

Amazon.com

Double-good Q: AWS accelerating while also raising the L.T. retail margin bar; Buy

Reiterate Rating: BUY | PO: 204.00 USD | Price: 159.28 USD

4Q above Street across most metrics; margins well above

Reported 4Q rev./profit at \$170.0bn/\$13.2bn, both above Street at \$166.2bn/\$10.5bn. N.A. Retail Margin at 6.1% was well above Street at 4.1%, driven by lower “Cost to Serve” (logistics/fulfilment regionalization) as mgmt disclosed Cost to Serve per Unit in the US declined by \$0.45 Y/Y in FY23, with more room to improve from here. AWS growth came in at 13.2%, in line with Street, adding \$1.15bn of rev. q/q (most of any qtr in '23). Mgmt guided to AWS acceleration in 1Q, and indicated AI-driven demand is ramping (mgmt. expects \$10's of billions in A.I. driven AWS revenue L.T.).

Guide soft on revs., but suggests strong retail margins

1Q rev. guide for \$138.0-143.5bn was 1% below Street (\$142.0bn) at midpoint, and suggests growth slows from 14% in 4Q to 8-13% (outlook for 1Q AWS acceleration implies 1Q retail deceleration). Call commentary/outlook suggested Amazon benefitted from a robust December (faster speeds, selection). 1Q profit guide at \$8-12bn brackets Street at \$9.1bn, but suggests strong 8% margins at high end. Amazon indicated that regionalization benefits are likely to continue in '24, and we expect AWS acceleration and robust advertising growth (Prime Video) to fuel margin expansion in future quarters.

Raising revenues across segments + higher margins

We raise revenue across all key segments, and continue to expect AWS rev. acceleration in 2024 (to 17%) as our est. is now \$500mn higher. We also raise 2024E N.A. Margin to 6.6%, vs. 4.9% prior, improving to 8.2% in 2025. For 2025E (important for valuation), we raise to Rev/Profit/GAAP EPS of \$717bn/\$72bn/\$5.30 vs. \$711bn/\$62bn/\$4.58 prior. Amazon has finally arrived at a useable P/E valuation, at 32x using AH price of \$170.

More optimism on AWS rebound & retail margin cycle; Buy

While 4Q results were ahead of estimates, we think the top two stock drivers from the call were outlook for AWS acceleration in 1Q (on top of strong 4Q deal signings, see backlog table on page 5) and for N.A. retail margins to exceed levels from 2018 (excluding a growing advertising benefit). Amazon remains our top large cap stock, we raise our PO to \$204 from \$185, with higher ests & multiples in our SOTP. At our PO, stock would be valued at 14x EBITDA and 38x a real GAAP P/E, well below Amazon's historical averages as margins are finally growing into Amazon's long-term potential.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	1.19	4.98	7.05	8.60	10.20
GAAP EPS	(0.27)	2.90	4.26	5.30	6.43
EPS Change (YoY)	-71.1%	318.5%	41.6%	22.0%	18.6%
Consensus EPS (Bloomberg)			4.65	5.72	7.09
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	133.8x	32.0x	22.6x	18.5x	15.6x
GAAP P/E	NM	54.9x	37.4x	30.1x	24.8x
EV / EBITDA*	22.1x	14.9x	12.0x	10.5x	9.3x
Free Cash Flow Yield*	-0.7%	2.3%	0.9%	2.5%	2.6%

* For full definitions of *IQmethod*SM measures, see page 9.

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02 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	185.00	204.00
2024E Rev (m)	637,254.8	644,082.0
2025E Rev (m)	710,718.9	717,075.3
2026E Rev (m)	786,648.5	793,051.9
2024E EPS	6.52	7.05
2025E EPS	7.78	8.60
2026E EPS	9.30	10.20

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Stock Data

Price	159.28 USD
Price Objective	204.00 USD
Date Established	2-Feb-2024
Investment Opinion	B-1-9
52-Week Range	88.12 USD - 161.73 USD
Mkt Val (mn) / Shares Out (mn)	1,620,037 USD / 10,171.0
Free Float	85.8%
Average Daily Value (mn)	6898.01 USD
BofA Ticker / Exchange	AMZN / NAS
Bloomberg / Reuters	AMZN US / AMZN.OQ
ROE (2024E)	30.3%
Net Dbt to Eqty (Dec-2023A)	36.8%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

L.T. – Long Term

N.A. – North America

iQprofileSM Amazon.com

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	6.0%	15.6%	18.2%	18.0%	19.1%
Return on Equity	9.1%	29.4%	30.3%	26.9%	27.5%
Operating Margin	6.4%	10.7%	13.6%	15.0%	16.0%
Free Cash Flow	(11,569)	36,813	14,202	40,679	42,505

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	3.8x	1.7x	0.9x	1.1x	1.0x
Asset Replacement Ratio	1.4x	1.0x	1.1x	1.1x	1.2x
Tax Rate	54.2%	19.3%	19.7%	20.1%	20.3%
Net Debt-to-Equity Ratio	62.5%	36.8%	9.8%	-17.4%	-17.3%
Interest Cover	14.0x	19.4x	30.8x	37.6x	44.6x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	513,983	574,785	644,082	717,075	793,052
% Change	9.4%	11.8%	12.1%	11.3%	10.6%
Gross Profit	225,152	270,046	313,099	355,063	398,905
% Change	14.0%	19.9%	15.9%	13.4%	12.3%
EBITDA	74,487	110,305	136,926	156,727	177,588
% Change	3.5%	48.1%	24.1%	14.5%	13.3%
Net Interest & Other Income	(18,184)	705	548	548	748
Net Income (Adjusted)	12,170	51,125	72,497	88,406	104,856
% Change	-70.9%	320.1%	41.8%	21.9%	18.6%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(2,717)	29,790	43,746	54,498	66,079
Depreciation & Amortization	41,461	48,663	49,063	49,463	50,463
Change in Working Capital	(21,544)	(13,691)	(29,722)	(7,805)	1,023
Deferred Taxation Charge	(4,192)	(5,876)	16	16	16
Other Adjustments, Net	33,744	26,060	3,099	507	(12,577)
Capital Expenditure	(58,321)	(48,133)	(52,000)	(56,000)	(62,500)
Free Cash Flow	-11,569	36,813	14,202	40,679	42,505
% Change	-27.6%	NM	-61.4%	186.4%	4.5%
Share / Issue Repurchase	10,230	(7,548)	4	8	8
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	13,678	(3,676)	(120)	(120)	(120)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	70,026	86,780	133,917	227,013	227,013
Trade Receivables	42,360	52,253	60,075	68,879	76,046
Other Current Assets	34,405	33,318	59,586	66,556	67,005
Property, Plant & Equipment	186,715	204,177	207,114	213,651	225,688
Other Non-Current Assets	129,169	151,326	151,326	151,326	151,326
Total Assets	462,675	527,854	612,017	727,425	747,078
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	155,393	164,917	173,603	187,335	202,734
Long-Term Debt	161,239	161,062	161,012	160,962	160,762
Other Non-Current Liabilities	NA	NA	NA	NA	NA
Total Liabilities	316,632	325,979	334,615	348,297	363,496
Total Equity	146,043	201,875	277,402	379,129	383,582
Total Equity & Liabilities	462,675	527,854	612,017	727,425	747,078

* For full definitions of iQmethodSM measures, see page 9.

Company Sector

Internet/e-Commerce

Company Description

Amazon.com is one of the world's largest online retailers with a global brand and country specific sites in the U.S., UK, Germany, France, Japan, Canada, China, Spain, Italy, Mexico and India. Amazon also owns several other online retailers and online properties including Zappos.com, Diapers.com, Woot.com, Twitch.com and others. Amazon also operates Amazon Web Services (AWS), a leading cloud-based computing platform for developers and enterprises, and Whole Foods Markets.

Investment Rationale

Amazon is an eCommerce and cloud computing leader with higher market share and margin potential stemming from its global scale, fulfillment footprint and technology platform investments. We think Amazon's focus on the customers and the buyer experience is right for the Internet. We think Amazon is well positioned to capitalize on the global growth of eCommerce and other secular trends such as cloud computing, online advertising and connected devices.

Stock Data

Average Daily Volume 43,775,092

Quarterly Earnings Estimates

	2023	2024
Q1	0.73A	1.43E
Q2	1.18A	1.78E
Q3	1.46A	1.84E
Q4	1.61A	2.00E

Q4 earnings results

Amazon reported revenue/GAAP Operating Income of \$170.0bn/\$13.2bn vs. Street at \$166.2bn/\$10.5bn. Total revenue of \$170.0bn (14% y/y growth, a 1pt acceleration on a 6pt easier comp, +13% y/y ex-FX) was 2% above Street at \$166.2bn and exceeded guidance for \$160bn-\$167bn. Unit growth of 12% y/y (3pt accel on 3pt easier comp) was above our expectations of stable 9% growth. Amazon generated \$77.4bn in gross profit (45.5% gross margin) and was 4% above Street at \$74.7bn, aided by an advertising and 3P seller services revenue beat. GAAP Operating Income of \$13.2bn was well above guidance for \$7bn-\$11bn and beat Street's \$10.5bn estimate by 26%, driven largely by North America retail margins expanding 6.4pts y/y to 6.1% (vs. Street at 4.1%). Overall, 4Q was aided by strong holiday demand, and improving fulfillment speed and efficiencies, a clean holiday quarter.

1Q revenue guidance was at \$138.0bn to \$143.5bn (in our preview we suggested that a range of \$136.0bn to \$142.0bn was likely). The midpoint of \$140.8bn (which implies 10.5% growth) is 1% below prior Street 1Q consensus at \$142.0bn. Operating Income guidance is for \$8.0bn to \$12.0bn (in our preview we suggested that a range of \$7.5bn to \$11.5bn was likely), with the midpoint about \$900mn above prior Street consensus at \$9.1bn and implies a 7.1% margin (vs. Street at 6.4% margin). Mgmt. also notes an increase in the useful life of its servers, from five to six years, which contributes \$900mn in lower depreciation expenses to 1Q operating income guidance. At the high end of guidance, 1Q margins would be around 8%.

For retail margins, mgmt. emphasized strong gains in logistics efficiency driven by regionalization, as well as improved transportation/freight rates, and improved fixed cost leverage with strong unit growth. Delivery speeds reached another all-time high in the quarter, despite lower costs and increased selection of items delivered same-or-next day. With shipping distances reduced, 7bn items arrived same-or-next day, including 4bn+ in the US and 2bn+ in Europe (Same Day items grew 65% Y/Y in Q4). For the first time since 2018, US Cost to Serve was down Y/Y for FY23, with a reduction of 45 cents per unit in the US and mgmt. noted there is still "meaningful upside" ahead in Cost to Serve with "ways to hone" regionalization in 2024, particularly in the inbound network/processes. CEO Andy Jassy added that 2018 shouldn't be viewed as the "North Star" for retail margins, with additional upside beyond 2018 margin highs as possible. Amazon noted that geopolitical conflicts in the Red Sea are "not a material impact" for Q1.

Also contributing to the retail margin beat was strong Advertising Revenue, which grew 27% y/y, above Street at 22% Y/Y as Ad Revenue reached \$14.6bn vs. Street at \$14.2bn. The \$400mn ad revenue beat translates to 30bps of North America Margin expansion, assuming 75% flow through.

Amazon also announced several A.I. services for retail, including the new conversational chatbot Rufus, new AI Tools for Fashion shopping, and AI-based image generation tools for advertisers. Rufus utilizes information from Amazon's product catalogue and reviews to answer customer questions and make recommendations. The new AI-based Fashion tools include personalized size recommendations, and a "Fit Review Highlights" tool for styling. The advertiser tools focus on "lifestyle imagery" that can make ads more engaging.

For AWS, growth came in at 13% as mgmt. noted that cost optimization "attenuated very significantly", with the "lions share" of optimization now in the past. Larger new deals also accelerating with existing migrations growing, as mgmt. noted "rapidly" accelerating revenues in AI, and "significant interest" among customers in GenAI services. Backlog growth accelerated, reaching \$155.7bn (+41% Y/Y, a 13pt acceleration



vs. 3Q growth). The AWS margin also beat Street, at 29.6% vs. Street at 27.6%, with ongoing upside from lower headcount & hiring rates. Mgmt. noted that it has the most expansive AI services using its NVIDIA chips, as well as its own more cost-conscious Trainium and Inferentia chips. New foundational models on Amazon Bedrock include those from Anthropic and Meta, as mgmt. noted customers prefer “meaningful iteration” across multiple models, which is streamlined with Bedrock.

Exhibit 1: AWS Results

AWS Backlog growth accelerated to 41% Y/Y

AWS Model (\$mn)	2022A	1Q23A	2Q23A	3Q23A	4Q23A	2023A
AWS Revenue	80,096	21,354	22,140	23,059	24,204	90,757
Q/Q Revenue		(24)	786	919	1,145	
Y/Y Growth	29%	16%	12%	12%	13%	13%
AWS Profit (\$mn)	2022A	1Q23A	2Q23A	3Q23A	4Q23A	2023A
AWS Operating Income	22,841	5,123	5,365	6,976	7,167	24,631
Margin	28.5%	24.0%	24.2%	30.3%	29.6%	27.1%
Y/Y % Change	-1.3%	-11.4%	-4.7%	3.9%	5.3%	-1.4%
AWS Backlog	2022A	1Q23A	2Q23A	3Q23A	4Q23A	2023A
Backlog	110,400	122,000	132,100	133,000	155,700	155,700
y/y growth	37%	37%	32%	28%	41%	41%
\$ addition	30,000	11,600	10,100	900	22,700	45,300

Source: BofA Global Research estimates, company report

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Positives from 4Q earnings

- **North America operating margin above 6% in 4Q.** North America operating margins were 6.1% this quarter (vs. Street at 4.1%). Lower y/y cost-to-serve per unit, strong advertising growth (1pt accel to 26% y/y), and high-margin 3P revenue helped drive upside, as well as a strong quarter for Amazon’s fulfilment teams.
- **AWS grew 13.2%, ahead of expectations (data driven fears).** AWS growth accelerated 90bps vs. 3Q to 13.2% y/y. AWS added \$1.15bn of rev. q/q, the most of any quarter in 2023, with mgmt. expecting acceleration in 2024 from optimization headwinds attenuating, as well as an accelerating in large deals & ramping AI demand.
- **1Q margin guidance well above expectations.** Amazon guided to 1Q profit of \$8bn-\$12bn, with the midpoint exceeding Street’s \$9.1bn estimate and suggesting a 7.1% margin. Acceleration in AWS, further efficiencies in retail, and continued ad growth should drive margin improvement (see note on retail [Margin Upside](#)).
- **Gaining share: Unit growth accelerates as 3P revenue beat by 4%.** Unit growth of 12% y/y beat our est. of stable 9% growth. Trends were driven by strong 3P unit growth (now 61% of total units, +2pts y/y), leading to higher-margin 3P seller service revenue beating Street estimates by 4%. We think Amazon had an especially strong December, and likely took additional N.A. Online market share in 4Q.

Negatives from 4Q earnings

- **Revenue guide suggests decel in retail.** Guide anticipates 1Q revenue growth of 8-13% y/y (with 40bps FX tailwind), suggesting a deceleration from 14% growth in 4Q on a stable comp. Given commentary suggesting AWS acceleration, guide implies a deceleration in retail, likely following an unusually strong holiday quarter for Amazon.
- **International retail margin remains negative.** Even though Amazon’s Int’l margin expanded 5.4pts y/y to -1.0% (driven increased packing density & lower

transportation rates), improvement was below N.A.'s expansion of 6.4pts y/y. Mgmt. indicated Prime benefits (which now include sports broadcasts) tend to cost more in International markets.

Actuals vs. Estimates

Amazon reported revenue/GAAP Operating Income of \$170.0bn/\$13.2bn vs. Street at \$166.2bn/\$10.5bn. Total revenue of \$170.0bn (14% y/y growth, a 1pt acceleration on a 6pt easier comp, +13% y/y ex-FX) was 2% above Street at \$166.2bn and exceeded guidance for \$160bn-\$167bn. Amazon generated \$77.4bn in gross profit (45.5% gross margin, +2.9pts y/y) and was 4% above Street at \$74.7bn, likely from advertising revenue and AWS profitability beat. GAAP Operating Income of \$13.2bn also exceeded guidance for \$7bn-\$11bn and beat Street's \$10.5bn estimate by 26%, driven largely by North America retail margins expanding 6.4pts y/y to 6.1% (vs. Street at 4.1%). GAAP EPS of \$1.00 was \$0.32 above Street at \$0.78, aided by operating income beat and share growth of only 50bps q/q, the lowest rate since 3Q'22.

Exhibit 2: Actuals vs. Estimates

Amazon reported revenue/GAAP Operating Income of \$170.0bn/\$13.2bn vs. Street at \$166.2bn/\$10.5bn

	4Q23 AvE		
	Actuals	Est	Diff.
North America Revenue	105,514	102,863	2,651
International Revenue	40,243	38,910	1,333
AWS	24,204	24,072	132
Total Revenue	169,961	165,845	4,116
y/y Growth	14%	11%	3%
Gross profit	77,408	72,972	4,436
Gross Profit %	45.5%	44.0%	1.5%
Fulfillment	26,095	24,877	1,218
Fulfillment %	15.4%	15.0%	0.4%
Operating expenses:			
Marketing	12,902	12,107	795
Technology and content	22,038	21,892	146
G & A	3,010	3,151	-141
Other operating exp. (Inc.)	154	26	129
Operating exp.	38,104	37,175	929
Operating Expense %	22.4%	22.4%	0.0%
GAAP Operating Income (loss)	13,209	10,920	2,289
Operating Margin	7.8%	6.6%	1.2%
GAAP Income Tax	3,062	2,088	974
Tax Rate (GAAP taxes)	22%	19%	3%
GAAP Net Income	10,624	8,907	1,717
Diluted EPS (loss) - GAAP	\$1.00	\$0.84	\$0.16
Stock Comp. In Above	5,606	5,879	-273
CSOI (GAAP Op. Inc. ex. SBC & Other)	18,969	16,825	2,144
Adjusted pre-tax income (loss)	19,446	16,895	2,551
Adjusted Net Income	15,946	13,854	2,092
Adjusted diluted EPS	\$1.55	\$1.35	\$0.20

Source: Company reports, BofA Global Research

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Exhibit 3: Actuals vs. Estimates

Amazon reported revenue/GAAP Operating Income of \$170.0bn/\$13.2bn vs. Street at \$166.2bn/\$10.5bn

Metrics			
Online Stores	70,543	68,246	2,297
y/y Growth	9.3%	5.8%	3.6%
Physical Stores	5,152	5,181	-29
y/y Growth	4%	5%	-0.6%
Retail 3P seller services	43,559	42,366	1,193
y/y Growth	19.9%	16.6%	3.3%
Retail subscription services	10,488	10,384	104
y/y Growth	14.1%	13.0%	1.1%
AWS	24,204	24,072	132
y/y Growth	13.2%	12.6%	0.6%
Advertising services	14,654	14,331	323
y/y Growth	26.8%	24.0%	2.8%
Other	1,361	1,266	95
y/y Growth	8.6%	1.0%	7.6%
Total Revenue	169,961	165,845	4,116
y/y Growth	13.9%	11.2%	2.8%
Segment Profit Trends			
North America	Actuals	Est	Diff.
Operating Income (GAAP)	6,461	3,897	2,564
North America Margin %	6.1%	3.8%	2.3%
Y/Y P.P.Change	6.4%	4.0%	2.3%
International			
Operating Income (GAAP)	-419	-78	-341
International Margin %	-1.0%	-0.2%	-0.8%
Y/Y P.P.Change	5.4%	6.3%	-0.8%
AWS			
Operating Income (GAAP)	7,167	7,101	66
AWS Margin %	29.6%	29.5%	0.1%
Y/Y P.P.Change	5.3%	5.2%	0.1%
Operating Income (GAAP)	13,209	10,920	2,289
Operating Margin %	7.8%	6.6%	1.2%
Y/Y Change	383%	299%	84%

Source: Company reports, BofA Global Research

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Estimate Changes

For our estimates, we raise revenues for all three segments, including ~\$100mn higher AWS revenue in 1Q, and \$487mn higher AWS revenue for 2024E. International Revenue



also improved due to higher than expected FX tailwinds. Our North America Margin for 2024E is now at 6.6% vs. 4.9% prior, improving to 8.2% in 2025. Our AWS and International margins remained mostly unchanged for 2024E.

For 1Q24E, we increase our revenue estimate by 0.7% to \$143.1bn, increase our above-street Operating Income estimate by 2.6% to \$11.49bn, and increase our GAAP EPS by \$0.03 to \$0.88.

For 2024E, we increase our revenue estimate by 1.1% to \$644.1bn, increase our Operating Income estimate by 12.1% to \$56.1bn, and increase our GAAP EPS by \$0.47 to \$4.26.

For 2024E, we are now at Rev/Profit/GAAP EPS of \$644bn/\$56bn/\$4.26 vs. \$637bn/\$50bn/\$3.78 prior.

For 2025E, we are now at Rev/Profit/GAAP EPS of \$717bn/\$72bn/\$5.30 vs. \$711bn/\$62bn/\$4.58 prior.

Exhibit 4: Estimate Changes

For 2024E, we are now at Rev/Profit/GAAP EPS of \$644bn/\$56bn/\$4.26 vs. \$637bn/\$50bn/\$3.78 prior.

	1Q24E			2024E			2025E		
	Old	New	Diff.	Old	New	Diff.	Old	New	Diff.
North America Revenue	85,021	85,455	434	388,150	391,675	3,524	429,489	432,291	2,802
International Revenue	32,443	32,879	436	143,824	146,640	2,815	159,631	162,757	3,125
AWS	24,643	24,749	107	105,280	105,767	487	121,599	122,028	429
Total Revenue	142,107	143,084	977	637,255	644,082	6,827	710,719	717,075	6,356
y/y Growth	12%	12%	1%	12%	12%	0%	12%	11%	-0.2%
Gross profit	68,354	70,111	1,758	302,766	313,099	10,333	342,566	355,063	12,497
Gross Profit %	48.1%	49.0%	0.9%	47.5%	48.6%	1.1%	48.2%	49.5%	1.3%
Fulfillment	22,027	22,750	724	101,628	101,996	368	111,583	112,581	998
Fulfillment %	15.5%	15.9%	0.4%	15.9%	15.8%	-0.1%	15.7%	15.7%	0.0%
Operating expenses:									
Marketing	10,232	10,731	500	46,839	48,825	1,986	53,304	53,781	477
Technology and content	22,027	22,035	8	91,288	92,666	1,378	101,633	102,655	1,022
G & A	2,842	3,005	163	12,872	13,149	276	13,859	13,983	124
Other operating exp. (Inc.)	31	100	70	122	400	278	142	420	278
Operating exp.	35,131	35,871	740	151,121	155,040	3,919	168,938	170,838	1,901
Operating Expense %	24.7%	25.1%	0.3%	23.7%	24.1%	0.4%	23.8%	23.8%	0.1%
GAAP Operating Income (loss)	11,196	11,490	294	50,017	56,063	6,046	62,046	71,644	9,598
Operating Margin	7.9%	8.0%	0.2%	7.8%	8.7%	0.9%	8.7%	10.0%	1.3%
GAAP Income Tax	2,136	2,209	73	9,537	10,756	1,219	11,822	13,716	1,894
Tax Rate (GAAP taxes)	19%	19%	0%	19%	19%	0%	19%	19%	0%
GAAP Net Income	9,109	9,418	308	40,662	45,855	5,194	50,400	58,475	8,076
Diluted EPS (loss) - GAAP	\$0.86	\$0.88	\$0.03	\$3.78	\$4.26	\$0.47	\$4.58	\$5.30	\$0.72
Stock Comp. In Above	6,200	6,200	0	31,400	31,400	0	35,200	35,200	0
CSOI (GAAP Op. Inc. ex. SBC & Other)	17,426	17,790	363	81,539	87,863	6,324	97,388	107,264	9,876
CSOI Margin	12.3%	12.4%	0.2%	12.8%	13.6%	0.8%	13.7%	15.0%	1.3%
Adjusted pre-tax income (loss)	17,470	17,927	456	81,715	88,411	6,696	97,564	107,812	10,248
Adjusted Net Income	14,326	14,700	374	67,007	72,497	5,491	80,002	88,406	8,403

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Valuation

Our \$204 Price Objective is based on our SOTP analysis that values the 1P retail business at 1.1x 2025E Revenue (including subscription/Prime membership fees), 3P retail business at 2.6x 2025E Revenue, AWS at 8.0x 2025 Sales, and the advertising business at 5.0x 2025 Sales. For 2025E, our 8.0x AWS multiple is below our SaaS comps at 8.9x, our 1.1x GMV multiple is a slight discount to our retail comps at 1.2x, and our 5.0x advertising multiple is a slight discount to our digital advertising comps at 5.2x. We think some conglomerate discount is warranted with elevated regulatory/antitrust risk, but long-term we believe that in-line to discount multiples are possible given growth rates in-excess of peers.

Our PO of \$204 for Amazon implies 3.0x P/Sales, a multiple in the upper half of Amazon's historical range of 1.0-3.5x. With improving margins from growth of AWS and advertising, we think Amazon's revenue multiple can expand over time.

Exhibit 5: Sum of Parts PO

We use multiples in line to slightly below comps

Metric	2025E	Comps (EV / Revenue)
AWS Revenue	\$122,028	
<i>P/S Multiple</i>	<i>8.0x</i>	<i>SaaS Comps 8.9x</i>
AWS Valuation	\$976,223	
AWS per share	\$92	
1P Retail Revenue (Includes Subscription)	\$339,323	
<i>Price / 1P Retail Revenue Multiple</i>	<i>1.1x</i>	<i>Retail Comps 1.2x</i>
First-Party Retail Valuation	\$373,255	
1P Retail per share value	\$35	
Third-Party Revenue	\$181,128	
<i>P/ 3P Revenue Multiple</i>	<i>2.6x</i>	<i>Third-Party Marketplace 2.6x</i>
Retail Valuation	\$470,932	
3P Retail per share value	\$44	
Advertising Revenue	68,568	
<i>P/S Multiple</i>	<i>5.0x</i>	<i>Online Ads 5.2x</i>
Advertising Valuation	\$345,583	
Amazon Advertising per share	\$33	
Implied market cap (\$mn)	\$2,165,994	
Total Amazon Value	\$204	
Shares outstanding	10,610	

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH



Price objective basis & risk

Amazon.com (AMZN)

Our PO of \$204 is based on our SOTP analysis that values the 1P retail business at 1.1x 2025E Revenue (including subscription/Prime membership fees), 3P retail business at 2.6x 2025E Revenue, AWS at 8.0x 2025 Sales, and the advertising business at 5.0x 2025 Sales. For 2025E, our 8.0x AWS multiple is relatively below our SaaS comps at 8.9x, our 1.1x GMV multiple is a slight discount to our retail comps at 1.2x, and our 5.0x advertising multiple is a slight discount to our digital advertising comps at 5.2x. We think some conglomerate discount is warranted with elevated regulatory/antitrust risk, but long-term we believe that in-line to discount multiples are warranted given growth rates in-excess of peers.

Our PO of \$204 for Amazon implies 3.0x P/Sales, a multiple toward the high end of Amazon's historical range of 1.0-3.5x. With improving margins long-term, we expect the revenue multiple should trend upward over time.

Downside risks to our price objective are increasing competition from offline and local retailers, AWS client cost optimization impact on revenues and margins, and regulatory pressure on the 3P marketplace. The stock has been subject to heavy volatility in the past, based on margin trends, and this volatility could increase due to economic uncertainty.

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I, Justin Post, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alphabet	GOOGL	GOOGL US	Justin Post
	Alphabet	GOOG	GOOG US	Justin Post
	Amazon.com	AMZN	AMZN US	Justin Post
	AppLovin	APP	APP US	Omar Dessouky, CFA
	DoorDash	DASH	DASH US	Michael McGovern
	DoubleVerify Holdings, Inc.	DV	DV US	Omar Dessouky, CFA
	Electronic Arts	EA	EA US	Omar Dessouky, CFA
	Expedia	EXPE	EXPE US	Justin Post
	Integral Ad Science Holding Corp.	IAS	IAS US	Omar Dessouky, CFA
	LegalZoom	LZ	LZ US	Michael McGovern
	Match Group	MTCH	MTCH US	Curtis Nagle, CFA
	Meta Platforms Inc	META	META US	Justin Post
	Pinterest	PINS	PINS US	Justin Post
	RH	RH	RH US	Curtis Nagle, CFA
	Roblox Corp. Class A	RBLX	RBLX US	Omar Dessouky, CFA
	Squarespace, Inc.	SQSP	SQSP US	Michael McGovern
	Uber	UBER	UBER US	Justin Post
	Udemy Inc	UDMY	UDMY US	Curtis Nagle, CFA
	Vivid Seats	SEAT	SEAT US	Curtis Nagle, CFA
	Wayfair	W	W US	Curtis Nagle, CFA
	Wix.com	WIX	WIX US	Michael McGovern
NEUTRAL				
	ACV Auctions	ACVA	ACVA US	Curtis Nagle, CFA
	Airbnb	ABNB	ABNB US	Justin Post
	Beyond Inc	BYON	BYON US	Curtis Nagle, CFA
	Booking Holdings Inc	BKNG	BKNG US	Justin Post
	Bumble	BMBL	BMBL US	Curtis Nagle, CFA
	Digital Turbine, Inc	APPS	APPS US	Omar Dessouky, CFA

US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Duolingo	DUOL	DUOL US	Curtis Nagle, CFA
	eBay	EBAY	EBAY US	Justin Post
	Etsy, Inc.	ETSY	ETSY US	Curtis Nagle, CFA
	Instacart	CART	CART US	Justin Post
	Magnite, Inc.	MGNI	MGNI US	Omar Dessouky, CFA
	Snap	SNAP	SNAP US	Justin Post
	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA
	Zillow	ZG	ZG US	Curtis Nagle, CFA
	Zillow	Z	Z US	Curtis Nagle, CFA
UNDERPERFORM				
	Chewy Inc	CHWY	CHWY US	Curtis Nagle, CFA
	Lyft, Inc.	LYFT	LYFT US	Michael McGovern
	Opendoor Technologies	OPEN	OPEN US	Curtis Nagle, CFA
	Peloton	PTON	PTON US	Curtis Nagle, CFA
	Playtika	PLTK	PLTK US	Omar Dessouky, CFA
	Redfin Corp	RDFN	RDFN US	Curtis Nagle, CFA
	Shutterstock	SSTK	SSTK US	Curtis Nagle, CFA

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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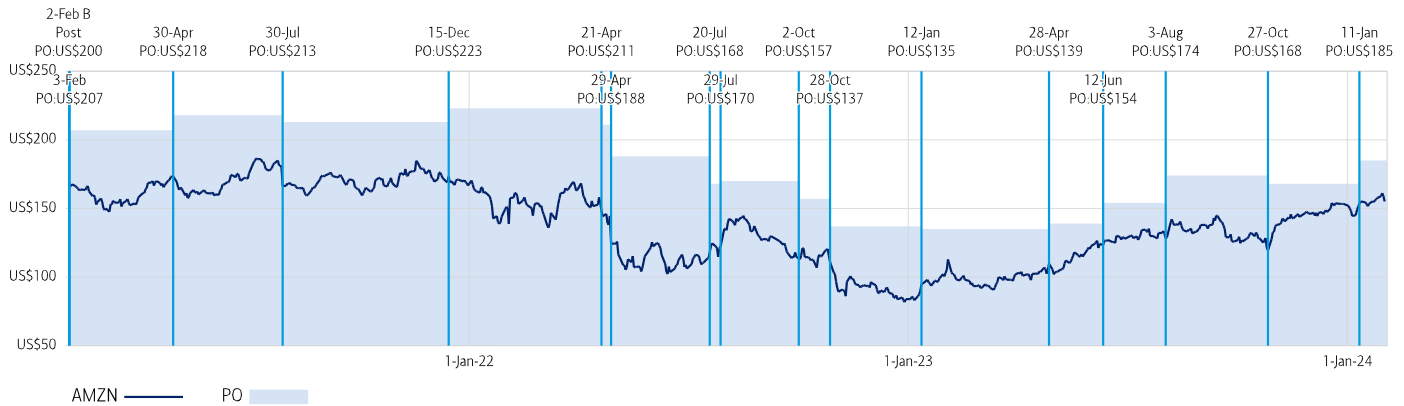
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Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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