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Amazon x Ocado

Strategic Acquisition Analysis

Thesis: Do Not Acquire
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Executive Summary



Objective: Evaluate and justify Amazon's potential acquisition of Ocado

Key Synergies: Operational Efficiency, Market Expansion, Sustainability, B2B Diversification

Financial Analysis: Comparables analysis and pro forma figures support thesis

Major Risks: Unhealthy Ratios, CMA Antitrust Scrutiny, Potential Loss of Kroger Partnership

Thesis and Recommendation: Proceed if regulatory and operational conditions are met

Company Descriptions

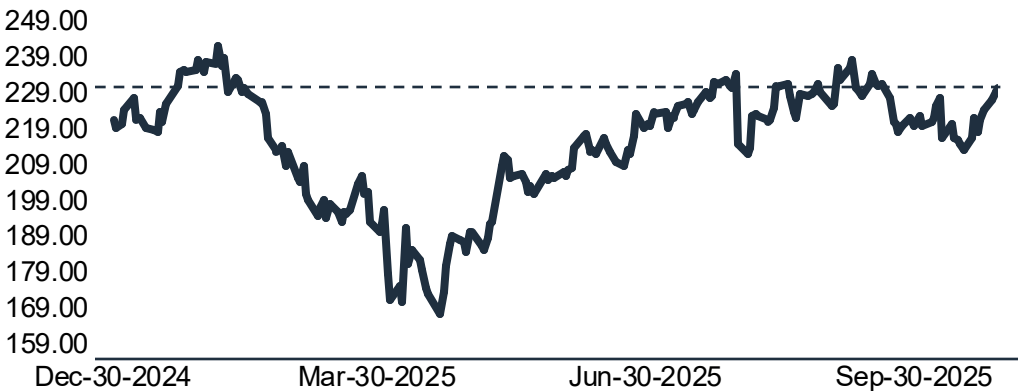


Company History: Founded in 1994, headquartered in Seattle, Washington

Specializations: E-commerce, Cloud Computing, Digital Services, Logistics Infrastructure

Geographic Markets: North America, Europe, Asia-Pacific, and internationally

Recent performance (USD):






Company History: Founded in 2000, headquartered in Hatfield, Hertfordshire

Specializations: Tech-driven Grocery Fulfillment, Automation Solutions




Geographic Markets: Europe, North America, Asia-Pacific, and internationally

Recent performance (GBP = 100GBX):



Synergy		 x 	After-Math
Operational Efficiency	3/5	5/5	Ocado's robotics and AI-driven fulfillment systems enhance Amazon's warehouse speed, accuracy, and cost efficiency.
UK Grocery Market Expansion	4/5	5/5	Ocado's established grocery logistics infrastructure in the UK and Europe strengthens Amazon Fresh and Whole Foods' regional presence.

Long-Term


Synergy		 x 	After-Math
ESG and Sustainability	3/5	5/5	Integration of Ocado's energy-efficient automation helps Amazon reduce emissions and progress toward its 2040 Net-Zero goal.
Business Model Diversification	4/5	5/5	Leverage Ocado's automation and fulfillment technology to develop B2B grocery and logistics solutions, broadening Amazon's service portfolio and stabilizing long-term revenue streams.




Comparables Analysis



Company	Ticker	Market Cap <i>USD \$M</i>	Enterprise Value <i>USD \$M</i>	Revenue <i>USD \$M</i>	<i>EV/Revenue</i>
Symbotic Inc.	NASDAQ: SYM	38441.11	38106.08	2205.20	17.28x
Autostore Ltd.	AUTO.OL	3185.82	3411.03	562.01	6.07x
Maplebear Inc.	NASDAQ: CART	10102.86	9706.52	3546.00	2.74x

Median *EV/Revenue*: 6.07x

	LON: OCDO	2487.43	1595.65	6.07x
Ocado appears significantly undervalued relative to peers based on the median <i>EV/Revenue</i> multiple.			Implied Enterprise Value 9685.60	

Company	Enterprise Value <i>USD \$M</i>	Revenue <i>USD \$M</i>	<i>EV/Revenue</i>
	2400770.00	670040.00	3.583x
	2487.43	1595.65	1.559x
	2403257.43	671635.65	3.578x

Risks and Mitigations (1/2)



Risk	Likelihood (Out of 5)	Evidence and Impact	Mitigation Strategy
Ocado's Unhealthy Solvency Ratios	5	<p>Increasing trend in solvency ratios indicates growing financial risk:</p> <ul style="list-style-type: none">• 2023 debt ratio: 0.22• 2024 debt ratio: 0.49• 2023 debt-to-capital: 0.29• 2024 debt-to-capital: 0.65	<ul style="list-style-type: none">• Restructure debt profile post-acquisition and improve leverage• Use partial equity financing to reduce combined entity's solvency pressure
Scrutiny by United Kingdom's Market Authorities (CMA)	4/5	<p>Since Amazon's minority investment in Deliveroo, the CMA has closely monitored its market activities to prevent anti-competitive vertical integration, and a full Ocado acquisition would likely trigger extended regulatory reviews that delay approval and increase transaction costs.</p>	<ul style="list-style-type: none">• Conduct early regulatory due diligence and liaise with the CMA to pre-empt anti-trust concerns.• Structure the acquisition to maintain Ocado's operational independence, demonstrating Amazon's non-monopolistic and harmless intentions to UK authorities.

Risks and Mitigations (2/2)



Risk	Likelihood (Out of 5)	Evidence and Impact	Mitigation Strategy
Potential Loss of Key Partnership with Kroger	3/5	Ocado relies heavily on its U.S. partnership with Kroger, but since Kroger and Amazon compete directly in grocery and logistics, the acquisition could prompt Kroger to terminate its low-fee contract, resulting in significant revenue loss and a decline in Ocado's growth valuation.	<ul style="list-style-type: none">• Establish legal and data sharing firewalls to ensure Kroger's operational confidentiality post-acquisition• Guarantee Ocado as an independent technology subsidiary post-acquisition to lessen worries of current partners
Foreign Exchange Risk	4/5	Ocado is listed in GBP, while Amazon finances primarily in USD. If the GBP appreciates after a purchase agreement is signed, Amazon's actual USD outlay for the acquisition will rise, increasing total transaction cost.	<ul style="list-style-type: none">• Use forward contracts or currency hedges to lock in GBP/USD exchange rate.• Consider partial GBP-denominated financing to create a natural hedge.

ESG Implications



Framework:
CSRD

Focus:
Mandatory EU sustainability reporting

Relevance:
Ocado's EU operations bring Amazon under EU reporting scope

Framework:
EU Taxonomy

Focus:
Classifies environmentally sustainable activities

Relevance:
Automation and energy-efficient fulfillment may qualify as “green tech”

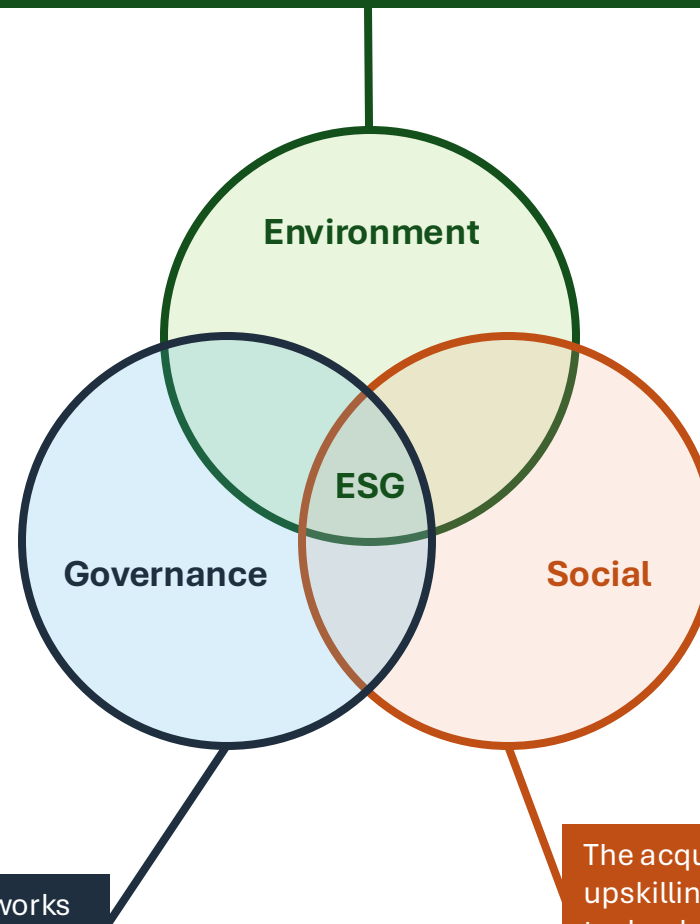
Integration requires alignment with EU ESG frameworks (CSRD, EU, Taxonomy) and transparent reporting systems to satisfy regulators and investors

Framework:
IFRS S1 and S2

Focus:
S1: General sustainability
S2: Climate-specific

Relevance:
Enables unified reporting for the combined entity

Ocado's automation and warehouse efficiency can help Amazon reduce Scope 3 logistics emissions and advance its net-zero 2024 target



The acquisition supports workforce upskilling in robotics and logistics technology while creating safer and more automated workplaces

Alternative Strategic Options



Most Ethical

Most Unethical

Aggressive Acqui-hire

- Amazon should hire small AI and robotics startups operating in similar fields.
- Amazon could also recruit key Ocado engineers through contract buyouts and enhanced compensation offers.

Predatory Pricing

- Amazon could use its strong cash flow to offer three years of free delivery and service fees for grocery orders.
- This loss-leader strategy would capture market share as competitors like Kroger struggle to keep up.

Market Manipulation

- Before making an offer, Amazon could hypothetically take a short position in Ocado's stock to depress its market value.
- Once Ocado's share price drops, Amazon could step in with a reduced takeover offer.

Sources



https://www.grocerydive.com/news/grocery--kroger-ceo-unfazed-by-stock-tumble-says-amazon-is-a-good-fit-for-whole-food/534955/?utm_source=chatgpt.com

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Thank you for your time

Any Questions?

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