Amazon.com is the leading U.S. e-commerce retailer and among the top e-commerce sites globally. Amazon.com also includes Amazon Web Services (AWS), the global leader in cloud-based Infrastructure-as-a-Service (IaaS) platforms. The company's Prime membership platform is a key online retail differentiator, providing customers with free shipping (after an annual fee) along with exclusive media content (music, video, audible books, etc.). The company's Kindle reader and Alexa-based Echo and Dot digital voice assistants are category leaders.

Analyst's Notes

Analysis by Jim Kelleher, CFA, November 1, 2024

ARGUS RATING: BUY

- Solid retail and AWS performance; raising target to $230
- Amazon reported above-consensus revenue and GAAP EPS for 3Q24 with both sales and EPS rising in double-digit percentages year over year.
- After a bad top-line miss in 2Q24, Amazons revenue topped consensus estimates by about $1.5 billion, while GAAP profits beat Street expectations by $0.29.
- The AWS business has been energized by the global push to generative AI, once again delivering the highest quarterly margins in our model (dating back to 2015) along with high-teens annual growth.
- In a gradually improving consumer-retail environment, Amazon appears to have retained market-share gains that it built during the pandemic. We believe that AMZN warrants long-term accumulation in most equity accounts.

INVESTMENT THESIS

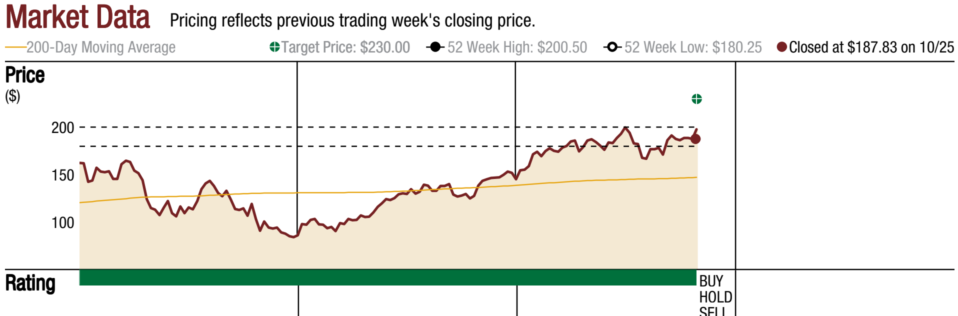
BUY-rated Amazon.com Inc. (NGS: AMZN) rose 6% in the aftermarket on 10/31/24 after the giant online retailer and cloud company posted above-consensus revenue and GAAP EPS revenue for 3Q24. Amazon provided cautious guidance for its all-important holiday quarter, but investors focused on improving operating leverage that drove strong EPS growth. Management reiterated its long-term upbeat outlook for both retail operations and AWS.

In retail operations, North America grew in high single digits. Third-party merchant sales continue to grow faster than overall retail revenue, but the quarter featured good balance with online retail also showing solid growth. International operations grew in low double digits; International remained profitable after returning to the green in 1Q24 for just the second time since 2021. With Amazon having invested in past quarters in streamlining operations, North American retail profit rose by 31% in 3Q24.

AWS revenue grew by 19% and AWS operating profits surged 50% year over year. CEO Andy Jassy stated that AI is growing three-times faster than cloud at this stage of its

Market Data

Pricing reflects previous trading week's closing price.



FY ends Dec 31	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4
EPS ($) Quarterly	-0.38	-0.20	0.28	0.03	0.31	0.65	0.94	1.01	0.98	1.26	1.43	1.46	0.96	1.29	1.71	2.19
EPS Annual	-0.27				2.91				5.13 (Estimate)				6.14 (Estimate)			
Revenue ($ in Bil.) Quarterly	116.4	121.2	127.1	149.2	127.4	134.4	143.1	170.0	143.3	148.0	158.9	185.0	157.1	163.9	179.7	217.0
Revenue Annual	514.0				574.8				635.2 (Estimate)				717.7 (Estimate)			

Argus Recommendations

Twelve Month Rating	SELL	HOLD	**BUY**
Five Year Rating	SELL	HOLD	**BUY**
Sector Rating	Under Weight	**Market Weight**	Over Weight

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 72% Buy, 28% Hold, 0% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	$186.40
Target Price	$230.00
52 Week Price Range	$133.71 to $201.20
Shares Outstanding	10.50 Billion
Dividend	$0.00

Sector Overview

Sector	Consumer Discretionary
Sector Rating	MARKET WEIGHT
Total % of S&P 500 Market Cap.	10.10%

Financial Strength

Financial Strength Rating	MEDIUM-HIGH
Debt/Capital Ratio	43.4%
Return on Equity	20.3%
Net Margin	8.0%
Payout Ratio	--
Current Ratio	1.05
Revenue	$620.13 Billion
After-Tax Income	$49.87 Billion

Valuation

Current FY P/E	36.34
Prior FY P/E	64.05
Price/Sales	3.15
Price/Book	8.27
Book Value/Share	$22.54
Market Capitalization	$1.96 Trillion

Forecasted Growth

1 Year EPS Growth Forecast
76.29%

5 Year EPS Growth Forecast
11.00%

1 Year Dividend Growth Forecast
N/A

Risk

Beta	1.29
Institutional Ownership	61.51%

Please see important information about this report on page 6

Analyst's Notes ...Continued

development.

AWS appears to be leveraging its leading market share in cloud to become a major player in the AI space, via internal architectures such as Amazon Bedrock, foundation models such as AWS Trainium and AWS Interfentia, and partnerships with Anthropic, Meta, and others. Amazon plans to invest up to $4 billion in Anthropic, a leading provider of AI foundation models and an advocate for the responsible deployment of generative AI. The Anthropic partnership meaningfully strengthens AWS at a key time in the AI gold rush.

Amazon generated record cash flow from operations for 2023, and in 2024 appears on track for another strong cash flow year. AMZN was a market and peer laggard in 2021 and 2022 and, after rising in 2023, is again lagging the broad market in 2024. The multi-year lagging performance provides an opportunity, in our view, to establish or dollar-average into undisputed category leader Amazon. We are reiterating our BUY rating on AMZN and raising our 12-month target price to $230 from $205.

RECENT DEVELOPMENTS

AMZN is up 27% year to date in 2024, while immediate peers are up 13%. AMZN rose 81% in 2023, while the peer group of Argus-covered internet, social media, and cloud company stocks advanced 70%. AMZN fell 50% in 2022, while immediate peers dropped 43%; inched up 2% in 2021, while peers rose 21%; and advanced 76% in 2020, while peers surged 89%.

For 3Q24, Amazon posted revenue of $158.9 billion, which was up 11% from a year earlier and 7% sequentially from 2Q24. Revenue was above the high end of management's $154-$158.5 billion guidance range and beat the $157.2 billion consensus estimate by over $1.5 billion. Amazon posted GAAP EPS of $1.43 per diluted share for 2Q24, up 50% from $0.94 a year earlier. The consensus GAAP EPS estimate was $1.14. Amazon does not guide on EPS. At the sales and operating profit guidance midpoints, we had modeled EPS in the $1.05-$1.20 range.

CEO Andy Jassy, who has experienced a tumultuous tenure since taking over the CEO post from founder Jeff Bezos, was able to celebrate a strong revenue quarter in 3Q24 after a disappointing and below-consensus top-line performance in 2Q24. Amazon has succeeded by focusing on 'making our customers' lives better' and by continuing to think long-term to create a successful and sustainable business.

At a time when customers are being careful about how much they spend, Amazon continues to lower prices, the CEO stated, and to ship even more quickly. Amazon is pursuing multiple initiatives to lower cost. These include continuing to refine its outbound regionalization strategy to get items closer to consumers. Simultaneously, Amazon is making changes in its inbound network, opening more than 15 inbound buildings in the past several months. This is helping spread inventory across fulfillment centers more efficiently.

Same-day delivery is not only the fastest way to get products to

Growth & Valuation Analysis

GROWTH ANALYSIS

($ in Millions, except per share data)	2019	2020	2021	2022	2023
Revenue	280,522	386,064	469,822	513,983	574,785
COGS	241,699	334,564	403,507	446,343	480,980
Gross Profit	38,823	51,500	66,315	67,640	93,805
SG&A	24,081	28,676	41,374	54,129	56,186
R&D	—	—	—	—	—
Operating Income	14,541	22,899	24,879	12,248	36,852
Interest Expense	768	1,092	1,361	1,378	233
Pretax Income	13,976	24,178	38,151	-5,936	37,557
Income Taxes	2,374	2,863	4,791	-3,217	7,120
Tax Rate (%)	17	12	13	—	19
Net Income	11,588	21,331	33,364	-2,722	30,425
Diluted Shares Outstanding	10,080	10,198	10,296	10,189	10,492
EPS	1.15	2.09	3.24	-0.27	2.90
Dividend	—	—	—	—	—
GROWTH RATES (%)					
Revenue	20.5	37.6	21.7	9.4	11.8
Operating Income	17.1	57.5	8.6	-50.8	200.9
Net Income	15.0	84.1	56.4	—	—
EPS	14.3	81.7	55.0	—	—
Dividend	—	—	—	—	—
Sustainable Growth Rate	23.7	25.0	25.8	8.8	12.5
VALUATION ANALYSIS					
Price: High	$101.79	$177.61	$188.65	$171.40	$155.63
Price: Low	$73.05	$81.30	$144.05	$81.69	$81.43
Price/Sales: High-Low	3.7 - 2.6	4.7 - 2.1	4.1 - 3.2	3.4 - 1.6	2.8 - 1.5
P/E: High-Low	88.5 - 63.5	85.0 - 38.9	58.2 - 44.5	— - —	53.7 - 28.1
Price/Cash Flow: High-Low	28.9 - 20.8	32.7 - 15.0	35.5 - 27.1	44.2 - 21.0	22.6 - 11.8

Financial & Risk Analysis

FINANCIAL STRENGTH	2021	2022	2023
Cash ($ in Millions)	36,220	53,888	73,387
Working Capital ($ in Millions)	19,314	-8,602	7,434
Current Ratio	1.14	0.94	1.05
LT Debt/Equity Ratio (%)	84.2	95.9	67.2
Total Debt/Equity Ratio (%)	84.2	95.9	67.2
RATIOS (%)			
Gross Profit Margin	14.1	13.2	16.3
Operating Margin	5.3	2.4	6.4
Net Margin	7.1	-0.5	5.3
Return On Assets	9.0	-0.6	6.1
Return On Equity	28.8	-1.9	17.5
RISK ANALYSIS			
Cash Cycle (days)	-20.6	-10.6	-6.7
Cash Flow/Cap Ex	0.8	0.7	1.6
Oper. Income/Int. Exp. (ratio)	22.1	-1.5	12.8
Payout Ratio			

Please see important information about this report on page 6

Analyst's Notes ...Continued

consumers, but also one of the lowest-cost ways to deliver. Same-day deliveries rose 25% year over year in 3Q24 to more than 40 million packages. With its vast network of inbound, outbound, and fulfillment centers, Amazon continues to invest in robotics to shorten time to delivery, lower the cost to serve, and improve safety.

The CEO, who formerly served as CEO of AWS, noted that this business has now reached an annualized $110 billion revenue run rate. AWS has experienced significant top-line acceleration in the past. While there are 'signs of recovery in every part of the AWS business,' AI is emerging as a key driver. Over the past 18 months, according to the CEO, 'AWS has released nearly twice as many machine learning and Gen AI features as other leading cloud providers combined.'

Amazon is positioning its AI offering as providing value within three macro layers of the stack. At the bottom layer for large language model (LLM) and other model builders, AWS was the first to offer Nvidia's H200 GPUS through its EC2 P5e instance. At the middle layer, where companies want to leverage an existing foundation model, Amazon Bedrock has the widest selection of leading foundation models. These include Anthropic's Claude 3.5, Meta's Llama 3.2 models, and multiple AI models. At the top layer of the stack, the company is seeing strong adoption of Amazon Q, a generative AI-powered assistant for software development.

For 3Q24, total product and services sales excluding AWS were $131.4 billion, up 9% annually and 8% sequentially. The total product and services (ex. AWS) operating profit was $6.96 billion, up 58% from a year earlier in 3Q23. Product and services operating margin for all operations excluding AWS was 5.3% for 3Q24, up from 3.7% a year earlier.

North American retail revenue of $95.50 billion (60% of total revenue) was up 9% year over year and 6% sequentially. North American (NA) retail generated an operating profit of $5.66 billion in 3Q24, up 31% from $4.3 billion a year-earlier. The NA retail operating margin was 5.7% in 3Q24, up 10 basis points (bps) sequentially from 5.6% in 2Q24 and up from 4.9% a year earlier.

International retail revenue of $35.9 billion (22% of total) increased 12% annually and generated operating profit of $1.31 billion (3.6% margin). International was profitable for a third consecutive quarter, after being unprofitable through 4Q23 in every quarter but one (3Q23) since 2Q21. We believe this business is poised for sustained profits ahead, based on operational efficiencies put in place.

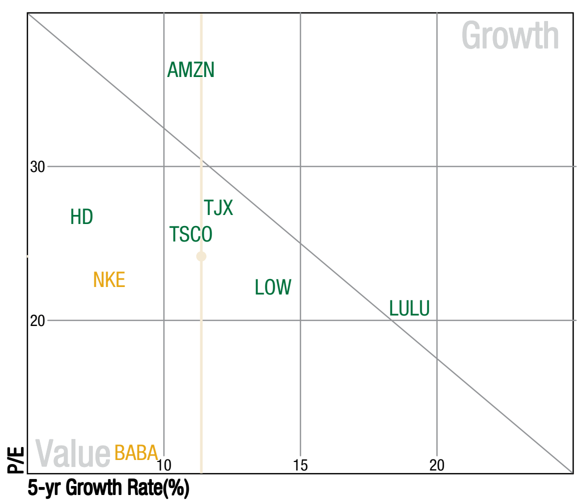
Digging deeper into the number, Online store sales -- representing wholly owned products retailed by Amazon -- were $66.4 billion in 3Q24, up 7% from 3Q23; the wholly owned retail category had averaged low-single-digit growth for most of the past two years. As Amazon continues to diversify its revenue streams, online stores represented 39% of 3Q24 revenue, down from more than 50% in 2020.

Within retail, the best growth continues to come from third-party merchants. Sales from this category of $37.9 billion

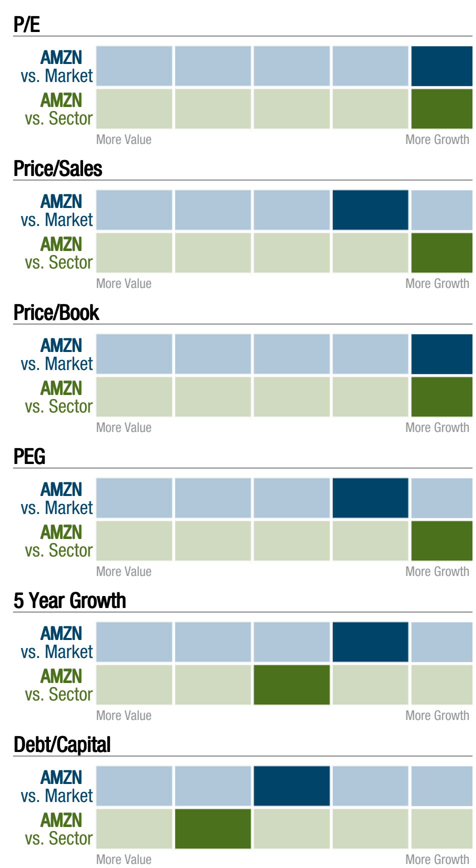
Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare AMZN versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- **The scatterplot shows how AMZN stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.**
- **The table builds on the scatterplot by displaying more financial information.**
- **The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how AMZN might fit into or modify a diversified portfolio.**



Ticker	Company	Market Cap ($ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
AMZN	Amazon.com Inc.	1,956,374	11.0	36.3	8.0	19.7	BUY
HD	Home Depot, Inc.	391,109	7.0	26.8	9.7	7.5	BUY
BABA	Alibaba Group Holding Ltd	234,602	9.0	11.4	7.4	12.7	HOLD
LOW	Lowe`s Cos., Inc.	148,535	14.0	22.2	8.2	10.2	BUY
TJX	TJX Companies, Inc.	127,483	12.0	27.4	8.6	10.2	BUY
NKE	Nike, Inc.	91,831	8.0	22.7	10.6	8.8	HOLD
LULU	Lululemon Athletica inc.	35,051	19.0	20.8	16.3	20.3	BUY
TSCO	Tractor Supply Co.	28,640	11.0	25.7	7.5	10.1	BUY
Peer Average		**376,703**	**11.4**	**24.2**	**9.6**	**12.4**	



Please see important information about this report on page 6

Analyst's Notes ...Continued

(24% of total revenue) grew 10% year over year. Sales at physical stores (3% of total) were up 5% year over year, as Whole Foods stores and Amazon retail stores continue to generate more foot traffic. This formerly slow-growing category is seeing an upward trend aided by Amazon online, which is directing some Prime returns to Whole Foods sites.

Amazon is first and foremost a retailer, and total goods retail revenue (online stores, physical stores, and third-party merchants) grew 11% in 3Q24. This category represented 66% of revenue in 3Q24, versus 67% a year earlier.

In most quarters, Amazon's non-retail businesses grow faster than merchandising operations. In 3Q24, non-goods services -- including subscription services, AWS, advertising and other -- generated revenue of $54.4 billion (34% of total) and grew 17% year over year. Subscription services (7% of total) grew 11% annually, while advertising (9% of total) grew 19%.

Following some moderation in AWS sales growth and margin levels in 2021 into 2022, AWS has regained vigor as AI moves from the fascination phase to business use cases. AWS remains fast growing and high margined, and 3Q24 was another outstanding quarter as generative AI super-charges the leading provider of hybrid cloud services.

For 3Q24, Amazon Web Services (AWS) revenue of $27.5 billion (17% of total), rose 19% year over year, and was up 4% sequentially. AWS operating profit was $10.4 billion, increasing sequentially from $9.3 billion in 2Q24 and rising 50% from $7.0 billion a year earlier. AWS operating margin was 38.1% in 3Q24, compared with 35.5% in 2Q24 and 30.3% a year earlier. AWS in 3Q24 set quarterly records for both operating income and margin level.

CEO Jassy stated that AWS is at a $110 billion-plus revenue annual run rate. Cloud customers, who formerly were 'optimizing' their spending, have started shifting to new workload deployment, reflecting urgency to position for the generative AI opportunity in its nascent stage. We believe AWS, which is globally No. 1 in cloud services, is positioned for long-term growth as the era of AI matures.

Amazon provided guidance for 4Q24 that was perceived as being below consensus, but Amazon tends to shoot past Street expectations for 4Q revenue. Amazon continues to grow its profits impressively and should grow its 4Q24 operating profit in the range of 40%-45% from 4Q23 levels. In our view, AMZN's multi-year lagging performance provides an opportunity to establish or dollar-average into this undisputed category leader.

EARNINGS & GROWTH ANALYSIS

For 3Q24, Amazon posted revenue of $158.9 billion, which was up 11% from a year earlier and 7% sequentially from 2Q24. Revenue was above the high end of management's $154-$158.5 billion guidance range and beat the $157.2 billion consensus estimate by over $1.5 billion.

The GAAP gross margin tightened to 49.0% in 3Q24 from 50.1% in 2Q24 and was up from 47.6% a year earlier. The GAAP operating margin was 11.0% in 3Q24, compared to 9.9% in 2Q24 and 7.8% a year earlier.

Amazon posted GAAP EPS of $1.43 per diluted share for 3Q24, up 50% from $0.94 a year earlier. The consensus GAAP EPS estimate was $1.14. Amazon does not guide on EPS. At the sales and operating profit guidance midpoints, we had modeled EPS in the $1.05-$1.20 range.

For all of 2023, revenue of $574.8 billion rose 12% from $514.0 billion in 2022. GAAP earnings totaled $2.91 per diluted share for 2023, up from a GAAP loss of $0.27 for 2022.

For 4Q24, Amazon projected revenue of $181.5-$188.5 billion, which at the $185.0 billion midpoint implies 9% annual growth. Management forecast operating profit of $16.0-$20.0 billion in 4Q24; the $18.0 billion midpoint of this range compares to $13.2 billion a year earlier. We believe that 4Q24 guidance is consistent with GAAP EPS of $1.35-$1.50. In 4Q23, Amazon earned $1.01 per diluted share on a GAAP basis.

We are raising our 2024 GAAP EPS estimate to $5.13 per diluted share from $4.57. We are raising our GAAP EPS forecast for 2025 to $6.14 per diluted share, from $5.63. We consider our estimates to be fluid, based on inflation, the global economy, post-pandemic spending patterns, AI development timing, and other factors. Our five-year earnings growth rate projection is 11%.

FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating on Amazon is Medium-High, the second-highest rating on our five-point scale. Amazon has started a $10 billion share-repurchase program and is finalizing past investments in operating infrastructure, resulting in reduced cash.

Cash & marketable securities were $88.1 billion at the end of 3Q24. Cash & marketable securities were $86.8 billion at the end of 2023, $70.0 billion at the end of 2022, $96.1 billion at the end of 2021, and $84.4 billion at year-end 2020.

Total debt was $54.9 billion at the end of 3Q24. Total debt was $58.3 billion at the end of 2023, $67.2 billion at the end of 2022, $48.7 billion at the end of 2021, and $31.8 billion at year-end 2020.

Net cash was $33.1 billion at 3Q24. Net cash was $28.5 billion at year-end 2023, $2.88 billion at year-end 2022, $47.3 billion at year-end 2021, and $52.6 billion at year-end 2020.

Cash flow from operations was $85.0 billion in 2023, an all-time record. Cash flow from operations was $46.7 billion in 2022, $46.3 billion in 2021, $66.1 billion in 2020, and $38.5 billion in 2019.

Free cash flow was $32.2 billion in 2023. Free cash flow was $5.5 billion in 2022, recovering from a use of $9 billion in 2021. Free cash flow was $35.0 billion in 2020 and $21.7 billion in 2019.

The credit agencies rate Amazon's debt as investment grade. There is a substantial difference in agency ratings between the Baa1 at Moody's and the very strong AA- at S&P. Both agencies have stable outlooks.

Amazon does not pay and is unlikely to implement a dividend in the intermediate term. The company previously repurchased shares mainly to offset dilution.

MANAGEMENT & RISKS

In July 2021, Founder Jeff Bezos transitioned to executive chairman and former AWS leader Andy Jassy became the company's CEO. Brian Olsavsky is the CFO, and Jeffrey Wilke is the chief executive officer of the Worldwide Consumer business. In March 2021, Adam Selipsky was named CEO of Amazon Web Services. In May 2024, however, Selipsky was replaced by Matt Garman, based on concerns that AWS was falling behind industry leaders Alphabet, Microsoft, and Meta in generative AI.

Prior to leading AWS, Mr. Jassy was instrumental in developing

Analyst's Notes ...Continued

the business. He played a key role in the development of cloud computing, infrastructure-as-a-service, and other elements of the cloud that we now take for granted. We believe he is the logical successor to Mr. Bezos.

Amazon, as a provider of online goods and services, may be better positioned than brick and mortar rivals, but is not immune to challenges including lower consumer spending. We believe that Amazon has the strength to sustain growth during a period of economic weakness; its plans to add employees signal management's confidence in its long-term operating model and strategy.

The addition of Whole Foods positions Amazon in a low-margin business. Amazon has extensive experience in operating efficiently in the low-margin online retail industry. We expect the company to pursue margin expansion at WFM, not from conservative pricing (AMZN is already aggressively pricing WFM goods), but through increased efficiency and leverage from customer growth.

We give management high marks for continually making Amazon's 'store' cheaper, easier, and more secure for shoppers. We think the security and convenience of Amazon's site has given many former critics of e-commerce the confidence to shop online. In addition, innovations like Amazon Prime, Amazon Web Services, and Kindle have made Amazon an internet powerhouse.

Amazon is likely to face fierce competition over the next several years as more companies expand online sales and match Amazon's prices offline. Amazon has been able to stay in front of physical and online retail rivals with innovations such as Prime, along with expanded third-party sales.

The company could be hurt in the event of a significant security breach, theft of client information, or outages at its Amazon Web Services unit. This is a risk for all e-commerce businesses, but may be heightened in the case of a well-known consumer company like Amazon.

COMPANY DESCRIPTION

Amazon.com is the leading U.S. e-commerce retailer and among the top e-commerce sites globally. Amazon.com also includes Amazon Web Services (AWS), the global leader in cloud-based Infrastructure-as-a-Service (IaaS) platforms. The company's Prime membership platform is a key online retail differentiator, providing customers with free shipping (after an annual fee) along with exclusive media content (music, video, audible books, etc.). The company's Kindle reader and Alexa-based Echo and Dot digital voice assistants are category leaders.

VALUATION

While the growth engine at Amazon is unmatched, the stock has been difficult to analyze from a valuation perspective. Given recent price weakness, forward-looking (DFCF) valuations and price-based comparable valuations are increasingly attractive.

AMZN trades at 37.6-times our 2024 GAAP EPS forecast and at 31.4-times our 2025 GAAP projection. The two-year forward P/E of 34.5 is below the trailing five-year multiple (2019-2023) of 67.9. The relative P/E of 1.52 on our two-year average EPS forecast is below the historical relative P/E of 3.43.

AMZN trades at a two-year forward enterprise value/EBITDA multiple of 14.7 for 2024-2025, a significant discount to its trailing five-year (2019-2023) multiple of 18.4. We believe that AMZN merits a premium to historical EV/EBITDA given the company's growth in high-end offerings such as Prime and Prime Video; superior growth in AWS, digital advertising, and subscription services; and unmatched volume and vendor leverage. Our historical comparable valuation is in the low $300s, in a rising trend and above current levels.

On peer analysis value is in the $320s, AMZN appears inexpensive amid the AI-driven rally. Using our two- and three-stage discounted free cash flow model, we calculate a value in the $530 range, well above current prices. Based on our historical comparable analysis, peer indicated value, and discounted free cash flow valuation, our blended model points to a value around $440, well above current prices.

Appreciation to our 12-month target price of $230 (raised from $205) implies a risk-adjusted return that is greater than our forecast for the broad market and thus consistent with a BUY rating.

Given the company's indisputable franchise leadership, ability to leverage its vendor relationships in the retail space, and market dominance and superior growth in infrastructure-as-a-service, we believe that AMZN warrants long-term accumulation in most equity accounts. We recommending initiating new positions or dollar-averaging into existing positions on share price weakness.

On November 1 at midday, BUY-rated AMZN traded at $199.48, up $13.08.

Please see important information about this report on page 6

About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

Argus Research Disclaimer

Morningstar Disclaimer

For Residents of Singapore

Recipients of the Research reports in Singapore should contact the Intermediary of the Research Reports in respect to any matters arising from, or in connection with, the analysis of the report. Where the recipient is not an accredited, expert or institutional investor as defined by the Securities and Futures Act, the Intermediary accepts legal responsibility for the contents of Research Reports in respect of such recipient in accordance with applicable law. When reports are distributed by Intermediaries in Singapore, the Intermediary, and not Argus Research, is solely responsible for ensuring that the recipients of the Research Reports understand the information contained in the Research Reports and that such information is suitable based on the customer's profile and investment objectives.