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, May 2, 2025

ARGUS RATING: BUY

- Solid retail margins, braced for the tariff economy
- Amazon reported above-consensus results for 1Q25 with revenue rising in high-single-digit percentages and GAAP EPS growing in mid-double-digits year over year.
- Amazon posted another strong quarter for retail margins. Management believes the convenience of Prime will enable Amazon retail to outperform in the evolving tariff economy.
- The AWS business has been energized by the global push to generative AI, and AWS margins were the highest quarterly margins in our model (dating back to 2015).
- In a consumer-retail environment made uncertain by shifting trade policy, 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

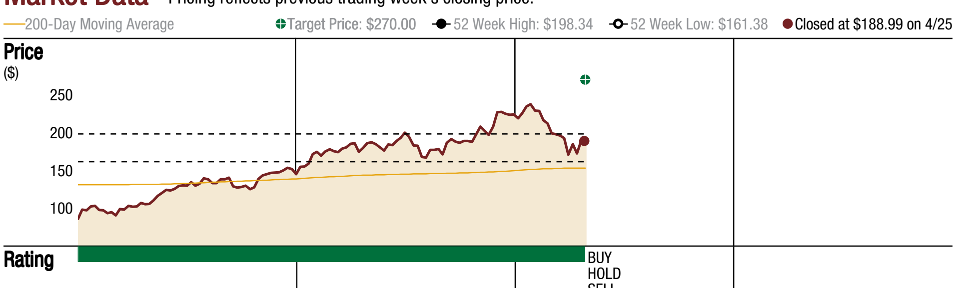
BUY-rated Amazon.com Inc. (NGS: AMZN) posted above-consensus revenue and GAAP EPS revenue for 1Q25. Amazon provided revenue and operating margin guidance for 2Q25 that was perceived as cautious given the uncertain trade environment.

Management reiterated its long-term upbeat outlook for both retail operations and AWS. In the unsettled trade and tariff environment, the company believes it can relatively outperform in retail given the convenience of Prime and its army of vendors who source products domestically and from nations outside of China. AWS posted record margins in 1Q25, but is seen as lagging Microsoft Azure in the AI race.

In retail operations, North America grew in high-single-digits, while International operations grew in mid-single-digits. Third-party merchant sales continue to grow faster than overall retail revenue, and the quarter featured good balance, with online retail also showing solid growth. International has remained solidly profitable since 1Q24. Retail operating margin for North America and International combined was 5.4%, stronger than in any prior first quarter; the all-time record was 6.6% in 4Q24.

Market Data

Pricing reflects previous trading week's closing price.



EPS ($)

	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
Quarterly	0.31	0.65	0.94	1.01	0.98	1.26	1.43	1.86	1.59	1.27	1.57	2.07	1.16	1.60	2.08	2.60
Annual	2.91				5.52				6.50 (Estimate)				7.44 (Estimate)			

Revenue ($ in Bil.)

	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
Quarterly	127.4	134.4	143.1	170.0	143.3	148.0	158.9	187.8	155.7	161.5	179.7	212.2	169.3	182.1	203.6	240.3
Annual	574.8				638.0				709.1 (Estimate)				795.3 (Estimate)			

FY ends Dec 31

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: 73% Buy, 26% 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	$190.20
Target Price	$270.00
52 Week Price Range	$151.61 to $242.52
Shares Outstanding	10.61 Billion
Dividend	$0.00

Sector Overview

Sector	Consumer Discretionary
Sector Rating	UNDER WEIGHT
Total % of S&P 500 Market Cap.	10.30%

Financial Strength

Financial Strength Rating	MEDIUM-HIGH
Debt/Capital Ratio	34.1%
Return on Equity	23.3%
Net Margin	10.1%
Payout Ratio	--
Current Ratio	1.06
Revenue	$650.31 Billion
After-Tax Income	$65.94 Billion

Valuation

Current FY P/E	29.26
Prior FY P/E	34.46
Price/Sales	3.10
Price/Book	7.04
Book Value/Share	$27.00
Market Capitalization	$2.02 Trillion

Forecasted Growth

1 Year EPS Growth Forecast
17.75%

5 Year EPS Growth Forecast
11.00%

1 Year Dividend Growth Forecast
N/A

Risk

Beta	1.21
Institutional Ownership	63.20%

Please see important information about this report on page 6

Analyst's Notes ...Continued

AWS revenue grew by 17% and AWS operating profits rose 23% year over year, while also expanding on a sequential basis. AWS margin expanded to 39.5%, which topped the prior high from 3Q24 and is now the strongest in our quarterly model dating back to 2015. CEO Andy Jassy reiterated that AI is growing three-times faster than cloud at this stage of its 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. The Anthropic partnership meaningfully strengthens AWS at a key time in the AI gold rush.

Amazon generated record cash flow from operations for 2024 after setting the prior record in 2023. We believe investors should use stock weakness as an opportunity to establish or dollar-average into undisputed category leader Amazon. We are reiterating our BUY rating on AMZN and our 12-month target price of $270.

RECENT DEVELOPMENTS

AMZN is down 13% year to date in 2025, while immediate peers are down 5%. AMZN rose 55% in 2024, while the peer group of Argus-covered internet, social media, and cloud company stocks grew 41%. AMZN rose 81% in 2023, while immediate peers advanced 70%; 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 1Q25, Amazon posted revenue of $155.7 billion, which was up 9% from a year earlier and down 17% sequentially from Amazon's seasonally strongest quarter of 4Q24. Revenue was above the high end of management's $151.0-$155.5 billion guidance range and beat the $154.6 billion consensus estimate by over $0.5 billion. Amazon posted GAAP EPS of $1.59 per diluted share for 1Q25, up 62% from a year earlier. The consensus GAAP EPS estimate was $1.36. Amazon does not guide on EPS. At the sales and operating profit guidance midpoints, we had modeled EPS in the $1.40-$1.50 range.

CEO Andy Jassy, who has experienced a tumultuous tenure since taking over as CEO, cited the pace of innovation and progress in improving the customer experience as highlights of 1Q25. The company introduced Alexa+, which incorporates AI to be smarter and more capable.

New Trainium 2 AI chips and Bedrock models are making it easier for AWS customers to train models and run inference more cost-effectively. Prime set a new delivery speed record in the quarter, and the company will invest $4 billion through 2026 to expand the U.S. rural delivery network. The company began full-scale deployment of Project Kuiper's satellite internet network with launch and activation of first satellites.

As tariffs begin to bite, and with customers being careful about how much they spend, Amazon is seeking to moderate price hikes and to ship more quickly. Among initiatives to lower cost, Amazon is refining its outbound regionalization strategy to get items closer

Growth & Valuation Analysis

GROWTH ANALYSIS

($ in Millions, except per share data)	2020	2021	2022	2023	2024
Revenue	386,064	469,822	513,983	574,785	637,959
COGS	233,307	272,344	288,831	304,739	326,288
Gross Profit	152,757	197,478	225,152	270,046	311,671
SG&A	28,676	41,374	54,129	56,186	55,266
R&D	—	—	—	—	—
Operating Income	22,899	24,879	12,248	36,852	68,593
Interest Expense	1,092	1,361	1,378	233	-2,271
Pretax Income	24,178	38,151	-5,936	37,557	68,614
Income Taxes	2,863	4,791	-3,217	7,120	9,265
Tax Rate (%)	12	13	—	19	14
Net Income	21,331	33,364	-2,722	30,425	59,248
Diluted Shares Outstanding	10,198	10,296	10,189	10,492	10,721
EPS	2.09	3.24	-0.27	2.90	5.53
Dividend	—	—	—	—	—
GROWTH RATES (%)					
Revenue	37.6	21.7	9.4	11.8	11.0
Operating Income	57.5	8.6	-50.8	200.9	86.1
Net Income	84.1	56.4	—	—	94.7
EPS	81.7	55.0	—	—	90.7
Dividend	—	—	—	—	—
Sustainable Growth Rate	25.0	25.8	8.8	12.5	22.6
VALUATION ANALYSIS					
Price: High	$177.61	$188.65	$171.40	$155.63	$233.00
Price: Low	$81.30	$144.05	$81.69	$81.43	$144.05
Price/Sales: High-Low	4.7 - 2.1	4.1 - 3.2	3.4 - 1.6	2.8 - 1.5	3.9 - 2.4
P/E: High-Low	85.0 - 38.9	58.2 - 44.5	— - —	53.7 - 28.1	42.1 - 26.0
Price/Cash Flow: High-Low	32.7 - 15.0	35.5 - 27.1	44.2 - 21.0	22.6 - 11.8	22.1 - 13.7

Financial & Risk Analysis

FINANCIAL STRENGTH	2022	2023	2024
Cash ($ in Millions)	53,888	73,387	78,779
Working Capital ($ in Millions)	-8,602	7,434	11,436
Current Ratio	0.94	1.05	1.06
LT Debt/Equity Ratio (%)	95.9	67.2	45.8
Total Debt/Equity Ratio (%)	95.9	67.2	45.8
RATIOS (%)			
Gross Profit Margin	43.8	47.0	48.9
Operating Margin	2.4	6.4	10.8
Net Margin	-0.5	5.3	9.3
Return On Assets	-0.6	6.1	10.3
Return On Equity	-1.9	17.5	24.3
RISK ANALYSIS			
Cash Cycle (days)	-30.9	-28.0	-31.7
Cash Flow/Cap Ex	0.7	1.6	1.4
Oper. Income/Int. Exp. (ratio)	-1.5	12.8	29.5
Payout Ratio			

Please see important information about this report on page 6

Analyst's Notes ...Continued

to consumers and making changes in its inbound network. Amazon opened more than 15 inbound buildings in the second half of 2024, helping spread inventory across fulfillment centers more efficiently.

For 1Q25, total product and services sales excluding AWS were $126.4 billion, up 7% annually and down a seasonally normal 21% sequentially from the holiday quarter. The total product and services (ex. AWS) operating profit was $6.86 billion, up 9% from a year earlier in 1Q24. Product and services operating margin for all operations excluding AWS was 5.4% for 1Q25, down from 6.6% for 4Q24 and up from 5.0% a year earlier. This was the highest product and services ex AWS operating margin for any first quarter in our model and the second-highest for all quarters.

North American retail revenue of $92.9 billion (60% of total revenue) was up 8% year over year and down 20% sequentially. North American (NA) retail generated an operating profit of $5.84 billion in 1Q25, up 17% from a year-earlier. The NA retail operating margin was 6.3% in 1Q25, up 50 basis points (bps) from 5.8% a year earlier.

International retail revenue of $33.5 billion (22% of total) increased 5% annually and generated operating profit of $1.02 billion (3.0% margin); the year-earlier was 2.8%. International has been profitable since 1Q24, after being unprofitable for nearly every quarter since 2Q21. We believe this business is poised for sustained profits ahead, based on infrastructure and operational efficiencies put in place.

Digging deeper into the numbers, online store sales -- representing wholly owned products retailed by Amazon -- were $57.4 billion in 1Q25, up 5% from 1Q24; 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 37% of 1Q25 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 $36.5 billion (23% of total revenue) grew 6% year over year. Sales at physical stores (4% of total) were up 6% 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 9% in 1Q25 to $99.5 billion. This category represented 64% of revenue in 1Q25, versus 66% a year earlier.

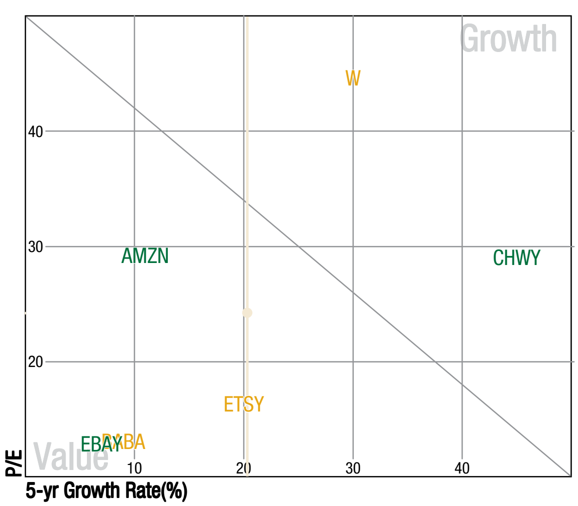
In most quarters, Amazon's non-retail businesses grow faster than merchandising operations. In 1Q25, non-goods services -- including subscription services, AWS, advertising and other -- generated revenue of $56.2 billion (34% of total) and grew 15% year over year. Subscription services (8% of total) grew 9% annually, while advertising (9% of total) grew 18%.

AWS remains fast growing and high margined, and 1Q25 was another outstanding quarter as generative AI super-charges the

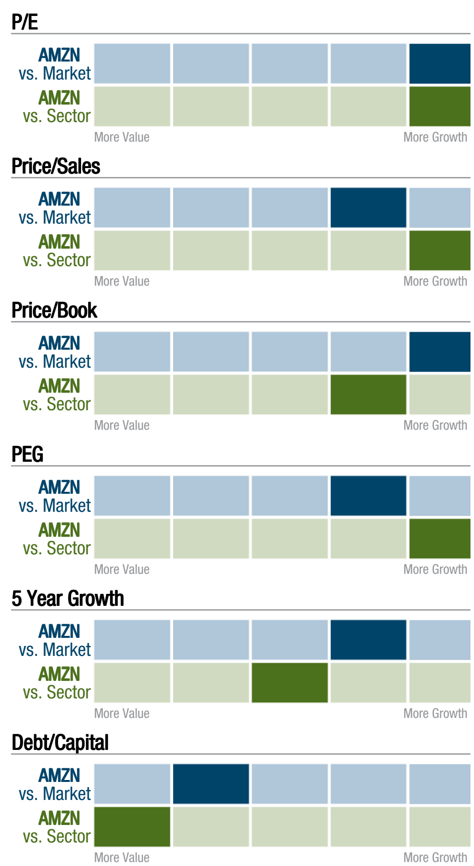
Peer & Industry Analysis

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.	2,018,472	11.0	29.3	10.1	14.5	BUY
BABA	Alibaba Group Holding Ltd	287,814	9.0	13.1	12.3	2.7	HOLD
EBAY	EBay Inc.	31,534	7.0	12.9	19.8	8.4	BUY
CHWY	Chewy Inc	7,054	45.0	29.1	3.3	20.0	BUY
ETSY	Etsy Inc	4,446	20.0	16.4	6.7	9.6	HOLD
W	Wayfair Inc	3,195	30.0	44.6	-3.0	100.0	HOLD
Peer Average		**392,086**	**20.3**	**24.2**	**8.2**	**25.9**	



Analyst's Notes ...Continued

leading provider of hybrid cloud services. AWS was perceived as lagging Microsoft's Azure business, which reported 30% growth in calendar 1Q25. However, Azure includes some enterprise business that is not purely cloud or AI. On an apples-to-apples basis, growth rates for the two entities are more similar.

For 1Q25, Amazon Web Services (AWS) revenue of $29.3 billion (19% of total), rose 17% year over year and was up 2% sequentially. AWS operating profit was $11.5 billion, an all-time record and a 23% increase from $9.4 billion a year earlier. AWS operating margin was 39.5% in 1Q25, establishing a new all-time record (the prior record margin was 38.1% in 3Q24) and ahead of 37.6% a year earlier.

AWS is at a $110 billion-plus revenue annual run rate and on path for a $120 billion run rate. Cloud customers, who formerly were optimizing their spending, are shifting to new workload deployment, reflecting urgency to position for the generative AI opportunity. Management has echoed other cloud and AI leaders that AWS cannot get enough hardware to meet AI demand. We believe AWS, which is globally No. 1 in cloud services, is positioned for long-term growth as the era of AI matures.

The focus at AWS is to shift capabilities internally as part of a long-term strategy to reduce the cost of training large language models as well as other key tasks such as inference. That includes internally developed Trainium chips, including Trainium 2; and successive iterations of its custom microprocessor, Graviton. AWS has also developed its own set of Trainium 2 UltraServers.

Working with Anthropic, AWS is building Project Ranier, which it called the world's largest AI compute cluster. Bedrock Marketplace allows customers to choose from over 100 popular models, now including models from China's DeepSeek. The newest edition of Amazon SageMaker enables users to gather data, analytics, and AI 'more concertedly.' Using its own and Nvidia processing power, AWS has also developed an extensive family of foundation models called Amazon Nova. AWS believes its models compare favorably in intelligence against the world's leading LLMs, while offering low latency, fine-tuning, model distillation, knowledge bases, and agentic capabilities at a lower price.

Amazon has been subject to profit-taking along with other perceived beneficiaries of the gen AI gold rush. During the first phase of unbridled AI enthusiasm, all of the so-called 'Magnificent Seven' stocks were loved as their opportunity appeared to be unlimited. The market is now more skeptical toward perceived AI winners, which has led to a natural tendency to rank the Mag 7 on their go-forward prospects. We see Amazon moving up in the ranks, while Nvidia continues to command the top spot.

In our Mag 7 rankings, we put Amazon in third place on a variety of metrics. The company's online retail operations and particularly its Prime business are without a global peer. The combined retail operating margin (Americas and International) for 4Q24 was 6.1%, by far the highest in our model going back to company's inception. Prime's media is now rivaling Netflix in content quality and volume. AWS is the leading CSP globally, and its rising margins and cash flows are funding the company's Gen AI opportunity.

EARNINGS & GROWTH

For 1Q25, Amazon posted revenue of $155.7 billion, which was up 9% from a year earlier and down 17% sequentially from Amazon's seasonally strongest quarter of 4Q24. Revenue was above the high end of management's $151.0-$155.5 billion guidance range and beat the $154.6 billion consensus estimate by over $0.5 billion.

The GAAP gross margin was 50.6% in 1Q25 versus 47.3% in 4Q24 and was 49.3% a year earlier. The GAAP operating margin was 11.8% in 1Q25, compared to 11.3% in 4Q24 and 10.7% a year earlier.

Amazon posted GAAP EPS of $1.59 per diluted share for 1Q25, up 62% from a year earlier. The consensus GAAP EPS estimate was $1.36. Amazon does not guide on EPS. At the sales and operating profit guidance midpoints, we had modeled EPS in the $1.40-$1.50 range.

For all of 2024, revenue of $638.0 billion rose 11% from $574.8 billion in 2023. GAAP earnings totaled $5.52 per diluted share for 2024, up 90% from $2.91 per diluted share for 2023.

Amazon topline guidance for 2Q25 of $159.0-$164.0 billion. The $161.5 billion midpoint implies 9% annual growth and was just above $161.3 billion pre-reporting consensus forecast.

Management forecast operating profit of $13.0-$17.5 billion in 2Q25; the $15.25 billion midpoint of this range compares to $14.7 billion a year earlier. We believe that 2Q25 guidance is consistent with GAAP EPS in a range of $1.20-$1.35. In 1Q24, Amazon earned $0.98 per diluted share on a GAAP basis. We note that Amazon tends to be conservative in its revenue guidance. Although Amazon does not guide on EPS, that revenue conservatism has led to an average earnings surprise (excluding outliers) of over 30% since 2015.

We are raising our GAAP EPS estimate for 2025 to $6.50 per diluted share, from $6.28. We are raising our 2026 GAAP EPS forecast to $7.44 from an initial $6.88. We consider our estimates to be fluid, based on tariffs, inflation, 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 and marketable securities were $94.6 billion at the end of 1Q25. Cash and marketable securities were $101.2 billion at the end of 2024, $86.8 billion at the end of 2023, $70.0 billion at the end of 2022, and $96.1 billion at the end of 2021.

Total debt was $53.4 billion at the end of 1Q25. Total debt was $52.6 billion at the end of 2024, $58.3 billion at the end of 2023, $67.2 billion at the end of 2022, and $48.7 billion at the end of 2021.

Net cash was $48.6 billion at year-end 2024. 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 $115.9 billion in 2024, an all-time record. Cash flow from operations was $85.0 billion in 2023, $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 $32.9 billion in 2024. Free cash flow was $32.2 billion in 2023, $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. Amazon intends to increase capital spending from a record $75 billion in 2024 to over $100 billion in 2025 to support AI development, and we expect free cash flow to decline in 2025 from 2024 levels.

Please see important information about this report on page 6

Analyst's Notes ...Continued

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 2021, Founder Jeff Bezos transitioned to executive chairman and former AWS leader Andy Jassy became the company's CEO. Brian Olsavsky is the CFO. Matt Garman is CEO of Amazon Web Services.

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

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

AMZN trades at 29.3-times our 2025 GAAP EPS estimate and at 25.6-times our 2026 GAAP projection. The two-year forward P/E of 27.4 is well below the trailing five-year multiple (2020-202) of 59.0. The relative P/E of 1.36 on our two-year average EPS forecast is below the historical relative P/E of 2.89.

AMZN trades at a two-year forward enterprise value/EBITDA multiple of 12.7 for 2025-2026, a significant discount to its trailing five-year (2020-2024) multiple of 19.2. We believe that AMZN merits a premium to its 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 slightly rising trend and above current levels.

Peer indicated value is in the $250s, down from peak due to the tech selloff. Using our two- and three-stage discounted free cash flow model, we calculate a value in the $400 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 $350, well above current prices.

Appreciation to our 12-month target price of $270 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 May 2 at midday, BUY-rated AMZN traded at $189.66, down $0.54.

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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

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