

# BUSINESS ANALYSIS AND VALUATION OF AMAZON.COM, INC

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AMIRREZA GHADIRIDEHKORDI

## Abstract

This valuation project considers Amazon.com Inc, an e-commerce business, as a possible investment option by two methods, first using the discounted cash flow (DCF) model to calculate the intrinsic value per share at the end of 2021 and relative valuation. The DCF model used in this study to use internal and external variables to predict the company's financial performance over a five-year period, from 2022 to 2026. Total future cash flows to the firm are discounted back to year-end 2021 using a 6.27 percent weighted average cost of capital, calculated using applicable underlying assumptions. According to the findings of the valuation study, the fair value of the company's equity per share is **\$4379.5**, which is 27.3% undervalued by the market as of 30th June 2021. Relative valuation model showed us that equity is 13.1% undervalued and equity value is **\$3891.82**.

Based on the potential growth of Amazon's share price based on fair value estimate, Amazon's strategic intentions for future development, and its significant competitive edge over its rivals in the e-commerce sector, the equity study concludes a **buy** investment recommendation.

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## Abbreviations and acronyms

$\beta_e$	Equity beta
$\beta_e$	Beta estimate
CapEx	Capital expenditures
CAPM	Capital asset pricing model
COGS	Cost of goods sold
CAGR	Compound annual growth rate
D	Market value of debt
D&A	Depreciation and amortization
DCF	Discounted cash flow model
E	Market value of equity
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest tax depreciation and amortization
EV	Enterprise value
EV/EBITDA	Enterprise value to EBITDA ratio
FCFF	Free cash flow to firm
$g$	Perpetuity growth rate
GDP	Gross domestic production
NWC	Net working capital
$\Delta NWC$	Change in net working capital
PV	Present value
$r_d$	Cost of debt
$r_e$	Cost of equity
$r_f$	Risk-free rate of return
$r_M$	Return on market portfolio
$r_P$	Market risk premium
$r_{WACC}$	Weighted average cost of capital
$R^2$	Goodness of fit (R square)
t	Effective tax rate
TV	Terminal value
YoY	Year-on-year
$w_e$	Weight of equity
$w_d$	Weight of debt

# 1. Introduction

The valuation study aims to determine the fair value of Amazon.com at the end of 2021 to give an investment recommendation (Buy/sell) to investors. This valuation uses approaches proposed by well-known academic sources, Titman and Martin Valuation (2007) and Benninga (2014). The main sources of data used to acquire Amazon's financials, including annual reports since 2010, investor presentations and Bloomberg Terminal. Data from reputable sources were used to support the assumptions made, including IMF, the Financial Times, Wall Street Journal and Yahoo Finance.

Amazon's assessment begins with evaluating its overall market environment and its position in the Retail and Wholesale industry. The report will then evaluate Amazon's strategy in its aims to achieve a sustainable competitive hold. Thereafter, a business analysis will be undertaken to make valid assumptions in forecasting the company's future financial performance.

Here, the company's business value is quantified by utilising theoretical models, including discounted cash flow (DCF) and relative valuation, to get a value per share. Sensitivity analysis is performed to determine the stability of the valuation process. Finally, the report offers a recommendation on the investment, based on the findings from DCF and relative valuation.

## 2. Business and competitive strategy analysis

### 2.1. Amazon in brief

Amazon, with the ticker 'AMZN US' listed on NASDAQ, is a Seattle (Washington, United States) based e-commerce company founded in 1994. It is currently run by Andy Jassy as a CEO and employs 1,335,000 (Geekwire, 2021). The company is currently specialised in three major sectors: retail, e-commerce, and cloud computing platform. Online stores and third-party seller services account for about 72% (Figure1). The company operates in many countries, with the United States accounting for more than half of its revenue. Amazon's target audience is spread well all over the world, though 68% of the total sales is generated in United States (Figure1). The equity price of AMZN US closed at \$3440.16 at the end of June 30th 2021. (Yahoo Finance, 2021).

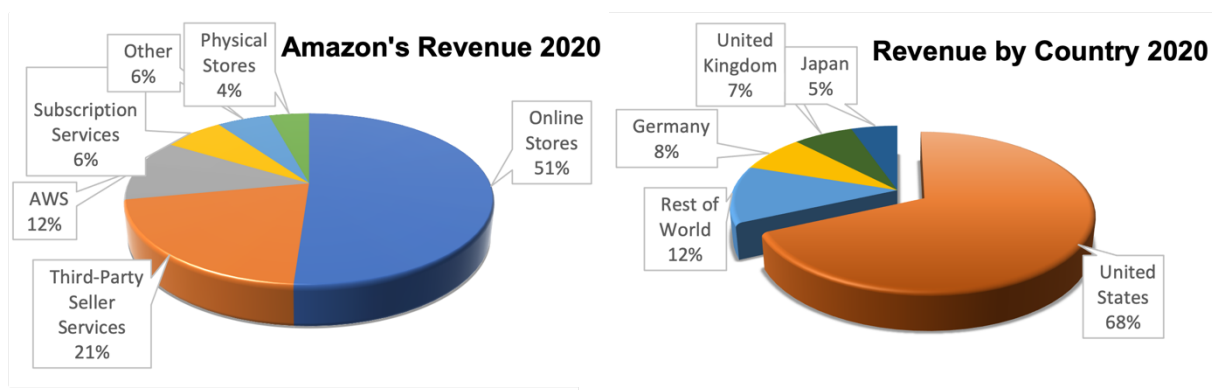


Figure 1: Amazon Revenue Segments and Country (Amazon Report, 2020)

## 2.2. Industry growth and Amazon's future

Table1 shows summary of Amazon's segments:

*Table 1: Amazon Segments and position in Industry*

E-Commerce	E-commerce involves buying and selling goods and services via the internet. The global e-commerce market size was estimated \$4.28 trillion in 2020 and is expected to experience a 14.7% CAGR growth from 2020 to 2027 (Grandviewresearch, 2021)(Statista, 2021). The largest proportion of Amazon's revenue is based on its e-commerce revenue in comparison to its other services. The e-commerce revenue of Amazon is generated from three categories: online stores, third-party sellers' services, and subscription services (Amazon report, 2020). There are several international companies competing with Amazon in the online store sector such as Alibaba Group, eBay and Etsy.
Retail shopping	Retail shopping involves buying goods traditionally from stores. As the industry is highly competitive and mature, the expected growth rate for this industry is around 3.5% CAGR from 2020 to 2026 (Businesswire, 2021). Amazon first established physical stores in 2017, offering customers a new experience of retail thanks to its Just Walk Out technology (Amazon, 2020). Amazon's peers retail, such as Walmart and Costco, are well-known and robust.
Cloud Computing	Cloud Computing provides services through the internet, including data storage, servers, and networking software (Investopedia, 2021). It is one of the fastest growing industries and expected to face a growth of 18.79% CAGR from 2020 to the end of 2025(Businesswire, 2021). Amazon Web Service (AWS) operates in a promising industry, but its competitors, including Google and Microsoft Azure are powerful and well-established.



### **2.3. Key Amazon value drivers**

According to Amazon's 2020 annual report, due to widespread use of internet, online commerce and cloud services, Amazon is willing to invest in new business opportunities (Amazon, 2020, pp. 19-20), such as:

- Invest in areas of technology including AWS
- Expanding new and existing product categories
- Efficient investing in AWS which offers on-demand services, such as computing, storage, analytics, machine learning, etc.

### **2.4. Amazon's risk factors**

Amazon is vulnerable to certain risks, such as the effects of the company's large size, and that rapid changes to keep up with new trends may not be as efficient in comparison to smaller competitors. Also in fast growing industries, such as cloud computing, AWS faces tough competition from a growing number of competitors, in addition it's well-established rivals.

### **3. Fundamental Analysis**

#### **3.1. Discounted Cash Flow model (DCF)**

In determining the intrinsic value of Amazon, the Discounted Cash Flow (DCF) model was the primary approach used in this study. Corporate finance is discussed, the FCF model is used. In this approach, Free cash flows to the firm in future years are estimated. After, FCFFs get discounted to the end of year 2021 with the specific rate of weighted average cost of capital that shows the risk associated with the future cash flows. Then, net debt of the firm and its reinvestment needs are deducted by sum of discounted FCFFs.

Regarding the data input for the DFC model, Amazon's actual financial data over the past 10 years (from 2011 to 2020) were to be used. However, it was determined that due to vast changes in the company's revenue stream and its activities in 2014, including data prior to 2014 would not be appropriate. Instead, financial data over the past 7 years, from 2014 to 2020 were utilized, to forecast the company's financials for the next 5 years (2022 to 2026), based on specific perpetuity growth rate. The valuation also emphasizes on the company's overall operating cash, after debts or shareholders have been paid off (Damodaran, 2012, p. 108).

To achieve FCFF for Amazon, we predict financials of the company for the projected horizon, based on internal and external variables influencing revenue from future business operations. To forecast this, we will review Amazon's performance history and analyse its past development and activity patterns to predict future financial growth of the company.

### 3.1.1. Estimation of Revenues and COGS

As Figure 2, Amazon's revenues and COGS generally followed the same pattern of year-on-year (YOY) growth with revenue growth consistently higher than COGS growth, and constant increase of revenue growth from 2014 to 2019. Although, Amazon experienced a steep drop in this sales growth in 2019 (20.45%), primarily due to problems in identifying counterfeit products and one day delivery strategy, as well as a reduction of AWS revenues. In 2020, revenues growth increased sharply to 37.62% due to the extreme economic conditions caused by the COVID-19 pandemic. The pandemic also caused COGS growth to surpass revenue growth as Amazon reaches its economy of scale. Average annual growth of revenues and COGS for the last 7 years accounted for 27.86% and 24.79% respectively.

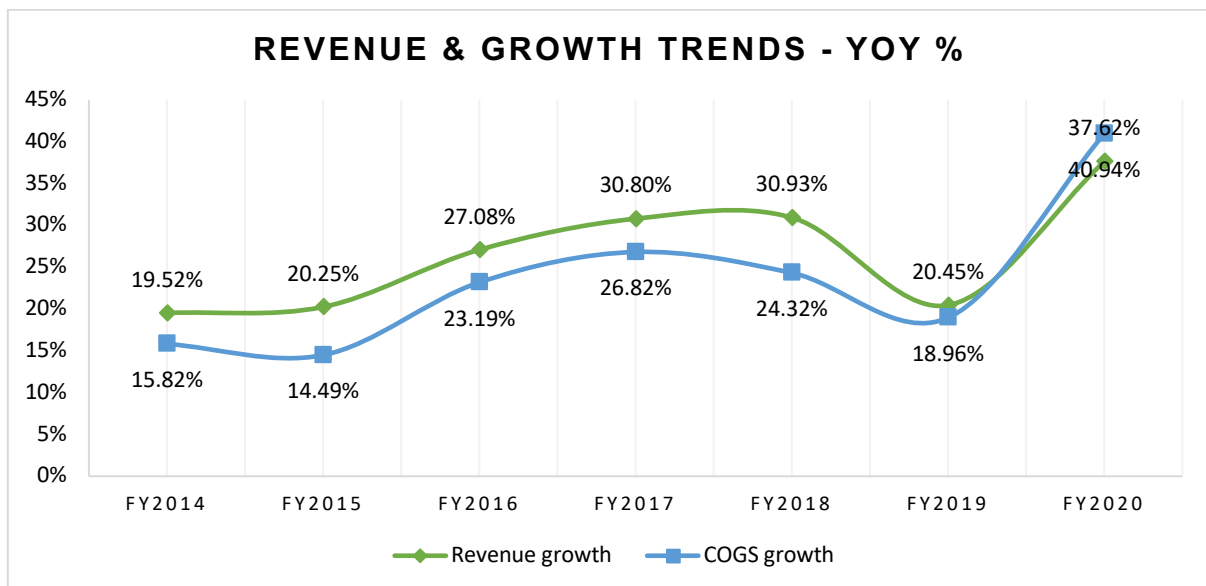


Figure 2: Amazon historical revenue and COGS trends (Bloomberg L.P., 2021)

Using historical financial performance of a firm can be invaluable in the projection of future financial patterns, however, analysis must also utilize quantitative and qualitative analysis of the corporation's future business activities and prospects of its core value drivers (Damodaran, 2012).

The literature suggests that firms generally grow at the normal GDP growth rate (real GDP added inflation) over time, with evidence indicating a strong positive correlation between GDP's and corporations' growth rate. Figures 3 and 4 illustrate the real GDP growth and inflation rate of the geographical locations at which Amazon operates

during the past five years, as well as Statista's forecast the period up to 2026. (Christophe and Juilan, 2010).

As shown in Figure 3, real GDP growth falls sharply due to the pandemic in 2020 from 1.43% to -5.32% on average, in areas of Amazon's operation. However, with economic reforms introduced to tackle the pandemic crisis and successful implementation of vaccination programs in countries in which Amazon receives 88% of its revenue (particularly Germany, the United Kingdom, the United States and Japan), economies in such countries are expected to recover quite fast during years 2021 (5.4%) and 2022 (3.98%), then gradually decrease to its pre-pandemic rates (1.59%), as our long-term GDP growth rate.

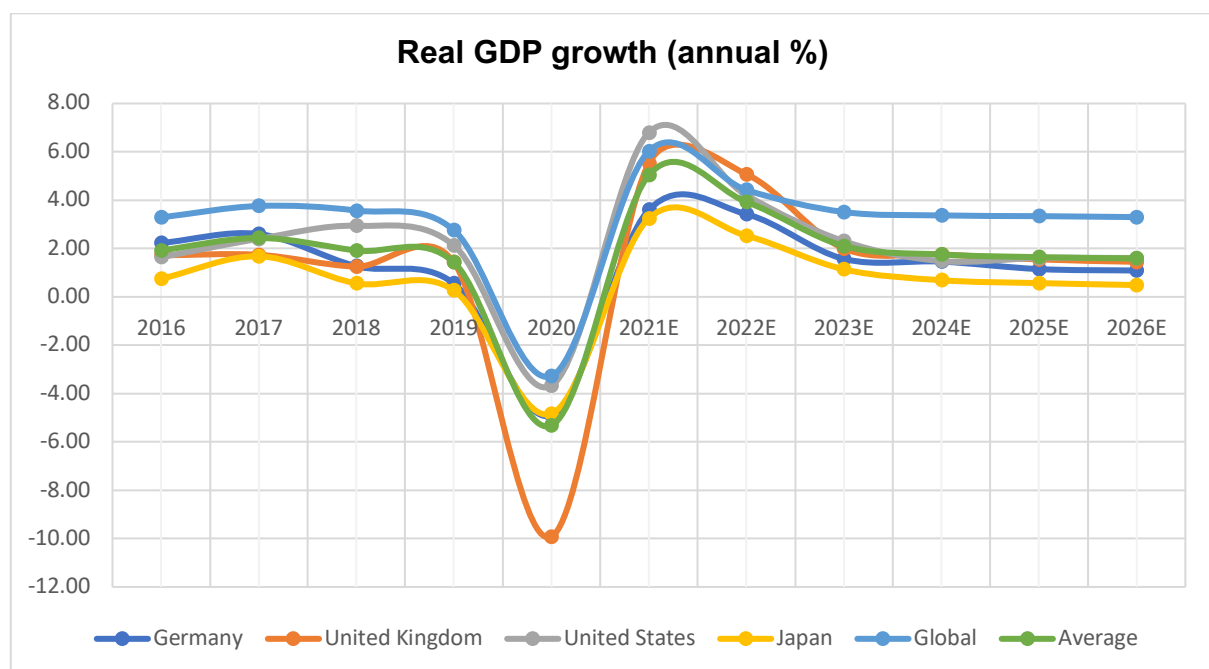


Figure 3: Historical and forecasted real GDP growth rates of countries (Statista, 2021)

The change in pattern for inflation rates were comparable to that of real GDP growth rate in the last five years in the same locations and an average inflation rate of 0.58% was reported in 2020 (Figure 4). As a result of economic boost measures, at an average rate of 1.93%, inflation is projected to reach its maximum in 2021 since 2016. Statista forecasts inflation will be 1.98% on average in Amazon operating locations, which would be considered as the perpetuity inflation rate in the selected regions.

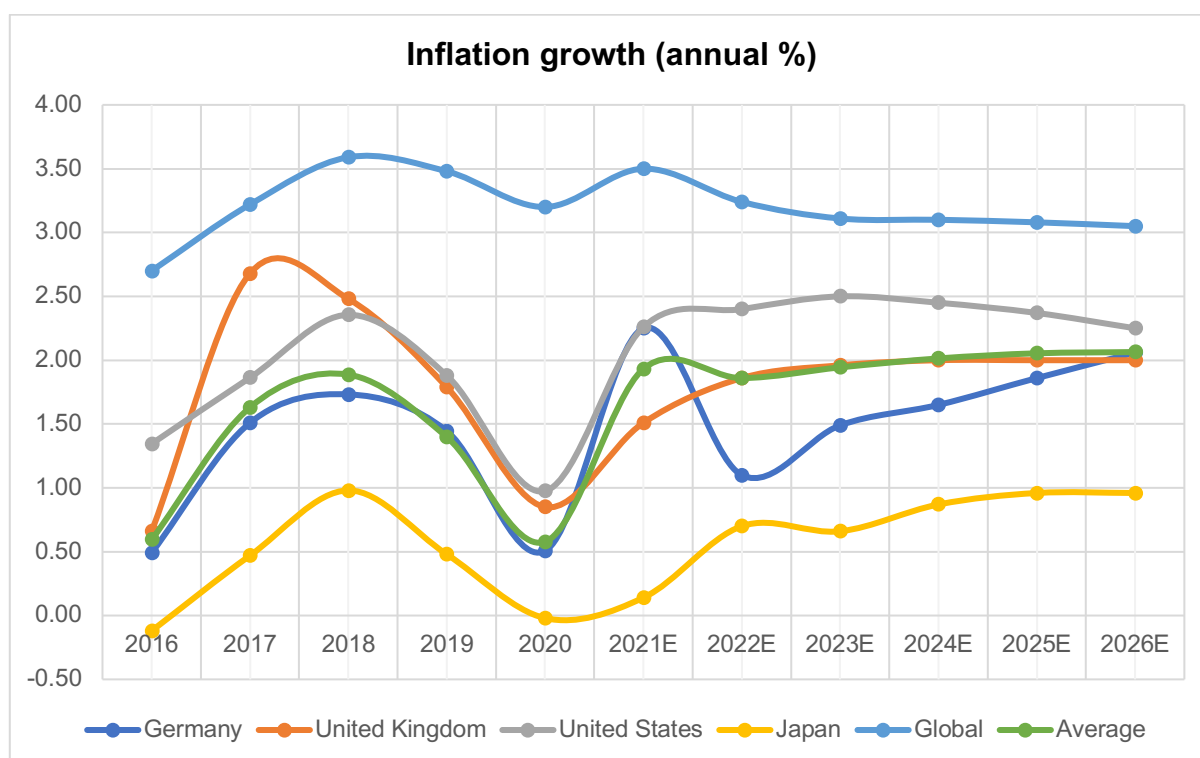


Figure 4: Historical and forecasted of inflation rate in countries (Statista, 2021)

The weighted average of main income generating countries' nominal GDP growth rate of year 2026, the perpetuity growth rate, is the sum of weighted average of real GDP growth rate of 2026 and weighted average of Inflation in 2026. Therefore, the nominal GDP growth rate of 2026 is equal to 3.89%. As the uncertainty in these assumptions are quite high, we would prefer to be more conservative, due to the great influence of perpetuity on our terminal value. As a result, we have selected perpetual growth rate as 3.00% rather than 3.89%. Thus, the annual revenue growth rate for the next 5 years will come to 3% in year 2026 (Table2).

Table 2: Nominal GDP 2026 selected regions

	Germany	United Kingdom	United States	Japan	ROW
<b>5-Year Average of Revenue</b>	8.47%	6.55%	68.25%	6.02%	10.71%
<b>Real GDP 2026</b>	1.09%	1.45%	1.61%	0.49%	3.30%
<b>Inflation 2026</b>	2.06%	2.00%	2.25%	0.96%	3.05%
<b>GDP Weighted Avg.</b>	1.67%				
<b>Inflation Weighted Avg.</b>	2.23%				
<b>Nominal GDP 2026</b>	3.89%				

With estimated perpetuity growth rate, we can identify the trend of a revenue's annual growth rate from 2021 to 2026. The revenue growth rate is the sum of sub-segments of revenues, which includes online stores, third-party seller services, AWS,

subscription services, physical stores, and others. The growth rate of these segments is estimated by analysing their industry, and Amazon's strategy for these industries at which it has customers. We have considered that some of the industries are high growth industries than average. Some industries are more mature, thus have a less than average growth rate. All these segment growth rates account to Amazon's market share, according to its dominance and its competitors.

As previously established, the COGS to revenue ratio shows a negative trend from 70.33% in 2014 to 60.43% in 2020. As the firm gets larger, we can assume that Amazon will continue this negative trend, though with a more moderate negative trend in future years (Table3).

Actual							
In Millions of USD	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
12 Months Ending	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
<b>+ Revenue</b>	<b>88,988.0</b>	<b>107,006.0</b>	<b>135,987.0</b>	<b>177,866.0</b>	<b>232,887.0</b>	<b>280,522.0</b>	<b>386,064.0</b>
% YOY growth	19.52%	20.25%	27.08%	30.80%	30.93%	20.45%	37.62%
<b>- Cost of Revenue</b>	<b>62,582.0</b>	<b>71,651.0</b>	<b>88,265.0</b>	<b>111,934.0</b>	<b>139,156.0</b>	<b>165,536.0</b>	<b>233,307.0</b>
% YOY growth	15.82%	14.49%	23.19%	26.82%	24.32%	18.96%	40.94%
% COGS/sales	70.33%	66.96%	64.91%	62.93%	59.75%	59.01%	60.43%
<b>(=) Gross Profit</b>	<b>26,406.0</b>	<b>35,355.0</b>	<b>47,722.0</b>	<b>65,932.0</b>	<b>93,731.0</b>	<b>114,986.0</b>	<b>152,757.0</b>
Gross Profit Margin	29.67%	33.04%	35.09%	37.07%	40.25%	40.99%	39.57%

Table 3: Amazon historical gross profit (Bloomberg L.P., 2021)

Based on the method below (Equation1), the percentage of gross profit to sales was calculated over the past seven years and found to be approximately 36.53% on average.

Equation 1

$$\text{Gross Profit Margin} = \frac{\text{Revenues} - \text{COGS}}{\text{Revenues}}$$

Clearly, as the COGS to Revenue ratio decreases, the Gross profit margin increases, so we should expect the same trend for the Gross profit margin as COGS/Sales percentage for future forecasts (Figure5).

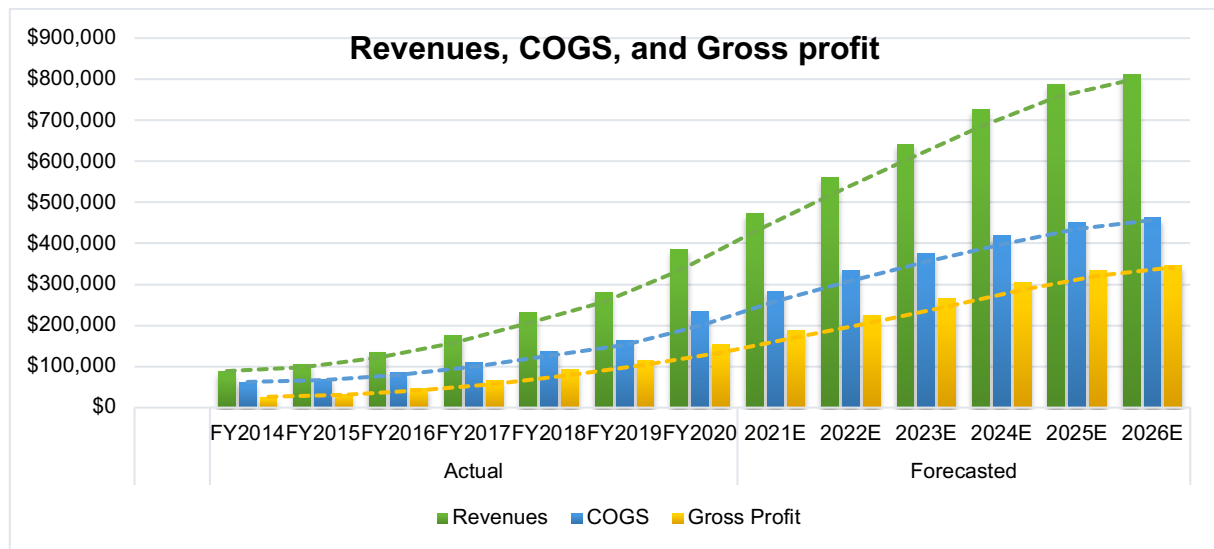


Figure 5: Amazon historical and forecasted Revenues, COGS and Gross Profit

Based on Amazon's 2020 report, Amazon aims to acquire greater discounts from its

suppliers, thus growing its gross profit margin. The larger Amazon becomes, the greater bargaining power it gains, making it possible for Amazon to maintain this trend of Gross profit margin, however, the trend and slope have been considered conservatively for forecasts (Table4).

Table 4: Forecasted Amazon gross profit

Forecasts							
In Millions of USD	2021E	2022E	2023E	2024E	2025E	2026E	CAGR
12 Months Ending	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	
<b>+ Revenue</b>	<b>472,836.6</b>	<b>561,556.2</b>	<b>641,993.1</b>	<b>727,214.0</b>	<b>786,789.5</b>	<b>810,418.2</b>	13.16%
% YOY growth	22.48%	18.76%	14.32%	13.27%	8.19%	3.00%	
<b>Online Stores</b>	<b>225,329.7</b>	<b>251,490.4</b>	<b>279,808.3</b>	<b>307,481.3</b>	<b>334,785.6</b>	<b>344,829.2</b>	9.75%
YOY growth %	14.18%	11.61%	11.26%	9.89%	8.88%	3.00%	
<b>Third-Party Seller Services</b>	<b>104,543.0</b>	<b>128,901.5</b>	<b>155,481.0</b>	<b>180,435.7</b>	<b>204,758.4</b>	<b>210,082.1</b>	17.35%
YOY growth %	29.93%	23.30%	20.62%	16.05%	13.48%	2.60%	
<b>AWS</b>	<b>60,355.7</b>	<b>76,645.7</b>	<b>94,741.8</b>	<b>108,318.3</b>	<b>117,081.2</b>	<b>121,331.3</b>	17.82%
YOY growth %	33.03%	26.99%	23.61%	14.33%	8.09%	3.63%	
<b>Subscription Services</b>	<b>33,626.1</b>	<b>43,068.4</b>	<b>52,065.3</b>	<b>59,588.8</b>	<b>64,427.4</b>	<b>66,282.9</b>	17.48%
YOY growth %	33.40%	28.08%	20.89%	14.45%	8.12%	2.88%	
<b>Other</b>	<b>31,284.9</b>	<b>42,585.0</b>	<b>40,126.0</b>	<b>50,842.3</b>	<b>44,371.4</b>	<b>45,702.5</b>	13.43%
YOY growth %	45.83%	36.12%	28.26%	19.39%	10.58%	3.00%	
<b>Physical Stores</b>	<b>17,697.2</b>	<b>18,865.2</b>	<b>19,770.7</b>	<b>20,547.7</b>	<b>21,365.5</b>	<b>22,190.2</b>	5.35%
YOY growth %	9.06%	6.60%	4.80%	3.93%	3.98%	3.86%	
<b>- Cost of Revenue</b>	<b>283,794.6</b>	<b>334,764.2</b>	<b>376,007.1</b>	<b>420,639.1</b>	<b>450,672.8</b>	<b>463,066.3</b>	12.10%
% YOY growth	21.64%	17.96%	12.32%	11.87%	7.14%	2.75%	
% COGS/sales	60.02%	59.61%	58.57%	57.84%	57.28%	57.14%	-0.93%
<b>(=) Gross Profit</b>	<b>189,041.9</b>	<b>226,792.0</b>	<b>265,986.0</b>	<b>306,574.8</b>	<b>336,116.7</b>	<b>347,351.9</b>	14.67%
Gross Profit Margin	39.98%	40.39%	41.43%	42.16%	42.72%	42.86%	

### 3.1.2. EBIT estimation

Earnings before interests and taxes (EBIT), also known as operating income, is calculated by deducting operating expenses from gross profit (Equation2); EBIT margin is the ratio of earnings before interests and taxes to revenues (Equation3), which indicates how much of our revenue leads to operating income. Amazon's EBIT margin shows an upward trend from 2014 to 2020, from 0.39% to 5.93% (Table5).

Equation 2

$$EBIT = \text{Gross Profit} - \text{Operating expenses}$$

Equation 3

$$EBIT \text{ margin} = \frac{EBIT}{\text{Revenues}}$$



Table 5: Amazon historical EBIT and EBIT margin (Bloomberg B.L., 2021)

Actual								
In Millions of USD 12 Months Ending	FY2014 12/31/2014	FY2015 12/31/2015	FY2016 12/31/2016	FY2017 12/31/2017	FY2018 12/31/2018	FY2019 12/31/2019	FY2020 12/31/2020	Average
<b>(=) Gross Profit</b>	<b>26,406.0</b>	<b>35,355.0</b>	<b>47,722.0</b>	<b>65,932.0</b>	<b>93,731.0</b>	<b>114,986.0</b>	<b>152,757.0</b>	
<i>Gross Profit Margin</i>	29.67%	33.04%	35.09%	37.07%	40.25%	40.99%	39.57%	36.53%
<b>- Operating Expenses</b>	<b>26,058.0</b>	<b>33,122.0</b>	<b>43,536.0</b>	<b>61,826.0</b>	<b>81,310.0</b>	<b>100,445.0</b>	<b>129,858.0</b>	
<i>OPEX/COGS ratio</i>	41.64%	46.23%	49.32%	55.23%	58.43%	60.68%	55.66%	52.46%
+ Selling, General & Admin	<b>5,884.0</b>	<b>7,001.0</b>	<b>9,665.0</b>	<b>13,743.0</b>	<b>18,150.0</b>	<b>24,081.0</b>	<b>28,676.0</b>	
	38%	19%	38%	42%	32%	33%	19%	30.51%
+ Selling & Marketing	<b>4,332.0</b>	<b>5,254.0</b>	<b>7,233.0</b>	<b>10,069.0</b>	<b>13,814.0</b>	<b>18,878.0</b>	<b>22,008.0</b>	
	38%	21%	38%	39%	37%	37%	17%	31.43%
+ General & Administrative	<b>1,552.0</b>	<b>1,747.0</b>	<b>2,432.0</b>	<b>3,674.0</b>	<b>4,336.0</b>	<b>5,203.0</b>	<b>6,668.0</b>	
	37%	13%	39%	51%	18%	20%	28%	28.17%
+ Research & Development	<b>9,275.0</b>	<b>12,540.0</b>	<b>16,085.0</b>	<b>22,620.0</b>	<b>28,837.0</b>	<b>35,931.0</b>	<b>42,740.0</b>	
	41%	35%	28%	41%	27%	25%	19%	29.19%
+ Other Operating Expense	<b>10,899.0</b>	<b>13,581.0</b>	<b>17,786.0</b>	<b>25,463.0</b>	<b>34,323.0</b>	<b>40,433.0</b>	<b>58,442.0</b>	
	25%	25%	31%	43%	35%	18%	45%	32.65%
<b>EBIT, Operating Income</b>	<b>348.0</b>	<b>2,233.0</b>	<b>4,186.0</b>	<b>4,106.0</b>	<b>12,421.0</b>	<b>14,541.0</b>	<b>22,899.0</b>	
<i>EBIT margin</i>	0.39%	2.09%	3.08%	2.31%	5.33%	5.18%	5.93%	3.47%

Operating expenses to COGS ratio, is the sum of operating expenses (such as Selling, General and Administrative, R&D, and other operating expenses), divided by cost of goods sold. Amazon's operating expenses to COGS ratio average is 52.46% from 2014 to 2020 (Table5), however, it should be considered that Amazon is maintaining the operating expenses to COGS ratio at around 55% to 60% from 2017 till now, thus a range between 55% and 60% is expected for future years (Table6).

Table 6: Forecasted EBIT and EBIT margin

Forecasts							
In Millions of USD	2021E	2022E	2023E	2024E	2025E	2026E	CAGR
12 Months Ending	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	
<b>Gross Profit</b>	<b>189,041.9</b>	<b>226,792.0</b>	<b>265,986.0</b>	<b>306,574.8</b>	<b>336,116.7</b>	<b>347,351.9</b>	14.67%
<b>- Operating Expenses</b>	<b>156,739.78</b>	<b>185,760.63</b>	<b>212,481.61</b>	<b>240,731.78</b>	<b>259,948.05</b>	<b>267,559.69</b>	12.80%
<i>OPEX/COGS ratio</i>	<i>55.23%</i>	<i>55.49%</i>	<i>56.51%</i>	<i>57.23%</i>	<i>57.68%</i>	<i>57.78%</i>	
<b>EBIT, Operating Income</b>	<b>32,302.2</b>	<b>41,031.4</b>	<b>53,504.4</b>	<b>65,843.1</b>	<b>76,168.7</b>	<b>79,792.2</b>	23.13%
<i>EBIT margin</i>	<i>6.83%</i>	<i>7.31%</i>	<i>8.33%</i>	<i>9.05%</i>	<i>9.68%</i>	<i>9.85%</i>	

Since 2019, Amazon has cut its operating expenses to COGS ratio and aims to keep the ratio between the average of 2017 to 2020, so we expect to have rates around the average for future years, around 55% to 60% (Figure6).

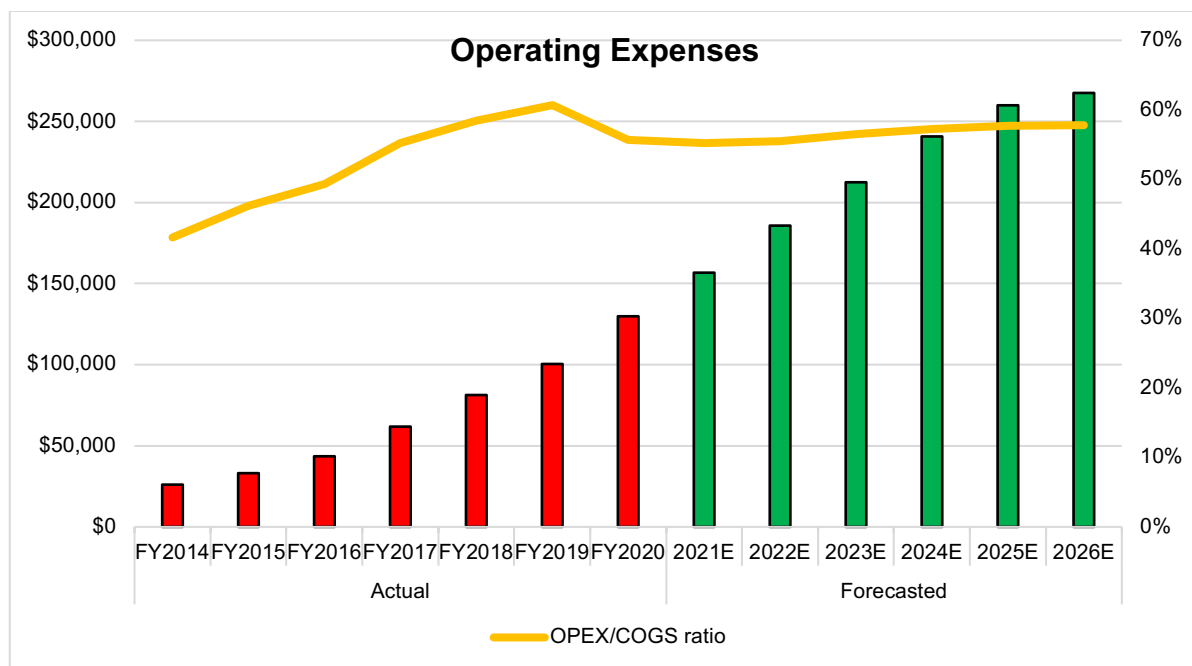


Figure 6: Amazon historical and forecasted OPEX and OPEX/COGS ratio

As indicated in Table 6, the operating expenses to COGS ratio is increasing slightly from 2021 to 2026. Resultingly, Amazon's EBIT margin also follows the trend and is expected to increase until the end of forecast. These patterns are in line with Amazon's plans for reducing its operating expenses as outlined in their 2020 annual report.

### 3.1.3. Free Cash Flow to the Firm Estimation

Free cash flow to the firm (FCFF), as shown in the equation 4, is tax adjusted EBIT after all the capital expenditures of the firm plus depreciation and amortization of each year (Table7). Free cash flow to the firm is the amount of cashflow from operations which is available to the firm (Palepu, et al., 2013, p. 618) (Ross, et al., p. 32).

Equation 4

$$FCFF = EBIT + D\&A - CapEx - \Delta NWC - t$$

Table 7: Amazon historical FCFF (Bloomberg B.L., 2021)

Actual								
In Millions of USD 12 Months Ending	FY2014 12/31/2014	FY2015 12/31/2015	FY2016 12/31/2016	FY2017 12/31/2017	FY2018 12/31/2018	FY2019 12/31/2019	FY2020 12/31/2020	Average
<b>EBIT, Operating Income</b>	<b>348.0</b>	<b>2,233.0</b>	<b>4,186.0</b>	<b>4,106.0</b>	<b>12,421.0</b>	<b>14,541.0</b>	<b>22,899.0</b>	
<i>EBIT margin</i>	0.39%	2.09%	3.08%	2.31%	5.33%	5.18%	5.93%	
- Income Tax Expense (Benefit)	(167.0)	(950.0)	(1,425.0)	(769.0)	(1,197.0)	(2,374.0)	(2,863.0)	
	47.99%	42.54%	34.04%	18.73%	9.64%	16.33%	12.50%	25.97%
+ Depreciation & Amortization	<b>4,746.0</b>	<b>6,281.0</b>	<b>8,116.0</b>	<b>11,478.0</b>	<b>15,341.0</b>	<b>21,789.0</b>	<b>25,251.0</b>	
<i>D&amp;A/sales</i>	5.33%	5.87%	5.97%	6.45%	6.59%	7.77%	6.54%	6.36%
- Capital expenditure	(4,893.0)	(5,387.0)	(7,804.0)	(11,955.0)	(13,427.0)	(16,861.0)	(40,140.0)	
<i>Capex/sales</i>	5.50%	5.03%	5.74%	6.72%	5.77%	6.01%	10.40%	6.45%
- Change in Net Working Capital	(407.0)	1,952.0	1,009.0	(104.0)	(1,064.0)	1,529.0	18,332.0	
+ Accounts & Notes Receiv	<b>5,612.0</b>	<b>5,654.0</b>	<b>8,339.0</b>	<b>13,164.0</b>	<b>16,677.0</b>	<b>20,816.0</b>	<b>24,542.0</b>	
<i>% YOY growth</i>		0.75%	47.49%	57.86%	26.69%	24.82%	17.90%	29.25%
+ Inventories	<b>8,299.0</b>	<b>10,243.0</b>	<b>11,461.0</b>	<b>16,047.0</b>	<b>17,174.0</b>	<b>20,497.0</b>	<b>23,795.0</b>	
<i>% YOY growth</i>		23.42%	11.89%	40.01%	7.02%	19.35%	16.09%	19.63%
+ Accounts Payable	<b>16,459.0</b>	<b>20,397.0</b>	<b>25,309.0</b>	<b>34,616.0</b>	<b>38,192.0</b>	<b>47,183.0</b>	<b>72,539.0</b>	
<i>% YOY growth</i>		23.93%	24.08%	36.77%	10.33%	23.54%	53.74%	28.73%
<b>FCFF</b>	<b>-373.0</b>	<b>4,129.0</b>	<b>4,082.0</b>	<b>2,756.0</b>	<b>12,074.0</b>	<b>18,624.0</b>	<b>23,479.0</b>	

#### 3.1.3.1. Tax

Effective tax rate is the proportion of tax expenses to the operating income of a firm. Tax rates widely fluctuate and are variable each year for every firm. The rationale behind these effects for Amazon lies in several factors such as economic situation, the variety of countries that Amazon have income from, and their taxation policy, which is being changed readily, and lastly, the taxation policy of the U.S. itself where Amazon is located (Table7). Therefore, average tax rates which are calculated by dividing

income tax by operating income from last 7 years, 2014 to 2020 roughly 25% is used for future forecasts (Table8).

### **3.1.3.2. Depreciation & Amortization and Capital Expenditure**

For better trend understanding and for a more accurate forecast, Depreciation & Amortization and Capital Expenditure both have been divided by sales of each year as a proportion of revenues.

According to Table 7, depreciation and amortization and capital expenditure both fluctuate around the average for the last 7 years, from 2014 to 2020, with the exclusion of capital expenditure in 2020, though the COVID-19 pandemic justifies this amount of capital expenditure.

For forecasting depreciation and amortization, due to the huge capital expenditure 2020, which was around 10.40% of the whole revenue, Amazon will confront a greater than average depreciation and amortization in next years, then slightly decrease to around the average of the firm (Table8).

Based on Amazon's 2020 report, Amazon is still spending a vast amount of capital on the firm, particularly in technology divisions, thus, 10% of the revenue in 2021 is expected to be allocated to capital expenditure. Furthermore, like depreciation and amortization, we have estimated capital expenditure to become closer to the average in further years. As the firm becomes more mature and larger, less is needed for capital expenditure (Table8).

It is considered that in 2026 and further years which terminal value is calculated, capital expenditure will be equal to depreciation and amortization, so that the firm can continue operations without shrinking and maintaining at the level it is on (Table8).

### 3.1.3.3. Change in Net Working Capital

Change in net working capital is the sum of net changes in accounts receivable and Inventories, minus net changes in accounts payable, as shown in the equation 5:

Equation 5

$$\Delta NWC = \Delta \text{accounts receivable} + \Delta \text{inventories} - \Delta \text{accounts payable}$$

As Amazon is a growing firm which will reach its mature phase soon, the accounts receivable is expected to be in the average of the last 7 years with a slightly upward slope. Meanwhile, inventory and accounts payable are going to have vast increases with a slight decrease to the average, and less than the average of the firm.

It has been considered that proportionally, change in net working capital to revenue will fluctuating at approximately 2.5% from 2021 to 2026 (Table8).

Table 8: Amazon forecasted FCFF

Forecasts							
In Millions of USD	2021E	2022E	2023E	2024E	2025E	2026E	CAGR
12 Months Ending	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	
<b>EBIT, Operating Income</b>	<b>32,302.2</b>	<b>41,031.4</b>	<b>53,504.4</b>	<b>65,843.1</b>	<b>76,168.7</b>	<b>79,792.2</b>	23.13%
<i>EBIT margin</i>	6.83%	7.31%	8.33%	9.05%	9.68%	9.85%	
- Income Tax Expense (Benefit)	(8,075.5)	(10,257.9)	(13,376.1)	(16,460.8)	(19,042.2)	(19,948.1)	
	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	
+ Depreciation & Amortization	44,162.9	45,823.0	47,956.9	52,141.2	53,895.1	51,916.5	
<i>D&amp;A/sales</i>	9.34%	8.16%	7.47%	7.17%	6.85%	6.41%	
- Capital expenditure	(47,283.7)	(40,656.7)	(44,104.9)	(48,796.1)	(51,456.0)	(51,916.5)	
<i>Capex/sales</i>	10.00%	7.24%	6.87%	6.71%	6.54%	6.41%	
- Change in Net Working Capital	13,906.2	16,596.2	18,056.0	20,028.5	21,347.5	23,159.1	
+ Accounts & Notes Receiv	30024.7	36981.4	46112.1	58442.5	74537.5	96399.4	
<i>% YOY growth</i>	22.34%	23.17%	24.69%	26.74%	27.54%	29.33%	
+ Inventories	32123.3	41805.2	52570.0	62437.4	73476.4	84608.0	
<i>% YOY growth</i>	35.00%	30.14%	25.75%	18.77%	17.68%	15.15%	
+ Accounts Payable	100256.2	133491.1	171442.6	213668.9	262150.4	318303.0	
<i>% YOY growth</i>	38.21%	33.15%	28.43%	24.63%	22.69%	21.42%	
<b>FCFF</b>	<b>35,012.1</b>	<b>52,536.1</b>	<b>62,036.2</b>	<b>72,756.0</b>	<b>80,913.0</b>	<b>83,003.2</b>	23.42%

### 3.1.4. Weighted Average Cost of Capital (WACC)

For valuation of a firm, free cash flow to firm of future years must get discounted by the rate of weighted average cost of capital. WACC is the weighted average of required return of both debt and equity holders. The less risky the firm, the less the Weighted average cost of capital is. WACC is calculated by the equation 6:

Equation 6

$$r_{WACC} = r_e * \frac{E}{D + E} + r_d * \frac{D}{D + E}$$

#### 3.1.4.1. Capital Structure

Capital structure of a company is the proportion of total debt, which is sum of short-term and long-term debt, and total equity to the total capital, which is the sum of total equity, total debt, and preferred shares. Capital structure of a company is one of the signs to determine whether the firm can bear huge drawdowns and extreme situations (Table9).

Table 9: Amazon Capital Structure (Bloomberg L.P., 2021)

In Millions of USD	Amount 2020	Current capital structure	7-year Avg capital structure	Target capital structure
Short-term Debt	16,115.0	8.3%	10.7%	9.0%
Long-term Debt	84,389.0	43.5%	45.0%	36.0%
<b>Total Debt</b>	100,504.0	51.8%	55.7%	<b>45.0%</b>
<b>Total Equity</b>	93,404.0	48.2%	44.3%	<b>55.0%</b>
Preferred shares	-	0.0%	0.0%	0.0%
Total Capital	193,908.0	100.0%	100.0%	100.0%

Based on our calculation, though current capital structure and 7-year average of capital structure of Amazon is 51.8% and 55.7% of debt respectively, the target capital structure of Amazon is projected to be 45% of total debt and 55% of total equity. As Amazon is becoming a more stable company, capital structure is expected to be less risky.

### 3.1.4.2. Cost of Debt

Cost of debt is the rate of return (tax adjusted) that a debtholder is willing to lend to the company, according to the risk-free rate and the default risk. Cost of debt is calculated with following equation 7:

*Equation 7*

$$r_d = (r_f + \text{spread}) * (1 - t)$$

For assumption of credit spread, the main credit rating agencies are used; Standard and Poor's, Fitch, and Moody's. Table 10 is the credit rating of these agencies for Amazon as of June 30th, 2021.

*Table 10: Amazon credit rating (Bloomberg L.P., 2021)*

	June 30th, 2021	December 31st,2020
<b>Standard &amp; Poor's</b>		
Long-term	<b>A1</b>	A2
Short-term	<b>P-1</b>	P-2
outlook	<b>Stable</b>	Stable
<b>Fitch</b>		
Long-term	<b>AA-</b>	AA-
Short-term	<b>F1+</b>	F1+
outlook	<b>Stable</b>	Stable
<b>Moody's</b>		
Long-term	<b>AA</b>	AA
Short-term	<b>A-1+</b>	A-1+
outlook	<b>Stable</b>	Stable

Amazon's average credit rating is AA- (Moody's: Aa3) according to ratings of credit agencies. We consider this credit rate as the long-term credit spread, and the assumption is that the rating will not deteriorate, although there is a good possibility that these rates will get better in future. The equivalents of the default spreads are shown in table 11.

Table 11: Amazon equivalent default to credit rating (Damodaran, 2012)

Moody's rating	Fitch and S&P rating	Sovereign Bonds/CDS	Corporate Bonds
Aaa	AAA	0.00%	0.65%
Aa1	AA+	0.25%	0.80%
Aa2	AA	0.50%	0.95%
<b>Aa3</b>	<b>AA-</b>	0.70%	<b>1.05%</b>
A1	A+	0.85%	1.15%
A2	A	1.00%	1.20%
A3	A-	1.15%	1.45%
Baa1	BBB+	1.50%	2.00%
Baa2	BBB	1.75%	2.30%
Baa3	BBB-	2.00%	3.10%
Ba1	BB+	2.40%	3.75%
Ba2	BB	2.75%	4.50%
Ba3	BB-	3.25%	4.75%
B1	B+	4.00%	5.50%
B2	B	5.00%	6.50%
B3	B-	6.00%	6.75%
Caa1	CCC	7.00%	7.25%
Caa2	CC	8.50%	8.75%
Caa3	D	10.00%	10.50%

A corporation with AA- (Aa3) rating is considered as a reliable company that is capable of confronting and meeting its financial obligations (David, et al., 2002, pp. 47-48). Besides, Amazon's 2020 interest coverage ratio is roughly around 13.9, indicating that Amazon can pay 13.9 times of the interest expenses by its operating income (EBIT) that suggests that Amazon is of very low risk of default. As such, the lower the risk of default, the lower the default spread.

#### 3.1.4.3. Risk-free rate

Generally risk-free rate is deemed as the current rate of U.S. 10-year Treasury Bill, but currently, due to the Covid-19 pandemic in 2020 and 2021, the current 10-year T-Bill is not reliable. Besides, the U.S. government and Federal Reserve is doing Quantitative Easing. Thus, it is best to consider the risk-free rate as the average of 10-year Bills of last 7 years, from 2014 to 2021, which is equal to 2.022% (Figure7).



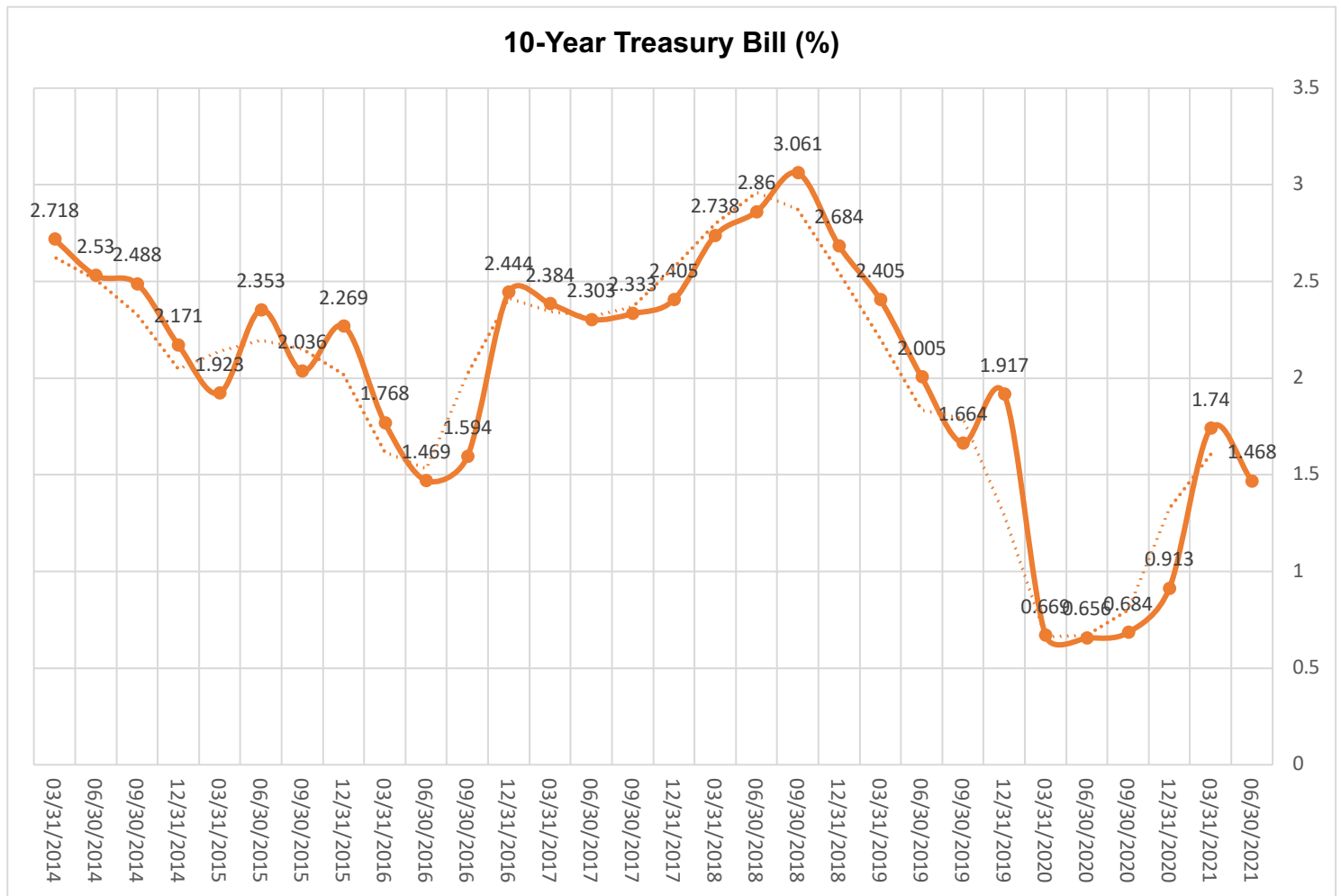


Figure 7: 10-year US treasury bond 2014 to 2021 (Bloomberg L.P., 2021)

According to the formula and assumptions above the Cost of Debt for Amazon is:

$$r_d = (0.0105 + 0.02022) * (1 - 0.25) = 0.02304 \approx 2.3\%$$

#### 3.1.4.4. Cost of Equity

Cost of equity is the required rate of return that makes an investor willing to buy the asset, according to the return of risk-free rate and the risks of the underlying asset. To calculate cost of equity the capital asset pricing Model (CAPM) is used. However, the assumption of the CAPM is that the returns of an investment are only affected by the systematic risk. Thus, the equation 8 for calculating cost of equity based by CAPM is:

Equation 8

$$r_e = r_f + \beta_e * (E(r_M) - r_f)$$

Beta is a fair measure of the relationship between the returns of a stock and the index (Bodie, et al., 2014, p. 297). For estimating the equity Beta ( $\beta$ ), S&P's 500 Index has

been used. Regression analysis has been adopted for estimating Beta ( $\beta$ ), due to weekly changes of the prices of Amazon and S&P500 Index for the last 7 years, from March 2014 to June 2021 (Figure8) (Table12) .

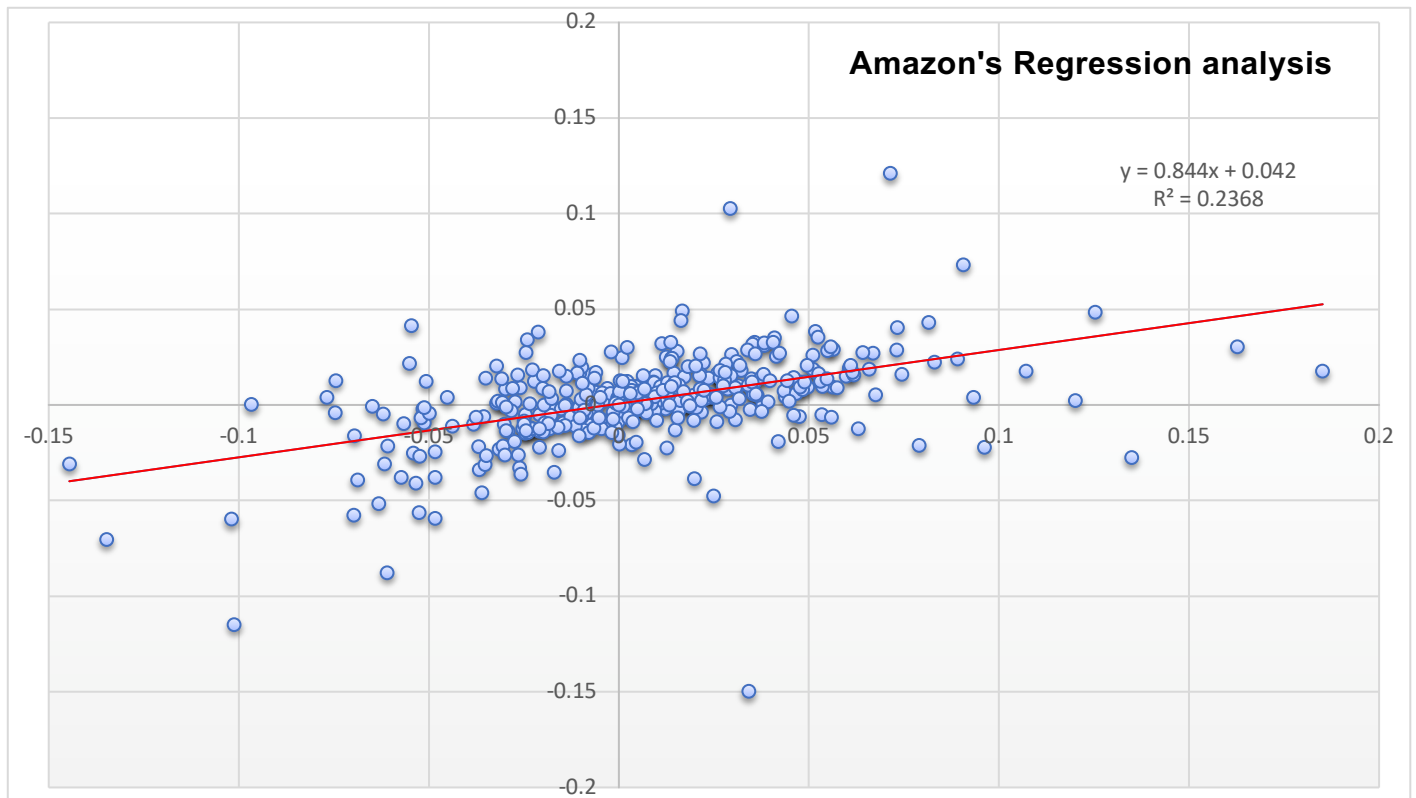


Figure 8: Amazon regression analysis between S&P 500 weekly Index and AMZN US

Table 12: S&P 500 effect on AMZN US

<b>Regression Statistics</b>	
Multiple R	0.486712546
R Square	0.236889103
Adjusted R Square	0.234922322
Standard Error	0.034566003
Observations	390

To use the CAPM model to calculate cost of equity (Equation8), we must use levered (equity) Beta to account for target capital structure and tax rate. The unlevered equity Beta according to the regression between S&P500 and Amazon is 0.844 (Figure 7); the levered beta is 1.36, which will be used to calculate cost of equity.

According to the Equity Risk Premium, risk premium of a mature market like the U.S. is considered; a rate of 5.5% is recommended by Duff and Phelps (2020).

$$r_e = 0.02022 + (1.36 * 0.055) = 0.09502 \approx 9.5\%$$

Then WACC can be found by:

$$r_{WACC} = 0.09502 * 0.55 + 0.02304 * 0.45 = 0.06229 \approx 6.27\%$$

### 3.1.5. Fair Value estimation

The concluding step in the DCF model is the estimation of Amazon's intrinsic enterprise and equity value. This is achieved by discounting the forecasted FCFFs with the rate of WACC, as summarised in table 13:

Table 13: AMZ US target value at the end of 2021

In Millions of USD	2021E 12/31/2021	2022E 12/31/2022	2023E 12/31/2023	2024E 12/31/2024	2025E 12/31/2025	2026E 12/31/2026
<b>Free Cash Flow to Firm</b>	<b>35,012.1</b>	<b>52,536.1</b>	<b>62,036.2</b>	<b>72,756.0</b>	<b>80,913.0</b>	<b>83,003.2</b>
<b>TVen</b>						<b>2,614,858</b>
<b>Total Cash Flow</b>		52,536.1	62,036.2	72,756.0	80,913.0	2,697,862
<b>DCF years</b>		1	2	3	4	5
<b>Discount factor (1/(1+re) y)</b>		0.9410	0.8855	0.8332	0.7841	0.7378
<b>DCF</b>		49,436.7	54,932.3	60,623.7	63,443.0	1,990,564
<b>Enterprise value</b>	<b>2,218,999.4</b>					
(-) Interest bearing debt	100,504.0					
(-) Cash and Cash equivalents	42,122.0					
(-) Minority interest	-					
(-) Financial Investments	42,274.0					
<b>Equity value</b>	<b>2,202,891.4</b>					
Outstanding shares (Mln)	503.00					
<b>Equity value per share</b>	<b>4,379.5</b>					
Market price (30/6/2021)	3,440.16					
Undervalued by	<b>-27.3%</b>					
<b>Investment decision</b>	<b>BUY</b>					

### 3.1.5.1. Terminal Value (TV)

We project a constant rate of growth, perpetuity growth rate, from beyond 2026 year. Thus, Terminal value is the present value of all future FCFF in 2026 by using the formula below (Damodaran, 2012, p107) (Equation9):

*Equation 9*

$$\text{Terminal Value} = \frac{\text{FCFF}_{2026} * (1 + g)}{r_{WACC} - g}$$

Knowing that the effect of terminal value is substantial on enterprise value of Amazon, it was critical to define nominal growth rate (g) and rWacc. The weighted average nominal growth rate of countries Amazon has revenues from (3.89%), with a conservative approach (3%) was taken as the benchmark for nominal growth rate of perpetuity of FCFF.

The calculated WACC was 6.27% and is used to be the rate at which the total free cash flows of Amazon discounted with.

All these numbers then were used in equation below to get Terminal value of Amazon:

$$\text{Terminal Value} = \frac{83,003 * (1 + 0.03)}{0.0627 - 0.03} = \mathbf{2,614,858}$$

### 3.1.5.2. Enterprise Value

Enterprise Value is the present value of the cash flows that is available for the firm. Additionally, as it is identical in formula below, the Enterprise Value of Amazon is equal to sum of discounted Free cash flows to the firm (FCFF) with the rate of WACC to the year-end 2021 (Equation10)

*Equation 10*

$$\begin{aligned} \text{Enterprise Value} &= \frac{\text{FCFF}_{2022}}{(1 + r_{WACC})^1} + \dots + \frac{\text{FCFF}_{2026}}{(1 + r_{WACC})^5} + \frac{TV}{(1 + r_{WACC})^5} \\ EV &= \frac{52,536.1}{(1 + 0.0627)^1} + \frac{62,036.2}{(1 + 0.0627)^2} + \frac{72,756.0}{(1 + 0.0627)^3} + \frac{80,913.0}{(1 + 0.0627)^4} \\ &\quad + \frac{83,003.2 + 2,614,858}{(1 + 0.0627)^5} = \mathbf{2,218,999.4} \end{aligned}$$

### 3.1.5.3. Equity Value

Unlike enterprise value, which is the current value of the future cash flows to both debt and equity holders, equity value relates to the amount of expected cash flows to equity holders, which is after the deduction of net debt and re-investment payments, as the below equation 11:

Equation 11

$$\text{Equity value} = \text{Enterprise value} - \text{Net Debt} - \text{Minority Interests} + \text{Financial Investments}$$

The net debt is total short and long-term debt left behind in the company's balance sheet after debt repaid using cash and cash equivalents, thus (equation12):

Equation 12

$$\text{Net debt} = \text{Interest Bearing Debt} - \text{Cash \& Equivalents}$$

$$\text{Net debt} = 100,504 - 42,122 = \mathbf{58,382}$$

Minority (non-controlling interest) is the sum paid to external stockholders for ownership of a share of the subsidiary company. Investments in assets and securities of other firms made by Amazon are added to the company's shareholders, as they are financial investments.

Thus, the equity value is calculated by (equation11):

$$\text{Equity value} = 2,218,999.4 - 58,382 - 0 + 42,274 = \mathbf{2,202,891.4}$$

Now, in order to find equity value per share, the total equity value is divided by the number of shares outstanding, Amazon currently has 503 million shares outstanding.

### 3.1.5.4. Sensitivity Analysis

Evaluating a corporation using the DCF model is significantly dependent on two assumptions: weighted average cost of capital (WACC) and perpetuity growth rate of Free cash flow to the firm (FCFF). Therefore, it is wise to conduct the sensitivity analysis on these two main assumptions. Enterprise value and retrospectively Equity value per share of Amazon is calculated based on changes in these assumptions (Table 14 and 15).

Table 14: Effect of WACC and nominal growth on enterprise value

Enterprise Value in USD		Terminal perpetuity growth rate (%)						
		1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%
Discount Rate (WACC %)	7.27%	1,293,273	1,396,351	1,521,039	1,674,927	1,869,634	2,123,886	2,469,924
	6.77%	1,421,510	1,548,550	1,705,341	1,903,721	2,162,769	2,515,335	3,023,216
	6.27%	1,576,701	1,736,464	1,938,604	2,202,561	2,561,809	3,079,317	3,889,202
	5.77%	1,768,315	1,974,305	2,243,288	2,609,378	3,136,741	3,962,048	5,437,205
	5.27%	2,010,846	2,284,977	2,658,072	3,195,525	4,036,625	5,540,008	8,995,836

As it is certain in tables above and below, the Terminal perpetuity growth rate and Discount rate have changed according to different scenarios, both by  $\pm 0.50\%$  for each time.

Table 15: Effect of change in WACC and nominal growth rate on equity value AMZN US

Target Price		Terminal perpetuity growth rate (%)						
		1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%
Discount Rate (WACC %)	7.27%	\$ 2,571.12	\$ 2,776.05	\$ 3,023.93	\$ 3,329.87	\$ 3,716.97	\$ 4,222.44	\$ 4,910.39
	6.77%	\$ 2,826.06	\$ 3,078.63	\$ 3,390.34	\$ 3,784.73	\$ 4,299.74	\$ 5,000.67	\$ 6,010.37
	6.27%	\$ 3,134.59	\$ 3,452.21	\$ 3,854.08	\$ 4,378.85	\$ 5,093.06	\$ 6,121.90	\$ 7,732.01
	5.77%	\$ 3,515.54	\$ 3,925.06	\$ 4,459.82	\$ 5,187.63	\$ 6,236.06	\$ 7,876.84	\$ 10,809.55
	5.27%	\$ 3,997.71	\$ 4,542.70	\$ 5,284.44	\$ 6,352.93	\$ 8,025.10	\$ 11,013.93	\$ 17,884.37

Tables 14 and 15 shows that an increase in  $r_{WACC}$  results in a downward trend in intrinsic value, while the same growth change ( $g$ ) has a contrasting effect on value.

According to the sensitivity test of Amazon, in the worst-case scenario, the price will diminish to \$2,571.12; in this case the perpetuity growth rate is at only 1.5% and the weighted cost of capital is at high level of 7.27%. On the other hand, in our best-case scenario, there is a higher-than-average perpetuity growth of 4.5% and the WACC of 5.27%, the price will surge to \$17,884.37, which is mainly because of the minor difference between perpetuity growth rate and discount rate.

## 3.2. Relative valuation model

As there is one true value for the company, the use of multiples must give the same value as DCF models. Multiple methods called comparable technique or relative valuation, are extensively employed in industry. Multiples are useful because they allow us to evaluate DCF model's results. Multiples reflect the market view more than DCF, so allows to assess if assumptions made in DCF model are plausible. Also, they provide understanding of why the valuation of the company differs from its competitors. Lastly, they help determine whether the company has potential to make more value than its peers.

### 3.2.1. Choosing the right peers

The selection of peers plays a significant part. Companies must be in the same sector, though this can be subjective. So, mean of the peers' multiples is used as a benchmark of the valuation analysis. Other than sector, other criteria must be considered, such as return on new invested capital (ROIC), growth, tax rate and WACC (to account for industry and capital structure). As tax is the same within the industry, this can be ignored when choosing the peers, as well as capital structure, as this doesn't consider operations and performance).

Amazon's sector is regarded as Consumer Discretionary; Amazon's industry is Retail and Wholesale Discretionary and its sub-industry is E-Commerce Discretionary. Based on these as well as growth rate, market cap and target costumers the peers are selected (Table16).

### 3.2.2. Selecting multiple

The appropriate multiple must be selected as all valuation multiples are not equal. The multiple 'Enterprise Value (EV)/EBITDA' which is robust to change in capital structure, is used to get EV of Amazon by equation 13:

*Equation 13*

$$\begin{aligned} &\text{Target's value from opretations} \\ &= \frac{EV}{EBITDA} \text{ for peer group} * \text{Target's EBITDA (from oprations)} \end{aligned}$$



### 3.2.3. Forward-looking multiples

Forward-looking multiples are better suited, so historical and current values was not used; forecasted figures are used instead. In our chosen multiple, the EV/EBIDTA and EBIDTA uses forecasted values (2021 and 2022) for EV to be present value of the future cashflows (Kim and Ritter 1999)(Lio, Nissim and Thomas 2002). To get a minimum and maximum value of multiple, the mean and median of the peer group is calculated (table 16)

Table 16: Amazon and its peers Multiples values (Bloomberg L.P., 2021)

Ticker	Company Name	Price (6/30/2021)	Market Cap (MM USD)	EV/Sales (x)		EV/EBITDA (x)		EBITDA Margin		P/E (x)		PEG (x)
				2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E	2022E
AMZN	Amazon	\$3,440	1,730,400	3.7x	3.1x	24.0x	19.0x	15%	16%	48.0x	36.0x	1.2x
<b>Peer</b>												
WMT	Walmart	\$141	395,159	0.8x	0.8x	13.0x	13.0x	6%	6%	26.0x	25.0x	12.2x
BABA	Alibaba	\$226	615,113	4.3x	3.5x	16.0x	14.0x	27%	25%	21.0x	17.0x	0.9x
EBAY	eBay	\$70	45,640	3.7x	3.4x	11.0x	10.0x	34%	34%	15.0x	13.0x	1.2x
ETSY	Etsy.com	\$205	27,895	12.3x	10.2x	40.0x	32.0x	30%	32%	63.0x	48.0x	2.8x
JD	JD.com	\$79	106,902	0.7x	0.6x	27.0x	19.0x	3%	3%	38.0x	26.0x	0.8x
<b>Group Mean</b>				<b>4.36x</b>	<b>3.7x</b>	<b>21.4x</b>	<b>17.6x</b>	<b>20.0%</b>	<b>20.0%</b>	<b>32.6x</b>	<b>25.8x</b>	<b>3.6x</b>
<b>Group Median</b>				<b>0.7x</b>	<b>3.5x</b>	<b>16.0x</b>	<b>14.0x</b>	<b>27%</b>	<b>25%</b>	<b>26.0x</b>	<b>25.0x</b>	<b>1.2x</b>

A premium value is added to EV/EBIDTA, as Amazon is leading company in industry. To ensure reliability, all EV values are forecasted in addition to calculating the range of EV. The report used values for years 2021 and 2022 averaged to get more realistic value for EV (Table 17 and 18)

Table 17: AMZN US target value range based on Mean and Median with and without premium

Target Price	W/ Premium	WO/ Premium
Avg. Mean	\$3,891.82	\$3,649.06
Avg. Median	\$2,835.13	\$2,427.65

Table 18: Amazon enterprise value range based on Mean and Median with and without premium

Enterprise Value in Millions of USD	Targets Value from Operations
Avg. Mean w/ Premium	1,704,363
Avg. Median wo/ Premium	1,582,252
Avg. Median w/ Premium	1,426,070
Avg. Median wo/ Premium	1,221,110

### 3.2.4. Target's Firm Value

Multiples must be adjusted for nonoperating items to get Target's Firm Value

By (Equation 14):

Equation 14

$$\begin{aligned}
 \text{Target's firm value} &= \text{Target's value from operations} \\
 &+ \text{Current excess cash of target} + \text{Value of non} \\
 &- \text{operating assets of target}
 \end{aligned}$$

### 3.2.5. Equity value

Lastly, the target's firm value is divided by number of shares outstanding to get target equity price. The steps above are done in the table below to get to Amazon's target equity price by multiple models (Table 19).

Table 19: AMZN US target price based of relatie valutions

In Millions of USD	2021E	2022E
	12/31/2021	12/31/2022
<b>Amazon EBITDA</b>	<b>73,332</b>	<b>90,636</b>
<b>Average group Multiples (EV/EBITDA)</b>	21.4x	17.6x
<b>Adjusted average Multiple (EV/EBITDA)</b>	<b>23.0x</b>	<b>19.0x</b>
<b>Enterprise Value</b>	<b>1,686,643</b>	<b>1,722,083</b>
<b>Avg. Enterprise Value</b>	<b>1,704,363</b>	
<b>Cash &amp; Cash Equivalents (2020)</b>	<b>42,122</b>	
<b>Fixed Assets</b>	<b>211,101</b>	
<b>Total Equity Value</b>	<b>1,957,586</b>	
Diluted shares outstanding	503	
<b>Target Price</b>	<b>3,891.82</b>	
Current Price (30/06/2021)	3,440.16	
Undervalued by	-13.1%	
<b>Investment Decision</b>	<b>BUY</b>	

## 4. Conclusion and investment recommendation

Based on qualitative-quantitative analysis, with consideration of internal-external factors, future valuation of Amazon's financials has been forecasted in this report by DCF and relative valuation models.

Based on our DCF model estimations, we expect Amazon to grow with EBIT of 23.13% CAGR and FCFF of 23.42% CAGR over by end of 2026. Target price of the Amazon's share has been calculated based on the defined assumptions of WACC and nominal growth rate of 6.27% and 3% respectively for the next 5 years forecasted in this valuation report. The sensitivity analysis has also shown that estimated price is quite sensitive to the changes in these assumptions. Fluctuation in growth rate only from 3% to 4% at 6.27% WACC creates 39% added value to the target equity price. In addition, this fluctuation in WACC between 6.27% to 7.27% at 3% growth rate reduces the equity value by 23%.

Our relative valuation of Amazon was done by comparing it to its most relatable companies within the similar industry, growth and ROIC, such as Alibaba and Walmart. EV/BITDA was used, due to practicality, to obtain target equity value. EV/BITDA of Amazon is higher than group average indicating its leading position in the industry for both 2021 and 2022.

These models give us equity value of \$3891 by relative valuation and \$4379 by DCF models, by end of 2021. As of 30 June 2021, price closed was \$3440 for "AMZN US. DCF valuation gives us a potential of 27.3% growth, which is in line with the relative valuation with potential growth of 13.1%. To conclude, this study concludes with a Buy investment recommendation (Figure 9).



Figure 9: Amazon historical, DCF target and relative valuation target equity price and

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## 6. Appendix

Table 20: Amazon's Adjusted Income Statemen (Bloomberg L.P, 2021)

In Millions of USD except Per Share 12 Months Ending	FY2010 12/31/2010	FY2011 12/31/2011	FY2012 12/31/2012	FY2013 12/31/2013	FY2014 12/31/2014	FY2015 12/31/2015	FY2016 12/31/2016	FY2017 12/31/2017	FY2018 12/31/2018	FY2019 12/31/2019	FY2020 12/31/2020	FY 2021 Est 12/31/2021	FY 2022 Est 12/31/2022
<b>Revenue</b>	<b>34,204</b>	<b>48,077</b>	<b>61,093</b>	<b>74,452</b>	<b>88,988</b>	<b>107,006</b>	<b>135,987</b>	<b>177,866</b>	<b>232,887</b>	<b>280,522</b>	<b>386,064</b>	<b>477,080</b>	<b>565,690</b>
+ Sales & Services Revenue	34,204	48,077	61,093	74,452	88,988	107,006	135,987	177,866	232,887	280,522	386,064		
- Cost of Revenue	26,561	37,288	45,971	54,181	62,582	71,651	88,265	111,934	139,156	165,536	233,307		
+ Cost of Goods & Services	26,561	37,288	45,971	54,181	62,582	71,651	88,265	111,934	139,156	165,536	233,307		
<b>Gross Profit</b>	<b>7,643</b>	<b>10,789</b>	<b>15,122</b>	<b>20,271</b>	<b>26,406</b>	<b>35,355</b>	<b>47,722</b>	<b>65,932</b>	<b>93,731</b>	<b>114,986</b>	<b>152,757</b>	<b>197,764</b>	<b>237,935</b>
+ Other Operating Income	0	0	0	0	0	0	0	0	0	0	0		
- Operating Expenses	6,237	9,927	14,371	19,514	26,058	33,122	43,536	61,826	81,310	100,445	129,858		
+ Selling, General & Admin	1,499	2,288	3,304	4,262	5,884	7,001	9,665	13,743	18,150	24,081	28,676		
+ Selling & Marketing	1,029	1,630	2,408	3,133	4,332	5,254	7,233	10,069	13,814	18,878	22,008		
+ General & Administrative	470	658	896	1,129	1,552	1,747	2,432	3,674	4,336	5,203	6,668		
+ Research & Development	1,734	2,909	4,564	6,565	9,275	12,540	16,085	22,620	28,837	35,931	42,740		
+ Other Operating Expense	3,004	4,730	6,503	8,687	10,899	13,581	17,786	25,463	34,323	40,433	58,442		
<b>Operating Income (Loss)</b>	<b>1,406</b>	<b>862</b>	<b>751</b>	<b>757</b>	<b>348</b>	<b>2,233</b>	<b>4,186</b>	<b>4,106</b>	<b>12,421</b>	<b>14,541</b>	<b>22,899</b>	<b>31,003</b>	<b>43,522</b>
- Non-Operating (Income) Loss	-90	-68	-28	240	292	660	286	294	1,153	569	-1,243		
+ Interest Expense, Net	-12	4	52	103	171	409	384	646	977	768	1,092		
+ Interest Expense	39	65	92	141	210	459	484	848	1,417	1,600	1,647		
- Interest Income	51	61	40	38	39	50	100	202	440	832	555		
+ Foreign Exch (Gain) Loss	0	0	0	0	127	-256	-21	-346	183	-203	-2,371		
+ (Income) Loss from Affiliates	0	—	—	—	—	—	—	—	—	—	—		
+ Other Non-Op (Income) Loss	-78	-72	-80	137	-6	507	-77	-6	-7	4	36		
<b>Pretax Income (Loss), Adjusted</b>	<b>1,496</b>	<b>930</b>	<b>779</b>	<b>517</b>	<b>56</b>	<b>1,573</b>	<b>3,900</b>	<b>3,812</b>	<b>11,268</b>	<b>13,972</b>	<b>24,142</b>	<b>33,178</b>	<b>43,465</b>
- Abnormal Losses (Gains)	-1	-4	235	11	167	5	8	6	7	-4	-36		
+ Merger/Acquisition Expense	—	—	75	—	—	—	—	—	—	—	—		
+ Legal Settlement	—	—	—	—	—	—	—	—	—	—	—		
+ Sale of Investments	-1	-4	-10	-1	-3	5	8	6	7	-4	-36		
+ Other Abnormal Items	—	—	170	12	170	—	—	—	—	—	—		
<b>Pretax Income (Loss), GAAP</b>	<b>1,497</b>	<b>934</b>	<b>544</b>	<b>506</b>	<b>-111</b>	<b>1,568</b>	<b>3,892</b>	<b>3,806</b>	<b>11,261</b>	<b>13,976</b>	<b>24,178</b>	<b>33,178</b>	<b>43,465</b>
- Income Tax Expense (Benefit)	352	291	428	161	167	950	1,425	769	1,197	2,374	2,863		
+ Current Income Tax	348	155	693	317	483	869	1,671	798	756	1,578	3,417		
+ Deferred Income Tax	4	136	-265	-156	-316	81	-246	-29	441	796	-554		
- (Income) Loss from Affiliates	-7	12	155	71	-37	22	96	4	-9	14	-16		
<b>Income (Loss) from Cont Ops</b>	<b>1,152</b>	<b>631</b>	<b>-39</b>	<b>274</b>	<b>-241</b>	<b>596</b>	<b>2,371</b>	<b>3,033</b>	<b>10,073</b>	<b>11,588</b>	<b>21,331</b>	<b>27,312</b>	<b>35,307</b>
- Net Extraordinary Losses (Gains)	0	0	0	0	0	0	0	0	0	0	0		
+ Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0		
+ XO & Accounting Changes	0	0	0	0	0	0	0	0	0	0	0		
<b>Income (Loss) Incl. MI</b>	<b>1,152</b>	<b>631</b>	<b>-39</b>	<b>274</b>	<b>-241</b>	<b>596</b>	<b>2,371</b>	<b>3,033</b>	<b>10,073</b>	<b>11,588</b>	<b>21,331</b>		
- Minority Interest	0	0	0	0	0	0	0	0	0	0	0		
<b>Net Income, GAAP</b>	<b>1,152</b>	<b>631</b>	<b>-39</b>	<b>274</b>	<b>-241</b>	<b>596</b>	<b>2,371</b>	<b>3,033</b>	<b>10,073</b>	<b>11,588</b>	<b>21,331</b>	<b>27,312</b>	<b>35,307</b>
- Preferred Dividends	0	0	0	0	0	0	0	0	0	0	0		
- Other Adjustments	0	0	0	0	0	0	0	0	0	0	0		
<b>Net Income Available to Common, GAAP</b>	<b>1,152</b>	<b>631</b>	<b>-39</b>	<b>274</b>	<b>-241</b>	<b>596</b>	<b>2,371</b>	<b>3,033</b>	<b>10,073</b>	<b>11,588</b>	<b>21,331</b>	<b>27,312</b>	<b>35,307</b>
<b>Net Income Available to Common, Adj</b>	<b>1,151</b>	<b>628</b>	<b>173</b>	<b>285</b>	<b>-132</b>	<b>599</b>	<b>2,376</b>	<b>2,248</b>	<b>10,079</b>	<b>11,585</b>	<b>21,303</b>	<b>38,502</b>	<b>46,521</b>
Net Abnormal Losses (Gains)	-1	-3	212	11	109	3	5	-785	6	-3	-28		
Net Extraordinary Losses (Gains)	0	0	0	0	0	0	0	0	0	0	0		
<b>Reference Items</b>													
Accounting Standard	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP		
EBITDA	1,974	1,945	2,910	4,010	5,094	8,514	12,302	15,584	27,762	39,999	53,169	73,332	90,636
EBITA	1,422	945	1,210	1,510	1,478	3,565	5,940	6,753	15,624	24,849	36,930		
EBIT	1,406	862	751	757	348	2,233	4,186	4,106	12,421	14,541	22,899	31,003	43,522

Table 21: Amazon's Standardized Balance Sheet (Bloomberg L.P., 2021)

12 Months Ending	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020
<b>Total Assets</b>											
+ Cash, Cash Equivalents & STI	8,762.0	9,576.0	11,448.0	12,447.0	17,416.0	19,808.0	25,981.0	30,986.0	41,250.0	55,021.0	84,396.0
+ Cash & Cash Equivalents	3,777.0	5,269.0	8,084.0	8,658.0	14,557.0	15,890.0	19,334.0	20,522.0	31,750.0	36,092.0	42,122.0
+ ST Investments	4,985.0	4,307.0	3,364.0	3,789.0	2,859.0	3,918.0	6,647.0	10,464.0	9,500.0	18,929.0	42,274.0
+ Accounts & Notes Receiv	1,587.0	2,571.0	3,364.0	4,767.0	5,612.0	5,654.0	8,339.0	13,164.0	16,677.0	20,816.0	24,542.0
+ Accounts Receivable, Net	1,587.0	2,571.0	3,364.0	4,767.0	5,612.0	5,654.0	8,339.0	13,164.0	16,677.0	20,816.0	24,542.0
+ Notes Receivable, Net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Inventories	3,202.0	4,992.0	6,031.0	7,411.0	8,299.0	10,243.0	11,461.0	16,047.0	17,174.0	20,497.0	23,795.0
+ Other ST Assets	196.0	351.0	453.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Derivative & Hedging Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Deferred Tax Assets	196.0	351.0	453.0	—	—	—	—	—	—	—	—
+ Misc ST Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Current Assets</b>	<b>13,747.0</b>	<b>17,490.0</b>	<b>21,296.0</b>	<b>24,625.0</b>	<b>31,327.0</b>	<b>35,705.0</b>	<b>45,781.0</b>	<b>60,197.0</b>	<b>75,101.0</b>	<b>96,334.0</b>	<b>132,733.0</b>
+ Property, Plant & Equip, Net	2,414.0	4,417.0	7,060.0	10,949.0	16,967.0	21,838.0	29,114.0	48,866.0	61,797.0	97,846.0	150,667.0
+ Property, Plant & Equip	3,256.0	5,786.0	9,582.0	14,809.0	22,730.0	30,053.0	42,441.0	68,573.0	95,770.0	144,821.0	211,101.0
- Accumulated Depreciation	842.0	1,369.0	2,522.0	3,860.0	5,763.0	8,215.0	13,327.0	19,707.0	33,973.0	46,975.0	60,434.0
+ LT Investments & Receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other LT Assets	2,636.0	3,371.0	4,199.0	4,585.0	6,211.0	7,204.0	8,507.0	22,247.0	25,750.0	31,068.0	37,795.0
+ Total Intangible Assets	1,349.0	2,602.0	3,277.0	3,300.0	4,083.0	4,751.0	4,638.0	16,721.0	18,658.0	18,775.0	18,855.0
+ Goodwill	1,349.0	1,955.0	2,552.0	2,655.0	3,319.0	3,759.0	3,784.0	13,350.0	14,548.0	14,754.0	15,017.0
+ Other Intangible Assets	0.0	647.0	725.0	645.0	764.0	992.0	854.0	3,371.0	4,110.0	4,021.0	3,838.0
+ Deferred Tax Assets	22.0	28.0	123.0	—	—	—	—	—	—	—	—
+ Derivative & Hedging Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Misc LT Assets	1,265.0	741.0	799.0	1,285.0	2,128.0	2,453.0	3,869.0	5,526.0	7,092.0	12,293.0	18,940.0
<b>Total Noncurrent Assets</b>	<b>5,050.0</b>	<b>7,788.0</b>	<b>11,259.0</b>	<b>15,534.0</b>	<b>23,178.0</b>	<b>29,042.0</b>	<b>37,621.0</b>	<b>71,113.0</b>	<b>87,547.0</b>	<b>128,914.0</b>	<b>188,462.0</b>
<b>Total Assets</b>	<b>18,797.0</b>	<b>25,278.0</b>	<b>32,555.0</b>	<b>40,159.0</b>	<b>54,505.0</b>	<b>64,747.0</b>	<b>83,402.0</b>	<b>131,310.0</b>	<b>162,648.0</b>	<b>225,248.0</b>	<b>321,195.0</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
+ Payables & Accruals	10,154.0	14,372.0	17,868.0	20,113.0	22,666.0	27,405.0	33,851.0	46,565.0	52,353.0	65,294.0	100,562.0
+ Accounts Payable	8,051.0	11,145.0	13,318.0	15,133.0	16,459.0	20,397.0	25,309.0	34,616.0	38,192.0	47,183.0	72,539.0
+ Other Payables & Accruals	2,103.0	3,227.0	4,550.0	4,980.0	6,207.0	7,008.0	8,542.0	11,949.0	14,161.0	18,111.0	28,023.0
+ ST Debt	218.0	524.0	1,134.0	1,708.0	3,600.0	3,364.0	5,197.0	6,221.0	9,502.0	14,328.0	16,115.0
+ ST Borrowings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ ST Lease Liabilities	218.0	377.0	555.0	955.0	2,080.0	3,126.0	4,141.0	6,121.0	8,131.0	13,023.0	14,960.0
+ ST Finance Leases	218.0	377.0	555.0	955.0	2,080.0	3,126.0	4,141.0	6,121.0	8,131.0	9,884.0	10,374.0
+ ST Operating Leases	—	—	—	—	—	—	—	—	—	3,139.0	4,586.0
+ Current Portion of LT Debt	—	147.0	579.0	753.0	1,520.0	238.0	1,056.0	100.0	1,371.0	1,305.0	1,155.0
+ Other ST Liabilities	0.0	0.0	0.0	1,159.0	1,823.0	3,118.0	4,768.0	5,097.0	6,536.0	8,190.0	9,708.0
<b>Total Current Liabilities</b>	<b>10,372.0</b>	<b>14,896.0</b>	<b>19,002.0</b>	<b>22,980.0</b>	<b>28,089.0</b>	<b>33,887.0</b>	<b>43,816.0</b>	<b>57,883.0</b>	<b>68,391.0</b>	<b>87,812.0</b>	<b>126,385.0</b>
+ LT Debt	460.0	1,670.0	3,830.0	5,181.0	12,489.0	14,175.0	15,213.0	37,926.0	39,787.0	63,205.0	84,389.0
+ LT Borrowings	184.0	1,072.0	3,093.0	3,746.0	8,265.0	8,227.0	7,694.0	24,743.0	23,495.0	23,414.0	31,816.0
+ LT Lease Liabilities	276.0	598.0	737.0	1,435.0	4,224.0	5,948.0	7,519.0	13,183.0	16,292.0	39,791.0	52,573.0
+ LT Finance Leases	276.0	598.0	737.0	1,435.0	4,224.0	5,948.0	7,519.0	13,183.0	16,292.0	17,095.0	18,060.0
+ LT Operating Leases	—	—	—	—	—	—	—	—	—	22,696.0	34,513.0
+ Other LT Liabilities	1,101.0	955.0	1,531.0	2,252.0	3,186.0	3,301.0	5,088.0	7,792.0	10,921.0	12,171.0	17,017.0
+ Deferred Revenue	0.0	0.0	0.0	0.0	0.0	244.0	499.0	1,000.0	1,400.0	2,000.0	1,900.0
+ Deferred Tax Liabilities	—	—	—	—	1,021.0	407.0	392.0	990.0	0.0	0.0	0.0
+ Derivatives & Hedging	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Misc LT Liabilities	1,101.0	955.0	1,531.0	2,252.0	2,165.0	2,650.0	4,197.0	5,802.0	9,521.0	10,171.0	15,117.0
<b>Total Noncurrent Liabilities</b>	<b>1,561.0</b>	<b>2,625.0</b>	<b>5,361.0</b>	<b>7,433.0</b>	<b>15,675.0</b>	<b>17,476.0</b>	<b>20,301.0</b>	<b>45,718.0</b>	<b>50,708.0</b>	<b>75,376.0</b>	<b>101,406.0</b>
<b>Total Liabilities</b>	<b>11,933.0</b>	<b>17,521.0</b>	<b>24,363.0</b>	<b>30,413.0</b>	<b>43,764.0</b>	<b>51,363.0</b>	<b>64,117.0</b>	<b>103,601.0</b>	<b>119,099.0</b>	<b>163,188.0</b>	<b>227,791.0</b>
+ Preferred Equity and Hybrid Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Share Capital & APIC	6,330.0	6,995.0	8,352.0	9,578.0	11,140.0	13,399.0	17,191.0	21,394.0	26,796.0	33,663.0	42,870.0
+ Common Stock	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
+ Additional Paid in Capital	6,325.0	6,990.0	8,347.0	9,573.0	11,135.0	13,394.0	17,186.0	21,389.0	26,791.0	33,658.0	42,865.0
- Treasury Stock	600.0	877.0	1,837.0	1,837.0	1,837.0	1,837.0	1,837.0	1,837.0	1,837.0	1,837.0	1,837.0
+ Retained Earnings	1,324.0	1,955.0	1,916.0	2,190.0	1,949.0	2,545.0	4,916.0	8,636.0	19,625.0	31,220.0	52,551.0
+ Other Equity	-190.0	-316.0	-239.0	-185.0	-511.0	-723.0	-985.0	-484.0	-1,035.0	-986.0	-180.0
<b>Equity Before Minority Interest</b>	<b>6,864.0</b>	<b>7,757.0</b>	<b>8,192.0</b>	<b>9,746.0</b>	<b>10,741.0</b>	<b>13,384.0</b>	<b>19,285.0</b>	<b>27,709.0</b>	<b>43,549.0</b>	<b>62,060.0</b>	<b>93,404.0</b>
+ Minority/Non Controlling Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>6,864.0</b>	<b>7,757.0</b>	<b>8,192.0</b>	<b>9,746.0</b>	<b>10,741.0</b>	<b>13,384.0</b>	<b>19,285.0</b>	<b>27,709.0</b>	<b>43,549.0</b>	<b>62,060.0</b>	<b>93,404.0</b>
<b>Total Liabilities &amp; Equity</b>	<b>18,797.0</b>	<b>25,278.0</b>	<b>32,555.0</b>	<b>40,159.0</b>	<b>54,505.0</b>	<b>64,747.0</b>	<b>83,402.0</b>	<b>131,310.0</b>	<b>162,648.0</b>	<b>225,248.0</b>	<b>321,195.0</b>
<b>Reference Items</b>											
Accounting Standard	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP
Shares Outstanding	451.0	455.0	454.0	459.0	465.0	471.0	477.0	484.0	491.0	498.0	503.0
Number of Treasury Shares	17.0	18.0	24.0	24.0	23.0	23.0	23.0	23.0	23.0	23.0	24.0
Pension Obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Future Minimum Operating Lease Obligations	1,214.0	3,093.0	5,454.0	5,135.0	5,913.0	6,517.0	9,510.0	22,848.0	26,666.0	31,963.0	46,164.0
Capital Leases - Total	494.0	975.0	1,292.0	2,390.0	6,304.0	9,074.0	11,660.0	19,304.0	24,423.0	26,979.0	28,434.0
Net Debt	-8,084.0	-7,382.0	-6,484.0	-5,558.0	-1,327.0	-2,269.0	-5,571.0	13,161.0	8,039.0	22,512.0	16,108.0
Net Debt to Equity	-117.77	-95.17	-79.15	-57.03	-12.35	-16.95	-28.89	47.50	18.46	36.27	17.25
Tangible Common Equity Ratio	31.61	22.73	16.79	17.49	13.20	14.39	18.60	9.59	17.29	20.96	24.66
Current Ratio	1.33	1.17	1.12	1.07	1.12	1.05	1.04	1.04	1.10	1.10	1.05
Cash Conversion Cycle	-39.67	-33.76	-33.57	-28.24	-23.62	-24.95	-29.64	-26.94	-27.77	-26.35	-36.36
Cash Held Overseas	—	—	—	4,600.0	4,600.0	5,800.0	8,600.0	9,600.0	13,800.0	15,300.0	23,500.0
Number of Employees	33,700.00	56,200.00	88,400.00	117,300.00	154,100.00	230,800.00	341,400.00	566,000.00	647,500.00	798,000.00	1,298,000.00

Table 22: Amazon's Standardized Cash Flow Statement (Bloomberg L.P., 2021)

In Millions of USD except Per Share 12 Months Ending	FY2010 12/31/2010	FY2011 12/31/2011	FY2012 12/31/2012	FY2013 12/31/2013	FY2014 12/31/2014	FY2015 12/31/2015	FY2016 12/31/2016	FY2017 12/31/2017	FY2018 12/31/2018	FY2019 12/31/2019	FY2020 12/31/2020
<b>Cash from Operating Activities</b>											
+ Net Income	1,152.0	631.0	-39.0	274.0	-241.0	596.0	2,371.0	3,033.0	10,073.0	11,588.0	21,331.0
+ Depreciation & Amortization	568.0	1,083.0	2,159.0	3,253.0	4,746.0	6,281.0	8,116.0	11,478.0	15,341.0	21,789.0	25,251.0
+ Non-Cash Items	194.0	725.0	537.0	1,181.0	1,363.0	2,605.0	2,869.0	4,096.0	6,352.0	7,575.0	6,001.0
+ Stock-Based Compensation	165.0	495.0	404.0	1,056.0	1,491.0	2,119.0	2,975.0	4,215.0	5,418.0	6,864.0	9,208.0
+ Deferred Income Taxes	4.0	136.0	-265.0	-156.0	-316.0	81.0	-246.0	-29.0	441.0	796.0	-554.0
+ Other Non-Cash Adj	25.0	94.0	398.0	281.0	188.0	405.0	140.0	-90.0	493.0	-85.0	-2,653.0
+ Chg in Non-Cash Work Cap	1,581.0	1,464.0	1,523.0	767.0	974.0	2,557.0	3,847.0	-242.0	-1,043.0	-2,438.0	13,481.0
+ (Inc) Dec in Accts Receiv	-295.0	-866.0	-861.0	-846.0	-1,039.0	-1,755.0	-3,436.0	-4,780.0	-4,615.0	-7,681.0	-8,169.0
+ (Inc) Dec in Inventories	-1,019.0	-1,777.0	-999.0	-1,410.0	-1,193.0	-2,187.0	-1,426.0	-3,583.0	-1,314.0	-3,278.0	-2,849.0
+ Inc (Dec) in Accts Payable	2,373.0	2,997.0	2,070.0	1,888.0	1,759.0	4,294.0	5,030.0	7,100.0	3,263.0	8,193.0	17,480.0
+ Inc (Dec) in Other	522.0	1,110.0	1,313.0	1,135.0	1,447.0	2,205.0	3,679.0	1,021.0	1,623.0	328.0	7,019.0
+ Net Cash From Disc Ops	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash from Operating Activities</b>	<b>3,495.0</b>	<b>3,903.0</b>	<b>4,180.0</b>	<b>5,475.0</b>	<b>6,842.0</b>	<b>12,039.0</b>	<b>17,203.0</b>	<b>18,365.0</b>	<b>30,723.0</b>	<b>38,514.0</b>	<b>66,064.0</b>
<b>Cash from Investing Activities</b>											
+ Change in Fixed & Intang	-979.0	-1,811.0	-3,785.0	-3,444.0	-4,893.0	-4,589.0	-6,737.0	-10,058.0	-11,323.0	-12,689.0	-35,044.0
+ Disp in Fixed & Intang	0.0	0.0	0.0	0.0	0.0	798.0	1,067.0	1,897.0	2,104.0	4,172.0	5,096.0
+ Disp of Fixed Prod Assets	0.0	0.0	0.0	0.0	0.0	798.0	1,067.0	1,897.0	2,104.0	4,172.0	5,096.0
+ Disp of Intangible Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Acq of Fixed & Intang	-979.0	-1,811.0	-3,785.0	-3,444.0	-4,893.0	-5,387.0	-7,804.0	-11,955.0	-13,427.0	-16,861.0	-40,140.0
+ Acq of Fixed Prod Assets	-979.0	-1,811.0	-3,785.0	-3,444.0	-4,893.0	-5,387.0	-7,804.0	-11,955.0	-13,427.0	-16,861.0	-40,140.0
+ Acq of Intangible Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Net Change in LT Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Dec in LT Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Inc in LT Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Net Cash From Acq & Div	-352.0	-705.0	-745.0	-312.0	-979.0	-795.0	-116.0	-13,972.0	-2,186.0	-2,461.0	-2,325.0
+ Cash from Divestitures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Cash for Acq of Subs	-352.0	-705.0	-745.0	-312.0	-979.0	-795.0	-116.0	-13,972.0	-2,186.0	-2,461.0	-2,325.0
+ Cash for JVs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Investing Activities	-2,029.0	586.0	935.0	-520.0	807.0	-1,066.0	-2,663.0	-3,054.0	1,140.0	-9,131.0	-22,242.0
+ Net Cash From Disc Ops	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash from Investing Activities</b>	<b>-3,360.0</b>	<b>-1,930.0</b>	<b>-3,595.0</b>	<b>-4,276.0</b>	<b>-5,065.0</b>	<b>-6,450.0</b>	<b>-9,516.0</b>	<b>-27,084.0</b>	<b>-12,369.0</b>	<b>-24,281.0</b>	<b>-59,611.0</b>
<b>Cash from Financing Activities</b>											
+ Dividends Paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Cash From (Repayment) Debt	-78.0	-267.0	2,790.0	-617.0	4,426.0	-3,761.0	-3,569.0	10,128.0	-7,349.0	-10,039.0	-1,051.0
+ Cash From (Repay) ST Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	73.0	-116.0	619.0
+ Cash From LT Debt	143.0	177.0	3,378.0	394.0	6,359.0	353.0	618.0	16,228.0	182.0	871.0	10,525.0
+ Repayments of LT Debt	-221.0	-444.0	-588.0	-1,011.0	-1,933.0	-4,114.0	-4,187.0	-6,100.0	-7,604.0	-10,794.0	-12,195.0
+ Cash (Repurchase) of Equity	259.0	-215.0	-531.0	78.0	6.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Increase in Capital Stock	259.0	62.0	429.0	78.0	6.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Decrease in Capital Stock	0.0	-277.0	-960.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other Financing Activities	0.0	0.0	0.0	0.0	0.0	-121.0	-147.0	-200.0	-337.0	-27.0	-53.0
+ Net Cash From Disc Ops	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash from Financing Activities</b>	<b>181.0</b>	<b>-482.0</b>	<b>2,259.0</b>	<b>-539.0</b>	<b>4,432.0</b>	<b>-3,882.0</b>	<b>-3,716.0</b>	<b>9,928.0</b>	<b>-7,686.0</b>	<b>-10,066.0</b>	<b>-1,104.0</b>
Effect of Foreign Exchange Rates	17.0	1.0	-29.0	-86.0	-310.0	-374.0	-212.0	713.0	-351.0	70.0	618.0
<b>Net Changes in Cash</b>	<b>333.0</b>	<b>1,492.0</b>	<b>2,815.0</b>	<b>574.0</b>	<b>5,899.0</b>	<b>1,333.0</b>	<b>3,759.0</b>	<b>1,922.0</b>	<b>10,317.0</b>	<b>4,237.0</b>	<b>5,967.0</b>
<b>Cash Paid for Taxes</b>	<b>75.0</b>	<b>33.0</b>	<b>112.0</b>	<b>169.0</b>	<b>177.0</b>	<b>273.0</b>	<b>412.0</b>	<b>957.0</b>	<b>1,184.0</b>	<b>881.0</b>	<b>1,713.0</b>
<b>Cash Paid for Interest</b>	<b>11.0</b>	<b>14.0</b>	<b>31.0</b>	<b>138.0</b>	<b>177.0</b>	<b>598.0</b>	<b>496.0</b>	<b>647.0</b>	<b>1,429.0</b>	<b>1,561.0</b>	<b>1,630.0</b>
<b>Reference Items</b>											
EBITDA	1,974.0	1,945.0	2,835.0	3,998.0	4,924.0	8,514.0	12,302.0	15,584.0	27,762.0	39,999.0	53,169.0
Trailing 12M EBITDA Margin	5.77	4.05	4.64	5.37	5.53	7.96	9.05	8.76	11.92	14.26	13.77
Net Cash Paid for Acquisitions	352.0	705.0	745.0	312.0	979.0	795.0	116.0	13,972.0	2,186.0	2,461.0	2,325.0
Tax Benefit from Stock Options	259.0	62.0	429.0	78.0	6.0	—	0.0	—	—	—	—
Free Cash Flow	2,516.0	2,092.0	395.0	2,031.0	1,949.0	6,652.0	9,399.0	6,410.0	17,296.0	21,653.0	25,924.0
Free Cash Flow to Firm	2,545.8	2,136.7	414.6	2,127.1	—	6,832.9	9,705.8	7,086.7	18,562.4	22,981.2	27,376.0
Free Cash Flow to Equity	2,438.0	1,825.0	3,185.0	1,414.0	6,375.0	3,689.0	6,897.0	18,435.0	12,051.0	15,786.0	29,969.0
Free Cash Flow per Basic Share	5.63	4.62	0.87	4.44	4.22	14.24	19.83	13.35	35.52	43.83	51.85
Price to Free Cash Flow	31.98	37.48	287.71	89.73	73.57	47.45	37.82	87.57	42.29	42.16	62.82
Cash Flow to Net Income	3.03	6.19	—	19.98	—	20.20	7.26	6.06	3.05	3.32	3.10

Table 23: Amazon's Profitability Ratios (Bloomberg L.P., 2021)

In Millions of USD except Per Share 12 Months Ending	FY2010 12/31/2010	FY2011 12/31/2011	FY2012 12/31/2012	FY2013 12/31/2013	FY2014 12/31/2014	FY2015 12/31/2015	FY2016 12/31/2016	FY2017 12/31/2017	FY2018 12/31/2018	FY2019 12/31/2019	FY2020 12/31/2020
<b>Returns</b>											
Return on Common Equity	19.01	8.63	-0.49	3.06	-2.35	4.94	14.52	12.91	28.27	21.95	27.44
Return on Assets	7.07	2.86	-0.13	0.75	-0.51	1.00	3.20	2.83	6.85	5.97	7.81
Return on Capital	17.92	7.73	-0.17	2.48	-0.48	2.69	7.58	6.65	13.77	11.11	13.66
Return on Invested Capital	16.23	6.59	-0.09	2.91	-0.24	2.97	7.25	5.85	13.36	10.24	11.97
<b>Margins</b>											
Gross Margin	22.35	22.44	24.75	27.23	29.48	33.04	35.09	37.07	40.25	40.99	39.57
EBITDA Margin	5.77	4.05	4.64	5.37	5.53	7.96	9.05	8.76	11.92	14.26	13.77
Operating Margin	4.11	1.79	1.11	1.00	0.20	2.09	3.08	2.31	5.33	5.18	5.93
Incremental Operating Margin	2.86	—	—	0.52	—	11.41	6.74	—	15.11	4.45	7.92
Pretax Margin	4.38	1.94	0.89	0.68	-0.12	1.47	2.86	2.14	4.84	4.98	6.26
Income before XO Margin	3.37	1.31	-0.06	0.37	-0.27	0.56	1.74	1.71	4.33	4.13	5.53
Net Income Margin	3.37	1.31	-0.06	0.37	-0.27	0.56	1.74	1.71	4.33	4.13	5.53
Net Income to Common Margin	3.37	1.31	-0.06	0.37	-0.27	0.56	1.74	1.71	4.33	4.13	5.53
<b>Additional</b>											
Effective Tax Rate	23.51	31.16	78.68	31.82	—	60.59	36.61	20.20	10.63	16.99	11.84
Dvd Payout Ratio	0.00	0.00	—	0.00	—	0.00	0.00	0.00	0.00	0.00	0.00
Sustainable Growth Rate	19.01	8.63	—	3.06	—	4.94	14.52	12.91	28.27	21.95	27.44

Table 24: Amazon's Revenue Segments (Bloomberg L.P., 2021)

In Millions of USD except Per Share 12 Months Ending	FY2010 12/31/2010	FY2011 12/31/2011	FY2012 12/31/2012	FY2013 12/31/2013	FY2014 12/31/2014	FY2015 12/31/2015	FY2016 12/31/2016	FY2017 12/31/2017	FY2018 12/31/2018	FY2019 12/31/2019	FY2020 12/31/2020
<b>Revenue</b>	<b>34,204</b>	<b>48,077</b>	<b>61,093</b>	<b>74,452</b>	<b>88,988</b>	<b>107,006</b>	<b>135,987</b>	<b>177,866</b>	<b>232,887</b>	<b>280,522</b>	<b>386,064 100.0%</b>
Online Stores	—	—	—	—	—	76,863	91,431	108,354	122,987	141,247	197,346 51.1%
Third-Party Seller Services	—	—	—	—	—	16,086	22,993	31,881	42,745	53,762	80,461 20.8%
AWS	—	—	—	3,108	4,644	7,880	12,219	17,459	25,655	35,026	45,370 11.8%
Subscription Services	—	—	—	—	—	4,467	6,394	9,721	14,168	19,210	25,207 6.5%
Other	—	—	—	—	—	1,710	2,950	4,653	10,108	14,085	21,453 5.6%
Physical Stores	—	—	—	—	—	0	0	5,798	17,224	17,192	16,227 4.2%
Electronics & Other General Merchandise	18,363	28,712	38,628	48,802	60,886	—	—	—	—	—	—
International	7,365	11,397	15,355	18,817	22,369	—	—	—	—	—	—
North America	10,998	17,315	23,273	29,985	38,517	—	—	—	—	—	—
Media	14,888	17,779	19,942	21,716	22,505	—	—	—	—	—	—
International	8,007	9,820	10,753	10,907	10,938	—	—	—	—	—	—
North America	6,881	7,959	9,189	10,809	11,567	—	—	—	—	—	—
Other	—	—	—	826	953	—	—	—	—	—	—
International	—	—	—	210	203	—	—	—	—	—	—
North America	—	—	—	616	750	—	—	—	—	—	—
Other	953	1,586	2,523	—	—	—	—	—	—	—	—
International	125	155	172	—	—	—	—	—	—	—	—
North America	828	1,431	2,351	—	—	—	—	—	—	—	—

Table 25: Amazon Counties of Operation (Bloomberg L.P., 2021)

In Millions of USD except Per Share 12 Months Ending	FY2010 12/31/2010	FY2011 12/31/2011	FY2012 12/31/2012	FY2013 12/31/2013	FY2014 12/31/2014	FY2015 12/31/2015	FY2016 12/31/2016	FY2017 12/31/2017	FY2018 12/31/2018	FY2019 12/31/2019	FY2020 12/31/2020
<b>Revenue</b>	<b>34,204</b>	<b>48,077</b>	<b>61,093</b>	<b>74,452</b>	<b>88,988</b>	<b>107,006</b>	<b>135,987</b>	<b>177,866</b>	<b>232,887</b>	<b>280,522</b>	<b>386,064</b> <b>100.0%</b>
North America	18,707	26,705	34,813	41,410	50,834	63,708	79,785	106,110	141,366	170,773	236,282 61.2%
Other	828	1,431	2,351	—	—	—	—	—	—	—	—
Other	—	—	—	616	750	—	—	—	—	—	—
Electronics & Other General Merchandise	10,998	17,315	23,273	29,985	38,517	—	—	—	—	—	—
Media	6,881	7,959	9,189	10,809	11,567	—	—	—	—	—	—
International	15,497	21,372	26,280	29,934	33,510	35,418	43,983	54,297	65,866	74,723	104,412 27.0%
Other	125	155	172	—	—	—	—	—	—	—	—
Other	—	—	—	210	203	—	—	—	—	—	—
Electronics & Other General Merchandise	7,365	11,397	15,355	18,817	22,369	—	—	—	—	—	—
Media	8,007	9,820	10,753	10,907	10,938	—	—	—	—	—	—
AWS	—	—	—	3,108	4,644	7,880	12,219	17,459	25,655	35,026	45,370 11.8%
<b>Revenue - Supplementary Breakdown</b>	<b>14,250</b>	<b>19,154</b>	<b>23,010</b>	<b>74,452</b>	<b>88,988</b>	<b>107,006</b>	<b>135,987</b>	<b>177,866</b>	<b>232,887</b>	<b>280,522</b>	<b>386,064</b> <b>100.0%</b>
United States	—	—	—	43,959	54,717	70,537	90,349	120,486	160,146	193,636	263,520 68.3%
Rest of World	—	—	—	5,028	6,099	7,356	11,146	17,150	24,507	31,125	46,035 11.9%
Germany	5,296	7,230	8,732	10,535	11,919	11,816	14,148	16,951	19,881	22,232	29,565 7.7%
United Kingdom	3,929	5,348	6,478	7,291	8,341	9,033	9,547	11,372	14,524	17,527	26,483 6.9%
Japan	5,025	6,576	7,800	7,639	7,912	8,264	10,797	11,907	13,829	16,002	20,461 5.3%
<b>Percentage of Revenue</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
North America	—	—	—	—	—	—	—	60	61	61	61
International	—	—	—	—	—	—	—	30	28	27	27
AWS	—	—	—	—	—	—	—	10	11	12	12
<b>Capital Expenditures</b>	<b>-1,686</b>	<b>-3,044</b>	<b>-4,317</b>	<b>-6,373</b>	<b>-9,481</b>	<b>-9,625</b>	<b>-13,585</b>	<b>-29,783</b>	<b>-25,068</b>	<b>-30,018</b>	<b>-57,976</b>
Corporate	—	—	—	-981	-1,586	-1,801	-1,580	-2,197	-2,060	-1,910	-3,485 6.0%
International	-321	-785	-969	-851	-767	-658	-1,680	-5,196	-2,476	-3,298	-8,072 13.9%
AWS	—	—	—	-2,215	-4,295	-4,681	-5,193	-9,190	-9,783	-13,058	-16,530 28.5%
North America	-1,365	-2,259	-3,348	-2,326	-2,833	-2,485	-5,132	-13,200	-10,749	-11,752	-29,889 51.6%
<b>Total Square Feet/Meter</b>	<b>30,085</b>	<b>48,307</b>	<b>73,081</b>	<b>93,884</b>	<b>113,719</b>	<b>134,990</b>	<b>179,345</b>	<b>253,985</b>	<b>288,419</b>	<b>333,786</b>	<b>474,516</b> <b>100.0%</b>
North America	18,887	29,780	40,638	54,629	66,107	81,501	111,599	173,295	198,827	236,485	345,384 72.8%
Fulfillment, Datacenters & Other	—	—	35,600	48,342	58,633	71,655	99,452	135,825	158,384	192,739	294,138 62.0%
Office Space	—	—	5,038	6,287	7,474	9,846	12,147	16,386	20,543	23,012	29,427 6.2%
Physical Stores	—	—	—	—	—	—	—	21,084	19,900	20,734	21,819 4.6%
Fulfillment & Other	—	26,364	—	—	—	—	—	—	—	—	—
Office Space	—	3,416	—	—	—	—	—	—	—	—	—
International	11,198	18,527	32,443	39,255	47,612	53,489	67,746	80,690	89,592	97,301	129,132 27.2%
Fulfillment, Datacenters & Other	—	—	30,783	36,253	44,241	48,646	60,432	73,022	74,681	79,438	108,117 22.8%
Office Space	—	—	1,660	3,002	3,371	4,843	7,314	7,466	14,738	17,694	20,846 4.4%
Physical Stores	—	—	—	—	—	—	—	202	173	169	169 0.0%
Fulfillment & Other	—	17,690	—	—	—	—	—	—	—	—	—
Office Space	—	837	—	—	—	—	—	—	—	—	—
Corporate Office Facilities	—	—	—	—	—	—	—	—	—	—	—
Fulfillment and Warehouse Operations	—	—	—	—	—	—	—	—	—	—	—

Table 26: Amazon DCF Original Calculations of FCFF

In Millions of USD except Per Share	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020		2021E	2022E	2023E	2024E	2025E	2026E	CAGR
12 Months Ending	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020		12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	
+ Revenue	88,988.0	107,006.0	135,987.0	177,866.0	232,887.0	280,522.0	386,064.0	201,331.4	472,836.6	561,556.2	641,993.1	727,214.0	786,789.5	810,418.2	13.16%
% YOY growth	19.52%	20.25%	27.08%	30.80%	30.93%	20.45%	37.62%	27.86%	22.48%	18.76%	14.32%	13.27%	8.19%	3.00%	13.34%
Online Stores	—	76,863.0	91,431.0	108,354.0	122,987.0	141,247.0	197,346.0	123,038.0	225,329.7	251,490.4	279,808.3	307,481.3	334,785.6	344,829.2	9.75%
YOY growth %			18.95%	18.51%	13.50%	14.85%	39.72%	21.11%	14.18%	11.61%	11.26%	9.89%	8.88%	3.00%	
Third-Party Seller Services	—	16,086.0	22,993.0	31,881.0	42,745.0	53,762.0	80,461.0	41,321.3	104,543.0	128,901.5	155,481.0	180,435.7	204,758.4	210,082.1	17.35%
YOY growth %			42.94%	38.66%	34.08%	25.77%	49.66%	38.22%	29.93%	23.30%	20.62%	16.05%	13.48%	2.60%	
AWS	4,644.0	7,880.0	12,219.0	17,459.0	25,655.0	35,026.0	45,370.0	21,179.0	60,355.7	76,645.7	94,741.8	108,318.3	117,081.2	121,331.3	17.82%
YOY growth %			69.68%	55.06%	42.88%	46.94%	36.53%	46.77%	33.03%	26.99%	23.61%	14.33%	8.09%	3.63%	
Subscription Services	—	4,467.0	6,394.0	9,721.0	14,168.0	19,210.0	25,207.0	13,194.5	33,626.1	43,068.4	52,065.3	59,588.8	64,427.4	66,282.9	17.48%
YOY growth %			43.14%	52.03%	45.75%	35.59%	31.22%	41.54%	33.40%	28.08%	20.89%	14.45%	8.12%	2.88%	
Other	—	1,710.0	2,950.0	4,653.0	10,108.0	14,085.0	21,453.0	9,159.8	31,284.9	42,585.0	40,126.0	50,842.3	44,371.4	45,702.5	13.43%
YOY growth %			72.51%	57.73%	117.24%	39.35%	52.31%	67.83%	45.83%	36.12%	28.26%	19.39%	10.58%	3.00%	
Physical Stores	—	—	—	5,798.0	17,224.0	17,192.0	16,227.0	14,110.3	17,697.2	18,865.2	19,770.7	20,547.7	21,365.5	22,190.2	5.35%
YOY growth %				197.07%	-0.19%	-5.61%	63.76%	9.06%	6.60%	4.80%	3.93%	3.96%	3.86%		
- Cost of Revenue	62,582.0	71,651.0	88,265.0	111,934.0	139,156.0	165,536.0	233,307.0	124,633.0	283,794.6	334,764.2	376,007.1	420,639.1	450,672.8	463,066.3	12.10%
% YOY growth	15.82%	14.49%	23.19%	26.82%	24.32%	18.96%	40.94%	24.79%	21.64%	17.96%	12.32%	11.87%	7.14%	2.75%	
% COGS/sales	70.33%	66.96%	64.91%	62.93%	59.75%	59.01%	60.43%	63.47%	60.02%	59.61%	58.57%	57.84%	57.28%	57.14%	
(=) Gross Profit	26,406.0	35,355.0	47,722.0	65,932.0	93,731.0	114,986.0	152,757.0		189,041.9	226,792.0	265,986.0	306,574.8	336,116.7	347,351.9	14.67%
Gross Profit Margin	29.67%	33.04%	35.09%	37.07%	40.25%	40.99%	39.57%	36.53%	39.98%	40.39%	41.43%	42.16%	42.72%	42.86%	
- Operating Expenses	26,058.0	33,122.0	43,536.0	61,826.0	81,310.0	100,445.0	129,858.0		156,739.78	185,760.63	212,481.61	240,731.78	259,948.05	267,559.69	
OPEX/COGS ratio	41.64%	46.23%	49.32%	55.23%	58.43%	60.68%	55.66%	61.20%	55.23%	55.49%	56.51%	57.23%	57.68%	57.78%	
+ Selling, General & Admin	5,884.0	7,001.0	9,665.0	13,743.0	18,150.0	24,081.0	28,676.0								
		19%	38%	42%	32%	33%	19%	30.51%							
+ Selling & Marketing	4,332.0	5,254.0	7,233.0	10,069.0	13,814.0	18,878.0	22,008.0								
		21%	38%	39%	37%	37%	17%	31.43%							
+ General & Administrative	1,552.0	1,747.0	2,432.0	3,674.0	4,336.0	5,203.0	6,668.0								
		13%	39%	51%	18%	20%	28%	28.17%							
+ Research & Development	9,275.0	12,540.0	16,085.0	22,620.0	28,837.0	35,931.0	42,740.0								
		35%	28%	41%	27%	25%	19%	29.19%							
+ Other Operating Expense	10,899.0	13,581.0	17,786.0	25,463.0	34,323.0	40,433.0	58,442.0								
		25%	31%	43%	35%	18%	45%	32.65%							
EBIT, Operating Income	348.0	2,233.0	4,186.0	4,106.0	12,421.0	14,541.0	22,899.0		32,302.2	41,031.4	53,504.4	65,843.1	76,168.7	79,792.2	23.13%
EBIT margin	0.39%	2.09%	3.08%	2.31%	5.33%	5.18%	5.93%		6.83%	7.31%	8.33%	9.05%	9.68%	9.85%	
- Income Tax Expense (Benefit)	(167.0)	(950.0)	(1,425.0)	(769.0)	(1,197.0)	(2,374.0)	(2,863.0)		(8,075.5)	(10,257.9)	(13,376.1)	(16,460.8)	(19,042.2)	(19,948.1)	
		47.99%	42.54%	34.04%	18.73%	9.64%	16.33%	25.97%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	
+ Depreciation & Amortization	4,746.0	6,281.0	8,116.0	11,478.0	15,341.0	21,789.0	25,251.0		44,162.9	45,823.0	47,956.9	52,141.2	53,895.1	51,916.5	
D&A/sales	5.33%	5.87%	5.97%	6.45%	6.59%	7.77%	6.54%	6.36%	9.34%	8.16%	7.47%	7.17%	6.85%	6.41%	
- Capital expenditure	(4,893.0)	(5,387.0)	(7,804.0)	(11,955.0)	(13,427.0)	(16,861.0)	(40,140.0)		(47,283.7)	(40,656.7)	(44,104.9)	(48,796.1)	(51,456.0)	(51,916.5)	
Capex/sales	5.50%	5.03%	5.74%	6.72%	5.77%	6.01%	10.40%	6.45%	10.00%	7.24%	6.87%	6.71%	6.54%	6.41%	
- Change in Net Working Capital	(407.0)	1,952.0	1,009.0	(104.0)	(1,064.0)	1,529.0	18,332.0		13,906.2	16,596.2	18,056.0	20,028.5	21,347.5	23,159.1	
+ Accounts & Notes Receiv	5,612.0	5,654.0	8,339.0	13,164.0	16,677.0	20,816.0	24,542.0		30024.7	36981.4	46112.1	58442.5	74537.5	96399.4	
% YOY growth		0.75%	47.49%	57.86%	26.69%	24.82%	17.90%	29.25%	22.34%	23.17%	24.69%	26.74%	27.54%	29.33%	
+ Inventories	8,299.0	10,243.0	11,461.0	16,047.0	17,174.0	20,497.0	23,795.0		32123.3	41805.2	52570.0	62437.4	73476.4	84608.0	
% YOY growth		23.42%	11.89%	40.01%	7.02%	19.35%	16.09%	19.63%	35.00%	30.14%	25.75%	18.77%	17.68%	15.15%	
+ Accounts Payable	16,459.0	20,397.0	25,309.0	34,616.0	38,192.0	47,183.0	72,539.0		100256.2	133491.1	171442.6	213668.9	262150.4	318303.0	
% YOY growth		23.93%	24.08%	36.77%	10.33%	23.54%	53.74%	28.73%	38.21%	33.15%	28.43%	24.63%	22.69%	21.42%	
FCFF	-373.0	4,129.0	4,082.0	2,756.0	12,074.0	18,624.0	23,479.0		35,012.1	52,536.1	62,036.2	72,756.0	80,913.0	83,003.2	23.42%

Table 27: Amazon target equity and WACC original calculations

In Millions of USD	2021E 12/31/2021	2022E 12/31/2022	2023E 12/31/2023	2024E 12/31/2024	2025E 12/31/2025	2026E 12/31/2026																								
Free Cash Flow to Firm	35,012.1	52,536.1	62,036.2	72,756.0	80,913.0	83,003.2																								
TV <sup>e</sup> <sub>n</sub>						2,614,858																								
Total Cash Flow		52,536.1	62,036.2	72,756.0	80,913.0	2,697,862																								
DCF years		1	2	3	4	5																								
Discount factor (1/(1+r <sub>e</sub> ) <sup>y</sup> )		0.9410	0.8855	0.8332	0.7841	0.7378																								
DCF		49,436.7	54,932.3	60,623.7	63,443.0	1,990,564																								
Enterprise value	2,218,999.4	<table><tr><th colspan="2">ASSUMPTIONS</th></tr><tr><td>Risk-free (10-year Treasury) =</td><td>2.022%</td></tr><tr><td>Beta Unlevered</td><td>0.844</td></tr><tr><td>Equity Beta =</td><td>1.36</td></tr><tr><td>Market risk premium =</td><td>5.5%</td></tr><tr><td>Debt spread</td><td>1.05%</td></tr><tr><td>Tax rate</td><td>25.00%</td></tr><tr><td>Cost of Equity (r<sub>e</sub>)</td><td>9.5%</td></tr><tr><td>Cost of Debt (r<sub>d</sub>)</td><td>2.30%</td></tr><tr><td>Debt/(Debt+Equity)</td><td>45.0%</td></tr><tr><td>WACC</td><td>6.27%</td></tr><tr><td>Expected nominal growth (FCFF)</td><td>3.00%</td></tr></table>					ASSUMPTIONS		Risk-free (10-year Treasury) =	2.022%	Beta Unlevered	0.844	Equity Beta =	1.36	Market risk premium =	5.5%	Debt spread	1.05%	Tax rate	25.00%	Cost of Equity (r <sub>e</sub> )	9.5%	Cost of Debt (r <sub>d</sub> )	2.30%	Debt/(Debt+Equity)	45.0%	WACC	6.27%	Expected nominal growth (FCFF)	3.00%
ASSUMPTIONS																														
Risk-free (10-year Treasury) =	2.022%																													
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Debt/(Debt+Equity)	45.0%																													
WACC	6.27%																													
Expected nominal growth (FCFF)	3.00%																													
-Interest bearing debt	100,504.0																													
Cash and Cash equivalents	42,122.0																													
-Minority interest	-																													
Financial Investments	42,274.0																													
Equity value	2,202,891.4																													
Outstanding shares	503.00																													
Equity value per share	4,379.51																													
Market price (30/6/2021)	3,440.16																													
Undervalued by	-27.3%																													
Investment decision	BUY																													



Table 28: Amazon relative model original calculations

Ticker	Company Name	Price (6/30/2021)	Market Cap (USD)	EV/Sales (x)		EV/EBITDA (x)		EBITDA Margin		P/E (x)		PEG (x)
				2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E	2022E
AMZN	Amazon	\$3,440	1,730,400	3.7x	3.1x	24.0x	19.0x	15%	16%	48.0x	36.0x	1.2x
Peer												
WMT	Walmart	\$141	395,159	0.8x	0.8x	13.0x	13.0x	6%	6%	26.0x	25.0x	12.2x
BABA	Alibaba	\$226	615,113	4.3x	3.5x	16.0x	14.0x	27%	25%	21.0x	17.0x	0.9x
EBAY	eBay	\$70	45,640	3.7x	3.4x	11.0x	10.0x	34%	34%	15.0x	13.0x	1.2x
ETSY	Etsy.com	\$205	27,895	12.3x	10.2x	40.0x	32.0x	30%	32%	63.0x	48.0x	2.8x
JD	JD.com	\$79	106,902	0.7x	0.6x	27.0x	19.0x	3%	3%	38.0x	26.0x	0.8x
Group Mean				4.36x	3.7x	21.4x	17.6x	20.0%	20.0%	32.6x	25.8x	3.6x
Group Median				0.7x	3.5x	16.0x	14.0x	27%	25%	26.0x	25.0x	1.2x
In Millions of USD		2021E	2022E									
		12/31/2021	12/31/2022									
Amazon EBITDA		73,332	90,636									
Average group Multiples (EV/EBITDA)		21.4x	17.6x									
Amazon's Adjusted Multiple (EV/EBITDA)		23.0x	19.0x									
Enterprise Value		1,686,643	1,722,083									
Avg. Enterprise Value		1,704,363										
Cash & Cash Equivalents (2020)		42,122										
Fixed Assets		211,101										
Total Equity Value		1,957,586										
Diluted shares outstanding		503										
Target Price		3,891.82										
Current Price		3,440.16										
Undervalued by		-13.1%										
Investment Decision		BUY										