

Amazon.com

Alexa, What Will Amazon Disrupt Next? Taking a Closer Look at Ring & Amazon's Smart Home Strategy

We are continuing our series that takes a closer look at Amazon's innovative and disruptive investment areas. We kicked off our series last week looking at Amazon's grocery strategy and Whole Foods integration ([here](#)), and in this note we focus on Ring and Amazon's smart home strategy. We believe the smart home category represents a significant growth opportunity for Amazon, with ~29M connected homes in the US (per McKinsey), including ~13M with active smart speakers (per comScore), and a long runway ahead with ~100M broadband homes in the US and nearly 1B globally. We estimate Amazon's smart home TAM is ~\$50B+ in the US, which assumes ~50M homes spending ~\$1k on smart devices, and much larger globally. **Beyond its market size, we believe the smart home is a strategically important category as it provides Amazon with an in-home presence, greater access to data, and the potential to drive more shopping in other categories through Echo devices/Alexa.** Amazon faces significant competition from other major tech platforms including Alphabet and Apple, traditional home security companies, and more niche players such as smart lock maker August (acquired by ASSA ABLOY). We believe Amazon is well positioned with its strong Echo/Alexa market share, while Ring provides Amazon with a competitive offering to Nest, and in our view Ring will prove to be a highly strategic asset that significantly improves Amazon's smart home offering and position in the home over time.

- **What Is Ring?** Amazon acquired Ring in February 2018 for a reported ~\$1B+, making it one of the largest acquisitions in the company's history behind Whole Foods. Ring is best known for its video doorbell, which launched in 2013 and is used by an estimated ~2M customers in the US (per IHS Market), representing a ~97% market share (per NPD). Ring expanded its product offering to include outdoor security cameras in 2016, and it has announced plans for a 2018 product roadmap that includes a home security system and indoor/outdoor camera (see Figure 3 for Ring's full product suite). Ring more than doubled its revenue to ~\$415M in 2017 (per [media reports](#)), has ~2,000 employees, and is a direct competitor to Nest. We note Ring and Nest products are becoming increasingly competitive, with Nest shipping its first video doorbell in March 2018 and Ring expected to launch its first indoor camera and security system later this year. See Figure 1 for a comparison of Ring and Nest smart product offerings.

Amazon.com Inc (AMZN;AMZN US)

FYE Dec	2015A	2016A	2017A	2018E	2019E
EPS - Reported (\$)					
Q1 (Mar)	(0.12)	1.07	1.48	1.12	-
Q2 (Jun)	0.19	1.78	0.40	1.72	-
Q3 (Sep)	0.17	0.52	0.52	0.89	-
Q4 (Dec)	1.00	1.54	3.75	4.25	-
FY	1.25	4.90	6.15	8.00	15.95

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

AMZN, AMZN US

Price: \$1,544.92

Price Target: \$1,650.00

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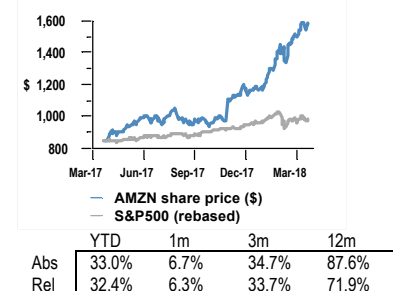
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Price Performance



Company Data

Price (\$)	1,544.92
Date Of Price	22-Mar-18
52-week Range (\$)	1,617.54-833.50
Market Cap (\$ mn)	765,507.90
Fiscal Year End	Dec
Shares O/S (mn)	496
Price Target (\$)	1,650.00
Price Target End Date	31-Dec-18

See page 12 for analyst certification and important disclosures, including non-US analyst disclosures.

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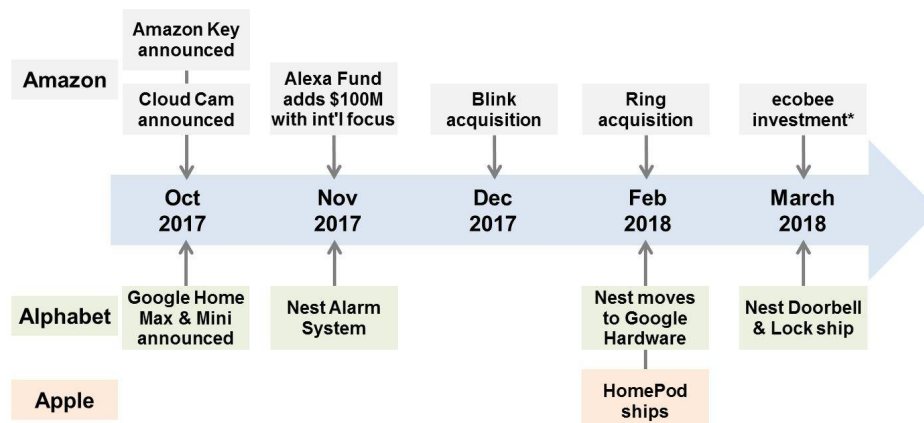
Figure 1: Comparison of Ring & Nest Smart Product Offerings

	Ring	Nest
Thermostat	-	✓ \$169-\$249
Camera-Indoor	✓* TBD	✓ \$199-\$299
Camera-Outdoor	✓ \$199-\$249	✓ \$199-\$349
Doorbell	✓ \$179-\$499	✓ \$229
Security System	✓* \$199	✓ \$499
Lock	-	✓ \$279

Source: Company websites. Note: * Expected to begin shipping in 2018.

- Why Did Amazon Buy Ring?** In the near term, Ring helps Amazon address the issue of package theft, and we believe Ring doorbells/cameras could integrate with Amazon Key to help accelerate the adoption of in-home delivery. While this alone might justify Ring's ~\$1B+ acquisition price, in our view the Ring acquisition signals that Amazon has much bigger smart home ambitions. **Over time, we believe Ring will prove to be a highly strategic asset that Amazon leverages to offer a fully integrated smart home solution, which we believe represents a ~\$50B+ TAM in the US and much larger globally.** Amazon, Alphabet, and Apple are each investing in smart home offerings (see Figure 2), though the market remains fragmented and before Nest recently expanded its product suite, no tech platform offered a fully integrated smart home stack—i.e., voice assistant, smart speaker hub, full suite of smart devices, and third-party appliance integration. We believe Amazon's ability to combine Ring smart devices with its Echo device/Alexa ecosystem significantly improves its smart home offering, extending its Echo/Alexa leadership in the living room/kitchen to the front porch and potentially beyond over time.

Figure 2: Mega-Cap Tech Platforms Have Ramped Smart Home Investments—Last 6-Month Snapshot



Source: Company websites. Note: *Investment made through Alexa Fund.

Taking a Closer Look at Ring & Amazon's Smart Home Strategy

Ring

- Acquired in Feb'18 for ~\$1B+
- Founder & CEO: **Jamie Siminoff**
- HQ in **Santa Monica, CA**
- **Revenue of ~\$415M** in 2017 (per [Forbes](#))
- ~2,000 employees

- **What is Ring?** Founded in 2012, Ring is best known for its video doorbell that launched in 2013 and has since grown to reach ~2 million customers (per IHS Markit), representing an estimated ~97% market share of US video doorbells. Amazon's Alexa Fund initially made an investment in March 2016, and Ring launched an Alexa skill in June 2016 that connected select Ring devices with the Echo Show and Fire TVs. Ring expanded its product offering to include outdoor security cameras in 2016, and most recently it announced plans for a 2018 product roadmap that includes a home security system, Ring Beams (smart security lights), and updated Stick Up Camera that works indoor/outdoor (see Figure 3). We note Ring initially [launched its home security system in Oct'17](#), though it was required to suspend sales due to a pending lawsuit from ADT that has since been settled. In addition to hardware sales, Ring offers subscription plans for \$3-10/month, or \$30-100/year, that provide users with video recordings for up to 60 days, 24/7 professional monitoring, and more.

Figure 3: Ring Products—Video Doorbells, Security Cams, Security System, & Security Lights

1
Video Doorbells

Video Doorbell
\$179.00
Battery-powered Video Doorbell. Works on every home.


Video Doorbell 2
\$199.00
Next-gen Video Doorbell with enhanced video resolution and quick-release battery.


Video Doorbell Pro
\$249.00
Hardwired doorbell with advanced security features and a sleek design.


Video Doorbell Elite
\$499.00
Professional-grade doorbell with PoE and flush-mounted install.


2
Security Cams

Spotlight Cam Battery
\$199.00
Battery-powered security camera with LED spotlights and siren.


Spotlight Cam Wired
\$199.00
Plug-in security camera with LED spotlights and siren.


Spotlight Cam Solar
\$229.00
HD camera with two-way talk and spotlights, connected to a Solar Panel for non-stop power.


Spotlight Cam Mount
\$249.00
Hardwired security camera with LED spotlights and siren.


Floodlight Cam
\$249.00
Hardwired security camera with ultra-bright LED floodlights and siren.


3
Security System

Alarm Indoor Security Kit
\$199.00


Alarm Keypad
\$50.00


Alarm Smoke/CO Listener
\$35.00


4
Indoor/Outdoor Camera

Stick Up Cam


5
Security Lights

Ring Beams


Source: Company website. Note: Ring also offers Accessories & Security System add-ons that are not pictured above.

Why Did Amazon Buy Ring?

- **1) In the near term, we believe Ring helps Amazon better address the issue of package theft, and Ring doorbells/cameras could integrate with the Amazon Key in-home delivery offering.** Amazon Key launched in Nov'17 and offers Prime members in 37 US cities free in-home delivery with the purchase of an Amazon Key Home Kit, which starts at ~\$250 and includes an Amazon Cloud Cam—Amazon's indoor security camera launched in Nov'17—and compatible smart lock (see Figure 4). In addition to in-home package delivery, Amazon Key also integrates with Amazon Home Services and offers keyless access for select service professionals—home cleaners, dog walkers, etc.
- **Our take:** We believe in-home package delivery and keyless service pro access is an attractive option for some consumers, removing a layer of friction for online orders and helping address the issue of package theft. However, we believe Amazon Key adoption is likely low given the high ~\$250 required initial investment, and for many consumers it will likely take time to get comfortable with the concept of allowing a stranger into their home. **We believe Ring could help accelerate adoption of in-home delivery and Amazon Key by adding another security layer and lowering the initial price point for existing Ring customers.** By integrating Ring with Amazon Key, customers would be able to see package couriers and/or service professionals *before* granting access to their home, and current Ring doorbell/camera customers could save the cost of buying an Amazon Cloud Cam.

Figure 4: Amazon Key & Amazon Cloud Cam Offer Prime Members In-Home Delivery



Source: Company website.

- 2) Longer term, we believe Amazon will leverage Ring to extend its Echo/Alexa leadership and offer a fully integrated smart home solution.**
 While sizing the market is challenging, we believe the smart home category represents a ~\$50B+ market opportunity in the US, and even bigger globally. We note our ~\$50B US TAM assumes 50M smart homes vs. the 29M current connected homes and 100M broadband homes, with each household spending an average of \$1,000 on smart devices. Amazon, Alphabet, and Apple are all investing heavily in the smart home category, with each offering a smart speaker, virtual assistant, and integration with third-party smart devices. Amazon has a big lead in the living room/kitchen with Alexa/Echo, but before the Ring acquisition, Alphabet was the only platform to offer a full suite of smart home devices (see Figure 5 for a smart home platform comparison). This led to a fragmented market, which does not provide a very good consumer experience in our view, as multiple purchases across vendors are typically needed to piece together a smart home. For example, a common smart home setup today may consist of an Echo smart speaker, Nest thermostat, August lock, and Ring doorbell, with the devices all connected through the Echo/Alexa via Alexa skills.
- Our take:** Before Amazon's Ring acquisition, Echo/Alexa was the clear leader as the smart home hub and brain, but Alphabet offered the most comprehensive smart home stack. Ring provides Amazon with the ability to extend its leadership to the front door and puts Amazon in a position to compete with Nest to control other parts of the home over time. We believe both Amazon and Alphabet are likely to offer a fully integrated smart home solution over time, which in our view removes friction and could accelerate smart home adoption. We also expect to see tighter integration between Echo/Alexa/Ring, and while Ring devices currently work with Google Home/Assistant, we wouldn't rule out the possibility that Amazon may decide to ultimately make Ring device integration exclusive to Echo/Alexa.

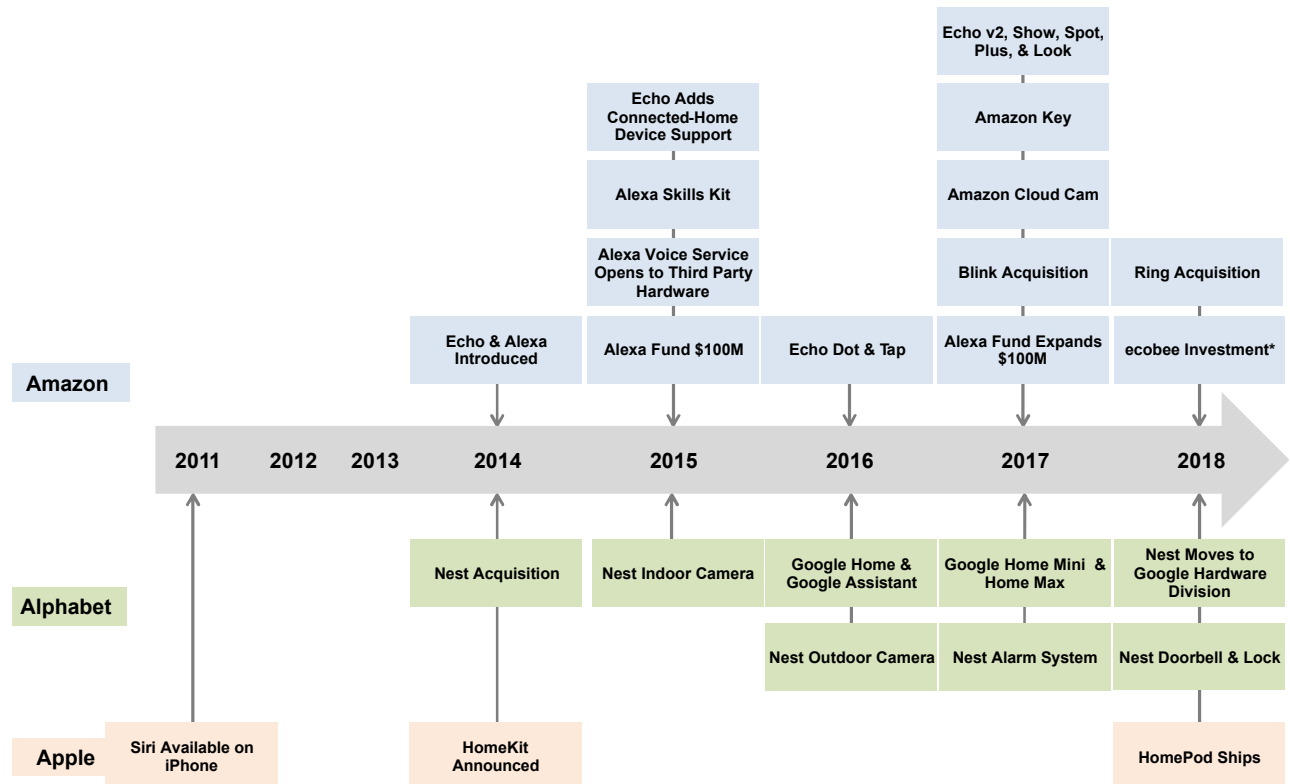
Figure 5: Smart Home Platform Comparison—Amazon, Alphabet, & Apple

	Amazon	Alphabet	Apple
"Brain"...Virtual Assistant	Alexa	Google Assistant	Siri
"Hub"...Smart Speaker	✓	✓	✓
Brands	Ring, Blink, Amazon Cloud Cam	Nest	
Third-Party Integration?	✓	✓	✓
Smart Home Devices:			
Thermostat		✓	
Camera-Indoor	✓	✓	
Camera-Outdoor	✓	✓	
Doorbell	✓	✓	
Security System	✓*	✓	
Lock		✓	

Source: Company websites. Note: * Expected to begin shipping in 2018.

Appendix

Figure 6: Timeline of Key Smart Home Events by Platform



Source: Company websites. Note: * Investment made through Alexa Fund.

Figure 7: Nest Products—Thermostats, Cameras, Doorbell, Lock, & Alarm System

1 Thermostats

Nest Learning Thermostat

Buy for \$248

Nest Thermostat E

Buy for \$199

2 Cameras

Nest Cam IQ OUTDOOR

Buy for \$349

Nest Cam IQ INDOOR

Buy for \$299

Nest Cam OUTDOOR

Buy for \$199

Nest Cam INDOOR

Buy for \$199

3 Doorbell

\$229

4 Lock

Nest x Yale Lock with Nest Connect

\$279

5 Alarm System

Nest Guard

Nest Detect

Nest Tag

Nest Secure alarm system starter pack from \$499

Source: Company website. Note: Nest also offers a Smoke/CO Alarm, & Thermostat Temp Sensors for pre-order. Alarm System starter pack includes 1 Nest Guard, 2 Nest Detects, & 2 Nest Tags.

Investment Thesis, Valuation and Risks

Amazon.com (Overweight; Price Target: \$1,650.00)

Investment Thesis

Overweight rating. We believe Amazon is well positioned as the market leader in eCommerce, where it's still early days with US eCommerce representing ~13% of adjusted retail sales (ex-gas, food, and autos), which we view as likely going to 30%+ over time. We believe Amazon continues to show strong ability to take share of overall eCommerce, and its flexibility in pushing first-party vs. third-party inventory and its Prime offering both serve as major advantages. Additionally, we believe AWS is the leader in the public cloud with a ~75% US market share, and it remains early with only ~10%+ of workloads in the cloud today and the pace of cloud adoption accelerating in our view. High AWS profitability gives us increased confidence in the business and also drives a meaningful increase in our sum-of-the-parts valuation.

Valuation

Our December 2018 price target of \$1,650 is based on our sum-of-the-parts analysis. We believe this methodology appropriately attributes value to the company's large, fast-growing, and profitable AWS segment, in which Amazon continues to invest.

We apply a 1.25x multiple on 2018E retail GMV of \$401B, which we believe is justified as large retailer peer Walmart trades at ~0.6x GMV and as Amazon has a meaningfully higher growth profile. We note this is a discount to other retailers (HD 2.1x, LOW 1.2x, TJX 1.2x). We apply an 18x multiple on our 2019E AWS EBITDA of \$17B, which is at a discount to other SaaS companies such as Salesforce trading at ~20x '18E EBITDA.

Sum-of-the-Parts Analysis

Sum-of-the-Parts Analysis

AMZN SOP Valuation					
	Year	GMV	EBITDA	Multiple	Value
NA & Int'l Retail	2018	401,218		1.25x	501,523
AWS	2019		17,025	18x	310,198
Total Value					\$811,721
Less: Debt					24,743
Plus: Cash					38,598
Value to Common Shareholders					\$825,575
Total shares outstanding					501
Value per AMZN share					\$1,650

Source: Company reports, J.P. Morgan estimates.

Risks to Rating and Price Target

Downside risks include: 1) margin pressure from heavy investment spend; 2) potential for more regulatory and antitrust scrutiny; 3) increased competition from online and offline retailers impacts AMZN's revenue trajectory; and 4) AWS revenue decelerates faster than expected from stepped-up competition and price pressure.

Figure 8: AMZN Income Statement

\$ in thousands, except per share data

	2015A	2016A	3/17A	6/17A	9/17A	12/17A	2017A	3/18E	6/18E	9/18E	12/18E	2018E	2019E
Gross Merchandise Value	184,103,000	244,712,000	63,063,500	67,447,750	77,218,000	105,673,750	313,403,000	84,636,214	89,808,757	98,890,862	127,882,474	401,218,308	483,296,024
GMV, AMZN	184,103,000	244,712,000	63,063,500	67,447,750	75,942,000	101,151,750	307,605,000	80,229,379	85,316,347	94,520,809	123,014,559	383,081,094	463,707,833
GMV, WFM			1,276,000	4,522,000			5,798,000	4,406,835	4,492,410	4,370,053	4,867,915	18,137,213	19,588,190
Net Sales	107,007,000	135,987,000	35,714,000	37,955,000	43,744,000	60,453,000	177,866,000	50,508,345	53,429,883	58,259,808	74,124,050	236,322,086	285,163,333
Net sales, ex-WFM	107,007,000	135,987,000	35,714,000	37,955,000	42,468,000	55,931,000	172,068,000	46,101,509	48,937,473	53,889,755	69,256,135	218,184,873	265,575,142
Online Stores	76,863,000	91,431,000	22,826,000	23,754,000	26,392,000	35,383,000	108,355,000	27,465,684	28,602,446	31,294,565	40,914,536	128,277,232	146,877,431
Physical Stores					1,276,000	4,522,000	5,798,000	4,406,835	4,492,410	4,370,053	4,867,915	18,137,213	19,588,190
Retail third-party seller services	16,086,000	22,993,000	6,438,000	6,991,000	7,928,000	10,523,000	31,880,000	8,969,828	9,641,363	10,748,461	13,957,004	43,316,657	55,445,320
Retail subscription services	4,467,000	6,394,000	1,939,000	2,165,000	2,441,000	3,177,000	9,722,000	2,914,827	3,223,925	3,577,919	4,499,690	14,216,361	19,192,088
AWS	7,880,000	12,219,000	3,661,000	4,100,000	4,584,000	5,113,000	17,458,000	5,320,396	5,859,354	6,398,162	7,037,191	24,615,103	32,615,012
Other	1,710,000	2,950,000	850,000	945,000	1,123,000	1,735,000	4,653,000	1,430,774	1,610,385	1,870,648	2,847,713	7,759,519	11,445,291
Cost of sales	71,651,000	88,248,000	22,432,000	23,439,000	27,536,000	38,480,000	111,887,000	30,946,494	32,207,956	36,042,942	46,885,997	146,083,388	172,657,807
Cost of sales, AMZN	71,651,000	88,248,000	22,432,000	23,439,000	26,681,491	35,427,650	107,980,141	27,949,846	29,153,117	33,071,306	43,575,815	133,750,083	159,239,897
Cost of sales, WFM					854,509	3,052,350	3,906,859	2,996,648	3,054,839	2,971,636	3,310,182	12,333,305	13,417,910
Gross profit	35,356,000	47,739,000	13,282,000	14,516,000	16,208,000	21,973,000	65,979,000	19,561,851	21,221,927	22,216,867	27,238,053	90,238,698	112,505,525
Gross profit, AMZN	35,356,000	47,739,000	13,282,000	14,516,000	15,786,509	20,503,350	64,087,859	18,151,664	19,784,356	20,818,450	25,680,320	84,434,790	106,335,245
Gross profit, WFM					421,491	1,469,650	1,891,141	1,410,187	1,437,571	1,398,417	1,557,733	5,803,908	6,170,280
Operating expenses:													
Fulfillment	12,930,000	16,962,000	4,534,000	4,897,000	6,190,000	8,718,000	24,339,000	7,702,523	8,014,482	8,738,971	10,340,305	34,796,281	40,493,193
Marketing	5,062,000	6,910,000	1,826,000	2,098,000	2,344,000	3,292,000	9,558,000	2,828,467	3,125,648	3,233,419	4,150,947	13,338,482	17,109,807
Technology and content	11,317,000	14,423,000	4,372,000	4,916,000	5,349,000	5,677,000	20,314,000	6,061,001	6,518,446	6,991,177	7,190,033	26,760,657	32,793,783
General and administrative	1,523,000	2,117,000	709,000	755,000	848,000	920,000	3,323,000	931,411	980,507	1,051,204	1,098,924	4,062,047	4,863,016
Stock-based compensation	2,120,000	2,975,000	792,000	1,158,000	1,085,000	1,179,000	4,214,000	990,000	1,138,500	1,252,350	1,377,585	4,758,435	5,472,200
Amortization of other intangibles	171,000	166,000	44,000	66,000	45,000	60,000	215,000	64,500	69,338	74,538	80,128	288,503	346,204
Total operating expenses	33,123,000	43,553,000	12,277,000	13,888,000	15,861,000	19,846,000	61,872,000	18,577,902	19,846,921	21,341,660	24,237,922	84,004,405	101,078,197
Operating income	2,233,000	4,186,000	1,005,000	628,000	347,000	2,127,000	4,107,000	983,949	1,375,006	875,207	3,000,131	6,234,293	11,427,328
Operating income, ex-WFM	2,233,000	4,186,000	1,005,000	628,000	326,000	2,149,610	4,108,610	1,005,983	1,352,544	831,506	2,951,452	6,141,486	10,937,624
Operating income, WFM					21,000	(22,610)	(1,610)	(22,034)	22,462	43,701	48,679	92,808	489,705
Non-GAAP Operating income (CSOI)	4,524,000	7,327,000	1,841,000	1,852,000	1,477,000	3,366,000	8,536,000	2,038,449	2,582,844	2,202,095	4,457,844	11,281,232	17,245,733
Non-operating expenses:													
Interest income	49,000	101,000	39,000	44,000	54,000	66,000	203,000	61,771	59,413	63,085	73,530	257,799	360,639
Interest expense	(460,000)	(484,000)	(139,000)	(143,000)	(228,000)	(339,000)	(849,000)	(349,695)	(363,611)	(378,919)	(395,757)	(1,487,981)	(1,612,560)
Other income, net	(254,000)	89,000	48,000	137,000	143,000	18,000	346,000						
Total non-operating expenses, net	(665,000)	(294,000)	(52,000)	38,000	(31,000)	(255,000)	(300,000)	(287,924)	(304,198)	(315,834)	(322,227)	(1,230,182)	(1,251,920)
Income (loss) before equity-method investees	1,568,000	3,892,000	953,000	666,000	316,000	1,872,000	3,807,000	696,026	1,070,808	559,373	2,677,904	5,004,111	10,175,408
Equity in losses of equity-method investees, net	(21,000)	(96,000)	-	(2,000)	(2,000)	-	(4,000)	-	-	-	-	-	-
Income (loss) before income taxes	1,547,000	3,796,000	953,000	664,000	314,000	1,870,000	3,803,000	696,026	1,070,808	559,373	2,677,904	5,004,111	10,175,408
Provision (benefit) for income taxes	951,000	1,425,000	229,000	467,000	58,000	16,000	770,000	139,205	214,162	111,875	535,581	1,000,822	2,035,082
Effective Tax Rate	61.5%	37.5%	24.0%	70.3%	18.5%	0.9%	20.2%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Income before change in acctg/ Fully Taxed Income	596,000	2,371,000	724,000	197,000	256,000	1,856,000	3,033,000	556,821	856,647	447,499	2,142,323	4,003,289	8,140,326
GAAP Net income	596,000	2,371,000	724,000	197,000	256,000	1,856,000	3,033,000	556,821	856,647	447,499	2,142,323	4,003,289	8,140,326
Basic income (loss) per share	\$1.28	\$5.01	\$1.52	\$0.41	\$0.53	\$3.84	\$6.32	\$1.15	\$1.76	\$0.92	\$4.36	\$8.20	\$16.35
Diluted income (loss) per share	\$1.25	\$4.90	\$1.48	\$0.40	\$0.52	\$3.75	\$6.15	\$1.12	\$1.72	\$0.89	\$4.25	\$8.00	\$15.95
Basic shares outstanding	467,000	473,500	477,000	479,000	481,000	483,000	480,000	485,000	487,000	489,000	491,000	488,000	497,760
Diluted shares outstanding	477,000	484,000	490,000	492,000	494,000	495,000	492,875	497,500	499,500	501,500	503,500	500,500	510,510
EBITDA Reconciliation:													
Non-GAAP Operating income (CSOI)	4,524,000	7,327,000	1,841,000	1,852,000	1,477,000	3,366,000	8,536,000	2,038,449	2,582,844	2,202,095	4,457,844	11,281,232	17,245,733
Depreciation and other amortization	6,281,000	8,117,000	2,435,000	2,633,000	2,912,000	3,498,000	11,478,000	3,537,707	3,840,164	4,192,690	4,443,200	16,013,761	18,598,677
EBITDA	10,805,000	15,444,000	4,276,000	4,485,000	4,389,000	6,864,000	20,014,000	5,576,157	6,423,007	6,394,784	8,901,044	27,294,993	35,844,410
Y/Y Growth													
GMV	25.4%	32.9%	21.5%	24.3%	30.3%	33.3%	28.1%	34.2%	33.2%	28.1%	21.0%	28.0%	20.5%
Net sales	20.2%	27.1%	22.6%	24.8%	33.7%	38.2%	30.8%	41.4%	40.8%	33.2%	22.6%	32.9%	20.7%
Net sales, ex-WFM	20.2%	27.1%	22.6%	24.8%	29.8%	27.9%	26.5%	29.1%	28.9%	26.9%	23.8%	26.8%	21.7%
Online Stores	12.2%	19.0%	14.6%	16.6%	22.2%	19.7%	18.5%	20.3%	20.4%	18.6%	15.6%	18.4%	14.5%
Physical Stores	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	7.6%	NA	8.0%
Retail third-party seller services	36.9%	42.9%	34.1%	37.5%	40.3%	41.1%	38.7%	39.3%	37.9%	35.6%	32.6%	35.9%	28.0%
Retail subscription services	61.7%	43.1%	49.2%	51.3%	59.3%	49.2%	52.0%	50.3%	48.9%	46.6%	41.6%	46.2%	35.0%
AWS	69.7%	55.1%	42.7%	42.1%	41.9%	44.6%	42.9%	45.3%	42.9%	39.6%	37.6%	41.0%	32.5%
Other	29.3%	72.5%	56.0%	51.0%	58.4%	62.0%	57.7%	68.3%	70.4%	66.6%	64.1%	66.8%	47.5%
Net sales FXN	26.1%	27.6%	24.3%	26.5%	33.3%	35.7%	30.6%	38.1%	37.8%	31.7%	21.1%	30.7%	20.7%
Net sales FXN, ex-WFM	26.1%	27.6%	24.3%	26.5%	29.4%	25.4%	26.4%	25.8%	26.0%	25.3%	22.2%	24.5%	21.7%
Cost of sales	14.2%	23.2%	18.9%	22.2%	29.6%	32.9%	26.8%	38.0%	37.4%	30.9%	21.8%	30.6%	18.2%
Gross profit	34.8%	35.0%	29.4%	29.3%	41.4%	48.5%	38.2%	47.3%	46.2%	37.1%	24.0%	36.8%	24.7%
Fulfillment	24.4%	31.2%	27.0%	32.6%	48.4%	57.7%	43.5%	69.9%	63.7%	41.2%	18.6%	43.0%	16.4%
Marketing	20.3%	36.5%	32.3%	43.0%	41.8%	36.5%	38.3%	54.9%	49.1%	37.9%	26.1%	39.6%	28.3%
Technology and content	33.6%	27.4%	36.2%	42.0%	44.5%	40.1%	40.8%	38.6%	32.6%	30.7%	26.7%	31.7%	22.5%
General and administrative	12.0%	39.0%	60.4%	51.9%	53.1%	47.4%	52.7%	31.4%	29.9%	24.0%	19.4%	25.7%	19.7%
Total cash operating expenses	26.2%	31.1%	33.0%	38.9%	46.2%	47.5%	42.1%	53.2%	47.2%	35.9%	22.4%	37.5%	20.6%
Operating income	1154.5%	87.5%	-6.2%	-51.1%	-39.7%	69.5%	-1.9%	-2.1%	119.0%	152.2%	41.0%	51.8%	83.3%
Non-GAAP Operating income (CSOI)	150.2%	62.0%	10.9%	-12.1%	6.8%	54.7%	16.5%	10.7%	39.5%	49.1%	32.4%	32.2%	52.9%
GAAP Net income	NA	297.8%	41.1%	-77.0%	1.6%	147.8%	27.9%	-23.1%	334.8%	74.8%	15.4%	32.0%	103.3%
Non-GAAP Net income	115.2%	92.8%	33.3%	-16.0%	29.7%	85.0%	33.1%	3.3%	45.1%	27.8%	16.3%	21.2%	

Figure 9: AMZN Segment Breakdown

\$ in thousands, except per share data

	2015A	2016A	3/17A	6/17A	9/17A	12/17A	2017A	3/18E	6/18E	9/18E	12/18E	2018E	2019E
NET SALES													
Online Stores	76,863,000	91,431,000	22,826,000	23,754,000	26,392,000	35,383,000	108,355,000	27,465,684	28,602,446	31,294,565	40,914,536	128,277,232	146,877,431
% change	12.2%	19.0%	14.6%	16.6%	22.2%	19.7%	18.5%	20.3%	20.4%	18.6%	15.6%	18.4%	14.5%
FX Benefit (Negative Impact)			(276,560)	(292,040)	52,200	811,840	295,440	759,264	691,496	415,925	577,916	2,444,602	
% change FXN			16.0%	18.0%	22.0%	17.0%	18.2%	17.0%	17.5%	17.0%	14.0%	16.1%	
Whole Foods Market (incl. pre-acquisition numbers)	15,518,709	15,891,940	3,995,268	4,036,702	4,003,603	4,522,000	16,557,573	4,406,835	4,492,410	4,370,053	4,867,915	18,137,213	19,588,190
% change	6.7%	2.4%	0.2%	0.6%	4.0%	11.9%	4.2%	10.3%	11.3%	9.2%	7.6%	9.5%	8.0%
FX Benefit (Negative Impact)					2,036	7,111	9,147	12,041	11,671	6,126	6,765	36,602	
% change FXN					4.0%	11.8%		10.0%	11.0%	9.0%	7.5%	9.3%	
Physical Stores				1,276,000	4,522,000	5,798,000	4,406,835	4,492,410	4,370,053	4,867,915	18,137,213	19,588,190	
% change				NA	NA	NA	NA	NA	NA	NA	7.6%	NA	8.0%
FX Benefit (Negative Impact)				752	7,111	7,863	12,041	11,671	6,126	6,765	36,602		
% change FXN				NA	NA	NA	NA	NA	NA	NA	7.5%	NA	
Retail third-party seller services	16,086,000	22,993,000	6,438,000	6,991,000	7,928,000	10,523,000	31,880,000	8,969,828	9,641,363	10,748,461	13,957,004	43,316,657	55,445,320
% change	36.9%	42.9%	34.1%	37.5%	40.3%	41.1%	38.7%	39.3%	37.9%	35.6%	32.6%	35.9%	28.0%
FX Benefit (Negative Impact)			(91,360)	(125,200)	15,200	233,720	32,360	214,148	203,513	124,941	171,874	714,477	
% change FXN			36.0%	40.0%	40.0%	38.0%	38.5%	36.0%	35.0%	34.0%	31.0%	33.6%	
Retail subscription services	4,467,000	6,394,000	1,939,000	2,165,000	2,441,000	3,177,000	9,722,000	2,914,827	3,223,925	3,577,919	4,499,690	14,216,361	19,192,088
% change	61.7%	43.1%	49.2%	51.3%	59.3%	49.2%	52.0%	50.3%	48.9%	46.6%	41.6%	46.2%	35.0%
FX Benefit (Negative Impact)			(37,000)	(24,430)	5,120	45,900	(10,410)	64,497	63,025	38,469	51,890	217,881	
% change FXN			52.0%	53.0%	59.0%	47.0%	52.2%	47.0%	46.0%	45.0%	40.0%	44.0%	
AWS	7,880,000	12,219,000	3,661,000	4,100,000	4,584,000	5,113,000	17,458,000	5,320,396	5,859,354	6,398,162	7,037,191	24,615,103	32,615,012
% change	69.7%	55.1%	42.7%	42.1%	41.9%	44.6%	42.9%	45.3%	42.9%	39.6%	37.6%	41.0%	32.5%
FX Benefit (Negative Impact)	15,830	1,740	(8,380)	1,880	(4,020)	21,160	10,640	121,776	119,354	72,242	83,511	396,883	
% change FXN	69.3%	55.0%	43.0%	42.0%	42.0%	44.0%	42.8%	42.0%	40.0%	38.0%	36.0%	38.7%	
Other	1,710,000	2,950,000	850,000	945,000	1,123,000	1,735,000	4,653,000	1,430,774	1,610,385	1,870,648	2,847,713	7,759,519	11,445,291
% change	29.3%	72.5%	56.0%	51.0%	58.4%	62.0%	57.7%	68.3%	70.4%	66.6%	64.1%	66.8%	47.5%
FX Benefit (Negative Impact)			(11,100)	(12,780)	2,780	21,400	300	28,274	27,510	17,698	28,338	101,819	
% change FXN			58.0%	53.0%	58.0%	60.0%	57.7%	65.0%	67.5%	65.0%	62.5%	64.6%	
Total Net Sales	107,007,000	135,987,000	35,714,000	37,955,000	43,744,000	60,453,000	177,866,000	50,508,345	53,429,883	58,259,808	74,124,050	236,322,086	285,163,333
% change Y/Y	20.2%	27.1%	22.6%	24.8%	33.7%	38.2%	30.8%	41.4%	40.8%	33.2%	22.6%	32.9%	20.7%
% change Q/Q			-18.4%	6.3%	15.3%	38.2%		-16.5%	5.8%	9.0%	27.2%		
FX Benefit (Negative Impact)	(5,190,000)	(550,000)	(492,000)	(502,000)	124,000	1,100,000	230,000	1,200,000	1,116,568	675,401	920,295	3,912,265	
% change, ex-FX impact	26.1%	27.6%	24.3%	26.5%	33.3%	35.7%	30.6%	38.1%	37.8%	31.6%	21.1%	30.7%	
Net Sales by Geography (ex-AWS)													
North America													
Net Sales	63,709,000	79,784,000	20,992,000	22,370,000	25,446,000	37,302,000	106,110,000	30,542,598	32,425,801	34,532,902	44,770,567	142,271,868	169,553,651
% change	25.3%	25.2%	23.5%	26.6%	34.6%	42.2%	33.0%	45.5%	45.0%	35.7%	20.0%	34.1%	19.2%
Whole Foods Market NA Sales					1,266,860	4,454,170	5,711,030	4,340,733	4,425,024	4,304,502	4,794,896	17,865,155	19,294,368
% of WFM sales					98.5%	98.5%	98.5%	98.5%	98.5%	98.5%	98.5%	98.5%	98.5%
% of retail sales	64%	64%	65%	66%	65%	67%	66%	68%	68%	67%	67%	67%	67%
International													
Net Sales	35,418,000	43,984,000	11,061,000	11,485,000	13,714,000	18,038,000	54,298,000	14,645,350	15,144,728	17,328,745	22,316,291	69,435,114	82,994,669
% change	5.7%	24.2%	15.6%	16.7%	29.3%	29.2%	23.4%	32.4%	31.9%	26.4%	23.7%	27.9%	19.5%
FX Benefit (Negative Impact)	(5,023,400)	(469,770)	(513,860)	(524,680)	134,480	1,000,700	230,000	1,200,000	1,116,568	675,401	920,295	3,912,265	
% change, ex-FX impact	20.7%	25.5%	21.0%	22.0%	28.0%	22.0%	22.9%	21.6%	22.1%	21.4%	18.6%	20.7%	
Whole Foods Market Int'l Sales					19,140	67,830	86,970	66,103	67,386	65,551	73,019	272,058	293,823
% of WFM sales					1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
% of retail sales	36%	36%	35%	34%	35%	33%	34%	32%	32%	33%	33%	33%	33%
Gross Merchandise Value Build													
Amazon 1P sales (ex-WFM)	76,863,000	91,431,000	22,826,000	23,754,000	26,392,000	35,383,000	108,355,000	27,465,684	28,602,446	31,294,565	40,914,536	128,277,232	146,877,431
% change	12.2%	19.0%	14.6%	16.6%	22.2%	19.7%	18.5%	20.3%	20.4%	18.6%	15.6%	18.4%	14.5%
Amazon 1P sales	76,863,000	91,431,000	22,826,000	23,754,000	27,668,000	39,905,000	114,153,000	31,872,519	33,094,857	35,664,618	45,782,451	146,414,446	166,465,621
% change	12.2%	19.0%	14.6%	16.6%	28.2%	35.1%	24.9%	39.6%	39.3%	28.9%	14.7%	28.3%	13.7%
Amazon 3P sales	16,086,000	22,993,000	6,438,000	6,991,000	7,928,000	10,523,000	31,880,000	8,969,828	9,641,363	10,748,461	13,957,004	43,316,657	55,445,320
% change	36.9%	42.9%	34.1%	37.5%	40.3%	41.1%	38.7%	39.3%	37.9%	35.6%	32.6%	35.9%	28.0%
3P blended take rate	15.0%	15.0%	16.0%	16.0%	16.0%	16.0%	16.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.5%
3P GMV	107,240,000	153,280,000	40,237,500	43,693,750	49,550,000	65,768,750	199,250,000	52,763,694	56,713,901	63,226,244	82,100,023	254,803,862	316,830,402
Amazon GMV	184,103,000	244,712,000	63,063,500	67,447,750	77,218,000	105,673,750	313,403,000	84,636,214	89,808,757	98,890,862	127,882,471	401,218,308	483,296,024
% change	25.4%	32.9%	21.5%	24.3%	30.3%	33.3%	28.1%	34.2%	33.2%	28.1%	21.0%	28.0%	20.5%
1P as % of total GMV	41.7%	37.4%	36.2%	35.2%	35.8%	37.8%	36.4%	37.7%	36.9%	36.1%	35.8%	36.5%	34.4%
3P as % of total GMV	58.3%	62.6%	63.8%	64.8%	64.2%	62.2%	63.6%	62.3%	63.1%	63.9%	64.2%	63.5%	65.6%
3P as % of total units	45.5%	49.0%	50.0%	51.0%	50.0%	51.0%							
North America GMV	118,323,141	157,747,578	41,301,251	44,566,716	50,175,925	71,229,531	207,316,296	57,205,736	61,216,913	65,848,052	85,342,659	269,627,754	324,470,998
% change	33.7%	33.3%	24.3%	27.9%	32.2%	37.7%	31.4%	38.5%	37.4%	31.2%	19.8%	30.1%	20.3%
% of total GMV	64.3%	64.5%	65.5%	66.1%	65.0%	67.4%	66.2%	67.6%	68.2%	66.6%	66.7%	67.2%	67.1%
International GMV	65,779,859	86,964,422	21,762,249	22,881,034	27,042,075	34,444,219	106,086,704	27,430,478	28,591,845	33,042,810	42,539,815	131,590,554	158,825,026
% change	12.8%	32.2%	16.4%	17.9%	26.8%	25.1%	22.0%	26.0%	25.0%	22.2%	23.5%	24.0%	20.7%
% of total GMV	35.7%	35.5%	34.5%	33.9%	35.0%	32.6%	33.8%	32.4%	31.8%	33.4%	33.3%	32.8%	32.9%

Source: J.P. Morgan estimates, company data.

Figure 10: AMZN Segment Breakdown (Cont'd)

\$ in thousands, except per share data

	2015A	2016A	3/17A	6/17A	9/17A	12/17A	2017A	3/18E	6/18E	9/18E	12/18E	2018E	2019E
GROSS PROFIT													
North America (ex-WFM)	18,333,480	23,749,170	6,507,520	7,113,660	7,256,742	10,018,588	30,896,510	8,384,597	9,100,253	9,370,804	12,192,580	39,048,233	48,082,971
% change	34%	30%	28%	28%	33%	32%	30%	29%	28%	29%	22%	26%	23%
% margin	28.8%	29.8%	31.0%	31.8%	30.0%	30.5%	30.8%	32.0%	32.5%	31.0%	30.5%	31.4%	32.0%
International (ex-WFM)	9,142,520	11,770,830	3,113,480	3,302,340	3,945,767	5,371,762	15,733,348	4,446,671	4,824,749	5,049,484	6,450,549	20,771,453	25,637,262
% change	16%	29%	20%	19%	43%	47%	34%	43%	46%	28%	20%	32%	23%
% margin	25.8%	26.8%	28.1%	28.8%	28.8%	29.9%	29.0%	30.5%	32.0%	29.3%	29.0%	30.0%	31.0%
AWS	7,880,000	12,219,000	3,661,000	4,100,000	4,584,000	5,113,000	17,458,000	5,320,396	5,859,354	6,398,162	7,037,191	24,615,103	32,615,012
% change													
% margin	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total Consolidated (ex-WFM)	35,356,000	47,739,000	13,282,000	14,516,000	15,786,509	20,503,350	64,087,859	18,151,664	19,784,356	20,818,450	25,680,320	84,434,790	106,335,245
% change	35%	35%	29%	29%	38%	39%	34%	37%	36%	32%	25%	32%	26%
% margin	33.0%	35.1%	37.2%	38.2%	37.2%	36.7%	37.2%	39.4%	40.4%	38.6%	37.1%	38.7%	40.0%
FX Benefit (Negative Impact)	(1,724,058)	(183,186)	(182,974)	(191,991)	45,814	400,634	71,483	467,738	446,686	258,551	338,739	1,511,715	
% change ex-FX	41%	36%	31%	31%	37%	36%	34%	33%	33%	30%	24%	29%	26%
Whole Foods Market (incl. pre-acquisition numbers)	5,429,574	5,437,000	1,358,482	1,374,310	1,322,480	1,469,650	5,524,921	1,410,187	1,437,571	1,398,417	1,557,733	5,803,908	6,170,280
% change	5%	0%	-2%	-1%	1%	8%	2%	4%	5%	6%	6%	5%	6%
% margin	35.0%	34.2%	34.0%	34.0%	33.0%	32.5%	33.4%	32.0%	32.0%	32.0%	32.0%	32.0%	31.5%
Whole Foods Market (recognized by AMZN)					421,491	1,469,650	1,891,141	1,410,187	1,437,571	1,398,417	1,557,733	5,803,908	6,170,280
% change					NA	NA	NA	NA	NA	NA	6%	NA	6%
% margin					33.0%	32.5%	32.6%	32.0%	32.0%	32.0%	32.0%	32.0%	31.5%
Total Consolidated	35,356,000	47,739,000	13,282,000	14,516,000	16,208,000	21,973,000	65,979,000	19,561,851	21,221,927	22,216,867	27,238,053	90,238,698	112,505,525
% change	35%	35%	29%	29%	41%	49%	38%	47%	46%	37%	24%	37%	25%
% margin	33.0%	35.1%	37.2%	38.2%	37.1%	36.3%	37.1%	38.7%	39.7%	38.1%	36.7%	38.2%	39.5%
FX Benefit (Negative Impact)	(1,724,058)	(183,186)	(182,974)	(191,991)	45,814	399,820	70,798	464,759	443,492	257,558	338,177	1,503,987	
% change ex-FX	41.3%	35.5%	31.2%	31.0%	41.0%	45.8%	38.1%	43.8%	43.1%	35.5%	22.4%	34.5%	24.7%
OPERATING INCOME													
North America (ex-WFM)	1,424,000	2,361,000	596,000	436,000	91,000	1,714,610	2,837,610	524,037	763,049	302,284	2,198,662	3,788,032	5,634,723
% change	296%	66%	1%	-38%	-64%	110%	20%	-12%	75%	232%	28%	33%	49%
% margin	2.2%	3.0%	2.8%	1.9%	0.4%	5.2%	2.8%	2.0%	2.7%	1.0%	5.5%	3.0%	3.8%
International (ex-WFM)	(699,000)	(1,284,000)	(481,000)	(724,000)	(936,000)	(919,000)	(3,060,000)	(874,755)	(904,640)	(1,070,318)	(1,006,508)	(3,856,221)	(2,687,778)
% change	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
% margin	-2.0%	-2.9%	-4.3%	-6.3%	-6.8%	-5.1%	-5.6%	-6.0%	-6.0%	-6.2%	-4.5%	-5.6%	-3.3%
AWS	1,508,000	3,109,000	890,000	916,000	1,171,000	1,354,000	4,331,000	1,356,701	1,494,135	1,599,540	1,759,298	6,209,675	7,990,678
% change	229%	106%	47%	28%	36%	46%	39%	52%	63%	37%	30%	43%	29%
% margin	19.1%	25.4%	24.3%	22.3%	25.5%	26.5%	24.8%	25.5%	25.5%	25.0%	25.0%	25.2%	24.5%
Total Consolidated (ex-WFM)	2,233,000	4,186,000	1,005,000	628,000	326,000	2,149,610	4,108,610	1,005,983	1,352,544	831,506	2,951,452	6,141,486	10,937,624
% change	1154%	87%	-6%	-51%	-43%	71%	-2%	0%	115%	155%	37%	49%	78%
% margin	2.1%	3.1%	2.8%	1.7%	0.8%	3.8%	2.4%	2.2%	2.8%	1.5%	4.3%	2.8%	4.1%
Whole Foods Market (incl. pre-acquisition numbers)	862,321	755,648	207,768	197,143	56,824	(22,610)	439,124	(22,034)	22,462	43,701	48,679	92,808	489,705
% change	-6%	-12%	-17%	-14%	-67%	NM	-42%	NM	-89%	-23%	NM	-79%	428%
% margin	5.6%	4.8%	5.2%	4.9%	1.4%	-0.5%	2.7%	-0.5%	0.5%	1.0%	1.0%	0.5%	2.5%
Whole Foods Market (recognized by Amazon)					21,000	(22,610)	(1,610)	(22,034)	22,462	43,701	48,679	92,808	489,705
% change					NA	NA	NA	NA	NA	NA	NM	NA	428%
% margin					1.6%	-0.5%	0.0%	-0.5%	0.5%	1.0%	1.0%	0.5%	2.5%
Total Consolidated	2,233,000	4,186,000	1,005,000	628,000	347,000	2,127,000	4,107,000	983,949	1,375,006	875,207	3,000,131	6,234,293	11,427,328
% change	1154%	87%	-6%	-51%	-40%	69%	-2%	-2%	119%	152%	41%	52%	83%
% margin	2.1%	3.1%	2.8%	1.7%	0.8%	3.5%	2.3%	1.9%	2.6%	1.5%	4.0%	2.6%	4.0%

Source: J.P. Morgan estimates, company data.

Amazon.com: Summary of Financials

Income Statement - Annual						Income Statement - Quarterly					
	FY16A	FY17A	FY18E	FY19E	FY20E		1Q18E	2Q18E	3Q18E	4Q18E	
Revenue	135,987	177,866	236,322	285,163	-	Revenue	50,508	53,430	58,260	74,124	
COGS	(88,248)	(111,887)	(146,083)	(172,658)	-	COGS	(30,946)	(32,208)	(36,043)	(46,886)	
Gross profit	47,739	65,979	90,239	112,506	-	Gross profit	19,562	21,222	22,217	27,238	
SG&A	(9,027)	(12,790)	(17,401)	(21,973)	-	SG&A	(3,760)	(4,106)	(4,285)	(5,250)	
Adj. EBITDA	15,444	20,014	27,295	35,844	-	Adj. EBITDA	5,576	6,423	6,395	8,901	
D&A	(8,283)	(11,693)	(16,302)	(18,945)	-	D&A	(3,602)	(3,910)	(4,267)	(4,523)	
Adj. EBIT	7,327	8,536	11,281	17,246	-	Adj. EBIT	2,038	2,583	2,202	4,458	
Net Interest	(383)	(646)	(1,230)	(1,252)	-	Net Interest	(288)	(304)	(316)	(322)	
Adj. PBT	6,937	8,232	10,051	15,994	-	Adj. PBT	1,751	2,279	1,886	4,136	
Tax	(1,425)	(770)	(1,001)	(2,035)	-	Tax	(139)	(214)	(112)	(536)	
Minority Interest	-	-	-	-	-	Minority Interest	-	-	-	-	
Adj. Net Income	5,608	7,466	9,050	13,959	-	Adj. Net Income	1,611	2,064	1,774	3,600	
Reported EPS	4.90	6.15	8.00	15.95	-	Reported EPS	1.12	1.72	0.89	4.25	
Adj. EPS	11.59	15.15	18.08	27.34	-	Adj. EPS	3.24	4.13	3.54	7.15	
DPS	-	-	-	-	-	DPS	-	-	-	-	
Payout ratio	-	-	-	-	-	Payout ratio	-	-	-	-	
Shares outstanding	474	480	488	498	-	Shares outstanding	485	487	489	491	
Balance Sheet & Cash Flow Statement						Ratio Analysis					
	FY16A	FY17A	FY18E	FY19E	FY20E		FY16A	FY17A	FY18E	FY19E	FY20E
Cash and cash equivalents	25,981	30,986	38,598	51,562	-	Gross margin	35.1%	37.1%	38.2%	39.5%	-
Accounts receivable	8,339	13,164	17,790	21,387	-	EBITDA margin	11.4%	11.3%	11.5%	12.6%	-
Inventories	11,461	16,047	19,272	22,813	-	EBIT margin	5.4%	4.8%	4.8%	6.0%	-
Other current assets	0	0	0	0	-	Net profit margin	4.1%	4.2%	3.8%	4.9%	-
Current assets	45,781	60,197	75,660	95,762	-	ROE	34.3%	31.8%	28.2%	32.3%	-
PP&E	29,114	48,866	63,700	81,745	-	ROA	7.6%	7.0%	6.2%	7.7%	-
LT investments	0	0	0	0	-	ROCE	24.0%	19.5%	17.9%	22.4%	-
Other non current assets	8,507	22,247	21,958	21,612	-	SG&A/Sales	6.6%	7.2%	7.4%	7.7%	-
Total assets	83,402	131,310	161,319	199,120	-	Net debt/equity	(94.8%)	(22.5%)	(38.0%)	(56.6%)	-
Short term borrowings	0	0	0	0	-	P/E (x)	133.3	102.0	85.4	56.5	-
Payables	25,309	34,616	40,768	49,904	-	P/BV (x)	-	-	-	-	-
Other short term liabilities	18,507	23,267	28,720	33,574	-	EV/EBITDA (x)	43.4	34.1	24.7	18.4	-
Current liabilities	43,816	57,883	69,488	83,477	-	Dividend Yield	-	-	-	-	-
Long-term debt	7,694	24,743	24,743	23,193	-	Sales/Assets (x)	1.8	1.7	1.6	1.6	-
Other long term liabilities	12,607	20,975	30,616	42,366	-	Interest cover (x)	40.3	31.0	22.2	28.6	-
Total liabilities	64,117	103,601	124,848	149,037	-	Operating leverage	228.8%	53.6%	97.9%	255.8%	-
Shareholders' equity	19,285	27,709	36,471	50,083	-	Revenue y/y Growth	27.1%	30.8%	32.9%	20.7%	-
Minority interests	-	-	-	-	-	EBITDA y/y Growth	42.9%	29.6%	36.4%	31.3%	-
Total liabilities & equity	83,402	131,310	161,319	199,120	-	Tax rate	20.5%	9.4%	10.0%	12.7%	-
BVPS	-	-	-	-	-	Adj. Net Income y/y Growth	92.8%	33.1%	21.2%	54.2%	-
y/y Growth	-	-	-	-	-	EPS y/y Growth	90.1%	30.7%	19.4%	51.2%	-
Net debt/(cash)	(18,287)	(6,243)	(13,855)	(28,369)	-	DPS y/y Growth	-	-	-	-	-
Cash flow from operating activities	17,271	18,434	28,818	39,408	-						
o/w Depreciation & amortization	8,117	11,478	16,014	18,599	-						
o/w Changes in working capital	3,916	(171)	3,754	6,851	-						
Cash flow from investing activities	(9,876)	(27,819)	(13,355)	(15,864)	-						
o/w Capital expenditure	(6,736)	(10,057)	(13,355)	(15,864)	-						
as % of sales	5.0%	5.7%	5.7%	5.6%	-						
Cash flow from financing activities	(3,740)	9,861	(7,852)	(10,579)	-						
o/w Dividends paid	-	-	-	-	-						
o/w Net debt issued/(repaid)	265	14,859	0	(1,550)	-						
Net change in cash	3,444	1,188	7,612	12,965	-						
Adj. Free cash flow to firm	10,839	8,963	16,571	24,637	-						
y/y Growth	39.7%	(17.3%)	84.9%	48.7%	-						

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

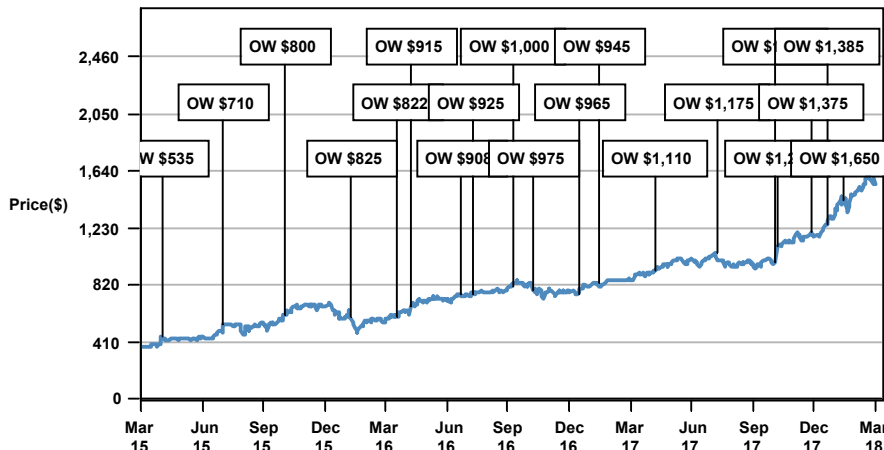
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Amazon.com (AMZN, AMZN US) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Dec 09, 1999.

Date	Rating	Share Price (\$)	Price Target (\$)
24-Apr-15	OW	445.10	535.00
24-Jul-15	OW	529.42	710.00
23-Oct-15	OW	599.03	800.00
29-Jan-16	OW	587.00	825.00
07-Apr-16	OW	591.43	822.00
29-Apr-16	OW	659.59	915.00
12-Jul-16	OW	748.21	908.00
29-Jul-16	OW	752.61	925.00
27-Sep-16	OW	799.16	1000.00
28-Oct-16	OW	776.32	975.00
03-Jan-17	OW	753.67	965.00
03-Feb-17	OW	839.95	945.00
28-Apr-17	OW	924.99	1110.00
28-Jul-17	OW	1046.00	1175.00
24-Oct-17	OW	975.90	1180.00
27-Oct-17	OW	1100.95	1220.00
18-Dec-17	OW	1190.58	1375.00
10-Jan-18	OW	1254.33	1385.00
02-Feb-18	OW	1429.95	1650.00

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