

Amazon.com, Inc. (AMZN)

Industry View:	In-Line
Stock Rating:	Outperform
Price Target:	\$218.3
Current Price:	\$186.4
Shares Outstanding:	10,495.57 MM
Average Daily Volume (3 months):	37.50 MM
52-Week High:	\$201.20
52-Week Low:	\$136.47

Objective Of The Report

Baptista Research looks to evaluate the different factors that could influence the company's price in the near future and attempts to carry out an independent valuation of the company using a Discounted Cash Flow (DCF) methodology. In this report, we have carried out a fundamental analysis of the historical financial statements of the company. We have added reasonable forecasts of the annualized income statement and cash flows and carried out a DCF valuation of the company using its Weighted Average Cost of Capital (WACC) to determine a forecasted share price. We have further incorporated a sensitivity analysis/ scenario analysis to understand how changes in key assumptions could impact the valuation under 3 scenarios - a base case, a bull case, and a bear case. These additional layers of analysis serve to provide a comprehensive and robust valuation, giving investors a nuanced understanding of the inherent risks and opportunities.

Company Overview

Amazon.com, Inc. engages in the retail sale of consumer products and subscriptions in North America and internationally. The company operates through three segments: North America, International, and Amazon Web Services (AWS). It sells merchandise and content purchased for resale from third-party sellers through physical and online stores. The company also manufactures and sells electronic devices, including Kindle, Fire tablets, Fire TVs, Rings, and Echo and other devices; provides Kindle Direct Publishing, an online service that allows independent authors and publishers to make their books available in the Kindle Store; and develops and produces media content. In addition, it offers programs that enable sellers to sell their products on its websites, as well as its stores; and programs that allow authors, musicians, filmmakers, skill and app developers, and others to publish and sell content. Further, the company provides compute, storage, database, analytics, machine learning, and other services, as well as fulfillment, advertising, publishing, and digital content subscriptions. Additionally, it offers Amazon Prime, a membership program, which provides free shipping of various items; access to streaming of movies and TV episodes; and other services. The company serves consumers, sellers, developers, enterprises, and content creators. Amazon.com, Inc. was founded in 1994 and is headquartered in Seattle, Washington.

Investment Thesis & Recent Earnings Summary

Amazon.com reported its financial results for the third quarter of 2024, presenting a mix of strong revenue growth and improvements in various operational domains, alongside ongoing heavy investments, particularly in technology and infrastructure, which could imply different trajectories in terms of immediate profitability and long-term growth.

Revenues increased to \$158.9 billion, marking an 11% rise year-over-year, which suggests solid growth albeit against the backdrop of global economic uncertainties. This growth appears well-supported by an increase in Worldwide operating income by 56% year-over-year to \$17.4 billion, notably the company's highest quarterly operating income on record. The substantial enhancement in operating income underscores focused efforts on streamlining operations and perhaps reflects a robust control over expenses relative to revenue increase.

Amazon's core e-commerce operations demonstrated resilience with a noted increase in North America segment revenue by 9% and International segment revenue by 12% year-over-year. This could point towards Amazon's effective penetration and customer retention strategies globally. However, while the scalability of operations is evident, the growing operational expenses in line with expansion, notably in supply chain and delivery capabilities, pose potential risks to profit margins if not scaled proportionately with revenue. The cloud computing arm, AWS, continues to be a standout, growing by 19.1% year-over-year, achieving a \$110 billion annualized run rate. This segment not only solidifies Amazon's foothold in the digital transformation landscape but also highlights expanding margins, which grew significantly due to scaling operations and rigorous cost management. Nevertheless, heavy investment in AI and machine learning could pressure short-term margins even while strengthening the company's competitive edge in long-term technological capabilities.

One of the critical strategic emphasis areas in Amazon's operation is the aggressive expansion in AI capabilities across various segments, including AWS, advertising, and consumer-facing platforms. While this aligns with future-oriented business growth strategies, the substantial capital expenditure, projected at about \$75 billion for 2024 primarily for technological infrastructure, underscores a significant financial commitment that carries execution risks and requires sustained revenue growth to maintain profitability ratios.

Advertising revenue, showing an 18.8% year-over-year increase, underscores Amazon's robust monetization of its broad user base and deep integration within consumer purchase journeys. However, the inherently competitive nature of the digital advertising market necessitates continuous innovation and customer-centric product offerings to defend and grow market share. In terms of liquidity and cash flow management, Amazon reported a striking 128% increase in trailing 12-month free cash flow, adjusted for equipment finance leases. This robust cash generation capability provides Amazon with a cushion to fund its ambitious growth projects, navigate uncertainties in global economic conditions, and potentially return value to shareholders.

Investment considerations for Amazon hinge on the balanced view of its aggressive growth strategy, particularly in technology and AI, against the backdrop of solid financial performance and market expansion. While the company is positioning itself strongly for future technology-led ecosystems, investors should weigh the implications of significant capital expenditures and the execution risks attached to scaling innovative technologies in highly competitive sectors. Potential investors and stakeholders would need to keep a close eye on how Amazon's strategic investments in areas like AI and global infrastructure unfold in alignment with revenue growth trajectories and margin sustainability. We give Amazon an 'Outperform' rating with a revised target price.

Key Factors Influencing The Stock Price

Advertising Business: Leveraging Data for Profit Maximization

Amazon's advertising segment has become one of the fastest-growing parts of its business, offering high profitability potential due to its strong operating margins and increasing relevance within Amazon's broader ecosystem. Amazon's advertising revenue benefits from the platform's substantial user base and extensive data on consumer behavior, allowing it to offer targeted advertising solutions to businesses. The segment has achieved growth rates exceeding 19% year-over-year, reflecting its ability to capture digital ad dollars at a time when traditional advertising channels are facing challenges. Amazon's unique data insights, derived from user purchasing behaviors and search patterns, provide a competitive edge over other digital advertising platforms. This allows advertisers to reach customers when they are most likely to make purchasing decisions, particularly on high-traffic product pages and during Amazon's annual shopping events. Furthermore, advertising is a high-margin business, with operating margins potentially exceeding 30%, a level comparable to mature digital advertising platforms like Facebook. As advertising dollars increasingly shift toward digital platforms, Amazon's advertising segment is well-positioned to capitalize on this trend, offering advertisers a blend of audience reach and performance measurement. This segment's profitability is expected to continue bolstering Amazon's overall margins and cash flow, enhancing the company's bottom line and positioning advertising as a critical growth pillar.

Strengthening Prime Ecosystem and Customer Retention

Amazon's Prime membership program has been instrumental in building a loyal customer base that not only contributes to recurring revenue but also drives higher purchase frequency. Prime members, who pay an annual subscription fee, benefit from a range of services such as free one-day delivery, access to Prime Video and Prime Music, and exclusive discounts. This ecosystem encourages increased spending per member as Prime subscribers tend to purchase across more categories and shop more frequently than non-members. Amazon's investment in Prime-exclusive benefits, including streaming content and original series, further enhances the program's appeal, attracting new subscribers and retaining existing ones. Additionally, Amazon devices like Kindle, Echo, and Fire TV serve as gateways to the Amazon ecosystem, integrating seamlessly with Prime services to enhance customer engagement. By continuously expanding the benefits and reach of Prime, Amazon fosters a "sticky" customer base, reducing churn and increasing the likelihood of sustained, long-term relationships. The recurring revenue from Prime subscriptions provides a steady cash flow, enabling Amazon to reinvest in further improving the customer experience through enhanced logistics, technological advancements, and content offerings. As Prime membership grows globally, this ecosystem's reinforcement effect positions it as a crucial component of Amazon's strategy, sustaining both customer loyalty and revenue growth across the retail and digital services segments.

Expansion of Amazon Web Services (AWS)

Amazon has positioned AWS as a key driver for future growth, particularly by expanding its capabilities in artificial intelligence (AI) services. AWS continues to grow its base with an increasing revenue run rate, signifying robust demand. Amazon's strategy involves a continuous investment in data centers and network equipment to bolster AWS's infrastructure, addressing the heightened demand for AI functionalities. One pivotal aspect is the introduction of AWS Trainium, a chip designed to optimize machine learning workloads, which exemplifies Amazon's commitment to enhancing the technological foundation of AWS. This focus not only solidifies AWS's position in cloud services but further enables Amazon to capitalize on emerging AI trends, offering cutting-edge solutions to a growing customer base seeking advanced AI integration.

Enhanced Focus on Cost Management

Amazon is leveraging intense focus on cost management as a means to sustain and bolster profitability across its segments. This approach is evident from their meticulous control over operational expenses and strategic investments in automation and logistics. By managing costs effectively, Amazon can continue to innovate while maintaining affordable services for customers. Key initiatives like optimizing their fulfillment network, investing in automation, and improving inventory placement contribute to reducing operational costs. This refined focus enhances margins, particularly noted in the AWS segment, which benefits from elevated efficiency and disciplined capital expenditure. This strategy not only supports sustained growth but also fortifies Amazon's competitive edge in delivering value at minimized costs.

Strategic Capital Investments in AI and Infrastructure

Anticipating future technological demands, Amazon plans substantial capital investments, particularly in areas crucial for supporting their expanding AI capabilities and AWS's infrastructure. The planned capital expenditure of approximately \$75 billion in 2024 underscores their commitment to scaling up resources to meet the increasing need for sophisticated AI solutions and cloud services. Investments will focus on enhancing data centers and acquiring advanced networking equipment, which are essential for supporting the high-performance requirements of modern AI applications. These investments are predicted to fuel growth in revenue and expand service offerings, maintaining Amazon's leadership in technology and innovation-driven sectors.

Growth Through Consumer Essential Goods

Amazon is strategically pivoting to increase its share in the market for everyday essential goods, which requires fast delivery and competitive pricing. This shift is aligned with consumer trends towards more frequent and smaller shopping trips online, facilitated by Amazon's robust logistics and fulfillment capabilities. By enhancing their capabilities to deliver these essentials swiftly, Amazon taps into a steady demand stream, fostering customer loyalty and encouraging larger basket sizes through routine purchases. The focus on essentials not only drives unit sales volumes but also integrates seamlessly with Amazon's Prime ecosystem, enhancing the overall value proposition to consumers and solidifying its base in consumer retail.

Expanding Profit Margins Through Operational Efficiency

Amazon's profit margins have consistently shown improvement, with substantial efficiency gains that are expected to persist as a key driver of profitability. The company's multi-hub strategy, which involves expanding and decentralizing its fulfillment network, has allowed for reduced delivery times and operational costs. This approach not only lowers per-unit costs by achieving economies of scale but also enables faster and more efficient distribution by situating fulfillment centers closer to high-demand areas. Over time, the optimization of delivery processes has led to shorter delivery times for Prime members, thereby reinforcing customer loyalty and increasing order frequency. In addition, Amazon's proprietary technology investments, such as its AI-driven inventory management systems, contribute to minimizing stockouts and reducing excess inventory. This operational efficiency is also reflected in the steady improvement of international operating margins, which management aims to align with North American standards. The company has achieved positive operating profits in its international segment for three consecutive quarters, indicating successful scaling and cost control across different regions. Another critical aspect of margin expansion is Amazon's in-house logistics, including its delivery fleet and proprietary transportation network, which allow the company to control more aspects of the supply chain, thus further lowering costs. Collectively, these initiatives strengthen Amazon's operating model, contributing to margin expansion and potentially higher returns on investment. The ongoing reduction in fulfillment and logistics costs positions Amazon to continue delivering robust profitability, thereby making margin expansion a significant needle mover for the company's financial performance.

Launch of Rufus Across Europe

Amazon's AI-powered shopping assistant, Rufus, has expanded to Europe, launching in beta for customers in Germany, France, Italy, and Spain after initial rollouts in the US, UK, and India. Accessible through an icon on Amazon's mobile app, Rufus provides personalized assistance by answering product-related questions and guiding users through their shopping journey. The chatbot, trained on Amazon's extensive product catalog and customer reviews, responds to queries about product details—such as durability or care instructions—and can recommend items tailored to occasions or needs, from baking essentials to climbing gear. Amazon hopes Rufus will enhance customer experiences by offering more informed purchase recommendations and simplifying product comparisons, like the differences between lip gloss and lip oil. This generative AI assistant is part of Amazon's broader initiative to integrate AI across its services, leveraging over 25 years of AI innovations. Although the company acknowledges that Rufus's responses may occasionally miss the mark, customer feedback will help refine the chatbot's accuracy. For now, users can provide input by rating responses or offering direct feedback. With Rufus's gradual European rollout, Amazon aims to redefine online shopping by making it even more intuitive and user-focused, preparing the way for a larger, AI-driven shopping transformation.

Biggest Challenges/ A Bear's Perspective

Risk of Intensifying Competition in Cloud and AI Markets

Amazon Web Services (AWS) is aggressively expanding in the cloud computing and AI sectors, areas that are witnessing increasingly stiff competition from major players like Google Cloud and Microsoft Azure. These competitors are not only enhancing their cloud capabilities but are also aggressively investing in AI, posing a significant threat to AWS's market share. The risk here lies in the potential commoditization of cloud services and the rapid evolution of AI technologies, which could undermine AWS's competitive advantages. Furthermore, AWS needs to continuously innovate and differentiate its offerings to stay ahead, requiring substantial investment in technology and skilled personnel. The failure to outpace or at least match the innovation speed of competitors can lead to a loss of key customers, impacting revenue growth and market position in critical future-oriented sectors.

Challenge of Global Supply Chain Disruptions

Amazon's global operations are highly susceptible to disruptions in the supply chain, which could pose a significant risk in the coming years. Events like the COVID-19 pandemic have already shown the vulnerabilities in international logistics and manufacturing. Such disruptions can lead to delays in inventory restocking, impacting product availability and customer satisfaction. Additionally, geopolitical tensions, such as trade wars or tariffs, could increase operational costs or compel Amazon to restructure its supply chain, potentially reducing profit margins. These risks are further compounded by Amazon's rapid expansion in diverse markets, requiring a robust, agile, and resilient supply chain to ensure seamless operations and fulfillment capabilities worldwide.

Financial Strain from High Capital Expenditure

Amazon's strategic direction involves significant capital expenditure, particularly in expanding its AI capabilities and AWS infrastructure. While these investments are crucial for long-term growth, there is an inherent risk in allocating approximately \$75 billion in 2024, as it could strain financial resources. High capital expenditure can impact cash flow and reduce financial flexibility, especially if the expected returns on these investments are delayed or lower than projected. This scenario could be detrimental during economic downturns or when unexpected costs arise, potentially necessitating borrowing or adjusting strategic plans, which could affect shareholder confidence and company valuation.

Risk from Changes in Consumer Behavior

Amazon's increased focus on everyday essential goods targets current consumer trends towards frequent, small-scale online purchases. However, this strategy comes with the risk of rapid changes in consumer behavior, which can be influenced by economic shifts, new shopping platforms, or changing demographics. As consumer preferences evolve, Amazon's heavy reliance on data and customer-centric strategies must adapt swiftly to meet these changes. Failure to do so can result in decreased market share in key product categories. Moreover, any reputational damage from issues like data breaches or poor customer service could significantly alter shopping behaviors, directly impacting Amazon's sales and profitability in the consumer goods sector.

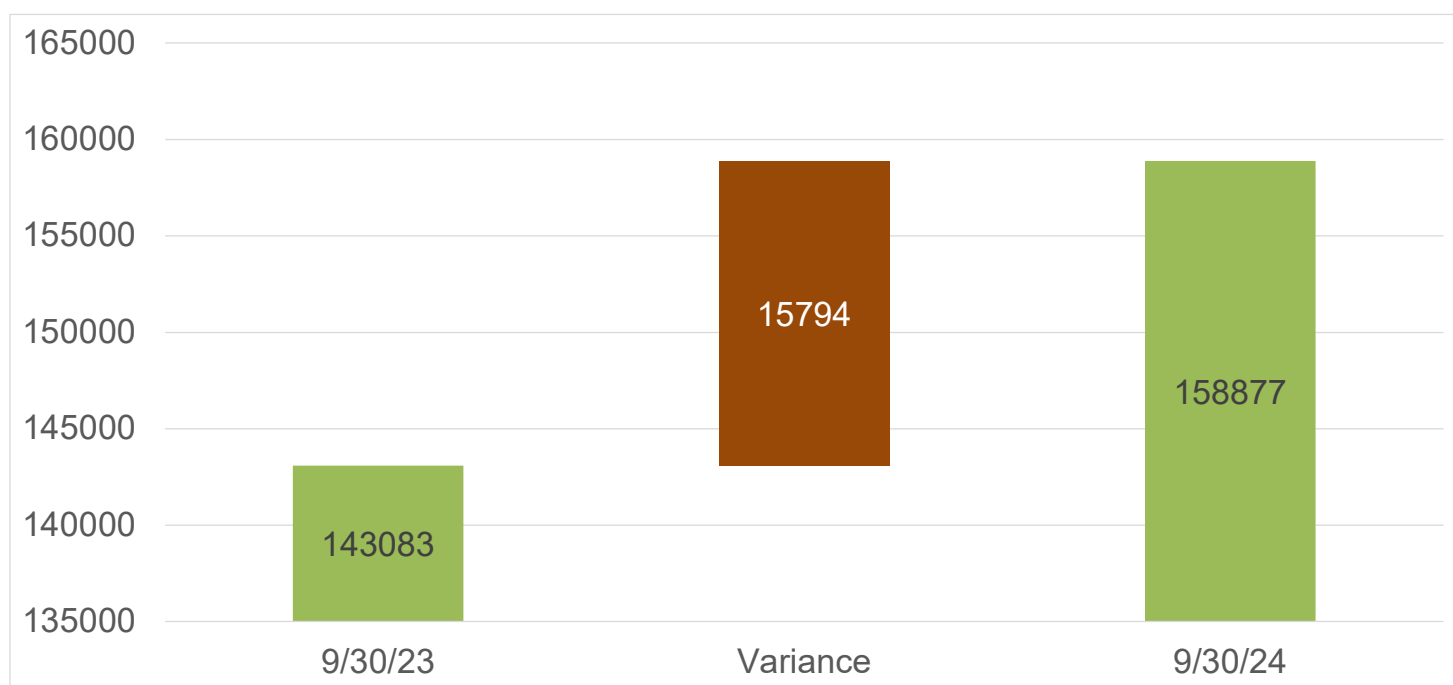
Comparative Analysis - Quarterly Income Statement (USD Million)

Particulars	9/30/24	9/30/23	Variance	% Variance
Revenues	158877	143083	15794	11.0%
Cost of Goods Sold	-80977	-75022	-5955	7.9%
Gross Income (excl. D&A)	77900	68061	9839	14.5%
EBITDA	30853	23319	7534	32.3%
Depreciation & Amortization	13442	12131	1311	10.8%
Extraordinary Expenses	0	0	0	NA
EBIT	17411	11188	6223	55.6%
Pretax Income	18034	12185	5849	48.0%
Income Tax	2706	2306	400	17.3%
Net Income	15328	9879	5449	55.2%

* Let us start off by doing a side-by-side comparative analysis of the company's most recent quarterly result as against the quarterly result in the corresponding quarter of the previous year.

* Amazon reported a top-line of \$158.88 billion for the most recent quarterly result for the period ended 9/30/24 which implies a 11.04% change as compared to the \$143.08 billion number reported in the corresponding quarter of the previous year.

Total Revenues - Quarter-on-Quarter Variance Bridge (USD Million)

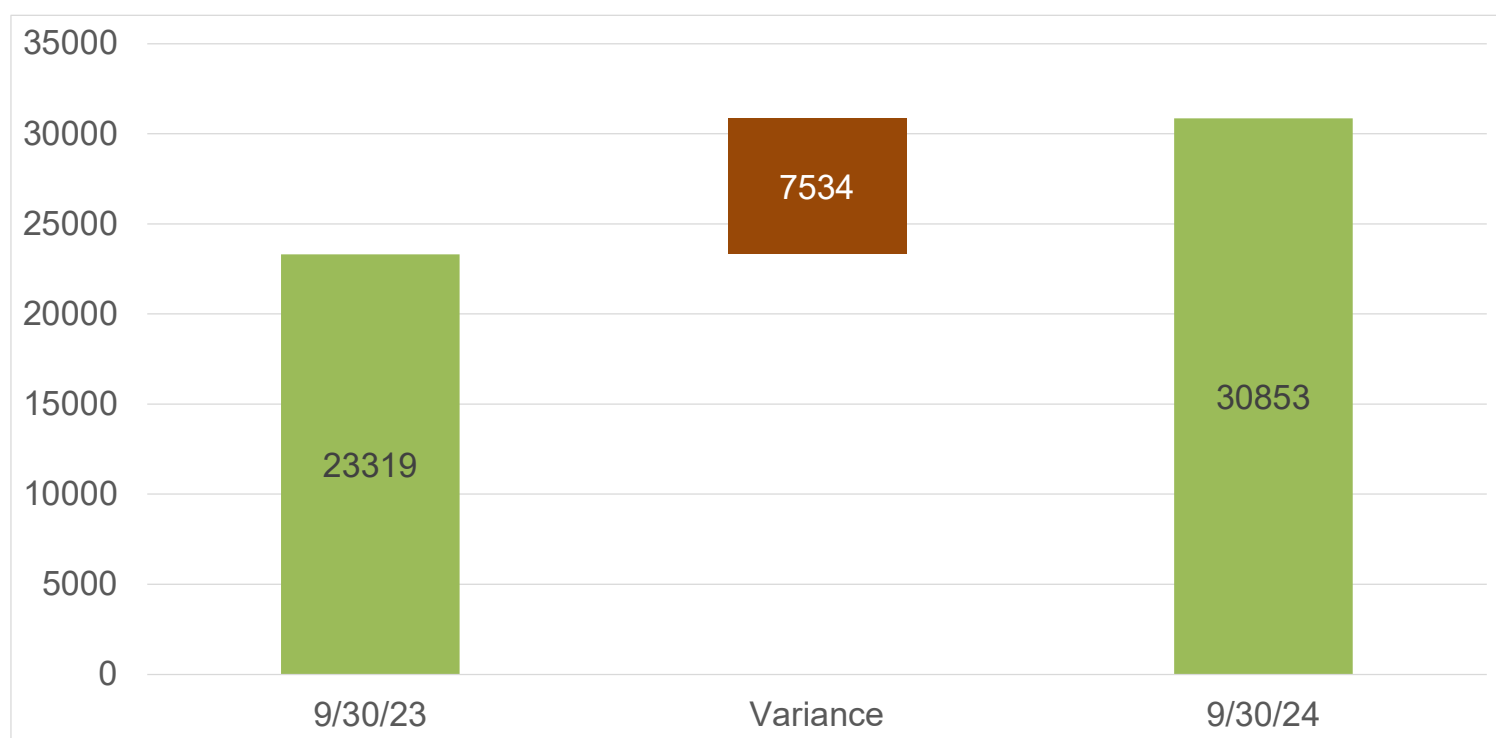


* Amazon's gross profit of \$77.9 billion showed an increase of 14.46% as compared to the value reported in the quarter ended 9/30/23.

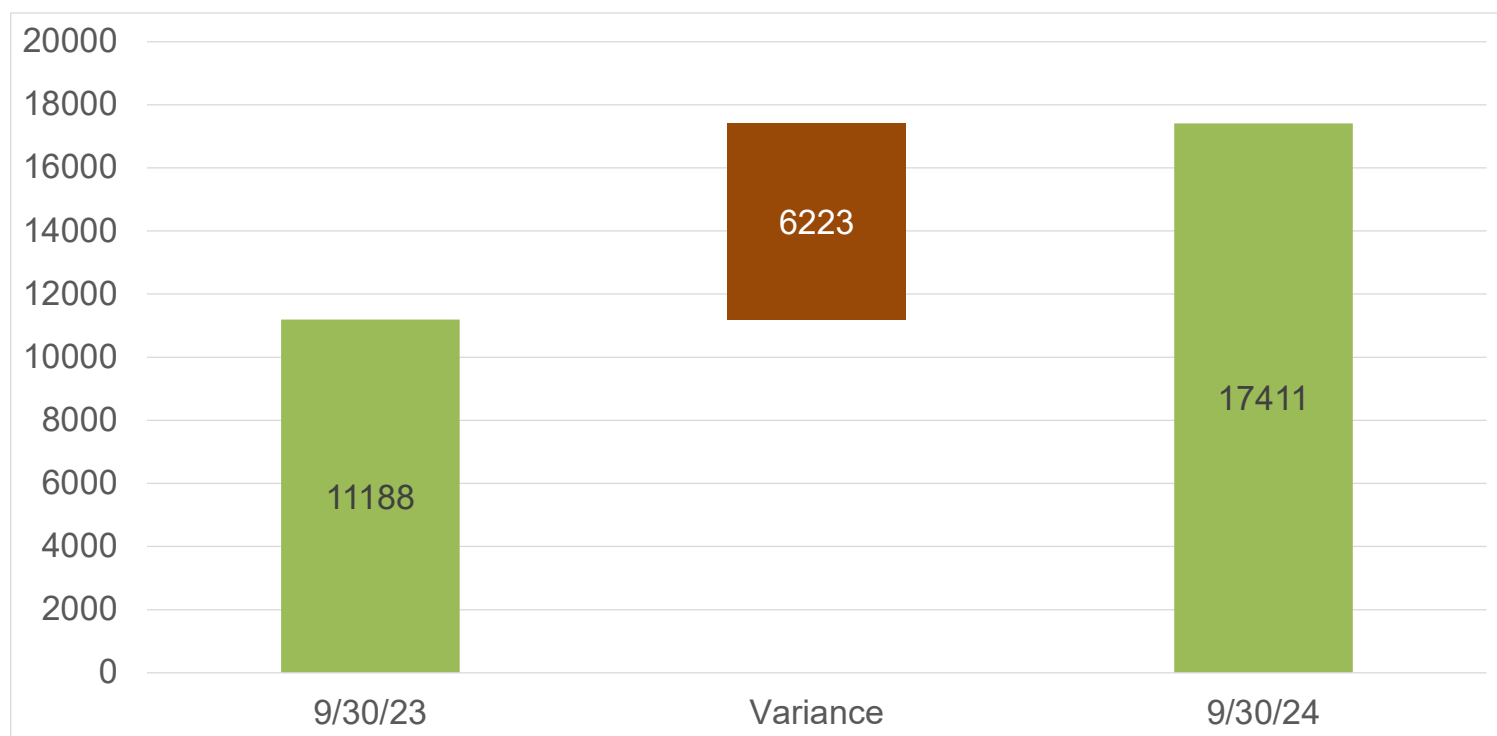
* #N/A

* Amazon reported an EBITDA of \$30.85 billion which translated into a Net Income of \$15.33 billion.

* We can see a graphical representation of the quarter-on-quarter evolution and variance of EBITDA of the company of the corresponding quarter of the previous year versus the recent quarterly number.

EBITDA - Quarter-on-Quarter Variance Bridge (USD Million)

* We can see in the below chart that Amazon's operating income/ EBIT grow from \$11.188 billion to \$17.411 billion, a 55.62% change.

Operating Income - Quarter-on-Quarter Variance Bridge (USD Million)

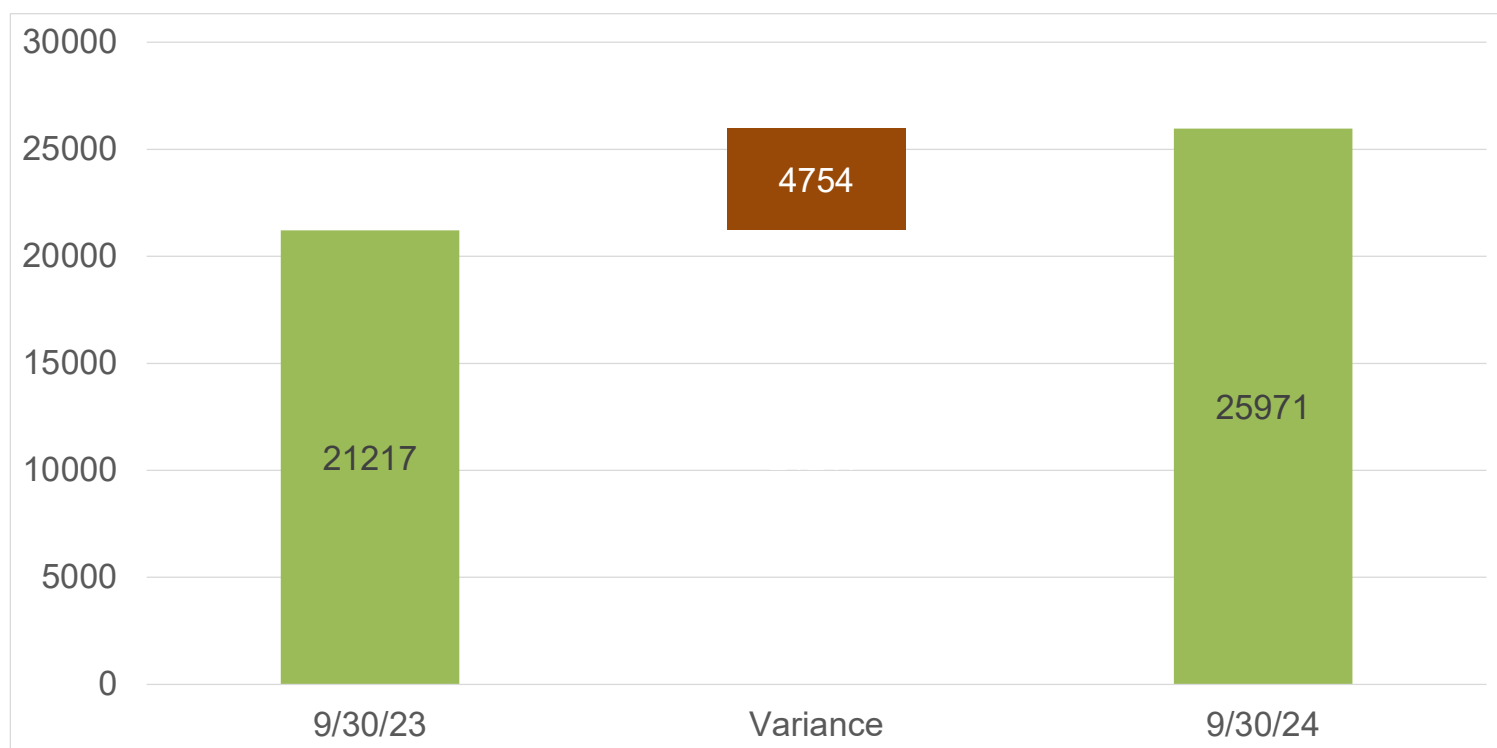
- We see a positive variance of 48.00% in the company's pretax income.

Comparative Analysis - Quarterly Cash Flow Summary (USD Million)

Particulars	9/30/24	9/30/23	Variance	% Variance
Cash from Operations	25971	21217	4754	22.4%
Cash from Investing	-16899	-11753	-5146	43.8%
Free Cash Flows	9,072	9,464	-392	-4.1%

- When we do a side-by-side comparative analysis of the company's most recent quarterly cash flows as against the quarterly cash flows in the corresponding quarter of the previous year, we see a 22.41% rise in the operating cash flows.

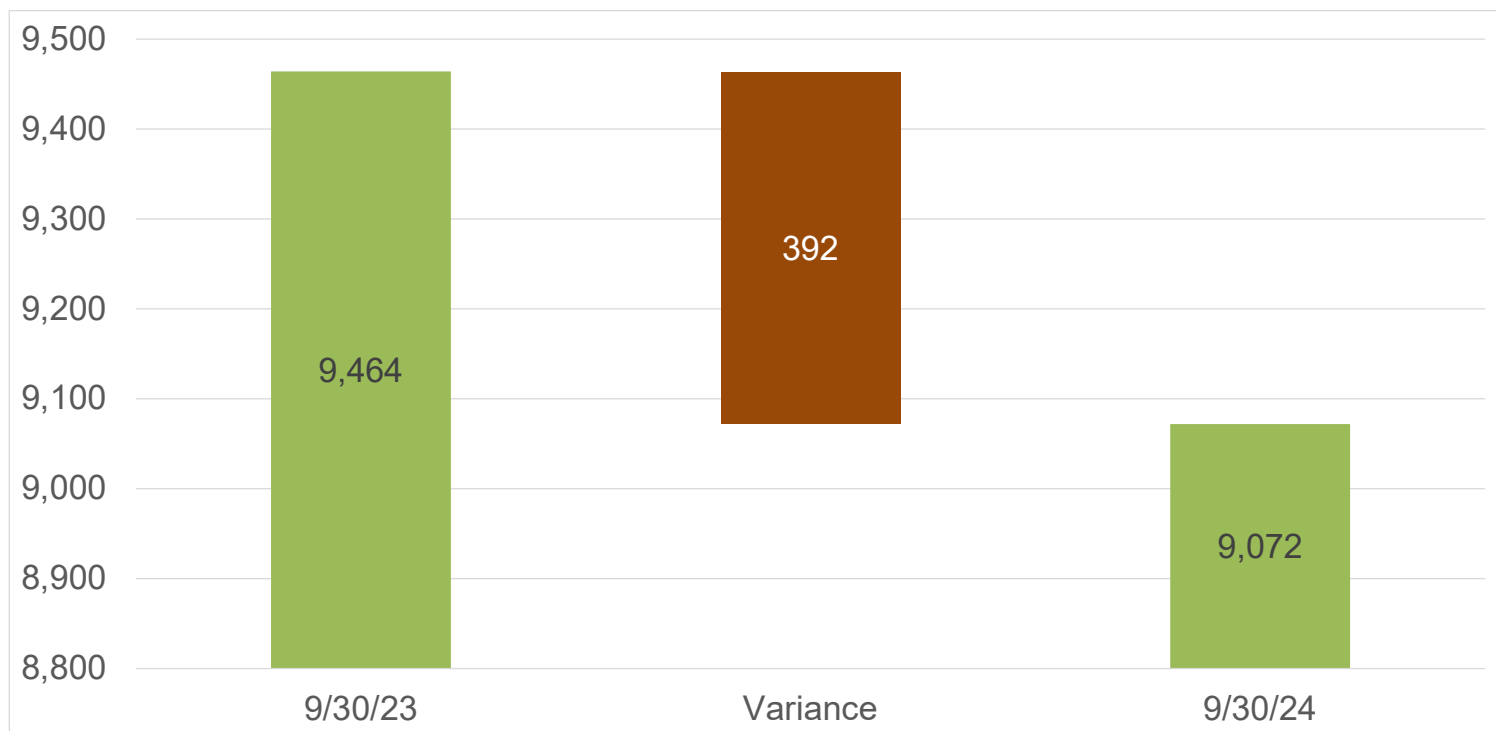
Operating Cash Flow - Quarter-on-Quarter Variance Bridge (USD Million)



* As compared to the prior year quarter, this year, Amazon has spent \$5.146 billion less in Investing Activities than the previous quarter.

* In effect, the company's free cash flows had a variance of -4.14% We can see a graphical representation of the variance in the chart below:

Free Cash Flow - Quarter-on-Quarter Variance Bridge (USD Million)



Comparative Analysis - Quarterly Balance Sheet (USD Million)

Balance Sheet	9/30/24	9/30/23	Variance	% Variance
Assets				
Net Intangible Fixed Assets	23081	22749	332	1.5%
Net Tangible Fixed Assets	314444	267226	47218	17.7%
Total Fixed Assets	337525	289975	47550	16.4%
LT Investments	0	2653	-2653	-100.0%

Inventories	36103	35406	697	2.0%
Accounts Receivable	51638	37655	13983	37.1%
Cash and ST Investments	88051	64169	23882	37.2%
Other Current Assets	0	5765	-5765	-100.0%
Total Current Assets	175792	142995	32797	22.9%
Other Assets	71309	51260	20049	39.1%
Total Assets	584626	486883	97743	20.1%

Liabilities & Shareholder's Equity

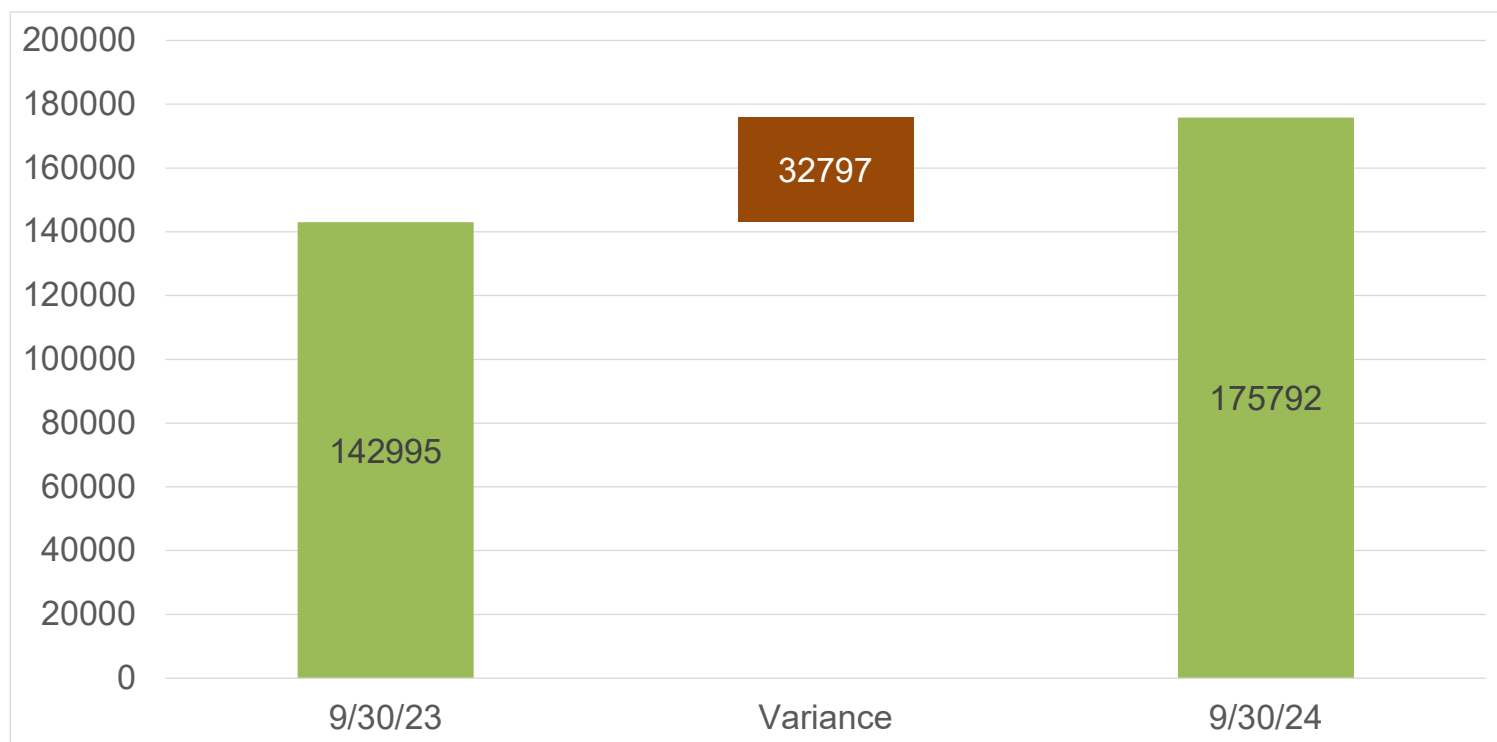
Equity & Minorities	259151	182973	76178	41.6%
LT Debt	54890	67698	-12808	-18.9%
Other LT Liabilities	109108	90998	18110	19.9%
Total LT Liabilities	163998	158696	5302	3.3%
ST Debt	0	5733	-5733	-100.0%
Accounts Payable	84570	72004	12566	17.5%

Other ST Liabilities	76907	67477	9430	14.0%
Total Current Liabilities	161477	145214	16263	11.2%
Total Liabilities	325475	303910	21565	7.1%
Total Liabilities & Shareholder's Equity	584626	486883	97743	20.1%

* Now let us move on to a side-by-side comparative analysis of Amazon's most recent quarterly balance sheet versus the quarterly balance in the corresponding quarter of the previous year.

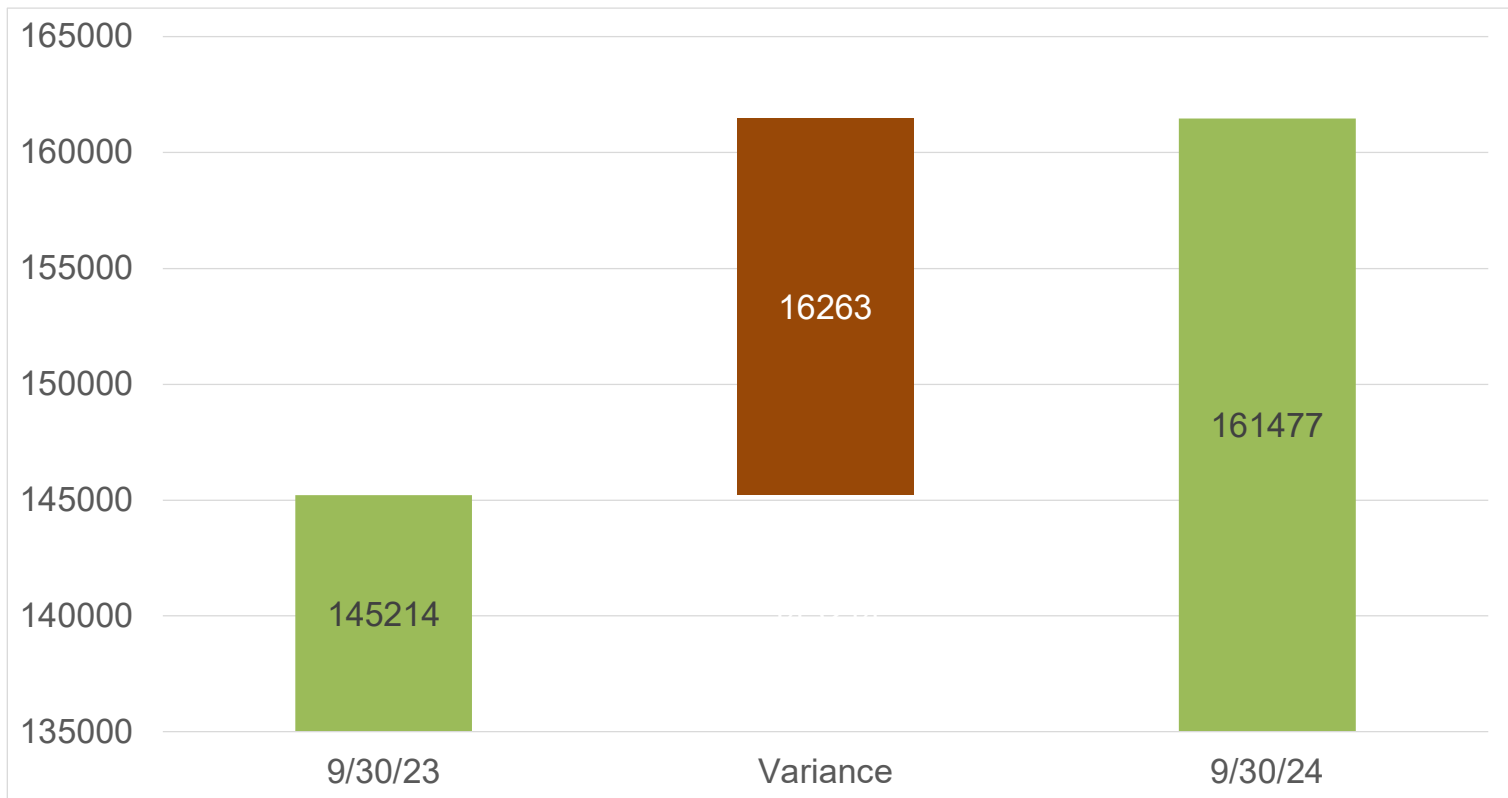
* We can see a graphical representation of the variance in the level of the capital blocked by the company in Current Assets in the chart below.

Current Assets - Quarter-on-Quarter Variance Bridge (USD Million)



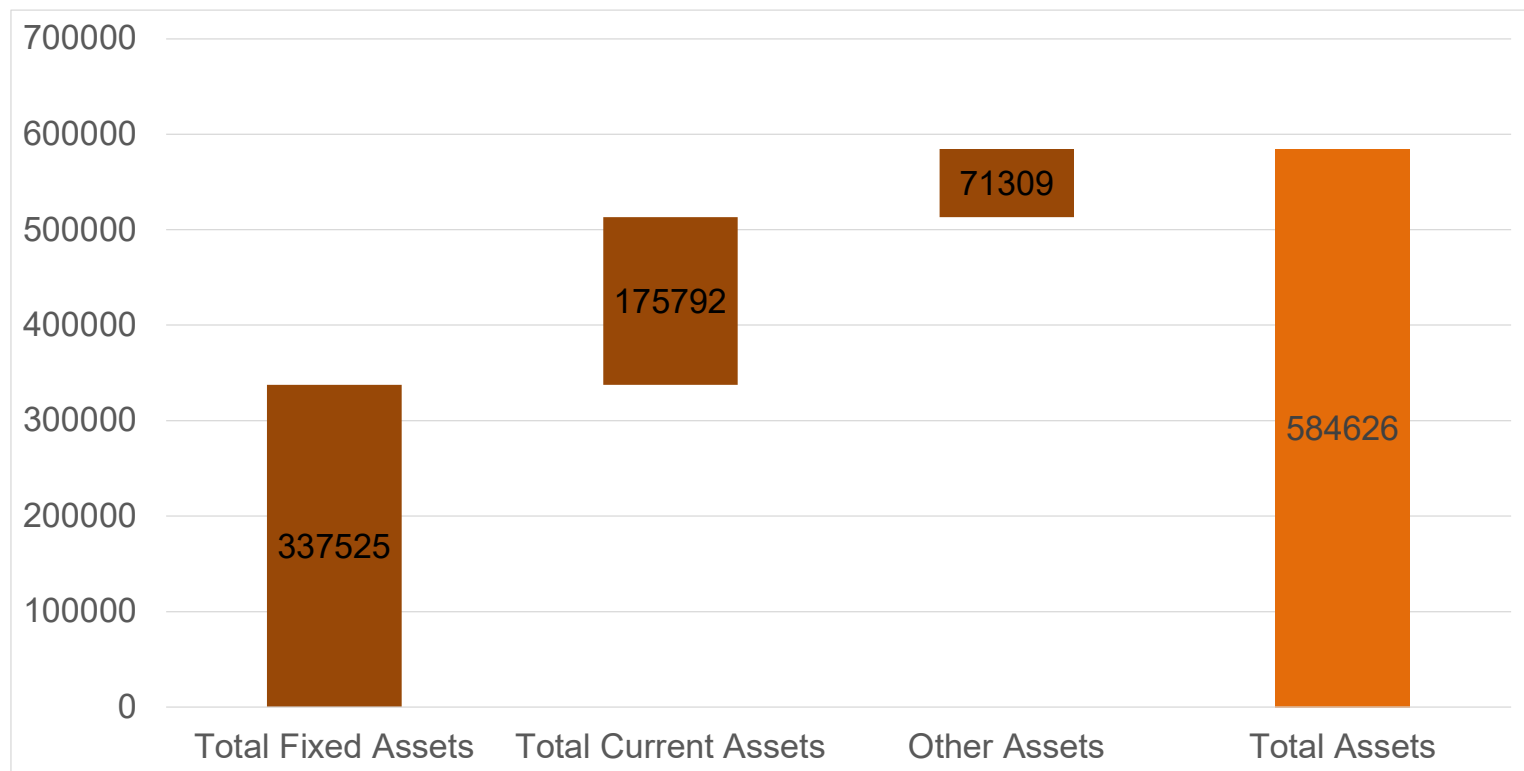
- * On the liability side, we see that the company's total long term liabilities have increased by \$5.302 billion as compared to the quarter ending 9/30/23.
- * On the other hand, Amazon's total current liabilities have increased by 11.20% versus the quarter ending 9/30/23 as shown in the chart below.

Current Liabilities - Quarter-on-Quarter Variance Bridge (USD Million)



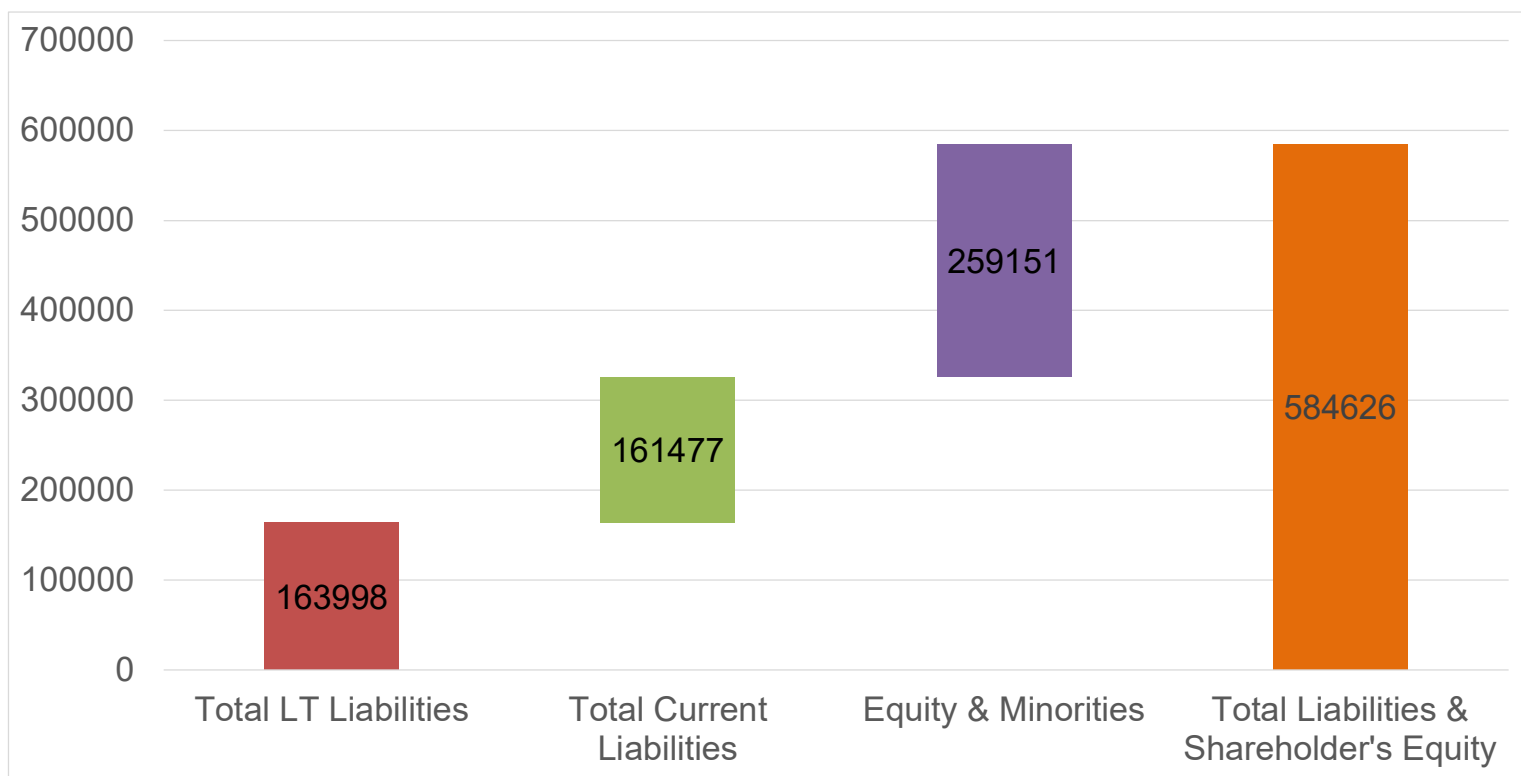
- * We see that Amazon's total assets have increased by 20.08% as compared to the corresponding quarter of the previous year.
- * We can see a complete breakdown of the composition of the total assets of the company in a waterfall structure in the chart below.

Total Assets As On 9/30/24 - Waterfall Analysis (USD Million)



- * Moving on to the Total Liabilities & Shareholder's Equity, we can also see a complete breakdown of its composition in a waterfall structure in the chart on the following page.

Shareholders' Equity As On 9/30/24 - Waterfall Analysis (USD Million)



Sequential Quarter-On-Quarter Analysis - Income Statement (USD Million)

Particulars	12/31/23	3/31/24	6/30/24	9/30/24
Revenues	169961	143313	147977	158877
<i>% growth</i>		-15.7%	3.3%	7.4%
Cost of Goods Sold	-92553	-72633	-73785	-80977
<i>% of revenue</i>	-54.5%	-50.7%	-49.9%	-51.0%
Gross Income (excl. D&A)	77408	70680	74192	77900
<i>% of revenue</i>	45.5%	49.3%	50.1%	49.0%
EBITDA	26609	26991	26710	30853
<i>% of revenue</i>	15.7%	18.8%	18.1%	19.4%
Depreciation & Amortization	13820	11684	12038	13442

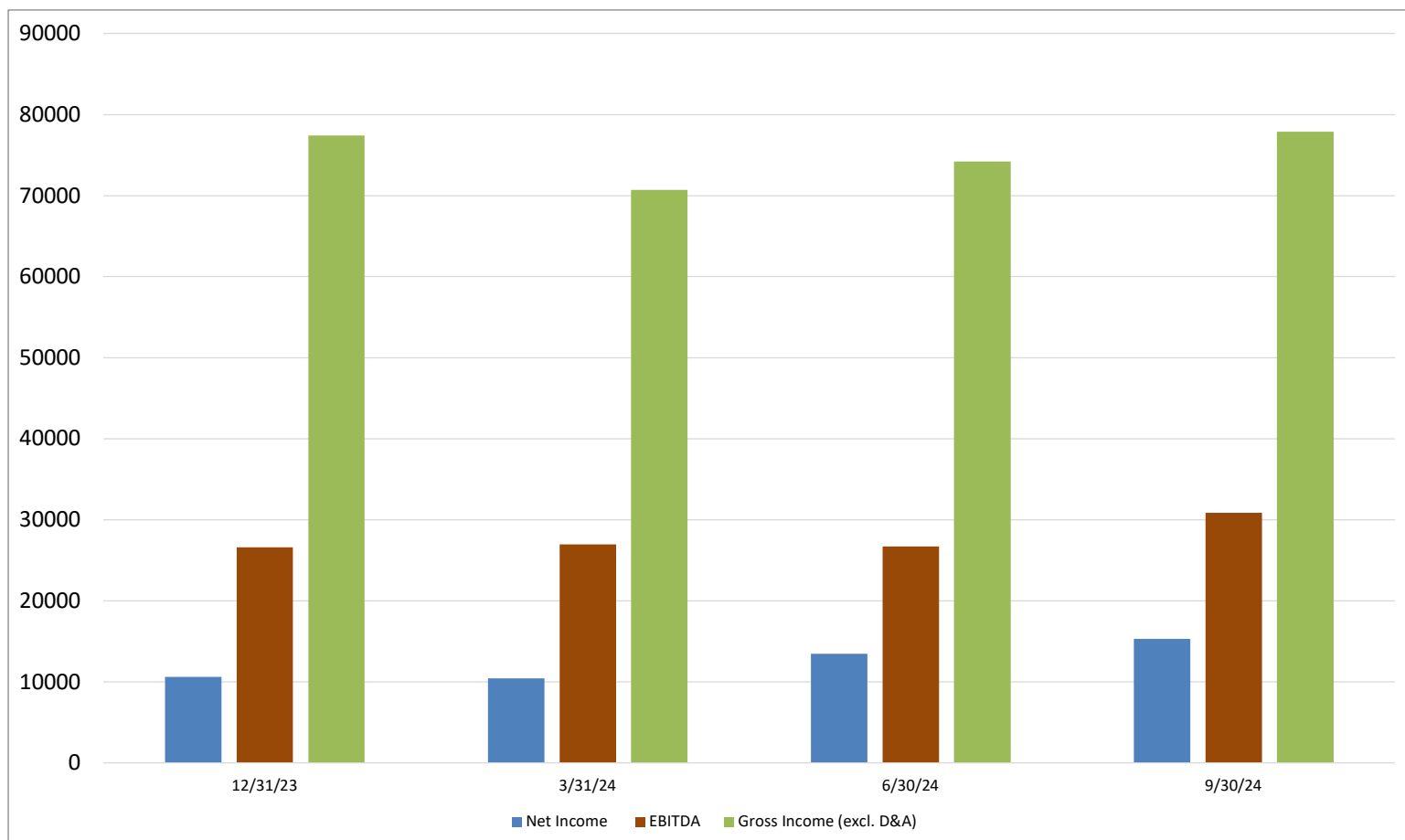
% of Fixed Assets	4.5%	3.8%	3.8%	4.0%
Extraordinary Expenses	0	0	0	0
EBIT	12789	15307	14672	17411
% of revenue	7.5%	10.7%	9.9%	11.0%
Pretax Income	13686	12898	15252	18034
% of revenue	8.1%	9.0%	10.3%	11.4%
Income Tax	3062	2467	1767	2706
% rate	22.4%	19.1%	11.6%	15.0%
Net Income	10624	10431	13485	15328
% of revenue	6.3%	7.3%	9.1%	9.6%

- Now let us move to a sequential, quarter-on-quarter analysis of the company's income statement as see the gradual evolution of revenues and profitability
- Amazon has reported a top-line of \$158.877 billion in its recent quarterly result which is a 7.37% appreciation over the previous quarter.
- The company reported a positive gross margin of 49.03% for the quarter ended 9/30/24.
- Its EBITDA for the quarter was \$30.853 billion and the EBITDA margin was 19.42%.
- This was a 1.37% margin expansion at the EBITDA level which is definitely a positive outcome.
- Amazon's operating income (EBIT) was reported at \$17.411 billion and a margin of 10.96%.
- This EBIT margin grew by 1.04% in this quarter.
- The company's pre-tax margin for the quarter was 11.35%.
- Amazon reported a net income of \$15.328 billion which resulted in a diluted earnings per share (EPS) of \$1.43.
- The company's net margin was 9.65%

Sequential Quarter-On-Quarter Analysis - Cash Flow Statement (USD Million)

Particulars	12/31/23	3/31/24	6/30/24	9/30/24
Cash from Operations	42465	18989	25281	25971
<i>% of revenue</i>	<i>25.0%</i>	<i>13.3%</i>	<i>17.1%</i>	<i>16.3%</i>
Cash from Investing	-12601	-17862	-22138	-16899
<i>% of Fixed Assets</i>	<i>-4.1%</i>	<i>-5.8%</i>	<i>-7.0%</i>	<i>-5.0%</i>
Free Cash Flows	29,864	1,127	3,143	9,072
<i>% of revenue</i>	<i>17.6%</i>	<i>0.8%</i>	<i>2.1%</i>	<i>5.7%</i>

Evolution Of Gross Income, EBIT, & Net Income (USD Million)



- Now let us move on to the cash flow generation in the recent quarter.
- Amazon generated \$25.971 billion in terms of operating cash flows for the quarter ended 9/30/24.
- The company was able to convert about 16.35% of its revenues into operating cash flows in the recent quarter.
- This quarter's EBITDA-to-operating cash flow conversion ratio is 84.18%
- Overall, Amazon delivered a positive free cash flow of \$9.072 billion for the past quarter.

Sequential Quarter-On-Quarter Analysis - Balance Sheet (USD Million)

Balance Sheet	12/31/23	3/31/24	6/30/24	9/30/24
Assets				
Net Intangible Fixed Assets	30476	22770	22879	23081
Net Tangible Fixed Assets	276690	283263	295292	314444
Total Fixed Assets	307166	306033	318171	337525
<i>% of revenue</i>	<i>180.7%</i>	<i>213.5%</i>	<i>215.0%</i>	<i>212.4%</i>
LT Investments	2954	2901	2915	0
Inventories	33318	31147	34109	36103
<i>% of revenue</i>	<i>19.6%</i>	<i>21.7%</i>	<i>23.1%</i>	<i>22.7%</i>
Accounts Receivable	46356	41694	43715	51638
<i>% of revenue</i>	<i>27.3%</i>	<i>29.1%</i>	<i>29.5%</i>	<i>32.5%</i>
Cash and ST Investments	86780	85074	89092	88051
<i>% of revenue</i>	<i>51.1%</i>	<i>59.4%</i>	<i>60.2%</i>	<i>55.4%</i>
Other Current Assets	5897	6074	6391	0
Total Current Assets	172351	163989	173307	175792

Other Assets	45383	58046	60425	71309
Total Assets	527854	530969	554818	584626
Liabilities & Shareholder's Equity				
Equity & Minorities	201875	216661	236447	259151
<i>% of capital employed</i>	<i>55.6%</i>	<i>57.3%</i>	<i>59.6%</i>	<i>61.2%</i>
LT Debt	64914	64134	61789	54890
Other LT Liabilities	96148	97209	98410	109108
Total LT Liabilities	161062	161343	160199	163998
<i>% of capital employed</i>	<i>44.4%</i>	<i>42.7%</i>	<i>40.4%</i>	<i>38.8%</i>
ST Debt	147	50	76	0
<i>% of capital employed</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Accounts Payable	84981	73068	81817	84570
<i>% of COGS</i>	<i>50.0%</i>	<i>51.0%</i>	<i>55.3%</i>	<i>53.2%</i>
Other ST Liabilities	79789	79847	76279	76907
<i>% of revenue</i>	<i>46.9%</i>	<i>55.7%</i>	<i>51.5%</i>	<i>48.4%</i>
Total Current Liabilities	164917	152965	158172	161477
Total Liabilities	325979	314308	318371	325475
Total Liabilities & Shareholder's Equity	527854	530969	554818	584626

- When we look at the quarterly Balance Sheet of the company, we see that the Fixed Asset base has evolved from \$318.171 billion to \$337.525 billion over the last 2 quarters.
- The current level of fixed assets, including tangibles & intangibles, is around 212.44% of the company's quarterly turnover.
- The company's receivables were around 32.50% of the quarterly top-line.
- As a result of the positive free cash flows, the company had a final cash and short-term investment balance of \$88.051 billion.
- When we analyze the capital structure of Amazon, we realize that the company relies more on equity to finance its operations.
- The company's equity accounts for 61.24% of its total capital employed whereas debt (both long-term and short-term) accounts for about 38.76% of the total capital.
- Amazon's payables account for 53.23% of its cost of goods sold.

Sequential Quarter-On-Quarter Analysis - Cash Flow Statement (USD Million)

Particulars	12/31/23	3/31/24	6/30/24	9/30/24
Net Income (GAAP)	10624	10431	13485	15328
+ Depreciation & Amortization	13820	11684	12038	13442
+/- Working Capital, Deferred Taxes & Other Adjustments	18021	-3126	-242	-2799
Cash Flow from Operations	42465	18989	25281	25971
<i>% of EBITDA</i>	<i>159.6%</i>	<i>70.4%</i>	<i>94.6%</i>	<i>84.2%</i>
Capital Expenditure	-14588	-14925	-17620	-22620
<i>% of revenues</i>	<i>-8.6%</i>	<i>-10.4%</i>	<i>-11.9%</i>	<i>-14.2%</i>
Other Investment Cash Flow items	1987	-2937	-4518	5721

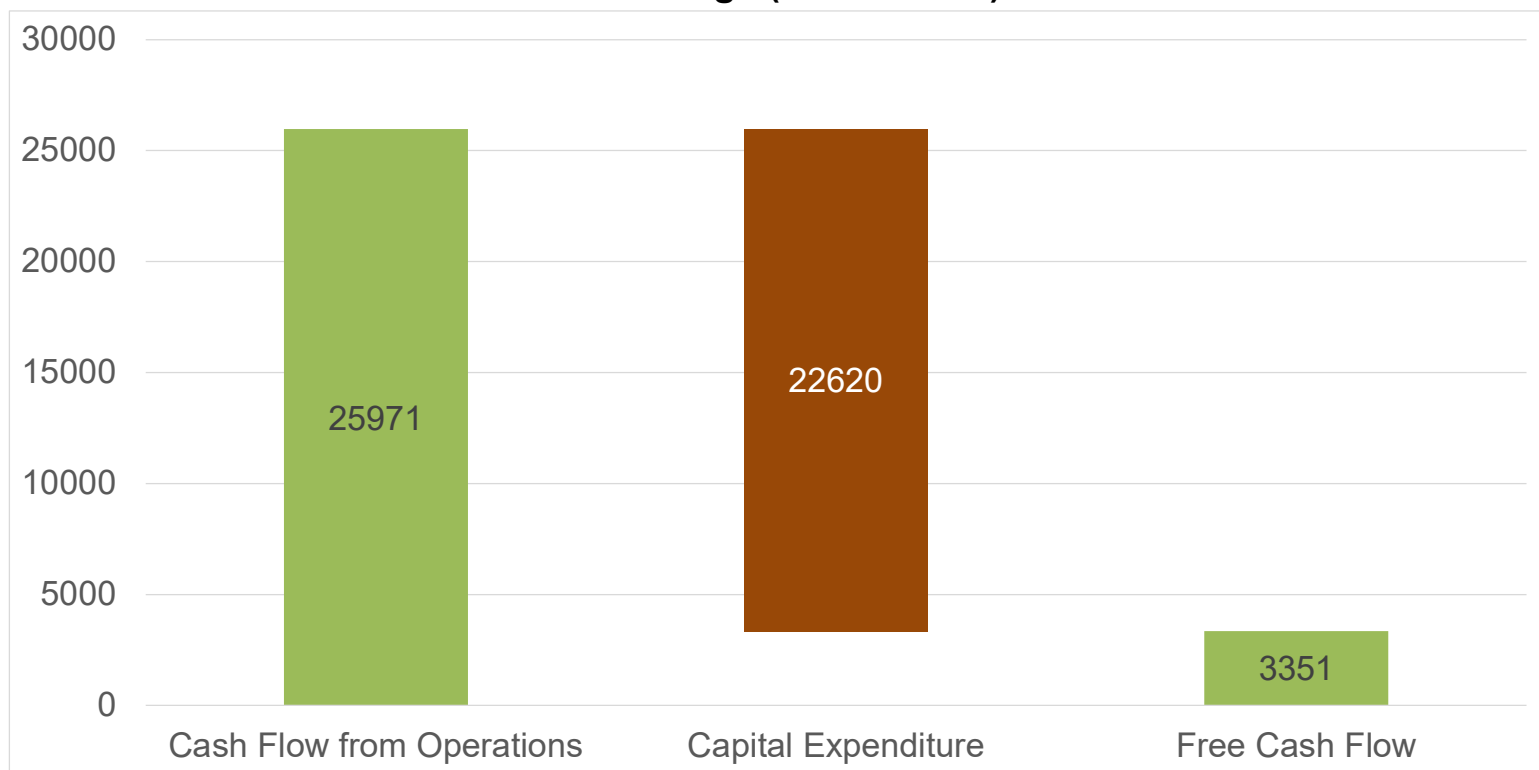
Cash Flow from Investments	-12601	-17862	-22138	-16899
Free Cash Flow	27877	4064	7661	3351
% of EBITDA	104.8%	15.1%	28.7%	10.9%
Cash Flow from Financing	-6746	-1256	-4490	-2758
Net Change In Cash	23118	-129	-1347	6314

* Moving on to the company's sequential quarterly cash flow statement, we see that its EBITDA to Operating Cash Flow conversion ratio has decreased from 94.65% to 84.18% in the most recent quarter.

* Amazon generated \$25.97 billion from operating activities and reported \$-16.90 billion as cash flow from investments which implies a free cash flow of \$3.35 billion for the quarter ended 9/30/24.

* We can see a breakdown of the Free Cash Flow of the company through a waterfall chart on the following page.

Free Cash Flow As On 9/30/24 - Bridge (USD Million)



- The company reported a Cash Flow from Financing of \$-2.76 billion.

Sequential Quarter-On-Quarter Analysis - Key Ratios (USD Million)

Working Capital Ratios	12/31/23	3/31/24	6/30/24	9/30/24
Receivables Turnover	17.1	13.5	14.	13.7
Days Receivable	21.5	26.8	24.6	26.8
Inventory Turnover	10.7	9.0	9.0	9.2
Inventory Days	34.2	40.4	40.2	39.9
Working Capital Turnover	91.4	5	39.1	44.3
Days Payable	79.8	102.1	91.8	92.3
Current Ratio	1.0	1.0	1.	1.0
Quick Ratio	0.8	0.8	0.8	0.8

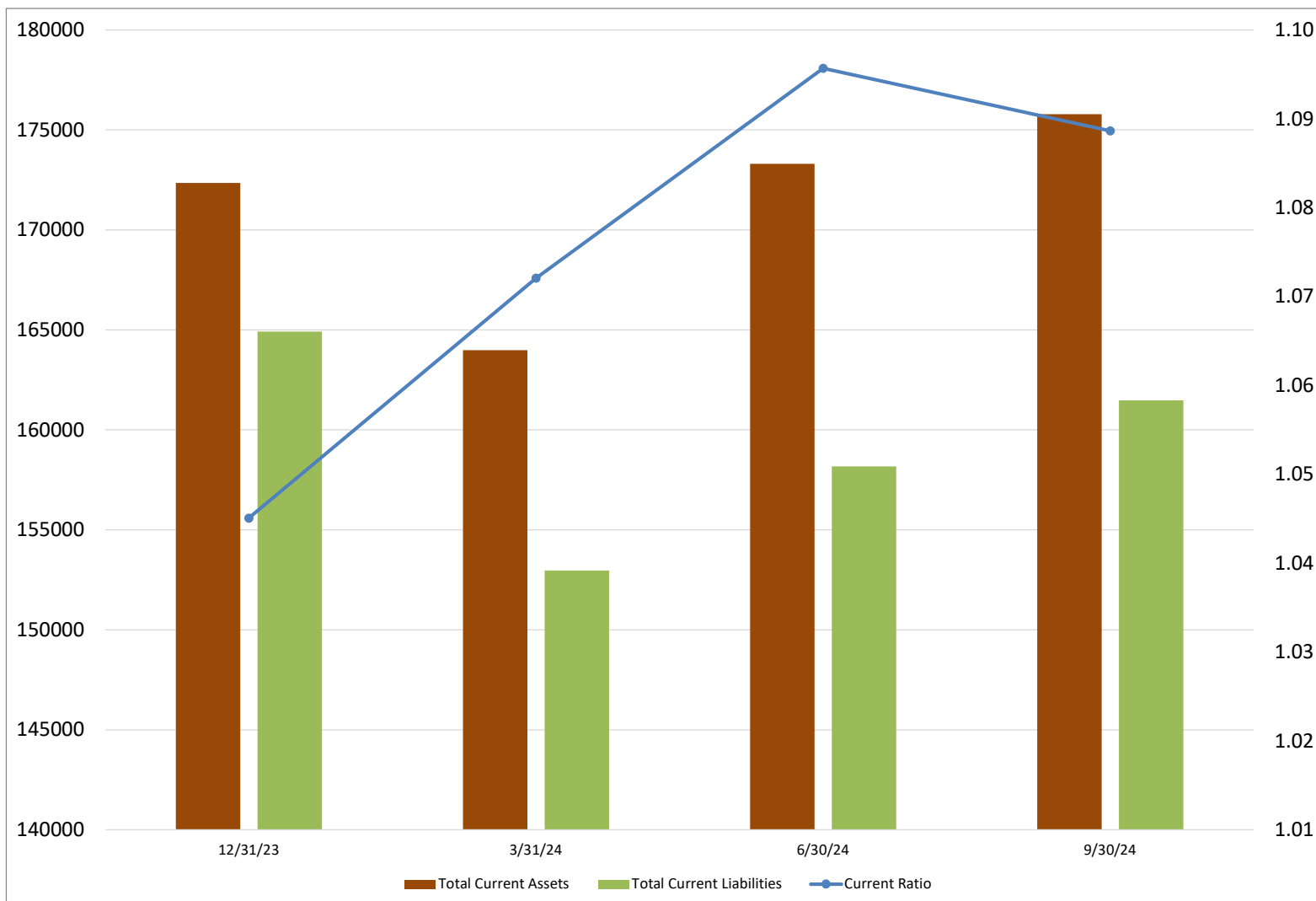
Solvency Ratios	12/31/23	3/31/24	6/30/24	9/30/24
Total Debt / Equity	0.80%	0.74%	0.67%	0.52%
Total Debt / Capital	0.45%	0.43%	0.40%	0.34%
Total Liabilities / Total Assets	0.62%	0.59%	0.57%	0.56%
EBIT / Interest Expense	17.9	23.7	24.9	28.8
EBITDA / Interest Expense	41.7	47.2	51.3	56.9
(EBITDA - Capex) / Interest Expense	21.3	24.1	21.	19.4
FFO Interest Coverage	59.5	29.4	42.9	43.0
FFO to Total Debt (x)	1.0	0.4	0.6	0.7

Total Debt / EBITDA	1.3	1.3	1.3	0.9
Net Debt / EBITDA	0.6	0.6	0.5	0.3
Net Debt / (EBITDA - Capex)	1.2	1.2	1.3	0.9

Return Ratios	12/31/23	3/31/24	6/30/24	9/30/24
Return on Assets %	0.1%	0.1%	0.1%	0.1%
Return on Capital %	0.1%	0.2%	0.1%	0.2%
Return On Equity %	0.2%	0.2%	0.2%	0.2%
Return on Common Equity %	0.2%	0.2%	0.2%	0.2%

- Now let us take a closer look at the evolution of some of the key quarterly ratios of the company. The most important ratios to look at in terms of quarterly evolution are essentially the working capital ratios.
- We see Amazon's receivable days increase from 24.6 to 26.79 over the past two quarters.
- On the other hand, the company's days payable have risen from 91.82 to 92.25 over the past couple of quarters.
- When we analyze the working capital turnover over the company, we see that Amazon's revenues are as much as 44.3 times its total exposure to working capital investment.
- In the FFO/ Total Debt ratio, FFO stands for funds from operations. This is a leverage ratio that an investor can use to evaluate a company's financial risk. It measures the ability of a company to pay off its debt using net operating income alone.
- We see Amazon's FFO/ Total Debt ratio as 0.7 which means that from a financial leverage and capital gearing standpoint, the company has a VERY LOW RISK profile.

Current Assets & Current Liabilities (USD Million)



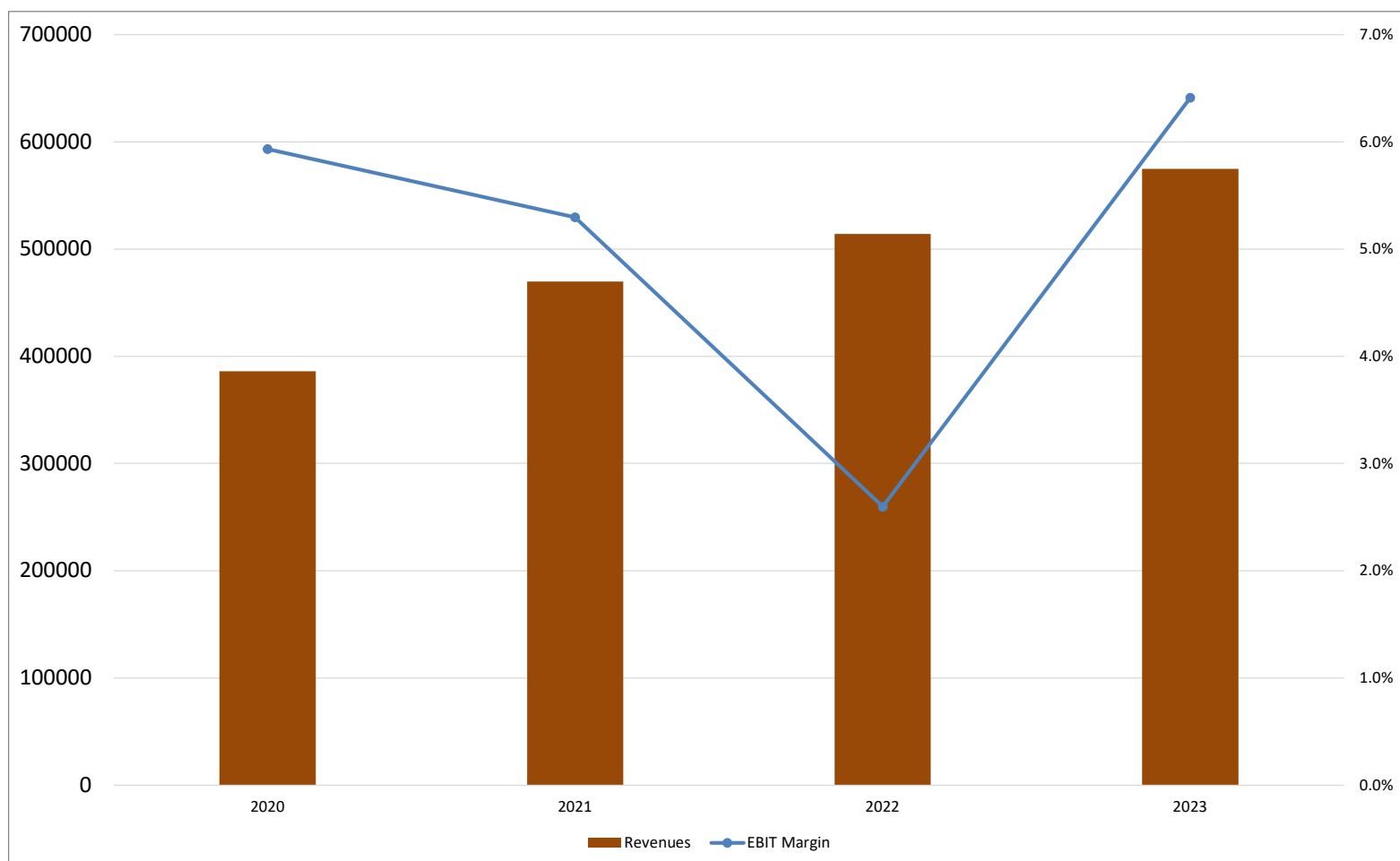
Historical Income Statement - Annual (USD Million)

Particulars	2020	2021	2022	2023
Revenues	386064	469822	513983	574785
<i>% growth</i>		21.7%	9.4%	11.8%
Cost of Goods Sold	-233307	-272344	-288831	-304739
<i>% of revenue</i>	-60.4%	-58.0%	-56.2%	-53.0%
Gross Income (excl. D&A)	152757	197478	225152	270046
<i>% of revenue</i>	39.6%	42.0%	43.8%	47.0%

EBITDA	48079	59312	55269	85515
<i>% of revenue</i>	<i>12.5%</i>	<i>12.6%</i>	<i>10.8%</i>	<i>14.9%</i>
Depreciation & Amortization	25180	34433	41921	48663
<i>% of Fixed Assets</i>	<i>14.8%</i>	<i>14.5%</i>	<i>15.0%</i>	<i>15.8%</i>
Extraordinary Expenses	0	0	0	0
EBIT	22899	24879	13348	36852
<i>% of revenue</i>	<i>5.9%</i>	<i>5.3%</i>	<i>2.6%</i>	<i>6.4%</i>
Pretax Income	24194	38155	-5939	37545
<i>% of revenue</i>	<i>6.3%</i>	<i>8.1%</i>	<i>-1.2%</i>	<i>6.5%</i>
Income Tax	2863	4791	-3217	7120
<i>% rate</i>	<i>11.8%</i>	<i>12.6%</i>	<i>54.2%</i>	<i>19.0%</i>
Net Income	21331	33364	-2722	30425
<i>% of revenue</i>	<i>5.5%</i>	<i>7.1%</i>	<i>-0.5%</i>	<i>5.3%</i>

- * When we analyze the company's annualized historical income statement, we see that the top-line was \$574.785 billion for the previous financial year ending in 2023.
- * The revenue growth was 11.83% in 2023 as compared to around 9.40% in 2022.
- * Amazon's cost of goods sold has increased from -56.19% to -53.02% as a percentage of the top-line resulting in a drop in the gross margins.
- * The company's overall annual EBITDA margin of 14.88% is lower than the reported quarterly EBITDA margin for the most recent quarter.
- * Non-cash expenses in the form of depreciation and amortization have gone up as compared to the result in 2022.

Revenue & Operating Margin (USD Million)



* In terms of the bottom-line, Amazon reported an operating income (EBIT) of \$36.852 billion and a net income of \$30.425 billion resulting in an EPS of \$-0.27.

* The good news for investors holding the stock is that its net margin had increased from -0.53% in 2022 to 5.29% in 2023.

Historical Balance Sheet - Annual (USD Million)

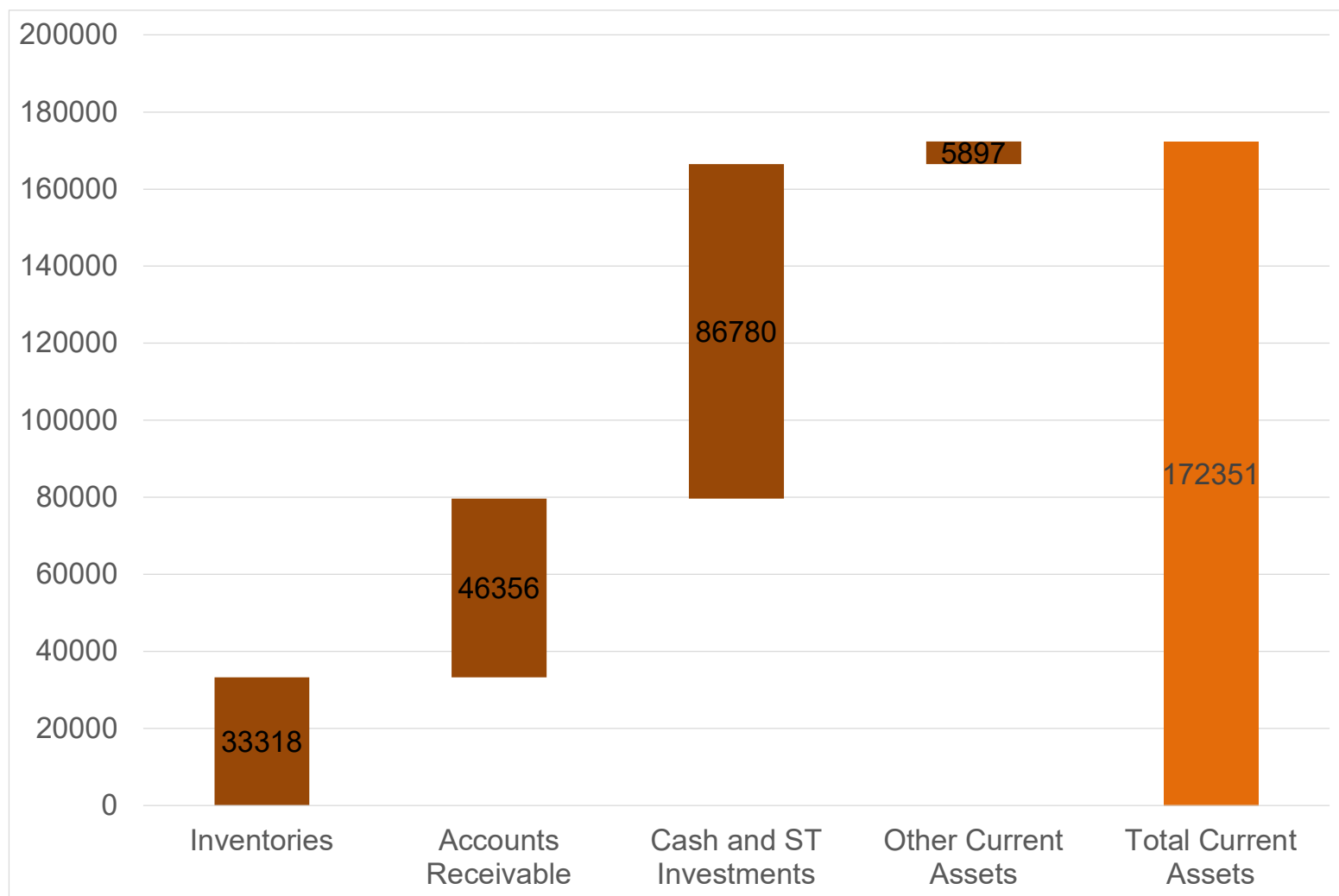
Particulars	2020	2021	2022	2023
Assets				
Net Intangible Fixed Assets	19998	20478	26385	30476
Net Tangible Fixed Assets	150667	216363	252838	276690
Total Fixed Assets	170665	236841	279223	307166

% of revenue	44.2%	50.4%	54.3%	53.4%
LT Investments	5700	4003	2815	2954
Inventories	23795	32640	34405	33318
% of revenue	6.2%	6.9%	6.7%	5.8%
Accounts Receivable	24309	32649	37502	46356
% of revenue	6.3%	6.9%	7.3%	8.1%
Cash and ST Investments	84396	96049	70026	86780
% of revenue	21.9%	20.4%	13.6%	15.1%
Other Current Assets	233	242	4858	5897
Total Current Assets	132733	161580	146791	172351
Other Assets	12097	18125	33846	45383
Total Assets	321195	420549	462675	527854
Liabilities & Shareholder's Equity				
Equity & Minorities	93404	138245	146043	201875
LT Debt	35216	54944	73850	64914
Other LT Liabilities	66190	85094	87389	96148
Total LT Liabilities	101406	140038	161239	161062

ST Debt	725	1043	8000	147
Accounts Payable	72539	78664	79600	84981
% of COGS	18.8%	16.7%	15.5%	14.8%
Other ST Liabilities	53121	62559	67793	79789
Total Current Liabilities	126385	142266	155393	164917
Total Liabilities	227791	282304	316632	325979
Total Liabilities & Shareholder's Equity	321195	420549	462675	527854

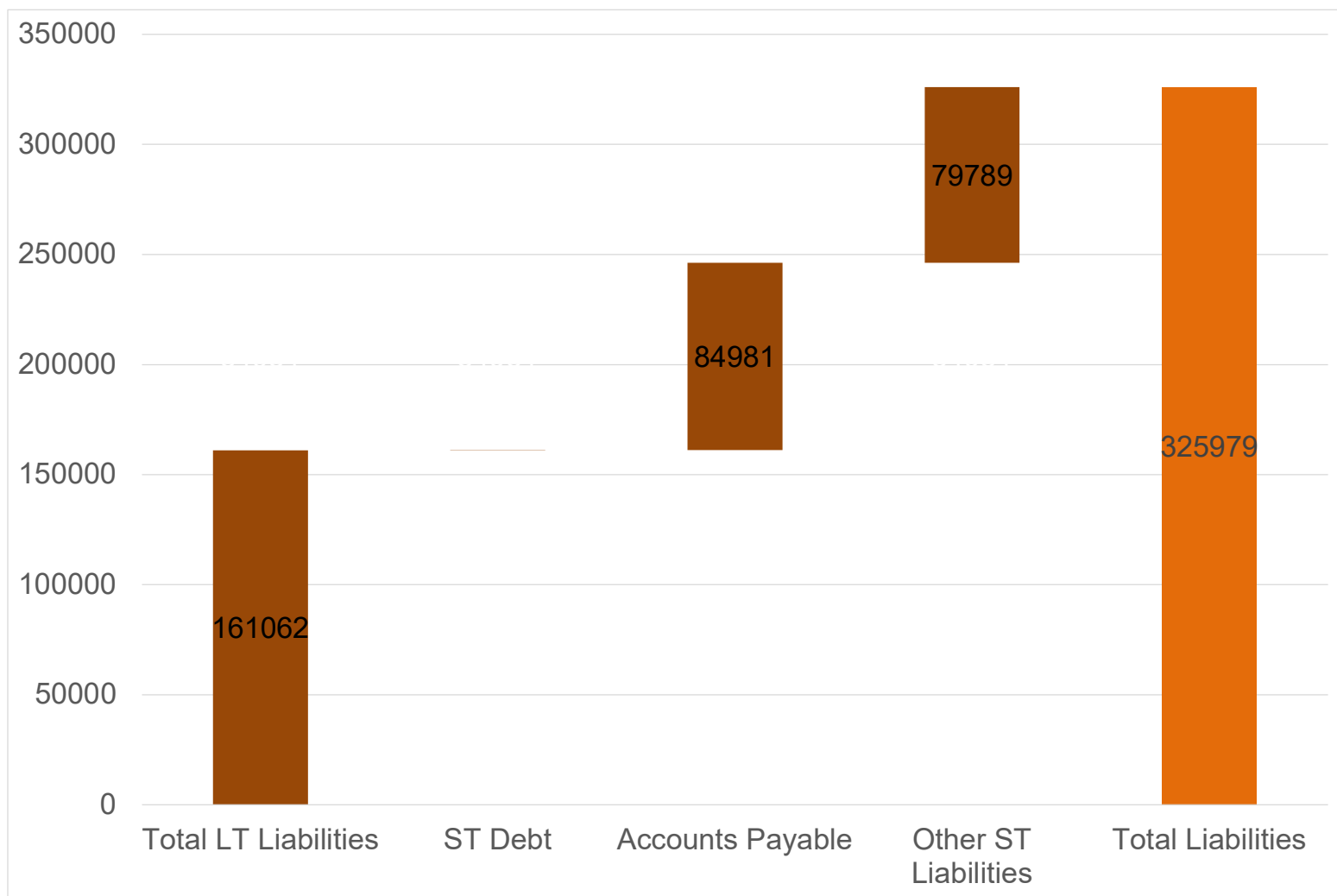
- * Moving on to the company's historical annualized balance sheet, when we analyze the fixed assets versus the revenues, we see that the percentage has evolved from 54.33% to 53.44%
- * Its receivables of \$46.356 billion are about 8.06% of the top-line.
- * Amazon has close to \$86.78 billion in terms of liquidity i.e. cash and short term investments.
- * On the other hand, its payables for 2023 account for around 14.78% of the cost of goods sold. We can see a more detailed breakdown of the total current assets in the chart on the following page.

Total Current Assets (2023) - Waterfall Analysis (USD Million)



- The company's long term debt is around 0.8x times its equity.
- Apart from the long term debt, we can also see the level of short term debt, equity and all other forms of long and short term liabilities and how they come together to total up to the Total Liabilities & Shareholders Equity of the company.

Total Liabilities (2023) - Waterfall Analysis (USD Million)



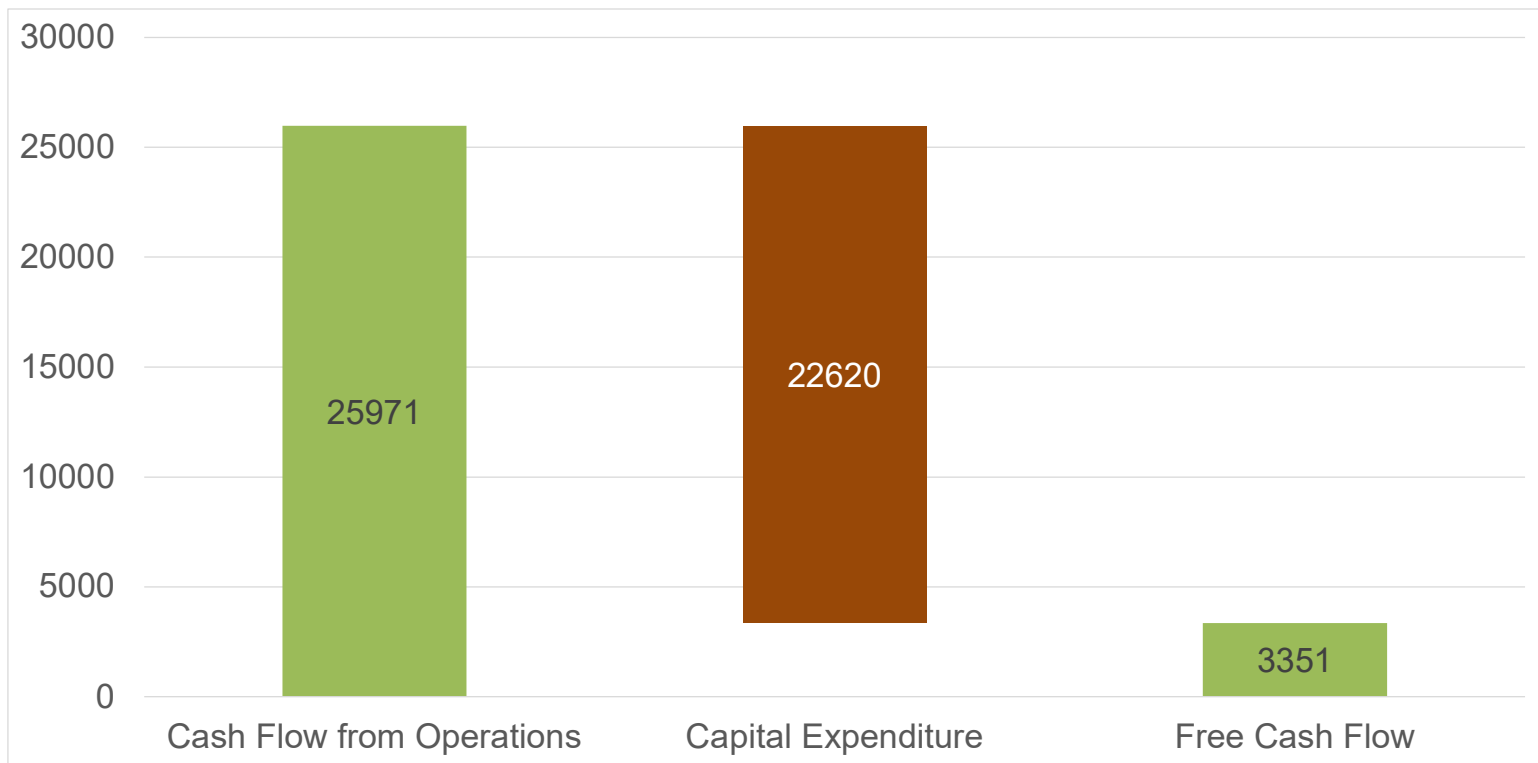
Historical Cash Flow Statement - Annual (USD Million)

Particulars	2020	2021	2022	2023
Net Income (GAAP)	21331	33364	-2722	30425
+ Depreciation & Amortization	25180	34433	41921	48663
+/- Working Capital, Deferred Taxes & Other Adjustments	19553	-21470	7553	5858

Cash Flow from Operations	66064	46327	46752	84946
<i>% of EBITDA</i>	<i>137.4%</i>	<i>78.1%</i>	<i>84.6%</i>	<i>99.3%</i>
Capital Expenditure	-40140	-61053	-63645	-52729
<i>% of revenues</i>	<i>-10.4%</i>	<i>-13.0%</i>	<i>-12.4%</i>	<i>-9.2%</i>
Other Investment Cash Flow items	-19471	2899	26044	2896
Cash Flow from Investments	-59611	-58154	-37601	-49833
Free Cash Flow	25924	-14726	-16893	32217
<i>% of EBITDA</i>	<i>53.9%</i>	<i>-24.8%</i>	<i>-30.6%</i>	<i>37.7%</i>
Cash Flow from Financing	-1104	6291	9718	-15879
Net Change In Cash	5349	-5536	18869	19234

- Amazon's Cash Flow from Operations as a % of EBITDA went up which is a good sign.
- The company delivered a positive free cash flow of \$32.217 billion in 2023.
- It was able to convert about 37.67% into free cash flows which was higher than the previous financial year.
- Amazon reported \$-15.879 billion as Cash Flow from Financing for 2023 which was lower than the previous year.
- We can see a complete breakdown of the Net Change in Cash of the company in the waterfall chart on the following page.

Free Cash Flow (2023) - Bridge (USD Million)



Key Ratios - Annual

Other Metrics	2020	2021	2022	2023
Total Cash Dividends Paid	0.00	0.00	0.00	0.00
% growth		NA	NA	NA
Total Common Shares Outstanding	10,071	10,177	10,247	10,387
% change		1.0%	0.7%	1.4%
Dividend Per Share	0.00	0.00	0.00	0.00
% change		NA	NA	NA

Operating Ratios	2020	2021	2022	2023
Receivables Turnover	15.9	14.4	13.7	12.4

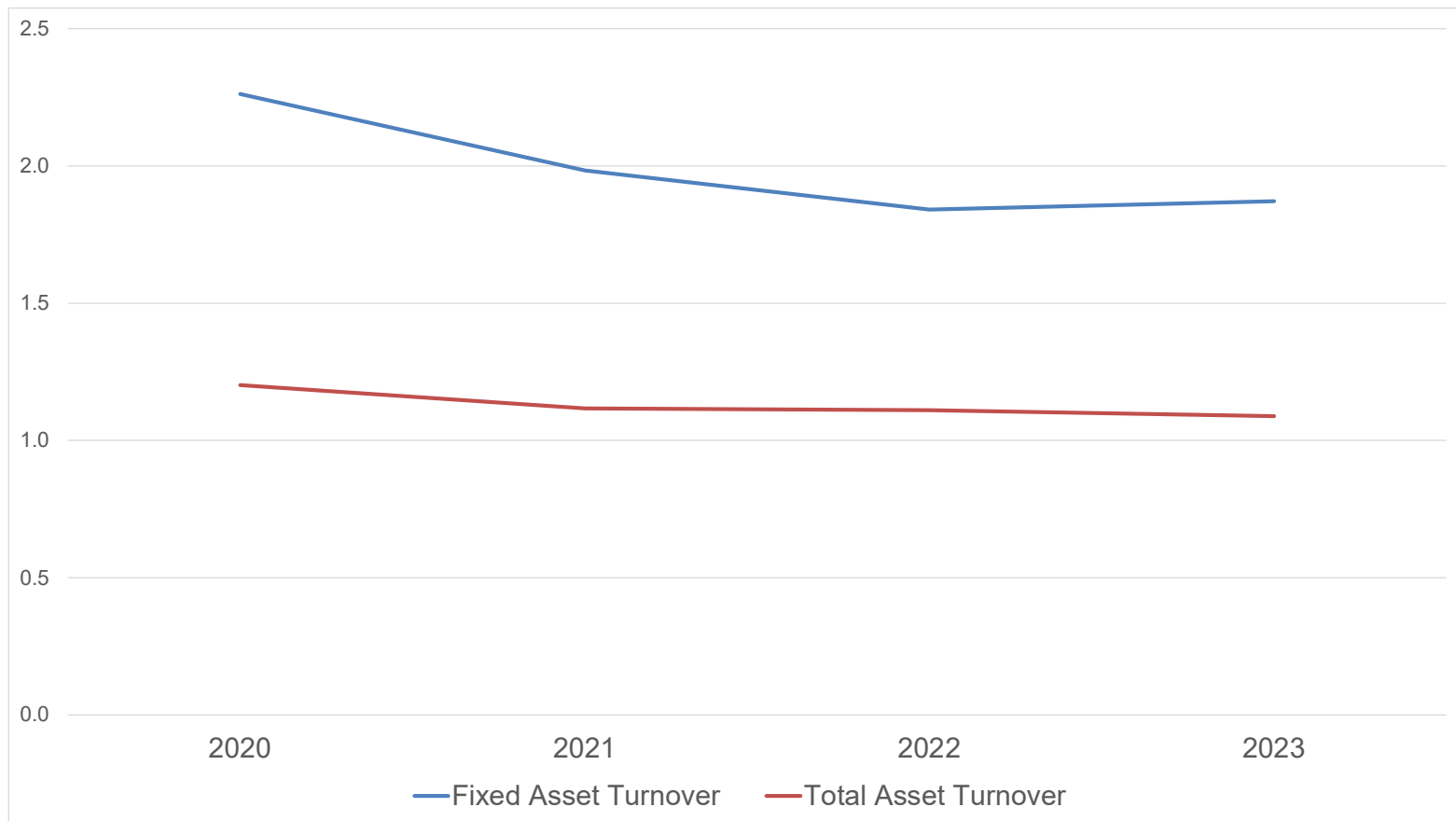
Days Receivable	23.0	25.4	26.6	29.4
Inventory Turnover	9.8	8.3	8.4	9.1
Inventory Days	37.2	43.7	43.5	39.9
Payables Turnover	3.2	3.5	3.6	3.6
Days Payable	113.5	105.4	100.6	101.8
Current Ratio	1.05	1.14	0.94	1.05
Quick Ratio	0.8	0.	0.6	0.8
Working Capital Turnover	60.8	24.3	-59.7	77.3
Fixed Asset Turnover	2.3	2.0	1.8	1.9
Total Asset Turnover	1.2	1.1	1.1	1.1

- * The company does not pay any dividend.
- * Amazon's total common shares outstanding have increased in 2023 by 1.37% implying a share issuance.
- * The receivables turnover helps quantify a company's effectiveness in collecting the money owed by clients and demonstrates how well it uses and manages the credit it extends to customers.
- * As per the days receivable, the company takes an average period of 29.4 days to collect money from its clients which appears to be reasonable.
- * The inventory turnover shows the number of times a given company has sold and replaced inventory during the year and is an indicator of how many days of working capital is blocked in inventory.
- * As per the inventory days ratio, Amazon holds an average inventory of 39.9 days which appears to be reasonable.
- * The accounts payable turnover is a short-term liquidity measure used to quantify the rate at which a company pays off its suppliers. It shows how many days of credit a company gets from its suppliers.
- * As per the days payable, the company takes an average period of 101.8 days to pay off its creditors which appears to be reasonable.
- * The fixed asset turnover ratio measures how well a company generates sales from its tangible as well as intangible fixed assets. The higher the ratio, the greater the company's efficiency to its assets to generate revenues.
- * Amazon's fixed assets turnover ratio of 1.9 has increased in 2023 indicating that the company is generating greater revenues from its fixed assets.

* The total asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets. The higher the asset turnover ratio, the more efficient a company is, with respect to using its assets to generate revenues.

* Amazon's total assets turnover has decreased to 1.09 in 2023.

Evolution of Fixed Assets Turnover & Total Assets Turnover



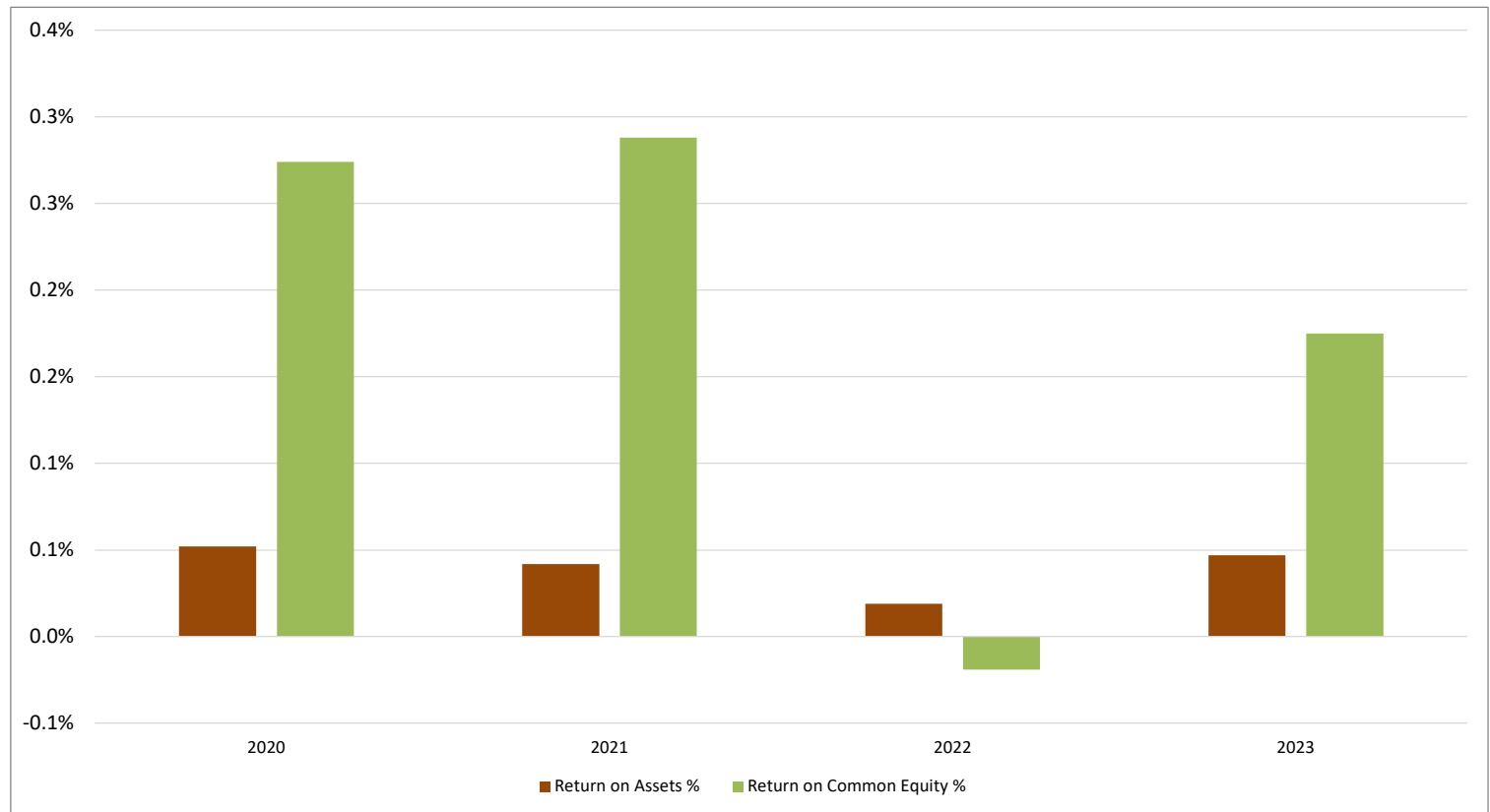
Operating Ratios	2020	2021	2022	2023
Total Debt / Equity	1.12%	1.01%	1.16%	0.80%
Total Debt / Capital	0.53%	0.50%	0.54%	0.45%
Total Liabilities / Total Assets	0.71%	0.67%	0.68%	0.62%
EBIT / Interest Expense	13.	13.7	5.6	11.5
EBITDA / Interest Expense	32.9	37.6	27.8	30.8

(EBITDA - Capex) / Interest Expense	8.6	3.8	0.9	14.
FFO Interest Coverage	40.1	25.6	19.7	26.
FFO to Total Debt (x)	0.6	0.3	0.2	0.5
Total Debt / EBITDA	1.9	2.0	2.5	1.6
Net Debt / EBITDA	0.3	0.6	1.5	0.7
Net Debt / (EBITDA - Capex)	1.4	6.2	43.0	1.6

Other Ratios	2020	2021	2022	2023
Return on Assets %	0.1%	0.0%	0.0%	0.0%
Return on Capital %	0.1%	0.1%	0.0%	0.1%
Return On Equity %	0.3%	0.3%	0.0%	0.2%
Return on Common Equity %	0.3%	0.3%	0.0%	0.2%

- * Return on assets is an excellent indicator of how efficient a company's management is in generating earnings from their economic resources or assets on their balance sheet.
- * On the other hand, the return on equity of a company measures the value creation of the management and profitability in relation to stockholders' equity.
- * The company's overall Return on Assets is 0.05%.
- * Amazon's Return on Equity is 0.18%. The company's Return on Equity is higher than its Return on Assets and this is because it uses debt to maximize shareholder returns.

Evolution of Return on Equity & Return on Assets



• In the above chart, we see the evolution of the company's return on equity and its return on assets.

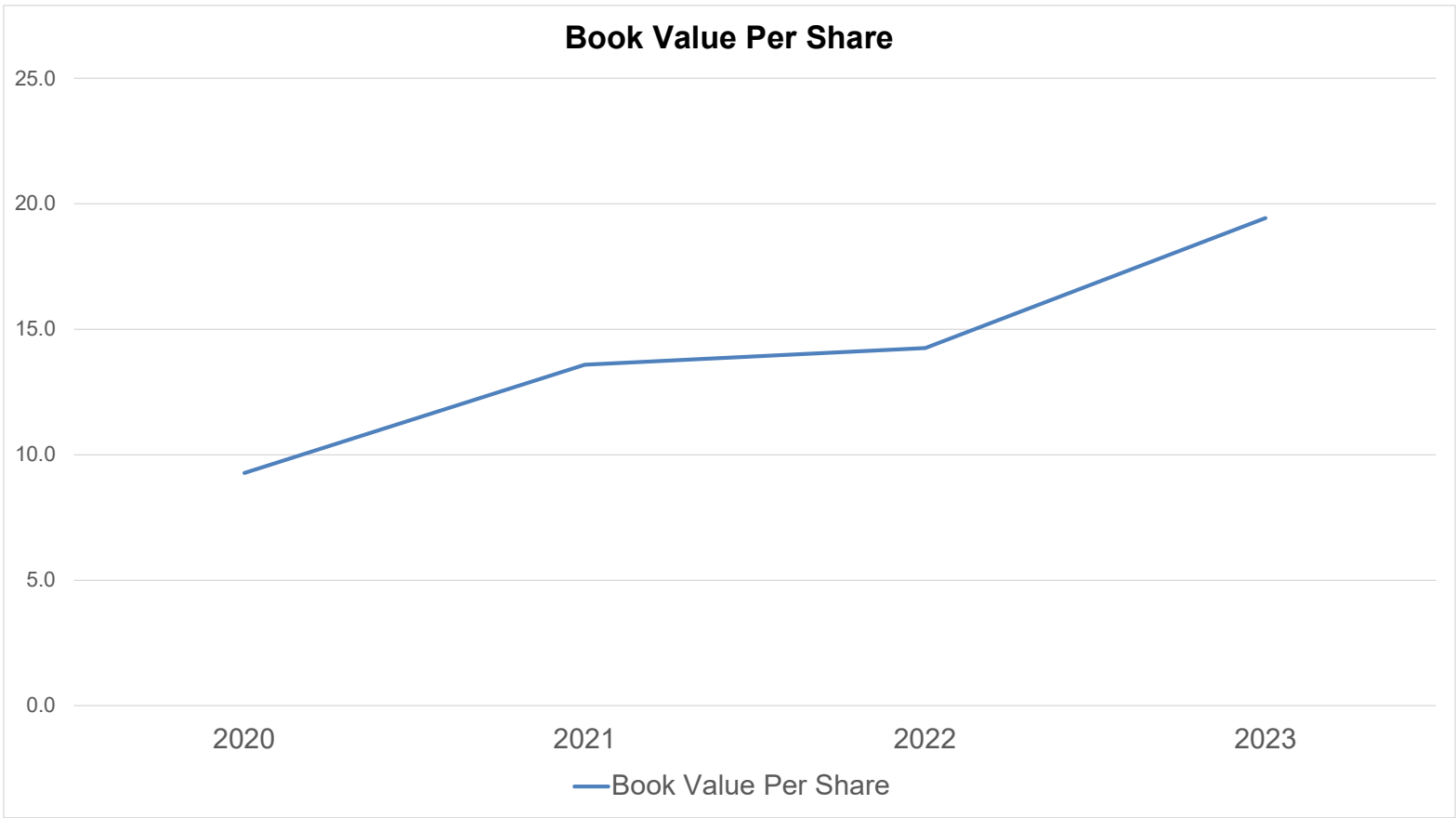
Book Value Per Share, Price-to-Book Ratio & Graham Number Analysis

We can see the evolution of the book value per share and the Graham Number of the company in the table below:

Particulars	2020	2021	2022	2023
Book Value Per Share	9.3	13.6	14.3	19.4
Graham Number	20.9	31.5	NA	35.6

- * We can see that Amazon's Book Value Per Share is 19.43 which results in a Price-to-Book ratio of 9.59.
- * You can also see in the above table that we have shown the evolution of the Graham number, a popular metric evaluates a stock's fundamental worth by examining the company's earnings per share (EPS) and book value per share.
- * This concept was developed by renowned value investor and 'father of value investing', Benjamin Graham and sets a maximum price an investor should pay for a stock.
- * It is calculated as the geometric mean of 2 components: the stock price assuming a Price-to-Earnings ratio of 15x and the stock price assuming a book value per share of 1.5x.
- * This is the reason why the Graham Number metric incorporates a factor of 22.5, stemming from Graham's criteria that a price-to-earnings ratio below 15x and a book value per share below 1.5x are the maximum valuation multiples an investor should pay for a stock.
- * While useful, the Graham number omits some critical investment factors like management quality, industry insights, and the competitive environment; fundamental analysis of stocks often considers these alongside key metrics to gauge value.
- * Amazon's Graham Number as per its latest annual balance sheet is 35.61 which is well below the current market price indicating that the stock might be overvalued.
- * We can see an evolution of the company's Book Value Per Share & its Graham Number in the chart on the following page.

Evolution Of Book Value Per Share



Top Institutional Shareholders

Investor Name	Value of Shares Held (MM)	% Of Shares Outstanding Held	# Shares Held	% Change in # of Shares Held	This Holding as % of Firm's Portfolio
Bezos (Jeffrey P)	172881.2	8.84%	927474514	-0.06%	100.00%
The Vanguard Group, Inc.	142231.6	7.27%	763045096	-2.41%	1.96%
BlackRock Institutional Trust Company, N.A.	76580.1	3.91%	410837200	0.70%	2.02%
State Street Global Advisors (US)	64831.7	3.31%	347809681	-1.08%	2.79%
Fidelity Management & Research Company LLC	58927.8	3.01%	316136237	1.27%	2.68%
Geode Capital Management, L.L.C.	36044	1.84%	193369102	2.94%	2.82%
T. Rowe Price Associates, Inc.	31439.3	1.61%	168665788	-4.78%	2.98%
Norges Bank Investment Management (NBIM)	22173.3	1.13%	118955512	2.11%	1.89%
JP Morgan Asset Management	21508.8	1.10%	115390762	6.64%	1.42%
Capital Research Global Investors	17289.5	0.88%	92755051	0.00%	0.00%

* We can see the list of the largest institutional shareholders of Amazon in the above table.

- * As we can see above Bezos (Jeffrey P) is the currently the largest institutional shareholder in the company and currently holds 8.84% of the total outstanding shares of the company.
- * They are followed by The Vanguard Group, Inc. which holds a 7.27% in Amazon.
- * In the above list of institutions, we see that JP Morgan Asset Management has shown a particular interest in increasing their stake in Amazon.
- * Similarly, if we analyze the Amazon stock as a percentage of the total holdings of the above mentioned institutions, we see that Bezos (Jeffrey P) in the above list, has the highest exposure to the company i.e., 100.00%.
- * We can see the list of the recent list of the insider transactions in Amazon in the table below:

Recent Insider Transactions

Insider	Date	# Shares	Price	Type	Filing
Herrington (Douglas J)	10/1/24	-3500	184.8	DIR	Form 4
Zapolsky (David A.)	9/24/24	-2190	195	DIR	Form 4
Herrington (Douglas J)	9/3/24	-3500	177.87	DIR	Form 4
Bezos (Jeffrey P)	8/29/24	-261739	NA	DIR	Form 4
Bezos (Jeffrey P)	8/28/24	-293646	NA	DIR	Form 4
Herrington (Douglas J)	8/21/24	-2600	NA	DIR	Form 4
Herrington (Douglas J)	8/21/24	-12660	NA	DIR	Form 4
Herrington (Douglas J)	8/21/24	-504	182.18	DIR	Form 4
Herrington (Douglas J)	8/21/24	-3472	181.44	DIR	Form 4
Herrington (Douglas J)	8/21/24	-2128	180.57	DIR	Form 4

Forecasted Income Statement - Annual (USD Million)

Particulars	2022	2023	2024E	2025E	2026E
Revenue	513983	574785	635690	704511	780144
<i>% growth</i>		11.8%	10.6%	10.8%	10.7%
Cost of Goods Sold	-288831	-304739	-336731	-372854	-412515
<i>% of revenue</i>	-56.2%	-53.0%	-53.0%	-52.9%	-52.9%
Gross Income (excl. D&A)	225152	270046	298959	331656	367628
<i>% of revenue</i>	43.8%	47.0%	47.0%	47.1%	47.1%
EBITDA	75053	110305	136024	158423	185941
<i>% of revenue</i>	14.6%	19.2%	21.4%	22.5%	23.8%
Depreciation & Amortization	62805	73453	73962	81934	90818
EBIT	12248	36852	62062	76489	95122
<i>% of revenue</i>	2.4%	6.4%	9.8%	10.9%	12.2%
EBT (GAAP) Actual	-5939	37545	61373	77960	98971
<i>% of revenue</i>	-1.2%	6.5%	9.7%	11.1%	12.7%
Net Income (GAAP)	-2722	30425	50640	62916	78787
<i>% of revenue</i>	-0.5%	5.3%	8.0%	8.9%	10.1%
EPS (GAAP)	2.95	-0.27	4.82	5.99	7.50

* Now let us move on to Baptista Research's forecasts for Amazon's income statement and cash flows.

* We forecast a top-line growth of 10.6% for 2024, around 10.8% for 2025, and about 10.8% for 2026.

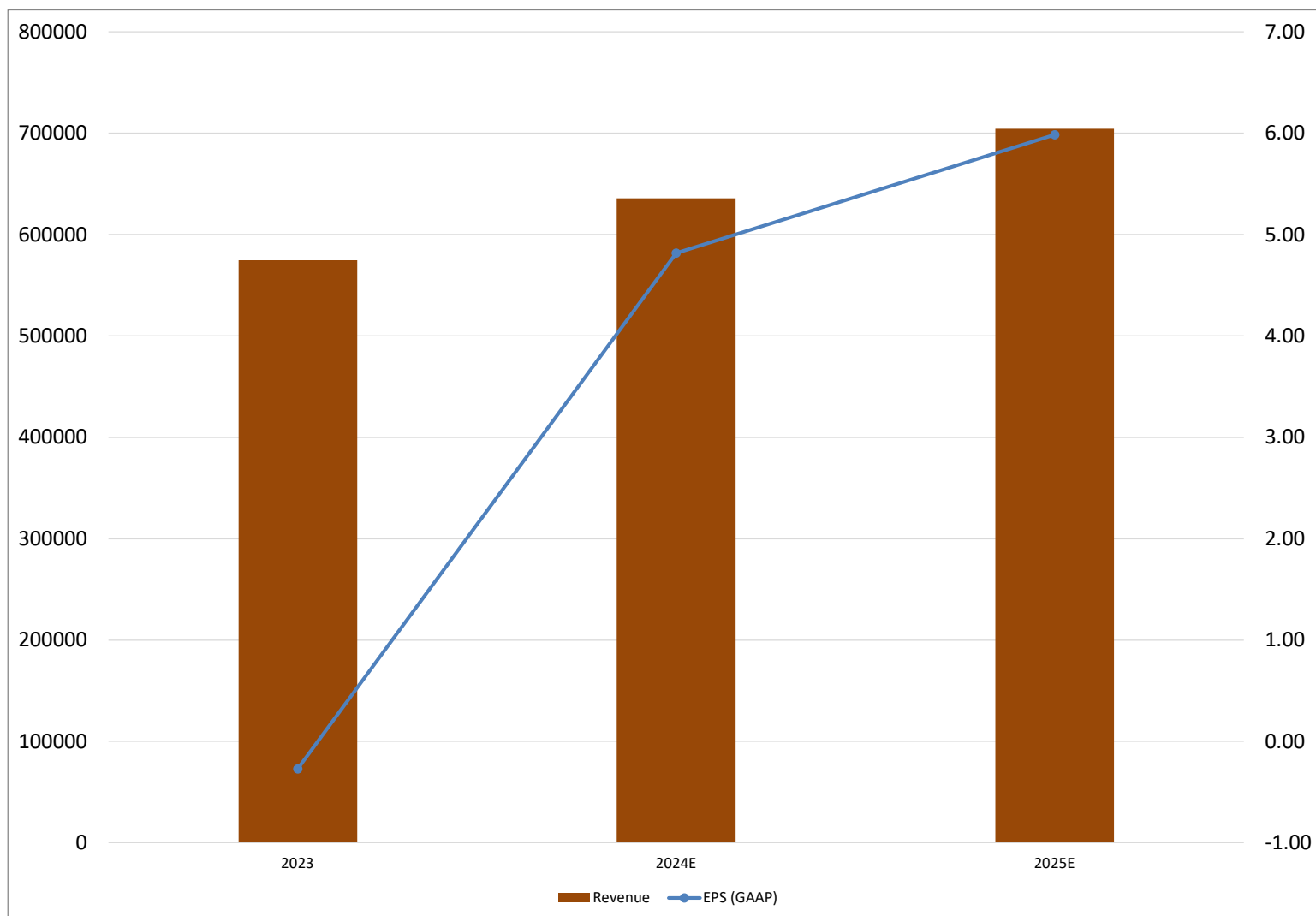
* This growth is expected to translate into an EBITDA of \$136.02 billion in 2024 with a margin of 21.40%

* Amazon's EBIT margin is expected to be 9.76% in 2024, about 10.86% in 2025, and 10.86% in 2026.

* Our estimate for the company's Net Income (GAAP) is \$50.64 billion implying a net margin of 7.97% and resulting in an earnings per share of \$4.82.

* We expect the growth to follow a similar trend in 2025 and 2026.

Forecasted Revenues & Earnings Per Share



Forecasted Cash Flow Statement (USD Million)

Particulars	2022	2023	2024E	2025E	2026E
Net Income (GAAP)	-2722	30425	50640	62916	78787
+ Depreciation & Amortization	62805	73453	73962	81934	90818
+/- Working Capital, Deferred Taxes & Other Adjustments	-13331	-18932	-4040	-1085	2912
Cash from Operations	46752	84946	120562	143764	172518
<i>% of EBITDA</i>	<i>62.3%</i>	<i>77.0%</i>	<i>88.6%</i>	<i>90.7%</i>	<i>92.8%</i>
Capital Expenditure	-63645	-52729	-64429	-70451	-75740
<i>% of revenues</i>	<i>12.4%</i>	<i>9.2%</i>	<i>10.1%</i>	<i>10.0%</i>	<i>9.7%</i>
Other Investment Cash Flow items	101246	102562	102583	102070	101151
Cash Flow after Investments	37601	49833	38154	31619	25411
Free Cash Flow	-16893	32217	56133	73314	96778

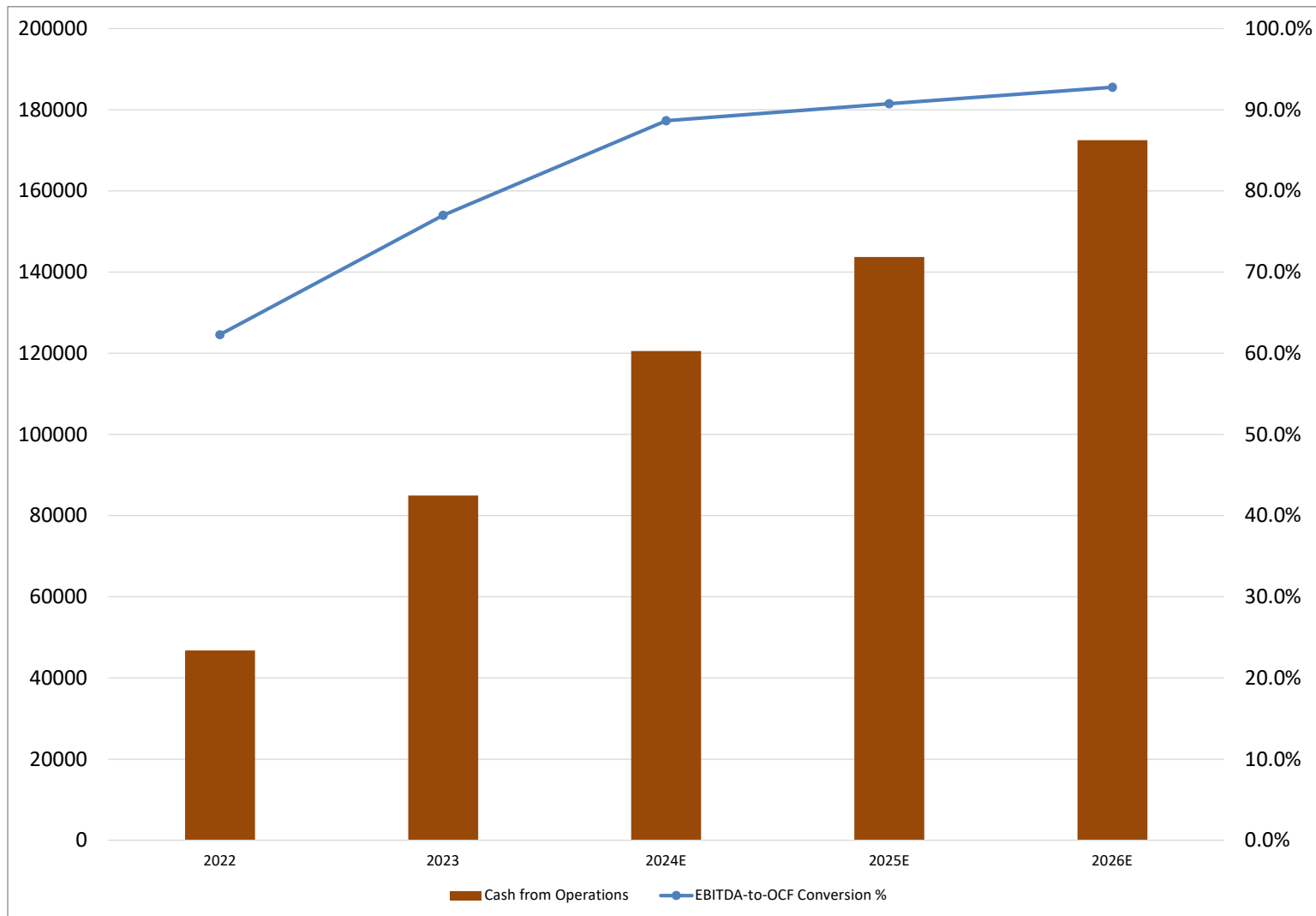
* In terms of the cash flows, we expect Amazon to generate around \$120.56 billion in operating cash flows in 2024.

* This implies an EBITDA-to-Operating-Cash-Flow conversion ratio of 88.63%

* Amazon is expected to invest a higher amount in capex and other investing activities in 2024.

* Overall, the company is expected to generate free cash flows to the tune of \$56.13 billion in 2024.

Forecasted Operating Cash Flows & EBITDA-to-OCF Conversion %



* We can see the evolution of the operating cash flows and the conversion of EBITDA into operating cash in the above chart. We can also see the margin assumption summary and other elements in the tables below.

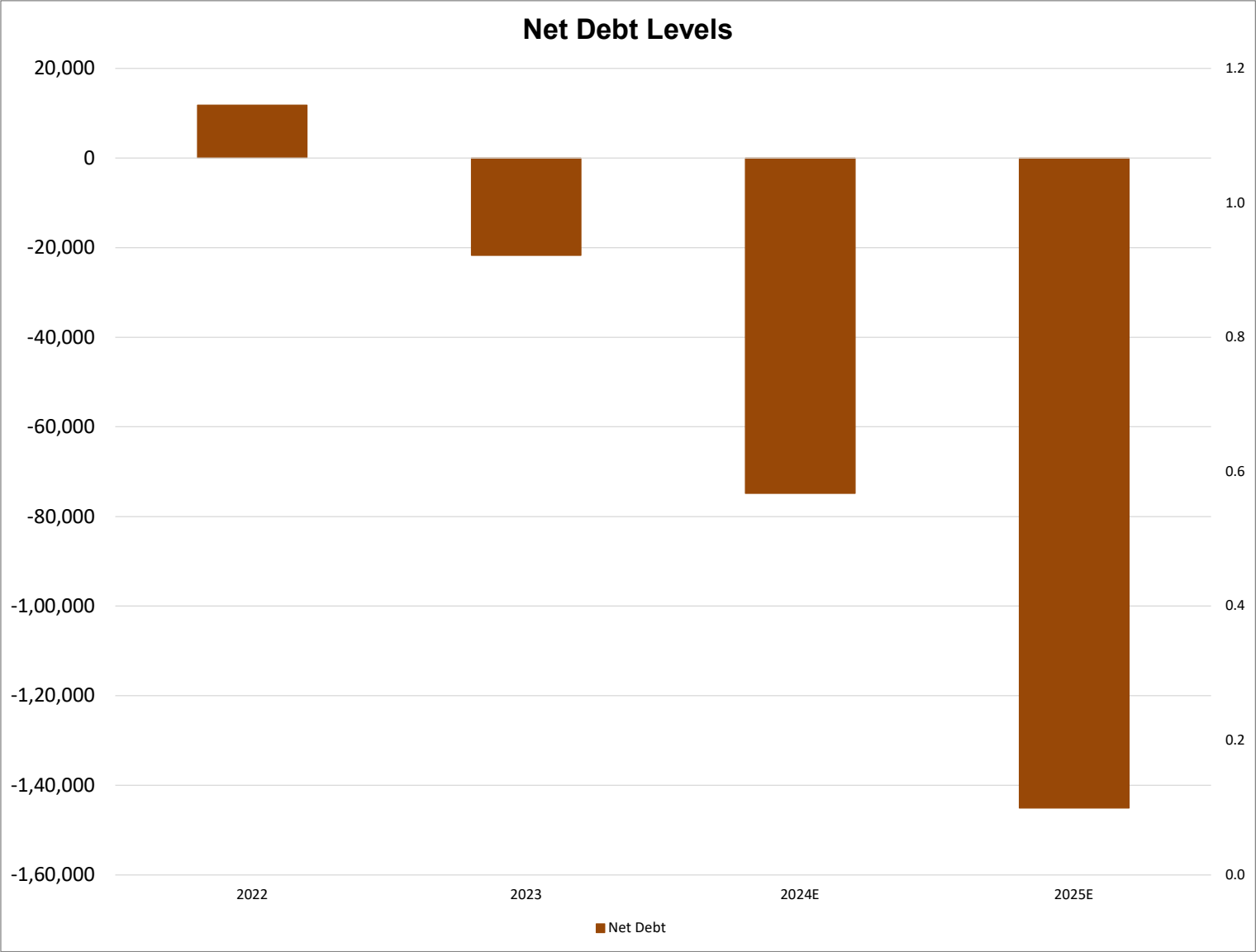
Key Ratios

Growth & Margins	2022	2023	2024E	2025E	2026E
Sales Growth	9.4%	11.8%	10.6%	10.8%	10.7%
EBITDA Margin	14.6%	19.2%	21.4%	22.5%	23.8%
EBIT Margin	2.4%	6.4%	9.8%	10.9%	12.2%
Net Profit Margin	-0.5%	5.3%	8.0%	8.9%	10.1%

Leverage Ratios	2022	2023	2024E	2025E	2026E
Net Debt	11,824	-21,719	-74,862	-1,45,092	-2,31,808
Net Debt/ Equity	0.1	-0.1			
Net Debt/ EBITDA	0.2	NA	NA	NA	NA

- * Amazon's Net Debt is expected to decrease in 2024 and is expected to follow a similar trend over the coming years.
- * The Net Debt-to-EBITDA ratio is a measure of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. It shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
- * Amazon's Net Debt-to-EBITDA ratio is expected to be NA in 2024 which indicates that the company is over-leveraged.
- * Net-Debt-to-Equity ratio, also known as the gearing ratio shows how encumbered a company is with its debt.
- * The company's Net Debt-to-Equity ratio for 2023 is -0.11 and it indicates that the company has no gearing.

Evolution of Net Debt Levels



Discounted Cash Flow Valuation With A Scenario Analysis

- * Baptista Research looks to provide a comprehensive discounted cash flow (DCF) valuation for Amazon coupled with a detailed sensitivity analysis for key assumptions in three main scenarios - a base case scenario, a bull case scenario, and a bear case scenario.
- * Based on our analysis, we have provided a target price for the company's stock for the next three years, in each of the 3 scenarios, offering investors a forward-looking assessment of the company's potential market value. However, the Base Case scenario is the most realistic scenario in our view and that is how the main target price in this report is determined.

Base Case Scenario

Key DCF Assumptions

WACC	11.1%
CoD	3.8%
CoE	11.0%
Market Rate	6.0%
Risk Free Rate	4.1%
Beta	1.15
Perpetual Growth Rate (g)	7.7%
Terminal Value	2835491
Tax Rate	19.0%

- * For the purpose of carrying out the discounted cash flow valuation of Amazon, we have used the standard capital asset pricing model (CAPM).
- * We have used a 6.0% equity market risk premium based on the S&P 500 returns for the past 5 years.
- * The risk-free rate has been assumed as the 10-year Treasury Constant Maturity Rate of the U.S. at 4.10%.
- * The company's stock is more volatile than the market as a whole and has a beta of 1.2 which we shall use without leveraging the same as we are going for the enterprise value approach.
- * This is used in order to arrive at the cost of equity (CoE) of 11.0% which appears reasonable for a company like Amazon.
- * Based on the company's long term debt and interest payments, the cost of debt is 3.8%.

- After incorporating the CoE and the CoD and average tax rate of 19.0%, we arrive at a Weighted Average Cost of Capital (WACC) of 11.1%.
- The terminal value is a key component of any DCF valuation as it accounts for the largest chunk of the total projected value of the company. There are a number of methodologies used to determine the same such as the perpetual growth rate method or the multiples method.
- In this case, we have gone ahead and determined the terminal value by applying the current EV/Sales ratio of 3.6 to our forecasted revenues of 2026 which has resulted in an assumed perpetual growth rate of 7.67%.
- It is important to note that the Perpetual Growth rate and the EV/ Sales ratio (along with the other resultant valuation ratios) are the key differentiators between the Base Case, the Bull Case, & the Bear Case scenarios.

EV and Market Cap	Current	2024E	2025E	2026E
Price (\$)	186.40	218.3	229.2	292.8
Outstanding Number of shares (million)	10511	10511	10511	10511
Total Market Cap (billion)	1959.25	2294.50	2409.12	3077.94
Net Debt	-21719	-74862	-145092	-231808
Enterprise Value (billion)	1937.53	2219.64	2264.03	2846.14

- After applying the discount rate (WACC) of 11.1%, we arrive at a price target of \$218.3 for 2024.
- Our target price at the end of 2025 is \$229.2 and for 2026 is \$292.8 which implies a total appreciation of nearly 57.1% in the coming 3 years in the stock price.

Valuation Ratios	Current	2024E	2025E	2026E
EV/ Sales	3.4	3.5	3.2	3.6
EV/ EBITDA	17.6	16.3	14.3	15.3
EV/ EBIT	52.6	35.8	36.5	37.2
Price/Earnings	64.4	45.3	38.3	39.1

- During this phase, we see the EV/ EBITDA to be in the range of 14.29 and 16.32
- The EV/ EBIT will be in the range of 35.76 to 37.21 over the coming 3 years.

* As a part of the comparables analysis for the sake of valuation, we are looking to establish a peer group consisting of similar companies in the same industry and compare their valuation multiples with those of Amazon.

Bull Case Scenario

Key DCF Assumptions

WACC	11.1%
CoD	3.8%
CoE	11.0%
Market Rate	6.0%
Risk Free Rate	4.1%
Beta	1.15
Perpetual Growth Rate (g)	8.3%
Terminal Value	3468204
Tax Rate	19.0%

* For the purpose of carrying out the discounted cash flow valuation of Amazon, we have used the standard capital asset pricing model (CAPM).

- * We have used a 6.0% equity market risk premium based on the S&P 500 returns for the past 5 years.
- * The risk-free rate has been assumed as the 10-year Treasury Constant Maturity Rate of the U.S. at 4.10%.
- * The company's stock is more volatile than the market as a whole and has a beta of 1.2 which we shall use without leveraging the same as we are going for the enterprise value approach.
- * This is used in order to arrive at the cost of equity (CoE) of 11.0% which appears reasonable for a company like Amazon.
- * Based on the company's long term debt and interest payments, the cost of debt is 3.8%.
- * After incorporating the CoE and the CoD and average tax rate of 19.0%, we arrive at a Weighted Average Cost of Capital (WACC) of 11.1%.

- The terminal value is a key component of any DCF valuation as it accounts for the largest chunk of the total projected value of the company. There are a number of methodologies used to determine the same such as the perpetual growth rate method or the multiples method.
- In this case, we have gone ahead and determined the terminal value by applying the current EV/Sales ratio of 4.4 to our forecasted revenues of 2026 which has resulted in an assumed perpetual growth rate of 8.29%.
- It is important to note that the Perpetual Growth rate and the EV/ Sales ratio (along with the other resultant valuation ratios) are the key differentiators between the Base Case, the Bull Case, & the Bear Case scenarios.

EV and Market Cap	Current	2024E	2025E	2026E
Price (\$)	186.40	262.4	274.1	349.3
Outstanding Number of shares (million)	10511	10511	10511	10511
Total Market Cap (billion)	1959.25	2757.56	2881.45	3671.71
Net Debt	-21719	-74862	-145092	-231808
Enterprise Value (billion)	1937.53	2682.70	2736.35	3439.90

- After applying the discount rate (WACC) of 11.1%, we arrive at a price target of \$262.4 for 2024.
- Our target price at the end of 2025 is \$229.2 and for 2026 is \$292.8 which implies a total appreciation of nearly 57.1% in the coming 3 years in the stock price.

Valuation Ratios	Current	2024E	2025E	2026E
EV/ Sales	3.4	4.2	3.9	4.4
EV/ EBITDA	17.6	19.7	17.3	18.5
EV/ EBIT	52.6	43.2	44.1	45.0
Price/Earnings	64.4	54.5	45.8	46.6

- During this phase, we see the EV/ EBITDA to be in the range of 14.29 and 16.32

- The EV/ EBIT will be in the range of 35.76 to 37.21 over the coming 3 years.

Bear Case Scenario

Key DCF Assumptions

WACC	11.1%
CoD	3.8%
CoE	11.0%
Market Rate	6.0%
Risk Free Rate	4.1%
Beta	1.15
Perpetual Growth Rate (g)	6.9%
Terminal Value	2311354
Tax Rate	19.0%

- For the purpose of carrying out the discounted cash flow valuation of Amazon, we have used the standard capital asset pricing model (CAPM).
- We have used a 6.0% equity market risk premium based on the S&P 500 returns for the past 5 years.
- The risk-free rate has been assumed as the 10-year Treasury Constant Maturity Rate of the U.S. at 4.10%.
- The company's stock is more volatile than the market as a whole and has a beta of 1.2 which we shall use without leveraging the same as we are going for the enterprise value approach.
- This is used in order to arrive at the cost of equity (CoE) of 11.0% which appears reasonable for a company like Amazon.
- Based on the company's long term debt and interest payments, the cost of debt is 3.8%.
- After incorporating the CoE and the CoD and average tax rate of 19.0%, we arrive at a Weighted Average Cost of Capital (WACC) of 11.1%.

- * The terminal value is a key component of any DCF valuation as it accounts for the largest chunk of the total projected value of the company. There are a number of methodologies used to determine the same such as the perpetual growth rate method or the multiples method.
- * In this case, we have gone ahead and determined the terminal value by applying the current EV/Sales ratio of 2.7 to our forecasted revenues of 2026 which has resulted in an assumed perpetual growth rate of 6.89%.
- * It is important to note that the Perpetual Growth rate and the EV/ Sales ratio (along with the other resultant valuation ratios) are the key differentiators between the Base Case, the Bull Case, & the Bear Case scenarios.

EV and Market Cap	Current	2024E	2025E	2026E
Price (\$)	186.40	181.8	209.7	221.9
Outstanding Number of shares (million)	10511	10511	10511	10511
Total Market Cap (billion)	1959.25	1910.90	2204.28	2332.18
Net Debt	-21719	-74862	-145092	-231808
Enterprise Value (billion)	1937.53	1836.04	2059.19	2100.37

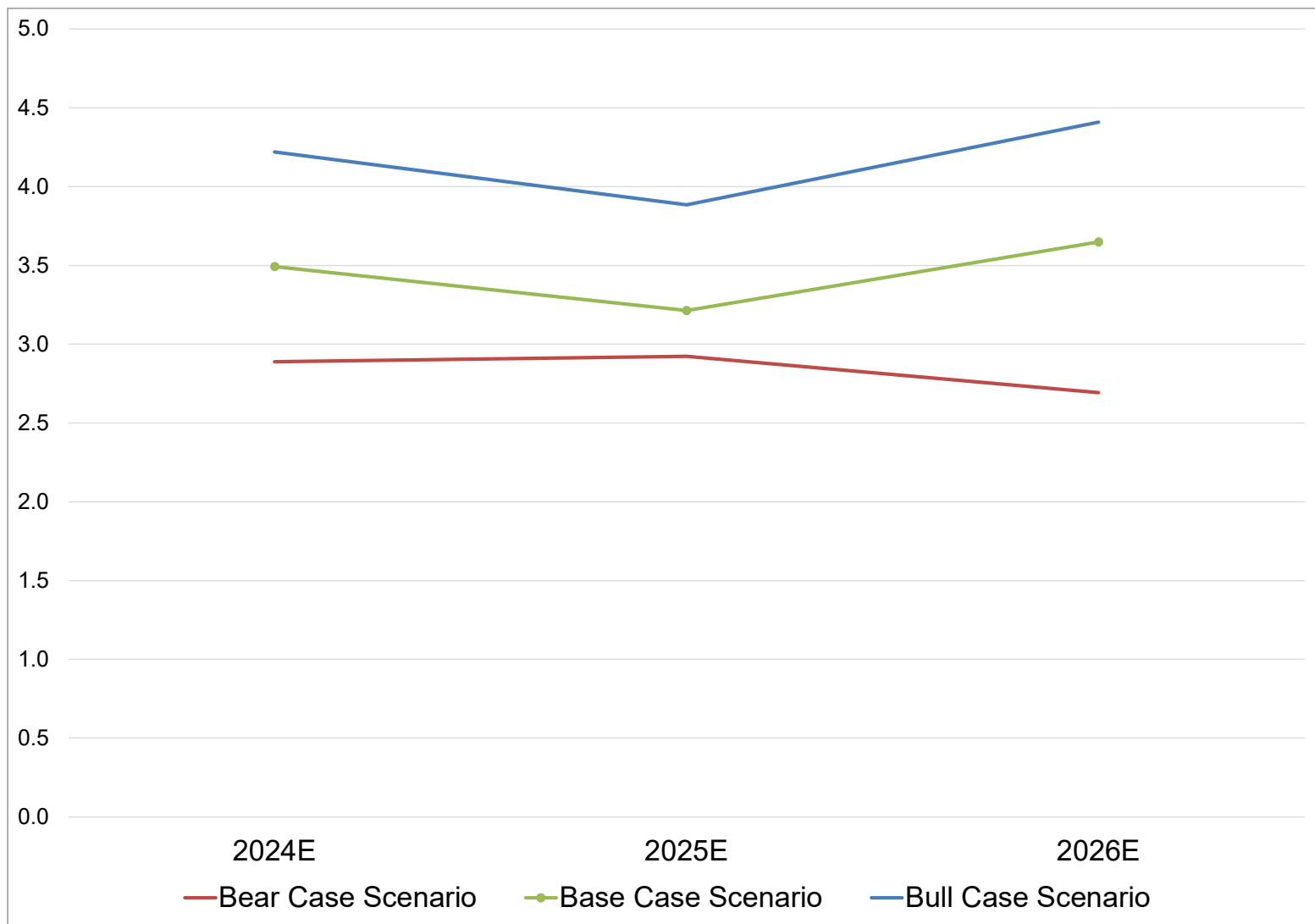
- * After applying the discount rate (WACC) of 11.1%, we arrive at a price target of \$181.8 for 2024.
- * Our target price at the end of 2025 is \$229.2 and for 2026 is \$292.8 which implies a total appreciation of nearly 57.1% in the coming 3 years in the stock price.

Valuation Ratios	Current	2024E	2025E	2026E
EV/ Sales	3.4	2.9	2.9	2.7
EV/ EBITDA	17.6	13.5	13.0	11.3
EV/ EBIT	52.6	29.6	26.9	27.5
Price/Earnings	64.4	37.7	35.0	29.6

- * During this phase, we see the EV/ EBITDA to be in the range of 14.29 and 16.32

- The EV/ EBIT will be in the range of 35.76 to 37.21 over the coming 3 years.

Comparative Analysis Of EV/ Sales In The Bull Case, Bear Case & Base Case Scenarios



- We can see a brief summary of the different assumptions in each of the 3 scenarios and the different target prices in the table below:

Scenario Analysis Summary For 2024

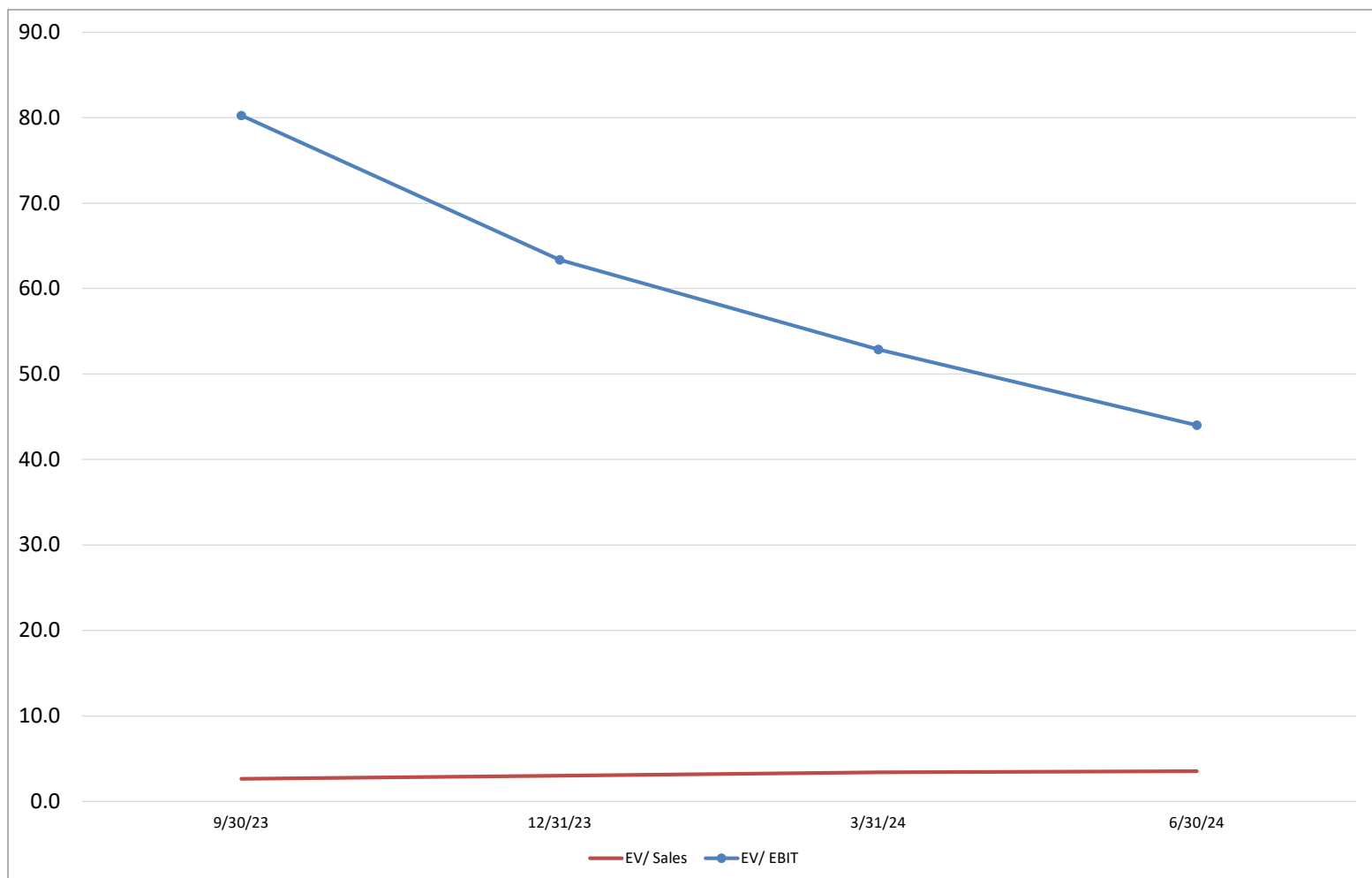
Particulars	Bull Case	Base Case	Bear Case
Target Price - 2024	262.4	218.3	181.8
EV/ Sales	4.2	3.5	2.9
EV/ EBITDA	19.7	16.3	13.5
EV/ EBIT	43.2	35.8	29.6
Price/Earnings	54.5	45.3	37.7
Perpetual Growth Rate (g)	8.3%	7.7%	6.9%
Terminal Value	3468204	2835491	2311354

Evolution Of Key Valuation Multiples - Quarter-on-Quarter Data

Valuation Ratios	9/30/23	12/31/23	3/31/24	6/30/24
EV/ Sales	2.6	3.0	3.4	3.5
EV/ Gross Profit	5.8	6.5	7.2	7.4
EV/ EBITDA	22.4	22.6	22.8	21.6
EV/ EBIT	80.3	63.4	52.9	44.0
Price/ Book Value	7.8	8.6	9.3	9.3
EV / Unlevered Free Cash Flow	27.5	27.5	29.2	35.3
Market Cap / Levered Free Cash Flow	26.3	26.7	28.9	35.1

- The valuation multiples of any company are a measure of the market perception of its value. In isolation, those numbers may mean very little but when compared to other industry peers/ the historical values, we can see the evolution of the market perception of a company's value.
- First, let us take a closer look at the evolution of Amazon's valuation multiples over the past 4 quarters before moving on to the year-on-year evolution.
- In the above table as well as the below chart, we see Amazon's EV/ Sales multiple rising, indicating an improvement in market perception of the company's stock.
- We also see the company's EV/ EBIT evolving from 63.38 to 44.03 over the past 3 quarters.
- Amazon's Price to Book ratio has increased from 7.78 to 9.28 over the past four quarters.

Evolution Of EV/ Sales & EV/ EBIT Valuation Multiples - Quarter-on-Quarter Performance

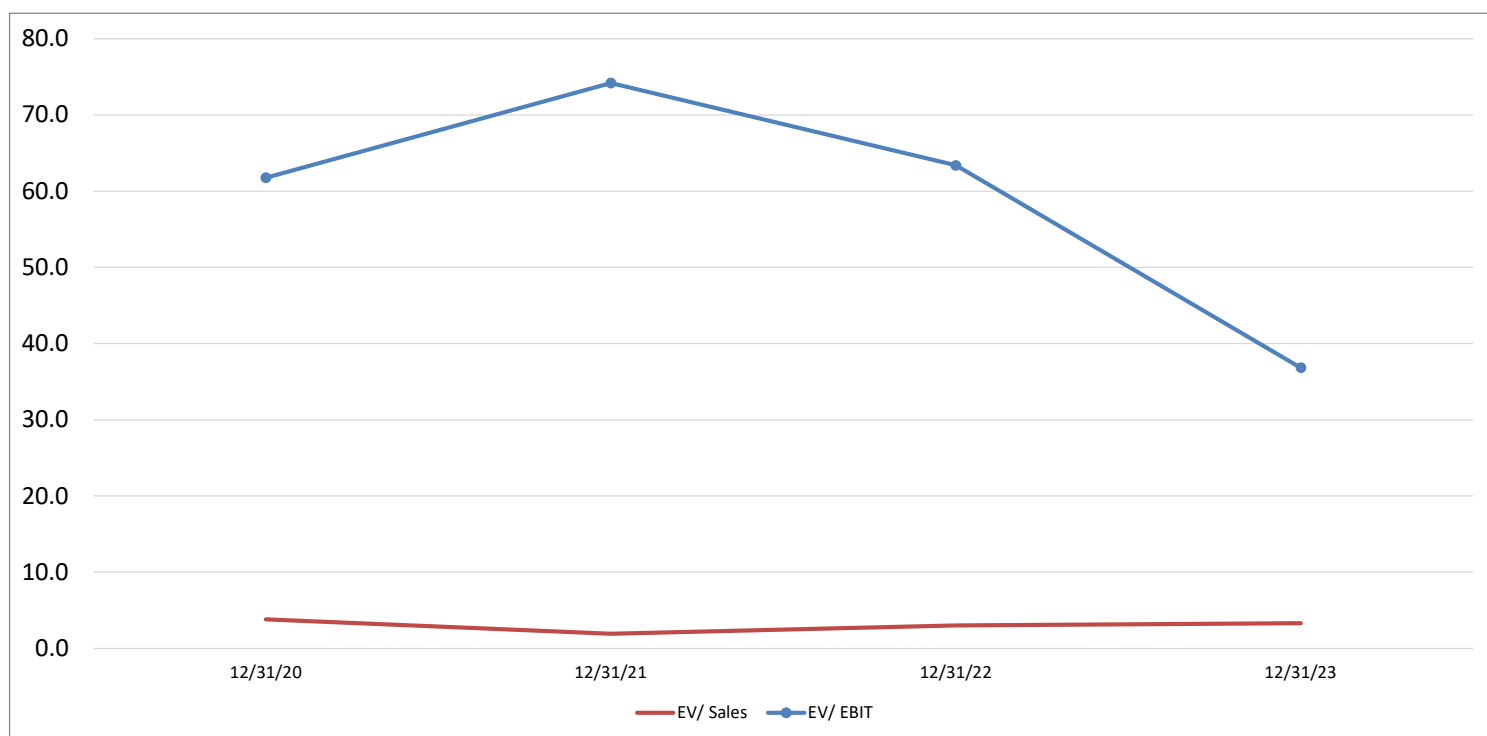


Evolution Of Key Valuation Multiples - Year-on-Year Data

Valuation Ratios	12/31/20	12/31/21	12/31/22	12/31/23
EV/ Sales	3.8	1.9	3.0	3.3
EV/ Gross Profit	9.2	4.5	6.5	6.9
EV/ EBITDA	28.9	18.7	22.6	19.3
EV/ EBIT	61.8	74.2	63.4	36.8
Price/ Book Value	14.0	6.2	8.6	8.3
EV / Unlevered Free Cash Flow	65.0	53.4	27.5	25.4
Market Cap / Levered Free Cash Flow	65.5	51.3	26.7	25.4

- Now, let us move on to look at the year-on-year evolution of Amazon's valuation multiples.
- If we focus on the most fundamental valuation multiple i.e., the EV/ Sales, we see that it has increased from 3.02 to 3.31 over the past year.
- Over a 4-year horizon, we see that Amazon's EV/ Sales has fallen from 3.82 to 3.31 which is an interesting development.
- On the other hand, the company's EV/ EBITDA has evolved from 22.62 to 19.25 over the past year which means that its market perception has worsened.
- Amazon's Price to Book ratio has evolved from 6.23 to 8.27 over the past 3 years which is a definite improvement in the market perception of the company.

Evolution Of EV/ Sales & EV/ EBIT Valuation Multiples - Year-on-Year Performance



Valuation Multiples Of Comparables

Comparable Name	Forward EV/ Revenue	Forward EV/ EBITDA	Forward P/E	Forward Market Cap/ FCF
Amazon.com, Inc.	3.49x	16.32x	45.31x	40.88x
Alibaba Group Holding Limited	1.46x	7.47x	10.94x	10.59x
PDD Holdings Inc.	1.92x	6.67x	9.60x	7.63x
MercadoLibre, Inc.	4.50x	26.09x	48.23x	37.07x
Costco Wholesale Corporation	1.42x	30.31x	49.20x	54.04x

Target Corporation	0.79x	9.29x	15.11x	17.76x
Wal-Mart de México, S.A.B. de C.V.	0.98x	9.34x	15.70x	19.20x
The Kroger Co.	0.38x	7.22x	12.43x	16.08x
Loblaw Companies Limited	1.12x	9.87x	19.80x	27.88x
Sysco Corporation	0.60x	10.89x	16.11x	15.65x

Median	1.27x	9.61x	15.91x	18.48x
Mean	1.63x	13.06x	23.11x	24.03x
Max	4.50x	30.31x	49.20x	54.04x
Min	0.38x	6.67x	9.60x	7.63x

- As we can see in the above table, the forward EV/ Revenue multiple of Amazon is above that of the industry median.
- We also see that the industry mean of Amazon is less than the forward EV/ Revenue multiple of the company.
- As compared to the peer group, we can say that the company is leaning towards being overvalued.

Other Major Risks

It is important to highlight the key risks associated with an investment in Amazon as well as the inherent risks associated with the financial projections and price forecasts presented in this report.

Global economic, political and other conditions may adversely affect trends in consumer, business and government spending, which may adversely impact the demand for the company's services and its revenue and profitability.

Amazon operates in highly competitive markets for its products and services. Competitive risk is the risk of losing market share, customers or revenues to competitors who may offer more attractive products, prices, services or distribution channels. Competitive risk can also arise from new entrants or disruptive innovations that could challenge Amazon's business model or value proposition.

Amazon operates in highly regulated jurisdictions, where it is subject to various laws, rules and regulations that govern its products, services, operations and capital requirements. Regulatory risk is the risk of changes in the regulatory environment that could adversely affect Amazon's business, financial condition and results of operations. For example, changes in tax laws, data privacy laws, environmental laws, consumer protection laws or antitrust laws could increase its costs, liabilities, compliance burdens or competitive pressures.

Amazon invests heavily in research and development to create new products and services that meet the evolving needs and preferences of its customers. Innovation risk is the risk of failing to innovate effectively or efficiently that could affect its growth potential or competitive advantage. For example, Amazon could face challenges such as technological obsolescence, customer dissatisfaction, market saturation or intellectual property infringement due to factors such as changing customer demands, emerging technologies, shifting industry trends or aggressive competition.

Amazon often has a high valuation compared to its peers and the market. High valuation is the risk of a downward adjustment in its stock price due to factors such as earnings misses, growth slowdowns, margin compressions or market corrections. For example, Amazon could face a lower valuation due to factors such as lower-than-expected earnings growth, higher-than-expected expenses or taxes, lower-than-expected margins or returns on capital or higher-than-expected discount rates.

Amazon is exposed to various legal claims and disputes arising from its business activities or transactions. Legal risk is the risk of litigation that could result in significant costs, liabilities or penalties for the company or its affiliates.

Amazon relies on various systems, processes, people and third parties to support its business operations and customer service. It faces the risk of cyberattacks, data breaches, fraud or system failures that could compromise its data security, business continuity or customer satisfaction. The company also faces the risk of reputational damage or regulatory actions that could result from cyber incidents.

Amazon pursues an active acquisition strategy to expand its geographic presence, product offerings and customer base. The company faces the risk of integration challenges, goodwill impairments, contingent liabilities or unexpected costs associated with its acquisitions. The company also faces the risk of failing to achieve the expected synergies, benefits or returns from its acquisitions.

With respect to our price projection, we would like to clarify that the valuation of Amazon in this report is specific to the date of the analysis i.e. 02-11-2024.

We must emphasize that the projected valuation and the share price of Amazon are dependent on the realization of the revenue growth, free cash flows and the other assumptions taken into account. Our analysis cannot be directed to providing any assurance about the achievability of these financial forecasts.

There is a possibility that the actual results of the company are different from the projected results as a result of unexpected events and circumstances such as the realization of the threats mentioned in the paragraph above. Lastly, we would like to clarify that we had no interaction with the management of the company and they did not comment on the achievability or the reasonableness of the assumptions underlying the financial forecasts. Please check out our detailed disclosures at the end for further details.

Analyst Ratings

Buy: Expected to outperform market over next 6 to 12 months. Minimal risk to fundamentals and valuation. Good long-term investment.

Outperform: Expected to outperform the market over next 6 to 12 months but there is a moderate risk to fundamentals and valuation.

Sell: Expected to significantly underperform the market over next 6 to 12 months. There is a strong likelihood of the security delivering negative returns and a very high risk to fundamentals and valuation.

Underperform: Expected to underperform the market over next 6 to 12. There is a moderate to high risk to fundamentals and valuation.

Hold: Expected to perform in line with the market over next 6 to 12 months. However, there is a moderate to high risk to fundamentals and valuation.

Analyst Industry Views

Attractive: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious: The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America – MSCI Emerging Markets Latin America; Europe – MSCI Europe; Japan - TOPIX; Asia - relevant country index or sub-regional index. Please contact us to know the relevant index in case it is not specified in the report.

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