

## Q4/24 Review – Amazon earnings surprise, but cut guidance; AWS continuing to drive growth, recommending YUSIF maintain weighting with 12.7% target upside



### Quarterly Review

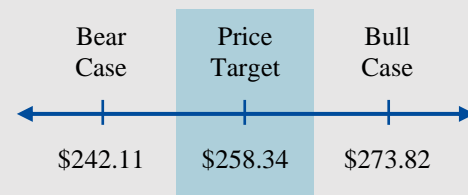
- Amazon beat street earnings forecasts, delivering \$1.86 of EPS, but cut guidance due to further expected FX headwinds of \$2.1 billion.
- AWS is still the highest growing segment, growing 19% YOY compared to 10% and 8% in North American and international segment sales.
- Amazon rolled out new AI-centric features for AWS, such as its own line of AI models, in-house designed AI chips, and Amazon Bedrock, a marketplace for foundation models including those from DeepSeek, LumaAI, and poolside.
- Amazon also signed new AWS agreements with multiple organizations including the U.S Army, Intuit, Paypal, etc.
- In ecommerce, Amazon expanded one-day and same day delivery by 65% compared to 2023
- Amazon closed 7 Quebec warehouses, laying off 4,500 workers
- **Our original thesis on Amazon is as follows:**
  - Amazon AWS possesses a durable moat with growth potential. AWS is one of the most profitable and fastest growing parts of Amazon's business, and its large existing customer base face switching costs due to being locked into the ecosystem.
  - Amazon's underappreciated advertising business carries distinct advantages given the access to customer data, intention of purchase, and the ability to close the loop between the advert and the purchase
- **Recommendation:** We suggest that YUSIF maintain our weight in Amazon. AWS proves to be a dominate force in cloud and with Amazon expanding its offerings with Amazon Nova models, in-house Tranium2 AI chips, and the bedrock marketplace, we can expect further growth in upcoming quarters. The advertising segment, while not the company's focus right now, continues to grow at 18% with only slight signs of slowing down.

3-year stock chart



Price (07-Feb-2025) USD \$229.15  
Target Upside +12.7%  
Ticker NASDAQ:AMZN

### Scenario Analysis



### Key Market Metrics

#### Company Description:

Amazon engages in the retail sale of consumer products, advertising, and subscriptions service through online and physical stores in North America and internationally. The company operates through three segments: North America, International, and Amazon Web Services (AWS). It also manufactures and sells electronic devices, including Kindle, fire tablets, fire TVs, echo, ring, blink, and eero; and develops and produces media content

#### Stock Metrics:

Market Cap (USD): ~2.45T  
Shares Outstanding: ~10.59M  
52 Wk Range: \$151.61 - \$242.50  
Dividend Yield: 0.00%

#### Valuation Metrics (LTM):

ROIC – 10.7%  
ROE – 24.3%  
P/E – 35.9x  
EV/EBITDA – 15.0x

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## Discounted Cash Flow Model

Revenue (In \$ Millions)	2017A	2018A	2019A	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
<b>Revenues:</b>																			
Online Stores	108,354	122,987	141,247	197,346	222,075	220,004	231,872	247,029	264,321	281,502	299,096	317,042	335,271	353,711	371,397	389,038	405,572	419,767	430,262
% Growth	—	13.50%	14.85%	39.72%	12.53%	(0.91%)	5.39%	6.54%	7.00%	6.50%	6.23%	6.00%	5.75%	5.50%	5.00%	4.75%	4.25%	3.50%	2.50%
Physical Stores	5,798	17,224	17,192	16,227	17,075	18,963	20,030	21,215	22,594	23,950	25,387	26,783	28,256	29,527	30,856	31,936	32,894	33,717	34,391
% Growth	—	197.07%	(0.19%)	(5.61%)	5.23%	11.06%	5.63%	5.92%	6.50%	6.00%	6.00%	5.50%	5.50%	4.50%	4.00%	3.50%	3.00%	2.50%	2.00%
Third-Party Seller Services	31,881	42,745	53,762	80,461	103,366	117,716	140,053	156,146	178,006	201,147	223,273	245,601	268,933	291,792	316,595	338,756	359,082	375,240	386,497
% Growth	—	34.08%	25.77%	49.66%	28.47%	13.88%	18.98%	11.49%	14.00%	13.00%	11.00%	10.00%	9.50%	8.50%	8.50%	7.00%	6.00%	4.50%	3.00%
Subscription Services	9,721	14,168	19,210	25,207	31,768	35,218	46,906	56,214	64,084	72,415	80,381	87,615	93,310	98,908	104,348	109,044	113,406	117,148	119,725
% Growth	—	45.75%	35.59%	31.22%	26.03%	10.86%	33.19%	19.84%	14.00%	13.00%	11.00%	9.00%	6.50%	6.00%	5.50%	4.50%	4.00%	3.30%	2.20%
Advertising Services	—	—	—	19,773	31,160	37,739	40,209	44,374	51,030	58,429	66,025	73,618	80,980	87,458	93,143	98,266	102,688	106,077	108,198
% Growth	—	—	—	56.62%	37.59%	21.11%	6.54%	10.36%	15.00%	14.50%	13.00%	11.50%	10.00%	8.00%	6.50%	5.50%	4.50%	3.30%	2.00%
AWS	17,459	25,665	35,026	45,370	62,202	80,096	90,757	107,557	127,993	151,032	178,217	208,514	241,876	276,948	311,567	336,492	356,682	370,949	378,568
% Growth	—	47.00%	36.47%	29.53%	37.10%	28.77%	13.13%	18.51%	19.00%	18.00%	18.00%	17.00%	16.00%	14.50%	12.50%	8.00%	6.00%	4.00%	2.00%
Other	4,653	10,108	1,460	1,680	2,176	4,247	4,958	5,425	5,805	6,182	6,553	6,913	7,259	7,586	7,889	8,165	8,410	8,620	8,793
% Growth	—	117.24%	(85.56%)	15.07%	29.52%	95.17%	16.74%	9.42%	7.00%	6.50%	6.00%	5.50%	5.00%	4.50%	4.00%	3.50%	3.00%	2.50%	2.00%
<b>Total Revenues:</b>	<b>177,866</b>	<b>232,897</b>	<b>280,522</b>	<b>386,064</b>	<b>469,822</b>	<b>513,983</b>	<b>574,785</b>	<b>637,960</b>	<b>713,833</b>	<b>794,657</b>	<b>878,932</b>	<b>966,086</b>	<b>1,055,885</b>	<b>1,145,932</b>	<b>1,235,795</b>	<b>1,311,698</b>	<b>1,378,734</b>	<b>1,431,519</b>	<b>1,466,235</b>
% Growth	—	30.94%	20.45%	37.62%	21.70%	9.40%	11.83%	10.99%	11.89%	11.32%	10.61%	9.92%	9.30%	8.53%	7.84%	6.14%	5.11%	3.83%	2.43%
Cost of Sales	(111,934)	(139,156)	(165,536)	(233,307)	(272,344)	(288,831)	(304,739)	(326,288)	(361,525)	(398,485)	(436,350)	(474,788)	(513,641)	(551,715)	(588,801)	(618,407)	(643,118)	(660,582)	(669,271)
% of Revenue	62.93%	59.75%	59.01%	60.43%	57.97%	56.19%	53.02%	51.15%	50.63%	50.15%	49.65%	49.15%	48.65%	48.15%	47.65%	47.15%	46.65%	46.15%	45.65%
<b>Gross Profit</b>	<b>65,932</b>	<b>93,741</b>	<b>114,986</b>	<b>152,757</b>	<b>197,478</b>	<b>225,152</b>	<b>270,046</b>	<b>311,672</b>	<b>352,309</b>	<b>396,172</b>	<b>442,582</b>	<b>491,298</b>	<b>542,244</b>	<b>594,217</b>	<b>646,994</b>	<b>693,291</b>	<b>735,616</b>	<b>770,937</b>	<b>796,964</b>
Gross Profit Margin	37.07%	40.25%	40.99%	39.57%	42.03%	43.81%	46.98%	48.85%	49.35%	49.85%	50.35%	50.85%	51.35%	51.85%	52.35%	52.85%	53.35%	53.85%	54.35%
<b>Operating Expenses:</b>																			
Fulfillment	(25,249)	(34,027)	(40,232)	(58,517)	(75,111)	(84,299)	(90,619)	(98,505)	(107,075)	(119,199)	(131,840)	(144,913)	(153,103)	(166,160)	(179,190)	(190,196)	(199,916)	(207,570)	(212,604)
Technology and Content	(22,620)	(28,837)	(35,931)	(42,740)	(56,052)	(73,213)	(85,622)	(88,544)	(96,367)	(107,279)	(118,656)	(125,591)	(137,265)	(148,971)	(160,653)	(172,335)	(186,097)	(190,611)	(190,611)
% of Revenue	12.72%	12.38%	12.81%	11.07%	11.93%	14.24%	14.90%	13.88%	13.50%	13.50%	13.50%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
Marketing	(10,069)	(13,814)	(18,878)	(22,008)	(32,551)	(42,238)	(44,370)	(43,907)	(49,968)	(55,626)	(61,525)	(67,626)	(73,912)	(80,215)	(86,506)	(91,819)	(100,206)	(102,636)	(102,636)
% of Revenue	5.66%	5.93%	6.73%	5.70%	6.93%	8.22%	7.72%	6.88%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
G&A Expenses	(3,674)	(4,336)	(5,203)	(6,668)	(8,823)	(11,891)	(11,816)	(11,359)	(12,849)	(14,304)	(15,821)	(17,390)	(19,006)	(20,627)	(22,244)	(23,611)	(24,817)	(25,767)	(26,392)
% of Revenue	2.07%	1.86%	1.85%	1.73%	1.88%	2.31%	2.06%	1.78%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%
Other Operating Expenses	(214)	(296)	(201)	75	(62)	(1,263)	(767)	(763)	(854)	(950)	(1,051)	(1,155)	(1,263)	(1,371)	(1,478)	(1,569)	(1,649)	(1,712)	(1,754)
% of Revenue	0.12%	0.13%	0.07%	(0.02%)	(0.01%)	(0.25%)	(0.13%)	(0.12%)	(0.12%)	(0.12%)	(0.12%)	(0.12%)	(0.12%)	(0.12%)	(0.12%)	(0.12%)	(0.12%)	(0.12%)	(0.12%)
<b>Total Operating Expenses:</b>	<b>(61,826)</b>	<b>(81,310)</b>	<b>(100,445)</b>	<b>(129,858)</b>	<b>(172,599)</b>	<b>(212,904)</b>	<b>(233,194)</b>	<b>(243,078)</b>	<b>(267,113)</b>	<b>(297,357)</b>	<b>(328,895)</b>	<b>(356,675)</b>	<b>(384,549)</b>	<b>(417,344)</b>	<b>(450,072)</b>	<b>(477,715)</b>	<b>(502,129)</b>	<b>(521,353)</b>	<b>(533,997)</b>
<b>Operating Income</b>	<b>4,106</b>	<b>12,431</b>	<b>14,541</b>	<b>22,899</b>	<b>24,879</b>	<b>12,248</b>	<b>36,852</b>	<b>68,594</b>	<b>85,195</b>	<b>98,815</b>	<b>113,689</b>	<b>134,623</b>	<b>157,695</b>	<b>176,873</b>	<b>196,922</b>	<b>215,576</b>	<b>233,487</b>	<b>249,583</b>	<b>262,967</b>
EBIT Margin (%)	2.31%	5.34%	5.18%	5.93%	5.30%	2.38%	6.41%	10.75%	11.93%	12.43%	12.93%	13.93%	15.43%	15.93%	16.43%	16.93%	17.43%	17.93%	17.93%
Income Tax	20%	11%	17%	12%	11%	17%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
<b>NOPAT</b>	<b>3,277</b>	<b>11,113</b>	<b>12,069</b>	<b>20,197</b>	<b>21,744</b>	<b>10,166</b>	<b>29,113</b>	<b>54,189</b>	<b>67,304</b>	<b>78,064</b>	<b>89,814</b>	<b>106,352</b>	<b>124,579</b>	<b>139,730</b>	<b>155,669</b>	<b>170,305</b>	<b>184,455</b>	<b>197,171</b>	<b>207,744</b>
Add Depreciation and Amortization	11,478	15,341	21,789	25,180	34,433	41,921	48,663	52,795	60,676	67,546	74,709	86,948	95,030	103,134	111,222	124,611	130,980	135,994	139,202
% of Revenue	6.45%	6.59%	7.77%	6.52%	7.33%	8.16%	8.47%	8.28%	8.50%	8.50%	8.50%	9.00%	9.00%	9.00%	9.00%	9.50%	9.50%	9.50%	9.50%
Less Capital Expenditures	(11,995)	(13,427)	(16,861)	(40,140)	(61,053)	(63,645)	(52,729)	(82,999)	(99,937)	(99,332)	(109,860)	(115,930)	(126,700)	(137,512)	(142,116)	(150,845)	(158,554)	(164,625)	(168,617)
% of Revenue	6.74%	5.77%	6.01%	10.40%	12.99%	12.38%	9.17%	13.01%	14.00%	12.50%	12.50%	12.00%	12.00%	12.00%	12.00%	11.50%	11.50%	11.50%	11.50%
Add / (Less): Changes in Net Working Capital	(4,089)	(870)	(1,395)	80,486	(1,313)	1,893	718	10,420	(3,124)	8,221	8,303	8,298	8,249	7,917	7,537	5,679	4,441	2,699	656
% of Revenue	(2.30%)	(0.37%)	(0.50%)	20.85%	(0.28%)	0.37%	2.96%	1.63%	(0.44%)	1.03%	0.94%	0.86%	0.78%	0.69%	0.61%	0.43%	0.32%	0.19%	0.04%
<b>Unlevered Free Cash Flow</b>	<b>(1,329)</b>	<b>12,157</b>	<b>15,602</b>	<b>85,723</b>	<b>(6,189)</b>	<b>(9,665)</b>	<b>25,765</b>	<b>34,405</b>	<b>24,920</b>	<b>54,498</b>	<b>62,959</b>	<b>85,667</b>	<b>101,152</b>	<b>113,269</b>	<b>132,211</b>	<b>149,750</b>	<b>161,321</b>	<b>171,240</b>	<b>179,076</b>
% Growth	—	28.13%	44.94%	(107.22%)	56.17%	166.58%	33.53%	(27.57%)	118.69%	15.53%	36.07%	18.08%	11.98%	16.72%	13.27%	7.73%	6.15%	4.58%	4.58%
<b>PV of Unlevered Free Cash Flows</b>									<b>23,074</b>	<b>46,723</b>	<b>49,979</b>	<b>62,968</b>	<b>68,842</b>	<b>71,379</b>	<b>77,144</b>	<b>80,905</b>	<b>80,700</b>	<b>79,317</b>	<b>76,803</b>

### Perpetuity Growth Method

Cumulative PV of UFCF	717,834
% of Enterprise Value	30.38%
<b>Terminal Value</b>	
Final Year UFCF	179,076
Perpetuity Growth Rate	2.00%
Terminal Value:	3,044,289
PV of Terminal Value	1,644,735
% of Enterprise Value	69.62%
<b>Total Enterprise Value</b>	<b>2,362,569</b>
Plus: Cash & ST Investments	101,202
Less: Total Debt	(52,623)
Less: Capital Leases	
Less: Non-Controlling Interest	
<b>Total Equity Value</b>	<b>2,411,148</b>
Diluted Shares Outstanding	10,598
<b>Implied Share Price</b>	<b>\$ 227.52</b>
Current Share Price	\$ 229.15
<b>Implied Margin of Safety</b>	<b>(0.71%)</b>

### Exit Multiple Method

Cumulative PV of UFCF	717,834
% of Enterprise Value	25.75%
<b>Terminal Value</b>	
Final Year EBITDA	402,260
EV/EBITDA Multiple	12.0x
Terminal Value:	4,827,115
PV of Terminal Value	2,070,267
% of Enterprise Value	74.25%
<b>Total Enterprise Value</b>	<b>2,788,101</b>
Plus: Cash & ST Investments	101,202
Less: Total Debt	(52,623)
Less: Capital Leases	
Less: Non-Controlling Interest	
<b>Total Equity Value</b>	<b>2,836,680</b>
Diluted Shares Outstanding	10,598
<b>Implied Share Price</b>	<b>\$ 267.67</b>
Current Share Price	\$ 229.15
<b>Implied Margin of Safety</b>	<b>16.81%</b>

### Perpetuity Growth

WACC	Perpetuity Growth Rate				
	1.00%	1.50%	2.00%	2.50%	3.00%
7.00%	\$ 242.28	\$ 258.22	\$ 277.36	\$ 300.74	\$ 329.97
7.50%	\$ 221.70	\$ 234.76	\$ 250.19	\$ 268.71	\$ 291.34
8.00%	\$ 204.04	\$ 214.88	\$ 227.52	\$ 242.45	\$ 260.38
8.50%	\$ 188.73	\$ 197.82	\$ 208.31	\$ 220.55	\$ 235.01
9.00%	\$ 175.32	\$ 183.03	\$ 191.83	\$ 201.99	\$ 213.84

### Exit Multiple

WACC	Exit Multiple				
	11.0x	11.5x	12.0x	12.5x	13.0x
7.00%	\$ 275.10	\$ 284.11	\$ 293.13	\$ 302.15	\$ 311.16
7.50%	\$ 262.93	\$ 271.49	\$ 280.06	\$ 288.63	\$ 297.19
8.00%	\$ 251.39	\$ 259.53	\$ 267.67	\$ 275.81	\$ 283.95
8.50%	\$ 240.45	\$ 248.18	\$ 255.92	\$ 263.66	\$ 271.39
9.00%	\$ 230.06	\$ 237.42	\$ 244.77	\$ 252.13	\$ 259.48

## Comparable Companies Analysis

Company Name	Equity Value (\$M)	Enterprise Value (\$M)	EV / Revenue			EV / EBITDA			P / E			Leverage
			LTM	2024E	2025E	LTM	2024E	2025E	LTM	2024E	2025E	Debt/EBITDA
Apple Inc.	\$3,419,474	\$3,374,905	8.5x	8.5x	8.1x	24.6x	24.6x	23.3x	35.6x	32.4x	30.6x	0.6x
Microsoft Corporation	\$3,046,074	\$3,077,428	11.8x	11.8x	10.5x	21.7x	21.6x	19.0x	32.8x	33.1x	29.6x	0.7x
eBay Inc.	\$32,491	\$35,459	3.5x	3.4x	3.3x	13.5x	11.0x	10.6x	16.1x	13.4x	13.1x	2.9x
Alphabet Inc.	\$2,269,189	\$2,201,669	6.3x	6.3x	5.7x	17.2x	14.6x	12.7x	22.7x	22.8x	20.6x	0.2x
Walmart Inc.	\$812,577	\$872,463	1.3x	1.3x	1.2x	20.9x	20.6x	18.9x	41.3x	40.4x	36.5x	1.4x
Maximum	\$3,419,474	\$3,374,905	11.8x	11.8x	10.5x	24.6x	24.6x	23.3x	41.3x	40.4x	36.5x	2.9x
75th Percentile	\$3,046,074	\$3,077,428	8.5x	8.5x	8.1x	21.7x	21.6x	19.0x	35.6x	33.1x	30.6x	1.4x
Median	\$2,269,189	\$2,201,669	6.3x	6.3x	5.7x	20.9x	20.6x	18.9x	32.8x	32.4x	29.6x	0.7x
Average	\$1,915,961	\$1,912,385	6.3x	6.3x	5.8x	19.6x	18.5x	16.9x	29.7x	28.4x	26.1x	1.2x
25th Percentile	\$812,577	\$872,463	3.5x	3.4x	3.3x	17.2x	14.6x	12.7x	22.7x	22.8x	20.6x	0.6x
Minimum	\$32,491	\$35,459	1.3x	1.3x	1.2x	13.5x	11.0x	10.6x	16.1x	13.4x	13.1x	0.2x
Amazon.com, Inc.	\$2,428,470	\$2,482,669	3.9x	3.9x	3.6x	20.5x	17.5x	15.0x	41.0x	44.1x	35.9x	1.1x

Company Name	Revenue Growth		EBITDA Growth		Net Income Growth		EBITDA Margin			Return Metrics (LTM)		
	2024E	2025E	2024E	2025E	2024E	2025E	LTM	2024E	2025E	ROIC	ROA	ROE
Apple Inc.	2.5%	5.5%	5.6%	5.2%	4.5%	5.8%	34.7%	34.7%	34.6%	45.4%	22.5%	136.5%
Microsoft Corporation	14.7%	12.4%	21.4%	13.3%	11.4%	12.0%	54.3%	54.7%	55.1%	19.5%	14.6%	34.3%
eBay Inc.	1.7%	3.1%	29.4%	3.9%	(12.2%)	1.8%	25.5%	31.3%	31.5%	10.4%	6.9%	35.9%
Alphabet Inc.	13.9%	11.3%	56.4%	14.9%	34.7%	10.7%	36.5%	43.0%	44.4%	21.1%	16.5%	32.9%
Walmart Inc.	4.3%	4.3%	9.0%	9.0%	29.6%	10.8%	6.2%	6.3%	6.6%	11.5%	6.9%	22.6%
Median	4.3%	5.5%	21.4%	9.0%	11.4%	10.7%	34.7%	34.7%	34.6%	19.5%	14.6%	34.3%
Average	7.4%	7.3%	24.4%	9.3%	13.6%	8.2%	31.4%	34.0%	34.4%	21.6%	13.5%	52.4%
Amazon.com, Inc.	11.0%	9.5%	65.7%	16.7%	80.9%	22.8%	19.0%	22.2%	23.7%	10.7%	7.4%	24.3%

## Model Assumptions:

The exit multiple on EMM was updated to 12.0x from 13.0x to better reflect the historical 3-year average and median of the NTM EV/EBITDA multiple as well as to keep intact the 3.0x discount that was applied on the exit multiple from the previous model. Capital expenditure guidance of ~100B for 2025E was also reflected in the updated model.