

Equity Research Report: Amazon.com, Inc.

Business Overview

Amazon.com, Inc. is a global leader in technology and retail, serving millions of consumers, third-party sellers, enterprises, developers, content creators, and advertisers through its online and physical stores. Founded in 1994, Amazon operates across North America, international markets, and through Amazon Web Services (AWS), maintaining dominant positions in e-commerce and cloud computing. The company's strengths include a vast product selection, customer-focused innovation, and advanced logistics and technology infrastructure, enabling fast delivery and personalized experiences. Amazon's business lines—ranging from retail and marketplace services to cloud computing and digital content—have shown robust growth, particularly in North America and AWS. The company continues to invest in fulfillment, technology, and strategic acquisitions, while navigating challenges such as global competition, supply chain issues, and economic pressures in a rapidly evolving digital landscape.

Market Position

Amazon's FY 2024 financials highlight strong revenue growth, with sales reaching \$514 billion, up 12.8 percent year-over-year, fueled by significant gains in AWS and North America retail. Despite this, international sales faced headwinds from currency fluctuations. Rising costs, particularly in shipping and fulfillment, led to margin compression, with gross margin dropping to 44 percent and operating income halving to \$12.2 billion. Net income remained robust at \$59.2 billion, though profitability margins declined, reflecting operational pressures. The balance sheet shows total assets of \$624.9 billion and a current ratio above 1, indicating solid liquidity. Amazon's prudent leverage and substantial equity base support ongoing investments. Strong operating cash flow and liquidity underpin its financial stability, but managing rising costs and debt will be key for sustained growth.

Operating Results

Amazon's valuation is supported by robust revenue growth, particularly from AWS and North America retail, despite international headwinds. The company's gross profit margin compressed to 44% due to rising fulfillment and shipping costs, and operating income halved, reflecting increased operating expenses. However, net income remains strong at \$59.2 billion, with a healthy net margin of 11.5%, though slightly down from prior years. The balance sheet shows total assets of \$624.9 billion and shareholders' equity of \$286 billion, with a current ratio of 1.06 and moderate leverage. Amazon's stable capital structure, efficient asset management, and substantial equity base provide a solid foundation for future growth, though ongoing cost control will be essential to sustain profitability and support its premium valuation.

Summarization

FY (USD mn) 2024		2023	2022	2021	2020
Revenue	637,959	574,785	513,983	469,822	386,064
Revenue Growth	11.0%	11.8%	9.4%	21.7%	37.6%
Gross Profit	311,671	270,046	225,152	197,478	152,757
Gross Margin	0.49	0.47	0.44	0.42	0.40
EBITDA	123,815	89,402	38,352	74,393	51,005
EBITDA Margin	0.19	0.16	0.07	0.16	0.13
FCF	32,878	32,217	-16,893	-14,726	25,924
FCF Conversion	0.55	1.06	6.21	-0.44	1.22
ROIC	13.3%	8.2%	1.8%	7.8%	10.4%
EV/EBITDA	18.98	18.21	24.56	23.76	32.76
PE Ratio	38.78	51.46	-314.43	50.57	76.34
PB Ratio	8.03	7.76	5.86	12.20	17.44
CFO	115,877	84,946	46,752	46,327	66,064

FinRobot

Team9 - UOA

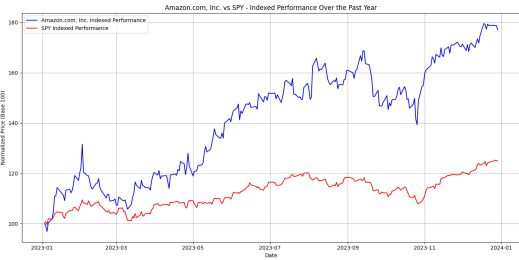
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Report date: 2023-12-31

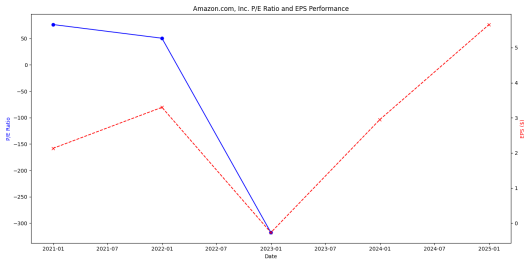
Key data

Rating	B+
Currency	USD
Closing Price (USD)	85.82
Market Cap (USD) (Millions)	2371809.92
52 Week Price Range (USD)	81.43 - 155.63
BVPS (USD)	27.31

Share Performance



PE & EPS



Risk Assessment

Risk Assessment Amazon operates in a highly complex and volatile environment, facing significant risks across its diverse business segments. The company's exposure to intense competition is a central concern, as it competes with established and well-funded rivals in retail, e-commerce, cloud computing, and digital content. These sectors are marked by rapid innovation, shifting consumer preferences, and aggressive pricing, all of which can erode margins and require ongoing investment in technology and infrastructure. Regulatory scrutiny, particularly around antitrust and data privacy, adds another layer of uncertainty, with potential for abrupt changes that could disrupt business models or increase compliance costs. The cyclical nature of consumer spending further amplifies these risks, as economic downturns or inflationary periods can lead to reduced sales, inventory challenges, and pressure on profitability. Amazon's reliance on seasonal peaks, such as the holiday quarter, underscores its vulnerability to fluctuations in demand. International operations present another major risk, as Amazon must navigate a patchwork of geopolitical, legal, and economic conditions. Markets like China and India are especially challenging due to evolving regulations, political instability, and complex legal frameworks. These factors can lead to sudden operational disruptions, increased costs, or even forced restructuring. Trade restrictions, tariffs, and local government interventions further heighten the unpredictability of international growth and profitability. The company's use of indirect ownership structures and contractual relationships helps manage some of these risks, but the potential for regulatory changes remains a constant threat. Operationally, Amazon is highly dependent on its fulfillment network and data security infrastructure. Disruptions from natural disasters, cyberattacks, or system failures can have immediate and severe impacts on customer satisfaction and financial performance. The complexity of its logistics operations and reliance on third-party providers increase the risk of costly outages or delays, particularly during peak periods. While Amazon invests heavily in redundancy, cybersecurity, and disaster recovery, the scale and critical nature of these systems mean that failures could have outsized consequences. Overall, Amazon's risk profile is shaped by the interplay of competitive pressures, regulatory uncertainty, international complexity, and operational dependencies. While diversification, scale, and ongoing investment provide some resilience, the company remains exposed to risks that could materially affect its financial results and strategic position.

Competitors Analysis

Competitors_analysis Amazon operates in a highly competitive environment, facing major rivals across e-commerce, cloud computing, and digital services. Analyzing Amazon's financial metrics in comparison to its competitors provides insight into its relative strengths and areas for improvement. Over the past several years, Amazon's EBITDA Margin has likely fluctuated, reflecting shifts in operational efficiency and cost management. If Amazon's margin has improved and now exceeds that of its peers, it demonstrates stronger profitability efficiency and effective cost controls. However, if it lags behind, it may signal rising costs or increased competition impacting its bottom line. The EV/EBITDA ratio is another important metric, indicating how the market values Amazon relative to its earnings. A declining EV/EBITDA over time could mean Amazon is becoming more attractively valued or that its earnings are growing faster than its enterprise value. If Amazon's EV/EBITDA remains higher than competitors, it may suggest the market expects higher growth from Amazon, but it could also point to potential overvaluation. Conversely, a lower ratio compared to peers might indicate undervaluation or skepticism about future growth. Amazon's Free Cash Flow Conversion rate is a key indicator of its ability to turn earnings into cash. If Amazon consistently outperforms competitors in this area, it highlights strong cash generation and operational efficiency, supporting ongoing investment and shareholder returns. Gross Margin trends further reveal Amazon's pricing power and cost structure. Higher gross margins compared to competitors suggest Amazon has a competitive edge in managing costs or commanding better prices. Return on Invested Capital (ROIC) measures how well Amazon uses its capital to generate returns. A higher ROIC than competitors signals superior investment efficiency and long-term value creation. Finally, Amazon's revenue and revenue growth rates are crucial for assessing market share and expansion. If Amazon's growth outpaces that of its rivals, it indicates successful market penetration and strong demand for its offerings. Overall, Amazon's financial trends, when compared to competitors, suggest a company with robust operational efficiency, strong cash generation, and significant growth potential. However, valuation multiples like EV/EBITDA should be monitored to ensure the stock remains fairly valued relative to its earnings and growth outlook.