June 9, 2020 | Equity Research



# Amazon.com, Inc.

# AMZN: Channel Shift is Happening; Raise Ests, PT to \$3,000

# Overweight/\$3000

Internet

**Price Target Change** 

- Our review of omnichannel retailer commentary and EBAY's upward 2Q guidance revision last week indicate to us continued strength, if not acceleration, in digital commerce from March into April and May, despite brick-and-mortar retailers beginning to reopen across much of the country. While it is too early to tell whether e-commerce penetration will permanently "ratchet" higher, strong digital demand appears likely to persist over at least the near to mid-term. While digital demand appears to have ramped aggressively, we also note omnichannel retailers have rapidly launched or expanded local fulfillment capabilities leveraging store footprints, and have so far seen an enthusiastic consumer response (e.g., TGT's same-day services +278% YoY in its F1Q20). What does this mean for our (mostly) pure-play e-com coverage? Our view is somewhat mixed, but positive on balance: we view accelerating growth and persistence of digital demand as strong positives that likely outweigh enhanced fulfillment capabilities among omnichannel players.
- AMZN: Raise Estimates, Raise PT to \$3,000. While we note ramping local fulfillment capabilities and exceptionally strong ecommerce data pts from omnichannel retail competitors, we nonetheless expect that AMZN is likely to benefit from exceptionally strong e-commerce demand in 2Q, likely extending into 2H20. Though we view omnichannel retailers' recent progress on BOPIS/curbside as very much worth monitoring, we believe that AMZN's continued build-out of last-mile fulfillment capacity and a gradual return to more hectic work and school schedules among consumers will likely shift momentum back toward rapid delivery (AMZN's 1-day Prime and Prime Now) from competitors' store-based fulfillment options. Based on our increased forecasts and improving comparative valuations, we have raised our price target to \$3,000 (23x 2021E EV/EBITDA) from \$2,725 prior and maintain our Overweight rating on AMZN shares.
- Estimate Changes. We have raised our e-commerce paid unit growth forecasts for the remainder of 2020 and 2021, and have also modeled higher 3P unit mix vs. our prior forecasts. For 2Q, we now forecast 35.5% unit growth (revised upward from +27% prior, and accelerating vs. 32% unit growth reported in 1Q20) and 54%/46% 3P/1P unit mix, consistent with 2Q19. Unit growth and 3P mix are also revised upward for 2H and, modestly, for 2021. For 2020, we now forecast revenue of \$349B, GAAP Op Income of \$11.4B and GAAP EPS of \$15.59, vs. prior forecasts of \$343B / \$11.1B / \$15.11. For 2021, we now forecast revenue of \$415B, GAAP Op Income of \$24B and GAAP EPS of \$35.57 vs. our prior forecasts of \$401B / \$23B / \$34.51.

2019A	202	0E	2021E			
	Curr.	Prior	Curr.	Prior		
7.09	5.01 A	NC	9.71	9.62		
5.22	0.29	0.16	7.96	7.63		
4.23	3.73	3.76	7.30	7.49		
6.47	6.55	6.16	10.60	9.76		
23.01	15.59	15.11	35.57	34.51		
23.01	15.59		35.57			
109.7x	161.9x		71.0x			
280,522	349,319		414,956			
	7.09 5.22 4.23 6.47 23.01 23.01 109.7x	7.09 5.01 A 5.22 0.29 4.23 3.73 6.47 6.55 23.01 15.59 23.01 15.59	Curr.         Prior           7.09         5.01 A         NC           5.22         0.29         0.16           4.23         3.73         3.76           6.47         6.55         6.16           23.01         15.59         15.11           23.01         15.59         109.7x           161.9x         161.9x         161.9x	Curr.         Prior Prior Prior         Curr.           7.09         5.01 A         NC         9.71           5.22         0.29         0.16         7.96           4.23         3.73         3.76         7.30           6.47         6.55         6.16         10.60           23.01         15.59         15.11         35.57           23.01         15.59         35.57           109.7x         161.9x         71.0x		

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful V = Volatil

Ticker	AMZN
Price Target/Prior:	\$3000/\$2725
Price (06/08/2020)	\$2524.06
52-Week Range:	\$1626-2526
Shares Outstanding: (MM)	506.0
Market Cap.: (MM)	\$1,277,174.4
S&P 500:	3,232.39
Avg. Daily Vol.:	3,880,600
Dividend/Yield:	\$0.00/0.0%
LT Debt: (MM)	\$24,638.0
LT Debt/Total Cap.:	2.7%
ROE:	13.0%
3-5 Yr. Est. Growth Rate:	30.0%
CY 2020 Est. P/EPS-to-Growth:	5.4x
Last Reporting Date:	04/30/2020
	After Close

NC = No Chang

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Please see page 6 for rating definitions, important disclosures and required analyst certifications. All estimates/forecasts are as of 06/09/20 unless otherwise stated. 06/08/20 21:59:17 ET

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**Exhibit 1. AMZN Quarterly Estimate Revisions, 2020** 

	1Q20A	1Q20A		2Q20E	2Q20E		3Q20E	3Q20E		4Q20E	4Q20E	
(\$MM except as noted)	Reported	Reported	% Variance	Revised	Prior	% Variance	Revised	Prior	% Variance	Revised	Prior	% Variance
Online Stores	36,652	36,652	0.0%	40,183	37,877	6.1%	42,497	41,134	3.3%	52,881	53,145	-0.5%
Physical Stores	4,640	4,640	0.0%	4,590	4,590	0.0%	4,402	4,402	0.0%	4,516	4,516	0.0%
Third-party seller services	14,479	14,479	0.0%	16,371	15,060	8.7%	16,947	15,842	7.0%	21,903	21,145	3.6%
Subscription services	5,556	5,556	0.0%	5,972	5,972	0.0%	6,349	6,349	0.0%	6,648	6,648	0.0%
AWS	10,219	10,219	0.0%	11,063	11,063	0.0%	11,873	11,873	0.0%	13,040	13,040	0.0%
Other	3,906	3,906	0.0%	4,233	4,233	0.0%	4,518	4,518	0.0%	5,882	5,882	0.0%
Total Revenue	75,452	75,452	0.0%	82,411	78,794	4.6%	86,587	84,119	2.9%	104,869	104,375	0.5%
Operating Expenses, ex-SBC												
Cost of Sales	44,216	44,216	0.0%	48,532	46,463	4.5%	52,131	50,553	3.1%	65,034	64,950	0.1%
Fulfillment	11,271	11,271	0.0%	14,261	13,635	4.6%	12,640	12,280	2.9%	14,489	14,421	0.5%
Marketing	3,867	3,867	0.0%	4,766	4,557	4.6%	5,251	5,101	2.9%	6,702	6,670	0.5%
Technology and content	8,993	8,993	0.0%	10,218	9,769	4.6%	10,015	9,729	2.9%	10,264	10,216	0.5%
General and administrative	1,289	1,289	0.0%	1,700	1,625	4.6%	1,538	1,494	2.9%	1,528	1,520	0.5%
Total Operating Expenses, ex-SBC	69,636	69,636	0.0%	79,477	76,049	4.5%	81,575	79,158	3.1%	98,017	97,778	0.2%
- Other operating expenses, net	70	70	0.0%	112	107	4.6%	68	66	2.9%	78	78	0.5%
- SBC	1,757	1,757	0.0%	2,397	2,292	4.6%	2,331	2,265	2.9%	2,364	2,353	0.5%
	2.000	2.000	2.00/	426	245	22.40/	2542	2 524	0.70/			5.00/
GAAP Operating Income	3,989	3,989	0.0%	426	346	23.1%	2,613	2,631	-0.7%	4,410	4,167	5.8%
Interest Income	202	202	0.0%	207	207	0.0%	212	212	0.0%	217	217	0.0%
Interest Expense	(402)	(402)	NM	(450)	(450)	NM	(450)	(450)	NM	(450)	(450)	NM
Other Income (Expense), Net	(406)	(406)	NM	0	0	NM	0	0	NM	0	0	NM
Income Before Taxes	3,383	3,383	0.0%	183	103	77.9%	2,375	2,393	-0.7%	4,177	3,934	6.2%
Provision For Income Taxes	(744)	(744)	NM	(37)	(21)	NM	(475)	(479)	NM	(835)	(787)	NM
Equity-method investment net of tax	(104)	(104)	NM	0	0	NM	0	0	NM	0	0	NM
Net Income	2,535	2,535	0.0%	146	82	77.9%	1,900	1,914	-0.7%	3,342	3,147	6.2%
Basic EPS (\$)	5.09	5.09	0.0%	0.29	0.16	77.9%	3.78	3.81	-0.7%	6.63	6.24	6.2%
Diluted EPS (\$)	5.01	5.01	0.0%	0.29	0.16	77.9%	3.73	3.76	-0.7%	6.55	6.16	6.2%
Basic Shares Outstanding	498	498	0.0%	500	500	0.0%	502	502	0.0%	504	504	0.0%
Diluted Shares Outstanding	506	506	0.0%	508	508	0.0%	509	509	0.0%	511	511	0.0%
Adjusted EBITDA Calculation												
	3,989	3,989	0.0%	426	346	23.1%	2,613	2,631	-0.7%	4,410	4,167	5.8%
GAAP Operating Income	5,362	5,362	0.0%	5,770	5,770	0.0%	5,970	5,970	0.0%	6,170	6,170	0.0%
Depreciation and Amortization Stock-Based Compensation	1,757	1,757	0.0%	2,397	2,292	4.6%	2,331	2,265	2.9%	2,364	2,353	0.5%
Adjusted EBITDA	11,108	11,108	0.0%	8,593	8,407	2.2%	10,914	10,865	0.4%	12,944	12,690	2.0%
rejusted Editori	11,100	11,100	0.075	0,555	0,407	LILYO	10,514	10,003	01475	22,544	12,030	21070
Expenses as % of Revenue												
Cost of Sales	59%	59%	0.0%	59%	59%	-0.1%	60%	60%	0.2%	62%		
Fulfillment	15%	15%	0.0%								62%	-0.3%
Marketing				17%	17%	0.0%	15%	15%	0.0%	14%	14%	0.0%
	5%	5%	0.0%	6%	6%	0.0%	6%	6%	0.0%	14% 6%	14% 6%	0.0%
Technology and Content	12%	12%	0.0% 0.0%	6% 12%	6% 12%	0.0% 0.0%	6% 12%	6% 12%	0.0% 0.0%	14% 6% 10%	14% 6% 10%	0.0% 0.0% 0.0%
General and Administrative	12% 2%	12% 2%	0.0% 0.0% 0.0%	6% 12% 2%	6% 12% 2%	0.0% 0.0% 0.0%	6% 12% 2%	6% 12% 2%	0.0% 0.0% 0.0%	14% 6% 10% 1%	14% 6% 10% 1%	0.0% 0.0% 0.0% 0.0%
General and Administrative Other Operating Expenses, net	12% 2% 0%	12% 2% 0%	0.0% 0.0% 0.0% 0.0%	6% 12% 2% 0%	6% 12% 2% 0%	0.0% 0.0% 0.0% 0.0%	6% 12% 2% 0%	6% 12% 2% 0%	0.0% 0.0% 0.0% 0.0%	14% 6% 10% 1% 0%	14% 6% 10% 1% 0%	0.0% 0.0% 0.0% 0.0%
General and Administrative Other Operating Expenses, net SBC	12% 2%	12% 2%	0.0% 0.0% 0.0% 0.0%	6% 12% 2%	6% 12% 2% 0% 3%	0.0% 0.0% 0.0% 0.0%	6% 12% 2%	6% 12% 2%	0.0% 0.0% 0.0% 0.0%	14% 6% 10% 1%	14% 6% 10% 1%	0.0% 0.0% 0.0% 0.0%
General and Administrative Other Operating Expenses, net	12% 2% 0% 2%	12% 2% 0% 2%	0.0% 0.0% 0.0% 0.0%	6% 12% 2% 0% 3%	6% 12% 2% 0%	0.0% 0.0% 0.0% 0.0%	6% 12% 2% 0% 3%	6% 12% 2% 0% 3%	0.0% 0.0% 0.0% 0.0%	14% 6% 10% 1% 0% 2%	14% 6% 10% 1% 0% 2%	0.0% 0.0% 0.0% 0.0% 0.0%
General and Administrative Other Operating Expenses, net SBC Total GAAP Expenses YoY Change (%)	12% 2% 0% 2% 95%	12% 2% 0% 2% 95%	0.0% 0.0% 0.0% 0.0% 0.0%	6% 12% 2% 0% 3% 99%	6% 12% 2% 0% 3% 100%	0.0% 0.0% 0.0% 0.0% -0.1%	6% 12% 2% 0% 3% 97%	6% 12% 2% 0% 3% 97%	0.0% 0.0% 0.0% 0.0% 0.0%	14% 6% 10% 1% 0% 2% 96%	14% 6% 10% 1% 0% 2% 96%	0.0% 0.0% 0.0% 0.0% 0.0% -0.2%
General and Administrative Other Operating Expenses, net SBC Total GAAP Expenses  YoY Change (%) Online Stores	12% 2% 0% 2% 95%	12% 2% 0% 2% 95%	0.0% 0.0% 0.0% 0.0% 0.0%	6% 12% 2% 0% 3% 99%	6% 12% 2% 0% 3% 100%	0.0% 0.0% 0.0% 0.0% -0.1%	6% 12% 2% 0% 3% 97%	6% 12% 2% 0% 3% 97%	0.0% 0.0% 0.0% 0.0% 0.0% 0.1%	14% 6% 10% 1% 0% 2% 96%	14% 6% 10% 1% 0% 2% 96%	0.0% 0.0% 0.0% 0.0% 0.0% -0.2%
General and Administrative Other Operating Expenses, net SBC Total GAAP Expenses  Yo' Change (%) Online Stores Physical Stores	12% 2% 0% 2% 95%	12% 2% 0% 2% 95%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0%	6% 12% 2% 0% 3% 99%	6% 12% 2% 0% 3% 100%	0.0% 0.0% 0.0% 0.0% 0.0% -0.1%	6% 12% 2% 0% 3% 97%	6% 12% 2% 0% 3% 97%	0.0% 0.0% 0.0% 0.0% 0.0% 0.1%	14% 6% 10% 1% 0% 2% 96%	14% 6% 10% 1% 0% 2% 96%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% -0.2%
General and Administrative Other Operating Expenses, net SBC Total GAAP Expenses  Yo' Change (%) Online Stores Physical Stores Third-party seller services	12% 2% 0% 2% 95% 24% 8% 30%	12% 2% 0% 2% 95%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0%	6% 12% 2% 0% 3% 99% 	6% 12% 2% 0% 3% 100%	0.0% 0.0% 0.0% 0.0% -0.1% 33.8% 0.0% 42.3%	6% 12% 2% 0% 3% 97% 21% 5% 28%	6% 12% 2% 0% 3% 97%	0.0% 0.0% 0.0% 0.0% 0.1% 22.4% 0.0% 42.0%	14% 6% 10% 1% 0% 2% 96%	14% 6% 10% 1% 0% 2% 96%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% -0.2%
General and Administrative Other Operating Expenses, net SBC Total GAAP Expenses  YoY Change (%) Online Stores Physical Stores Third-party seller services Subscription services	12% 2% 0% 2% 95% 24% 8% 30% 28%	12% 2% 0% 2% 95% 24% 8% 30% 28%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%	6% 12% 2% 0% 3% 99% 	6% 12% 2% 0% 3% 100%	0.0% 0.0% 0.0% 0.0% 0.0% -0.1% 33.8% 0.0% 42.3%	6% 12% 2% 0% 3% 97% 21% 5% 28%	6% 12% 2% 0% 3% 97%  17% 5% 20% 28%	0.0% 0.0% 0.0% 0.0% 0.1% 0.1%	14% 6% 10% 1% 0% 2% 96%	14% 6% 10% 1% 0% 2% 96%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% -0.2% -3.5% 0.0% 20.5%
General and Administrative Other Operating Expenses, net SBC Total GAAP Expenses  YoY Change (%) Online Stores Physical Stores Third-party seller services Subscription services AWS	12% 2% 0% 28 95% 24% 8% 30% 28% 33%	12% 2% 0% 2% 95% 24% 8% 30% 28% 33%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%	6% 12% 2% 0% 3% 99% 6% 37% 28% 32%	6% 12% 2% 0% 3% 100% 22% 6% 26% 28% 32%	0.0% 0.0% 0.0% 0.0% 0.0% -0.1% 33.8% 0.0% 42.3% 0.0% 0.0%	6% 12% 2% 0% 3% 97% 21% 5% 28% 28% 32%	6% 12% 2% 0% 3% 97% 17% 5% 20% 28% 32%	0.0% 0.0% 0.0% 0.0% 0.1% 0.1% 22.4% 0.0% 42.0% 0.0%	14% 6% 10% 1% 0% 2% 96%  16% 3% 26% 27% 31%	14% 6% 10% 1% 0% 2% 96% 16% 3% 21% 27% 31%	0.0% 0.0% 0.0% 0.0% 0.0% -0.2% -3.5% 0.0% 20.5% 0.0%
General and Administrative Other Operating Expenses, net SBC Total GAAP Expenses  YoY Change (%) Online Stores Physical Stores Third-party seller services Subscription services AWS Other	12% 2% 0% 26 95% 24% 8% 30% 28% 33% 44%	12% 2% 0% 2% 95% 95% 24% 8% 30% 28% 33% 44%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%	6% 12% 2% 0% 3% 99% 29% 6% 37% 28% 32%	6% 12% 2% 0% 3% 100% 22% 6% 26% 28% 32% 41%	0.0% 0.0% 0.0% 0.0% 0.0% -0.1% 33.8% 0.0% 42.3% 0.0% 0.0%	6% 12% 2% 0% 3% 97% 21% 5% 28% 28% 32%	6% 12% 2% 0% 3% 97% 17% 5% 20% 28% 32%	0.0% 0.0% 0.0% 0.0% 0.1% 22.4% 0.0% 42.0% 0.0% 0.0%	14% 6% 10% 1% 0% 2% 96%  16% 3% 26% 27% 31% 23%	14% 6% 10% 1% 0% 2% 96% 16% 3% 21% 21% 21% 31% 23%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.2%
General and Administrative Other Operating Expenses, net SBC Total GAAP Expenses  YoY Change (%) Online Stores Physical Stores Third-party seller services Subscription services AWS Other Total Revenue	12% 2% 0% 2% 95% 24% 8% 30% 28% 33% 44% 26%	12% 2% 0% 2% 95% 24% 8% 30% 28% 33% 44%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%	6% 12% 2% 0% 3% 99%  29% 6% 37% 28% 32% 41%	6% 12% 2% 0% 3% 100%  22% 6% 26% 24% 41%	0.0% 0.0% 0.0% 0.0% 0.0% -0.1% 33.8% 0.0% 42.3% 0.0% 0.0%	6% 12% 2% 0% 3% 97%  21% 5% 28% 28% 28% 26% 24%	6% 12% 2% 0% 3% 97%  17% 5% 20% 28% 32% 26% 20%	0.0% 0.0% 0.0% 0.0% 0.1% 0.1% 22.4% 0.0% 42.0% 0.0% 0.0% 0.0%	14% 6% 10% 1% 0% 2% 96%  16% 3% 26% 27% 31% 23%	14% 6% 10% 1% 0% 2% 96% 16% 3% 21% 27% 31% 23%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%
General and Administrative Other Operating Expenses, net SBC Total GAAP Expenses  YoY Change (%) Online Stores Physical Stores Third-party seller services Subscription services AWS Other Total Revenue Cost of Sales	12% 2% 0% 2% 95% 24% 8% 30% 28% 33% 44% 26%	12% 2% 0% 2% 95% 24% 8% 30% 28% 34% 44% 26%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%	6% 12% 2% 0% 3% 99%  29% 6% 37% 28% 32% 41% 30% 34%	6% 12% 2% 0% 3% 100%  22% 6% 26% 26% 24% 41% 28%	0.0% 0.0% 0.0% 0.0% 0.0% -0.1% 33.8% 0.0% 42.3% 0.0% 0.0% 0.0%	6% 12% 2% 0% 3% 97%  21% 5% 28% 28% 28% 22% 26% 24%	6% 12% 2% 0% 3% 97% 117% 5% 20% 28% 32% 26% 20%	0.0% 0.0% 0.0% 0.0% 0.1% 22.4% 0.0% 42.0% 0.0% 0.0% 0.0% 17.5%	14% 6% 10% 1% 0% 2% 96%  16% 3% 26% 27% 31% 23% 20%	14% 6% 10% 1% 0% 2% 96% 16% 3% 21% 27% 31% 23% 19%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%
General and Administrative Other Operating Expenses, net SBC Total GAAP Expenses  Yo'Y Change (%) Online Stores Physical Stores Third-party seller services Subscription services AWS Other Total Revenue Cost of Sales Fulfillment	12% 2% 0% 2% 95% 24% 8% 30% 28% 33% 44% 26% 30% 35%	12% 2% 0% 2% 95%  24% 8% 30% 28% 33% 44% 26% 30% 35%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%	6% 12% 2% 0% 3% 99%  29% 6% 37% 28% 32% 41% 30% 34% 60%	6% 12% 2% 0% 3% 100% 22% 6% 26% 28% 32% 41% 24% 28% 53%	0.0% 0.0% 0.0% 0.0% -0.1% 33.8% 0.0% 42.3% 0.0% 0.0% 23.5% 20.3%	6% 12% 2% 0% 3% 97%  21% 5% 28% 28% 26% 26% 26% 28%	6% 12% 2% 0% 3% 97% 17% 5% 20% 28% 32% 20% 24%	0.0% 0.0% 0.0% 0.0% 0.1% 22.4% 0.0% 42.0% 0.0% 0.0% 17.5% 17.0%	14% 6% 10% 1% 0% 2% 96%  16% 3% 26% 27% 31% 23% 20% 21% 22%	14% 6% 10% 1% 0% 2% 96% 16% 21% 27% 31% 23% 20% 21%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%
General and Administrative Other Operating Expenses, net SBC Total GAAP Expenses  YoY Change (%) Online Stores Physical Stores Third-party seller services Subscription services AWS Other Total Revenue Cost of Sales Fulfillment Marketing	12% 2% 0% 25% 95% 24% 8% 30% 28% 33% 44% 26% 30% 35%	12% 2% 0% 2% 95% 24% 8% 33% 44% 26% 33% 12%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%	6% 12% 2% 0% 3% 99% 6% 37% 28% 32% 41% 30% 34% 60% 20%	6% 12% 2% 0% 3% 100%  22% 6% 26% 28% 32% 41% 24% 28% 53% 14%	0.0% 0.0% 0.0% 0.0% -0.1% 33.8% 0.0% 42.3% 0.0% 0.0% 23.5% 20.3% 36.5%	6% 12% 2% 0% 3% 97%  21% 5% 28% 28% 22% 26% 24% 26% 28% 18%	6% 12% 2% 0% 3% 97%  17% 5% 20% 28% 32% 26% 20% 23% 24% 15%	0.0% 0.0% 0.0% 0.0% 0.1% 22.4% 0.0% 42.0% 0.0% 0.0% 17.5% 14.9% 23.1%	14% 6% 10% 1% 0% 2% 96%  16% 3% 26% 27% 31% 23% 20% 21% 22% 15%	14% 6% 10% 1% 0% 2% 96%  16% 3% 21% 27% 31% 23% 19% 20% 21%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%
General and Administrative Other Operating Expenses, net SBC Total GAAP Expenses  YoY Change (%) Online Stores Physical Stores Third-party seller services Subscription services AWS Other Total Revenue Cost of Sales Fulfillment Marketing Technology and Content	12% 2% 0% 28 95% 24% 8% 30% 28% 33% 44% 26% 30% 35% 12% 24%	12% 2% 0% 2% 95% 95% 8% 33% 44% 26% 35% 12% 24%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%	6% 12% 2% 0% 3% 99% 6% 37% 28% 32% 41% 30% 20% 20% 28%	6% 12% 2% 0% 3% 100%  22% 6% 28% 32% 41% 24% 28% 53% 14% 22%	0.0% 0.0% 0.0% 0.0% 0.0% -0.1% 33.8% 0.0% 42.3% 42.3% 0.0% 0.0% 23.5% 23.3% 23.3%	6% 12% 2% 0% 3% 97%  21% 5% 28% 28% 22%	6% 12% 2% 0% 3% 97%  17% 5% 20% 28% 32% 26% 24% 15% 18%	0.0% 0.0% 0.0% 0.0% 0.1% 22.4% 0.0% 42.0% 0.0% 0.0% 17.5% 17.0% 14.9% 23.1%	14% 6% 10% 1% 0% 2% 96%  16% 3% 26% 27% 31% 23% 20% 21% 22% 15% 18%	14% 6% 10% 11% 0% 2% 96%  16% 3% 21% 23% 19% 20% 14% 14%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%
General and Administrative Other Operating Expenses, net SBC Total GAAP Expenses  YoY Change (%) Online Stores Physical Stores Third-party seller services Subscription services AWS Other Total Revenue Cost of Sales Fulfillment Marketing Technology and Content General and Administrative	12% 2% 0% 2% 95%  24% 8% 30% 28% 33% 44% 26% 30% 35% 12% 24% 24%	12% 2% 0% 2% 95% 24% 3% 44% 30% 35% 42% 24% 24% 24%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%	6% 12% 2% 0% 3% 99% 6% 37% 28% 32% 41% 30% 34% 60% 20% 28% 57%	6% 12% 2% 0% 3% 100%  22% 6% 26% 24% 41% 24% 53% 144% 22% 50%	0.0% 0.0% 0.0% 0.0% 0.0% -0.1% 33.8% 0.0% 42.3% 0.0% 0.0% 23.5% 20.3% 13.3% 25.2% 13.8%	6% 12% 2% 0% 3% 97%  21% 5% 28% 28% 26% 24% 26% 28% 18% 22% 31%	6% 12% 2% 0% 3% 97%  17% 20% 28% 32% 26% 20% 23% 24% 24% 24% 24% 25%	0.0% 0.0% 0.0% 0.0% 0.1% 22.4% 0.0% 42.0% 0.0% 0.0% 17.5% 17.0% 14.9% 23.1% 19.1%	14% 6% 10% 1% 0% 2% 96%  16% 3% 26% 27% 31% 23% 20% 21% 15% 18%	14% 6% 10% 1% 0% 2% 96%  16% 3% 21% 27% 31% 23% 198 20% 214% 217% 24%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%
General and Administrative Other Operating Expenses, net SBC Total GAAP Expenses  YoY Change (%) Online Stores Physical Stores Third-party seller services Subscription services AWS Other Total Revenue Cost of Sales Fulfillment Marketing Technology and Content	12% 2% 0% 28 95% 24% 8% 30% 28% 33% 44% 26% 30% 35% 12% 24%	12% 2% 0% 2% 95% 95% 8% 33% 44% 26% 35% 12% 24%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%	6% 12% 2% 0% 3% 99% 6% 37% 28% 32% 41% 30% 20% 20% 28%	6% 12% 2% 0% 3% 100%  22% 6% 28% 32% 41% 24% 28% 53% 14% 22%	0.0% 0.0% 0.0% 0.0% 0.0% -0.1% 33.8% 0.0% 42.3% 42.3% 0.0% 0.0% 23.5% 23.3% 23.3%	6% 12% 2% 0% 3% 97%  21% 5% 28% 28% 22%	6% 12% 2% 0% 3% 97%  17% 5% 20% 28% 32% 26% 24% 15% 18%	0.0% 0.0% 0.0% 0.0% 0.1% 22.4% 0.0% 42.0% 0.0% 0.0% 17.5% 17.0% 14.9% 23.1%	14% 6% 10% 1% 0% 2% 96%  16% 3% 26% 27% 31% 23% 20% 21% 22% 15% 18%	14% 6% 10% 11% 0% 2% 96%  16% 3% 21% 23% 19% 20% 14% 14%	0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%

Source: Company reports and Wells Fargo Securities, LLC estimates

Exhibit 2. AMZN Annual Estimate Revisions, 2020-2021

	2020E	2020E		2021E	2021E	
(\$MM except as noted)	Revised	Prior	% Variance	Revised	Prior	% Variance
Online Stores	172,213	168,808	2.0%	199,795	191,325	4.4%
Physical Stores	18,147	18,147	0.0%	17,123	17,123	0.0%
Third-party seller services	69,699	66,525	4.8%	85,670	80,472	6.5%
Subscription services	24,525	24,525	0.0%	30,891	30,891	0.0%
AWS	46,195	46,195	0.0%	58,280	58,280	0.0%
Other	18,539	18,539	0.0%	23,196	23,196	0.0%
Total Revenue	349,319	342,739	1.9%	414,956	401,288	3.4%
Operating Expenses, ex-SBC						
Cost of Sales	209,913	206,182	1.8%	245,345	236,474	3.8%
Fulfillment	52,661	51,607	2.0%	57,535	55,624	3.4%
Marketing	20,586	20,196	1.9%	23,622	23,099	2.3%
Technology and content	39,490	38,707	2.0%	47,542	46,309	2.7%
General and administrative	6,055	5,929	2.1%	6,823	6,733	1.3%
Total Operating Expenses, ex-SBC	328,704	322,620	1.9%	380,867	368,239	3.4%
- Other operating expenses, net	328	321	2.3%	389	375	3.8%
- SBC	8,849	8,666	2.1%	9,945	9,603	3.6%
GAAP Operating Income	11,438	11,132	2.7%	23,754	23,071	3.0%
Interest Income	838	838	0.0%	918	918	0.0%
Interest Expense	(1,752)	(1,752)	NM	(1,800)	(1,800)	NM
Other Income (Expense), Net	(406)	(406)	NM	0	0	NM
Income Before Taxes	10,118	9,812	3.1%	22,872	22,189	3.1%
Provision For Income Taxes	(2,091)	(2,030)	NM	(4,574)	(4,438)	NM
Equity-method investment net of tax	(104)	(104)	NM	0	0	NM
Net Income	7,923	7,678	3.2%	18,298	17,751	3.1%
Basic EPS (\$)	15.81	15.33	3.2%	35.94	34.87	3.1%
Diluted EPS (\$)	15.59	15.11	3.2%	35.57	34.51	3.1%
Basic Shares Outstanding	501	501	0.0%	509	509	0.0%
Diluted Shares Outstanding	508	508	0.0%	514	514	0.0%
Adjusted EBITDA Calculation						
GAAP Operating Income	11,438	11,132	2.7%	23,754	23,071	3.0%
Depreciation and Amortization	23,272	23,272	0.0%	29,680	29,680	0.0%
Stock-Based Compensation	8,849	8,666	2.1%	9,945	9,603	3.6%
Adjusted EBITDA	43,559	43,070	1.1%	63,379	62,353	1.6%
Expenses as % of Revenue						
Cost of Sales	60%	60%	-0.1%	59%	59%	0.3%
Fulfillment	15%	15%	0.1%	14%	14%	0.0%
Marketing	6%	6%	0.0%	6%	6%	-1.1%
Technology and Content	11%	11%	0.1%	11%	12%	-0.7%
General and Administrative	2%	2%	0.2%	2%	2%	-2.0%
Other Operating Expenses, net	0%	0%	0.3%	0%	0%	0.4%
SBC	3%	3%	0.2%	2%	2%	0.2%
Total GAAP Expenses	97%	97%	0.0%	94%	94%	0.0%
YoY Change (%)	_					
Online Stores	22%	20%	12.4%	16%	13%	20.1%
Physical Stores	6%	6%	0.0%	-6%	-6%	NM
Third-party seller services	30%	24%	24.9%	23%	21%	9.3%
Subscription services	28%	28%	0.0%	26%	26%	0.0%
AWS	32%	32%	0.0%	26%	26%	0.0%
Other	32%	32%	0.0%	25%	25%	0.0%
Total Revenue	25%	22%	10.6%	19%	17%	10.0%
Cost of Sales	27%	25%	9.1%	17%	15%	14.9%
Fulfillment	35%	32%	8.4%	9%	8%	18.9%
Marketing	16%	14%	15.9%	15%	14%	2.6%
Technology and Content	23%	20%	12.0%	20%	20%	3.8%
General and Administrative	34%	31%	9.0%	13%	14%	-6.4%
Other Operating Expenses, net SBC	63% 29%	59% 36%	6.0%	19%	17%	10.4%
3DC	29%	26%	10.1%	12%	11%	14.6%

Source: Company reports and Wells Fargo Securities, LLC estimates

**Exhibit 3. AMZN Historical and Projected Income Statement** 

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(\$MM except as noted)	2017A	2018A	1Q19A	2Q19A	3Q19A	4Q19A	2019A	1Q20A	2Q20E	3Q20E	4Q20E	2020E	2021E
Online Stores	108,355	122,987	29,498	31,053	35,039	45,657	141,247	36,652	40,183	42,497	52,881	172,213	199,795
Physical Stores	5,798	17,224	4,307	4,330	4,192	4,363	17,192	4,640	4,590	4,402	4,516	18,147	17,123
Third-party seller services	31,880	42,745	11,141	11,962	13,212	17,446	53,761	14,479	16,371	16,947	21,903	69,699	85,670
Subscription services	9,722	14,167	4,342	4,676	4,957	5,235	19,210	5,556	5,972	6,349	6,648	24,525	30,891
AWS	17,458	25,656	7,696	8,381	8,995	9,954	35,026	10,219	11,063	11,873	13,040	46,195	58,280
Other	4,653	10,108	2,716	3,002	3,586	4,782	14,086	3,906	4,233	4,518	5,882	18,539	23,196
Total Revenue	177,866	232,887	59,700	63,404	69,981	87,437	280,522	75,452	82,411	86,587	104,869	349,319	414,956
Operating Expenses, ex-SBC													
Cost of Sales	111,887	139.082	33,896	36,294	41,263	53,934	165,387	44,216	48,532	52,131	65,034	209,913	245,345
Fulfillment	24,339	32,907	8,367	8,911	9,866	11,906	39,050	11,271	14,261	12,640	14,489	52,661	57,535
Marketing	9,558	13,045	3,455	3,984	4,454	5,850	17,743	3,867	4,766	5,251	6,702	20,586	23,622
Technology and content	20,314	25,949	7,252	7,988	8,234	8,733	32,207	8,993	10,218	10,015	10,264	39,490	47,542
General and administrative	3,232	3,769	1,041	1,086	1,173	1,230	4,530	1,289	1,700	1,538	1,528	6,055	6,823
Total Operating Expenses, ex-SBC	169,330	214,752	54,011	58,263	64,990	81,653	258,917	69,636	79,477	81,575	98,017	328,704	380,867
Non-GAAP Operating Income (CSOI)	8,536	18,135	5,689	5,141	4,991	5,784	21,605	5,816	2,934	5,012	6,852	20,615	34,088
Other operating expenses, net	215	296	(5)	86	55	65	201	70	112	68	78	328	389
SBC	4,214	5,418	1,274	1,971	1,779	1,840	6,864	1,757	2,397	2,331	2,364	8,849	9,945
GAAP Operating Income	4,107	12,421	4,420	3,084	3,157	3,879	14,540	3,989	426	2,613	4,410	11,438	23,754
- · ·	1		·		· ·								·
Interest Income	203	440	183	215	224	211	833	202	207	212	217	838	918
Interest Expense	(849)	(1,417)	(366)	(383)	(396)	(455)	(1,600)	(402)	(450)	(450)	(450)	(1,752)	(1,800)
Other Income (Expense), Net	346	(183)	164	(27)	(353)	418	202	(406)	0	0	0	(406)	0
Income Before Taxes	3,807	11,261	4,401	2,889	2,632	4,053	13,975	3,383	183	2,375	4,177	10,118	22,872
Provision For Income Taxes	(770)	(1,197)	(836)	(257)	(494)	(786)	(2,373)	(744)	(37)	(475)	(835)	(2,091)	(4,574)
Equity-method investment net of tax	(4)	9	(4)	(7)	(4)	1	(14)	(104)	0	0	0	(104)	0
Net Income	3,033	10,073	3,561	2,625	2,134	3,268	11,588	2,535	146	1,900	3,342	7,923	18,298
Diluted EPS (\$)	\$6.15	\$20.14	\$7.09	\$5.22	\$4.23	\$6.47	\$23.01	\$5.01	\$0.29	\$3.73	\$6.55	\$15.59	\$35.57
Diluted Shares Outstanding (MM)	493	500	502	503	504	505	504	506	508	509	511	508	514
O . ,		500	302	303	304	303	304	300	300	505		300	
		300	302	303	304	303	304	300	300	303		300	
Adjusted EBITDA Calculation													
Adjusted EBITDA Calculation GAAP Operating Income	4,107	12,421	4,420	3,084	3,157	3,879	14,540	3,989	426	2,613	4,410	11,438	23,754
Adjusted EBITDA Calculation  GAAP Operating Income  Depreciation and Amortization	4,107 11,478	12,421 15,341	4,420 4,854	3,084 5,202	3,157 5,563	3,879 6,170	14,540 21,789	3,989 5,362	426 5,770	2,613 5,970	4,410 6,170	11,438 23,272	23,754 29,680
Adjusted EBITDA Calculation  GAAP Operating Income  Depreciation and Amortization  Stock-Based Compensation	4,107 11,478 4,214	12,421 15,341 5,418	4,420 4,854 1,274	3,084 5,202 1,971	3,157 5,563 1,779	3,879 6,170 1,840	14,540 21,789 6,864	3,989 5,362 1,757	426 5,770 2,397	2,613 5,970 2,331	4,410 6,170 2,364	11,438 23,272 8,849	23,754 29,680 9,945
Adjusted EBITDA Calculation  GAAP Operating Income  Depreciation and Amortization	4,107 11,478	12,421 15,341	4,420 4,854	3,084 5,202	3,157 5,563	3,879 6,170	14,540 21,789	3,989 5,362	426 5,770	2,613 5,970	4,410 6,170	11,438 23,272	23,754 29,680
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA	4,107 11,478 4,214	12,421 15,341 5,418	4,420 4,854 1,274	3,084 5,202 1,971	3,157 5,563 1,779	3,879 6,170 1,840	14,540 21,789 6,864	3,989 5,362 1,757	426 5,770 2,397	2,613 5,970 2,331	4,410 6,170 2,364	11,438 23,272 8,849	23,754 29,680 9,945
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue	4,107 11,478 4,214 19,799	12,421 15,341 5,418 <b>33,180</b>	4,420 4,854 1,274 <b>10,548</b>	3,084 5,202 1,971 <b>10,257</b>	3,157 5,563 1,779 <b>10,499</b>	3,879 6,170 1,840 <b>11,889</b>	14,540 21,789 6,864 <b>43,193</b>	3,989 5,362 1,757 <b>11,108</b>	426 5,770 2,397 <b>8,593</b>	2,613 5,970 2,331 <b>10,914</b>	4,410 6,170 2,364 <b>12,944</b>	11,438 23,272 8,849 <b>43,559</b>	23,754 29,680 9,945 <b>63,379</b>
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales	4,107 11,478 4,214 19,799	12,421 15,341 5,418 <b>33,180</b>	4,420 4,854 1,274 <b>10,548</b>	3,084 5,202 1,971 <b>10,257</b>	3,157 5,563 1,779 <b>10,499</b>	3,879 6,170 1,840 <b>11,889</b>	14,540 21,789 6,864 <b>43,193</b>	3,989 5,362 1,757 <b>11,108</b>	426 5,770 2,397 <b>8,593</b>	2,613 5,970 2,331 <b>10,914</b>	4,410 6,170 2,364 <b>12,944</b>	11,438 23,272 8,849 <b>43,559</b>	23,754 29,680 9,945 <b>63,379</b> 59%
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales Fulfillment	4,107 11,478 4,214 19,799 63% 14%	12,421 15,341 5,418 <b>33,180</b> 60% 14%	4,420 4,854 1,274 <b>10,548</b> 57% 14%	3,084 5,202 1,971 <b>10,257</b> 57% 14%	3,157 5,563 1,779 <b>10,499</b> 59% 14%	3,879 6,170 1,840 <b>11,889</b> 62% 14%	14,540 21,789 6,864 <b>43,193</b> 59% 14%	3,989 5,362 1,757 <b>11,108</b> 59% 15%	426 5,770 2,397 <b>8,593</b> 59% 17%	2,613 5,970 2,331 <b>10,914</b> 60% 15%	4,410 6,170 2,364 12,944 62% 14%	11,438 23,272 8,849 <b>43,559</b> 60% 15%	23,754 29,680 9,945 <b>63,379</b> 59% 14%
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales Fulfillment Marketing	4,107 11,478 4,214 19,799 63% 14% 5%	12,421 15,341 5,418 <b>33,180</b> 60% 14% 6%	4,420 4,854 1,274 <b>10,548</b> 57% 14% 6%	3,084 5,202 1,971 <b>10,257</b> 57% 14% 6%	3,157 5,563 1,779 <b>10,499</b> 59% 14% 6%	3,879 6,170 1,840 <b>11,889</b> 62% 14% 7%	14,540 21,789 6,864 <b>43,193</b> 59% 14% 6%	3,989 5,362 1,757 <b>11,108</b> 59% 15% 5%	426 5,770 2,397 <b>8,593</b> 59% 17% 6%	2,613 5,970 2,331 <b>10,914</b> 60% 15% 6%	4,410 6,170 2,364 <b>12,944</b> 62% 14% 6%	11,438 23,272 8,849 <b>43,559</b> 60% 15% 6%	23,754 29,680 9,945 <b>63,379</b> 59% 14% 6%
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales Fulfillment Marketing Technology and Content	4,107 11,478 4,214 19,799 63% 14% 5% 11%	12,421 15,341 5,418 33,180 60% 14% 6% 11%	4,420 4,854 1,274 <b>10,548</b> 57% 14% 6% 12%	3,084 5,202 1,971 <b>10,257</b> 57% 14%	3,157 5,563 1,779 <b>10,499</b> 59% 14% 6% 12%	3,879 6,170 1,840 11,889 62% 14% 7% 10%	14,540 21,789 6,864 <b>43,193</b> 59% 14% 6% 11%	3,989 5,362 1,757 <b>11,108</b> 59% 15%	426 5,770 2,397 <b>8,593</b> 59% 17%	2,613 5,970 2,331 <b>10,914</b> 60% 15%	4,410 6,170 2,364 12,944 62% 14% 6% 10%	11,438 23,272 8,849 <b>43,559</b> 60% 15% 6% 11%	23,754 29,680 9,945 <b>63,379</b> 59% 14% 6% 11%
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales Fulfillment Marketing Technology and Content General and Administrative	4,107 11,478 4,214 19,799 63% 14% 5% 11% 2%	12,421 15,341 5,418 <b>33,180</b> 60% 14% 6% 11% 2%	4,420 4,854 1,274 10,548 57% 14% 6% 12% 2%	3,084 5,202 1,971 <b>10,257</b> 57% 14% 6% 13% 2%	3,157 5,563 1,779 10,499 59% 14% 6% 12% 2%	3,879 6,170 1,840 11,889 62% 14% 7% 10% 1%	14,540 21,789 6,864 <b>43,193</b> 59% 14% 6% 11% 2%	3,989 5,362 1,757 11,108 59% 15% 5% 12% 2%	426 5,770 2,397 <b>8,593</b> 59% 17% 6% 12%	2,613 5,970 2,331 10,914 60% 15% 6% 12% 2%	4,410 6,170 2,364 <b>12,944</b> 62% 14% 6%	11,438 23,272 8,849 43,559 60% 15% 6% 11% 2%	23,754 29,680 9,945 <b>63,379</b> 59% 14% 6% 11% 2%
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales Fulfillment Marketing Technology and Content	4,107 11,478 4,214 19,799 63% 14% 5% 11%	12,421 15,341 5,418 33,180 60% 14% 6% 11%	4,420 4,854 1,274 <b>10,548</b> 57% 14% 6% 12%	3,084 5,202 1,971 <b>10,257</b> 57% 14% 6% 13%	3,157 5,563 1,779 <b>10,499</b> 59% 14% 6% 12%	3,879 6,170 1,840 11,889 62% 14% 7% 10%	14,540 21,789 6,864 <b>43,193</b> 59% 14% 6% 11%	3,989 5,362 1,757 <b>11,108</b> 59% 15% 5% 12%	426 5,770 2,397 <b>8,593</b> 59% 17% 6% 12% 2%	2,613 5,970 2,331 <b>10,914</b> 60% 15% 6% 12%	4,410 6,170 2,364 12,944 62% 14% 6% 10%	11,438 23,272 8,849 <b>43,559</b> 60% 15% 6% 11%	23,754 29,680 9,945 <b>63,379</b> 59% 14% 6% 11%
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales Fulfillment Marketing Technology and Content General and Administrative Other Operating Expenses, net	4,107 11,478 4,214 19,799 63% 14% 5% 11% 2% 0%	12,421 15,341 5,418 33,180 60% 14% 6% 11% 2% 0%	4,420 4,854 1,274 10,548 57% 14% 6% 12% 2% 0%	3,084 5,202 1,971 10,257 57% 14% 6% 13% 2% 0%	3,157 5,563 1,779 10,499 59% 14% 6% 12% 2% 0%	3,879 6,170 1,840 11,889 62% 14% 7% 10% 1% 0%	14,540 21,789 6,864 <b>43,193</b> 59% 14% 6% 11% 2%	3,989 5,362 1,757 11,108 59% 15% 5% 12% 2% 0%	426 5,770 2,397 <b>8,593</b> 59% 17% 6% 12% 2% 0%	2,613 5,970 2,331 10,914 60% 15% 6% 12% 2%	4,410 6,170 2,364 12,944 62% 14% 6% 10% 1% 0%	11,438 23,272 8,849 <b>43,559</b> 60% 15% 6% 11% 2%	23,754 29,680 9,945 <b>63,379</b> 59% 14% 6% 11% 2%
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales Fulfillment Marketing Technology and Content General and Administrative Other Operating Expenses, net	4,107 11,478 4,214 19,799 63% 14% 5% 11% 2% 0%	12,421 15,341 5,418 33,180 60% 14% 6% 11% 2% 0%	4,420 4,854 1,274 10,548 57% 14% 6% 12% 2% 0%	3,084 5,202 1,971 10,257 57% 14% 6% 13% 2% 0%	3,157 5,563 1,779 10,499 59% 14% 6% 12% 2% 0%	3,879 6,170 1,840 11,889 62% 14% 7% 10% 1% 0%	14,540 21,789 6,864 <b>43,193</b> 59% 14% 6% 11% 2%	3,989 5,362 1,757 11,108 59% 15% 5% 12% 2% 0%	426 5,770 2,397 <b>8,593</b> 59% 17% 6% 12% 2% 0%	2,613 5,970 2,331 10,914 60% 15% 6% 12% 2%	4,410 6,170 2,364 12,944 62% 14% 6% 10% 1% 0%	11,438 23,272 8,849 <b>43,559</b> 60% 15% 6% 11% 2%	23,754 29,680 9,945 <b>63,379</b> 59% 14% 6% 11% 2%
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales Fulfillment Marketing Technology and Content General and Administrative Other Operating Expenses, net SBC	4,107 11,478 4,214 19,799 63% 14% 5% 11% 2% 0%	12,421 15,341 5,418 33,180 60% 14% 6% 11% 2% 0%	4,420 4,854 1,274 10,548 57% 14% 6% 12% 2% 0%	3,084 5,202 1,971 10,257 57% 14% 6% 13% 2% 0%	3,157 5,563 1,779 10,499 59% 14% 6% 12% 2% 0%	3,879 6,170 1,840 11,889 62% 14% 7% 10% 1% 0%	14,540 21,789 6,864 <b>43,193</b> 59% 14% 6% 11% 2%	3,989 5,362 1,757 11,108 59% 15% 5% 12% 2% 0%	426 5,770 2,397 <b>8,593</b> 59% 17% 6% 12% 2% 0%	2,613 5,970 2,331 10,914 60% 15% 6% 12% 2%	4,410 6,170 2,364 12,944 62% 14% 6% 10% 1% 0%	11,438 23,272 8,849 <b>43,559</b> 60% 15% 6% 11% 2%	23,754 29,680 9,945 <b>63,379</b> 59% 14% 6% 11% 2%
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales Fulfillment Marketing Technology and Content General and Administrative Other Operating Expenses, net SBC  Yoy Change (%)	4,107 11,478 4,214 19,799 63% 14% 5% 11% 2% 0%	12,421 15,341 5,418 <b>33,180</b> 60% 14% 6% 11% 2% 0%	4,420 4,854 1,274 10,548 57% 14% 6% 12% 2% 0%	3,084 5,202 1,971 10,257 57% 14% 6% 13% 2% 0% 3%	3,157 5,563 1,779 10,499 59% 14% 6% 12% 2% 0% 3%	3,879 6,170 1,840 11,889 62% 14% 7% 10% 1% 0% 2%	14,540 21,789 6,864 <b>43,193</b> 59% 14% 6% 11% 2% 0%	3,989 5,362 1,757 11,108 59% 15% 5% 12% 2%	426 5,770 2,397 <b>8,593</b> 59% 17% 6% 12% 2% 0% 3%	2,613 5,970 2,331 10,914 60% 15% 6% 12% 2% 0% 3%	4,410 6,170 2,364 12,944 62% 14% 6% 10% 1% 0% 2%	11,438 23,272 8,849 43,559 60% 15% 6% 11% 2% 0% 3%	23,754 29,680 9,945 <b>63,379</b> 59% 14% 6% 11% 2% 0% 2%
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales Fulfillment Marketing Technology and Content General and Administrative Other Operating Expenses, net SBC  YoY Change (%) Online Stores	4,107 11,478 4,214 19,799 63% 14% 5% 11% 2% 0% 2%	12,421 15,341 5,418 33,180 60% 14% 6% 11% 2% 0% 2%	4,420 4,854 1,274 10,548 57% 14% 6% 12% 2% 0% 2%	3,084 5,202 1,971 10,257 57% 14% 6% 13% 2% 0% 3%	3,157 5,563 1,779 10,499 59% 14% 6% 12% 2% 0% 3%	3,879 6,170 1,840 11,889 62% 14% 7% 10% 2%	14,540 21,789 6,864 43,193 59% 14% 6% 11% 2% 0% 2%	3,989 5,362 1,757 11,108 59% 15% 5% 12% 2% 0% 2%	426 5,770 2,397 <b>8,593</b> 59% 17% 6% 12% 2% 0% 3%	2,613 5,970 2,331 10,914 60% 15% 6% 12% 2% 0% 3%	4,410 6,170 2,364 12,944 62% 14% 6% 10% 1% 0% 2%	11,438 23,272 8,849 43,559 60% 15% 6% 11% 2% 0% 3%	23,754 29,680 9,945 <b>63,379</b> 59% 14% 6% 11% 2% 0% 2%
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales Fulfillment Marketing Technology and Content General and Administrative Other Operating Expenses, net SBC  YoY Change (%) Online Stores Physical Stores	4,107 11,478 4,214 19,799 63% 14% 5% 11% 2% 0% 2%	12,421 15,341 5,418 33,180 60% 14% 6% 11% 2% 0% 2%	4,420 4,854 1,274 10,548 57% 14% 6% 12% 0% 2%	3,084 5,202 1,971 10,257 57% 14% 6% 13% 2% 0% 3%	3,157 5,563 1,779 10,499 59% 14% 6% 12% 2% 0% 3%	3,879 6,170 1,840 11,889 62% 14% 7% 10% 2%	14,540 21,789 6,864 43,193 59% 14% 6% 11% 2% 0% 2%	3,989 5,362 1,757 11,108 59% 15% 5% 12% 2% 0% 2%	426 5,770 2,397 <b>8,593</b> 59% 17% 6% 12% 0% 3%	2,613 5,970 2,331 10,914 60% 15% 6% 12% 2% 0% 3%	4,410 6,170 2,364 12,944 62% 14% 6% 10% 2%	11,438 23,272 8,849 43,559 60% 15% 6% 11% 2% 0% 3%	23,754 29,680 9,945 <b>63,379</b> 59% 14% 6% 11% 2% 0% 2%
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales Fulfillment Marketing Technology and Content General and Administrative Other Operating Expenses, net SBC  YOY Change (%) Online Stores Physical Stores Third-party seller services	4,107 11,478 4,214 19,799 63% 14% 5% 11% 2% 0% 2%	12,421 15,341 5,418 33,180 60% 14% 6% 11% 2% 0% 2%	4,420 4,854 1,274 10,548 57% 14% 6% 12% 2% 0% 2%	3,084 5,202 1,971 10,257 57% 14% 6% 13% 2% 0% 3%	3,157 5,563 1,779 10,499 59% 14% 6% 12% 2% 0% 3%	3,879 6,170 1,840 11,889 62% 14% 7% 10% 2% 15% -1% 30%	14,540 21,789 6,864 <b>43,193</b> 59% 14% 6% 11% 2% 0% 2%	3,989 5,362 1,757 11,108 59% 15% 5% 12% 2% 0% 2%	426 5,770 2,397 <b>8,593</b> 59% 17% 6% 12% 2% 0% 3%	2,613 5,970 2,331 10,914 60% 15% 6% 12% 2% 0% 3%	4,410 6,170 2,364 12,944 62% 14% 6% 10% 2% 166% 3% 26%	11,438 23,272 8,849 43,559 60% 15% 6% 11% 2% 0% 3%	23,754 29,680 9,945 <b>63,379</b> 59% 14% 6% 11% 2% 0% 2%
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales Fulfillment Marketing Technology and Content General and Administrative Other Operating Expenses, net SBC  YOY Change (%) Online Stores Physical Stores Third-party seller services Subscription services	4,107 11,478 4,214 19,799 63% 14% 5% 11% 2% 0% 2%	12,421 15,341 5,418 33,180 60% 14% 6% 11% 2% 0% 2%	4,420 4,854 1,274 10,548 57% 14% 6% 12% 2% 0% 2% 1% 20% 40%	3,084 5,202 1,971 10,257 57% 14% 6% 13% 2% 0% 3% 14% 0% 23% 37%	3,157 5,563 1,779 10,499 59% 14% 6% 12% 2% 0% 3% 21% -1% 27% 34%	3,879 6,170 1,840 11,889 62% 14% 7% 10% 2% 15% -1% 30% 32%	14,540 21,789 6,864 <b>43,193</b> 59% 14% 6% 11% 2% 0% 2%	3,989 5,362 1,757 11,108 59% 15% 5% 12% 2% 0% 2%	426 5,770 2,397 <b>8,593</b> 59% 17% 6% 12% 0% 3% 6% 37% 28%	2,613 5,970 2,331 10,914 60% 15% 6% 12% 0% 3%	4,410 6,170 2,364 12,944 62% 14% 6% 10% 2% 166% 3% 26% 27%	11,438 23,272 8,849 43,559 60% 15% 6% 11% 2% 0% 3% 22% 6% 30% 28%	23,754 29,680 9,945 63,379 59% 14% 6% 11% 2% 0% 2%
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales Fulfillment Marketing Technology and Content General and Administrative Other Operating Expenses, net SBC  YoY Change (%) Online Stores Third-party seller services Subscription services AWS	4,107 11,478 4,214 19,799 63% 14% 5% 11% 2% 0% 2%	12,421 15,341 5,418 33,180 60% 14% 6% 11% 2% 0% 2% 14% 197% 34% 46% 47%	4,420 4,854 1,274 10,548 57% 14% 6% 12% 2% 0% 2% 9% 40% 41%	3,084 5,202 1,971 10,257 57% 14% 6% 13% 2% 0% 3% 14% 0% 23% 37% 37%	3,157 5,563 1,779 10,499 59% 14% 6% 12% 2% 0% 3% 21% -1% 27% 34% 35%	3,879 6,170 1,840 11,889 62% 14% 7% 10% 2% 15% -1% 30% 32% 34%	14,540 21,789 6,864 43,193 59% 14% 6% 11% 2% 0% 2% 15% 0% 26% 36% 37%	3,989 5,362 1,757 11,108 59% 15% 5% 12% 2% 0% 2%	426 5,770 2,397 <b>8,593</b> 59% 17% 6% 12% 0% 3% 6% 37% 28% 32%	2,613 5,970 2,331 10,914 60% 15% 6% 12% 0% 3% 21% 5% 28% 28% 28% 32%	4,410 6,170 2,364 12,944 62% 14% 6% 10% 2% 166% 3% 26% 27% 31%	11,438 23,272 8,849 43,559 60% 15% 6% 11% 2% 0% 3% 22% 6% 30% 28% 32%	23,754 29,680 9,945 63,379 59% 14% 6% 11% 2% 0% 2% 166% -66% 23% 26% 26%
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales Fulfillment Marketing Technology and Content General and Administrative Other Operating Expenses, net SBC  YoY Change (%) Online Stores Physical Stores Third-party seller services Subscription services AWS Other Total Revenue	4,107 11,478 4,214 19,799 63% 14% 5% 11% 2% 0% 2%	12,421 15,341 5,418 33,180 60% 14% 6% 11% 2% 0% 2% 14% 197% 34% 46% 47% 117%	4,420 4,854 1,274 10,548 57% 14% 6% 12% 2% 2% 2% 40% 40% 41% 34%	3,084 5,202 1,971 10,257 57% 14% 6% 13% 2% 3% 3% 14% 0% 33% 37% 37%	3,157 5,563 1,779 10,499 59% 14% 6% 12% 2% 3% 3% 21% -1% 21% 34% 35% 44%	3,879 6,170 1,840 11,889 62% 14% 7% 10% 2% 15% -1% 30% 32% 34% 41%	14,540 21,789 6,864 43,193 59% 14% 6% 11% 2% 0% 2% 15% 0% 26% 36% 37% 39%	3,989 5,362 1,757 11,108 59% 15% 5% 12% 2% 2% 24% 80% 30% 328% 33% 44%	426 5,770 2,397 <b>8,593</b> 59% 17% 6% 12% 2% 3% 3% 3%	2,613 5,970 2,331 10,914 60% 15% 6% 12% 2% 3% 21% 58% 28% 32% 26%	4,410 6,170 2,364 12,944 62% 14% 6% 10% 2% 166% 27% 31% 23%	11,438 23,272 8,849 43,559 60% 15% 6% 11% 2% 0% 3% 6% 30% 22% 6% 30% 32% 32%	23,754 29,680 9,945 <b>63,379</b> 59% 14% 6% 11% 2% 0% 2%
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales Fulfillment Marketing Technology and Content General and Administrative Other Operating Expenses, net SBC  YoY Change (%) Online Stores Physical Stores Third-party seller services Subscription services AWS Other Total Revenue  Margins and Tax Rate	4,107 11,478 4,214 19,799 63% 14% 5% 11% 2% 0% 2% 19% 0% 39% 52% 43% 58% 31%	12,421 15,341 5,418 33,180 60% 14% 6% 11% 2% 0% 2% 14% 197% 34% 46% 47% 117% 31%	4,420 4,854 1,274 10,548 57% 14% 6% 12% 0% 2% 9% 1% 20% 40% 41% 34% 17%	3,084 5,202 1,971 10,257 57% 14% 6% 13% 2% 0% 3% 14% 0% 23% 37% 37% 37% 37%	3,157 5,563 1,779 10,499 59% 14% 6% 12% 2% 0% 3% 21% -1% 27% 34% 35% 44%	3,879 6,170 1,840 11,889 62% 14% 7% 10% 2% 15% -1% 30% 32% 34% 41%	14,540 21,789 6,864 43,193 59% 14% 6% 11% 2% 0% 26% 36% 37% 39% 20%	3,989 5,362 1,757 11,108 59% 15% 5% 12% 2% 0% 2% 24% 8% 30% 28% 33% 44% 44%	426 5,770 2,397 <b>8,593</b> 59% 17% 6% 12% 0% 3% 6% 37% 28% 32% 41% 30%	2,613 5,970 2,331 10,914 60% 15% 6% 12% 2% 0% 3% 21% 5% 28% 28% 32% 26% 24%	4,410 6,170 2,364 12,944 62% 14% 6% 10% 2% 16% 3% 26% 27% 31% 23% 20%	11,438 23,272 8,849 43,559 60% 15% 6% 11% 2% 0% 3% 22% 6% 30% 22% 22% 22% 22% 25%	23,754 29,680 9,945 63,379 59% 14% 6% 11% 2% 0% 2% 16% -6% 23% 26% 26% 25% 19%
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales Fulfillment Marketing Technology and Content General and Administrative Other Operating Expenses, net SBC  YOY Change (%) Online Stores Physical Stores Third-party seller services Subscription services AWS Other Total Revenue  Margins and Tax Rate GAAP Operating Margin	4,107 11,478 4,214 19,799 63% 14% 5% 11% 2% 0% 2% 198 638 31%	12,421 15,341 5,418 33,180 60% 14% 6% 11% 2% 0% 2% 14% 46% 46% 47% 117% 31%	4,420 4,854 1,274 10,548 57% 14% 6% 12% 2% 0% 2% 40% 40% 41% 34% 17%	3,084 5,202 1,971 10,257 57% 14% 6% 13% 2% 0% 3% 14% 0% 23% 37% 37% 20%	3,157 5,563 1,779 10,499 59% 14% 6% 12% 2% 0% 3% 21% -1% 27% 34% 35% 44% 24%	3,879 6,170 1,840 11,889 62% 14% 7% 10% 2% 15% -1% 30% 32% 34% 41% 21%	14,540 21,789 6,864 43,193 59% 14% 6% 11% 2% 0% 26% 36% 36% 37% 39% 20%	3,989 5,362 1,757 11,108 59% 15% 5% 12% 2% 0% 2% 24% 8% 30% 28% 33% 44% 26%	426 5,770 2,397 <b>8,593</b> 59% 17% 6% 12% 0% 3% 6% 37% 28% 32% 41% 30%	2,613 5,970 2,331 10,914 60% 15% 6% 12% 2% 0% 3% 21% 5% 28% 28% 28% 22% 26% 24%	4,410 6,170 2,364 12,944 62% 14% 6% 10% 2% 16% 3% 26% 27% 31% 23% 20%	11,438 23,272 8,849 43,559 60% 15% 6% 11% 2% 0% 3% 66% 30% 28% 32% 25%	23,754 29,680 9,945 63,379 59% 14% 6% 11% 2% 0% 2% 16% -6% 23% 26% 26% 25% 19%
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales Fulfillment Marketing Technology and Content General and Administrative Other Operating Expenses, net SBC  YOY Change (%) Online Stores Physical Stores Third-party seller services Subscription services AWS Other Total Revenue  Margins and Tax Rate GAAP Operating Margin Net Income Margin	4,107 11,478 4,214 19,799 63% 14% 5% 11% 2% 0% 2% 198 398 52% 43% 588 31%	12,421 15,341 5,418 33,180 60% 14% 6% 11% 2% 0% 2% 14% 46% 47% 117% 31%	4,420 4,854 1,274 10,548 57% 14% 6% 12% 2% 0% 2% 40% 41% 34% 17%	3,084 5,202 1,971 10,257 57% 14% 6% 13% 2% 0% 3% 37% 37% 23% 37% 37% 20%	3,157 5,563 1,779 10,499 59% 14% 6% 12% 2% 0% 3% 21% -1% 27% 34% 35% 44% 24%	3,879 6,170 1,840 11,889 62% 14% 7% 10% 2% 15% -1% 30% 32% 34% 41% 21%	14,540 21,789 6,864 43,193 59% 14% 6% 11% 2% 0% 2% 26% 36% 37% 39% 20%	3,989 5,362 1,757 11,108 59% 15% 5% 12% 2% 0% 2% 30% 28% 33% 44% 26%	426 5,770 2,397 <b>8,593</b> 59% 17% 6% 12% 2% 0% 33% 66% 37% 28% 32% 41% 30%	2,613 5,970 2,331 10,914 60% 15% 6% 12% 2% 0% 3% 28% 28% 28% 26% 24%	4,410 6,170 2,364 12,944 62% 14% 6% 10% 2% 16% 3% 26% 27% 31% 23% 20%	11,438 23,272 8,849 43,559 60% 15% 6% 11% 2% 0% 3% 32% 6% 32% 32% 25%	23,754 29,680 9,945 63,379 59% 14% 6% 11% 2% 0% 2% 16% -6% 23% 26% 26% 25% 19%
Adjusted EBITDA Calculation GAAP Operating Income Depreciation and Amortization Stock-Based Compensation Adjusted EBITDA  Expenses as % of Revenue Cost of Sales Fulfillment Marketing Technology and Content General and Administrative Other Operating Expenses, net SBC  YOY Change (%) Online Stores Physical Stores Third-party seller services Subscription services AWS Other Total Revenue  Margins and Tax Rate GAAP Operating Margin	4,107 11,478 4,214 19,799 63% 14% 5% 11% 2% 0% 2% 198 638 31%	12,421 15,341 5,418 33,180 60% 14% 6% 11% 2% 0% 2% 144% 197% 34% 46% 47% 117% 31%	4,420 4,854 1,274 10,548 57% 14% 6% 12% 2% 0% 2% 40% 40% 41% 34% 17%	3,084 5,202 1,971 10,257 57% 14% 6% 13% 2% 0% 3% 14% 0% 23% 37% 37% 20%	3,157 5,563 1,779 10,499 59% 14% 6% 12% 2% 0% 3% 21% -1% 27% 34% 35% 44% 24%	3,879 6,170 1,840 11,889 62% 14% 7% 10% 2% 15% -1% 30% 32% 34% 41% 21%	14,540 21,789 6,864 43,193 59% 14% 6% 11% 2% 0% 26% 36% 36% 37% 39% 20%	3,989 5,362 1,757 11,108 59% 15% 5% 12% 2% 0% 2% 24% 8% 30% 28% 33% 44% 26%	426 5,770 2,397 <b>8,593</b> 59% 17% 6% 12% 0% 3% 6% 37% 28% 32% 41% 30%	2,613 5,970 2,331 10,914 60% 15% 6% 12% 2% 0% 3% 21% 5% 28% 28% 28% 22% 26% 24%	4,410 6,170 2,364 12,944 62% 14% 6% 10% 2% 16% 3% 26% 27% 31% 23% 20%	11,438 23,272 8,849 43,559  60% 15% 6% 11% 2% 6% 30% 32% 22% 25%  34% 22% 25%	23,754 29,680 9,945 63,379 59% 14% 6% 11% 2% 0% 2% 16% -6% 23% 26% 25% 19%

Source: Company reports and Wells Fargo Securities, LLC estimates

Equity Research Amazon.com, Inc.

## **Price Target**

Price Target: \$3000 from \$2725

Our valuation is based on a sum-of-the-parts analysis. Our \$3,000 price target represents 23x 2021E EV/EBITDA. Risks include ongoing investment in Amazon's infrastructure (both on the AWS and Retail sides of the business), entries into new retail categories where Amazon is less experienced, competition from traditional brick and mortar players, and challenges expanding into newer international markets (such as India).

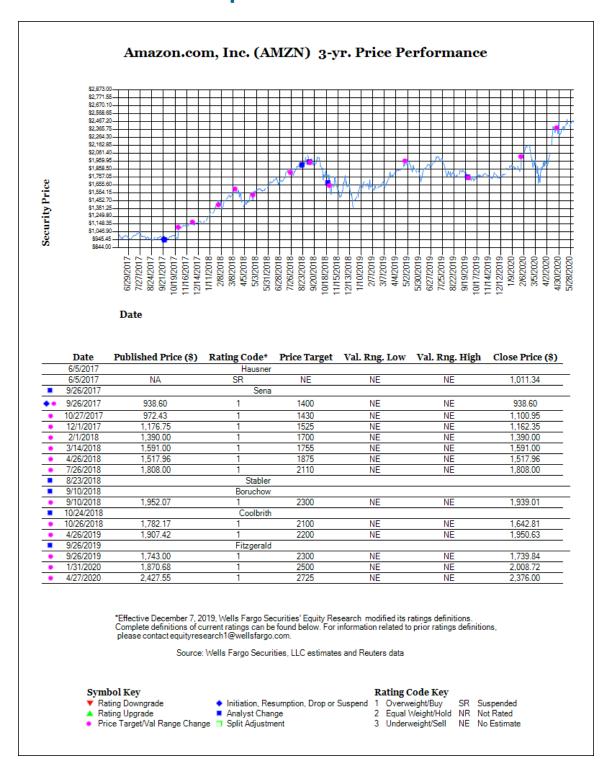
## **Investment Thesis**

We remain confident on AMZN's ability to drive penetration of additional retail product categories and key emerging geographies, maintain its lead in cloud computing and execute against additional opportunities such as online advertising (across both endemic and non-endemic advertiser categories), which we believe offer the company compelling growth and profit characteristics.

## Company Description

Amazon.com, Inc. offers services to consumers, sellers, and developers through its retail websites. It also manufactures and sells the Kindle e-reader. The Company offers programs that enable sellers to sell their products on its websites and their own branded websites. Amazon.com serves developers through Amazon Web Services (AWS), which provides access to technology infrastructure that developers can use to enable any type of business. In addition, the Company generates revenue through co-branded credit card agreements and other marketing and promotional services, such as online advertising. Amazon.com has organized its operations into two principal segments: North America and International.

# **Required Disclosures**



Additional Information Available Upon Request

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**AMZN:** Risks include ongoing investment in Amazon's infrastructure (both on the AWS and Retail sides of the business), entries into new retail categories where Amazon is less experienced, competition from traditional brick and mortar players, and challenges expanding into newer international markets (such as India).

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**1=Overweight:** Total return on stock expected to be 10%+ over the next 12 months. BUY **2=Equal Weight:** Total return on stock expected to be 0-10% over the next 12 months. HOLD

**3=Underweight:** Total return on stock expected to lag the Overweight- and Equal Weight-rated stocks within the analyst's coverage universe over the next 12 months. SELL

#### **VOLATILITY RATING**

**V** = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: June 8, 2020

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