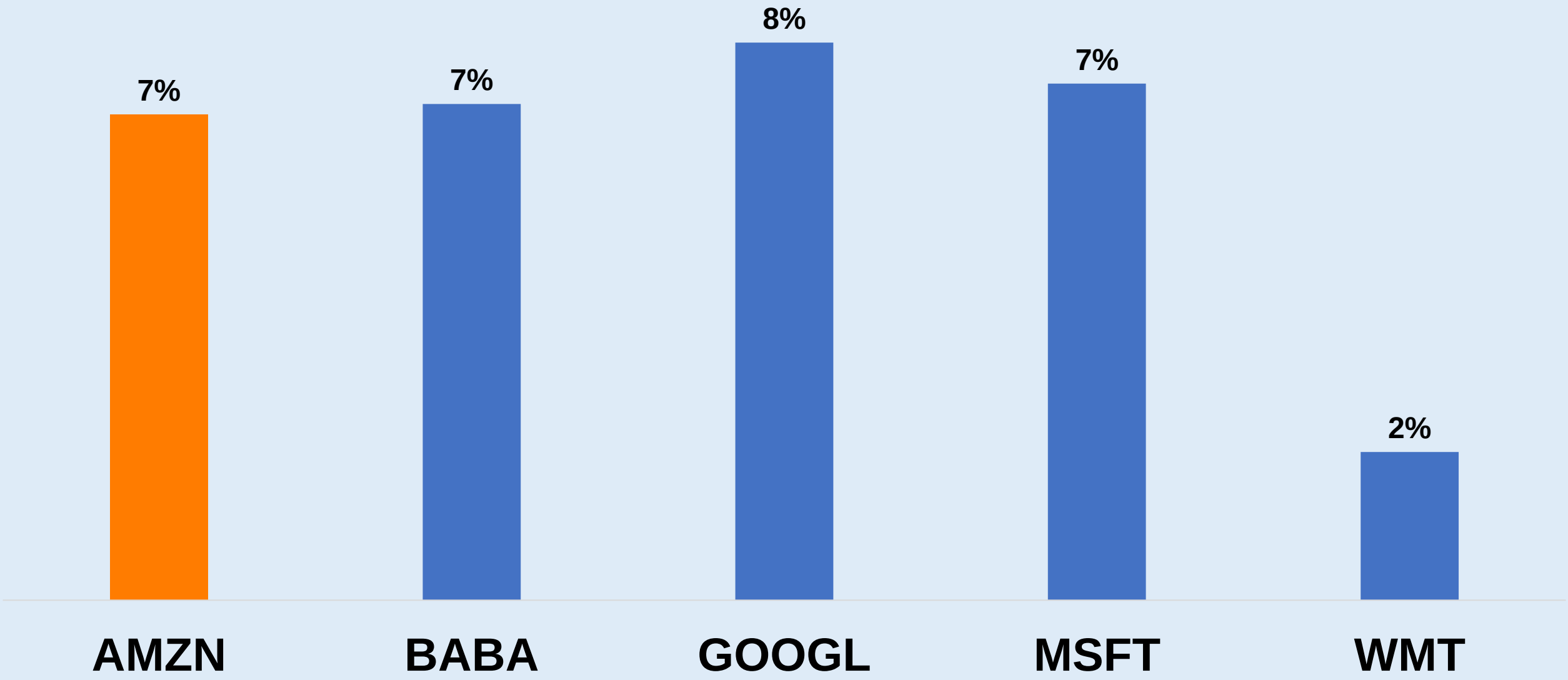
Operating Margin (TTM)



SG&A to Revenue (TTM)

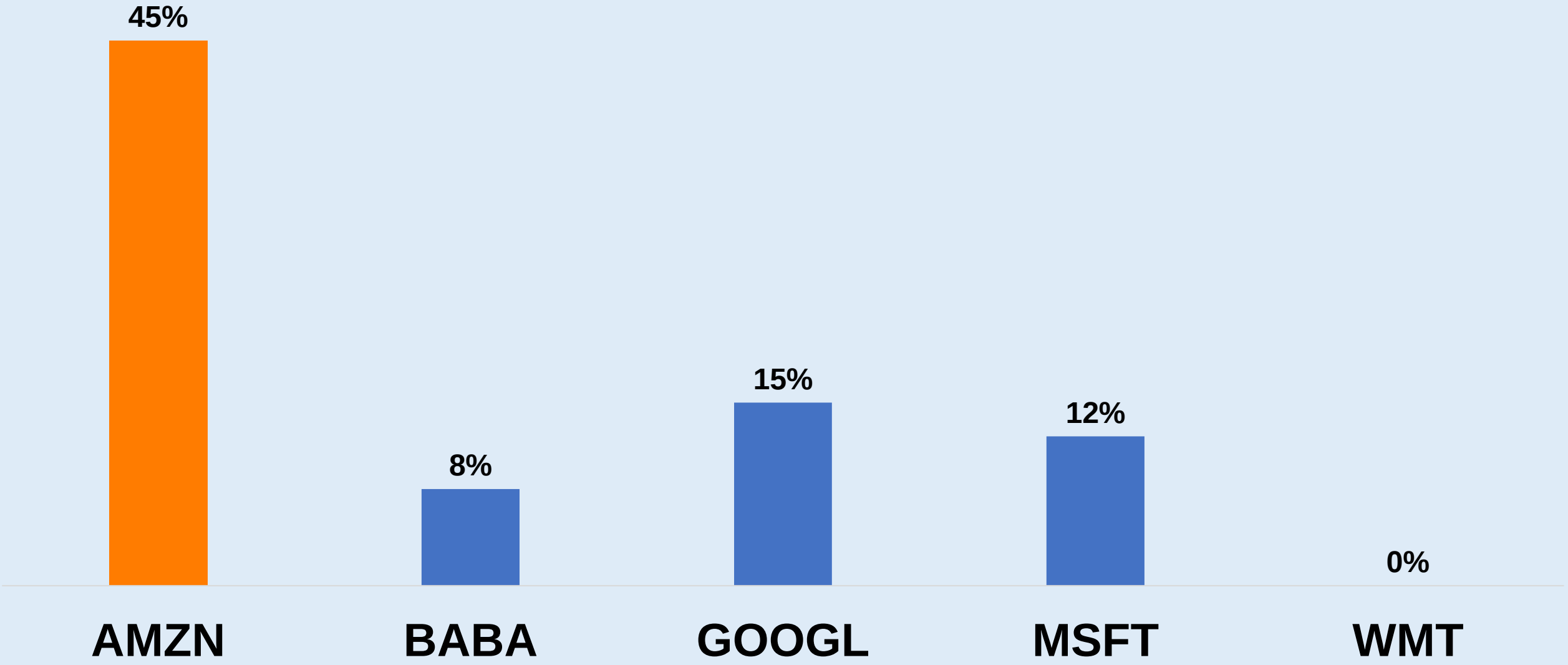


D&A to Revenue



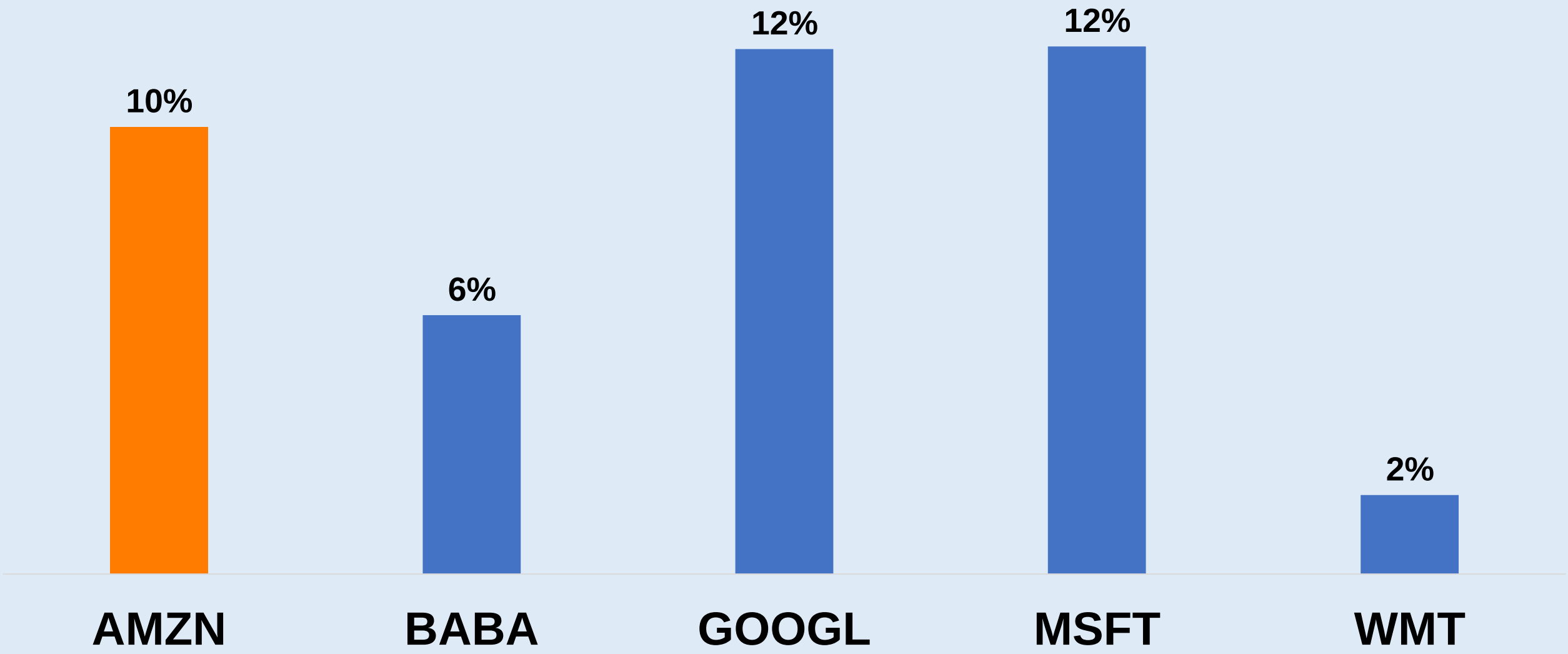
amazon

R&D to Revenue

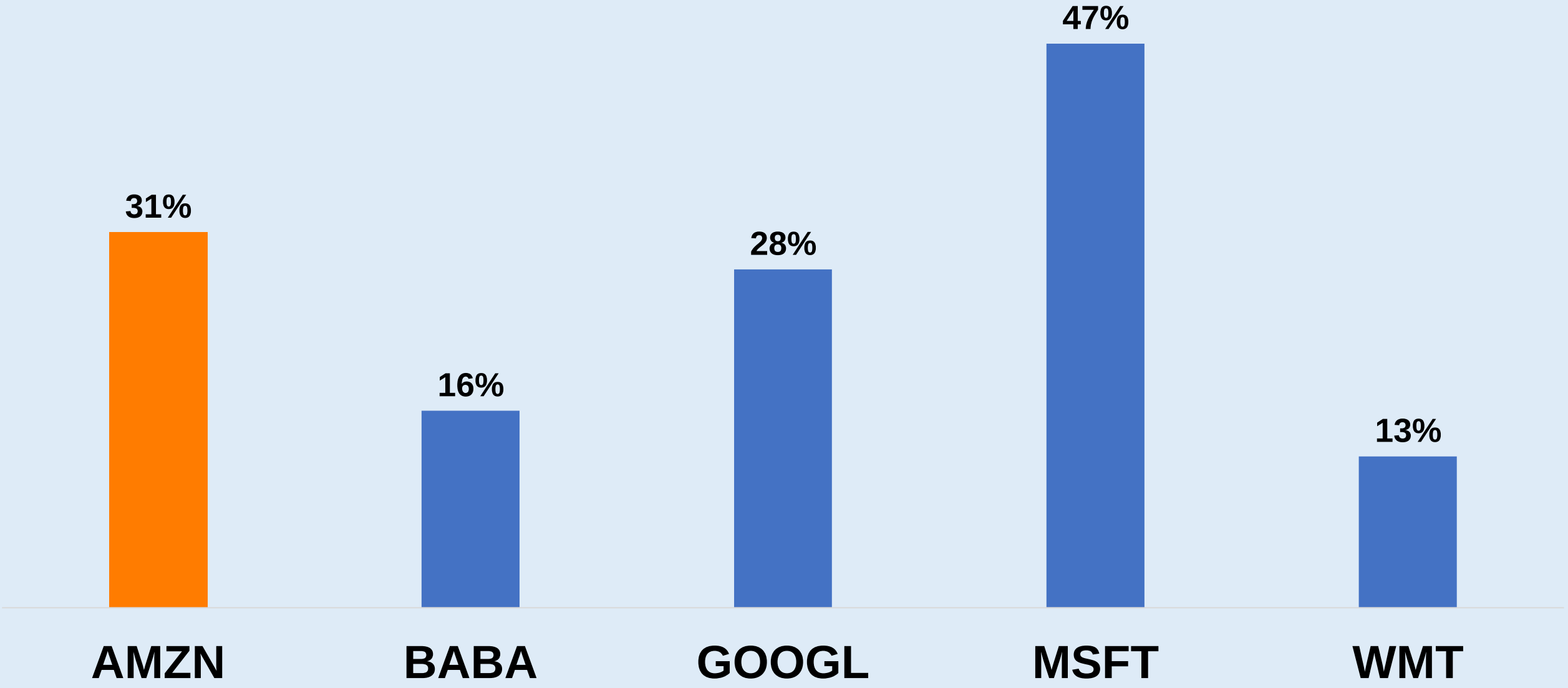


amazon

Capital Expenditures to Revenue

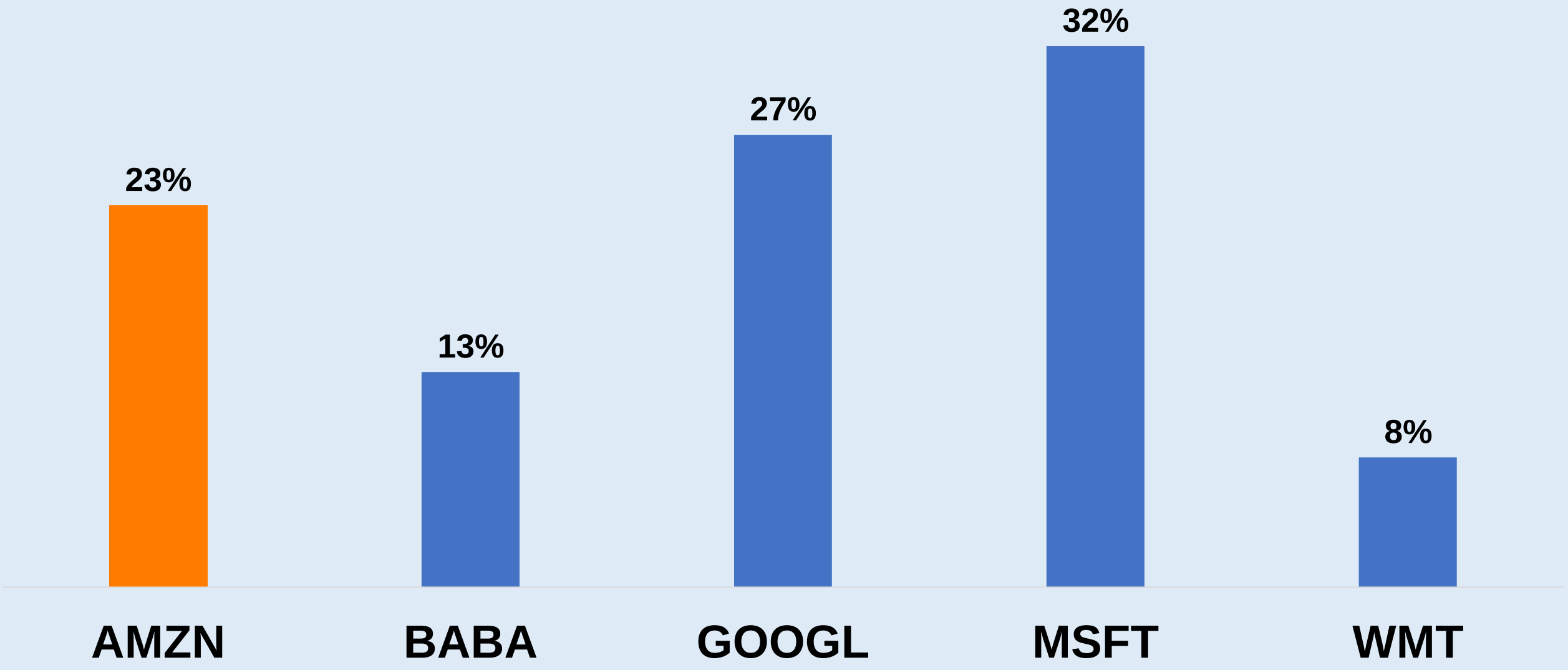


Return on Equity



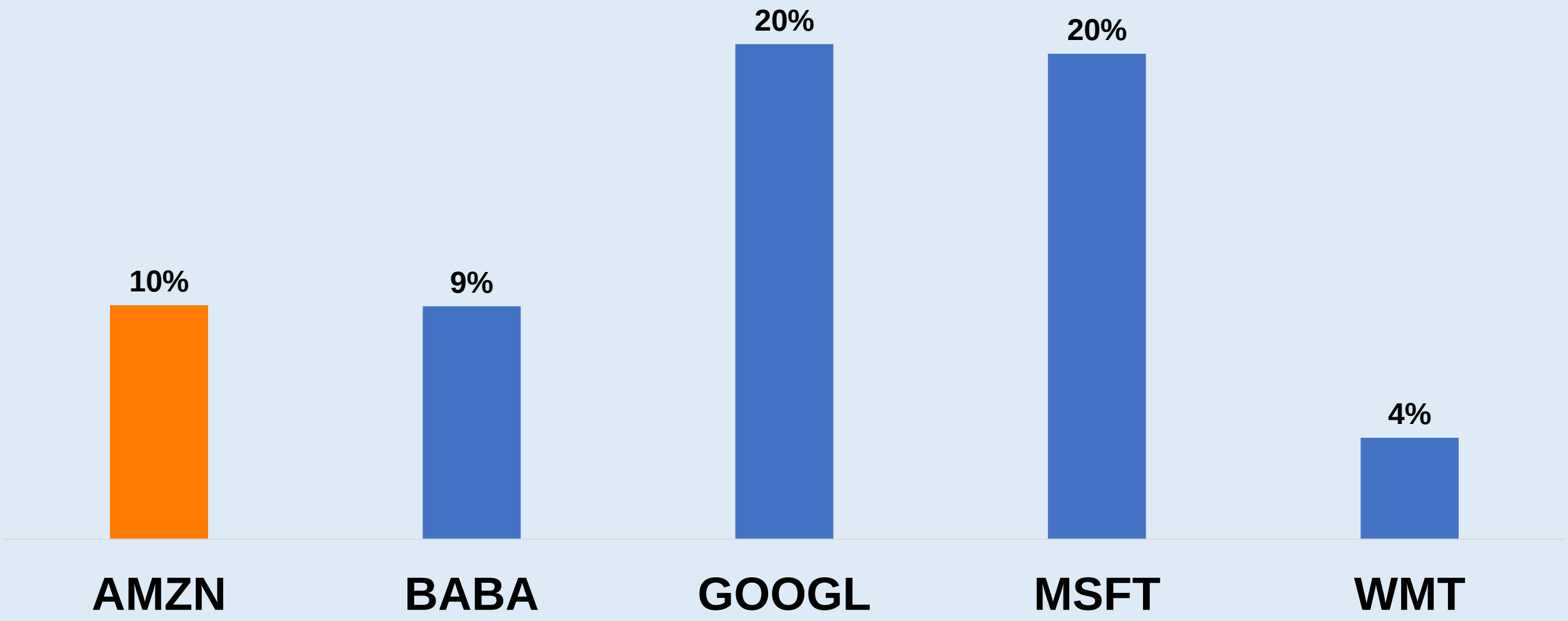
amazon

Return on Invested Capital

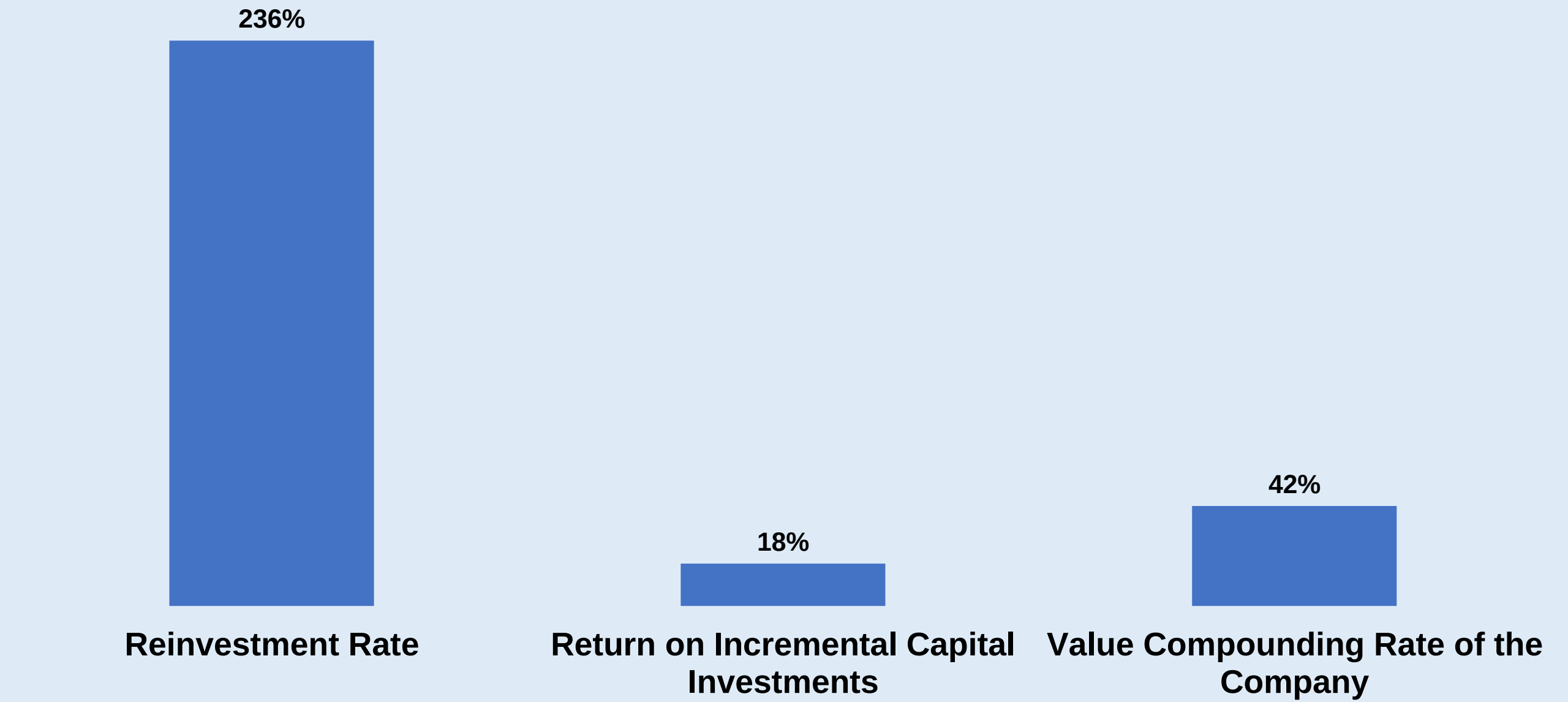


amazon

Return on Assets



Return On Incremental Invested Capital



CAPITAL ALLOCATION

amazon

Whole Foods Market

- Amazon acquired Whole Foods in 2017
- $13.7 Billion
- Consumer Shopping Data
- Introduction into Grocery Delivery
- Added another branch to the Amazon Ecosystem

Ring

- Acquired Ring in 2018
- $1 billion
- Access to Consumer Data
- Internet of Things (IoT)
- Enhanced Home Security
- Added Protection for Prime Delivery

amazon

PillPack

- Acquired PillPack in 2018
- $753 million
- Introduction into prescription delivery
- Low prices
- Free delivery
- Pharmacist on-call 24/7
- Automatic Refills

Twitch

- Acquired Twitch in 2014
- $970 million
- 41 Million Users (USA)
  - 35 Million Daily Visitors
- Free Twitch Membership
- Live Content Distribution
- Generates Ad Revenue
  - $750 Million (2020)

amazon

Kiva Systems

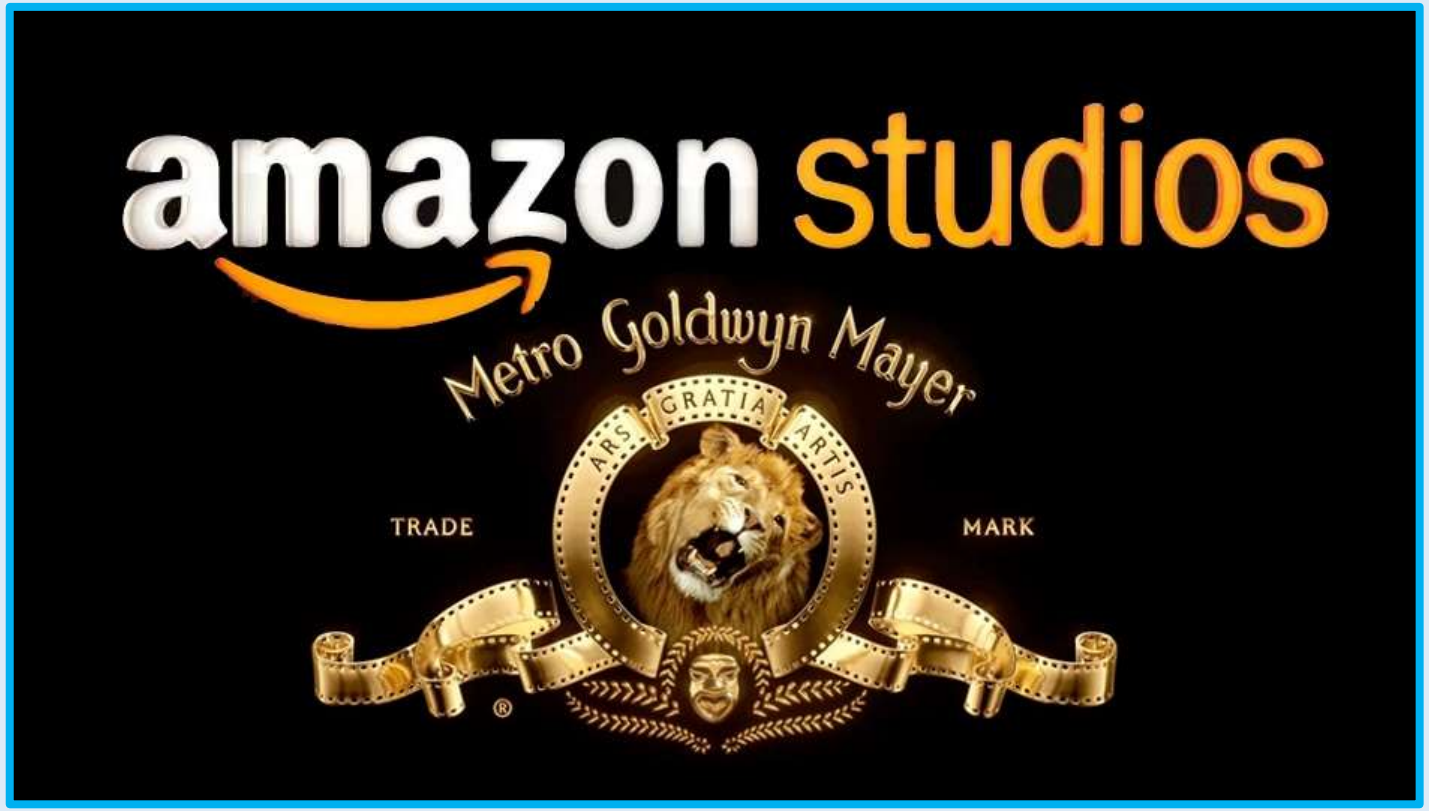
- Amazon acquired Kiva Systems in 2012
- $780 million
- Now: Amazon Robotics
- Automation in Fulfillment Centers
- Increased Efficiency
  - Saves 20% on Operating Expenses
  - Cut down click to shipment time from 75 min. to 15 min.

amazon robotics

amazon

MGM

- Acquired Metro-Goldwyn-Mayer in 2021
- $8.75 billion
- Expands Amazon's Digital Content Catalog
- Established Film Franchises
  - James Bond, Rocky
- Back Catalog of 25,000 hours



amazon

Other Acquisitions

- 2009: Zappos for $1.2 billion
- 2010: Quidsi for $650 million
- 2010: Woot for $110 million
- 2013: Goodreads for $150 million
- 2015: Elemental Tech for $500 million
- 2015: Annapurna Labs for $370 million

amazon

Shares Outstanding

RISK FACTORS

Risk Factors

- Government regulation
  - Anti-trust and monopoly concerns
- Data loss and Security Breaches
- Constant expansion into New Industries

Risk Factors

- Jeff Bezos’ exit as CEO
- Traditional retailers: A push towards E-Commerce
- Management of employee work conditions

amazon

GROWTH OPPORTUNITIES

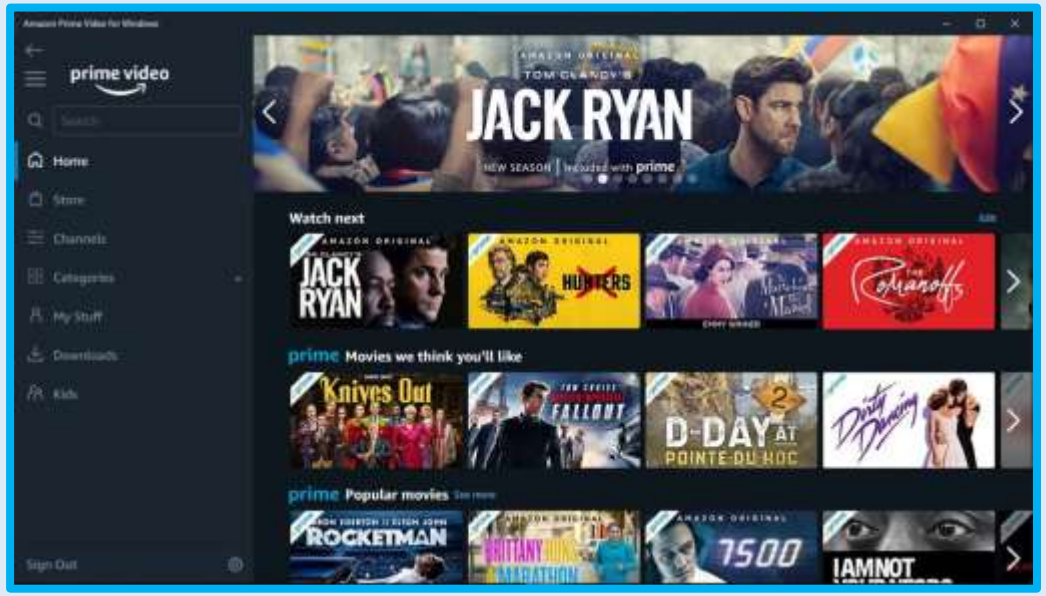
Amazon Web Services

- Remote Work and Work-From-Home Environment
- Currently only 13% of net sales
  - $13.5 billion in revenue
- One of Amazon's most profitable segments
- Supports wide-moat companies in fast growing industries
  - Netflix and Twitch (Streaming), Salesforce (CRM), Facebook and Twitter (Social Media/Advertising)

amazon

Streaming

- Streaming hours increased 70% year-over-year since 2020
- Additional $3.2 billion spent for Music and Video
- Prime Video: Deal with NFL for Exclusive Rights to Thursday Night Football
- Live streaming options



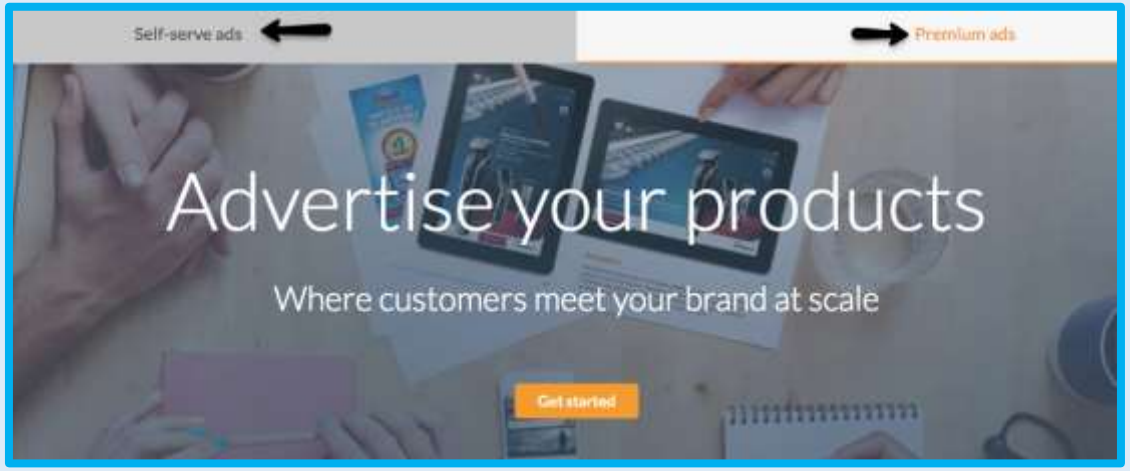
Physical Storefronts

- Amazon Go
  - Breakfast, Lunch, and Snacks
- Amazon Go Grocery
  - Produce, Ready-made dinners, Household essentials
- “Just Walk Out” Technology
- Amazon Dash-Cart

amazon

Advertising

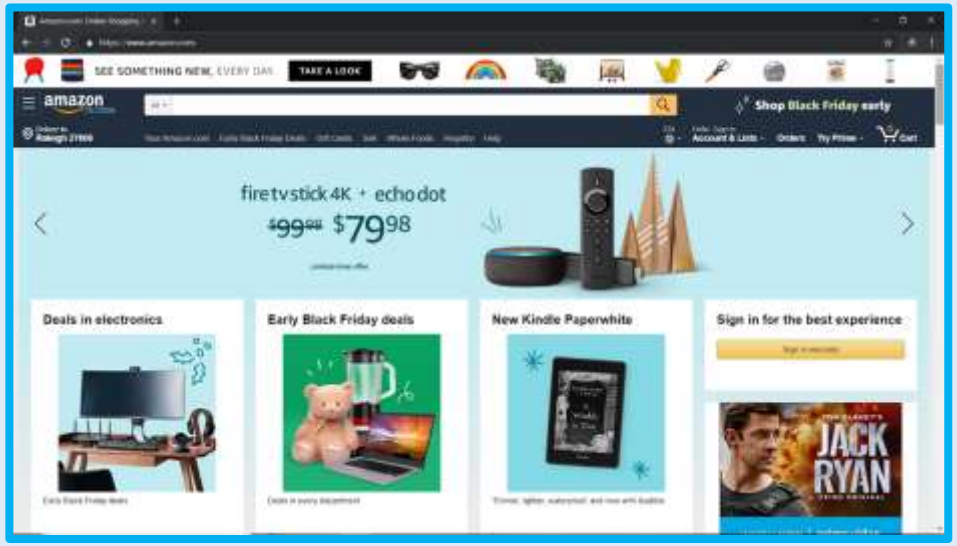
- Third-largest Ad platform
- Cost per click: $1.27
- Video and Audio ads
- Sponsored brands
- Ad revenue up 87%
- $750 million Ad Revenue from Twitch



amazon

E-Commerce

- Accelerated shift towards e-commerce due to lockdowns
- Increased efficiency
  - No driving to stores
  - No long lines
- No slow down in sight



amazon

ECONOMIC MOAT

amazon

Switching Costs

- Amazon Prime – Consumers
  - Prime Subscribers lose access to:
    - Free 2-Day Shipping
    - Whole Foods Discounts
    - Streaming: Access to 10,000+ Titles and Exclusive Content
  - No Viable Alternative
- Sellers on Amazon
  - Loss of Access to millions of subscribed Prime customers
  - Supply Chain – Inability to generate revenue and deliver to customers worldwide

Switching Costs – AWS

- Serves as the core IT infrastructure for clients
- Heavily Embedded into Clients' Operations
  - Mission-Critical to Clients
- Significant Costs to Switch
  - Clients cannot suspend operations for extended periods of time
- Sticky Customer Relationships
  - AWS Customers: Disney+ and Netflix

amazon

Intangible Assets

- Consumer Data
- Easily Recognized Brand Name and Logo
- Company Structure and Aggression to Vertically Integrate
  - Supply Chain/Logistics
  - Content Creation and Acquisition
  - Brick and Mortar Retail
- Intellectual Property related to:
  - AWS
  - Amazon “Alexa”
  - Prime Video Exclusive Content

amazon echo

amazon

Network Effect (or the “Amazon Effect”)

- The “Amazon Effect” has created the Amazon Ecosystem
  - Perpetually Connecting Buyers and Sellers
  - Access to the “Ecosystem” via Prime
    - Whole Foods Market
    - Twitch
    - Prime Video
- Leaving this ecosystem can drastically affect the consumer’s everyday life

amazon

Economies of Scale

- Significant Purchasing Power
- Ability to Offer Goods at a Lower Price
- Can vertically integrate quicker and cheaper than competitors
  - AWS
  - Prime Video
  - Amazon Logistics

amazon

Competitive Position

- Cloud Services
  - 39% of Global Market Share
  - Compared to Alibaba’s 10% Market Share
- E-Commerce
  - 40% of U.S. Market Share
  - Largest Competitor: Walmart: 7%
- Advertising
  - 6% of Global Digital Ad Spend

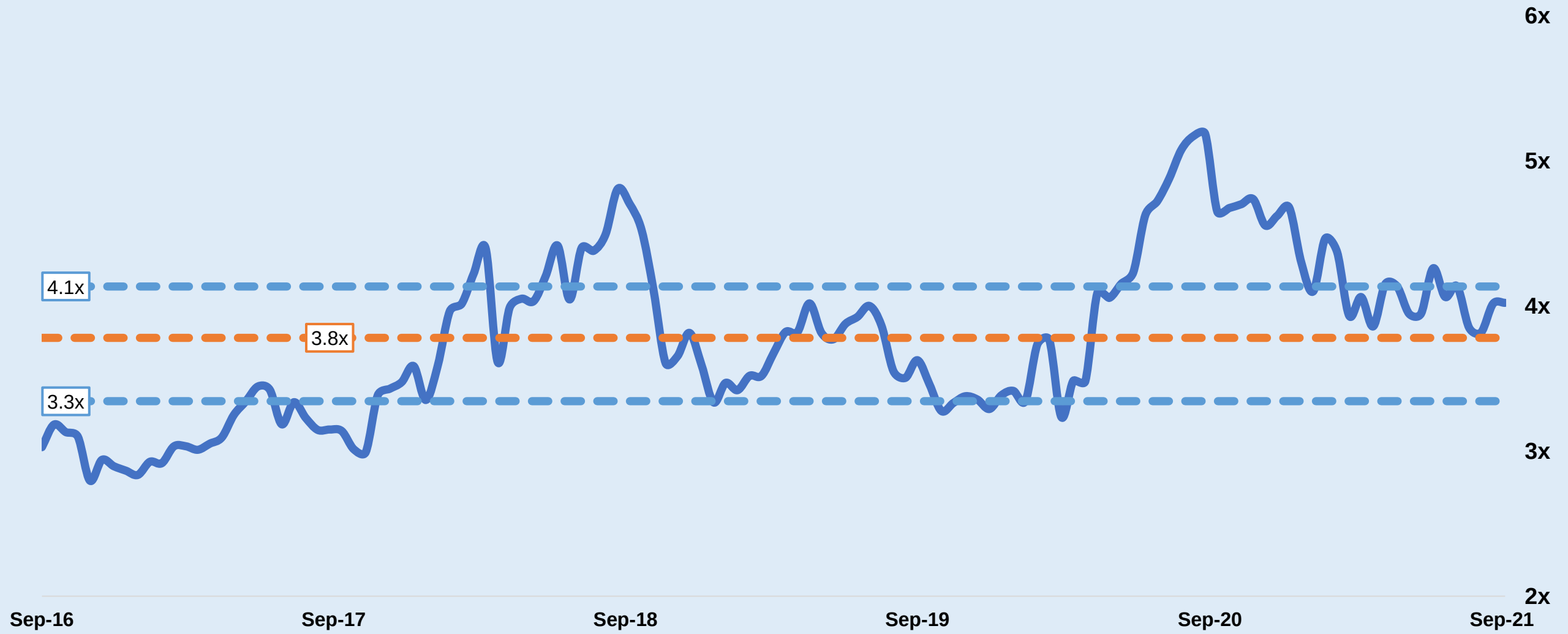
amazon

VALUATION

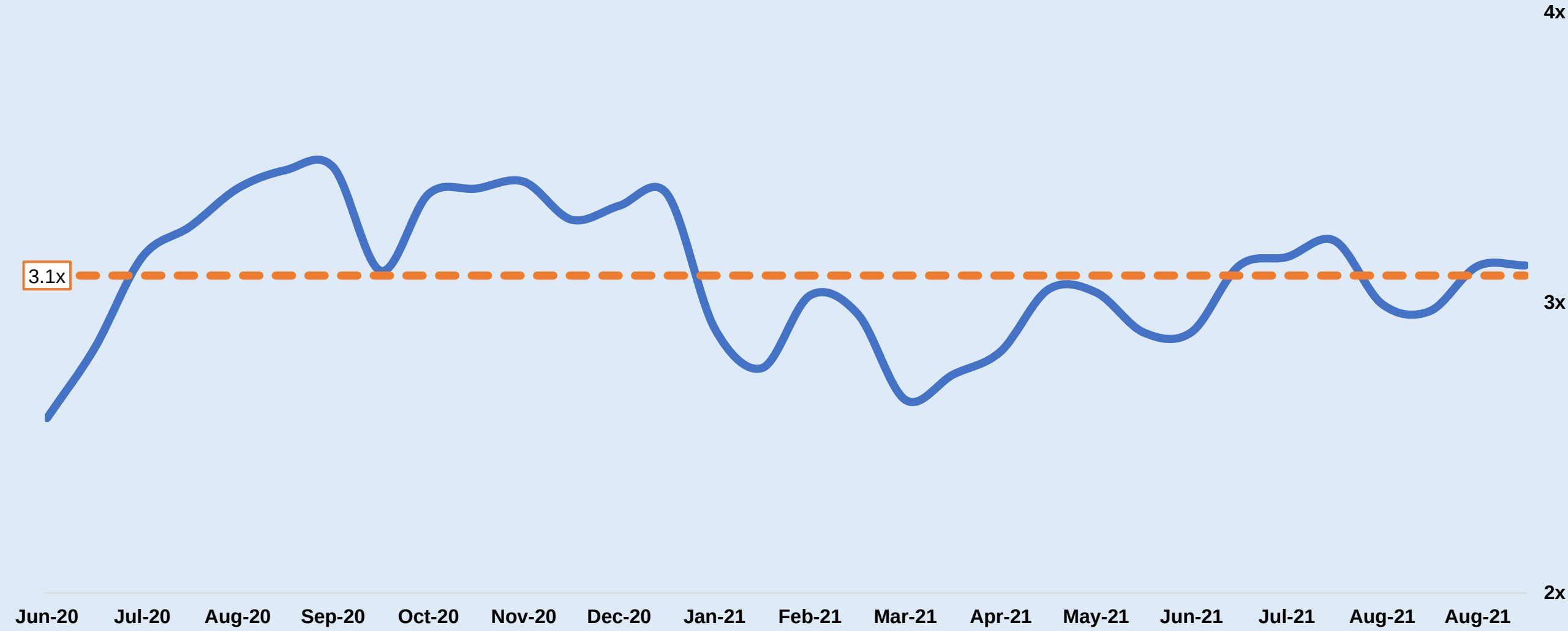
amazon

VALUE BANDS

Price/Sales



Forward Price/Sales

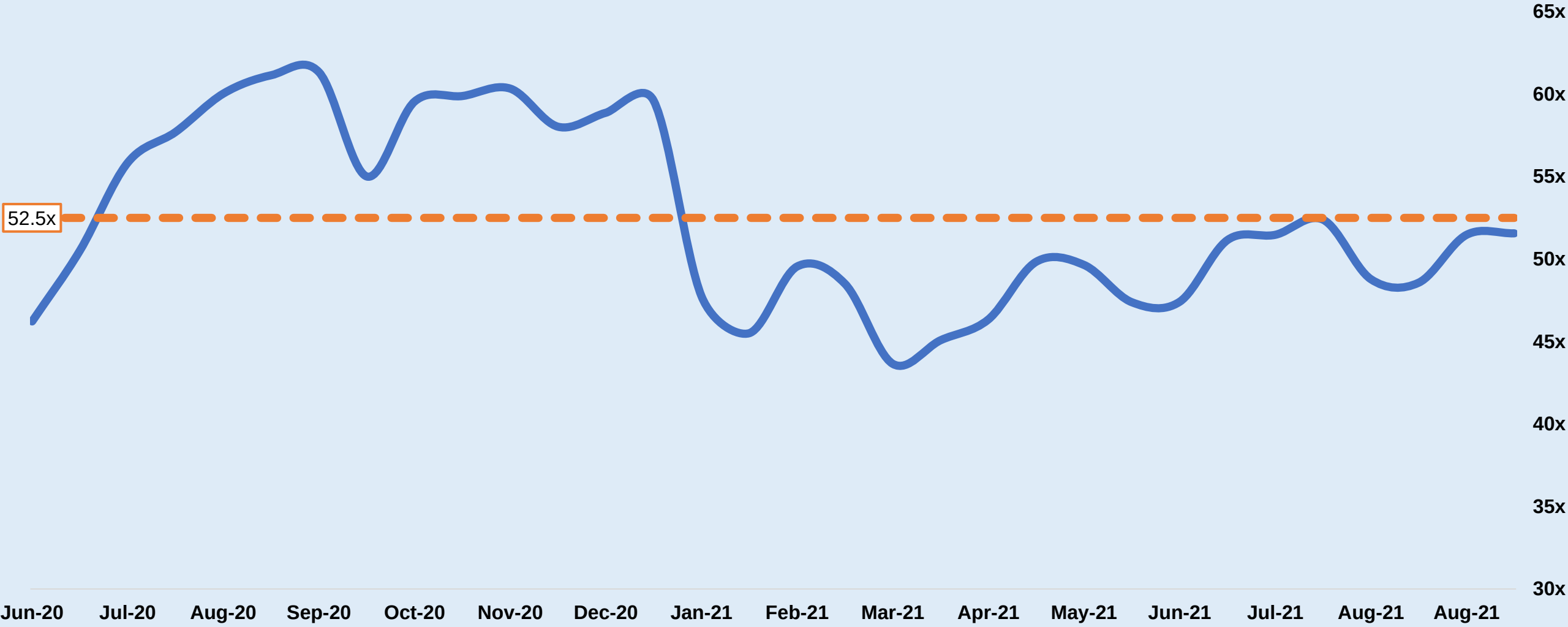


amazon

Price/Earnings

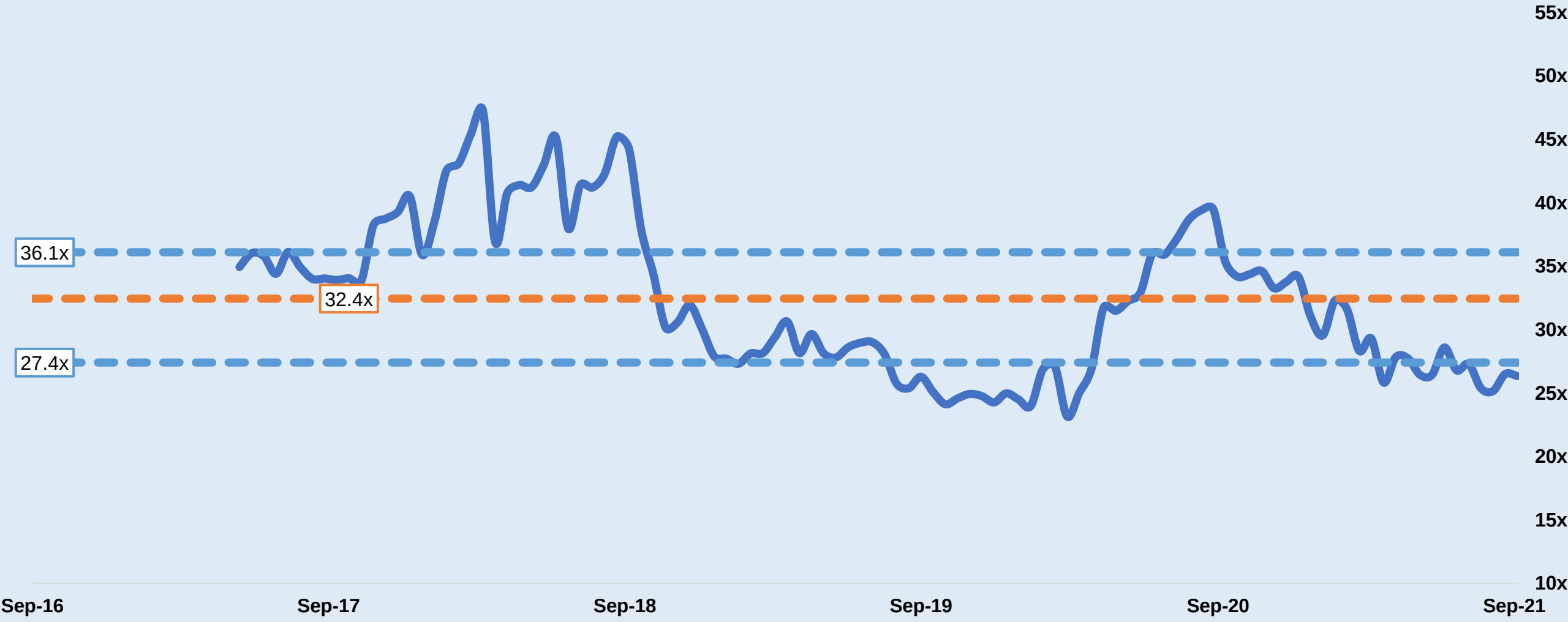
amazon

Forward Price/Earnings



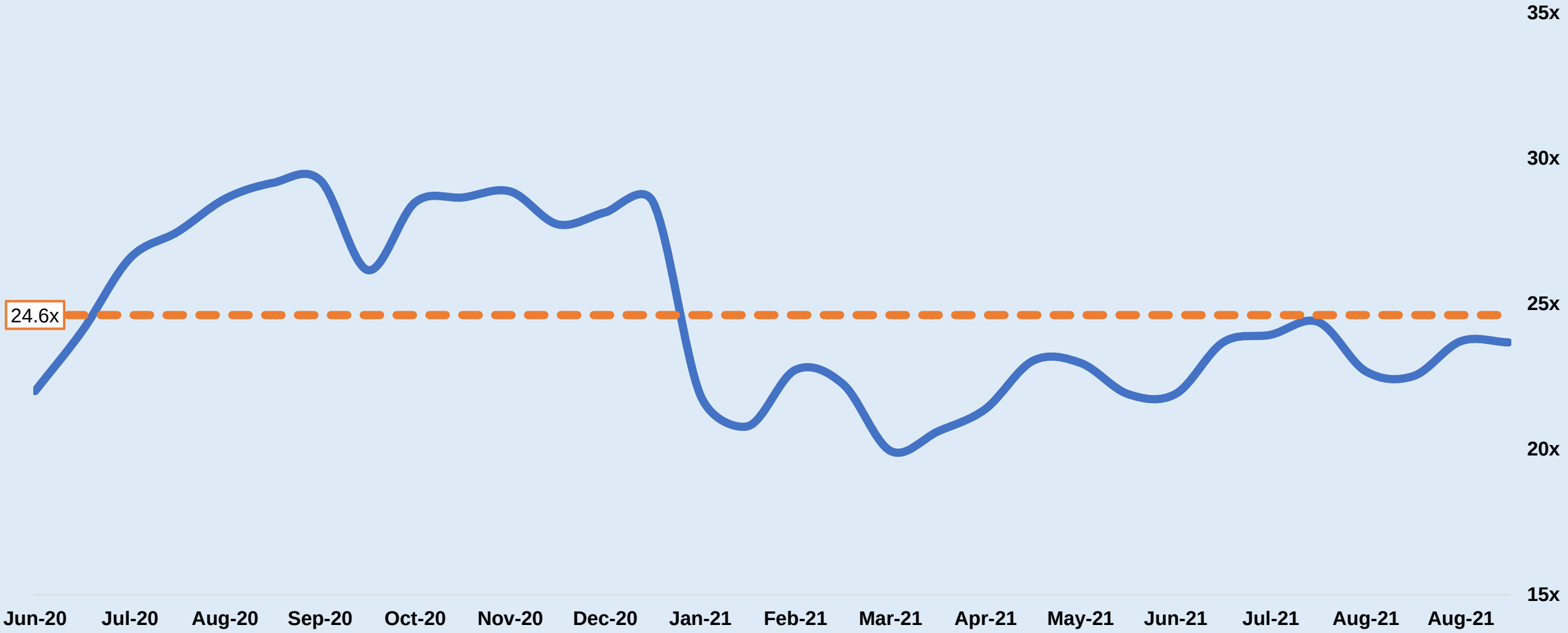
amazon

EV/EBITDA



amazon

Forward EV/EBITDA



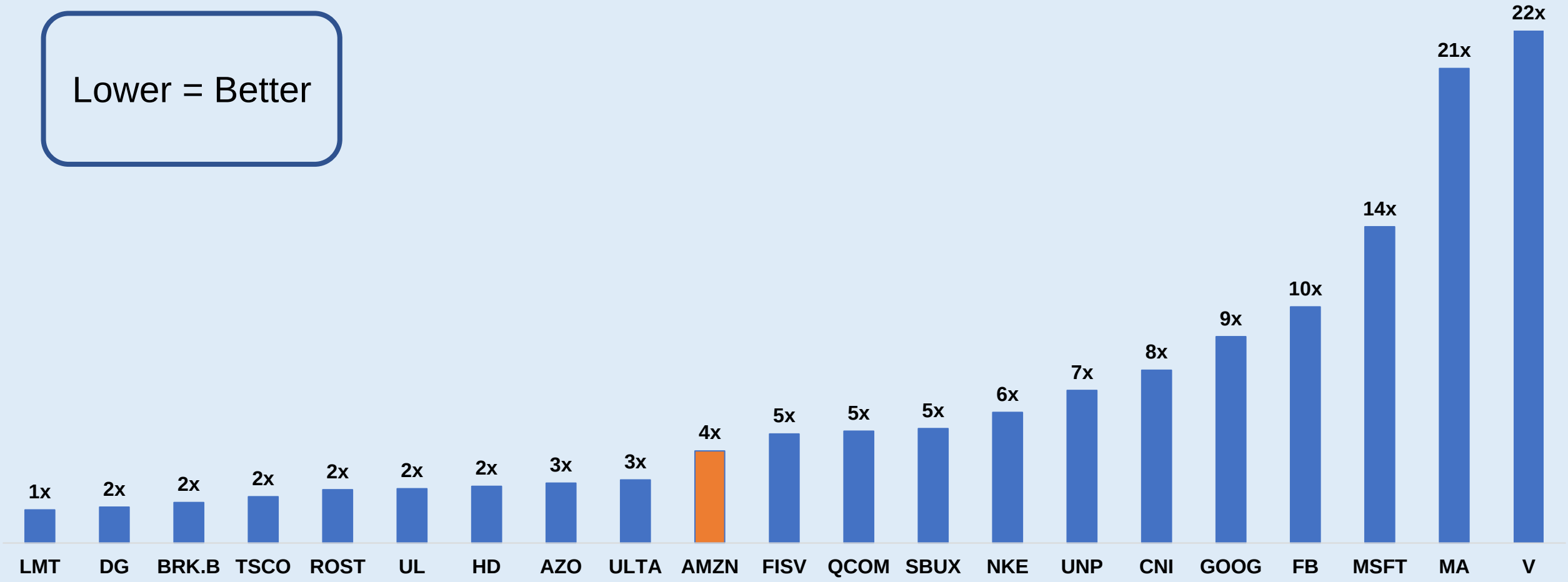
amazon

INTRAPORTFOLIO ANALYSIS

amazon

Price/Sales

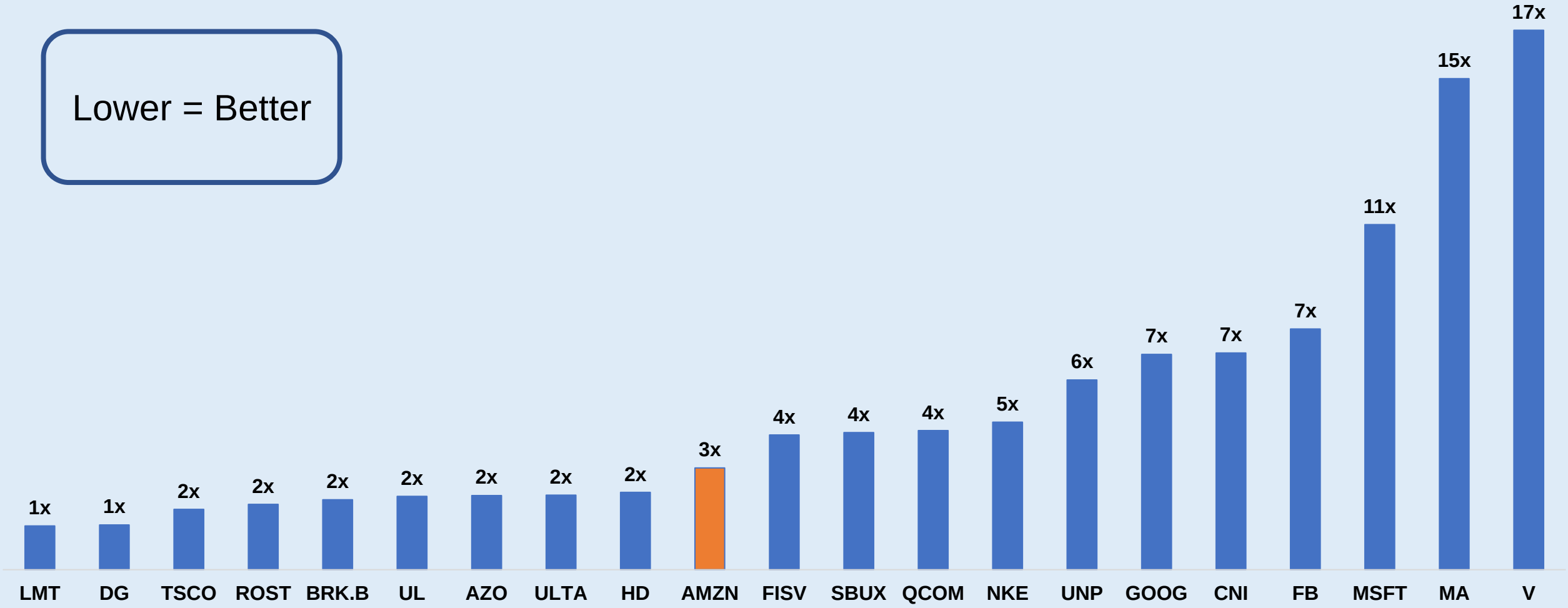
Lower = Better



amazon

Forward Price/Sales

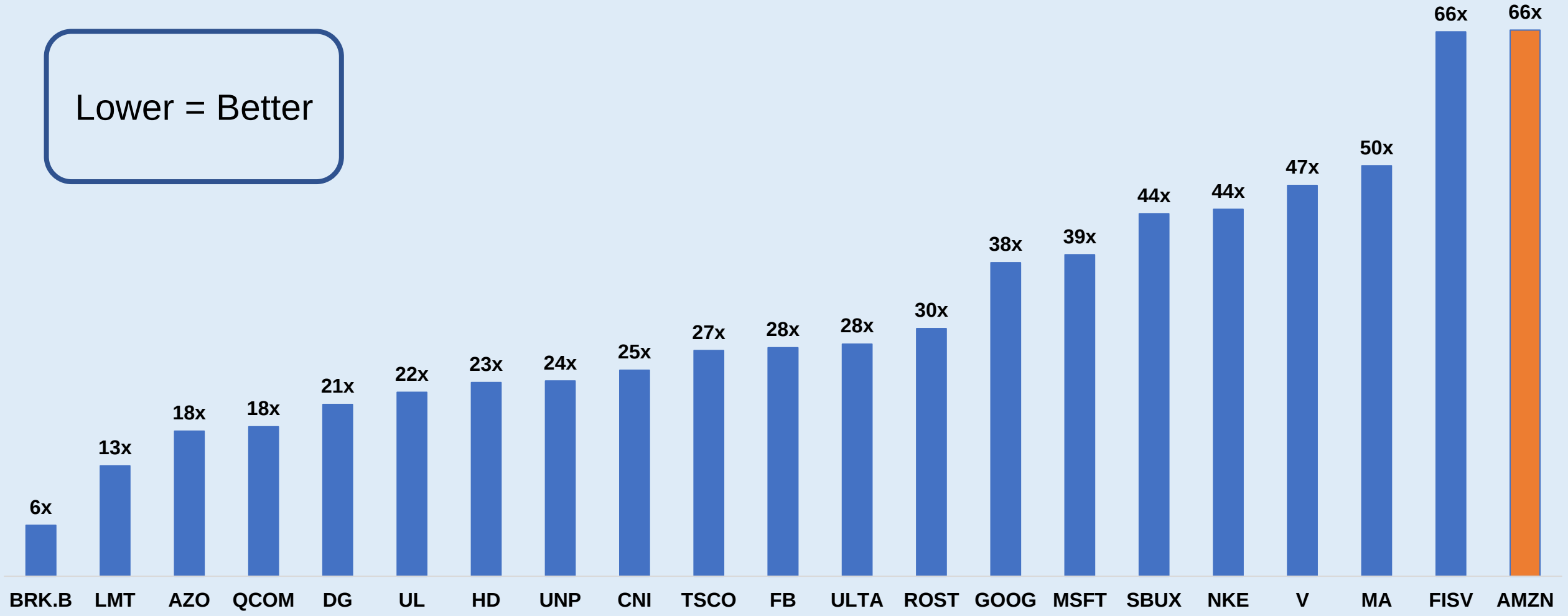
Lower = Better



amazon

Price/Earnings

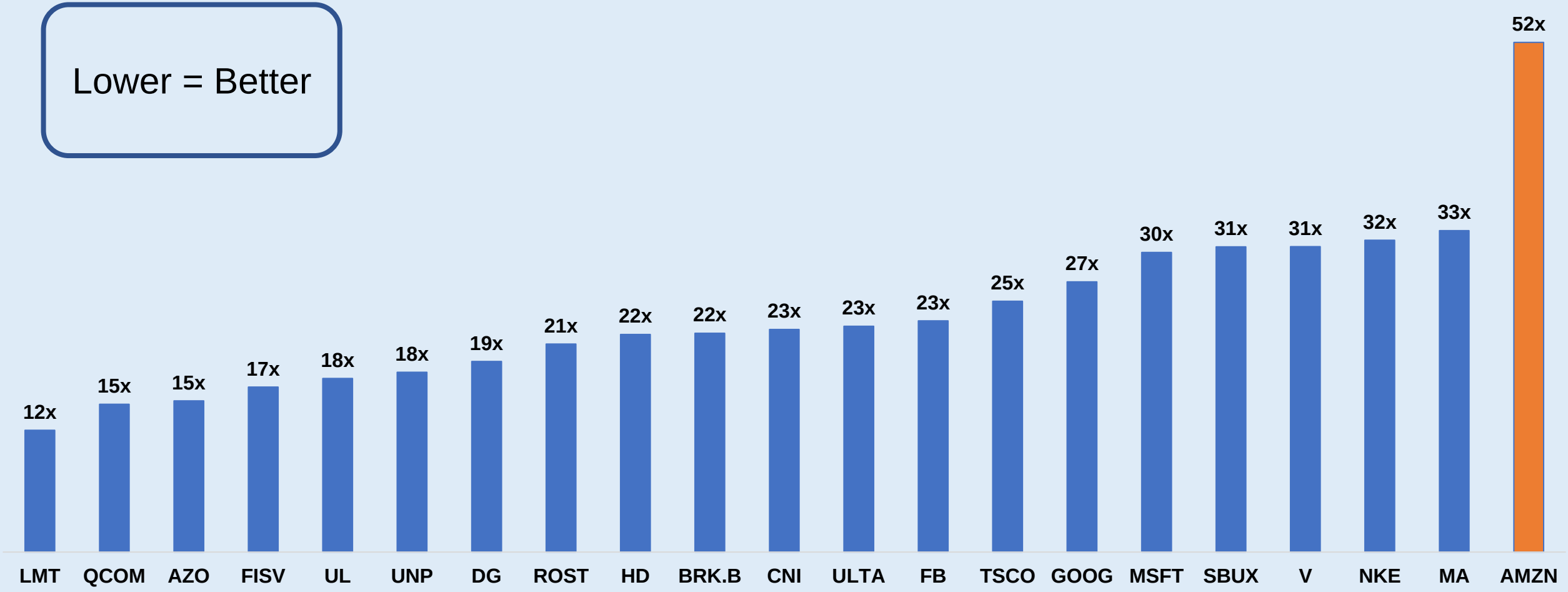
Lower = Better



amazon

Forward Price/Earnings

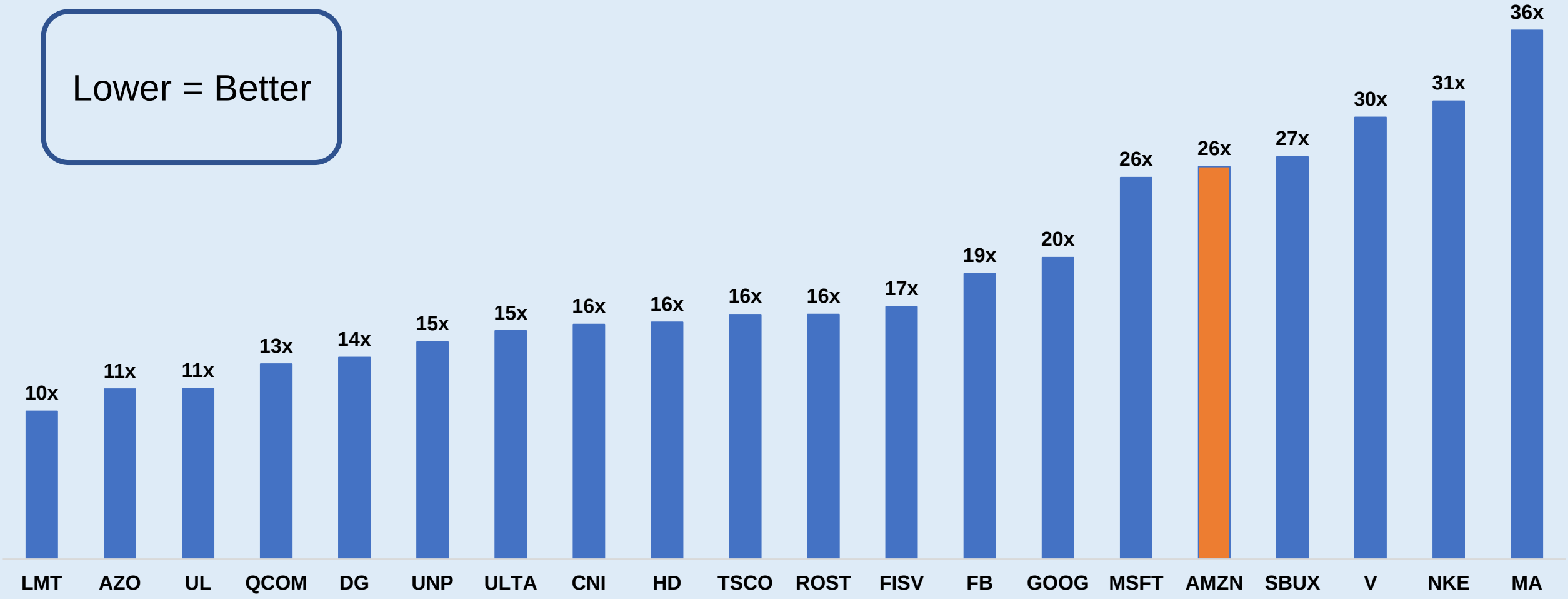
Lower = Better



amazon

EV/EBITDA

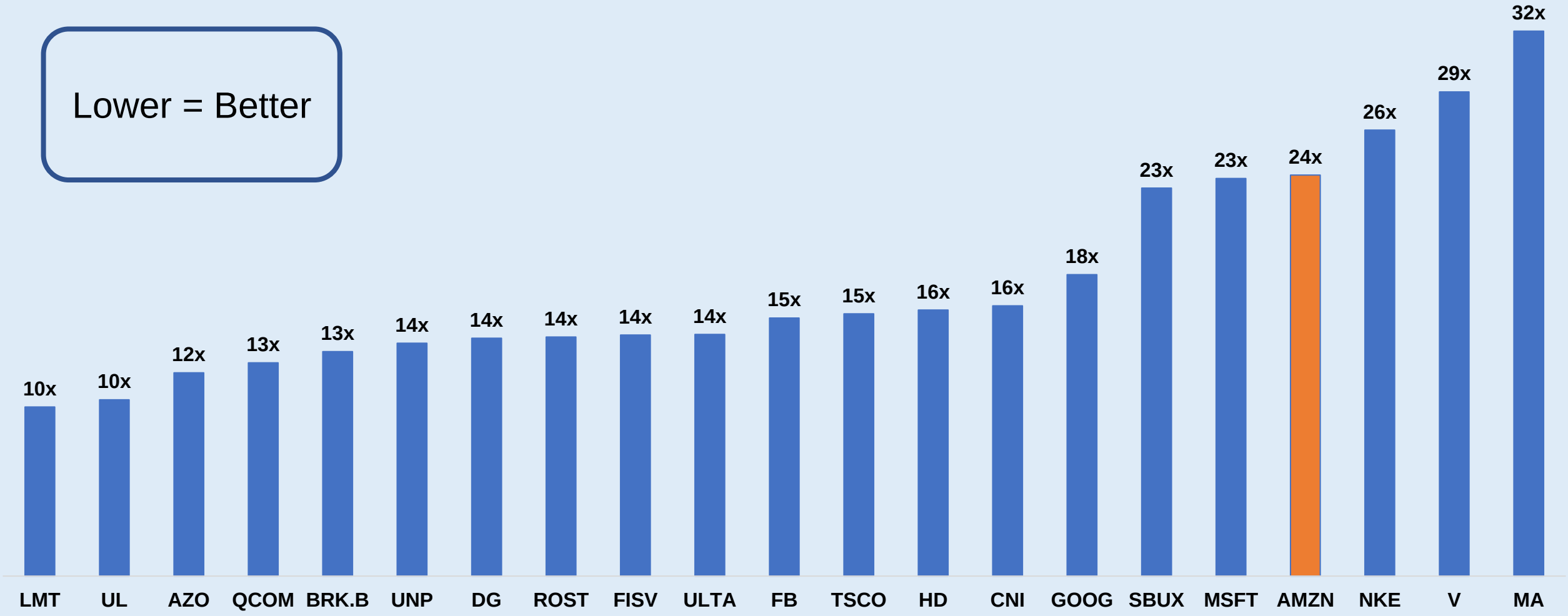
Lower = Better



amazon

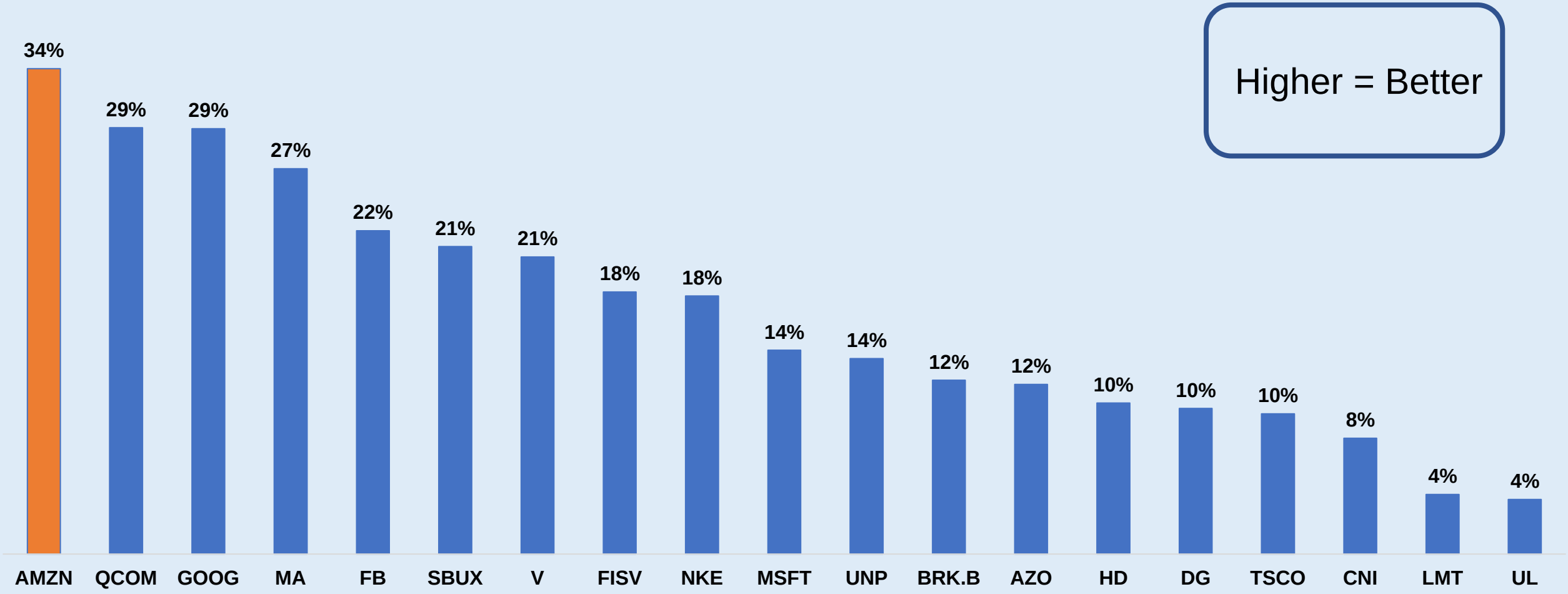
Forward EV/EBITDA

Lower = Better



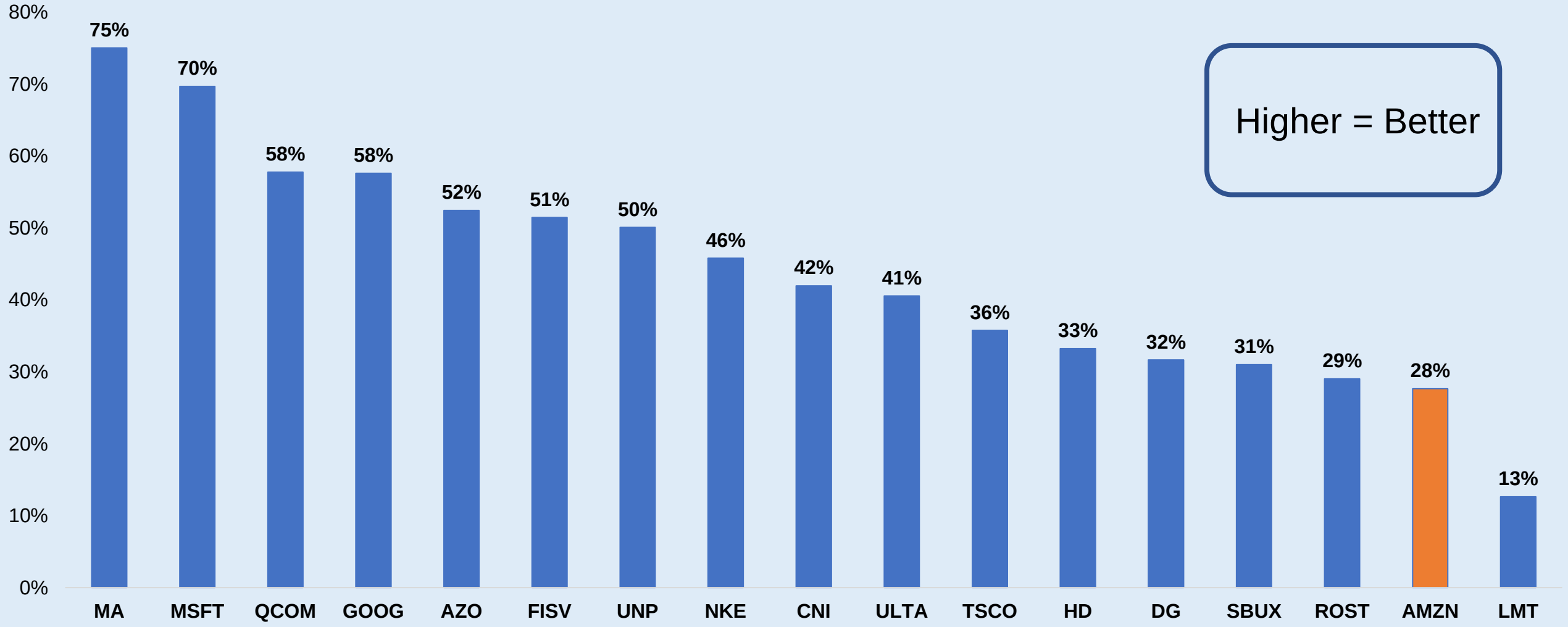
amazon

Long-Term EPS Growth



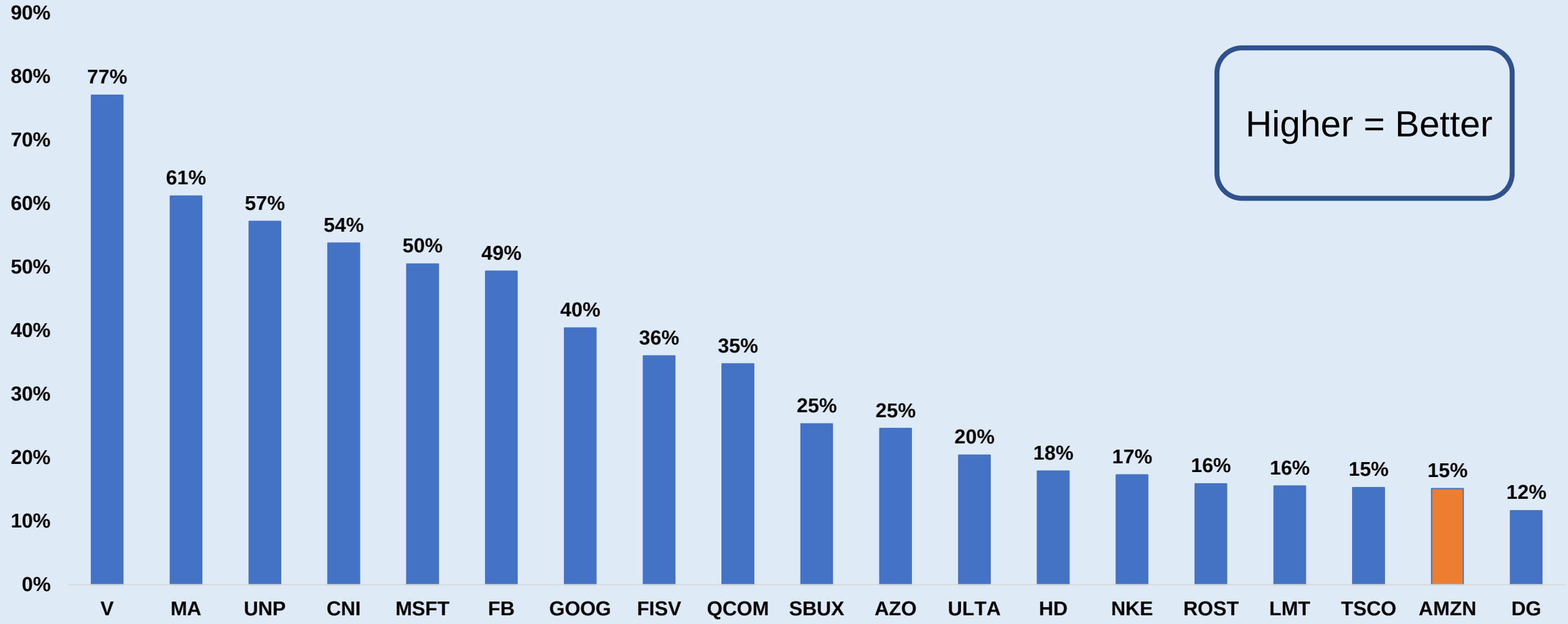
amazon

Gross Margin



amazon

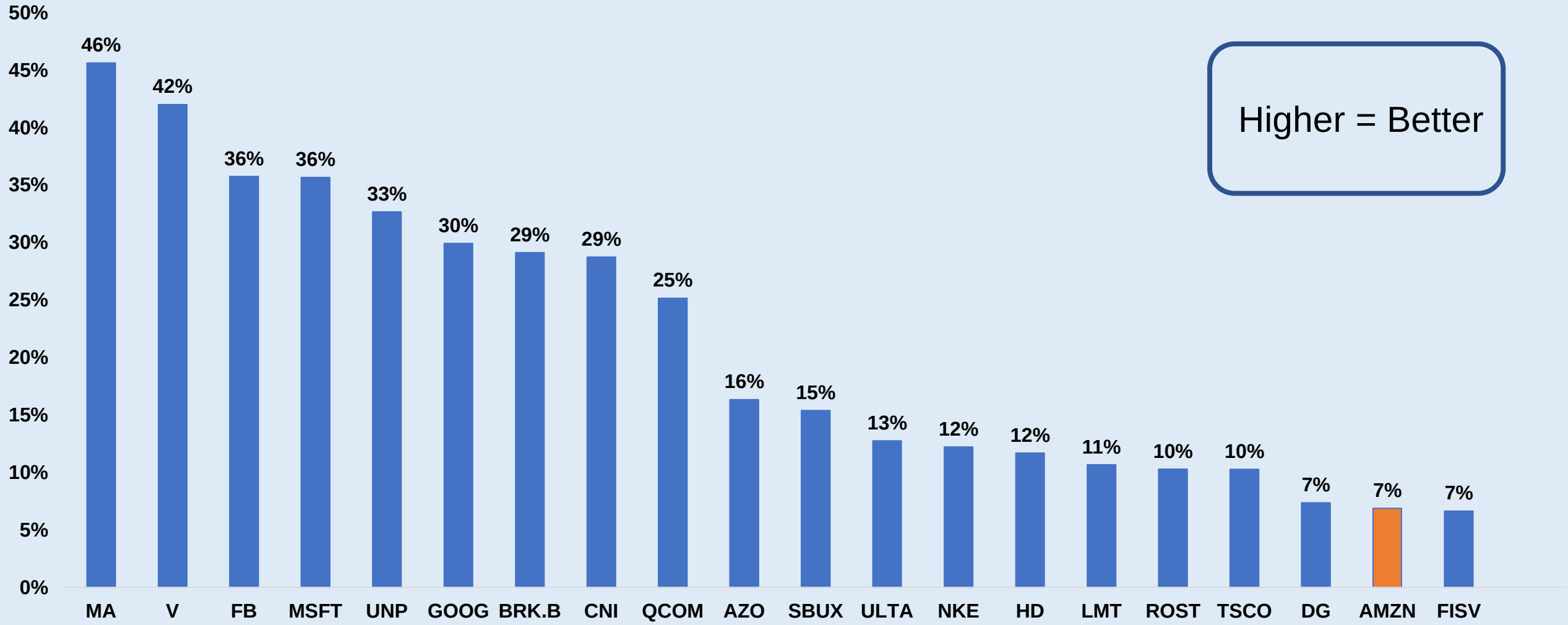
EBITDA Margin



Higher = Better

amazon

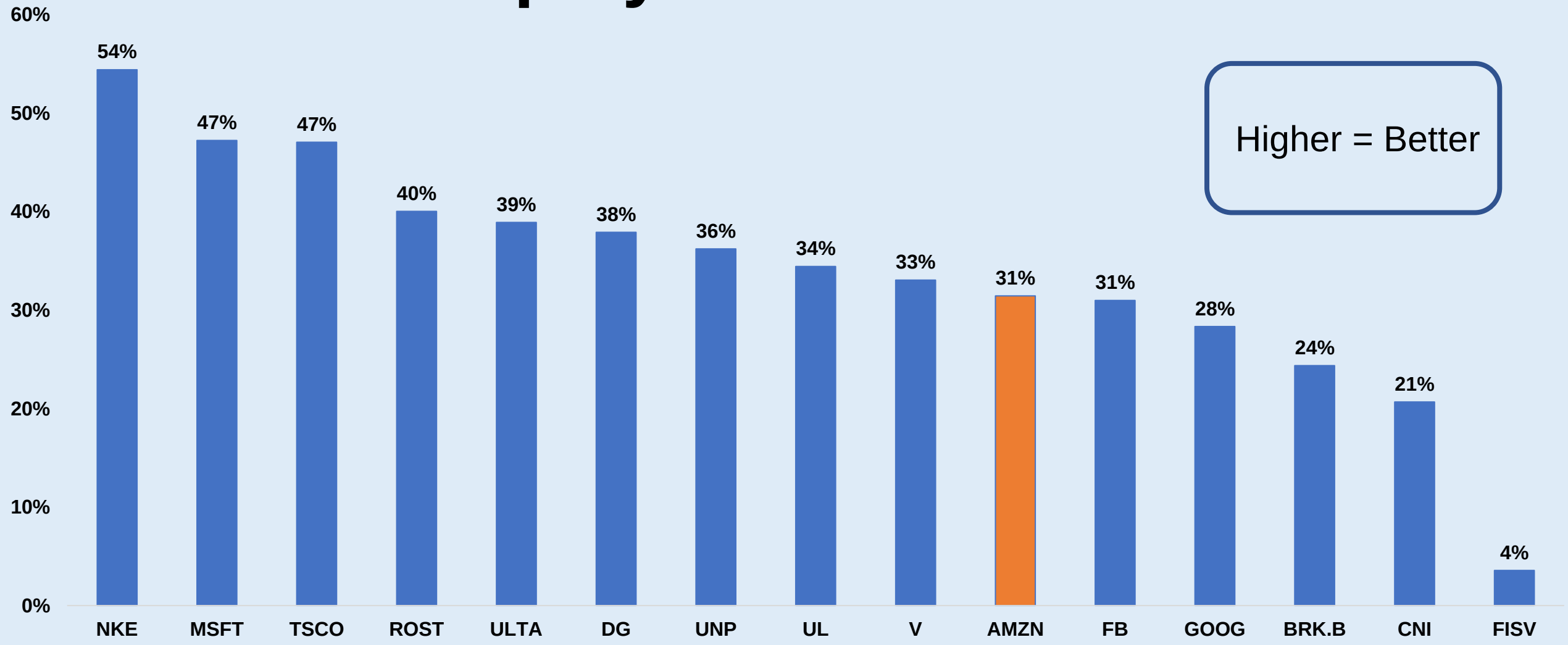
Net Margin



Higher = Better

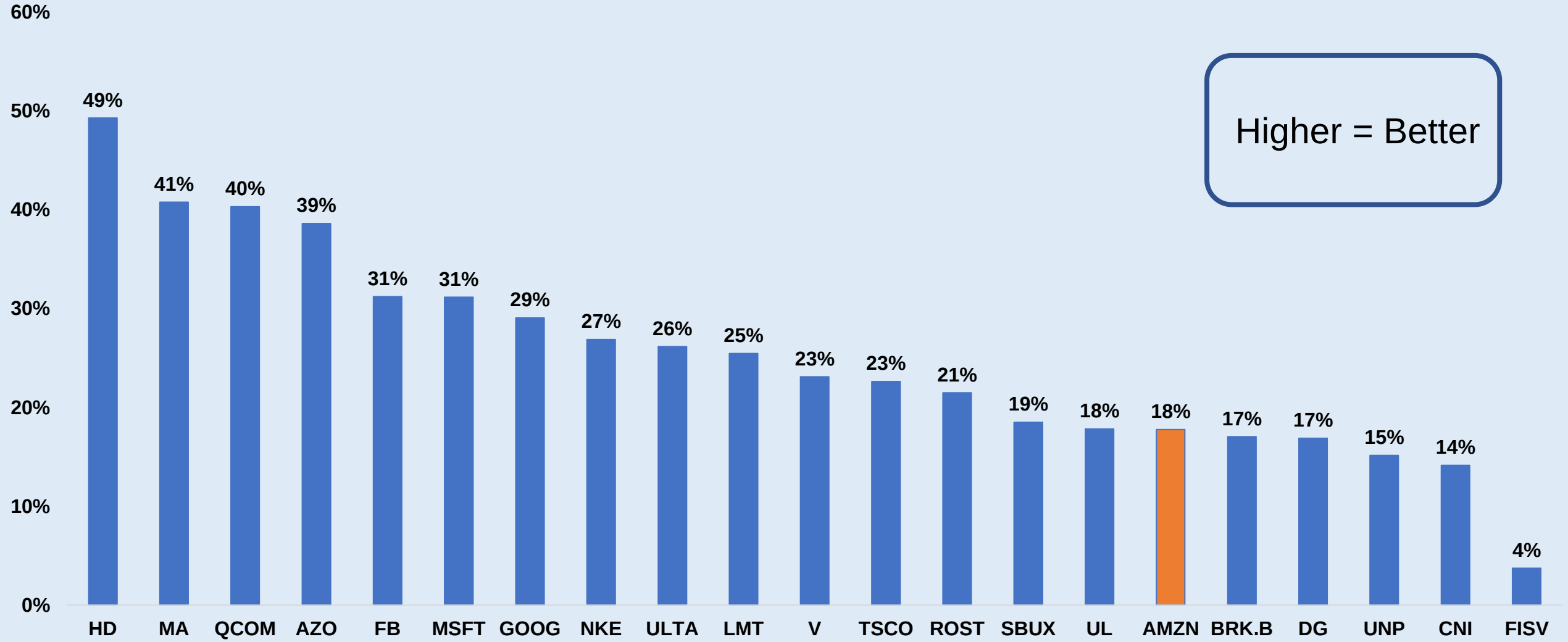
amazon

Return on Equity



amazon

Return on Capital Employed



amazon

SUM OF THE PARTS VALUATION

Sum of The Parts Valuation

Sum Of the Parts Valuation							
	Total Sales	YoY Growth	Forward Sales	EBITDA Margin	Forward EBITDA	EV/EBITDA Multiples	Value
Online Stores	220,859	12%	247,362.08				
Physical Stores	15,928	10%	17,520.80				
Third-party Seller Services	96,557	33%	128,420.81				
Subscription Services	29,130	28%	37,286.40				
Advertising	28,169	80%	50,704.20				
Total Retail	**390,643**	**23%**	**481,294.29**	**9.00%**	**43,316.49**	**20x**	**866,329.72**
Amazon Web Services	**52,655**	**27%**	**66,871.85**	**48%**	**32,098.49**	**32x**	**1,027,151.62**
Total	**443,298**		**548,166.14**		**75,414.97**		**1,893,481.34**

amazon

Sum of The Parts Valuation

Sum Of the Parts Valuation							
	Total Sales	YoY Growth	Forward Sales	EBITDA Margin	Forward EBITDA	EV/EBITDA Multiples	Value
Online Stores	220,859	12%	247,362.08				
Physical Stores	15,928	10%	17,520.80				
Third-party Seller Services	96,557	33%	128,420.81				
Subscription Services	29,130	28%	37,286.40				
Advertising	28,169	80%	50,704.20				
Total Retail	**390,643**	**23%**	**481,294.29**	**9.00%**	**43,316.49**	**20x**	**866,329.72**
Amazon Web Services	**52,655**	**27%**	**66,871.85**	**48%**	**32,098.49**	**32x**	**1,027,151.62**
Total	**443,298**		**548,166.14**		**75,414.97**		**1,893,481.34**

amazon

Sum of The Parts Valuation

Sum Of the Parts Valuation							
	Total Sales	YoY Growth	Forward Sales	EBITDA Margin	Forward EBITDA	EV/EBITDA Multiples	Value
Online Stores	220,859	12%	247,362.08				
Physical Stores	15,928	10%	17,520.80				
Third-party Seller Services	96,557	33%	128,420.81				
Subscription Services	29,130	28%	37,286.40				
Advertising	28,169	80%	50,704.20				
Total Retail	**390,643**	**23%**	**481,294.29**	**9.00%**	**43,316.49**	**20x**	**866,329.72**
Amazon Web Services	**52,655**	**27%**	**66,871.85**	**48%**	**32,098.49**	**32x**	**1,027,151.62**
Total	**443,298**		**548,166.14**		**75,414.97**		**1,893,481.34**

amazon

Sum of The Parts Valuation

Sum Of the Parts Valuation							
	Total Sales	YoY Growth	Forward Sales	EBITDA Margin	Forward EBITDA	EV/EBITDA Multiples	Value
Online Stores	220,859	12%	247,362.08				
Physical Stores	15,928	10%	17,520.80				
Third-party Seller Services	96,557	33%	128,420.81				
Subscription Services	29,130	28%	37,286.40				
Advertising	28,169	80%	50,704.20				
Total Retail	**390,643**	**23%**	**481,294.29**	**9.00%**	**43,316.49**	**20x**	**866,329.72**
Amazon Web Services	**52,655**	**27%**	**66,871.85**	**48%**	**32,098.49**	**32x**	**1,027,151.62**
Total	**443,298**		**548,166.14**		**75,414.97**		**1,893,481.34**

amazon

Sum of The Parts Valuation

Sum Of the Parts Valuation							
	Total Sales	YoY Growth	Forward Sales	EBITDA Margin	Forward EBITDA	EV/EBITDA Multiples	Value
Online Stores	220,859	12%	247,362.08				
Physical Stores	15,928	10%	17,520.80				
Third-party Seller Services	96,557	33%	128,420.81				
Subscription Services	29,130	28%	37,286.40				
Advertising	28,169	80%	50,704.20				
Total Retail	**390,643**	**23%**	**481,294.29**	**9.00%**	**43,316.49**	**20x**	**866,329.72**
Amazon Web Services	**52,655**	**27%**	**66,871.85**	**48%**	**32,098.49**	**32x**	**1,027,151.62**
Total	**443,298**		**548,166.14**		**75,414.97**		**1,893,481.34**

amazon

Sum of The Parts Valuation

Sum Of the Parts Valuation							
	Total Sales	YoY Growth	Forward Sales	EBITDA Margin	Forward EBITDA	EV/EBITDA Multiples	Value
Online Stores	220,859	12%	247,362.08				
Physical Stores	15,928	10%	17,520.80				
Third-party Seller Services	96,557	33%	128,420.81				
Subscription Services	29,130	28%	37,286.40				
Advertising	28,169	80%	50,704.20				
Total Retail	**390,643**	**23%**	**481,294.29**	**9.00%**	**43,316.49**	**20x**	**866,329.72**
Amazon Web Services	**52,655**	**27%**	**66,871.85**	**48%**	**32,098.49**	**32x**	**1,027,151.62**
Total	**443,298**		**548,166.14**		**75,414.97**		**1,893,481.34**

amazon

Sum of The Parts Valuation

Sum Of the Parts Valuation							
	Total Sales	YoY Growth	Forward Sales	EBITDA Margin	Forward EBITDA	EV/EBITDA Multiples	Value
Online Stores	220,859	12%	247,362.08				
Physical Stores	15,928	10%	17,520.80				
Third-party Seller Services	96,557	33%	128,420.81				
Subscription Services	29,130	28%	37,286.40				
Advertising	28,169	80%	50,704.20				
Total Retail	**390,643**	**23%**	**481,294.29**	**9.00%**	**43,316.49**	**20x**	**866,329.72**
Amazon Web Services	**52,655**	**27%**	**66,871.85**	**48%**	**32,098.49**	**32x**	**1,027,151.62**
Total	**443,298**		**548,166.14**		**75,414.97**		**1,893,481.34**

amazon

Sum of The Parts Valuation

Enterprise Value	$	1,893,481.34
Total Debt	$	(50,279.00)
Preferred Stock	$	-
Minority Interest	$	-
Cash & Equivalents	$	89,894.00
Equity Value	$	1,933,096.34
Diluted Shares		514
Share Price	$	3,760.89

amazon

VALUATION MODEL

Ticker: AMZN

Price: $3,364.90

5 Year EV/EBITDA Forecast

		Current	2021	2022	2023	2024	2025	EV/EBITDA	Total Return Price	PV	5 YR Return	Annual Return
Bear	**EBITDA PS**	$126.38	$139.02	$152.92	$168.21	$185.03	$203.54	20.0x	$4,070.73	$2,645.69	21.0%	**3.9%**
								25.0x	$5,088.41	$3,307.11	51.2%	**8.6%**
			10%	*10%*	*10%*	*10%*	*10%*	30.0x	$6,106.09	$3,968.54	81.5%	**12.7%**
Base	**EBITDA PS**	$126.38	$144.07	$164.24	$187.24	$213.45	$243.33	20.0x	$4,866.68	$3,163.01	44.6%	**7.7%**
								25.0x	$6,083.35	$3,953.76	80.8%	**12.6%**
			14%	*14%*	*14%*	*14%*	*14%*	30.0x	$7,300.02	$4,744.51	116.9%	**16.8%**
Bull	**EBITDA PS**	$126.38	$149.13	$175.97	$207.65	$245.02	$289.13	20.0x	$5,782.54	$3,758.25	71.8%	**11.4%**
								25.0x	$7,228.17	$4,697.81	114.8%	**16.5%**
			18%	*18%*	*18%*	*18%*	*18%*	30.0x	$8,673.80	$5,637.38	157.8%	**20.9%**

Discount rate:	9%

amazon

Ticker: AMZN

Price: $3,364.90

5 Year EV/EBITDA Forecast

		Current	2021	2022	2023	2024	2025	EV/EBITDA	Total Return Price	PV	5 YR Return	Annual Return
Bear	**EBITDA PS**	$126.38	$139.02	$152.92	$168.21	$185.03	$203.54	20.0x	$4,070.73	$2,645.69	21.0%	**3.9%**
								25.0x	$5,088.41	$3,307.11	51.2%	**8.6%**
			10%	*10%*	*10%*	*10%*	*10%*	30.0x	$6,106.09	$3,968.54	81.5%	**12.7%**
Base	**EBITDA PS**	$126.38	$144.07	$164.24	$187.24	$213.45	$243.33	20.0x	$4,866.68	$3,163.01	44.6%	**7.7%**
								25.0x	$6,083.35	$3,953.76	80.8%	**12.6%**
			14%	*14%*	*14%*	*14%*	*14%*	30.0x	$7,300.02	$4,744.51	116.9%	**16.8%**
Bull	**EBITDA PS**	$126.38	$149.13	$175.97	$207.65	$245.02	$289.13	20.0x	$5,782.54	$3,758.25	71.8%	**11.4%**
								25.0x	$7,228.17	$4,697.81	114.8%	**16.5%**
			18%	*18%*	*18%*	*18%*	*18%*	30.0x	$8,673.80	$5,637.38	157.8%	**20.9%**

Discount rate:	9%

amazon

Ticker: AMZN

Price: $3,364.90

5 Year EV/EBITDA Forecast

		Current	2021	2022	2023	2024	2025	EV/EBITDA	Total Return Price	PV	5 YR Return	Annual Return
Bear	**EBITDA PS**	$126.38	$139.02	$152.92	$168.21	$185.03	$203.54	20.0x	$4,070.73	$2,645.69	21.0%	**3.9%**
								25.0x	$5,088.41	$3,307.11	51.2%	**8.6%**
			10%	*10%*	*10%*	*10%*	*10%*	30.0x	$6,106.09	$3,968.54	81.5%	**12.7%**
Base	**EBITDA PS**	$126.38	$144.07	$164.24	$187.24	$213.45	$243.33	20.0x	$4,866.68	$3,163.01	44.6%	**7.7%**
								25.0x	$6,083.35	$3,953.76	80.8%	**12.6%**
			14%	*14%*	*14%*	*14%*	*14%*	30.0x	$7,300.02	$4,744.51	116.9%	**16.8%**
Bull	**EBITDA PS**	$126.38	$149.13	$175.97	$207.65	$245.02	$289.13	20.0x	$5,782.54	$3,758.25	71.8%	**11.4%**
								25.0x	$7,228.17	$4,697.81	114.8%	**16.5%**
			18%	*18%*	*18%*	*18%*	*18%*	30.0x	$8,673.80	$5,637.38	157.8%	**20.9%**

Discount rate:	9%

amazon

Ticker: AMZN

Price: $3,364.90

5 Year EV/EBITDA Forecast

		Current	2021	2022	2023	2024	2025	EV/EBITDA	Total Return Price	PV	5 YR Return	Annual Return
Bear	**EBITDA PS**	$126.38	$139.02	$152.92	$168.21	$185.03	$203.54	20.0x	$4,070.73	$2,645.69	21.0%	**3.9%**
								25.0x	$5,088.41	$3,307.11	51.2%	**8.6%**
			10%	*10%*	*10%*	*10%*	*10%*	30.0x	$6,106.09	$3,968.54	81.5%	**12.7%**
Base	**EBITDA PS**	$126.38	$144.07	$164.24	$187.24	$213.45	$243.33	20.0x	$4,866.68	$3,163.01	44.6%	**7.7%**
								25.0x	$6,083.35	$3,953.76	80.8%	**12.6%**
			14%	*14%*	*14%*	*14%*	*14%*	30.0x	$7,300.02	$4,744.51	116.9%	**16.8%**
Bull	**EBITDA PS**	$126.38	$149.13	$175.97	$207.65	$245.02	$289.13	20.0x	$5,782.54	$3,758.25	71.8%	**11.4%**
								25.0x	$7,228.17	$4,697.81	114.8%	**16.5%**
			18%	*18%*	*18%*	*18%*	*18%*	30.0x	$8,673.80	$5,637.38	157.8%	**20.9%**

Discount rate:	9%

amazon

Ticker: AMZN

Price: $3,364.90

5 Year EV/EBITDA Forecast

		Current	2021	2022	2023	2024	2025	EV/EBITDA	Total Return Price	PV	5 YR Return	Annual Return
Bear	**EBITDA PS**	$126.38	$139.02	$152.92	$168.21	$185.03	$203.54	20.0x	$4,070.73	$2,645.69	21.0%	**3.9%**
								25.0x	$5,088.41	$3,307.11	51.2%	**8.6%**
			10%	*10%*	*10%*	*10%*	*10%*	30.0x	$6,106.09	$3,968.54	81.5%	**12.7%**
Base	**EBITDA PS**	$126.38	$144.07	$164.24	$187.24	$213.45	$243.33	20.0x	$4,866.68	$3,163.01	44.6%	**7.7%**
								25.0x	$6,083.35	$3,953.76	80.8%	**12.6%**
			14%	*14%*	*14%*	*14%*	*14%*	30.0x	$7,300.02	$4,744.51	116.9%	**16.8%**
Bull	**EBITDA PS**	$126.38	$149.13	$175.97	$207.65	$245.02	$289.13	20.0x	$5,782.54	$3,758.25	71.8%	**11.4%**
								25.0x	$7,228.17	$4,697.81	114.8%	**16.5%**
			18%	*18%*	*18%*	*18%*	*18%*	30.0x	$8,673.80	$5,637.38	157.8%	**20.9%**

Discount rate:	9%

amazon

Ticker: AMZN

Price: $3,364.90

5 Year EV/EBITDA Forecast

		Current	2021	2022	2023	2024	2025	EV/EBITDA	Total Return Price	PV	5 YR Return	Annual Return
Bear	**EBITDA PS**	$126.38	$139.02	$152.92	$168.21	$185.03	$203.54	20.0x	$4,070.73	$2,645.69	21.0%	**3.9%**
								25.0x	$5,088.41	$3,307.11	51.2%	**8.6%**
			10%	*10%*	*10%*	*10%*	*10%*	30.0x	$6,106.09	$3,968.54	81.5%	**12.7%**
Base	**EBITDA PS**	$126.38	$144.07	$164.24	$187.24	$213.45	$243.33	20.0x	$4,866.68	$3,163.01	44.6%	**7.7%**
								25.0x	$6,083.35	$3,953.76	80.8%	**12.6%**
			14%	*14%*	*14%*	*14%*	*14%*	30.0x	$7,300.02	$4,744.51	116.9%	**16.8%**
Bull	**EBITDA PS**	$126.38	$149.13	$175.97	$207.65	$245.02	$289.13	20.0x	$5,782.54	$3,758.25	71.8%	**11.4%**
								25.0x	$7,228.17	$4,697.81	114.8%	**16.5%**
			18%	*18%*	*18%*	*18%*	*18%*	30.0x	$8,673.80	$5,637.38	157.8%	**20.9%**

Discount rate:	9%

amazon

Ticker: AMZN

Price: $3,462.52

5 Year EV/EBITDA Forecast

		Current	2021	2022	2023	2024	2025	EV/EBITDA	Total Return Price	PV	5 YR Return	Annual Return
Bear	**EBITDA PS**	$126.38	$139.02	$152.92	$168.21	$185.03	$203.54	25.0x	$5,088.41	$3,307.11	47.0%	**8.0%**
								30.0x	$6,106.09	$3,968.54	76.3%	**12.0%**
			10%	*10%*	*10%*	*10%*	*10%*	35.0x	$7,123.77	$4,629.96	105.7%	**15.5%**
Base		Current	2021	2022	2023	2024	2025	25.0x	$6,083.35	$3,953.76	75.7%	**11.9%**
	EBITDA PS	$126.38	$144.07	$164.24	$187.24	$213.45	$243.33	30.0x	$7,300.02	$4,744.51	110.8%	**16.1%**
			14%	*14%*	*14%*	*14%*	*14%*	35.0x	$8,516.69	$5,535.26	146.0%	**19.7%**
Bull		Current	2021	2022	2023	2024	2025	25.0x	$7,228.17	$4,697.81	108.8%	**15.9%**
	EBITDA PS	$126.38	$149.13	$175.97	$207.65	$245.02	$289.13	30.0x	$8,673.80	$5,637.38	150.5%	**20.2%**
			18%	*18%*	*18%*	*18%*	*18%*	35.0x	$10,119.44	$6,576.94	192.3%	**23.9%**

Discount rate:	9%

amazon

Sensitivity Analysis

Total RoR Sensitivity				
$126.38		Est. EBITDA growth rate		
		10%	14%	18%
EV/EBITDA	20.0x	3.9%	7.7%	11.4%
	25.0x	8.6%	12.6%	16.5%
	30.0x	12.7%	16.8%	20.9%

amazon

CONCLUSION

amazon

Conclusion

- Experienced management team that can lead the company forward
- Significant growth opportunities in growing industries
- One of the widest moats in the world
- Trading at attractive levels of valuation

amazon

Recommendation

- Write a limit order for 20 shares at $3,450
- Make it 5% of our portfolio

APPENDIX

amazon

Conclusion on Valuation

- Valuation multiples have come down significantly
- Below 25th percentile on EV/EBITDA
- Leaders in three fast growing industries (e-commerce, cloud computing, and digital advertising)
- The company's wide moat is the ultimate margin of safety

amazon

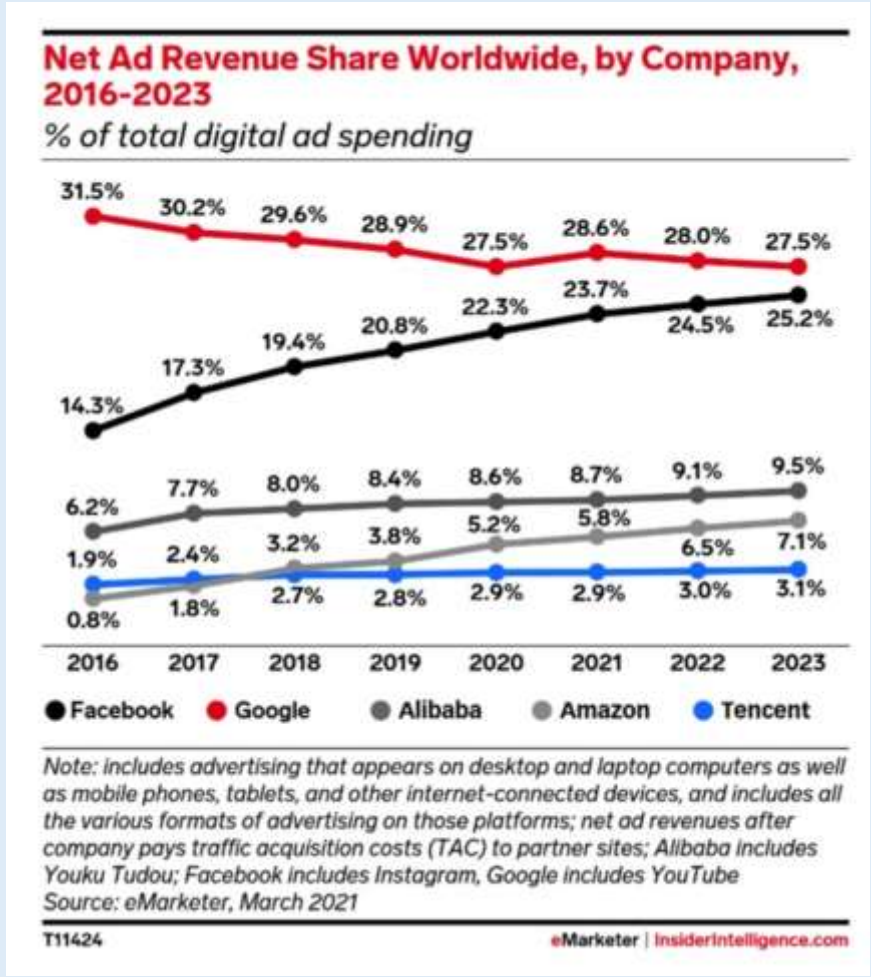
Appendix – E-Comm. & Ad Revenue

Top 10 US Retail Ecommerce Companies, 2021
billions, % change, and % of total ecommerce sales

1. Amazon	**$367.19**
—% change	15.3%
—% of total ecommerce sales	40.4%
2. Walmart	**$64.62**
—% change	21.2%
—% of total ecommerce sales	7.1%
3. eBay	**$38.67**
—% change	3.0%
—% of total ecommerce sales	4.3%
4. Apple	**$33.62**
—% change	11.7%
—% of total ecommerce sales	3.7%
5. Best Buy	**$20.34**
—% change	13.0%
—% of total ecommerce sales	2.2%
6. Target	**$20.23**
—% change	23.7%
—% of total ecommerce sales	2.2%
7. The Home Depot	**$20.02**
—% change	13.2%
—% of total ecommerce sales	2.2%
8. Kroger	**$15.04**
—% change	17.8%
—% of total ecommerce sales	1.7%
9. Costco	**$14.58**
—% change	19.2%
—% of total ecommerce sales	1.6%
10. Wayfair	**$13.88**
—% change	14.0%
—% of total ecommerce sales	1.5%

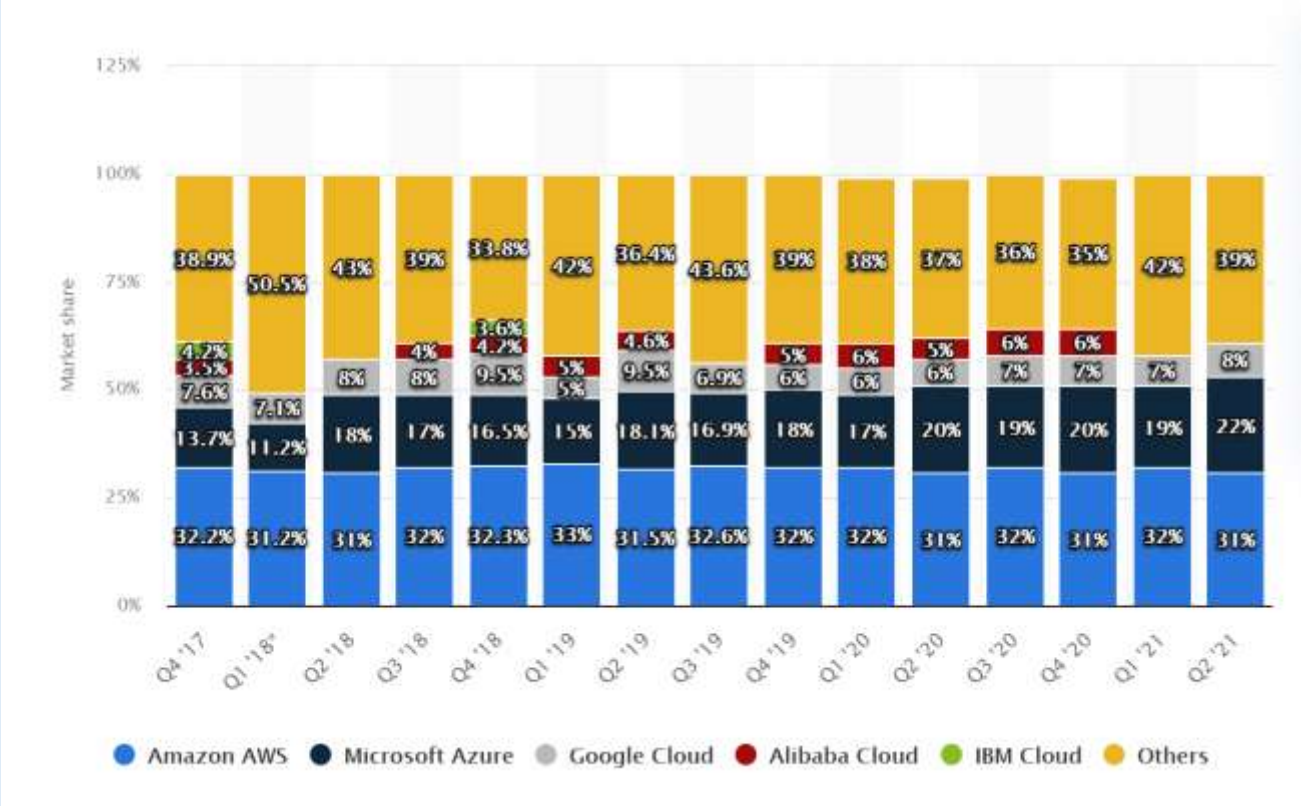
Note: represents the gross value of products or services sold on the website of each company listed (via browser or app), regardless of the method of payment or fulfillment; excludes travel and event tickets
Source: eMarketer, Feb 2021

264412 eMarketer | InsiderIntelligence.com



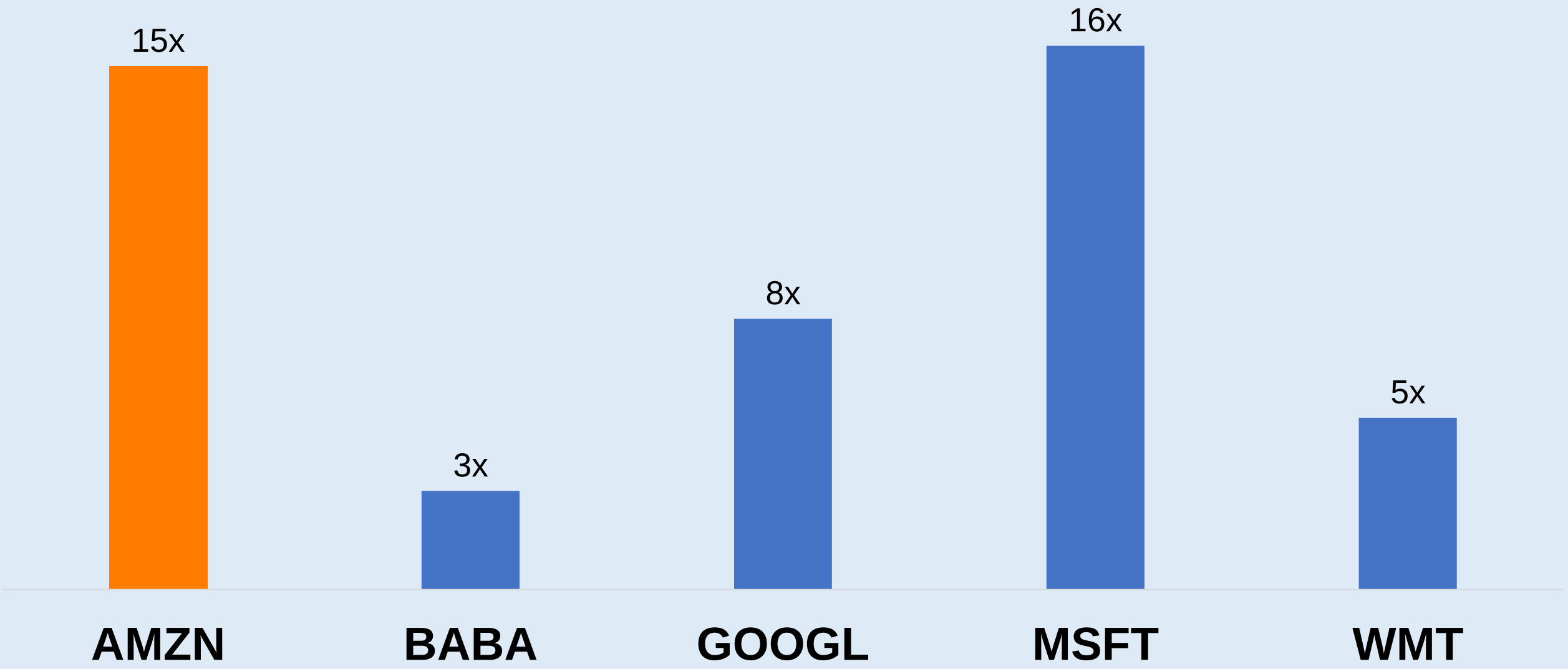
amazon

Appendix – Cloud-Services Market Share



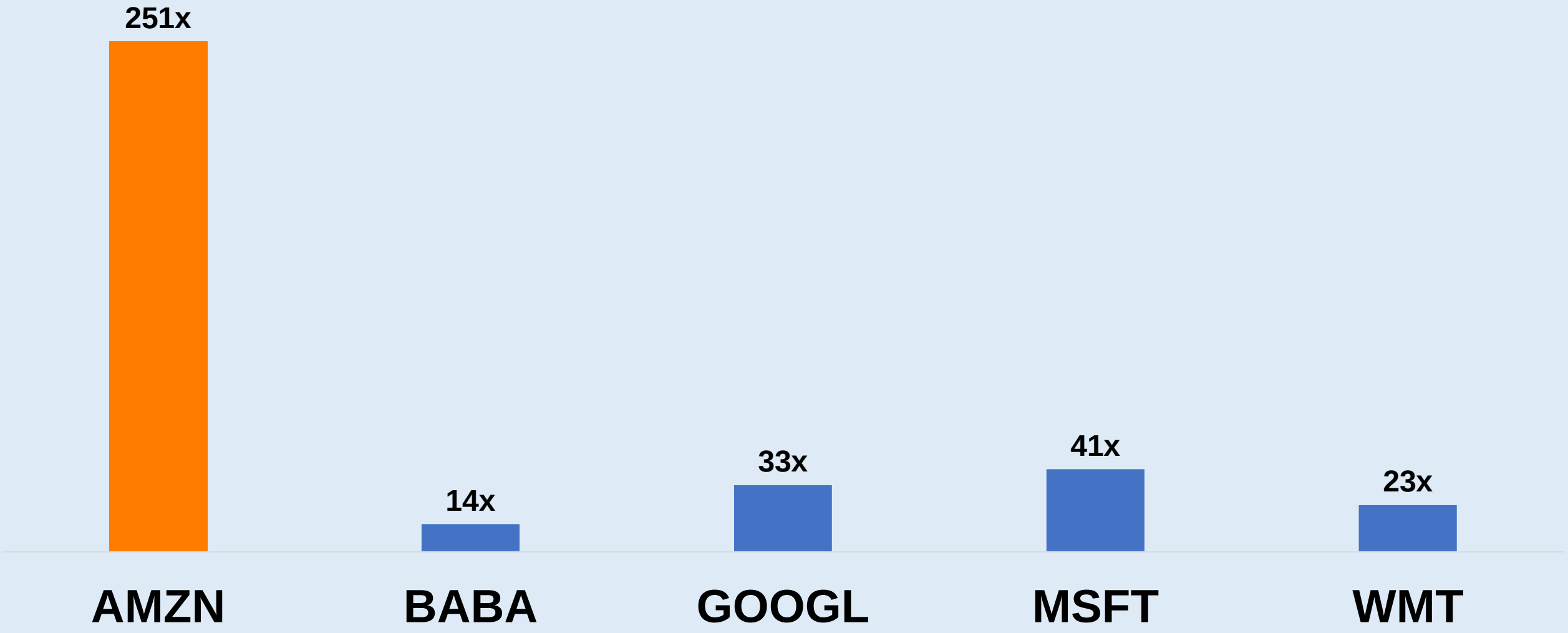
amazon

Price to Book Value



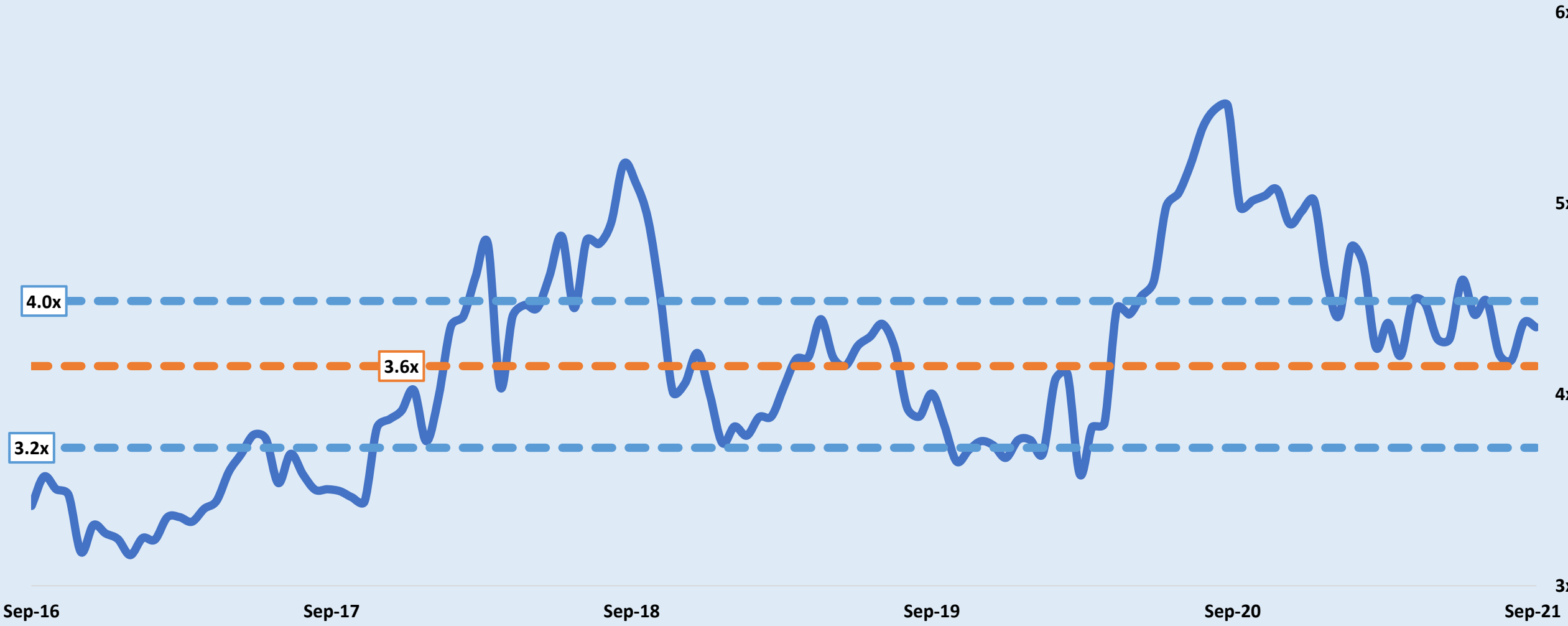
amazon

Price to Free Cash Flow



amazon

EV/Sales



amazon

Amazon Logistics – Middle-Mile

- Middle-Mile Team (Amazon's Logistics Seal Team)
  - Manages complexity and scale and makes routing decisions
- Complexity?
  - Amazon's trucking network alone presents:
    - 10^{88} (ten octovigintillion) possible routing options
- Created a dynamic algorithm that understands:
  - Perpetually changing inventory in fulfillment centers
  - Detect variable demand levels and route goods that have been unaccounted for
  - Set prices and assign loads via dynamic-pricing truckload supply board

Appendix – Revenue Breakdown

“

	2018	2019	2020
Net Sales:			
Online stores (1)	$ 122,987	$ 141,247	$ 197,346
Physical stores (2)	17,224	17,192	16,227
Third-party seller services (3)	42,745	53,762	80,461
Subscription services (4)	14,168	19,210	25,207
AWS	25,655	35,026	45,370
Other (5)	10,108	14,085	21,453
Consolidated	$ 232,887	$ 280,522	$ 386,064

Appendix – Revenue Breakdown + Growth Rates

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Y/Y % Change
Net Sales							
Online stores (1)	$ 36,652	$ 45,896	$ 48,350	$ 66,451	$ 52,901	$ 53,157	16 %
Online stores -- Y/Y growth, excluding F/X	25 %	49 %	37 %	43 %	41 %	13 %	N/A
Physical stores (2)	$ 4,640	$ 3,774	$ 3,788	$ 4,022	$ 3,920	$ 4,198	11 %
Physical stores -- Y/Y growth, excluding F/X	8 %	(13)%	(10)%	(7)%	(16)%	10 %	N/A
Third-party seller services (3)	$ 14,479	$ 18,195	$ 20,436	$ 27,327	$ 23,709	$ 25,085	38 %
Third-party seller services -- Y/Y growth, excluding F/X	31 %	53 %	53 %	54 %	60 %	34 %	N/A
Subscription services (4)	$ 5,556	$ 6,018	$ 6,572	$ 7,061	$ 7,580	$ 7,917	32 %
Subscription services -- Y/Y growth, excluding F/X	29 %	30 %	32 %	34 %	34 %	28 %	N/A
AWS	$ 10,219	$ 10,808	$ 11,601	$ 12,742	$ 13,503	$ 14,809	37 %
AWS -- Y/Y growth, excluding F/X	33 %	29 %	29 %	28 %	32 %	37 %	N/A
Other (5)	$ 3,906	$ 4,221	$ 5,398	$ 7,952	$ 6,905	$ 7,914	87 %
Other -- Y/Y growth, excluding F/X	44 %	41 %	49 %	64 %	73 %	83 %	N/A

amazon

Appendix – Segment Description

(1) Includes product sales and digital media content where we record revenue gross. We leverage our retail infrastructure to offer a wide selection of consumable and durable goods that includes media products available in both a physical and digital format, such as books, videos, games, music, and software. These product sales include digital products sold on a transactional basis. Digital product subscriptions that provide unlimited viewing or usage rights are included in "Subscription services."

(2) Includes product sales where our customers physically select items in a store. Sales to customers who order goods online for delivery or pickup at our physical stores are included in "Online stores."

(3) Includes commissions and any related fulfillment and shipping fees, and other third-party seller services.

(4) Includes annual and monthly fees associated with Amazon Prime memberships, as well as digital video, audiobook, digital music, e-book, and other non-AWS subscription services.

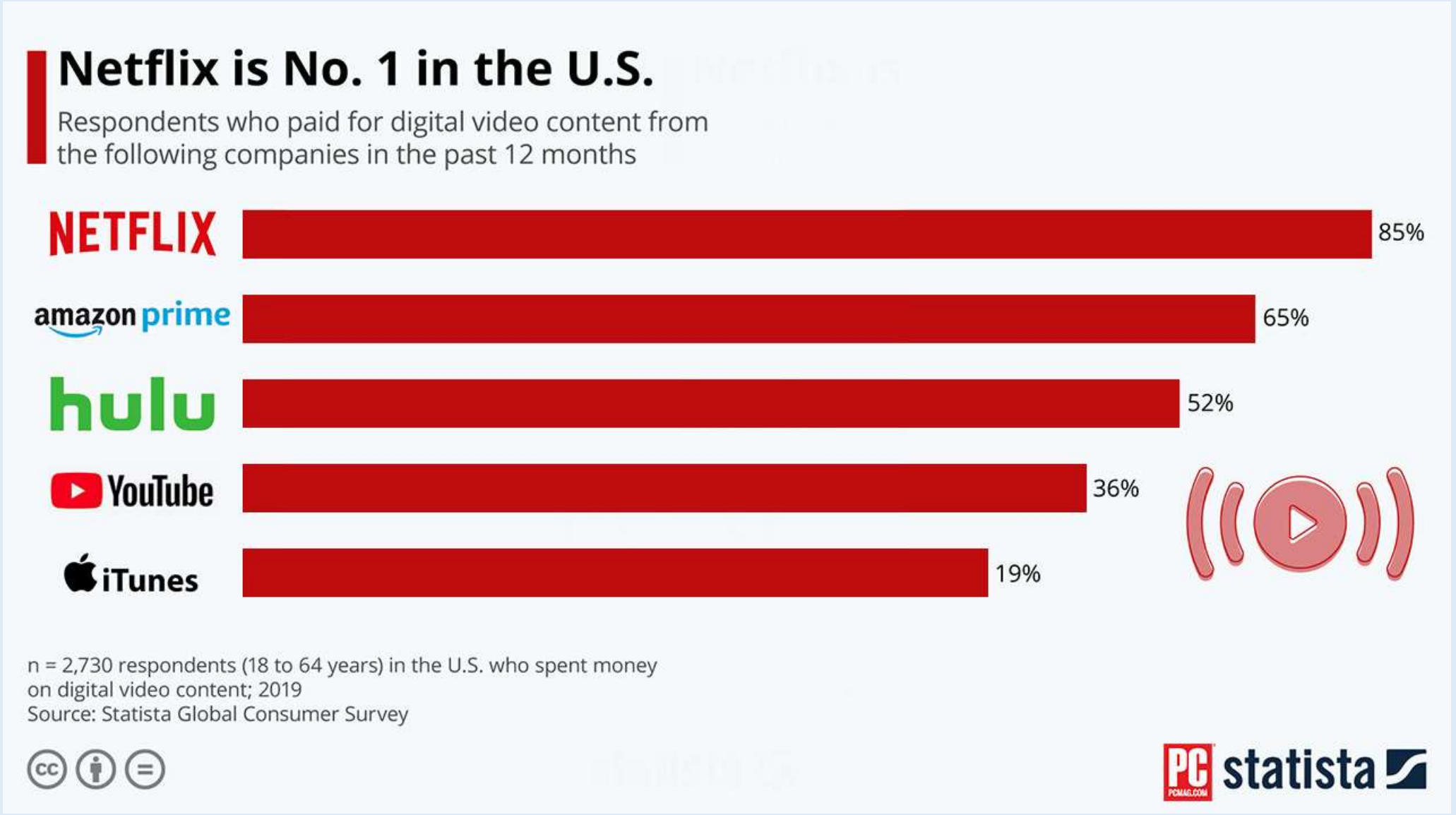
(5) Primarily includes sales of advertising services, as well as sales related to our other service offerings.

(6) Excludes the impact of Whole Foods Market.

Amazon Logistics – Fulfillment Centers

- Currently 1,005 Facilities in North America
  - 283 Fulfillment Centers
  - 938 Facilities in US, 264 Fulfillment Centers
- Future Growth: 467 Future Facilities in North America
  - 113 Fulfillment Centers
  - 441 Planned Facilities in US, 106 Planned Fulfillment Centers

Streaming Competitors



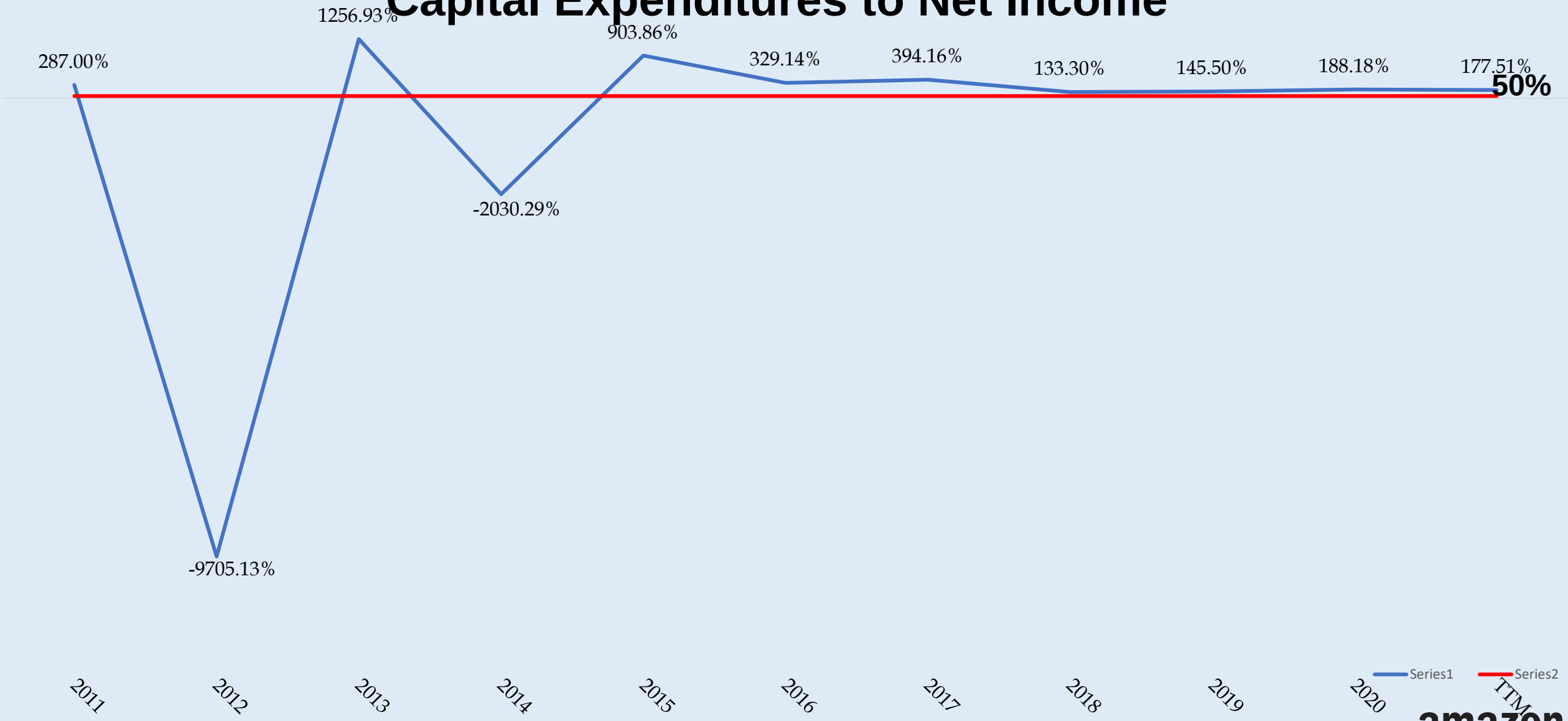
amazon

Interpretation of Financial Statements

IOFS	Measure	Threshold	Pass/Fail
Revenue	Pred. & Const.	UP	★
Net Income	Pred. & Const.	UP	★
Gross Profit Margin	>	40%	✕
Operating Margin	>	20%	✕
Net Margin	>	10%	✕
SG&A to Gross Profit	<	80%	★
D&A to Gross Profit	<	10%	✕
R&D to Gross Profit	<	10%	✕
Interest Expense to Operating Income	<	15%	★
Capex to Net Income	<	50%	✕
ROE	>	15%	★
ROE with Treasury Stock	>	15%	★
ROC	>	15%	★
Adjusted ROC	>	15%	★

amazon

Capital Expenditures to Net Income

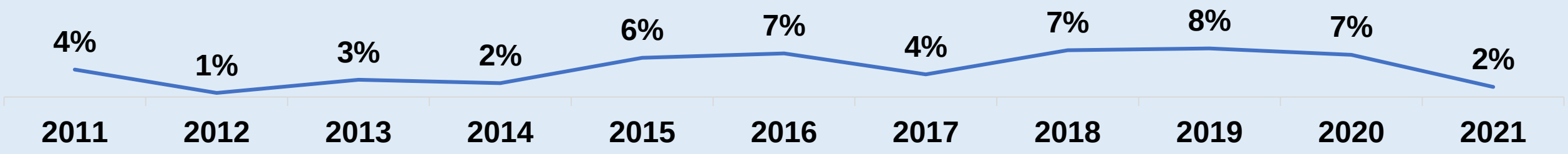


amazon

Cash and Cash Equivalents

amazon

FCF Margin


4%
1%
3%
2%
6%
7%
4%
7%
8%
7%
2%
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021

Risk – India and China

The People's Republic of China ("PRC") and India regulate Amazon's and its affiliates' businesses and operations in country through regulations and license requirements that may restrict (i) foreign investment in and operation of the Internet, IT infrastructure, data centers, retail, delivery, and other sectors, (ii) Internet content, and (iii) the sale of media and other products and services. For example, in order to meet local ownership, regulatory licensing, and cybersecurity requirements, we provide certain technology services in China through contractual relationships with third parties that hold PRC licenses to provide services. In India, the government restricts the ownership or control of Indian companies by foreign entities involved in online multi-brand retail trading activities. For www.amazon.in, we provide certain marketing tools and logistics services to third-party sellers to enable them to sell online and deliver to customers, and we hold indirect minority interests in entities that are third-party sellers on the www.amazon.in marketplace. Although we believe these structures and activities comply with existing laws, they involve unique risks, and the PRC and India may from time to time consider and implement additional changes in their regulatory, licensing, or other requirements that could impact these structures and activities. There are substantial uncertainties regarding the interpretation of PRC and Indian laws and regulations, and it is possible that these governments will ultimately take a view contrary to ours. In addition, our Chinese and Indian businesses and operations may be unable to continue to operate if we or our affiliates are unable to access sufficient funding or, in China, enforce contractual relationships we or our affiliates have in place. Violation of any existing or future PRC, Indian, or other laws or regulations or changes in the interpretations of those laws and regulations could result in our businesses in those countries being subject to fines and other financial penalties, having licenses revoked, or being forced to restructure our operations or shut down entirely.