

Amazon.com

Spring sales event could add modest GMV growth in 1Q

Maintain Rating: BUY | PO: 204.00 USD | Price: 178.75 USD

Amazon to host Big Spring Sale next week

Amazon will host its first-ever Big Spring Sale beginning on Wednesday, 3/20 and run for six days through the 25th. Per Amazon, Prime members will have special access to a “suite of exclusive deals” with “new deals [that] will drop each day”, however the event will also be accessible to customers without a Prime subscription. Amazon highlighted discounts on “warm-weather essential” categories like spring fashion, outdoor furniture, lawn/garden, and cleaning/organizing products, with discounts reaching as high as 50%. The company also emphasized its delivery speeds, which improved to its fastest speed ever in 2023 due to regionalization, with Amazon noting that “tens of millions” of items will be available through same- or one-day shipping.

Event to likely bolster GMV, but timing interesting

The Big Spring Sale event is 3x the length of typical sales events, such as Prime Day that historically lasts two days. Amazon would typically have an event like this to boost sales during a slow period, but this sale seems targeted at fewer categories could be a move to get ahead of direct competition (see next paragraph). Assuming some borrowing of revenues from non-sale days, we see potential for \$1-2bn in incremental GMV during the period. Also, Amazon now has had experience with multiple sales events in the same year, and may see lasting branding and Prime membership (acquisition & churn) benefits. A potential concern is that this sale was scheduled late in the quarter and could be borrowing some sales from 2Q.

Sale ahead of other spring sale events

Wayfair (W) typically hosts its bi-annual sales event, Way Day, in late-April. Though Way Day’s contribution to sales is hard to quantify, the springtime promotion is typically a larger event for the company. With Amazon seemingly focusing on warmer weather items (and specifically mentioning outdoor furniture), Big Spring Sale could drive home goods share to Amazon. The Big Spring Sale also comes when the furnishing market is trying to jumpstart incremental demand, with Wayfair launching its first brand campaign in approx. 5yrs that should be an important driver of traffic and revenues (see report: [takeaways from BofA Consumer Conference](#)). Finally, this event could be near the relaunch of Overstock.com that Beyond mgmt. had targeted for the end of March.

Sales a new share driver for Amazon; Maintain Buy

We would expect some debate on event timing, which is at end of the quarter, but the event could drive some upside to 1Q revenues, with modest margin pressure due to discounting. We note Amazon has been gaining share (see [4Q eCommerce recap report](#)) due to faster delivery speeds and a growing assortment of items, and additional sale events are becoming more frequent. We remain constructive on continued Retail Margin expansion that should be supported by robust advertising growth (aided by ramp of Prime Video ads) and continued optimization of Amazon’s regionalized network. Maintain Buy rating on Amazon.

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Stock Data

Price	178.75 USD
Price Objective	204.00 USD
Date Established	2-Feb-2024
Investment Opinion	B-1-9
52-Week Range	92.71 USD - 180.14 USD
Mkt Val (mn) / Shares Out (mn)	1,818,066 USD / 10,171.0
Free Float	88.4%
Average Daily Value (mn)	8353.28 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

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N.A.: North America

GMV: Gross Merchandise Value

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.

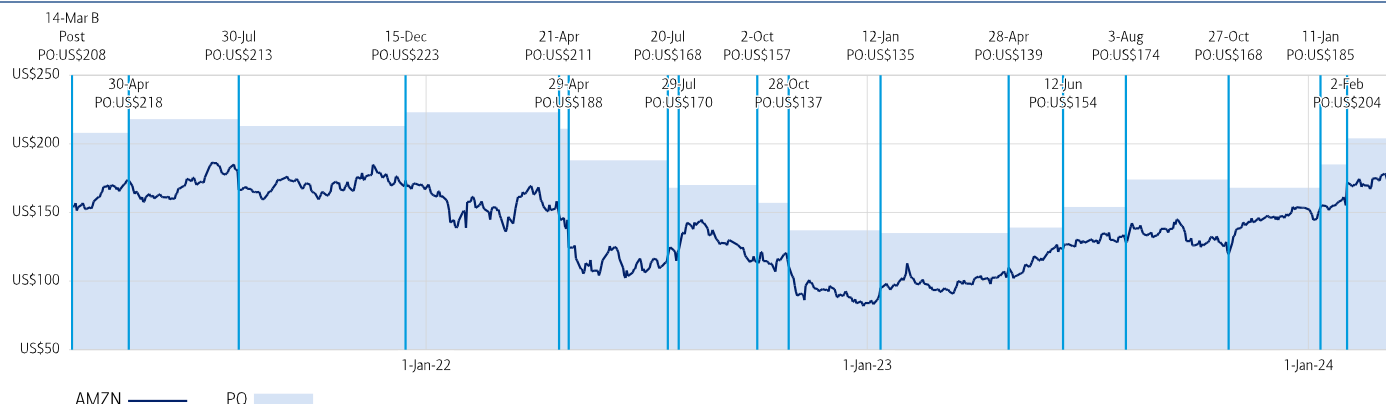
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Amazon.com (AMZN) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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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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