MOODY'S INVESTORS SERVICE

CREDIT OPINION
23 May 2023

Update

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RATINGS

Amazon.com, Inc.

Domicile	Seattle, Washington, United States
Long Term Rating	A1
Type	Senior Unsecured - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Amazon.com, Inc.

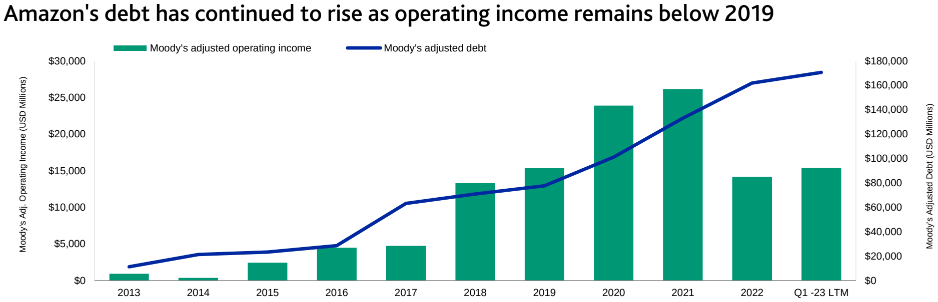
Update to credit analysis

Summary

Amazon.com, Inc.'s (A1/Prime-1 stable) credit profile reflects its powerful global brand, which is synonymous with online retail, as well as the strength and profitability of Amazon Web Services ("AWS"), the market leader in the cloud computing market. The company is reliant on the operating income derived from AWS, as its non-AWS profitability has remained weak since the end of 2021. Although the company is making progress with improving productivity and reducing costs, online operating margins remain well below historical levels. Amazon has taken actions to make its fulfillment operations more efficient as its business grows into its capacity, which doubled during the pandemic. Amazon has also built a solid ecosystem of entertainment content that enhances its offering, operates a formidable third-party seller business and generates a solid and growing revenue stream from advertising. Nonetheless, its credit metrics are currently weak for the A1 rating with RCF/Debt below 50%, as lower profitability, coupled with increased levels of investment have led to higher debt levels and lower cash balances. Capital allocation will be critical to improving its credit profile as Amazon navigates a weaker economic backdrop that could dampen demand for its products and services as it pursues cost reductions and efficiencies to restore profitability at online retail. The growing online presence of brick-and-mortar retailers, as well as the increasing competition from larger, well capitalized companies in AWS' universe also presents future challenges.

Exhibit 1

Amazon's debt has continued to rise as operating income remains below 2019



Debt includes lease
Source: Moody's Financial Metrics™

Credit strengths

- Leading online retailer and cloud provider
- AWS provides an increasing income stream provides solid positioning in AI
- Prime membership base supports customer loyalty
- Advertising revenue remains a significant area of growth

Credit challenges

- Brick-and-mortar retailers continue to increase online retail presence
- Heightened cloud competition from larger, well capitalized tech companies
- Inefficiencies in its retail fulfillment operations weigh on profitability
- Reduced cash balance lowers cushion for volatile or heavy investment periods

Rating outlook

The stable outlook reflects our view that Amazon will quickly restore its credit metrics to levels reflective of its A1 rating. The outlook also assumes that Amazon will maintain excellent liquidity and consistent financial strategies.

Factors that could lead to an upgrade

- Ratings could be upgraded if Amazon's numerous investments generate commensurate levels of profitability such that RCF/debt is maintained around 65%.
- Additional factors that would be critical for an upgrade are the continued maintenance of very strong liquidity, a robust cash and investments to debt position and maintenance of conservative financial strategies.

Factors that could lead to a downgrade

Ratings could be downgraded if:

- Operating performance continues to weaken, or
- It becomes clear that investments are not paying off, or
- Financial strategy is becoming significantly more aggressive with regard to cash returned to shareholders or acquisitions
- If for any of the above, RCF/debt falls below 50% for an extended period

Key indicators

Exhibit 2

Amazon.com, Inc.

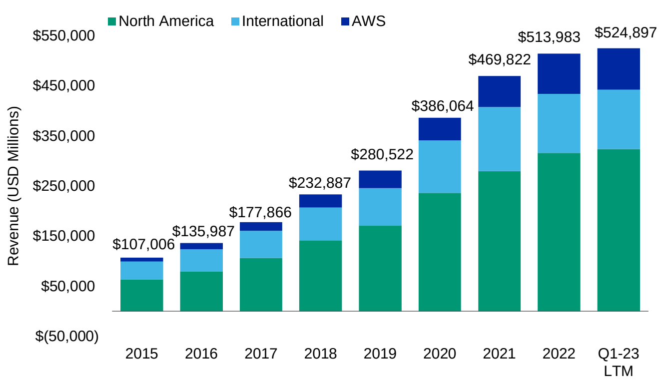
US Billions	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	LTM (Mar-23)	12-18 Month Forward View
Revenue	233	281	386	470	514	525	589
EBIT / Interest Expense	5.9x	6.8x	10.2x	9.6x	2.8x	2.9x	5.9x
RCF / Net Debt	87.7%	90.9%	81.4%	62.8%	53.9%	50.7%	90.2%
Debt / EBITDA	2.3x	2.2x	2.1x	2.3x	3.6x	3.6x	2.4x

All figures and ratios are calculated using Moody's estimates and standard adjustments. Moody's Forecasts (f) or Projections (proj.) are Moody's opinion and do not represent the views of the issuer. Periods are Financial Year-End unless indicated. LTM = Last Twelve Months.
Source: Moody's Financial Metrics™

Profile

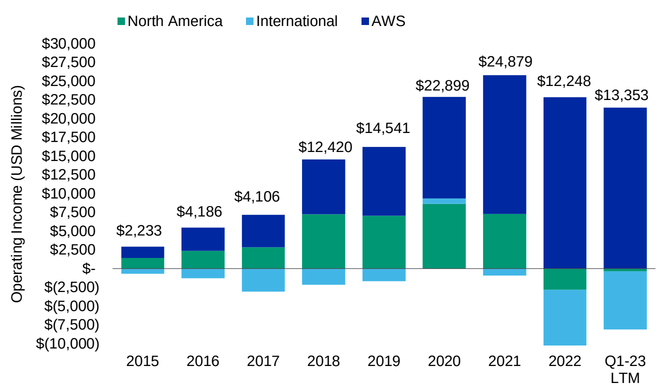
Headquartered in Seattle, Washington, Amazon.com, Inc. is the world's largest online retailer, and also a leading web services provider via AWS. Revenue was approximately $525 billion for the twelve months ended March 31, 2023.

Exhibit 3
Amazon's Revenue by Segment



Source: Company SEC Filings

Exhibit 4
Amazon's Operating Profit by Segment



Source: Company SEC Filings

Detailed credit considerations

AWS has leading market share, high profitability and solid long term prospects

AWS continues to generate most of Amazon's operating profit, making it possible for investment programs (delivery, content and international) to continue. Despite still being relatively early in the conversion of companies transitioning to the cloud, revenue growth and profitability of AWS continues to experience a slowing of growth in Q1 2023 as companies try to find more effective cost solutions. Revenue growth in Q1 2023 has decelerated to 15.8% from 20.2% in Q4 2022 and 27.5% in Q3 2022, as operating margins decline sequentially and from last year. These trends have continued into Q2 2023 with April revenue growth rates lower than Q1 2023. We expect revenue growth to improve toward the end of 2023 as optimization efforts of customers are exhausted. AWS' customers continue to increase commitments for future capacity usage and we expect strong long-term growth for AWS benefiting from migration of IT infrastructure investments from on-premise to the cloud. AWS is also well-positioned to capitalize on the rapidly growing AI opportunity in the cloud with its scalable infrastructure, tools for developers to build and deploy models and services that customers can use to leverage proprietary large language models. At the same time, AWS faces strong competitors with financial resources such as Microsoft Corporation (Aaa Stable), Oracle Corporation (Baa2 Stable), Alphabet Inc. (Aa2 Stable), and IBM (A3 Stable) that all aim to grow market share. Operating margin expansion for AWS could be challenged by increasing competition and elevated investments.

Online retail presence still dominates as digital efforts of brick and mortar accelerate

Amazon's online retail is the clear leader relative its US competitors. Nonetheless, competition has accelerated from larger players such as Walmart Inc. (Aa2 stable), Target Corporation (A2 stable) and Best Buy Co., Inc. (A3 stable), all of which have continued to enhance their online capabilities. These larger brick-and-mortar retailers can also leverage their store networks and proprietary distribution capability to offer the consumer options for obtaining their purchases. In store pickup provides a competitive offering (within hours in most cases) and a more cost effective alternative to the seller. In addition, some brick-and-mortar retailers already have vehicle networks that are used to stock its stores which could be used for some same day delivery capability. An example is the auto parts retailers, which measure delivery times in hours, not days.

Amazon faces an increasingly competitive environment as the pandemic accelerated investment in areas such as curbside pickup, inventory visibility and better usage of stores to fulfill orders. To combat these growing competitive threats, Amazon continues to support its Prime Free One-Day Delivery initiative, which is an effort to counter buy-online/pick-up in store. The company is also moving its fulfillment network to a regionalized model which is expected to improve delivery speed and cost. To offset rising costs, the company increased pricing on its prime membership in the U.S. in 2022 from $119 to $139 annually. The move, which is the first price increase since 2018 and will provide to offset to these continued investments.

Third-party sales remains an important part of the business with growth continuing to outpace first-party. Third party comprises 59% of paid units relative to 55% for the same period last year. The company has implemented a fuel and inflation as well as a peak fulfillment surcharge on fulfillment fee per unit rates for Fulfilled by Amazon sellers in the face of rising inflation and energy costs. We note that Walmart has increased its third party efforts with its Advance Auto Parts and Shopify relationships. In the Advance example, Walmart is providing space in its stores, as well as the use of its distribution network and placement on the website.

Physical store sales remain primarily from Whole Foods. The 2017 acquisition of Whole Foods consisting now of over 500 locations provides Amazon with a “scalable” food business, as well as pickup points for online orders across categories. The company has closed some non-core concepts including its physical bookstores, and 4-star stores.

Advertising revenue continues to grow rapidly in programmatic advertising and, in our opinion, has an advantage in this area given its significant e-commerce presence and data gathering. Growth in advertising revenue remains robust at over 23% in Q1 2023. Advertising for LTM March 2023 was roughly $39.4 billion, and we note advertising operating margins are generally healthy and typically run in the midteens. Along with AWS, the profitability of this category provides “buffer” to support its retail operations performing well below historical operating margins.

Cost pressures are being addressed as investment is targeted at or below 2022 levels

Amazon's retail operations is contending with the inefficiency posed by the more than doubling of its capacity during the pandemic, Amazon continues to work to move its cost structure closer to pre-pandemic levels and has made significant head count reduction with 27,000 roles eliminated including areas such as AWS as well as Twitch, devices, advertising and human resources.

Amazon remains committed to providing value to customers, despite inflation while slowing remaining elevated. The company is benefiting from continued improvement in shipping speeds and in-stock rates have recovered. Amazon has been contending with higher costs related to system productivity and inflation since the second half of 2021.

During first quarter 2023, Amazon continued to take cost cutting measures to improve margins and make progress on reducing its cash usage. These efforts include shutting down businesses such as Amazon Fabric and Amazon Care as well as closing eight Amazon Go locations. The company has also increased its minimum grocery purchases from $35 to $150 for free shipping and reduced corporate head count. Nonetheless, cost structure improvements have been partially offset by increased spend in advertising and other investments such as video content and marketing costs.

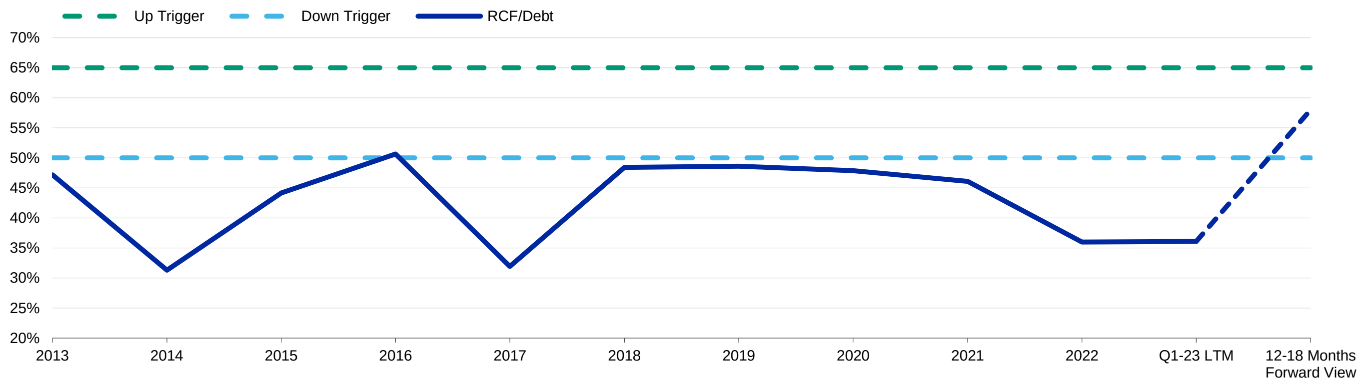
Amazon expects investment in 2023 to be at or below 2022 levels at it reduces its spending on fulfillment and transportation given its significant increase in capacity in recent years and shifts spending to technology and related infrastructure including large language models and generative AI. In 2022, the company spent approximately $59 billion in capital investments.

Amazon has continued to pursue acquisitions it has exited businesses that are not reaching long term return goals. The company acquired MGM Holdings Inc. (“MGM”) for approximately $8.5 billion, including MGM’s debt, in Q1 2022 which increased its video content which is a key component to its Prime's value proposition and differentiates its offering beyond shipping. MGM's revenue of about $1.5 billion represents less than 1% of Amazon's revenue. The company also closed in Q1 2023 on its $4 billion purchase of 1Life Healthcare Inc. “One Medical,” a national primary care provider with approximately $1 billion of LTM revenue as of December 2022. One Medical operates a chain of primary healthcare clinics. The business is based on a membership model where the company charges a fixed monthly subscription fee and in exchange provides regular primary care services. The company focuses on both physical appointments and digital offerings. The company also has announced its intention to acquire iRobot for approximately $1.9 billion. The purchase is currently still being reviewed by the FTC.

We estimate that Amazon's RCF/debt can return to near our target of 50% RCF/debt at the end of 2023 to the extent that Amazon prioritizes aligning free cash flow generation with its investments. Our estimates assumes that free cash flow is positive and utilized to reduce funded debt. Nonetheless, the economic back drop remains weak which poses a need for continued capital allocation discipline to achieve this goal. We also recognize that cash+short term investments as a percentage of debt remains below historical levels.

Exhibit 5

Retained cash flow to debt expected to recover in the next 12-18 months



Credit metrics reflect Moody's standard adjustments

Source: Moody's Financial Metrics™, Moody's estimates

ESG considerations

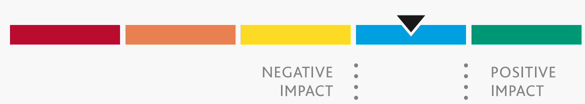
Amazon.com, Inc.'s ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 6

ESG Credit Impact Score

CIS-2

Neutral-to-Low



For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

(**CIS-2**) Amazon's ESG Credit Impact Score reflects our assessment that its governance practices which include maintaining high cash balances positions the company to meet its moderate exposure to environmental and social risks.

Exhibit 7
ESG Issuer Profile Scores

ENVIRONMENTAL	SOCIAL	GOVERNANCE
E-3	S-3	G-2
Moderately Negative	Moderately Negative	Neutral-to-Low

Source: Moody's Investors Service

Environmental
(**E-3**) Amazon's environmental risks reflect exposure to carbon transition risk as product transport, which currently relies primarily on combustion engine vehicles, remains integral to its operations. The company continues to invest in EV and is committed to growing its EV fleet. Its physical climate risk is low as its operations are well diversified within the US and internationally. Natural capital risk is viewed as low given its business diversification through AWS despite its sales of food and apparel.

Social
(**S-3**) Amazon's social risk reflects its exposure to human capital, customer relations and responsible production. Human capital risk higher than most retailers, as AWS requires a more highly skilled workforce. The company's exposure to risk related to demographic and societal trends is lower than the that of the overall retail and apparel industry. Amazon remains poised to benefit from the continued shift of consumers transacting online and the robust demand for IT infrastructure and the continued adoption of cloud services. Its business diversification with AWS and its significant volume with third party sellers lowers its responsible production risk. Data privacy issues surrounding both its online and web services segments increases customer relations risk.

Governance
(**G-2**) Amazon's governance risk reflects its overall conservative financial policies, including the maintenance of high cash balances and limited shareholder distributions to date and its moderate leverage. The company has separate chairperson and CEO roles with Jeff Bezos as Chairman.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. To view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis
Amazon maintains strong liquidity from its significant cash balances, which provides the company with increased flexibility and this remains a critical credit consideration. In January 2023, Amazon issued an $8 billion 364-day term loan to partially fund the One Medical acquisition which closed February 2023. The company issued $12.75 billion of debt securities in April 2022 and $8.25 billion in December 2022 ranging in maturity from 2024 to 2062. The use of proceeds were for general corporate purposes. We expect positive free cash flow to be applied to debt reduction supported by improved working capital and better profitability at its non-AWS operations.

In March 2022, the company expanded its US commercial paper program to $20 billion. The commercial paper program includes the option to issue €3 billion and is backed by a $10 billion revolving credit facility expiring March 29, 2025 as well as a $10 billion 364-day credit facility which was put in place on November 18, 2022 and may be extended once. As of March 31, 2023 the company had $7.8 billion of commercial paper outstanding under its programs. A significant credit consideration to its short term and long term ratings is Amazon's commitment to fully cover all commercial paper balances with the availability under its committed revolvers and excess same-day available cash balances. The commercial paper program is likely to be used to bridge working capital swings and adds to its formidable liquidity profile. The revolving credit facility has same day availability, no ongoing MAC clause and no financial covenants.

Rating methodology and scorecard factor

The following table shows Amazon.com, Inc.'s scorecard-indicated outcome using Retail Industry, with data as of March 31, 2023 and on a forward-looking basis. Applying Moody's 12-18 month forward view, the scorecard indicated outcome is A1, the same level as its senior unsecured rating.

Exhibit 8

Retail Industry Scorecard [1][2]	Current LTM 3/31/2023		Moody's 12-18 Month Forward View As of 5/16/2023 [3]	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue (USD Billion)	$524.9	Aaa	$588.6	Aaa
Factor 2 : Business Profile (30%)				
a) Stability of Product	Aa	Aa	Aa	Aa
b) Execution and Competitive Position	Aa	Aa	Aa	Aa
Factor 3 : Leverage and Coverage (45%)				
a) EBIT / Interest Expense	2.9x	Ba	5.9x	Baa
b) RCF / Net Debt	50.7%	Aa	90.2%	Aa
c) Debt / EBITDA	3.6x	Ba	2.4x	A
Factor 4 : Financial Policy (15%)				
a) Financial Policy	A	A	A	A
Rating:				
a) Scorecard-Indicated Outcome		A2		A1
b) Actual Rating Assigned				A1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 3/31/2023 (L).
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™, Moody's estimates

Ratings

Exhibit 9

Category	Moody's Rating
AMAZON.COM, INC.	
Outlook	Stable
Senior Unsecured	A1
Commercial Paper	P-1
WHOLE FOODS MARKET, INC.	
Outlook	Stable
Senior Unsecured	A1

Source: Moody's Investors Service

Appendix

Exhibit 10

Moody's-Adjusted Debt Breakdown

Amazon.com, Inc.

(in US Millions)	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22	LTM Ending Mar-23
As Reported Debt	**49,289**	**24,719**	**32,971**	**50,235**	**70,149**	**69,084**
Operating Leases	21,442	52,814	67,533	82,083	84,823	85,695
Non-Standard Adjustments	101	101	725	725	6,800	15,800
Moody's-Adjusted Debt	**70,832**	**77,634**	**101,229**	**133,043**	**161,772**	**170,579**

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 11

Moody's-Adjusted EBITDA Breakdown

Amazon.com, Inc.

(in US Millions)	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22	LTM Ending Mar-23
As Reported EBITDA	**28,028**	**31,277**	**42,589**	**63,385**	**21,956**	**32,278**
Operating Leases	3,400	3,669	5,019	7,199	8,847	9,256
Unusual	0	0	0	-11,526	13,870	5,625
Moody's-Adjusted EBITDA	**31,428**	**34,946**	**47,608**	**59,058**	**44,673**	**47,159**

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 12

Peer snapshot

	Amazon.com, Inc. A1 Stable			Walmart Inc. Aa2 Stable			Alphabet Inc. Aa2 Stable			Costco Wholesale Corporation Aa3 Stable			Oracle Corporation Baa2 Stable		
(in US millions)	FYE Dec-21	FYE Dec-22	LTM Mar-23	FYE Jan-21	FYE Jan-22	FYE Jan-23	FYE Dec-21	FYE Dec-22	LTM Mar-23	FYE Aug-21	FYE Aug-22	LTM Feb-23	FYE May-21	FYE May-22	LTM Feb-23
Revenue	$469,822	$513,983	$524,897	$559,151	$572,754	$611,289	$257,637	$282,836	$284,612	$195,929	$226,954	$234,390	$40,479	$42,440	$47,957
EBITDA	$59,058	$44,673	$47,159	$36,657	$39,032	$37,233	$91,935	$94,469	$93,141	$8,928	$10,195	$10,493	$19,363	$19,268	$19,314
Total Debt	$133,043	$161,772	$170,579	$71,299	$57,323	$60,496	$34,992	$35,777	$36,292	$11,407	$10,906	$10,931	$93,460	$85,145	$101,097
Cash & Cash Equiv.	$36,220	$53,888	$49,343	$17,741	$14,760	$8,625	$20,945	$21,879	$25,924	$11,258	$10,203	$12,970	$30,098	$21,383	$8,219
EBITDA Margin	12.6%	8.7%	9.0%	6.6%	6.8%	6.1%	35.7%	33.4%	32.7%	4.6%	4.5%	4.5%	47.8%	45.4%	40.3%
EBIT / Int. Exp.	9.6x	2.8x	2.9x	7.4x	9.5x	8.3x	93.9x	84.1x	82.4x	29.7x	36.7x	39.1x	6.1x	5.4x	3.9x
Debt / EBITDA	2.3x	3.6x	3.6x	1.9x	1.5x	1.6x	0.4x	0.4x	0.4x	1.3x	1.1x	1.0x	4.8x	4.4x	5.2x
RCF / Net Debt	62.8%	53.9%	50.7%	43.5%	60.2%	40.8%	679.1%	691.3%	906.6%	1446.4%	1011.0%	-364.5%	21.4%	13.7%	14.5%
FCF / Debt	-19.5%	-15.4%	-8.9%	26.2%	6.9%	8.0%	194.0%	167.7%	170.6%	-3.9%	14.8%	32.4%	11.4%	1.8%	3.8%

All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade.
Source: Moody's Financial Metrics™

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