



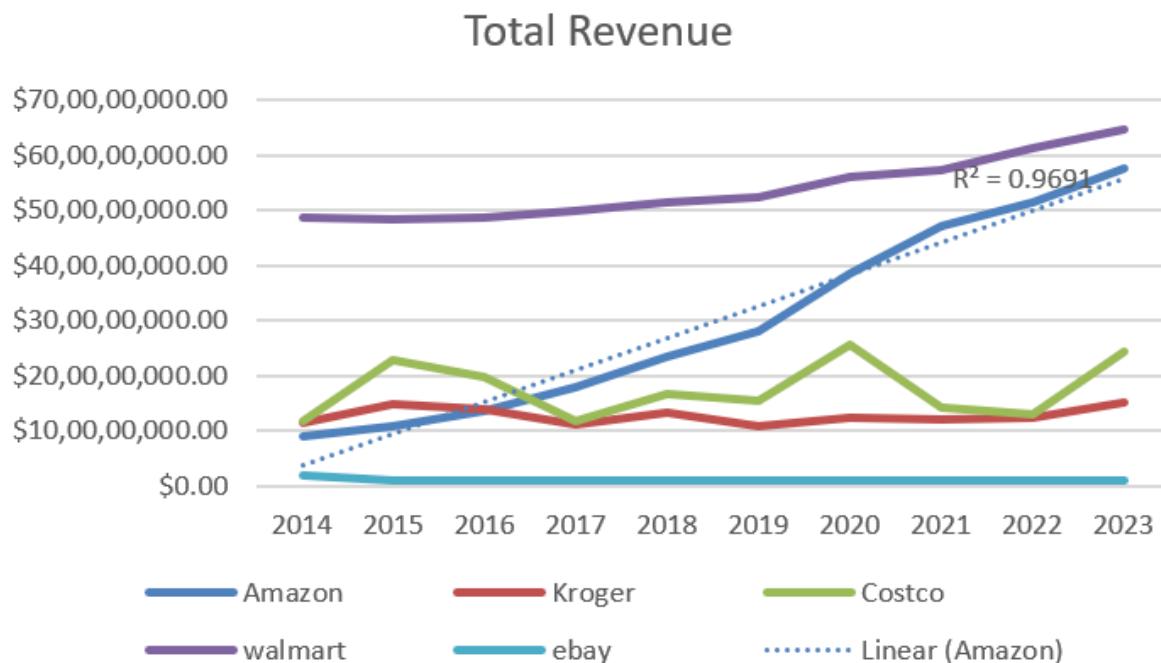
Amazon.com Inc

AmazonOverview

Amazon.com, Inc. is a leading global online retailer, offering a vast array of products and services, including e-commerce, cloud computing through Amazon Web Services (AWS), and digital streaming.

Financial Overview

- Revenue Growth:** In 2023, Amazon's net sales increased by 12% to \$574.8 billion, up from \$514.0 billion in 2022.
- Net Income:** Amazon reported a net income of \$30.4 billion in 2023, a significant turnaround from a net loss of \$2.7 billion in 2022.
- Earnings Per Share (EPS):** For the fiscal year ending December 2024, the consensus EPS forecast has increased to \$5.38.
- Market Capitalization:** As of June 2024, Amazon's market capitalization surpassed \$2trillion.



The graph highlights Amazon's remarkable and steady revenue growth from 2014 to 2023, marked by a high R^2 value of 0.9691, which indicates a strong upward trajectory. While Walmart continues to lead in overall revenue, its growth has been slower and more stable, allowing Amazon to close the gap between them. Costco shows a gradual increase in revenue, whereas Kroger's performance has remained relatively flat. eBay, in stark contrast, is struggling with stagnant revenue. Amazon's rapid expansion is a testament to its diverse business model and strong market presence, positioning it as a significant competitor to Walmart in the near future.

Stock Performance

- **Current Stock Price:** As of January 2025, Amazon's stock is trading at approximately \$185.85, reflecting a 22% increase over the past year.
- **P/E Ratio:** The price-to-earnings (P/E) ratio is a critical metric for investors, indicating how much investors are willing to pay per dollar of earnings.
- **Dividend Policy:** Amazon has traditionally reinvested profits into growth initiatives and does not pay dividends.

Business Segments

- **E-commerce:** Amazon holds approximately 37.6% of the U.S. e-commerce market, significantly outpacing competitors like Walmart and Apple.
- **AWS:** In 2023, Amazon Web Services generated \$90.8 billion in revenue, accounting for about 16% of the company's total net sales.
- **Advertising:** Amazon's advertising revenue has been growing rapidly, contributing significantly to its overall revenue.

Future Outlook

- **Growth Projections:** Analysts expect Amazon's revenue growth to continue, driven by its diverse business model and ongoing investments in technology and infrastructure.
- **Market Position:** Amazon's strong brand recognition and customer loyalty position it well for future growth, with ongoing expansions into new markets and services.

In summary, Amazon.com, Inc. continues to be a dominant force in the retail and technology sectors, demonstrating robust financial performance and a strategic focus on innovation and customer satisfaction.

Components of an Income Statement

This business operates on a large scale, generating significant revenues, as reflected in its reported figures in USD (thousands) over several years. The amazonhas shown a consistent pattern of revenue growth, with sales steadily increasing from 2014 to 2023.

Here are some key financial highlights:

- **Revenue Trends:** The business has experienced impressive growth in sales, surpassing \$57 billion by 2022. However, there was a noticeable decline in revenue in 2023.
- **Profitability:** While gross profit generally follows the upward trend of revenue, it has fluctuated due to rising direct costs and operating expenses.
- **Net Income Variability:** The amazonhas faced significant net income losses in certain years, such as 2021 and 2023, but has also recorded strong profitability in other years, including 2018 and 2022.

- **Operating Income:** Operating income has remained positive in most years, indicating that the core operations of the business are running efficiently.
- **Foreign Exchange Impact:** The Amazon is influenced by fluctuations in foreign exchange rates, which have had a notable effect on its financial results in some years, particularly with losses reported in 2022.
- **Non-Operating Income:** Other sources of income and expenses outside of core operations have varied significantly, affecting overall earnings before tax in certain periods.

Additionally, the Amazon is actively involved in research and development, suggesting a focus on innovation. However, it also has to manage substantial selling, general, and administrative expenses. Overall, the financial performance indicates that this business operates in a competitive and ever-changing environment, necessitating careful oversight of costs and non-operating factors.

Gross Profit Margin (41.42%):

This figure indicates that around 41.42% of the Amazon total revenue remains after accounting for the direct costs associated with producing goods or services (COGS). It serves as a measure of how efficiently the Amazon produces or delivers its offerings. A high gross profit margin typically points to effective pricing strategies or strong cost management in production.

SALES REVENUE AND DIRECT COSTS



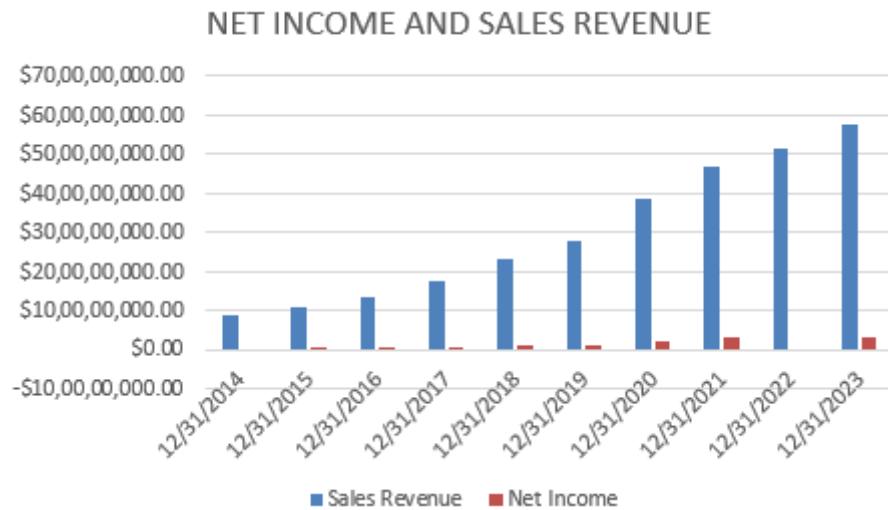
Operating Profit Margin (4.32%):

The operating profit margin reveals that only 4.32% of the Amazon revenue is converted into operating income after factoring in indirect costs, such as selling, general, and administrative (SG&A) expenses. This lower margin compared to the gross profit margin suggests that significant indirect costs are affecting overall profitability.

Net Profit Margin (3.70%):

The net profit margin shows that just 3.70% of total revenue results in net income after all expenses, including taxes, interest, and any extraordinary items,

are taken into account. This figure represents the amazon bottom-line profitability and reflects how well it manages costs to generate profits for its shareholders.



The decline in percentages from gross to net profit margin highlights how various expenses at different stages can impact overall profitability. While the gross margin is strong, the operating and net profit margins indicate there is potential for improvement in managing indirect costs and other non-operating expenses.

Total Revenue and Net Income

Description:

This bar chart illustrates the relationship between total revenue and net income over several years.

Insights:

- Total revenue has consistently increased over time, hitting its highest point in 2022 before experiencing a drop in 2023.
- Net income has varied widely, remaining positive in certain years but also showing significant losses during specific periods, particularly in 2021 and 2023.

TOTAL REVENUE AND NET INCOME



Revenue, Gross Profit, and Net Income

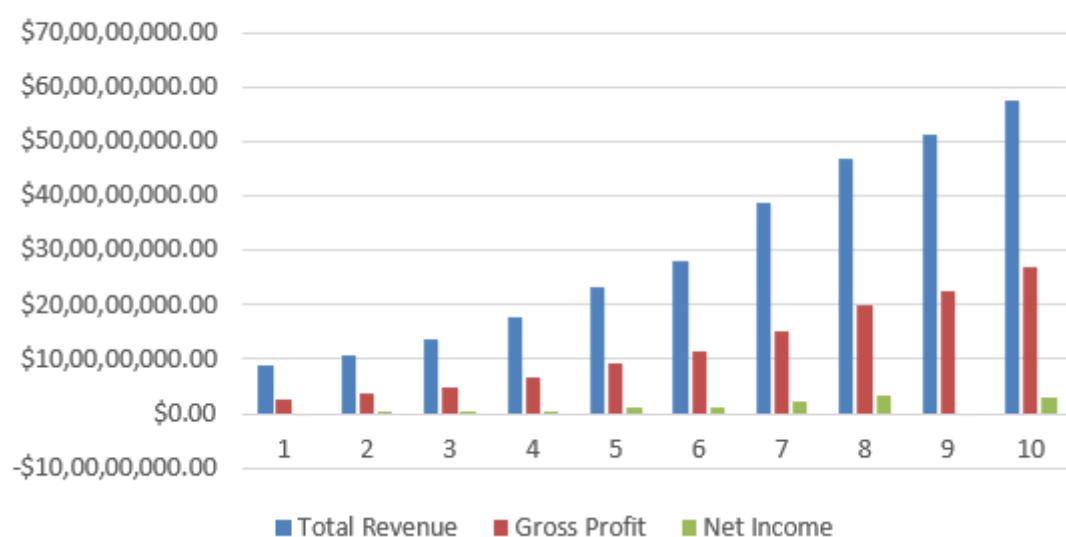
Description:

This chart compares total revenue, gross profit, and net income.

Insights:

- Gross profit closely tracks the trends in total revenue, demonstrating a stable gross profit margin over time.
- Net income is notably lower than gross profit, suggesting that high indirect costs, taxes, or other expenses are significantly impacting the company's overall profitability.

Chart Title



Net Income and Sales Revenue

Description:

This chart compares sales revenue with net income.

Insights:

- Sales revenue shows a steady growth trend, whereas net income experiences significant fluctuations.
- This difference underscores potential challenges in managing costs or external factors that are affecting overall net profitability.

NET INCOME AND SALES REVENUE



Total Revenue and Direct Costs

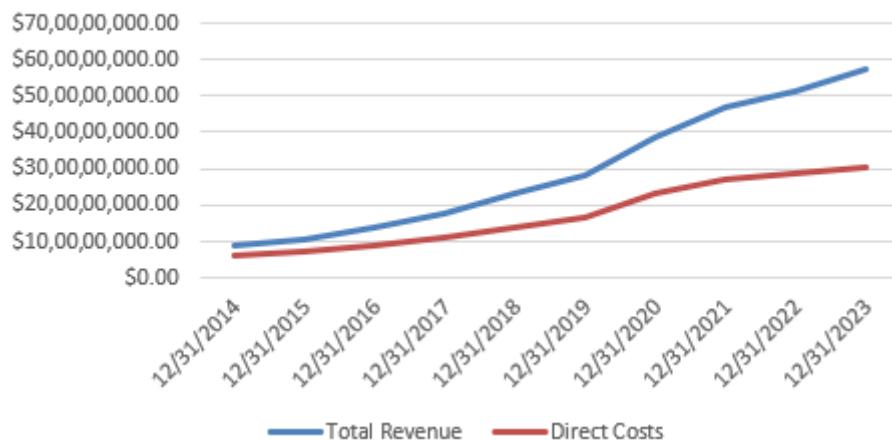
Description:

This line chart illustrates the relationship between total revenue and direct costs over time.

Insights:

- Total revenue has been growing at a faster rate than direct costs, leading to positive gross profit margins.
- However, in recent years, the gap between the two lines has been narrowing, suggesting that direct costs are rising in relation to revenue.

TOTAL REVENUE AND DIRECT COST



Sales Revenue and Direct Costs

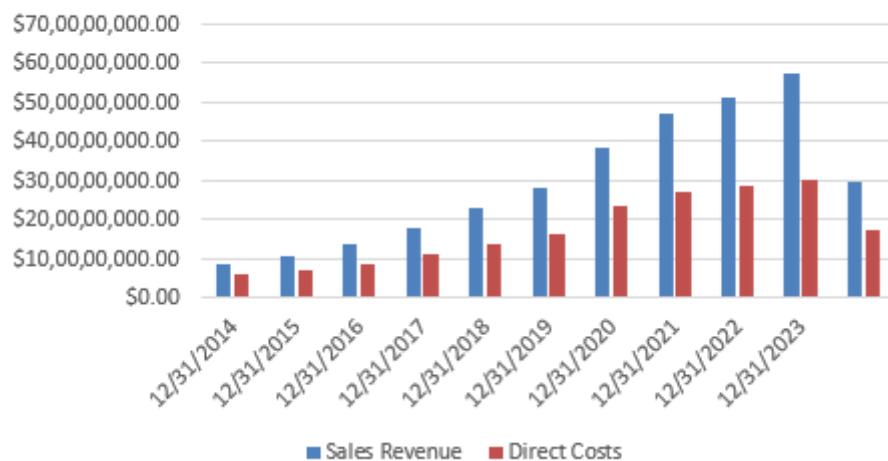
Description:

This bar chart compares sales revenue with direct costs.

Insights:

- Sales revenue consistently exceeds direct costs, which helps generate positive gross profits.
- However, the rising trend in direct costs over the years may indicate potential challenges in managing expenses effectively.

SALES REVENUE AND DIRECT COSTS

**Components of Balance Statement**

A standardized annual balance sheet for Amazon.com Inc. covering the years from 2014 to 2023. It features several key sections:

Assets:

- This section includes categories such as Cash & Equivalents, Receivables, Inventories, and Net Property, Plant & Equipment.
- Over the years, total assets have shown significant growth, indicating the company's expansion.

Liabilities:

- This part outlines both current and long-term liabilities, including Accounts Payable, Other Current Liabilities, and Lease Obligations.
- Total liabilities have also increased, reflecting Amazon's funding strategies to support its growth.

Equity:

- This section encompasses Common Stock, Retained Earnings, and Accumulated Other Comprehensive Income.
- Total equity has fluctuated, highlighting the company's approach to capital management.

Overall, this data provides insight into Amazon's financial health, showcasing its substantial growth, increased investments, and evolving financial structure over the past decade. It emphasizes the company's financial scale, asset-intensive strategy, and reliance on significant equity financing.

The financial ratios offer valuable insights into Amazon's financial health and performance:

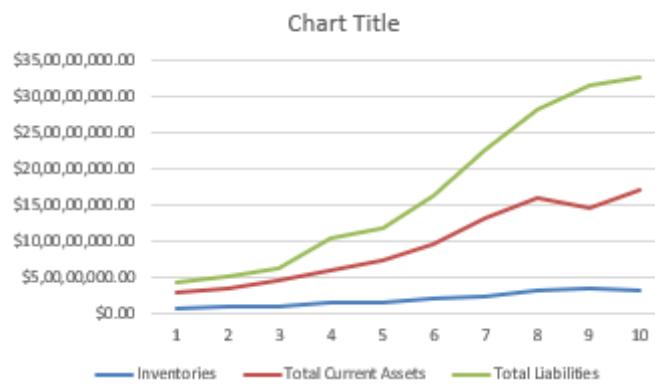
Current Ratio (1.445):

This ratio indicates that Amazon has sufficient short-term assets to meet its short-term liabilities, reflecting strong liquidity.



Quick Asset Ratio (0.442):

When we exclude inventories, Amazon's ability to cover its short-term liabilities diminishes. This suggests that the company relies heavily on inventory as a key current asset.

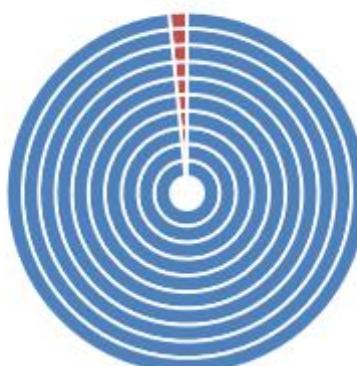


Debt Ratio (0.0346):

A very low debt ratio indicates that Amazon has minimal dependence on debt to finance its assets, showcasing a solid financial foundation.

Chart Title

■ Total Assets ■ Current Debt



Debt-to-Equity Ratio (0.474):

This ratio suggests that Amazon relies more on equity than debt for financing, highlighting a conservative approach to its capital structure.

Return on Equity (ROE) (14.52%):

This figure shows that Amazon is able to generate strong returns for its shareholders, reflecting both profitability and effective utilization of equity.

Competitors of Amazon

Amazon operates across various industries, which means its main competitors differ depending on the specific sector. Here's a look at some of Amazon's key rivals in its primary areas of business:

1. E-commerce

- **Walmart:** A major player in online retail, Walmart competes directly with Amazon by offering a wide range of products and continuously enhancing its e-commerce capabilities.
- **Alibaba:** A significant competitor on the global stage, particularly in Asia, Alibaba runs popular platforms like Taobao and Tmall, making it a formidable rival in the e-commerce space.
- **eBay:** Known for its unique auction-style listings and direct sales, eBay competes with Amazon in niche markets and peer-to-peer transactions.
- **Shopify:** While not a direct competitor, Shopify empowers small and medium-sized businesses to set up their own online stores, indirectly challenging Amazon by fostering a diverse marketplace.
- **Flipkart (India):** As a leading e-commerce platform in India, Flipkart poses a strong challenge to Amazon in one of its most rapidly expanding markets

2. Cloud Computing (Amazon Web Services - AWS)

- **Microsoft Azure:** The primary rival to AWS, Microsoft Azure provides comparable infrastructure and tools for cloud services, making it a strong competitor in this space.
- **Google Cloud Platform (GCP):** GCP competes with AWS by offering services in cloud storage, computing, and artificial intelligence, appealing to businesses looking for innovative solutions.
- **IBM Cloud:** With a focus on hybrid cloud solutions and AI, IBM Cloud targets enterprise markets, positioning itself as a competitor to AWS in more specialized areas.

- **Oracle Cloud:** Oracle Cloud caters to specific industries with tailored cloud and database solutions, carving out its niche in the competitive landscape.
- **Alibaba Cloud:** A significant player in the Asia-Pacific region, Alibaba Cloud excels in cloud hosting and infrastructure, presenting a strong challenge to AWS in that market.

3. Streaming and Entertainment (Prime Video)

- **Netflix:** The frontrunner in subscription video streaming, Netflix offers a vast library of content that attracts millions of viewers worldwide.
- **Disney+:** A significant contender in the streaming space, Disney+ boasts a rich collection of beloved titles from Disney, Marvel, Star Wars, and National Geographic, appealing to fans of all ages.
- **Hulu:** Competing primarily in the U.S., Hulu provides a mix of on-demand and live streaming services, catering to diverse viewing preferences.
- **Apple TV+:** Known for its commitment to high-quality original programming, Apple TV+ focuses on delivering unique and engaging content to its subscribers.
- **HBO Max:** Renowned for its premium selection of shows and movies, HBO Max attracts viewers with its acclaimed series and blockbuster films.

4. Logistics and Delivery

- **FedEx:** A key player in the package delivery and logistics sector, FedEx competes directly with Amazon in getting products to customers efficiently.
- **UPS:** Another major competitor, UPS specializes in global shipping and delivery services, providing a wide range of logistics solutions.
- **DHL:** Known for its international reach, DHL is a strong contender in the logistics and express delivery market, particularly outside the U.S.
- **Postmates/Uber Eats:** These services focus on last-mile delivery, specializing in bringing groceries and other goods right to customers' doors.

- **Target (Shipt):** With its same-day delivery options, Target's Shipt service directly competes with Amazon Prime, offering quick access to a variety of products.

5. Retail Technology and Grocery (Whole Foods Market)

- **Kroger:** Competing in the grocery sector, Kroger provides both online and in-store shopping options, appealing to a wide range of customers.
- **Costco:** Known for its bulk buying model, Costco offers both in-store and online shopping experiences, attracting budget-conscious shoppers.
- **Instacart:** A significant player in the online grocery delivery space, Instacart partners with various retailers to deliver groceries directly to consumers.
- **Aldi/Lidl:** These discount grocery chains challenge Amazon by offering lower-cost options, appealing to price-sensitive shoppers.
- **Walmart:** A strong competitor in grocery sales, Walmart combines its extensive physical presence with online delivery services that rival Amazon Fresh.

Profitability Ratios

Gross Profit Margin:

We selected Walmart, Kroger, Costco, and eBay as competitors for this analysis due to their significant market presence, diverse business models, and direct competition with Amazon across key retail and e-commerce sectors.

(Gross Profit / Revenue) x 100

- **Amazon:** Amazon's gross profit increased from \$29.48 billion in 2014 to roughly \$46.98 billion in 2023.

Reasons:

Strong increase in e-commerce sales and market share. Expansion of high-margin services such as Amazon Web Services (AWS).

- **Kroger:**

Gross profit fluctuated between \$22.40 billion in 2014 and \$22.24 billion in 2023.

Reasons:

A steady grocery business with regular demand. Concentrate on maintaining competitive pricing and operational efficiency.

- **Costco:**

Costco's gross profit ranged from \$12.14 billion in 2015 to \$13.29 billion in 2023.

Reasons:

Benefits from a membership model that promotes consumer loyalty. Bulk purchase method enables reduced prices and increased sales volume.

- **Walmart:**

Walmart's gross profit remained between \$24.83 billion in 2014 and \$24.38 billion in 2023.

Reasons:

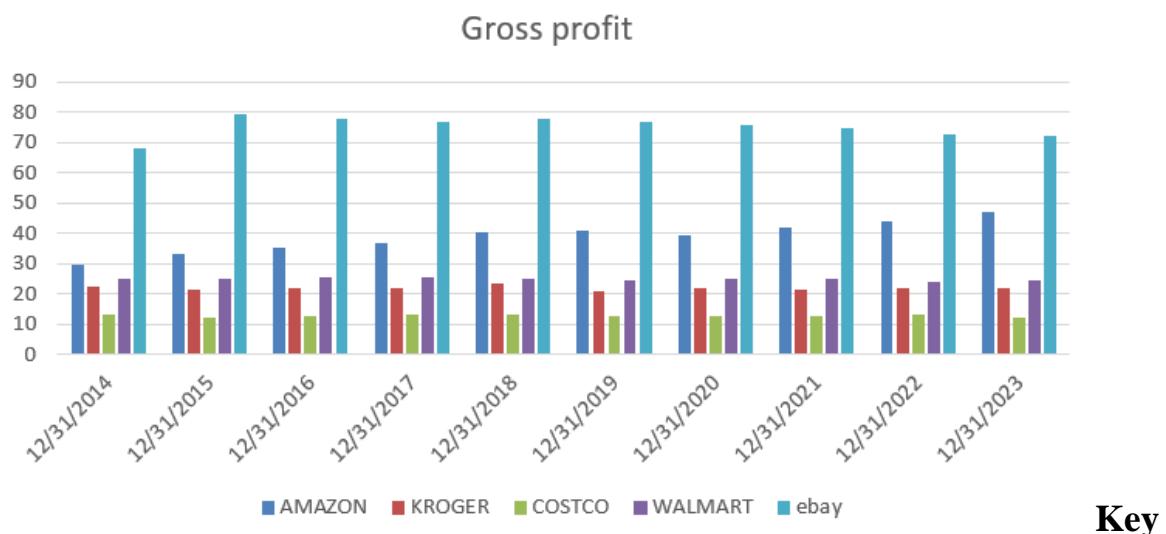
Strong brand recognition and diverse product options. Effective supply chain management and economies of scale.

- **eBay:**

eBay's gross profit declined from \$67.98 billion in 2014 to \$71.98 billion in 2023, with a record of \$79.39 billion in 2015.

Reasons:

Unique auction-based and direct sales mechanism with large profits. Strong performance in niche markets and peer-to-peer sales lead to increased profitability.



Observations for Analysis:

- Amazon's quick gross profit increase is largely due to its diversification into high-margin services like AWS and supremacy in e-commerce. Following its peak, eBay has a falling tendency, indicating either market saturation or greater competition. Kroger, Costco, and Walmart demonstrate stability, which is typical of retail and grocery industries with consistent profits.
- The graph depicts Amazon's rising trajectory, stressing its status as a disruptive competitor in the business.

Net Profit Margin:

- **Amazon:**

Amazon's net profit margin increased from -0.27% in 2014 to 5.29% in 2023, reaching a peak of 7.10% in 2021.

Reasons:

Growing profitability in AWS, a high-margin segment. Increased operating efficiencies and economies of scale in e-commerce enterprises.

- **Kroger:**

Kroger's Net Profit Margin: The rate fluctuated between 1.20% in 2016 and 2.57% in 2021, eventually reaching 1.44% in 2023.

Reasons:

Stable margins are underpinned by a strong grocery industry. Investments in cost-cutting and operational improvements are partly countered by competition.

- **Costco:**

Costco's Net Profit Margin: Ranged from 1.98% in 2014 to 2.60% in 2023, with consistent performance over time.

Reasons:

Strong membership revenue and operational efficiency. High sales volumes are fueled by consumer loyalty and bulk buying.

- **Walmart:**

Walmart's net profit margin decreased from 3.37% in 2014 to 2.39% in 2023, with swings attributed to market factors.

Reasons:

Investments in e-commerce and competitive pricing strategies have an influence on margins. A strong supply network and various product options ensure profitability.

- **eBay:**

eBay's net profit margin: Highly volatile, peaking at 130.60% in 2021 before falling to 27.36% in 2023, with negative margins in some years.

Reasons:

Significant one-time gains and tax adjustments occur during peak years. Challenges with revenue consistency and rising competition in the e-commerce industry.

Net Profit Margin



Observations for Analysis:

- Amazon's profit margins have steadily increased, peaking at roughly 7% in 2021, before falling to negative levels in 2022 and returning in 2023.
- Kroger, Costco, and Walmart have constant, moderate profit margins, ranging from 1% to 3%.
- eBay's margins are extremely erratic, peaking at more than 130% in 2021 owing to one-time events and falling to negative in other years, highlighting inconsistent profitability.
- The variety amongst organizations is due to differences in company structures, market conditions, and operational strategy.

Efficiency Ratios

Asset Turnover Ratio

- **Amazon:**

Asset Turnover Ratio Has decreased from around 1.63 in 2014 to 1.09 in 2023.

Reasons:

Significant investments in infrastructure and technology, which may not immediately result in increased revenue. Expansion into low-margin businesses has an influence on overall asset usage efficiency.

- **Kroger:**

Asset Turnover Ratio Has fluctuated between 2.97 and 3.55 over time, with a significant decline to 2.97 in 2023.

Reasons:

The supermarket sector has high operational efficiency, allowing for optimal asset use. Inventory management and store expansions both have an impact on asset turnover.

- **Costco:**

Asset Turnover Ratio has Ranged from 3.30 to 3.58, with a slight decrease to 3.51 in 2023.

Reasons:

Efficient inventory management and high sales volume due to the membership model. Consistent demand for bulk purchasing, leading to effective asset utilization.

- **Walmart:**

Asset Turnover Ratio: Showed a slight increase from 2.38 in 2014 to 2.57 in 2023. **Reasons:**

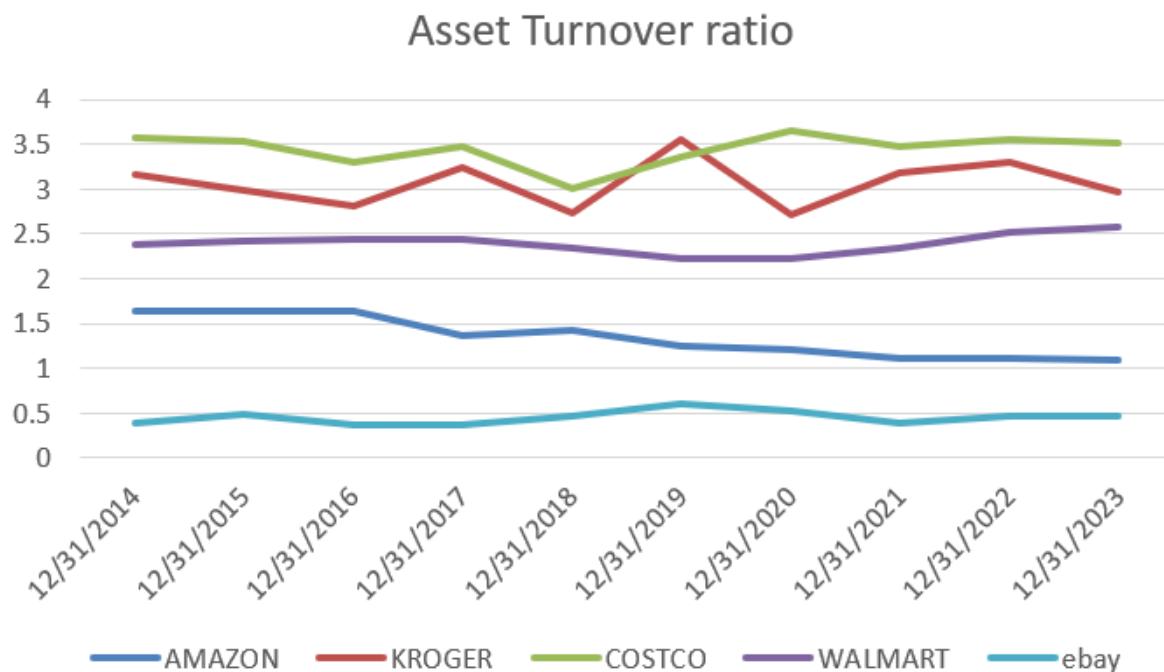
Strong brand presence and extensive product offerings contribute to effective asset use. Continuous improvements in supply chain efficiency and inventory turnover.

- **eBay:**

Asset Turnover Ratio: Increased from 0.40 in 2014 to around 0.47 in 2023, indicating low asset utilization.

Reasons:

Business model focused on marketplace transactions rather than holding inventory, leading to lower asset turnover. Fluctuations in revenue generation impacting the efficiency of asset use.



Observations for Analysis:

- Amazon's stock price fell from 1.63 in 2014 to 1.08 in 2023 as asset expansion outpaced revenue.
- Kroger fluctuated between 2.70 and 3.55, indicating variable efficiency in grocery operations.
- Costco maintained the greatest ratio (3.00 to 3.64), indicating strong asset efficiency.
- Walmart's earnings are expected to rise steadily from 2.21 in 2019 to 2.57 in 2023, owing to stable worldwide retail operations.
- eBay's low ratios (0.37 to 0.59) emphasize its asset-light, platform-driven business model.

Days Sales Outstanding (DSO)

- **Amazon:**

Days Sales Outstanding (DSO) increased from around 23.02 days in 2014 to 33.18 days in 2023.

Reasons:

Growth in sales volume and development into new markets may result in lengthier collection periods. Credit sales and payment terms have increased, extending the time it takes to collect debts.

- **Kroger:**

Days Sales Outstanding (DSO) have been low and constant, ranging from 4.26 days to 5.50 days over the years, with 5.20 days in 2023.

Reasons:

Effective cash management and swift inventory turnover in the supermarket industry.

Strong emphasis on cash sales reduces the need for longer loan periods.

- **Costco:**

Days Sales Outstanding (DSO) is generally low, ranging from 3.36 to 4.30 days, with 3.44 days in 2023.

Reasons:

The membership model emphasizes upfront payments, which leads to quicker cash collection. Efficient inventory management and strong sales volume help to reduce DSO.

- **Walmart:**

Days Sales Outstanding (DSO) increased little, from 5.09 days in 2014 to 4.95 days in 2023.

Reasons: include high operating efficiency and good credit management. Consistent cash flow from high volume sales, with low DSO.

- **eBay:**

Days Sales Outstanding (DSO): Initially quite high at 304.65 days in 2014, reducing to around 31.79 days in 2022, with a value mistake in 2023.

Reasons:

For the initial high DSO include a shift in business model and payment processing.

Improvements in payment systems and seller performance measures have resulted in faster collections in recent years.



Observations for Analysis:

- Amazon displays a growing trend from 2014 (23 days) to 2023 (33 days), indicating an increase in accounts receivable compared to revenue.
- Kroger, Costco, and Walmart regularly have low DSO numbers, ranging from 3 to 6 days, reflecting robust cash flows and efficient receivables collection systems.
- eBay's DSO dropped dramatically from 304 days (2014) to 27-32 days (2021-2023), most likely due to changes in its operating or payment structure, which will fit more closely with industry standards by 2023.

Revenue Growth (YoY):

- **Amazon:**

Revenue Growth is Ranged from 20.25% in 2015 to 11.83% in 2023, peaking at 37.62% in 2020.

Reasons:

Strong growth was fueled by e-commerce expansion and increased demand for online purchasing, particularly during the pandemic. Continued investment in new services and technologies will contribute to long-term revenue growth.

- **Kroger:**

Revenue Growth (YoY) is Significantly fluctuated, reaching a high of 28.54% in 2015 and a low of -20.35% in 2017, before stabilizing at 22.32% in 2023.

Reasons:

Variability stems from shifting consumer tastes and competitiveness in the supermarket industry. Recent expansion has been fueled by rising demand for food delivery and online shopping choices.

- **Costco:**

Revenue Growth (YoY) has Extreme variations, with a high of 91.17% in 2015 and a low of -40.69% in 2017, concluding at 87.79% in 2023.

Reasons:

Initial expansion was fueled by high membership sales and bulk purchases. Subsequent reductions may indicate market saturation or economic issues, with a recent rebound attributed to increased consumer spending.

- **Walmart:**

Revenue growth (YoY) is generally stable, ranging from -0.73% in 2015 to 6.03% in 2023, with continuous rise in recent years.

Reasons:

Consistent performance is attributed to a strong brand presence and various product offers. Growth in e-commerce and grocery sales is helping to keep overall revenue stable.

- **eBay:**

Revenue Growth (YoY) is Highly unpredictable, with a severe fall of -52.01% in 2015, followed by modest growth rates, reaching 3.24% in 2023.

Reasons:

for initial decline include changing market conditions and rising competition.

The recent rise reflects attempts to improve the platform and attract more suppliers and buyers.

Revenue Growth (YoY)



Observations for Analysis:

- Amazon grows steadily throughout most times, with periodic periods of decline.
- Kroger usually varies with minor gains and decreases, remaining pretty constant.
- Costco's growth rate varies significantly, especially during certain periods. However, there is a significant reduction in one time.
- Walmart's growth is small and stable over the eras, with no significant deviations.
- eBay sees large drops in some periods and increases in others, demonstrating high volatility.

How Amazon Stands Out Across Industries

Amazon operates in several highly competitive industries, each with its unique challenges. Here's a breakdown of how Amazon compares to others in its key markets:

A. E-Commerce (Retail)

Industry Landscape: Amazon competes with giants like Walmart, Alibaba, eBay, and Shopify in a crowded e-commerce sector.

What Sets Amazon Apart:

- Amazon dominates the U.S. e-commerce market, with nearly 40% market share.
- Its efficient supply chain and Amazon Prime ensure fast deliveries, which customers love.
- AI-driven personalized shopping recommendations make the buying experience smoother and more engaging.

Challenges:

- Regulatory scrutiny over monopolistic practices could lead to operational hurdles.
- The labor-intensive nature of its warehouses drives up costs.

B. Cloud Computing (AWS)

Industry Landscape: Amazon Web Services (AWS) competes with Microsoft Azure, Google Cloud, and IBM Cloud in the rapidly growing cloud market.

What Sets AWS Apart:

- AWS leads the market with a 30% share and counts major clients like Netflix, NASA, and government agencies.

- Its robust infrastructure and reputation make it a go-to for businesses worldwide.

Challenges:

- Rivals like Azure and Google Cloud are catching up quickly, fueled by strong enterprise partnerships.
- Expanding and maintaining data centers demands significant investments.

C. Logistics & Fulfillment

Industry Landscape: Competing with FedEx, UPS, DHL, and newer players like Shopify Fulfillment, Amazon is redefining logistics.

What Sets Amazon Apart:

- Its in-house logistics network reduces reliance on third-party carriers.
- AI and robotics streamline warehouse operations for greater efficiency.

Challenges:

- Rising fuel and transportation costs hurt profitability.
- Workforce issues like strikes and unionization efforts create instability.

D. Digital Streaming (Prime Video)

Industry Landscape: Amazon faces stiff competition from Netflix, Disney+, Apple TV+, and HBO Max.

What Sets Prime Video Apart:

- Bundling Prime Video with Amazon Prime enhances customer retention and loyalty.
- Heavy investment in original content, like *The Rings of Power*, helps it stand out.

Challenges:

- Competitors offer broader, exclusive content libraries.
- Producing original content is expensive and comes with no guarantees of success.

Porter's Five Forces Comparison of Amazon with Kroger, Costco, Walmart, and eBay, and Amazon's Primary Risks:

1. Competitive Rivalry (High)

Amazon operates across e-commerce, cloud computing, and logistics, facing direct competition from Walmart (both physical and online retail), Costco (warehouse retail), Kroger (grocery), and eBay (marketplace model).

Comparison:

- **Walmart:** Competes with Amazon on pricing, product variety, and logistics, but has a stronger focus on physical retail. Walmart's digital initiatives, such as Walmart+, pose a challenge to Amazon's Prime service.
- **Costco:** Appeals to budget-conscious shoppers with bulk purchasing options but lacks the digital reach that Amazon has.
- **Kroger:** Primarily focuses on groceries and physical retail, with less emphasis on e-commerce compared to Amazon.
- **eBay:** Trails behind Amazon, concentrating on auctions and peer-to-peer sales, which limits its competitiveness in broader product categories.

Primary Risk for Amazon: Increased competition from Walmart's omnichannel strategy and Costco's strong member loyalty could threaten Amazon's market share.

2. Threat of New Entrants (Moderate to Low)

Amazon has established significant barriers to entry due to its substantial investments in logistics, technology (like AI and cloud computing), and fulfillment centers.

Comparison:

- **Walmart, Costco, and Kroger:** These established players have strong supply chains, making it difficult for smaller or new competitors to break into the market.
- **eBay:** While it has lower barriers in the peer-to-peer marketplace, it lacks the scalability that Amazon offers.

Primary Risk for Amazon: Although the barriers to entry are high, niche players could emerge in specific sectors (like specialty e-commerce or localized grocery delivery), potentially impacting Amazon's dominance in fragmented markets.

3. Bargaining Power of Suppliers (Moderate)

Amazon uses its scale to negotiate favorable terms with suppliers, but it faces challenges such as price volatility, supply chain disruptions, and increased competition among vendors.

Comparison:

- **Walmart:** Similar to Amazon, Walmart has strong negotiating power due to its size, but it relies more on in-store inventory than on a dynamic online marketplace.

- **Costco and Kroger:** Both have solid vendor relationships for groceries and bulk items but lack Amazon's extensive global e-commerce reach.
- **eBay:** Functions as a platform for sellers rather than a direct retailer, giving it limited control over suppliers.

Primary Risk for Amazon: Supply chain disruptions (due to geopolitical tensions or rising fuel costs) or reliance on international manufacturing hubs (like China) could hinder fulfillment efficiency.

4. Bargaining Power of Buyers (High)

Customers wield significant power because they have access to various alternative platforms and price transparency. Amazon's strength lies in its customer-centric approach, which includes fast shipping, a wide product selection, and competitive pricing.

Comparison:

- **Walmart:** Attracts price-sensitive customers with similar offerings in groceries and essentials.
- **Costco:** Focuses on member loyalty, which helps reduce customer turnover.
- **Kroger:** Dominates the grocery sector with a regional focus but lacks Amazon's global reach.
- **eBay:** Offers fewer options compared to Amazon, making it less competitive.

Primary Risk for Amazon: Rising customer expectations (such as faster delivery and lower prices) and competitive loyalty programs like Walmart+ may lead to increased customer switching.

5. Threat of Substitutes (Moderate)

While alternatives like physical retail (Costco and Walmart) exist, Amazon's convenience as a one-stop shop and its Prime ecosystem make it less likely for customers to switch.

Comparison:

- **Walmart and Costco:** Serve as physical retail alternatives to e-commerce, although both are expanding their online presence.
- **Kroger:** Primarily focused on groceries, making it a partial substitute for Amazon Fresh.
- **eBay:** Offers limited substitution due to its niche market model.

Primary Risk for Amazon: The growing popularity of localized e-commerce platforms, direct-to-consumer brands, or unique in-store experiences could undermine Amazon's competitive edge.

Primary Risks Amazon Faces

Regulatory & Antitrust Scrutiny

The Risk: Amazon's dominance in e-commerce and cloud computing has attracted global regulators' attention.

Why It Matters: Investigations into anti-competitive practices, especially concerning third-party sellers, could force changes to Amazon's operations—or even lead to breaking up parts of its business.

Labor and Workforce Issues

The Risk: Rising labor costs, worker strikes, and unionization efforts are ongoing challenges.

Why It Matters: Unionized warehouses, like the Staten Island facility, may inspire others to follow, raising costs and potentially slowing down fulfillment operations.

Economic and Inflation Pressures

The Risk: Economic downturns and rising inflation could reduce consumer spending.

Why It Matters: As costs for wages, shipping, and materials rise, consumers may cut back on discretionary purchases, impacting Amazon's revenue.

Growing Competition

The Risk: Amazon faces fierce competition across all sectors.

Why It Matters: Walmart+ challenges Amazon Prime in retail, Azure and Google Cloud threaten AWS in cloud computing, and Netflix and Disney+ dominate the streaming wars. Staying ahead will require constant innovation and investment.

Cybersecurity and Data Privacy Threats

The Risk: As a data giant, Amazon is a prime target for cyberattacks.

Why It Matters: A major breach could harm its reputation, incur heavy regulatory penalties, and jeopardize AWS clients like governments and businesses.

Supply Chain Disruptions

The Risk: Global shipping delays, rising oil prices, and geopolitical tensions impact Amazon's supply chain.

Why It Matters: Delays in manufacturing and port bottlenecks can affect delivery times, while rising costs eat into profits. Geopolitical issues, especially between the U.S. and China, could hinder operations globally.

Overreliance on AWS

The Risk: AWS accounts for nearly 70% of Amazon's operating income, making it critical to the company's financial health.

Why It Matters: With competitors catching up, any slowdown in AWS growth could significantly impact Amazon's overall performance. Staying innovative and competitive is essential.

1. Operating Cash Flow (OCF)

Operating Cash Flow (OCF) tells us how much cash a company generates from its core business operations. Unlike profits on paper, this metric focuses solely on real cash inflows and outflows, excluding financing and investment activities. A strong OCF indicates a company's ability to sustain itself without relying on external funding.

OCF = Net Income + Non-Cash Expenses + Changes in Working Capital

- Non-Cash Expenses include depreciation, amortization, and stock-based compensation—costs that affect profits but don't involve actual cash outflows.
- Changes in Working Capital reflect shifts in accounts receivable, accounts payable, and inventory.

Key Takeaways:

- OCF has grown significantly over time, from \$33.96M to \$241.06M, showing strong cash generation.
- This steady increase suggests improved profitability and operational efficiency.
- Higher OCF means the company can comfortably cover its expenses and potentially reinvest in growth without heavily relying on borrowed money.

2. Net Capital Expenditure (Net CAPEX)

Net Capital Expenditure (Net CAPEX) represents how much a company is spending on long-term assets like equipment, facilities, and technology. It's an important indicator of expansion and infrastructure investment.

Net CAPEX = Capital Expenditures – Proceeds from Asset Sales

- Capital Expenditures (CAPEX) refers to money spent on acquiring or upgrading assets.
- Proceeds from Asset Sales are funds received from selling assets.

Key Takeaways:

- Net CAPEX has been rising, from \$63.65M to \$147.12M, signaling continued investments in the company's future.
- High CAPEX suggests expansion and modernization, while lower CAPEX could indicate cost-cutting or asset sales.
- The company's ongoing investments indicate a commitment to long-term growth and profitability.

3. Net Working Capital (Net NWC)

Net Working Capital (NWC) is a measure of a company's short-term financial health. It tells us whether a business has enough assets to cover its short-term liabilities.

Net NWC = Current Assets – Current Liabilities

- Current Assets include cash, accounts receivable, and inventory.
- Current Liabilities cover short-term obligations like accounts payable.

Key Takeaways:

- Net NWC has slightly increased from \$24.8M to \$24.92M, meaning the company has more short-term assets than liabilities.
- While positive NWC is generally a good sign, excessive growth could mean too much cash is tied up in operations rather than being used efficiently.
- The company must balance maintaining liquidity and ensuring capital is used effectively.

4. Free Cash Flow (FCF)

Free Cash Flow (FCF) is the cash left over after a company has covered its capital expenditures. It's a crucial indicator of financial flexibility, as this excess cash can be used for reinvestment, paying dividends, or reducing debt.

FCF = Operating Cash Flow – Net CAPEX

Key Takeaways:

- FCF has fluctuated over time, starting at - \$35.62M (negative, meaning more cash was going out than coming in) and later climbing to \$69.01M (positive).
- Negative FCF in earlier years indicates heavy investment, while the later positive shift suggests the company is managing cash flow more efficiently.
- Higher FCF means more financial freedom—allowing for growth, shareholder returns, and debt reduction.



Graph Insights:

- The FCF trend shows an initial struggle, followed by a strong recovery, reflecting improved cash management.
- The upward shift aligns with rising OCF, signaling better operational efficiency and long-term sustainability.

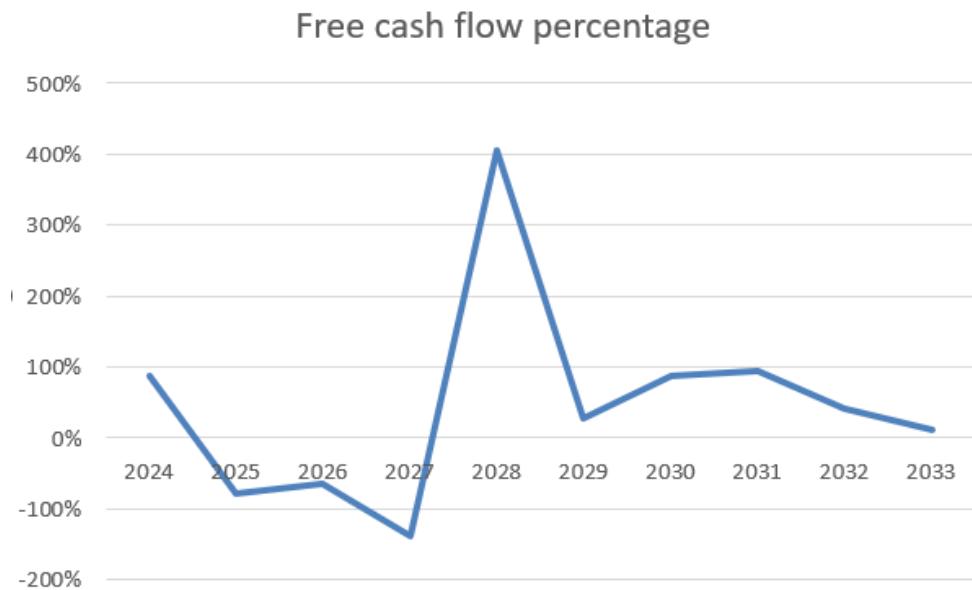
5. Free Cash Flow as a Percentage of Revenue (% FCF)

Percentage FCF shows how much of a company's revenue is converted into free cash flow, offering insight into cash management efficiency.

$$\% \text{ FCF} = (\text{FCF} / \text{Revenue}) \times 100$$

Key Takeaways:

- The trend has been highly volatile, starting at 87%, dropping to -138%, soaring to 405%, and finally stabilizing at 11%.
- Negative percentages mean cash outflows exceeded revenue, likely due to heavy investments or rising working capital.
- The spike to 405% suggests a short-term surge in cash flow relative to revenue, followed by a more stable, sustainable cash flow.
- The later stabilization at 11% indicates more controlled and realistic cash flow management.



Graph Insights:

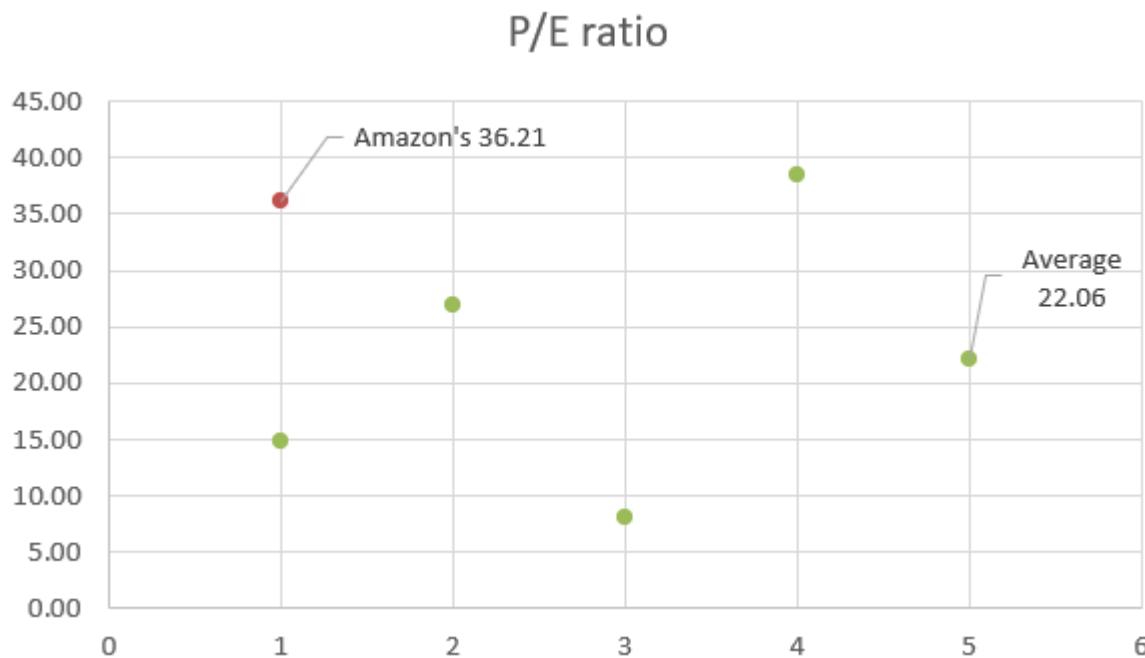
- The graph shows extreme fluctuations, reflecting periods of inconsistent cash generation.
- Despite the volatility, the company is moving towards a more stable and predictable cash flow model, a positive sign for long-term financial health.

Relative Valuation:

The financial multiples for Amazon, Kroger, Walmart, eBay, and Costco provide useful information about company valuations and relative performance. Based on the information supplied, we determined the typical industry multiples for Price-to-Earnings (P/E), EBITDA, Sales, and Book Value.

Key insights include the price-to-earnings (P/E) ratio.

Amazon's P/E ratio is 36.21, far greater than the industry average of 22.06. This shows that investors are willing to pay a premium for Amazon shares, most likely because they anticipate strong future growth.



EBITDA multiple:

With an EBITDA multiple of 26.32, Amazon outperforms the industry average of 15.22. This illustrates not only Amazon's great operating profitability, but also that the market values the business at a higher multiple than its competitors.

Sales Multiple:

Amazon's sales multiple is 2.74, whereas the industry average is 1.06. This higher multiple indicates that investors believe Amazon can generate future revenue growth, pricing its sales higher than those of other companies in the sector.

Book Value Multiple:

Amazon's Book Value Multiple is 7.81, whereas the industry average is 5.85. This suggests that Amazon's equity is valued at a premium, which could be due to its strong brand reputation, inventive capabilities, and dominant market position.

Market capitalization projections

Using industry averages to estimate Amazon's valuation gives the following results:

P/E Multiple Value: \$67,12,13,880.57.

EBITDA Multiple value: \$91,24,45,728.53.

Sales Multiple value: \$61,19,43,796.98.

Book value multiple valuation: \$1,18,19,54,054.85.

Stock Price Estimates

Amazon's predicted stock price per share changes depending on several valuation metrics:

P/E-based price: \$64.65; EBITDA-based price: \$87.88.

Sales-based price: \$58.94.

The final price estimate is based on the book value of \$113.84.

By averaging these figures, we get an estimated fair stock price of \$81.32 per share for Amazon.