



Amazon.com, Inc.

## India Trending Solidly For Amazon

**The Key Take-Away:** AMZN shares remain out of favor heading into peak holiday season owing to its sub-seasonal revenue guide and AWS deceleration. The key take-aways from our latest India unpack are: 1) Amazon and Flipkart are growing their consumer facing e-commerce businesses at about the same clip (low 30%’s through 3/22) after a couple years of Amazon growing a bit faster, 2) India doesn’t seem to be the primary source of overall International losses getting worse at AMZN, as the pace of OI burn appears to be getting better, 3) AWS growth in India has been accelerating nicely off the low base, and 4) the market remains competitive with regulatory pressures. Stepping back, we think AMZN shares can start to work as Retail OI margins improve in calendar 2023 and AWS stabilizes, and at 10.4x 2024 EBITDA we think the risk/reward is favorable here.

**The Latest On Amazon India:** 1) We think GMV in India is likely growing 20%-25% right now heading into calendar 2023, a deceleration from the above-average growth rates experienced during the pandemic, 2) tax filings for the year ended March 2022 show B2C revenue (and hence GMV) growing +32% y/y ex-fx – a healthy deceleration from the pandemic-boosted prior year, but well above reported ex-fx growth for overall international retail revenue, 3) AWS India is generating \$1.2B in revenue, up a whopping 65% y/y ex-fx through March 2022, the fastest growth rate since 2019, 4) Amazon Pay is also maturing a bit as it scales up, with revenue of \$265m up 16% y/y ex-fx, 5) Amazon’s wholesale business rebounded nicely, growing 47% y/y after several years of declines following regulatory changes enacted back in 2019, now only 37% of the size of the business four years ago. If we gross up B2C using a 15% take rate, India would be generating around \$19B in GMV (ex-B2B) for the year ended March 2022, and closer to \$22B in overall GMV across all businesses.

**Amazon India Represents 4.4% of International Retail Revenue and 23% of Intern’l OI Losses:** Through calendar 1Q22, India generated \$5.6B in rev (+36% y/y in USD) and \$0.8B in pre-tax losses for AMZN based on our estimates. The pace of operating losses is slowly coming down over the past few years, evidence that AMZN likely manages the country to a certain level of growth and investment. Increased international losses over the past three quarters is likely a result of losses in more mature international countries outside of India (UK, DE, JP, etc.) consistent with what has played out in NA retail.

### AMZN: Quarterly and Annual EPS (USD)

|        | 2021   |        | 2022   |        | 2023  |       |       | Change y/y |      |
|--------|--------|--------|--------|--------|-------|-------|-------|------------|------|
| FY Dec | Actual | Old    | New    | Cons   | Old   | New   | Cons  | 2022       | 2023 |
| Q1     | 17.21A | -2.44A | -2.44A | -0.38A | 0.73E | 0.73E | 0.57E | N/A        | 130% |
| Q2     | 16.66A | 0.18A  | 0.18A  | -0.20A | 0.81E | 0.81E | 0.69E | -99%       | 350% |
| Q3     | 10.17A | 0.59A  | 0.59A  | 0.28A  | 0.91E | 0.91E | 0.76E | -94%       | 54%  |
| Q4     | 25.28A | 0.54E  | 0.54E  | 0.53E  | 0.87E | 0.87E | 0.78E | -98%       | 61%  |
| Year   | 69.35A | 1.19E  | 1.19E  | 1.42E  | 3.32E | 3.32E | 2.94E | -98%       | 179% |
| P/E    | 1.4    |        | 82.5   |        |       | 29.6  |       |            |      |

Source: Barclays Research.

Consensus numbers are from Bloomberg received on 14-Nov-2022; 13:50 GMT

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PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 9.

### Equity Research

Internet & Media | U.S. Internet  
15 November 2022

|               |                                |
|---------------|--------------------------------|
| Stock Rating  | <b>OVERWEIGHT</b><br>Unchanged |
| Industry View | <b>POSITIVE</b><br>Unchanged   |
| Price Target  | <b>USD 140.00</b><br>Unchanged |

|                           |           |
|---------------------------|-----------|
| Price (14-Nov-2022)       | USD 98.49 |
| Potential Upside/Downside | +42.1%    |
| Tickers                   | AMZN      |

|                             |          |
|-----------------------------|----------|
| Market Cap (USD mn)         | 1004761  |
| Shares Outstanding (mn)     | 10201.65 |
| Free Float (%)              | 87.20    |
| 52 Wk Avg Daily Volume (mn) | 74.3     |
| Dividend Yield (%)          | N/A      |
| Return on Equity TTM (%)    | 8.78     |
| Current BVPS (USD)          | 13.48    |

Source: Bloomberg

|                   |                  |
|-------------------|------------------|
| Price Performance | Exchange-Nasdaq  |
| 52 Week range     | USD 188.11-85.87 |



Source: IDC; Link to Barclays Live for interactive charting

### U.S. Internet

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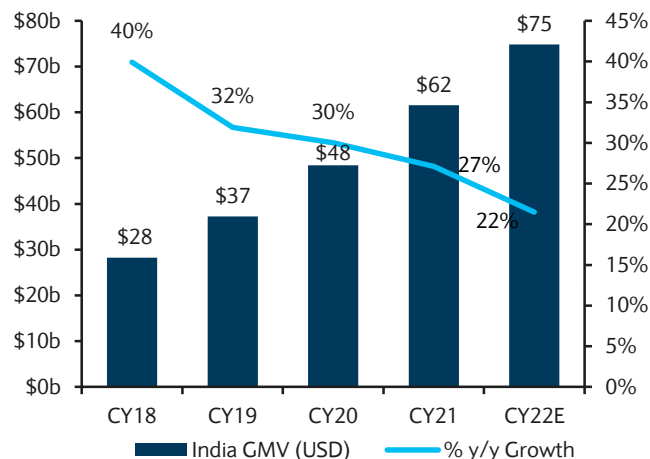
| U.S. Internet                      |        |           |           |           |           | Industry View: POSITIVE  |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
|------------------------------------|--------|-----------|-----------|-----------|-----------|--------------------------|---|------------|----------|-------|------------------------------------|--|---------|-------|-----|-------|------------------------------------|--|--------|--------|--------|--------|----------|-------|
| Amazon.com, Inc. (AMZN)            |        |           |           |           |           | Stock Rating: OVERWEIGHT |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Income statement (\$mn)            |        | 2021A     | 2022E     | 2023E     | 2024E     | CAGR                     | Price (14-Nov-2022)   | USD 98.49  |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Revenue                            |        | 469,822   | 512,193   | 571,939   | 639,318   | 10.8%                    | Price Target  | USD 140.00 |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Gross profit                       |        | 198,018   | 220,634   | 257,141   | 301,766   | 15.1%                    | <b>Why Overweight?</b> Amazon is the leader in the biggest TAM & lowest penetration sectors in consumer internet & enterprise (e-commerce, cloud etc.), and continues to expand its moat through strong execution.  |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| EBITDA (adj)                       |        | 71,994    | 71,402    | 80,375    | 98,835    | 11.1%                    |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| EBIT (adj)                         |        | 37,698    | 31,715    | 47,680    | 66,502    | 20.8%                    |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Pre-tax income (adj)               |        | 50,970    | 17,478    | 49,073    | 68,480    | 10.3%                    |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Net income (adj)                   |        | 35,679    | 12,235    | 34,351    | 47,936    | 10.3%                    |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| EPS (adj) (\$)                     |        | 69.35     | 1.19      | 3.32      | 4.56      | -59.6%                   | <b>Upside case</b> USD 170.00<br>Prime's value proposition provides AMZN with a significant competitive advantage, while investments in logistics & automation should drive the next level of efficiencies. AWS is the biggest trend in enterprise tech, in our view, and could be a \$100B business over time.   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Diluted shares (mn)                |        | 514.5     | 10,245.9  | 10,334.5  | 10,500.8  | 173.3%                   |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| DPS (\$)                           |        | 0.00      | 0.00      | 0.00      | 0.00      | N/A                      |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Margin and return data             |        |           |           |           |           | Average                  |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| EBITDA (adj) margin (%)            |        | 15.3      | 13.9      | 14.1      | 15.5      | 14.7                     | <b>Downside case</b> USD 56.00<br>AMZN is expensive vs. mega-cap techs on any metric. The public cloud space has become increasingly more competitive over the years, and we expect growth to decelerate. In retail, investments in Video, India & Logistics could serve as a drag on margins in the coming quarters.   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| EBIT (adj) margin (%)              |        | 8.0       | 6.2       | 8.3       | 10.4      | 8.2                      |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Pre-tax (adj) margin (%)           |        | 10.8      | 3.4       | 8.6       | 10.7      | 8.4                      |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Net (adj) margin (%)               |        | 7.6       | 2.4       | 6.0       | 7.5       | 5.9                      |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| ROIC (%)                           |        | 15.9      | 8.0       | 19.6      | 23.9      | 16.9                     |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| ROE (%)                            |        | 28.8      | -0.6      | 32.9      | 32.0      | 23.3                     | <b>Upside/Downside scenarios</b><br><br><table><tr><th>Scenario</th><th>Value</th></tr><tr><td>Price History Prior 12 months High</td><td></td></tr><tr><td>Current</td><td>98.49</td></tr><tr><td>Low</td><td>85.87</td></tr><tr><td>Price Target Next 12 months Upside</td><td></td></tr><tr><td>Upside</td><td>170.00</td></tr><tr><td>Target</td><td>140.00</td></tr><tr><td>Downside</td><td>56.00</td></tr></table> |            | Scenario | Value | Price History Prior 12 months High |  | Current | 98.49 | Low | 85.87 | Price Target Next 12 months Upside |  | Upside | 170.00 | Target | 140.00 | Downside | 56.00 |
| Scenario                           | Value  |           |           |           |           |                          |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Price History Prior 12 months High |        |           |           |           |           |                          |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Current                            | 98.49  |           |           |           |           |                          |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Low                                | 85.87  |           |           |           |           |                          |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Price Target Next 12 months Upside |        |           |           |           |           |                          |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Upside                             | 170.00 |           |           |           |           |                          |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Target                             | 140.00 |           |           |           |           |                          |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Downside                           | 56.00  |           |           |           |           |                          |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Balance sheet and cash flow (\$mn) |        |           |           |           |           | CAGR                     |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Tangible fixed assets              |        | 160,281   | 183,710   | 210,236   | 241,836   | 14.7%                    | <b>Valuation and leverage metrics</b>   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Intangible fixed assets            |        | 15,371    | 20,168    | 20,168    | 20,168    | 9.5%                     |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Cash and equivalents               |        | 36,220    | 41,323    | 66,919    | 98,572    | 39.6%                    |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Total assets                       |        | 420,549   | 342,276   | 377,921   | 455,957   | 2.7%                     |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Short and long-term debt           |        | 48,744    | 58,919    | 58,919    | 58,919    | 6.5%                     |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Other long-term liabilities        |        | 91,294    | 91,591    | 91,591    | 91,591    | 0.1%                     |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Total liabilities                  |        | 282,304   | 293,223   | 283,693   | 299,845   | 2.0%                     |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Shareholders' equity               |        | 138,245   | 49,053    | 94,228    | 156,112   | 4.1%                     |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Net debt/(funds)                   |        | 12,524    | 17,596    | -8,000    | -39,653   | N/A                      |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Change in working capital          |        | -21,333   | -630      | 28,527    | 23,248    | N/A                      |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Cash flow from operations          |        | 46,327    | 38,465    | 84,817    | 95,584    | 27.3%                    | <b>Selected operating metrics (\$mn)</b>  |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Capital expenditure                |        | -61,053   | -61,794   | -59,221   | -63,932   | N/A                      |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Free cash flow                     |        | -14,726   | -23,329   | 25,597    | 31,652    | N/A                      |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Average                            |        |           |           |           |           |                          |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| P/E (adj) (x)                      |        | 1.4       | 82.5      | 29.6      | 21.6      | 33.8                     |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| EV/sales (x)                       |        | 0.1       | 0.1       | 0.1       | 0.0       | 0.1                      | <b>Note: FY End Dec</b>   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| EV/EBITDA (adj) (x)                |        | 0.8       | 0.9       | 0.5       | 0.1       | 0.6                      |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| FCF yield (%)                      |        | -24.1     | -35.3     | 63.1      | 355.5     | 89.8                     |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Dividend yield (%)                 |        | 0.0       | 0.0       | 0.0       | 0.0       | 0.0                      |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Net debt/EBITDA (adj) (x)          |        | 0.2       | 0.2       | -0.1      | -0.4      | 0.0                      |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Selected operating metrics (\$mn)  |        |           |           |           |           | CAGR                     |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| North America revenue              |        | 279,833   | 312,854   | 348,199   | 383,801   | 11.1%                    |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| International revenue              |        | 127,787.0 | 118,542.2 | 125,250.5 | 137,146.5 | 2.4%                     |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Media revenue                      |        | 31,353    | 30,989    | 31,794    | 33,384    | 2.1%                     |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| EGM revenue                        |        | 255,432   | 296,023   | 352,396   | 426,394   | 18.6%                    |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| Other revenue                      |        | 70,421    | 91,817    | 113,275   | 138,213   | 25.2%                    |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |
| GMV                                |        | 607,989   | 642,760   | 713,991   | 799,274   | 9.5%                     |   |            |          |       |                                    |  |         |       |     |       |                                    |  |        |        |        |        |          |       |

Source: Company data, Bloomberg, Barclays Research  
Note: FY End Dec

## Update On Amazon India

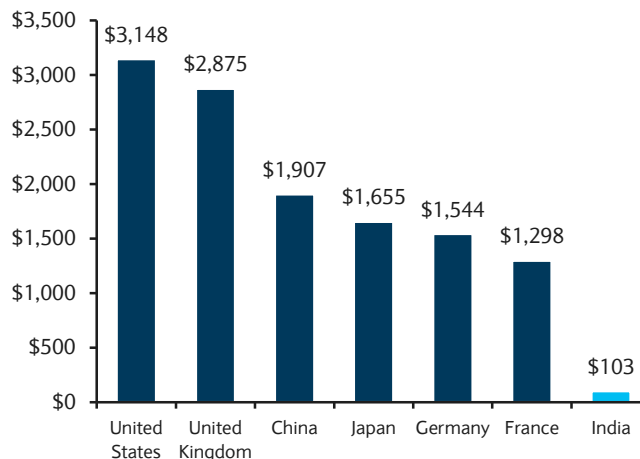
Amazon's India e-commerce growth is returning to a more normalized level, a tad below pre-pandemic rates, after a couple years of hyper-growth through the pandemic period. We estimate that the overall industry is around \$75B in GMV (the B2C parts of India e-commerce) and is growing in the mid-20%'s in 2022. The average consumer in India spends around \$100 annual on purchases, this contrasts with closer to \$3,000 in the US and UK and \$1,500 for Germany, France and Japan.

FIGURE 1  
India GMV Growth is Normalizing



Source: India Brand Equity Foundation, Barclays Research

FIGURE 2  
...And Per User E-Commerce Spend Has Room For Improvement



Source: Census Reports, Euromonitor, METI, NBS, Barclays Research

In Figure 3 below, we attempt to size Amazon's India franchise by segment. B2C is the best proxy for Amazon's consumer facing business and is growing 32% through March-2022, similar to what we observe in Flipkart's tax filings (albeit the latter being larger base after consolidating Myntra/Jabong a few years ago). JioMart is likely taking some share from the two larger players owing to its foothold in higher frequency grocery and with an extensive retail brick-and-mortar footprint (Reliance), but fair to say the overall industry was growing in the 30%-35% range through March-2022 and has decelerated a bit since.

AMZN's B2B seems to be rebounding after a few years of regulatory blowback. Recall following the Feb-2019 regulatory changes, Amazon likely deconsolidated or restructured its B2B business in India (B2B is where Amazon would sell products on a wholesale basis into third party sellers, who would subsequently sell these items through Amazon's website. The company had to wind down ownership in two prominent sellers Cloudtail and Appario, and eliminate exclusives and extensive discounting).

AWS India is growing at the fastest growth cadence we've observed since 2019, up 65% y/y through March-2022, the biggest positive in this country-update.

FIGURE 3

## AMZN India Estimated P+L: FY18-FY22 (FY end March)

|                                    | FY18   | FY19   | FY20   | FY21   | FY22   | FY23E  |
|------------------------------------|--------|--------|--------|--------|--------|--------|
| Total AMZN GMV (\$B) (Est.)        | \$7.6  | \$9.6  | \$11.4 | \$16.5 | \$21.9 | \$27.4 |
| y/y growth                         | 78%    | 26%    | 18%    | 45%    | 33%    | 25%    |
| B2B GMV (\$B) - Gross Rev Rec      | \$1.9  | \$1.6  | \$0.5  | \$0.4  | \$0.6  | \$0.6  |
| y/y growth                         | 80%    | -15%   | -72%   | -8%    | 46%    | 0%     |
| ex-fx y/y growth                   | 73%    | -8%    | -70%   | -7%    | 47%    | 0%     |
| B2C GMV (\$B) (Est.) - Net Rev Rec | \$5.3  | \$7.2  | \$9.8  | \$14.5 | \$19.2 | \$25.0 |
| y/y growth                         | 73%    | 38%    | 35%    | 49%    | 32%    | 30%    |
| ex-fx y/y growth                   | 63%    | 50%    | 42%    | 49%    | 32%    | 30%    |
| Other GMV (\$B) - Gross Rev Rec    | \$0.5  | \$0.8  | \$1.1  | \$1.5  | \$2.1  | \$2.6  |
| y/y growth                         | 134%   | 60%    | 44%    | 32%    | 38%    | 25%    |
| ex-fx y/y growth                   | 141%   | 72%    | 54%    | 33%    | 39%    | 25%    |
| B2C Take Rate (Est.)               | 14.6%  | 15.0%  | 15.0%  | 15.0%  | 15.0%  | 15.0%  |
| B2C Revenue (\$B)                  | \$0.8  | \$1.1  | \$1.5  | \$2.2  | \$2.9  | \$3.74 |
| y/y growth                         | 64%    | 42%    | 35%    | 49%    | 32%    | 30%    |
| ex-fx y/y growth                   | 58%    | 54%    | 43%    | 49%    | 32%    | 30%    |
| B2B Revenue (\$B)                  | \$1.9  | \$1.6  | \$0.5  | \$0.4  | \$0.6  | \$0.6  |
| y/y growth                         | 80%    | -15%   | -72%   | -8%    | 46%    | 0%     |
| ex-fx y/y growth                   | 73%    | -8%    | -70%   | -7%    | 47%    | 0%     |
| Other Revenue (\$B)                | \$0.5  | \$0.8  | \$1.1  | \$1.5  | \$2.1  | \$2.6  |
| y/y growth                         | 134%   | 60%    | 44%    | 32%    | 38%    | 25%    |
| ex-fx y/y growth                   | 141%   | 72%    | 54%    | 33%    | 39%    | 25%    |
| Total Revenue (\$B)                | \$3.2  | \$3.5  | \$3.1  | \$4.1  | \$5.6  | \$7.0  |
| y/y growth                         | 83%    | 10%    | -12%   | 34%    | 36%    | 25%    |
| Total Revenue Ex-B2B (\$B)         | \$1.3  | \$1.9  | \$2.6  | \$3.7  | \$5.0  | \$6.3  |
|                                    | 86%    | 49%    | 39%    | 42%    | 34%    | 28%    |
| Total expenses                     | \$4.2  | \$4.5  | \$4.2  | \$5.0  | \$6.4  |        |
| y/y growth                         | 69%    | 7%     | -8%    | 20%    | 28%    |        |
| Total profit before tax            | -\$1.0 | -\$1.0 | -\$1.1 | -\$0.8 | -\$0.8 |        |
| Total tax                          | \$0.0  | \$0.0  | \$0.0  | \$0.0  | \$0.0  |        |
| Total Profit (loss)                | -\$1.0 | -\$1.0 | -\$1.1 | -\$0.8 | -\$0.8 |        |

Tax revenue may not be equal to GAAP revenue

AMZN India generated (\$0.8B) in operating loss in FY22

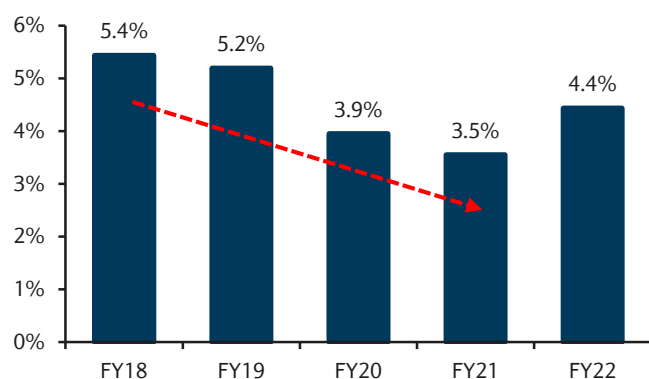
Source: Ministry of Corporate Affairs, Barclays Research, FY ended March

Amazon India continues to be one of the fastest growing geographies for Amazon globally, up ~30x since FY15. The country should maintain its growth tailwinds as e-commerce penetration remains low (~8%), and overall retail growth remains high, expected to be 26% in calendar year 2022 (via eMarketer).

For FY22 (ended 3/22), India grew to 4.4% of Amazon's International Retail revenue up from 3.5% in FY21. This figure had been north of 5% historically prior to the change in the wholesale business model.

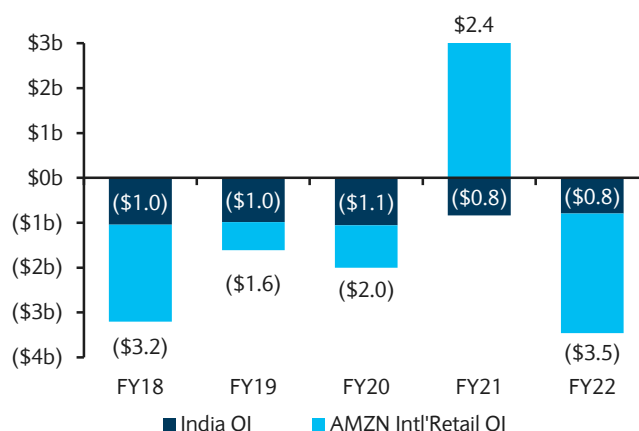
India OI has remained around -\$1B from FY18-FY22, despite revenue growing 77% in the same period. This implies a roughly 20pt margin improvement, from -33% in FY18 to -14% in FY22. The important take is that India losses appear to be stable, and the recent downtick in international retail operating loss is likely as much a function of reduced margins in the bigger mature markets like UK, DE and JPN, and less so from India turning meaningfully lower. We assume that the mature international markets are facing a lot of the same inflationary pressures as North America retail, especially across DE and UK, two of the profit centers for Amazon International historically.

FIGURE 4  
India Now Increasing Its Share of Int'l Retail Revenue



Source: Ministry of Corporate Affairs, Barclays Research, FY ended March

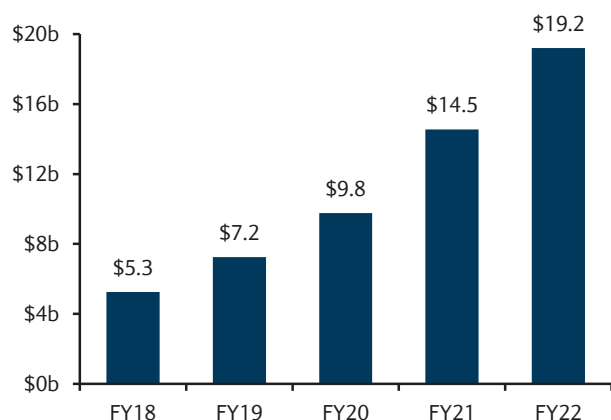
FIGURE 5  
...And Importantly, Declining as % of Total OI Losses



Source: Ministry of Corporate Affairs, Barclays Research, FY ended March

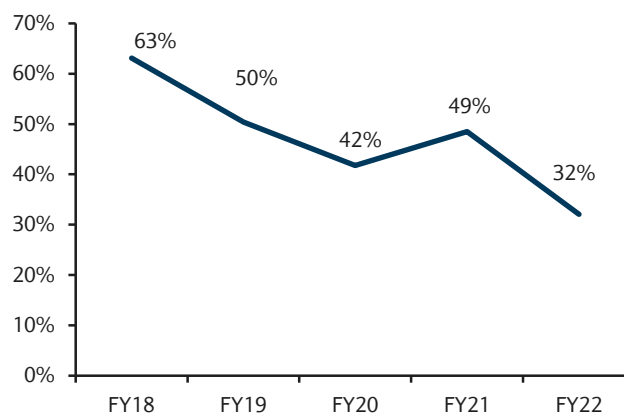
Total estimated GMV for the year ended March '22 decelerated 12 points, while revenue accelerated 2 points, attributable to AWS mostly. Overall growth rates should continue to moderate into calendar 2023, reflecting some incremental macro pressure on the consumer but broadly strong trends following the pandemic hyper-growth period. The B2C segment of AMZN's India business posted 32% y/y ex-FX growth, similar to what we observed from Flipkart over the same period. The Prime offering has helped Amazon build a wide audience in India with 85% of customers and 50% of sellers coming from tier-2 and tier-3 towns. Amazon has stated its goal is to drive \$20B of cumulative GMV by 2025 through small sellers in India exporting to buyers across its global marketplace, a nice differentiator vs. some domestic-only competition. The company has recently built out its offering to include logistics both in country and globally, similar to the approach in many of the large Amazon retail geos. AMZN India's B2B segment rebounded in the recent year ended March '22 following several years of declines due to the regulatory changes noted above.

FIGURE 6

**Amazon B2C E-Commerce GMV Remains Strong (estimated)**

Source: Ministry of Corporate Affairs, Barclays Research, FY ended March

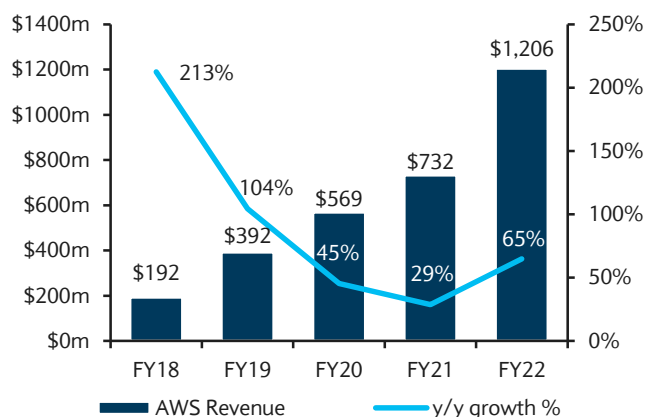
FIGURE 7

**...E-Commerce Growth Rates Holding Up Despite Competition and Regulatory Challenges (ex-fx)**

Source: Ministry of Corporate Affairs, Barclays Research, FY ended March

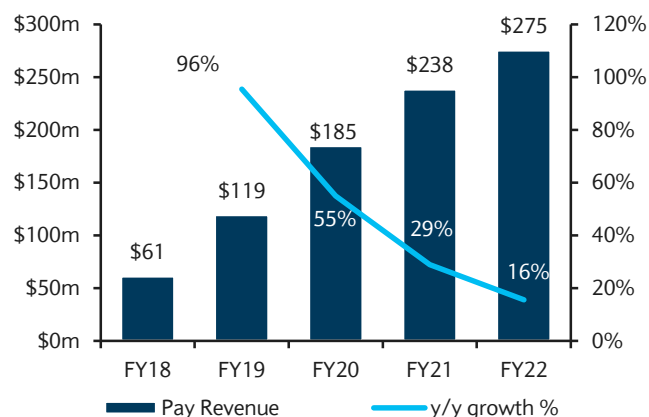
AWS seems to be hitting its stride, with growth re-accelerating to 65% y/y growth (up from +29% in FY21) and generating \$1.2bn in revenue. We would estimate the growth rate may have come down a bit in subsequent months consistent with the economic and pricing pressure Amazon described on its 3Q22 conference call. Amazon Pay growth continues to grow nicely but decelerated once again for the year ended March '22 to 16% y/y.

FIGURE 8

**AWS Growth Re-Accelerated to 70% in FY22**

Source: Ministry of Corporate Affairs, Barclays Research, FY ended March

FIGURE 9

**...Amazon Pay Up ~20% In FY22 As Well**

Source: Ministry of Corporate Affairs, Barclays Research, FY ended March

## Valuation

We are maintaining our OW rating and price target of \$140, based on 20x EBITDA, 2x revenue for retail and 6x revenue for AWS, using 2023 estimates.

FIGURE 10

### Amazon Valuation

|                             |             |
|-----------------------------|-------------|
| Current Price (After-Hours) | \$98.96     |
| Diluted Shares Outstanding  | 10331.0     |
| Current Market Cap          | \$1,022,356 |
| Less Cash and Other Assets  | \$58,662    |
| Add Debt                    | \$58,919    |
| Adjusted Enterprise Value   | \$1,022,613 |

| <u>Current multiples - Total AMZN</u> | <u>2022E</u> | <u>2023E</u> |
|---------------------------------------|--------------|--------------|
| Total Revenues                        | \$512,193    | \$571,939    |
| Current EV/Rev Multiple               | 2.0x         | 1.8x         |
| Total EBITDA                          | \$71,402     | \$80,375     |
| EV/EBITDA multiple                    | 14.3x        | 12.7x        |
| FCF per share                         | (\$2.28)     | \$2.48       |
| Current FCF yield                     | -2.3%        | 2.5%         |

### Retail Valuation

|  | <u>2022E</u> | <u>2023E</u> |
|--|--------------|--------------|
| Retail EBITDA                                | \$23,824     | \$32,851     |
| <b>Target Multiple</b>                       | <b>20.0x</b> | <b>20.0x</b> |
| Enterprise Value                             | \$476,472    | \$657,024    |
| Less Debt                                    | \$58,919     | \$58,919     |
| End Cash (ex AWS cash)                       | \$62,038     | \$87,634     |
| Equity Value                                 | \$479,590    | \$685,739    |
| End Projected Share Count                    | 10,246       | 10,334       |
| <b>Implied Stock Price on Forward EBITDA</b> | <b>\$47</b>  | <b>\$66</b>  |

| <u>EV/Revenue</u>                             | <u>2022E</u> | <u>2023E</u> |
|---|--------------|--------------|
| Retail Revenue                                | \$430,075    | \$473,450    |
| <b>Target Multiple</b>                        | <b>2.0x</b>  | <b>2.0x</b>  |
| Enterprise Value                              | \$860,149    | \$946,899    |
| Less Debt                                     | \$58,919     | \$58,919     |
| End Cash (ex AWS cash)                        | \$62,038     | \$87,634     |
| Equity Value                                  | \$863,268    | \$975,614    |
| End Projected Share Count                     | 10,246       | 10,334       |
| <b>Implied Stock Price on Forward Revenue</b> | <b>\$84</b>  | <b>\$94</b>  |

|                        |             |             |
|------------------------|-------------|-------------|
| <b>Wtd Avg. Retail</b> | <b>\$66</b> | <b>\$80</b> |
| <b>Retail Val</b>      | <b>\$66</b> | <b>\$80</b> |

### AWS Valuation

|  | <u>2022E</u>     | <u>2023E</u>     |
|--|------------------|------------------|
| Revenues                               | \$80,796         | \$98,490         |
| <b>Target Multiple</b>                 | <b>6.0x</b>      | <b>6.0x</b>      |
| Enterprise value                       | \$484,778        | \$590,939        |
| Net cash for AWS                       | \$3,000          | \$3,000          |
| <b>AWS Equity value</b>                | <b>\$487,778</b> | <b>\$593,939</b> |
| End Projected Share Count              | 10,246           | 10,334           |
| <b>Implied AWS valuation on EV/Rev</b> | <b>\$48</b>      | <b>\$57</b>      |
| <b>AWS value per share</b>             | <b>\$48</b>      | <b>\$57</b>      |

|             |              |              |
|-------------|--------------|--------------|
| <b>SOTP</b> | <b>\$120</b> | <b>\$140</b> |
|-------------|--------------|--------------|

|                     |              |
|---------------------|--------------|
| <b>Price Target</b> | <b>\$140</b> |
|---------------------|--------------|

Source: Barclays Research, Price as of 11/14/22 at 6:00PM ET

## Income Statement

FIGURE 11

## Income Statement

| Amazon.com, Inc. -- Quarterly Earnings Analysis<br>(\$ in millions, except per share amounts) | 2018           | 2019           | 2020           | 2021             | Mar-22<br>1Q22   | Jun-22<br>2Q22  | Sep-22<br>3Q22  | Dec-22<br>4Q22E | 2022E           | 2023E          | 2024E          |
|---|----------------|----------------|----------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|
| North America Retail  | 141,366        | 170,773        | 236,282        | 279,833          | 69,244           | 74,430          | 78,843          | 90,337          | 312,854         | 348,199        | 383,801        |
| International Retail  | 65,865         | 74,723         | 104,412        | 127,787          | 28,759           | 27,065          | 27,720          | 34,998          | 118,542         | 125,251        | 137,147        |
| AWS   | 25,656         | 35,026         | 45,370         | 62,202           | 18,441           | 19,739          | 20,538          | 22,078          | 80,796          | 98,490         | 118,370        |
| <b>Net Sales</b>  | <b>232,887</b> | <b>280,522</b> | <b>386,064</b> | <b>469,822</b>   | <b>116,444</b>   | <b>121,234</b>  | <b>127,101</b>  | <b>147,414</b>  | <b>512,193</b>  | <b>571,939</b> | <b>639,318</b> |
| Cost of Sales   | 139,082        | 165,387        | 233,024        | 271,804          | 66,353           | 66,211          | 70,078          | 88,917          | 291,559         | 314,799        | 337,551        |
| <b>Gross Profit</b>   | <b>93,805</b>  | <b>115,135</b> | <b>153,040</b> | <b>198,018</b>   | <b>50,091</b>    | <b>55,023</b>   | <b>57,023</b>   | <b>58,497</b>   | <b>220,634</b>  | <b>257,141</b> | <b>301,766</b> |
| Operating Expenses:   |                |                |                |                  |                  |                 |                 |                 |                 |                |                |
| Fulfillment   | 32,907         | 39,050         | 57,159         | 73,165           | 19,773           | 19,579          | 19,856          | 20,575          | 79,783          | 80,617         | 89,783         |
| Marketing   | 13,045         | 17,743         | 20,300         | 30,021           | 7,655            | 9,096           | 9,886           | 11,555          | 38,192          | 44,023         | 49,205         |
| Technology and Content  | 25,949         | 32,207         | 37,677         | 49,407           | 13,197           | 15,258          | 16,449          | 16,302          | 61,206          | 74,081         | 84,411         |
| General and Administrative  | 3,769          | 4,530          | 5,871          | 7,727            | 2,298            | 2,474           | 2,586           | 2,379           | 9,737           | 10,740         | 11,865         |
| Stock-Based Compensation  | 5,418          | 6,864          | 9,208          | 12,757           | 3,250            | 5,209           | 5,556           | 5,422           | 19,437          | 22,095         | 22,434         |
| Amortization of Other Intangibles   | 0              | 0              | 0              | 0                | 0                | 0               | 0               | 0               | 0               | 0              | 0              |
| Restructuring Related and Other   | 297            | 201            | (74)           | 62               | 249              | 90              | 165             | 0               | 504             | 0              | 0              |
| Total Operating Expenses  | 81,385         | 100,595        | 130,141        | 173,139          | 46,422           | 51,706          | 54,498          | 56,234          | 208,860         | 231,555        | 257,698        |
| Reported Income from Operations   | 12,420         | 14,540         | 22,899         | 24,879           | 3,669            | 3,317           | 2,525           | 2,263           | 11,774          | 25,586         | 44,069         |
| Depreciation and Amortization   | 15,341         | 21,789         | 25,251         | 34,296           | 8,978            | 9,594           | 10,204          | 10,911          | 39,687          | 32,695         | 32,333         |
| Total Adjusted Operating Expenses   | 81,088         | 100,394        | 130,215        | 173,077          | 42,923           | 46,407          | 48,777          | 50,812          | 208,356         | 231,555        | 257,698        |
| Pro Forma Income from Operations  | 18,135         | 21,605         | 32,033         | 37,698           | 7,168            | 8,616           | 8,246           | 7,685           | 31,715          | 47,680         | 66,502         |
| <b>Adjusted EBITDA</b>  | <b>33,476</b>  | <b>43,394</b>  | <b>57,284</b>  | <b>71,994</b>    | <b>16,146</b>    | <b>18,210</b>   | <b>18,450</b>   | <b>18,596</b>   | <b>71,402</b>   | <b>80,375</b>  | <b>98,835</b>  |
| Interest Income   | 441            | 833            | 555            | 448              | 108              | 159             | 277             | 317             | 861             | 1,666          | 2,251          |
| Interest Expense  | (1,418)        | (1,600)        | (1,647)        | (1,809)          | (472)            | (584)           | (617)           | (68)            | (1,741)         | (273)          | (273)          |
| Other   | (182)          | 202            | 2,371          | 14,633           | (8,570)          | (5,545)         | 759             | 0               | (13,356)        | 0              | 0              |
| Income Before Equity in Losses of Equity-Method Investees                                     | 11,261         | 13,975         | 24,178         | 38,151           | (5,265)          | (2,653)         | 2,944           | 2,511           | (2,463)         | 26,979         | 46,046         |
| Equity in Losses of Equity-Method Investees   | (8)            | 14             | (16)           | (4)              | (1)              | 12              | 3               | 0               | 14              | 0              | 0              |
| Provision (Benefit) for Income Taxes  | 1,196          | 2,373          | 2,863          | 4,791            | (1,422)          | (637)           | 69              | 103             | (1,887)         | 3,383          | 6,042          |
| Income Before Effect of Change in Accounting  | 10,073         | 11,588         | 21,331         | 33,364           | (3,842)          | (2,028)         | 2,872           | 2,408           | (590)           | 23,596         | 40,004         |
| Cumulative Effect of Change in Accounting Principle   | 0              | 0              | 0              | 0                | 0                | 0               | 0               | 0               | 0               | 0              | 0              |
| GAAP Net Income   | 10,073         | 11,588         | 21,331         | 33,364           | (3,842)          | (2,028)         | 2,872           | 2,408           | (590)           | 23,596         | 40,004         |
| Nonrecurring and Extraordinary Items  | 297            | 201            | (74)           | 62               | 249              | 90              | 165             | 0               | 504             | 0              | 0              |
| Pro Forma Pretax Income   | 16,976         | 21,040         | 33,312         | 50,970           | (1,766)          | 2,646           | 8,665           | 7,933           | 17,478          | 49,073         | 68,480         |
| GAAP Income Tax Provision   | 1,196          | 2,373          | 2,863          | 4,791            | (1,422)          | (637)           | 69              | 103             | (1,887)         | 3,383          | 6,042          |
| Tax Adjustment of Pro Forma Items   | 0              | 0              | 0              | 0                | 0                | 0               | 0               | 0               | 0               | 0              | 0              |
| <b>Pro Forma Net Income</b>   | <b>11,883</b>  | <b>14,728</b>  | <b>23,318</b>  | <b>35,679</b>    | <b>(1,236)</b>   | <b>1,852</b>    | <b>6,066</b>    | <b>5,553</b>    | <b>12,235</b>   | <b>34,351</b>  | <b>47,936</b>  |
| <u>Diluted Earnings per Share</u>   |                |                |                |                  |                  |                 |                 |                 |                 |                |                |
| Reported Earnings per Share   | \$20.15        | \$23.01        | \$41.83        | \$64.85          | (\$7.58)         | (\$0.20)        | \$0.28          | \$0.24          | (\$0.11)        | \$2.28         | \$3.81         |
| <b>Pro Forma Earnings per Share</b>   | <b>\$23.77</b> | <b>\$29.25</b> | <b>\$45.72</b> | <b>\$69.35</b>   | <b>(\$2.44)</b>  | <b>\$0.18</b>   | <b>\$0.59</b>   | <b>\$0.54</b>   | <b>\$1.19</b>   | <b>\$3.32</b>  | <b>\$4.56</b>  |
| Basic Shares Outstanding  | 487.0          | 493.8          | 500.3          | 503.0            | 507.0            | 10175.0         | 507.0           | 10231.8         | 5355.2          | 10334.5        | 10500.8        |
| Diluted Shares Outstanding  | 500.0          | 503.5          | 510.0          | 514.5            | 513.0            | 10175.0         | 10331.0         | 10231.8         | 10245.9         | 10334.5        | 10500.8        |
| <u>Other Metrics</u>  |                |                |                |                  |                  |                 |                 |                 |                 |                |                |
| Free Cash Flow  | 18577.0        | 24513.0        | 27290.0        | (14726.0)        | (17741.0)        | (6759.0)        | (4974.0)        | 6144.5          | (23329.5)       | 25596.5        | 31652.5        |
| <b>Free Cash Flow per Share</b>   | <b>\$37.15</b> | <b>\$48.69</b> | <b>\$53.51</b> | <b>(\$28.62)</b> | <b>(\$34.58)</b> | <b>(\$0.66)</b> | <b>(\$0.48)</b> | <b>\$0.60</b>   | <b>(\$2.28)</b> | <b>\$2.48</b>  | <b>\$3.01</b>  |
| <u>Margin Analysis</u>  |                |                |                |                  |                  |                 |                 |                 |                 |                |                |
| Gross Margin  | 40.3%          | 41.0%          | 39.6%          | 42.1%            | 43.0%            | 45.4%           | 44.9%           | 39.7%           | 43.1%           | 45.0%          | 47.2%          |
| Fulfillment as % of Gross Profit  | 35.1%          | 33.9%          | 37.3%          | 36.9%            | 39.5%            | 35.6%           | 34.8%           | 35.2%           | 36.2%           | 31.4%          | 29.8%          |
| Sales and Marketing as % of Gross Profit  | 13.9%          | 15.4%          | 13.3%          | 15.2%            | 15.3%            | 16.5%           | 17.3%           | 19.8%           | 17.3%           | 17.1%          | 16.3%          |
| Technology and Content as % of Gross Profit   | 27.7%          | 28.0%          | 24.6%          | 25.0%            | 26.3%            | 27.7%           | 28.8%           | 27.9%           | 27.7%           | 28.8%          | 28.0%          |
| General and Administrative as % of Gross Profit   | 4.0%           | 3.9%           | 3.8%           | 3.9%             | 4.6%             | 4.5%            | 4.5%            | 4.1%            | 4.4%            | 4.2%           | 3.9%           |
| GAAP Operating to Gross Profit Margin   | 13.2%          | 12.6%          | 15.0%          | 12.6%            | 7.3%             | 6.0%            | 4.4%            | 3.9%            | 5.3%            | 10.0%          | 14.6%          |
| Pro Forma Operating Income to Gross Profit  | 19.3%          | 18.8%          | 20.9%          | 19.0%            | 14.3%            | 15.7%           | 14.5%           | 13.1%           | 14.4%           | 18.5%          | 22.0%          |
| Adjusted EBITDA to Gross Profit   | 35.7%          | 37.7%          | 37.4%          | 36.4%            | 32.2%            | 33.1%           | 32.4%           | 31.8%           | 32.4%           | 31.3%          | 32.8%          |
| Pro Forma Operating Income to Revenue   | 7.8%           | 7.7%           | 8.3%           | 8.0%             | 6.2%             | 7.1%            | 6.5%            | 5.2%            | 6.2%            | 8.3%           | 10.4%          |
| Adjusted EBITDA to Revenue  | 14.4%          | 15.5%          | 14.8%          | 15.3%            | 13.9%            | 15.0%           | 14.5%           | 12.6%           | 13.9%           | 14.1%          | 15.5%          |
| Effective Tax Rate  | 10.6%          | 17.0%          | 11.8%          | 12.6%            | 27.0%            | 24.0%           | 2.3%            | 4.1%            | 76.6%           | 12.5%          | 13.1%          |
| Pro Forma Net Income  | 5.1%           | 5.3%           | 6.0%           | 7.6%             | -1.1%            | 1.5%            | 4.8%            | 3.8%            | 2.4%            | 6.0%           | 7.5%           |
| <u>Year Over Year Growth</u>  |                |                |                |                  |                  |                 |                 |                 |                 |                |                |
| North America Retail Revenue  | 33.2%          | 20.8%          | 38.4%          | 18.4%            | 7.6%             | 10.2%           | 20.3%           | 9.7%            | 11.8%           | 11.3%          | 10.2%          |
| International Retail Revenue  | 21.3%          | 13.4%          | 39.7%          | 22.4%            | -6.2%            | -11.9%          | -4.9%           | -6.1%           | -7.2%           | 5.7%           | 9.5%           |
| AWS Revenues  | 47.0%          | 36.5%          | 29.5%          | 37.1%            | 36.6%            | 33.3%           | 27.5%           | 24.2%           | 29.9%           | 21.9%          | 20.2%          |
| Net Revenue   | 30.9%          | 20.5%          | 37.6%          | 21.7%            | 7.3%             | 7.2%            | 14.7%           | 7.3%            | 9.0%            | 11.7%          | 11.8%          |
| <b>Gross Profit</b>   | <b>42.2%</b>   | <b>22.7%</b>   | <b>32.9%</b>   | <b>29.4%</b>     | <b>8.4%</b>      | <b>12.2%</b>    | <b>18.8%</b>    | <b>6.8%</b>     | <b>11.4%</b>    | <b>16.5%</b>   | <b>17.4%</b>   |
| Pro Forma Operating Income  | 112.5%         | 19.1%          | 48.3%          | 17.7%            | -36.1%           | -23.8%          | 2.8%            | 7.3%            | -15.9%          | 50.3%          | 39.5%          |
| <b>Adjusted EBITDA</b>  | <b>67.3%</b>   | <b>29.6%</b>   | <b>32.0%</b>   | <b>25.7%</b>     | <b>-13.7%</b>    | <b>-5.9%</b>    | <b>8.7%</b>     | <b>9.6%</b>     | <b>-0.8%</b>    | <b>12.6%</b>   | <b>23.0%</b>   |
| Pro Forma Net Income  | 106.1%         | 23.9%          | 58.3%          | 53.0%            | -114.0%          | -78.4%          | 15.8%           | -57.4%          | -65.7%          | 180.8%         | 39.5%          |
| Pro Forma Diluted Earnings per Share  | 103.2%         | 23.1%          | 56.3%          | 51.7%            | -114.2%          | -98.9%          | -94.2%          | -97.9%          | -98.3%          | 178.4%         | 37.3%          |
| Free Cash Flow  | 121.8%         | 32.0%          | 11.3%          | -154.0%          | 125.5%           | 329.7%          | -41.0%          | 95.0%           | 58.4%           | -209.7%        | 23.7%          |

Source: Barclays Research, Company Reports



## ANALYST(S) CERTIFICATION(S):

I, Ross Sandler, hereby certify (1) that the views expressed in this research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

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**Amazon.com, Inc.** (AMZN, 14-Nov-2022, USD 98.49), Overweight/Positive, A/CD/CE/D/E/J/K/L/M/N

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|                            |                                  |                                      |
|----------------------------|----------------------------------|--------------------------------------|
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| Alphabet Inc. (GOOGL)      | Amazon.com, Inc. (AMZN)          | Booking Holdings Inc. (BKNG)         |
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| DoorDash, Inc. (DASH)      | Duolingo, Inc. (DUOL)            | eBay, Inc. (EBAY)                    |
| Electronic Arts, Inc. (EA) | Etsy Inc (ETSY)                  | Expedia Inc. (EXPE)                  |
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| MercadoLibre (MELI)        | Meta Platforms, Inc. (META)      | NerdWallet, Inc. (NRDS)              |
| Nerdy, Inc. (NRDY)         | Outbrain, Inc. (OB)              | Peloton Interactive, Inc. (PTON)     |
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| Stitch Fix (SFIX)          | Swvl Holdings Corp (SWVL)        | Take-Two Interactive Software (TTWO) |
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## IMPORTANT DISCLOSURES

## Amazon.com, Inc. (AMZN / AMZN)

USD 98.49 (14-Nov-2022)

Stock Rating

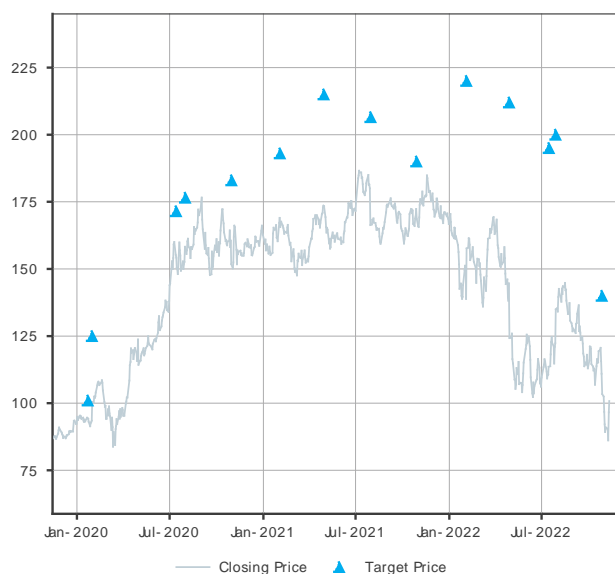
OVERWEIGHT

Industry View

POSITIVE

## Rating and Price Target Chart - USD (as of 14-Nov-2022)

Currency=USD



| Publication Date | Closing Price* | Rating | Adjusted Price Target |
|------------------|----------------|--------|-----------------------|
| 27-Oct-2022      | 110.96         |        | 140.00                |
| 28-Jul-2022      | 122.28         |        | 200.00                |
| 15-Jul-2022      | 113.55         |        | 195.00                |
| 28-Apr-2022      | 144.60         |        | 212.00                |
| 03-Feb-2022      | 138.85         |        | 220.00                |
| 28-Oct-2021      | 172.33         |        | 190.00                |
| 30-Jul-2021      | 166.38         |        | 206.50                |
| 29-Apr-2021      | 173.57         |        | 215.00                |
| 02-Feb-2021      | 169.00         |        | 193.00                |
| 30-Oct-2020      | 151.81         |        | 183.00                |
| 31-Jul-2020      | 158.23         |        | 176.50                |
| 13-Jul-2020      | 155.20         |        | 171.50                |
| 30-Jan-2020      | 100.44         |        | 125.00                |
| 22-Jan-2020      | 94.37          |        | 101.00                |

On 14-Nov-2019, prior to any intra-day change that may have been published, the rating for this security was Overweight, and the adjusted price target was 100.00.

Source: Bloomberg, Barclays Research

\*This is the closing price referenced in the publication, which may not be the last available closing price at the time of publication.

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[Link to Barclays Live for interactive charting](#)

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**Valuation Methodology:** We value shares of AMZN using a sum-of-the-parts methodology for its retail and AWS businesses. Our valuation of AMZN's retail business is based on an average of 20x EBITDA and 2x revenue using our FY23 estimates; while we value AWS using 6x our FY23 revenue estimates. Our resulting price target is \$140.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** Downside risks in the short term that could negatively impact our model and consensus estimates include: 1) greater-than-expected investment levels in retail, and hence lower than expected CSOI margins, over a more drawn-out period; 2) AWS missing consensus estimates from increased competition or simply because the Street over-estimated the pace at which on-premise workloads shift to the cloud. We'd put a 40% probability on either of these two risks playing out in 2017 (recall that both played out in 4Q16 and it didn't seem to matter for shares, which are up almost 4.5% from the day after the print (vs S&P up 2%)).

Longer-term risks include the highly competitive ecommerce landscape, increasing shipping costs from same and next-day delivery, which could be a drag on margins, security breaches or frequent downtime in the AWS business which could slow down public cloud adoption, or execution missteps that could slow growth of the retail business.

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