

# Amazon Online Grocery Growth Strategy Board of Directors Presentation



ONLINE  
GROCERY  
SHOPPING



**JWI 599: BUSINESS ANALYTICS AND CAPSTONE  
ASSIGNMENT 4: BOARD PRESENTATION  
PROFESSOR: BRUCE SMITH  
BY GEORGE HOLOBETZ, CEO  
AMAZON  
9 1 30**



**amazonPrime**

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# PLAN OUTLINE AND BENEFITS



## PLAN OUTLINE

### ❖ **GROW:**

- ❖ 25% MARKET SHARE >50% by 2027
- ❖ SALES \$35.5B IN 2023 TO \$61.3B IN 2033
- ❖ A 73% INCREASE AVERAGE YOY 7.3% CAGR
- ❖ NOMINAL ANNUAL CASH FLOW 14.6% YOY FROM 2023-2033 146%
- ❖ FROM \$711M TO \$1.74B
- ❖ OUT OUR HUB NETWORK

## PLAN BENEFITS

- ❖ WILL HELP OVERCOME STAGNATION IN AMZN BUSINESS GROWTH
- ❖ GROCERY ONLINE MARKET IS GROWING 25% CAGR
- ❖ IT IS THE RIGHT TIME TO GROW AMZN AND CAPITALIZE ON A MARKET GROWING FROM \$156B IN 2023 TO OVER \$1.4T IN 2033

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# DATA COLLECTED

- ❖ NET PRESENT VALUE OF FUTURE CASH FLOWS
- ❖ NOMINAL CASH FLOW (NCF)
- ❖ DISCOUNTED CASH FLOW (DCF)
- ❖ NPV
- ❖ IRR
- ❖ ROI



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# DATA ANALYZED-1



CHART A: Net Present Value of Future CashFlows Worksheet

All Yellow Highlighted cells are input fields and will pre-fill calculated values

	0	1	2	3	4	5	6	7	8	9	10	
<b>DISCOUNT RATE</b>	9%											
	REV-7.3% CAGR YOY AND 73% > OVER 10 YEARS CONSERVATIVELY											
Revenues exclusive to your Plan		\$35,460,000,000	\$41,170,000,000	\$44,463,600,000	\$48,465,324,000	\$52,342,549,920	\$54,960,150,000	\$56,608,954,500	\$58,307,223,130	\$59,764,903,700	\$61,259,000,000	
%CAGR			14% CAGR	8%	8%	7%	4.80%	3%	3%	2.50%		
Initial investment in acquisition of equipment, company, or other one-time costs Est.	\$ 2,250,000,000											
Additional Investments in subsequent years Est. 16% < 10%COS from 2023-2030		\$ 56,736,000	\$ 50,000,000	\$ 47,500,000	\$ 49,000,000	\$ 52,000,000	\$ 54,960,150	\$ 57,000,000	\$ 58,000,000	\$ 60,000,000	\$ 61,000,000	
vans, freezers, hub satellite warehouses, drones												
On-Going Costs (new hires, outside contractors, and other costs incurred each year)		\$ 100,000,000	\$ 75,000,000	\$ 60,000,000	\$ 50,000,000	\$ 55,000,000	\$ 50,000,000	\$ 47,500,000	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000	
Cost savings to be gained each year exclusive to your Plan		\$ 5,600,000	\$ 5,000,000	\$ 4,750,000	\$ 4,900,000	\$ 5,200,000	\$ 5,500,000	\$ 5,700,000	\$ 5,800,000	\$ 6,000,000	\$ 6,000,000	
<shipping, automation, drones, 10% savings of additional investments through AI, ML and Robots												
Company average or industry net profit margin		2.4%	2.6%	2.7%	2.9%	3.0%	3.1%	3.2%	3.0%	3.0%	3.0%	
<b>NOMINAL ANNUAL CASH FLOWS</b>												
\$	2,250,000,000	\$ 2,250,000,000	\$ 710,542,000	\$ 950,420,000	\$ 1,097,767,200	\$ 1,311,394,396	\$ 1,468,476,498	\$ 1,604,304,500	\$ 1,712,686,544	\$ 1,652,016,694	\$ 1,693,947,111	\$ 1,737,000,000
	CF -14.6% CAGR YOY TOTAL GROWTH RATE OF 146%											





# DATA ANALYZED-2

YEAR	NOMINAL CASH FLOW			DISCOUNTED CASH FLOW			
	ANNUAL	CUMULATIVE	PAYBACK	DISC RATE	DISC CASH FLOW	CUM DISC CF	PAYBACK
0	\$ (2,250,000,000)	\$ (2,250,000,000)		1.00	\$ (2,250,000,000)	\$ (2,250,000,000)	
1	\$ 710,542,000	\$ (1,539,458,000)		0.917	\$ 651,873,394	\$ (1,598,126,606)	
2	\$ 950,420,000	\$ (589,038,000)		0.842	\$ 799,949,499	\$ (798,177,106)	
3	\$ 1,097,767,200	\$ 508,729,200		0.772	\$ 847,677,697	\$ 49,500,590	
4	\$ 1,311,394,396	\$ 1,820,123,596		0.708	\$ 929,024,852	\$ 978,525,442	
5	\$ 1,468,476,498	\$ 3,288,600,094		0.650	\$ 954,408,966	\$ 1,932,934,408	
6	\$ 1,604,304,500	\$ 4,892,904,594		0.596	\$ 956,594,356	\$ 2,889,528,764	
7	\$ 1,712,686,544	\$ 6,605,591,138		0.547	\$ 936,898,190	\$ 3,826,426,954	
8	\$ 1,652,016,694	\$ 8,257,607,832		0.502	\$ 829,091,472	\$ 4,655,518,426	
9	\$ 1,693,947,111	\$ 9,951,554,943		0.460	\$ 779,940,307	\$ 5,435,458,733	
10	\$ 1,737,770,000	\$ 11,689,324,943		0.422	\$ 734,052,828	\$ 6,169,511,561	
			<b>2.54</b>				<b>2.94</b>
						<b>NPV</b>	<b>\$ 6,169,511,561</b>
						<b>IRR</b>	<b>46.1%</b>
		<b>Return on Investment (ROI)</b>					
			<b>619.53%</b>				

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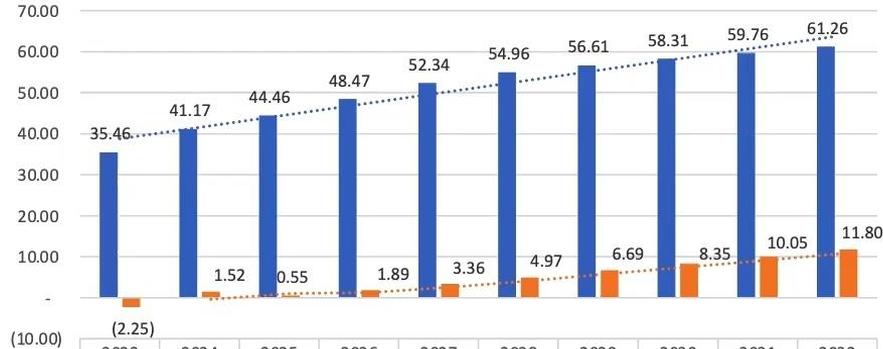




# DATA ANALYZED-3



REV VS NOMINAL CASH FLOW



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenue in Billions \$	35.46	41.17	44.46	48.47	52.34	54.96	56.61	58.31	59.76	61.26
Nominal Cash Flow in Millions \$	(2.25)	1.52	0.55	1.89	3.36	4.97	6.69	8.35	10.05	11.80

■ Revenue in Billions \$

■ Nominal Cash Flow in Millions \$

..... Linear ( Revenue in Billions \$ )

..... 2 per. Mov. Avg. (Nominal Cash Flow in Millions \$)

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# RISK AND MITIGATION PLAN

## RISK

- ❖ WE DON'T APPROVE THIS WE FALL FURTHER BEHIND **WALMART**
- ❖ **MISS ON 25% YOY TOTAL GROCERY ON LINE GROWTH**
- ❖ WE **DON'T HELP AMZN** BECOME A **\$2T** COMPANY
- ❖ WE **DON'T GROW** **TOPLINE REVENUE** AND **BOTTOM-LINE CASH FLOWS AND NET INCOME** OR INCREASE **SHAREHOLDER VALUE**



## MITIGATION

- ❖ THE **RISK IS GREATER NOT TO DO IT** THAN TO DO IT
- ❖ HOW ELSE AND **WHAT ELSE CAN WE INVEST IN** WITH THAT KIND OF GROWTH
- ❖ WE ARE THE LARGEST ON LINE RETAILER IN THE US WMT IS CLOSING IN
- ❖ WE ARE SENSITIVE TO **INCREASED COMPETITION** ON ALL OF AMZN'S BUSINESSES **WE NEED TO COUNTER IT WITH OUR OWN STRATEGIC MOVE IN GROCERY**

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❖ CONCLUSION

❖ RECOMMENDATION

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❖ THANK YOU LET US VOTE ON MY \$2.25B  
FUNDING ASK AND OUR FUTURE BECOMING A \$2.0T COMPANY BY 2030

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