Amazon.com Inc

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__Table 1.1__ - Amazon's Market Profile

MARKET PROFILE	
Date:	Oct 07, 2024
Ticker:	AMZN (NASDAQ)
Current Stock Price:	USD $180.08
Recommendation:	BUY
Target Price:	195.76
52 Week Range:	118.35 - 201.20
Volume:	40,862,878
Avg. Volume:	40,261,071
Beta (5Y Monthly):	1.15
Market Cap:	1.03T
Number of Shares:	1.03B
Dividend Yield	N/A
Price/Sales	3.28
EV/Revenue	3.31
EV/EBIT DA	18.79

Source: Company Data, Team Estimate

__Figure 1.1__ - Amazon's Stock Price Chart

Source: Company Data, Team Estimate

__Figure 1.2__ – Investing in Amazon vs S&P500

Source: *Company Data*

EXECUTIVE SUMMARY

We initiate a **BUY** recommendation on Amazon.com, Inc. (AMZN) based on a 12-month target price of $195.76, offering an 8.7% upside from the closing price on October 07, 2024, of $180.08. Our recommendation is supported by the following factors:

Management and Leadership

Amazon is led by a well-structured executive team with extensive experience across diverse sectors, focused on innovation and operational excellence. The company's commitment to customer-centricity, technological advancements, and shareholder value is evident in its long-term strategic investments. Under the leadership of CEO Andy Jassy, Amazon continues to prioritize cloud computing, AI, and logistics expansion, which aligns with its mission to remain the world's most customer-centric company.

Financial Resilience

Amazon has demonstrated exceptional financial strength, reflected in its consistent revenue growth and cash flow generation. Over the last three years, Amazon's Operating Cash Flow (OCF) has shown solid growth, though not at a consistent 22% annually. Despite elevated capital expenditures, particularly for AWS and fulfillment center expansions, Amazon's Free Cash Flow (FCF) remains healthy. The company's ROA and ROE place it ahead of many competitors, reflecting efficient asset use and profitability. Additionally, Amazon's debt-to-equity ratio has improved, decreasing from 4.07 to 1.61, indicating better debt management, reduced financial risk, and greater stability.

Market Leadership and Revenue Growth

Amazon remains a dominant force in e-commerce and cloud computing, with significant market share across its segments:

- Retail accounts for 68% of its revenue, making Amazon the global leader in online shopping.
- AWS (Amazon Web Services), comprising 16% of revenue, continues to outpace competitors like Microsoft Azure and Google Cloud, with projected growth of 13%-16% over the next decade.
- Subscription Services (Amazon Prime) represents 16% of total revenue and continues to show strong growth, driven by expanding membership and investments in content production.

Amazon has effectively diversified its revenue streams, with premium services and advertising contributing to stronger margins. This diversification ensures stability and positions Amazon to thrive in both consumer-driven and enterprise markets.

Valuation

Using a blended valuation approach—50% Discounted Cash Flow (DCF) and 50% Relative Valuation—Amazon's intrinsic value is estimated at $195.76 per share.

- DCF model assumptions projecting strong future cash flows.
- Relative Valuation highlighting Amazon's superior growth prospects, supporting higher trading multiples.

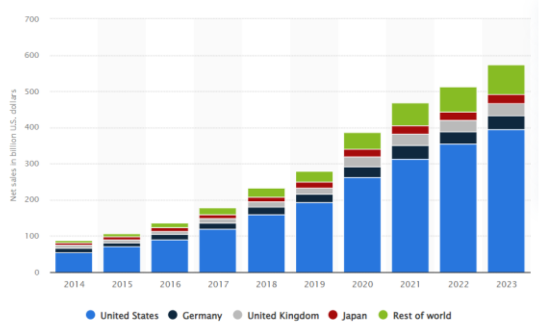
Opportunities and Strategic Growth Drivers

Amazon's continued investment in artificial intelligence (AI), supply chain optimization, and cloud infrastructure supports its long-term growth trajectory. AWS remains the backbone of Amazon's profitability, offering cutting-edge solutions to enterprise customers. Additionally, expansions into global markets, innovations in sustainable logistics, physical retail, and healthcare initiatives are expected to drive future value.

__Figure 1.3__ – Amazon's Sales Growth by Segments

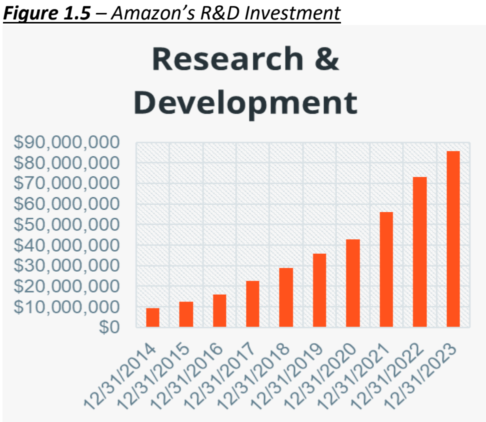
Source: Company Data, Team Estimate

__Figure 1.4__ – Amazon's Sales Growth by Countries



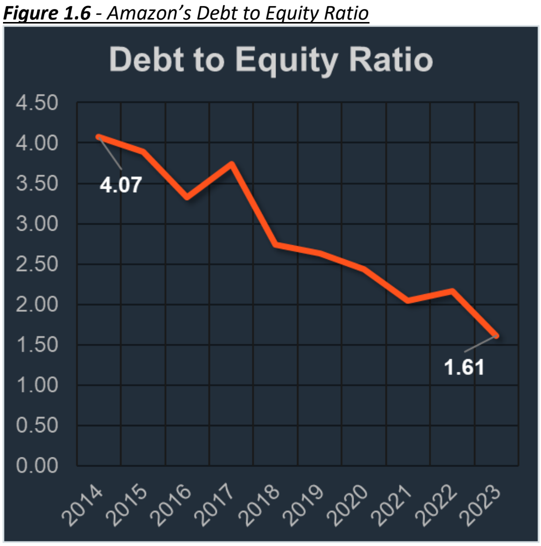
Source: Company Data, Team Estimate

__Figure 1.5__ – Amazon's R&D Investment



Source: *Company Data*

__Figure 1.6__ - Amazon's Debt to Equity Ratio



Source: Company Data

BUSINESS DESCRIPTION

Amazon is one of the world's largest ecommerce companies, established in 1994 and headquartered in Seattle, Washington. Amazon's products and services are purely based on the company's vision statement that is Earth's most customer-centric company" where customers can find and buy anything they want online at the lowest prices possible. The firm has initially begun as bookstore and later expanded its products and services at a global level.

Products and Services

Amazon Marketplace In addition to Amazon's standard offerings including books, electronics and groceries, third-party sellers can sell new or used goods directly to customers on the Amazon Marketplace, an e-commerce platform that is owned and run by Amazon.

Prime Membership Amazon prime is a paid subscription service offering streaming services, express shipping and delivery and other exclusive benefits.

AWS Cloud services AWS is one of the largest cloud services globally by market share of 30-35%, AWS Offers networking, databases, storage, compute, AI, and other services. Amazon generates most of their revenue and profitability from AWS.

There are other products and services offered by amazon such as kindle, electronics, retail stores etc.

***Key drivers of revenue and expenses-Amazon's 4 big growth drivers for revenue**:*

AWS Amazon Web service is the leader in the cloud market because unlike other companies' amazon had the vision to see enormous secular opportunities Amazon Amazon's cloud data hosting service AWS contributes to most of its profits that 17% of the revenue. Amazon's total operating income in Q1 of 2024 was $15.3 billion, but $9.4 billion came from AWS.AWS sales grew 29% year over year to $26.3 billion.

Prime subscription and Ads In January, this year Amazon began advertising on prime video (a huge revenue idea). Amazon's advertising revenue has dramatically grown in recent years. In 2024, Amazon has added more than $2billion in advertising revenue year over year which is much higher than its other internet competitors. Amazon prime has over 200 million subscribers and has generated $38 billion in annual revenue which has the potential to move the revenue needle for the company.

E-commerce and Third-party seller services E-commerce, online stores, and third-party seller services most of its revenue, they contribute roughly 23% of the total net sales and generates around $130 billion from third party seller services.

Free cash flows Ever since going public, Amazon has not prioritized short-term financial gain. Nonetheless, the fact that the business is concentrating more of its efforts on the long-term objective of optimizing free cash flows is encouraging. More precisely, as you can see in the following, Free Cash Flow has been increasing, which is a positive development.

Warehousing and distribution comprise amazon's most significant **key drivers of expenses** as the firm operates many warehouses, fulfilment canters globally. There are also additional expenses such as technology and content costs expenses, capital expenditures and marketing expenses.

Main competition in the market- Market Capitalization: With a market capitalization of almost $1.4 trillion, Amazon is among the biggest businesses in the world and a major competitor in cloud computing, streaming, and e-commerce.

Dividend Yield: In contrast to many traditional businesses that pay regular dividends, Amazon does not pay dividends; instead, it reinvests profits into growth and expansion.

Cost-to-Profit Ratio (P/E) Ratio: At 59.58, Amazon's P/E ratio suggests that its valuation is high in comparison to its earnings. This is in line with investor expectations for steady, robust growth and profitability.

Profitability: Amazon has a net income of approximately $33.4 billion, which is a result of its diverse revenue streams, which include cloud services and e-commerce (AWS).

Stock Price Growth: Because of its dominant position in the market, Amazon has seen significant stock price growth, surpassing many competitors.

Corporate Governance

Amazon holds a vast number of stockholders, Institutions such as Advisor Group, Vanguard Group and BlackRock Inc own up to 59.48%of total shares and are the major shareholders of amazon. Jeff Bezos beneficially owns about 20% of the company's outstanding common stock. Three of the company's top executives, Jeffrey Bezos, Andrew Jassy, and Jeffrey Blackburn, are the top individual insider shareholders of Amazon. Andrew Jassy has taken the charge as CEO after Jeff Bezos in July 2021.

Audit and Risk management-Amazon internally controls to ensure accurate financial reporting and risk management. Deloitte & Touche LLP serves as Amazon's external auditor. One of the "Big Four" accounting firms, Deloitte, oversees conducting an impartial review of Amazon's internal controls and financial statements to guarantee that they are accurate and that they adhere to legal and standard accounting requirements.

Reinvestment Strategy-A systematic method of controlling and directing how the business allots its financial resources for expansion and strategic goals is known as Amazon's reinvestment governance. Amazon has continuously invested its profits back into innovative technology, a business approach that raised serious red flags in the early 2000s. For most financial analysts, high technology investments translate into a thin "operating margin," which is a red flag of issues with profitability. For example, its operating margin in 2005 was only 4.1%, which alarmed outside investors (Berryman, 2014). But as Amazon's valuation per share has increased over time, the negative conjecture surrounding this tactic has mostly subsided. Amazon is still primarily focused on the e-commerce industry despite its annual growth. Among its current offerings are digital media delivery, Amazon Web Services (AWS), retail websites and e-commerce, and the Kindle.

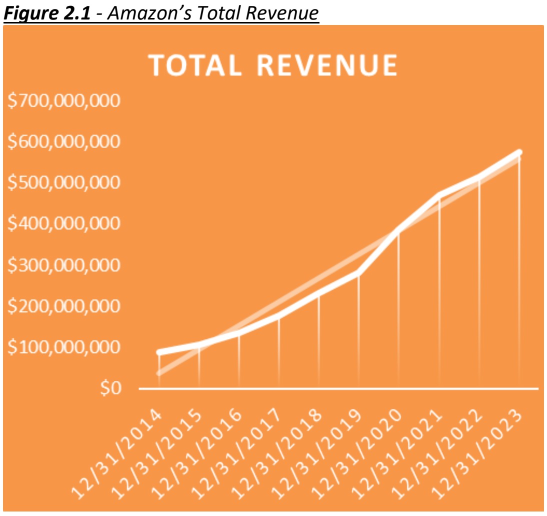
Amazon's present and Future Valuation and Estimation

Since about of right now, Wall Street analysts have given Amazon the highest rating (out of the Mag 7) and the greatest price upside relative to analyst targets. Furthermore, Amazon has an alluring 11% predicted revenue growth rate for the current and upcoming fiscal years. However, Amazon has the highest earnings per share ratio and is expected to increase in next 5 years. Operating leverage will allow Amazon to significantly increase earnings in the upcoming years, which is good news for investors and the stock price.

FINANCIAL ANALYSIS

Revenue and Income

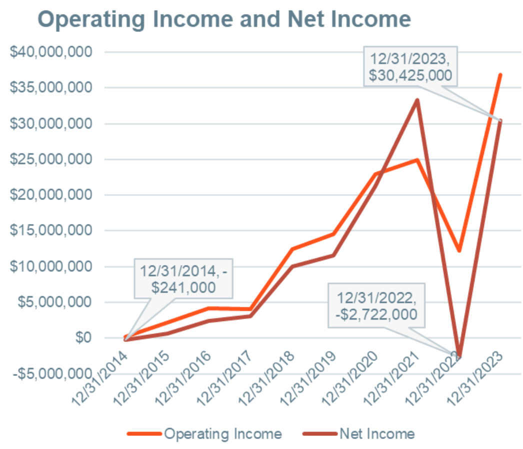
__Figure 2.1__ - Amazon's Total Revenue



Source: Company Data

As depicted above the total revenue has consistently increased over the past few years with a very high proportion, there are so many factors that led to the increase in the revenue such as global expansion, amazon has expanded its ecommerce market into several other new regions as well introduced new other services like Prime Now, Amazon Fresh and also the prime membership subscription has also expanded to a greater extent contributing to increase in revenue. AWS is growing quickly. Since its launch in 2006, AWS has significantly increased Amazon's revenue. Businesses, governments, and other organizations all over the world can use AWS's cloud computing services. AWS is now one of Amazon's most profitable business segments thanks to the quick industry adoption of cloud services. Cloud Offering Innovation: Machine learning, artificial intelligence (AI), data analytics, and Internet of Things (IoT) solutions are just a few of the services that Amazon has been offering for a long time. Amazon's overall revenue has increased significantly due to the diversification and innovation in cloud services, which have drawn a wider customer base. These are the factors that contribute to the total revenue.

Figure 2.2 *- Amazon's Operating Income vs Net Income*

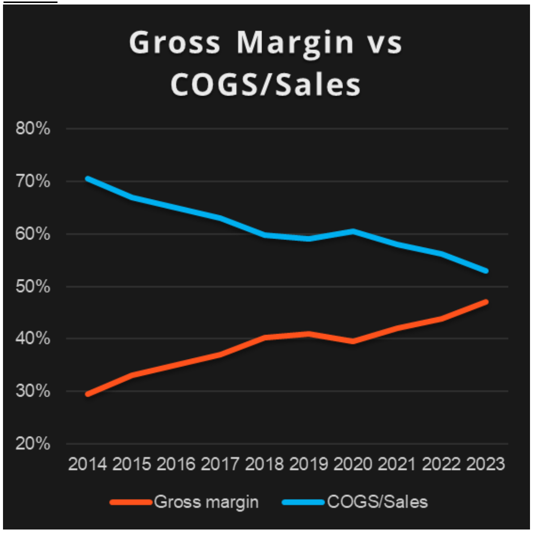


Source: Company Data

Figure 2.3 *- Amazon's Sales Growth*

Source: Company Data

Figure 2.4 *- Amazon's Gross Margin and COGS/Sales Ratios*



Source: Company Data

Several significant factors have contributed to Amazon's operating income growth in recent years: Development of High-Margin Segments: AWS's advertising division has grown to be a significant source of operating income. Compared to Amazon's main e-commerce businesses, these segments have larger profit margins, which increase overall profitability. Operational Efficiency: Amazon has profited from better fulfilment procedures, enhanced logistics, and economies of scale. Costs have been lowered and efficiency has increased thanks to investments in automation and its own delivery network. Cost Control: To increase productivity and keep costs under control, the company has streamlined processes, improved its supply chain, and used technology. These actions have increased operating income. Transition to Profitable Services: As third-party seller services and Amazon Prime have grown in popularity; they are now high-margin revenue sources that help with income growth.

Over the past few years, Amazon's net income has generally increased, but the growth has been inconsistent. In 2022, the net income experienced a significant decline, dropping by 1% compared to 2021. This downturn can be attributed to several factors:

- **Rising Costs**: Inflation drove up expenses for labor, materials, and logistics, which heavily impacted Amazon's profitability. The company faced higher costs for wages, warehousing, and transportation, squeezing its profit margins.
- **Weaker Consumer Spending**: Due to inflation and economic uncertainty, consumer spending on non-essential items declined. This led to slower revenue growth and negatively affected Amazon's overall profitability.
- **Post-Pandemic Normalization**: During the pandemic, there was a surge in e-commerce demand, contributing to strong financial performance. However, after the pandemic, the demand for online shopping returned to normal levels, causing a decrease in net income.

Additionally, in 2022, Amazon incurred a $12.7 billion loss on its investment in Rivian, an electric vehicle startup, compared to a gain of $11.8 billion from the same investment in 2021.

Sales Growth Over the years

Amazon sales have been consistently grown from 2015 to 2021 this may be due to global expansion of the market, expansion of product services and offers, Prime Membership Growth and AWS growth, but later from 2022-2023 sales have started declining this may be due to post pandemic effect, inflation, higher prices, and other economic factors which may have contributed.

Assets

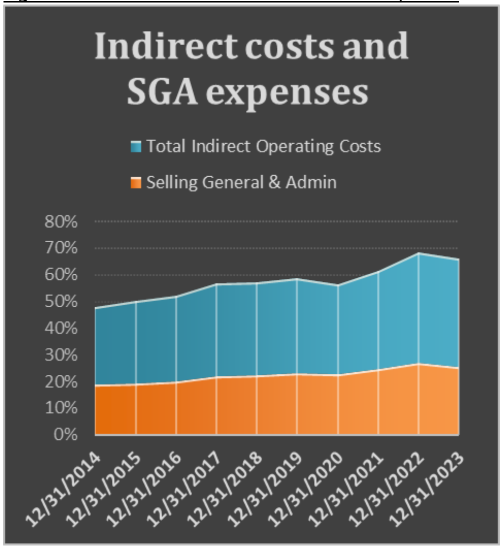
There has been a gradual decline in the percentage of total current assets over the years, from 57% in 2014 to 33% in 2023. This suggests a shift in Amazon's asset allocation, possibly investing more in long-term assets or reducing short-term investments. The percentage of net PP&E has generally increased, especially from 2014 to 2018, reflecting Amazon's continuous investment in physical assets like warehouses, data centres, and other infrastructure. In addition, other assets saw a noticeable increase, from 5% in 2014 to 24% in 2023, reflecting diversification in asset categories.

Direct costs

From the graph we can identify that when compared to previous years from 2014 to 2023 direct costs have considerably decreased from 71% in 2014 to 53% by the year 2023 indicating that amazon has considerably reduced its direct costs.

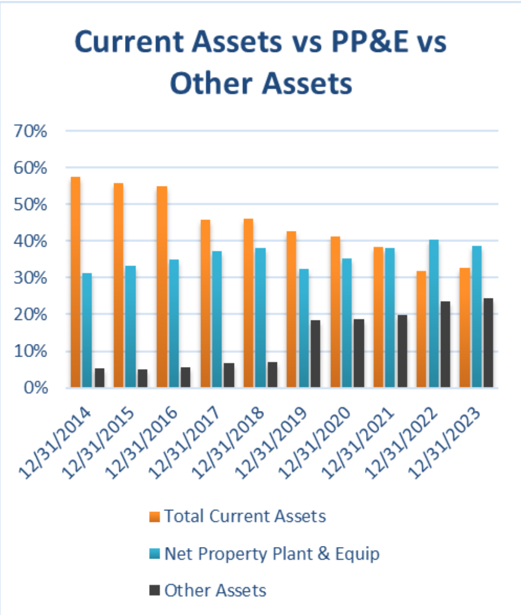
Overall, over the years, Amazon has done an excellent job of controlling its cost structure. The company's operational efficiency and strategic initiatives are demonstrated by its ability to control and reduce costs relative to total revenue. Lowering direct costs is probably a result of Amazon's technological and automation investments, especially in its fulfilment centres. Amazon has improved overall

Figure 2.5- Amazon's Indirect cost and SGA expenses



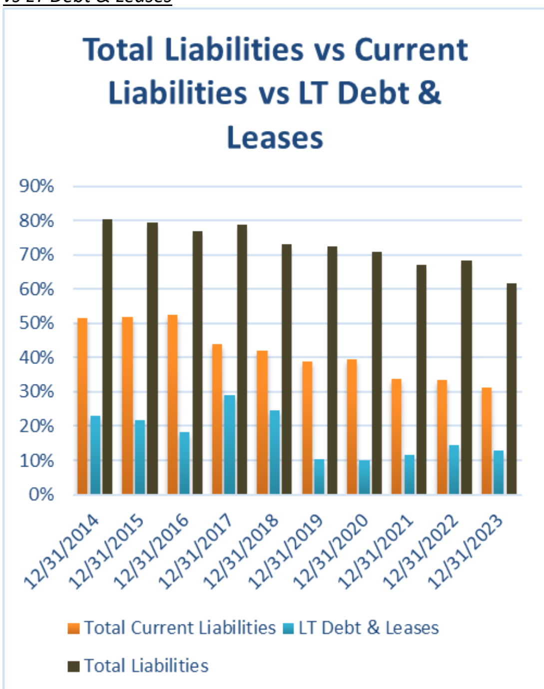
Source: Company Data

Figure 2.6 - Amazon's Current Assets vs PP&E vs Other Assets



Source: Company Data

Figure 2.7 - Amazon's Total Liabilities vs Curret Liabilities vs LT Debt & Leases



Source: Company Data

efficiency and reduced labour costs by streamlining its inventory management and order processing processes using advanced robotics and artificial intelligence (AI).

Amazon has used the strategy of network efficiencies to reduce the cost of fulfilment which indirectly has also reduced the direct costs, Amazon has also cut about 10,000 jobs as a cost cutting initiative which directly reduced the labour costs.

Amazon has further streamlined Warehouse and delivery Network which not only increased sales and profit but also gained a greater control over shipping costs as they increased their network by increasing the number of delivery trucks, expanding warehouse work.

To meet its demands for IT infrastructure, Amazon has also increased the amount of cloud computing services it uses through Amazon Web Services (AWS) in recent years. Amazon can effectively manage its massive data and computing demands by leveraging AWS's scalable resources, which probably helps keep IT-related costs under control.

These are some of the strategies that helped amazon control its direct costs over the following years.

Indirect costs and SGA expenses

The above two graphs suggests that Amazon's total indirect operating costs as well as SGA has gradually increased from the past few years which directly contradicts the decline in the direct costs as the both the indirect operating costs and SGA have increased. The above reasons might also contribute to the increase of the indirect operating costs as increasing the fulfilment centre network might also contribute to increasing indirect costs as the costs associated with utilities etc will also be increased.

Through its acquisition of AWS, Amazon has made significant investments in cloud computing, AI, and machine learning. These expenditures lead to increased SG&A costs for IT infrastructure, research, and development, and associated administrative costs, even though they are essential for preserving competitiveness. When we investigate the recent years, Amazon has incorporated automation in its warehouses and fulfilment centres for faster processing which also must have contributed to a large capital expense and also since amazon has now started using drones and scout robots for quicker delivery it has contributed to increase in maintenance and operational costs leading to increase in indirect costs.

Due to the company's rapid growth, global expansion, and strategic investments in infrastructure, technology, and customer service, Amazon has naturally experienced an increase in its indirect operating costs and SG&A expenses. These costs are essential to achieving Amazon's long-term objectives, but they also highlight the difficulties in running a sizable and intricate international business.

Comparing Direct costs, Indirect costs, and Total revenue

From the above graph we can compare both direct and indirect operating costs as a percentage of total revenue.

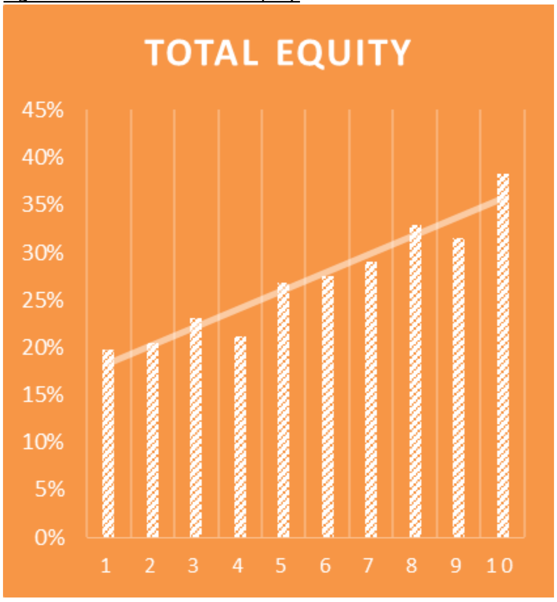
Liabilities

The total liabilities as a percentage of total assets have decreased from 80% in 2014 to 62% in 2023. This decrease suggests a stronger financial position with reduced reliance on debt and other liabilities. The proportion of current liabilities has decreased from 52% in 2014 to 31% in 2023. This might suggest improved liquidity or better management of short-term obligations. There was a peak in long-term debt and leases in 2017 (29%) and a significant reduction afterward, stabilizing around 10-15% which indicates Amazon's effort to manage its long-term financial obligations effectively.

Equity

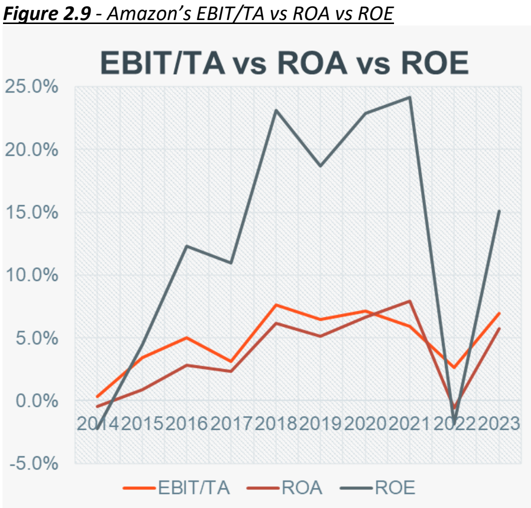
Amazon's equity growth over the decade shows a company that has successfully navigated rapid expansion, technological innovation, and changing market dynamics. The substantial increase in equity from 2014 to 2023 reflects Amazon's

Figure 2.8 - Amazon's Total Equity



Source: Company Data

Figure 2.9 - Amazon's EBIT/TA vs ROA vs ROE



Source: Company Data

rise as a dominant player in multiple industries, particularly in e-commerce and cloud computing. The total equity of Amazon rose from 20% of Total Liabilities & Equity in 2014 to 38% of those in 2023, indicates that Amazon has been able to retain earnings and possibly issue additional, signifying stronger shareholder value over time.

Financial Ratios

Table 2.1 - Amazon's Short term Liquidity ratios

Short term Liquidity Ratios	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Current Ratio	1.12	1.08	1.04	1.04	1.10	1.10	1.05	1.14	0.94	1.05
Quick Ratio	0.82	0.77	0.78	0.76	0.85	0.86	0.86	0.91	0.72	0.84
Cash Ratio	0.62	0.58	0.59	0.54	0.60	0.63	0.67	0.68	0.45	0.53

Source: Company Data

Although the current ratio is typically above 1, indicating that the business has more current assets than liabilities, a recent decline below 1 may indicate potential problems with liquidity. The company may not be able to meet short-term obligations without depending on inventory sales, as the Quick Ratio is consistently below 1. But in the most recent time frame, there has been some improvement. The Cash Ratio exhibits a declining trend in liquidity, with a significant decline in the most recent period, suggesting a diminished capacity to meet current obligations solely with liquid assets.

Table 2.2 - Amazon's Efficiency ratios

Efficiency Ratios	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Average Collection Period	23.0	21.9	22.4	27.0	26.1	27.1	23.2	25.6	30.1	33.2
Account Receivable Turnover	15.9	16.7	16.3	13.5	14.0	13.5	15.7	14.3	12.1	11.0
Total Asset Turnover	1.6	1.6	1.6	1.4	1.4	1.2	1.2	1.1	1.1	1.1
Inventory Turnover	7.6	7.0	7.7	7.0	8.1	8.1	9.8	8.3	8.4	9.1
The Day in Inventory Ratios	48.3	52.2	47.4	52.3	45.0	45.2	37.2	43.7	43.5	39.9

Source: Company Data

An increase in the average collection period indicates longer receivables collection times, which could have an impact on cash flow. Better inventory turnover is a result of more effective inventory management. The overall asset turnover is dropping, which may indicate less effective use of assets to produce income. A decrease in days in inventory indicates improved inventory management and a quicker turnover of inventory.

Table 2.3 - Amazon's Long term Solvency ratios

Long term Solvency Ratios	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt Ratio	0.23	0.22	0.18	0.29	0.24	0.10	0.10	0.12	0.15	0.13
Debt to Assets Ratio	0.80	0.80	0.77	0.79	0.73	0.72	0.71	0.67	0.68	0.62
Debt to Equity Ratio	4.07	3.89	3.32	3.74	2.73	2.63	2.44	2.04	2.17	1.61

Source: Company Data

Both the debt ratio and the debt to assets ratio are declining, indicating that the company is using less debt to finance its assets, which is typically a sign of improved financial stability. The company appears to be relying more on equity and reducing its leverage, as indicated by the notable decrease in the debt-to-equity ratio. This is a positive development for financial risk management. In general, these trends point to a decline in leverage, which is indicative of a more secure and stable financial position with lower financial risk.

Table 2.4 - Amazon's Profitability ratios

Profitability Ratios	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Gross Profit Magrin	0.29	0.33	0.35	0.37	0.40	0.41	0.40	0.42	0.44	0.47
Operating margin	0.00	0.02	0.03	0.02	0.05	0.05	0.06	0.05	0.02	0.06
Net Profit Margin	0.00	0.01	0.02	0.02	0.04	0.04	0.06	0.07	-0.01	0.05
ROA	0.00	0.01	0.03	0.02	0.06	0.05	0.07	0.08	-0.01	0.06
ROE	-0.02	0.04	0.12	0.11	0.23	0.19	0.23	0.24	-0.02	0.15

Source: Company Data

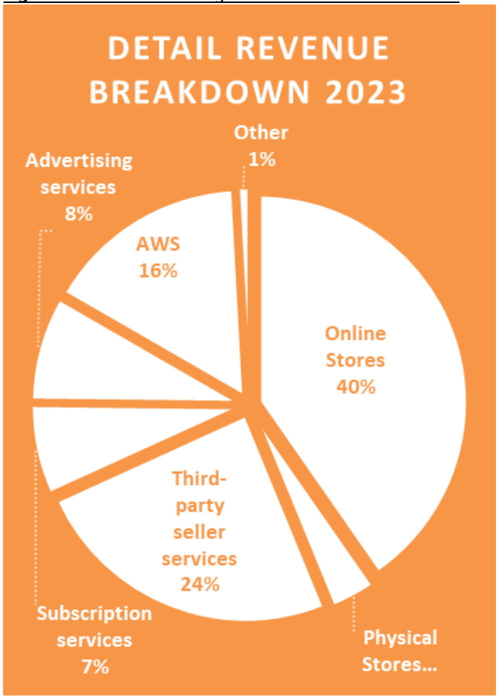
Overall improvements in gross profit margin and operating margin point to improved cost control and operational effectiveness. Despite brief intervals of negative margins, the net profit margin shows an overall positive trend, indicating increased overall profitability. Although it has shown strong usage of assets in recent periods, ROA has had lower values in some previous periods. Strong profitability in relation to equity is reflected in the considerable improvement in ROE, with previous fluctuations signifying previous difficulties. Overall, the trends point to increased efficiency and profitability, with recent times exhibiting robust performance by most measures.

__Table 3.1__ - Amazon's segments overview

	Retail	AWS	Subscription
Revenue Contribution	68%	16%	16%
Estimated Net Income Contribution	~12%	~50%	~20%

Source: AMAZON.COM, INC. Supplemental Financial Information and Business Metrics, Team Estimate

__Figure 3.1__ - Amazon's segments contribution in 2023



Source: AMAZON.COM, INC. Supplemental Financial Information and Business Metrics

__Table 3.3__ - Web Services competitors' ratio in 2023

	Retail	AWS	Subscription
Competitors	Walmart Costco Ebay Target Alibaba	Azure (MS) Google Cloud IBM Cloud Oracle Cloud	Netflix Disney+ Apple TV+ Spotify

Source: Company Data, Team Estimate

__Table 3.4__ - Web Services market share in 2023

	Market Share	Revenue (2023)	Revenue Contribution	Operating Income Contribution	Parent Company
AWS	30-35%	85 B	17%	60%	Amazon
Azure	20-25%	55 B	25%	25%	Microsoft
Google Cloud	10%	32 B	10%	Negative	Alphabet

Source: AMAZON.COM, INC. Supplemental Financial Information and Business Metrics

INDUSTRY OVERVIEW AND COMPETITIVE POSITIONING

Amazon has shown tenacious performance in the face of global economic uncertainties, debt crisis and fluctuations in the US economy. Both the robust global e-commerce trend and the rising demand for cloud computing services are driving the company's growth. The stability and expansion of Amazon can be attributed to its varied business segments, which encompass retail, cloud computing (AWS), and subscription services.

Growth in the E-commerce and Retail Sectors due to its wide selection of products, effective supply chain, and creative logistics, Amazon has experienced significant growth in the retail industry. The company's emphasis on customer-centric strategies, competitive pricing, and technological advancements in its fulfillment network enable it to consistently outperform traditional retailers.

Growth of the Cloud Computing Sector as more industries adopt cloud solutions, Amazon Web Services (AWS) has grown to be a significant source of revenue. Scalability, innovation, and a wide range of services are what drive AWS's expansion. Because of its extensive global infrastructure and industry-leading capabilities, Amazon maintains a leading position in the cloud industry despite competition from other major providers like Microsoft Azure and Google Cloud.

__Retail Sales__:

This includes Amazon's online stores, physical stores, and third-party seller services contribution about 60%-70% of total revenue but just about 10% to 20% of Net Income due to its high cost.

__Table 3.2__- Financial metrics and competitors

	Amazon	*Walmart*	*Costco*
Total Revenue	54.7 B	523 B	242.29 B
Gross Profit Margin	28.6%	27.56%	12.25%
Net Income	38.03 B	14.88 B	71.17 B
Gross Profit	270.04 B	129.35 B	31.60 B
Return On Equity	16.08%	19.92%	22.50%
Inventory TR	10.9%	7.73%	12.41%

Source: AMAZON.COM, INC. Supplemental Financial Information and Business Metrics, Team Estimate

Total Revenue

Different revenue profiles are displayed by Costco, Walmart, and Amazon, each of which reflects a different business model and approach to the market. With a staggering $523 billion in revenue, Walmart is the market leader and a global retail powerhouse with a strong online and physical presence. Costco comes in second with $242.29 billion, demonstrating the effectiveness of its membership-based warehouse model that generates high sales volume through bulk buying and aggressive pricing. However, despite being less profitable than its rivals, Amazon's $54.7 billion in revenue shows how diverse and quickly expanding its business segments are, with a focus on e-commerce, cloud computing (AWS), and subscription services. The profitability of each business—Walmart's size, Costco's effective membership model, and Amazon's variety of services and technologies—illustrates its strategic focus.

Gross Profit Margin

High-margin cloud computing and subscription services help Amazon maintain a gross profit margin of 28.6%, which is higher than both Walmart's 27.56% and Costco's 12.25%. This shows how well Amazon manages costs in relation to revenue. With a wide range of products and a competitive pricing strategy that balances cost control, Walmart's slightly lower margin reflects its extensive retail operations. But Costco's much smaller margin fits in with its membership pricing plan and bulk sales model, were high sales volume and effective inventory control balance out lower markups. Walmart focuses on large-scale retail efficiency, Costco

Table 3.5 - Web Services competitors' ratio in 2023

	AWS	Azure	Google Cloud
Net Income	14-16 B	10-12B	Negative
Gross Profit Margin	60-65%	55-60%	30-35%
ROE	20-25%	25-30%	-5%
ROA	10-15%	12-17%	5%
Current Ratios	1.2	2.5	2.9
Revenue Growth Rate	20-25%	30-40%	40-50%

Source: Company Data, Team Estimate

drives volume through competitive pricing, and Amazon focuses on diverse, high-margin services. These companies' margins reveal their operational priorities.

Net Income

With $71.17 billion in net income, Costco is the leader, showing its strong profitability and efficient cost control despite its lower gross profit margin. With $38.03 billion, Amazon comes in second, demonstrating its strong performance and notable profitability across a variety of industry sectors, such as cloud computing and e-commerce. Considering its revenue base, Walmart's net income of $14.88 billion is still substantial despite showing a lower profit than the other two. This could be explained by the company's larger scale and related operating costs.

Gross Profit

With a gross profit of $270.04 billion, Amazon has the highest profit margin, largely due to its substantial sales of high-margin goods and services. Additionally, Walmart's $129.35 billion gross profit is noteworthy, which highlights the company's substantial revenue base and effective cost control. Out of the three, Costco has the lowest gross profit margin of $31.60 billion, which makes sense given its focus on membership-based pricing and bulk sales rather than on gross profit margin.

Return On Equity (ROE)

Costco has the greatest ROE of any company, coming in at 22.50%, demonstrating how well it uses shareholder equity to make money. Strong profitability and efficient equity management are also evident in Walmart's 19.92% ROE. Amazon's ROE of 16.08% is lower than that of its rivals, indicating that although it is profitable, it has a less effective return on equity than Walmart and Costco.

Inventory Turnover Ratio (TR)

Costco has the highest ratio, 12.41, indicating that it is an efficient manager and seller of inventory with a rapid turnover. With a ratio of 10.9, Amazon comes in second, demonstrating excellent inventory management. Due to its wide range of products and higher inventory levels, which may affect the rate of inventory turnover, Walmart has the lowest inventory turnover ratio (7.73).

Retail Sales: Amazon's retail segment accounts for 50–60% of total revenue but only 20–30% of net income. It consists of its physical and online stores as well as its services for third-party sellers. In relation to rivals: Walmart: With $523 billion in sales, leading the retail industry, is fueled by a robust combination of physical and online stores. Walmart's considerable $14.88 billion net income is a result of its wider operations and larger scale. Costco: Through its membership-based warehouse model, the company brings in $242.29 billion in revenue. Costco's effective operations generate a substantial $71.17 billion in net income despite lower gross profit margins.

Amazon Web Services (AWS)

AWS provides cloud computing services which generate a smaller percentage at 10% to 20% of total revenue, however it is highly profitable at 50-60% of Amazon's operating income.

AWS is the leader in cloud computing, leveraging its early entry into the market, vast infrastructure, and service variety. It is highly profitable, contributing significantly to Amazon's overall profitability. While Azure is a strong competitor in this segment, Google Cloud has established itself as a strong player in AI and data but is still developing in terms of profitability and enterprise adoption.

Amazon, Microsoft, and Alphabet do not provide detailed breakdowns of Cost of Goods Sold (COGS) specific to AWS, Azure, or Google Cloud, which makes calculating exact financial ratios difficult. However, estimates based on industry research provide insights into their relative performance.

AWS has the most profitable, with the highest net income and gross profit margin. This indicates strong operational efficiency and market dominance. Its ROE is also strong, reflecting the profitability of AWS in Amazon's broader operations. Azure is close behind AWS in terms of profitability though slightly lower due to its focus on enterprise integration and hybrid cloud solutions. On the other hand, Google Cloud lags in profitability, with lower gross margins and net income losses. However, it continues to grow rapidly, and once it overcomes its high investment costs, its margins may improve significantly.

Google Cloud, with its highest current ratio, exhibits strong liquidity, indicating its ability to comfortably meet short-term financial obligations. Azure also maintains a healthy current ratio. In contrast, AWS, despite its market dominance, has a moderate current ratio, which may be attributed to its focus on capital-intensive infrastructure.

In conclusion, AWS holds the leading position in the cloud computing market, generating higher gross profit margins and a substantial portion of Amazon's overall profitability. While Microsoft Azure competes closely in certain segments, AWS's established dominance allows Amazon to maintain a significant lead in this sector. Google Cloud is emerging but remains far behind in terms of profitability.

Subscription Services:

***Table 3.6** - Subscription Competitors' Ratios*

	Amazon	Netflix
Subscription Revenue	40.2 B	33.7 B
Revenue Growth Rate	14.20%	6.60%
Average Revenue Per user	$174.78	$141.21
Subscriber Growth Rate	7.98%	8.02%

***Source:** Company Data, Team Estimate*

This includes Amazon Prime membership, Advertising and other subscription-based services. They contribute around 10-15% of the total revenue of Amazon, and about 20% of Net Income.

Due to its many advantages, which include free shipping, streaming media, and access to exclusive offers, the company's subscription service is becoming more and more well-liked. Given the growing importance that customers place on subscription-based business models, Amazon's total revenue is largely derived from the revenue generated by Prime memberships.

Subscription Revenue

Amazon offers a wide range of services under the Amazon Prime umbrella, including streaming and other benefits that add to the company's overall revenue. This is demonstrated by the fact that Amazon's subscription revenue is higher than Netflix's. Netflix's success in drawing and keeping a sizable subscriber base within a more specialized market is evident from the fact that all its revenue comes from its streaming service. Netflix concentrates on providing premium content to its devoted streaming audience, while Amazon gains from its wider range of services. Both businesses are adept at using subscription models to create substantial revenue.

Revenue Growth Rate

With its numerous value-added services, global reach, and aggressive expansion strategy, Amazon has successfully enhanced its subscription model, as evidenced by its higher revenue growth rate. Netflix's growth rate, on the other hand, is lower but still positive, indicating a more gradual expansion in a more developed market. Both businesses are successful with their subscription-based business models; however, Netflix's steady growth reflects its strong, albeit more established, position in the streaming market, while Amazon's rapid growth suggests a wider and more varied appeal.

Average Revenue Per User

Because it offers a wider range of Prime membership benefits and services, Amazon can extract a higher revenue per subscriber, as evidenced by its higher ARPU. This demonstrates an approach that increases average revenue per user by providing subscribers with a wealth of value. Netflix, on the other hand, has a lower ARPU than Amazon, which is consistent with its targeted streaming content offering. This indicates that although Netflix makes a significant amount of money, it does so with less additional monetization per user. The user bases of both businesses are successfully engaged, but Amazon's capacity to combine different services improves its revenue per subscriber more successfully.

Subscriber Growth Rate

Both Amazon and Netflix exhibit robust subscriber growth; however, Netflix's growth rate is slightly faster than Amazon's. While both businesses are successful in growing their subscriber bases, Netflix is growing at a slightly faster rate, as evidenced by this small difference.

Netflix's marginally higher growth rate highlights its strong content offerings and widespread market penetration, while Amazon Prime offers a comprehensive value proposition. Although both businesses are successfully gaining and keeping users, as seen by the close subscriber growth rates, Netflix has managed to gain a small growth advantage probably because of its laser-like focus on providing high-caliber streaming content.

Subscription services

Netflix, with a narrow service offering and $33.7 billion in revenue from streaming subscriptions, lags Amazon in terms of total subscription income. Although Netflix is growing at a slower rate than Amazon, its average revenue per user (ARPU) is still lower. Because of its wider selection of services and higher ARPU—which reflects its effective integration of several value-added features into the Prime membership.

To summaries, Amazon outperforms its rivals in terms of AWS profitability and subscription revenue, but its retail sales, while noteworthy, pale in comparison to Walmart and Costco in terms of overall revenue and net income.

Figure 4.1 *– Porter's Five Force Analysis*

Source: Company Data, Team Estimate

PORTER'S FIVE FORCES OF ANALYSIS

Introduction

The industry's profit margin and competition are explained by the five forces in Porter's five forces model, an analytical tool. By considering variables like entry barriers, suppliers' and buyers' negotiating power, substitute products, and so forth, these five forces establish the degree of competition in that industry. Amazon is a global market leader. The Five Forces analysis reveals that there are external factors that impact market share and business performance due to intense competition from large multinational retail and technology firms.

1.Supplier's Power- Moderate

Amazon's enormous size and broad product selection give it tremendous negotiating leverage over its suppliers. Amazon can bargain for better terms and lower supplier prices because it has millions of sellers on its marketplace. Providers lose power because they are dependent on Amazon to gain access to a sizable customer base. Additionally, Amazon finds it inexpensive to move suppliers, which reduces supplier power even more. Prices and profits are directly impacted by the bargaining power of suppliers. Below, we can breakdown the supplier's power of amazon among ecommerce, streaming services and AWS.

Since AWS is an Amazon subsidiary and the streaming infrastructure is built on top of it, there are essentially only two suppliers for the service and no leverage in negotiations. Amazon may have to contend with rivals for streaming rights, though, as the content is supplied by several production companies. Since Amazon produces a large amount of original content, there isn't much leverage in this situation either, but it is still significant. About the e-commerce platform, a few major suppliers, like Apple, may have significant influence over the business by refusing them the ability to sell on their platform. Nonetheless, most other suppliers have very little leverage when negotiating with Amazon.

2.Buyer Power- Strong

In Porter's five forces model, Amazon's buyers have a medium to high level of bargaining power. Customer happiness and high-quality products are the cornerstones of Amazon's success. Despite the extremely low switching costs for customers, a significant number of substitutes have emerged. The general information that customers can access about the goods and services that various suppliers provide makes it simple for them to look for alternatives. Given the size of the customer base and the similarity of products, consum2ers in Amazon's e-commerce business have little purchasing power. There are no costs associated with customers switching to competitors, so Amazon is not greatly impacted by a small loss of customers. Bargaining power among customers is a significant factor since there is a chance for backward integration, in which buyers buy directly from sellers. On the other hand, because of the volume of transactions, Amazon Web Services (AWS) handles large businesses' subscription-based purchases, where each customer has more power.

3.Competitive Rivalry- Strong

Based on the Amazon Porter Five Forces Analysis, the following are the main competitors' impacts: Amazon is under a lot of pressure from Walmart, Alibaba, and other e-commerce behemoths. Businesses such as Walmart are combining online and in-store shopping to improve the in-store experience for customers as omni-channel retailing gains traction. Additionally, there are a ton of direct and indirect rivals. Small brick and mortar establishments, similar massive e-commerce companies, and even tiny vending machines could be competitors. There could be fierce competition from rivals to take market share in saturated markets, with projected CAGRs ranging from as low as 4% in nations like the UK and France to as high as 15% in some middle eastern nations.

Netflix, Disney+, Hulu, and other well-known competitors pose a serious threat to the streaming industry. It is a global industry currently valued at about 71 billion USD. Netflix commands a 30% market share in the US, while Amazon Prime's 25% share is the second highest. For market share, local video streaming services like Tencent Video and Netflix present fierce competition for these businesses.

4.Threat of substitution- Medium to High

Porter's Five Forces analysis of Amazon identifies the following threats posed by substitute products: Regarding the availability of substitutes, the e-commerce industry faces medium to high levels of threat. Perhaps offline stores are preferred by customers who would rather try products before buying them.

Additionally, customers might favor purchasing from independent brand websites that entice them with special site or app discounts. When it comes to the streaming industry, the main competitors are motion pictures in theaters and other forms of entertainment, so it stands to reason that there is a significant risk of substitutes. Furthermore, if we take away the small amount of transportation costs that they might incur when making purchases from physical stores, there is no cost to switch to a substitute in the e-commerce industry. Like this, there are a variety of media available to prospective customers in the streaming industry that they can switch to for entertainment at little to no cost. Because of this, there is a significant risk to substitutes.

5.Threat of New Entry- Medium.

Due to the one-time payment plans of the streaming and AWS companies, customers may incur switching costs. However, the marketplace businesses do not face a significant barrier to entry because there is no significant switching cost. When it comes to starting on a small scale, there are no primary capital requirements because the marketplace business is an aggregator. However, to set up the necessary infrastructure and storage, the cloud business needs upfront capital. This also holds true for the streaming industry, which needs a sizable upfront investment to build up the infrastructure and purchase film rights and other licenses. Lastly, Amazon has the established advantage of a strong brand name, as do its main rivals in the streaming market, such as Walmart, Azure, and others. As a result, they may provide a high entry barrier for any new company entering the market.

COMPETITIVE POSITIONING

IN E-COMMERCE

AMAZON

Strengths: Holding a $1.5 trillion market capitalization, Amazon is a market leader in cloud computing and e-commerce. AWS (Amazon Web Services), expanding physical stores, and internet retail provide for a varied revenue stream for the company. Amazon is the industry leader in online retail and technology, as evidenced by its vast global customer base (more than 300 million active accounts) and strong market position. Although it operates with thinner margins in retail compared to its tech services, its 6% profit margin demonstrates how effectively it converts revenue into profit

Weaknesses: Amazon's physical retail presence is comparatively limited when compared to Walmart and Costco, despite its strong online presence. Traditional retail operations may receive less attention because of the company's focus on technology and expansion.

WALMART

Strengths: With a substantial market capitalization of about $400 billion, Walmart is a retail behemoth in the brick-and-mortar space. Of the three, it has the highest revenue ($611 billion) and the largest global footprint, particularly in North America. Walmart's emphasis on low prices and high-volume sales is reflected in its lower profit margin of 2.5% when compared to Amazon. Walmart's expansive network of physical stores is enhanced by its expanding e-commerce endeavors.

Weaknesses: Despite growth, Walmart's online presence is still less prominent than Amazon's. Its reduced profit margin is a sign of the strain to keep up low prices and high sales volume in a retail market that is fiercely competitive.

COSTCO

Strengths: With a $300 billion market capitalization, Costco is a brick-and-mortar retailer that operates with a strong presence. With a healthy profit margin of 3.2%, it brought in $241 billion in revenue. With more than 120 million members, Costco's membership program guarantees a devoted clientele. Its profitable business strategy includes bulk sales and effective operations.

Weaknesses: Costco's online presence isn't as extensive as that of Amazon and Walmart. Due to its heavy reliance on physical locations, its business model may make it more difficult for it to compete in the expanding online retail market.

- Amazon is a leader in technology and e-commerce thanks to its extensive customer base and global presence. Although it faces difficulties in physical retail, its higher profit margins in the tech sector set it apart.
- Walmart has the largest revenue and the strongest network of stores in traditional retail, but it is also aiming to improve its e-commerce capabilities.
- Despite having a smaller online presence than its rivals, Costco concentrates on warehouse retail and enjoys strong profitability and a devoted membership base.

IN AWS

AMAZON WEB SERVICES:

Strengths: Leading the cloud computing market with a vast global infrastructure, a wide range of services, and reliable scalability. Strong enterprise adoption and a diverse customer base characterize AWS.

Weaknesses: More expensive than some competitors and a complex range of services.

AZURE FROM MICROSOFT:

Strengths: Widespread enterprise adoption, competitive pricing, and robust integration with Microsoft products. Businesses seeking seamless integration between on-premises and cloud platforms find Azure's hybrid cloud capabilities appealing.

Weaknesses: reduced service ecosystem in comparison to AWS and possible complexity in hybrid environment management.

GOOGLE CLOUD:

Strengths: Well-known for providing excellent machine learning and data analytics services, robust support for open-source and Kubernetes, and affordable prices. One important differentiator is Google Cloud's superior performance in big data and AI.

Weaknesses: Less enterprise clients and a smaller market share than AWS and Azure, along with less legacy enterprise integration.

IN STREAMING SERVICES

AMAZON PRIME VIDEO:

Strengths: Free shipping and other perks are part of Amazon Prime, which adds value. provides a wide selection of genres and a vast content library that includes unique original programming. fits in nicely with the Amazon ecosystem.

Weaknesses: A smaller selection of content and a less well-known brand in streaming than with Netflix.

NETFLIX:

Strengths: Market leader with a huge and varied content library that includes a lot of well-liked original programming. robust global reach and brand recognition with an emphasis on user experience and tailored recommendations.

Weaknesses: Profit margins and content licensing may be under pressure due to rising content costs and increased competition.

PROJECT FINANCIAL STATEMENT

Projected Income Statement

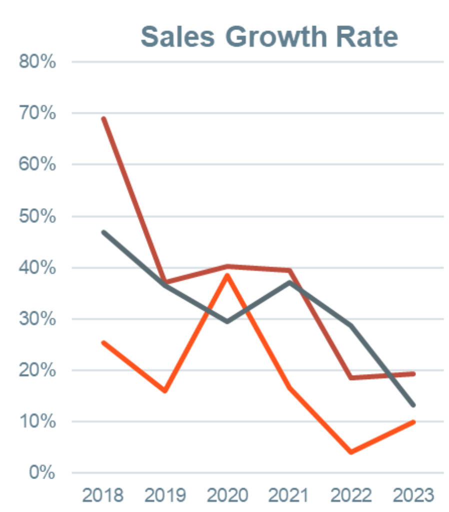
From our analysis, the average sales revenue growth rate of Amazon's total revenue from 2017 to 2023 is approximately 22%. Moreover, Amazon experienced varied growth across its key segments.

Retail sector growth projection

The Retail segment showed a deceleration in growth, from 25% in 2018 to 4% in 2022, with a slight rebound to 10% in 2023. In nearly future, competition will prevent it from returning to significant growth, but internal investments and Amazon's global reach will ensure steady progress. Amazon's retail sales in the region reached $90 billion in Q2 2024, up 9% from the previous year. This suggests that while the retail sector is still expanding, it is doing so more slowly than in prior years. Reduced Average Selling Prices: CEO Andy Jassy stated that consumers are choosing less expensive products in the market, pointing to a move toward frugal spending in the current financial climate. This tendency is especially apparent in consumer goods like TVs and electronics, which are expanding more slowly than the economy.

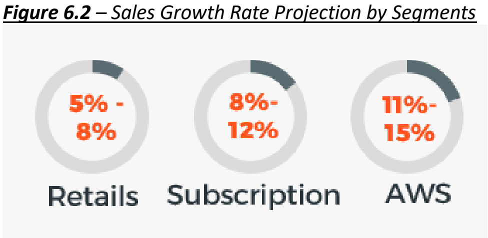
We project it will stabilize at around 5% to 8% annually in the next period. It is anticipated that Amazon's overall retail growth will slow down as the retail industry matures, especially in developed markets like North America and Europe. The long-term growth estimate of 5% considers the fact that the market is saturated and that

***Figure 6.1** – Sales Growth by Segments*



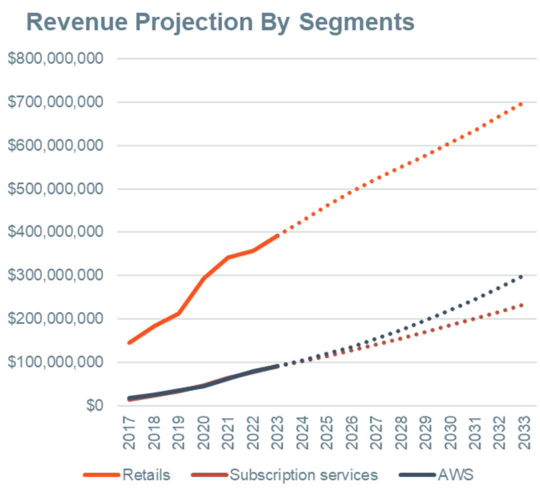
***Source:** Company Data*

***Figure 6.2** – Sales Growth Rate Projection by Segments*



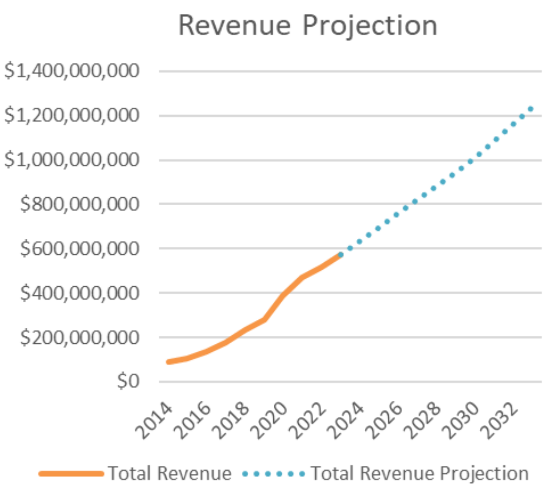
Source: *Team Estimate*

***Figure 6.3** – Revenue Projection by Segments*



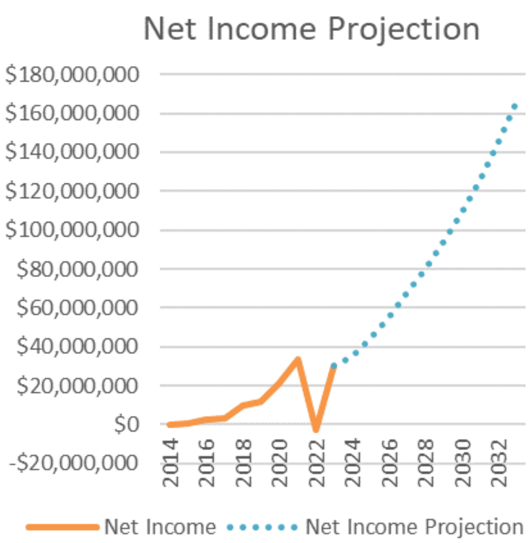
Source: *Company Data, Team estimated*

***Figure 6.4** – Total Revenue Projection*



Source: *Company Data, Team estimated*

***Figure 6.5** – Net Income Projection*



Source: *Company Data, Team estimated*

competition from other e-commerce platforms is growing. Increasing Competition: As businesses like Shopify, Walmart, and Target expand their online presence, Amazon's market share is under pressure. Future growth may be constrained by this competition, especially in North America, where Amazon already holds a dominant position. Modifying the Attitude of Consumers: Customers' tendency to "trade down," choosing less expensive options instead, indicates that price sensitivity may persist for some time, particularly in the face of inflation and possible economic downturns. Customers might order Prioritizing necessities over luxury goods will restrict the expansion of discretionary categories.

AWS projections

On the other hand, the AWS segment demonstrated significant growth, averaging between 13% and 53% annually. AWS has been a significant driver of Amazon's profits, growing over the past six years. While AWS growth rate is expected to decelerate compared to earlier years, it will still maintain strong momentum due to rising demand for cloud services. As of Q2 2024, current trends 29% Year-Over-Year Growth in Q2 2024: AWS's sales climbed by 29% in Q2 2024 to reach $26.3 billion. This growth indicates that AWS is still expanding quickly. This growth highlights the growing dependence on cloud infrastructure and services and is faster than Amazon's marketplace sales.

As the cloud market gets more established, AWS's growth rate is anticipated to decrease. It is challenging to sustain the initial high growth rate as more businesses adopt cloud services, even though there is still room for growth, particularly in industries undergoing digital transformation. So, we believe the AWS segment is likely to experience annual growth rates between 11% and 15% over the next decade. The forecasted growth indicates a more established and steady cloud market.

Microsoft Azure and Google Cloud, two other rapidly expanding companies, present a serious threat to Amazon. AWS may face increased pricing pressure as these competitors' features and prices get closer, which would slow its rate of growth. Hybrid Cloud Solutions: Innovations in machine learning, artificial intelligence, and hybrid cloud services will propel AWS's future expansion. However, as companies compare AWS and other providers, growth in these areas may be slower than anticipated.

Subscription services projected

Though competition is fierce in the video streaming market with strong players like Netflix, Disney+, and HBO Max, Amazon's massive investment in original content for Prime Video could help maintain solid growth, albeit slower than in the past. As of Q2 2024, Current Trends Prime Membership-Driven Growth: Subscription sales, which encompass Amazon Prime, are presently expanding at a robust pace. With new features like faster delivery, streaming media, and exclusive offers, the company is always enhancing the value of a Prime membership. Thus, we project that Subscription Services will grow at an annual rate of around 8% to 12%.

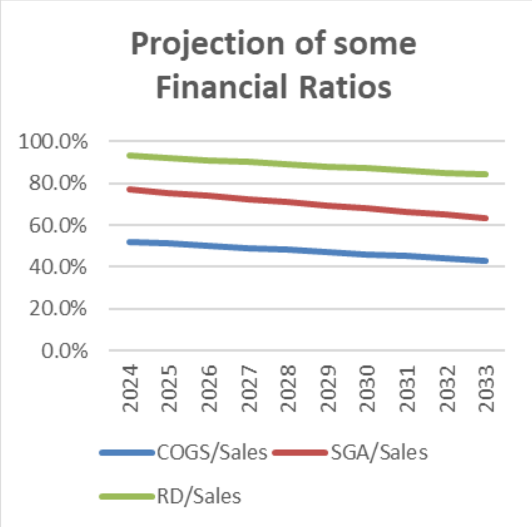
Possibilities for Video Advertising: CEO Andy Jassy stated that sponsored advertisements account for most of Amazon's advertising income and that there is a developing market for video advertising that connects to the content that Amazon Prime Video offers. A potential new source of income for subscription service providers is the video ad market.

Prime's rapid expansion will eventually slow down as important markets reach saturation. Though at a slower rate, foreign expansion combined with calculated expenditures in unique content and fresh benefits will ensure that subscription services continue to grow.

COGS/Sales projection

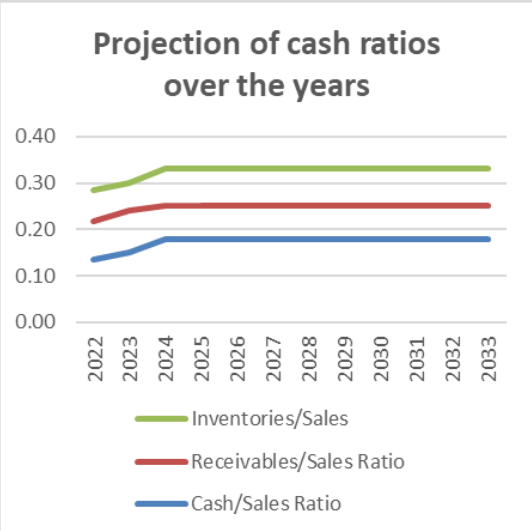
The historical decline in COGS/Sales from 2017 to 2023, Trend Synopsis In line with Amazon's efforts to increase cost effectiveness across its supply chain,

__Figure 6.6__ – Projection of Ratios



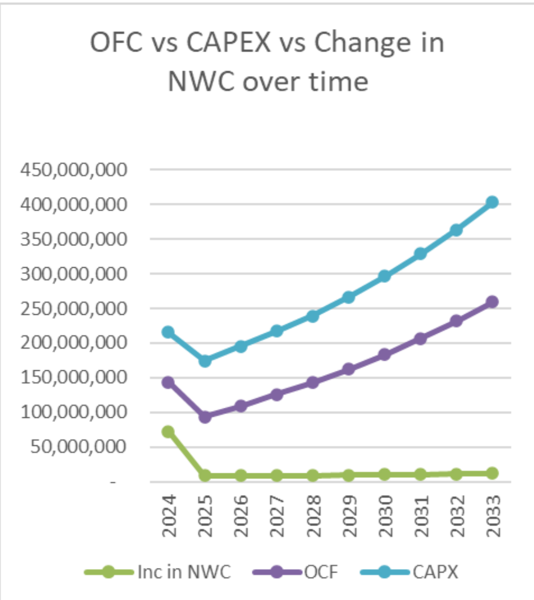
Source: *Company Data, Team estimated*

__Figure 6.7__ – Projection of cash ratios



Source: *Company Data, Team estimated*

__Figure 6.8__ –Prediction of OFC vs CAPEX vs Change in NWC



manufacturing, and logistics, the COGS/Sales ratio steadily decreased from 59.8% to 53.0% between 2017 and 2023. Amazon made significant investments in AI-driven inventory management, automation, and network optimization during this time, which helped to reduce operating expenses relative to sales.

COGS/Sales Fall (2024–2033) Estimates:

Over the next ten years, this projection assumes a steady, incremental improvement in Amazon's cost structure. It is anticipated that the elements that have previously spurred progress will continue and pick up speed as technology advances and tactics shift. Increased Automation and AI Adoption as Causes of Future COGS/Sales Decline: Automation Advances: By 2024 and beyond, it is anticipated that Amazon will keep implementing AI-driven supply chain management, automated delivery systems (such as drones and autonomous cars), and advanced robotics. These will reduce the cost of shipping, warehousing, and logistics dramatically, which will lower the COGS/Sales ratio. Amazon's capacity to buy products in large quantities at reduced prices gets stronger as it expands. This leads to decreased product costs per unit, which helps to lower the COGS/Sales ratio. Considering the trends and CEO Andy Jassy's emphasis on continuous cost reduction in recent reports, we anticipate that Amazon will reduce its COGS/Sales ratio to around 45% over the next 10 years. 51% in 2024 to 43% in 2033.

SG&A/Sales Ratio Projections first increase by 2021 to 27%, higher marketing, customer acquisition, and administrative expenses are reflected in this increase as Amazon expands its business. To accommodate its quick expansion, particularly in untapped and cutthroat markets, the company probably increased its marketing initiatives and administrative staff. As a result, SG&A costs began to account for a larger percentage of sales. Gradual Drop to 21% by 2033: As the brand gains more traction internationally, Amazon is anticipated to enhance operational effectiveness, expedite administrative procedures, and cut marketing expenses over time. AI and machine learning-driven increased automation of administrative and customer service tasks could result in a large reduction in overhead expenses. Because it distributes SG&A expenses over a bigger revenue base, the company's economies of scale also play a role in gradual decline.

Projected R&D/Sales Ratio (2017–2033) Continued Growth to 21% by 2033. This pattern shows how committed Amazon is to stay at the forefront of technology by consistently making investments in new ideas. It is anticipated that Amazon's R&D expenditure as a percentage of sales will rise as it pushes further into industries like robotics, AI, autonomous vehicles, and cloud computing. The company's entry into industries like financial technology and healthcare propels its R&D spending even higher.

Total revenue Projected Values:

Over the anticipated period, total revenue is expected to grow from $177.87 million to approximately $1.13 billion in the future.

An increase in consumer adoption is expected to drive a significant growth in total revenue as more people shop online, particularly in the post-pandemic era. Innovation and Investment: By consistently putting money into technology and logistics, Amazon improves its service quality and customer experience, which boosts sales. Competitive Advantage: Amazon's broad product offering, aggressive pricing strategy, and customer-focused mindset support its market leadership and spur revenue growth.

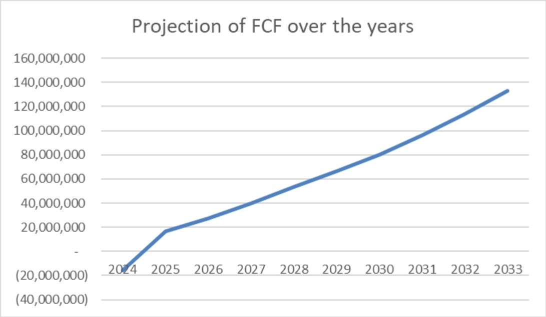
EBIT Projected Values: based on the projection, EBIT is expected to increase dramatically from 44 billion in 2024 to 208 billion in 2033.

Because of its growing product offerings, cloud services (AWS), and e-commerce platform, Amazon is expected to see significant revenue growth, as indicated by the strong growth in EBIT. Enhanced cost control and operational effectiveness will also support this growth, allowing Amazon to expand its business successfully. Given that it is utilizing AI and data analytics to improve customer experiences and operational efficiency, the growth indicates a positive outlook for Amazon's position in the market.

__Projected Balance Sheet__

Source: *Company Data, Team estimated*

Figure 6.9 *–Projection of FCF over the years*



Source: *Company Data, Team estimated*

Projected Cash/Sales Ratio: It is anticipated that the ratio will hover around 0.18, with very minor variations. Operational Efficiency: To maintain a stable cash flow from operations, Amazon keeps refining its cash management procedures. Sales Growth: A stable cash/sales ratio is supported by a consistent cash flow, which is made possible by the assumption of steady revenue growth. Liquidity Management: To handle short-term obligations without materially affecting its operations, Amazon may keep a strategic liquidity buffer.

Projected Receivables/Sales Ratio:

This ratio is expected to stabilize at 0.07. Customer Base: As Amazon grows, it continues to maintain an effective receivables collection process, which keeps the number of receivables relative to sales low. Credit Terms: According to the ratio, Amazon effectively manages credit terms, striking a balance between rapid sales growth and effective receivables management. Market Position: Because of its well-established connections and strong brand recognition, Amazon, a prominent e-commerce platform, probably enjoys quicker payment cycles.

Sales/Inventories Projections:

It is anticipated that the ratio will be about 0.8. By reducing excess inventory while meeting demand, Amazon's investments in technology and logistics enable effective inventory control. If sales continue to rise, Amazon will be able to maintain ideal stock levels due to efficient inventory turnover rates. Market Trends: The ratio is affected by Amazon's adjustment of its inventory strategies to match demand as consumer behaviour changes.

Projections for Fixed Assets/Sales:

This ratio is trending upward, with an estimated value of 0.62 to 0.66 by 2033. Growth in fixed assets is anticipated to support sales growth because of Amazon's dedication to investing in technology, warehouses, and fulfilment centres. As new business lines and continuous global market expansions occur, there is a greater demand for fixed assets, which supports the ratio's rise. Operational Scaling: As Amazon grows, the ratio shows a good use of fixed assets in comparison to rising sales, pointing to a harmony between revenue generation and capital expenditure.

Depreciation Projected Values:

It is anticipated stay about 0.33% due the average of last period. This upward trend is a result of Amazon's ongoing investments in both tangible and intangible assets, including equipment, technology infrastructure, and warehouses. The depreciation expense will increase along with the company's expansion into new markets and technological advancements to keep a competitive edge, signifying the aging of these assets over time.

Projected FCF

Projected values for Operating Cash Flow (OCF) indicate that it will increase from 71 billion in 2024 to 247 billion by 2033. The notable increase in OCF suggests that Amazon anticipates robust cash flow from its core business activities. Better working capital management and rising EBIT are credited with this improvement. Positive cash flows are expected to support Amazon's continued growth and investment plans as it increases sales across all its platforms and optimizes inventory levels.

Projected values for capital expenditures (CAPEX) will increase to about 143 billion USD in 2033. The pattern under consideration is indicative of Amazon's early growth strategy, which involved substantial investments in the expansion of fulfilment centres and the enhancement of technological capabilities. The company may be selling off assets or drastically cutting capital expenditures as it matures, preferring to concentrate on optimizing current assets rather than taking on new, capital-intensive projects, as suggested by the negative CAPEX in the later years. This could also mean that Amazon is moving its emphasis to more effective growth models or is getting close to saturation in some of its important markets.

Net Working Capital Projected Values: By 2033, NWC (Net Working Capital) is expected to decrease from 72 billion USD in 2024 to 12 billion USD. This decline in NWC suggests that Amazon anticipates a significant reduction in the funds tied up in its operational cycle, potentially due to improved efficiency in managing inventory, accounts receivable, and accounts payable.

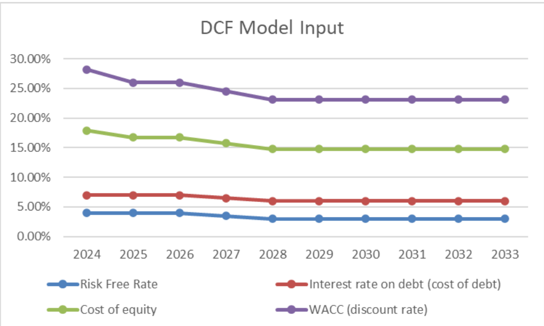
Projected Values for Free Cash Flow (FCF): FCF is expected increase from -73 billion in 2024 to about 91 billion by 2033. Given the first negative free cash flow (FCF) in 2024, it looks like Amazon is going to be heavily investing in growth strategies that demand large cash outflows, especially for CAPEX and NWC increases. But the positive FCF by 2033 implies that the business hopes to profit from its investments and eventually turn a sizable profit from its operations. This is a long-term strategy that puts Amazon in a good position for future growth by increasing profitability and cash generation through initial investments.

Table 7.1 *– DCF Assumption*

	2024	2033
Risk Free Rate	4.00%	3.00%
Market risk premium	6.00%	5.00%
Interest rate on debt (cost of debt)	3.00%	3.00%
Annual sales growth	10.43%	6.97%
Cost of equity	10.90%	8.75%
Capital Structure (% debt)	6.85%	6.85%
WACC (discount rate)	10.32%	8.32%

Source: *Company Data, Team estimated*

Figure 7.1 *– DCF Model Input*



VALUATION

To derive a target price for Amazon we have included over the period of 10 years we have used DCF and Relative Valuation Model for comparison.

Discounted Cash Flow Model (DCF)

The intrinsic value of Amazon's share price has been estimated through a thorough discounted cash flow (DCF) analysis. For stakeholders and investors who want to know the real worth of the company beyond its current market price, which is frequently impacted by whims and mood swings in the market, this analysis is crucial. The foundation of the DCF model is the idea that a company's value is inextricably linked to its potential to produce cash flow in the future. Taking advantage of Amazon's history of strong growth and profitability, this analysis focuses on the predictability and stability of the company's cash flows.

To evaluate Amazon's long-term financial health and give investors insight into the company's potential to generate future cash flows and, ultimately, its valuation based on those cash flows, the DCF analysis is an essential tool. For stakeholders seeking to make well-informed investment decisions based on a more profound comprehension of Amazon's market positioning and growth potential, the analysis's conclusions will be crucial.

Weighted Average Cost of Capital (WACC)

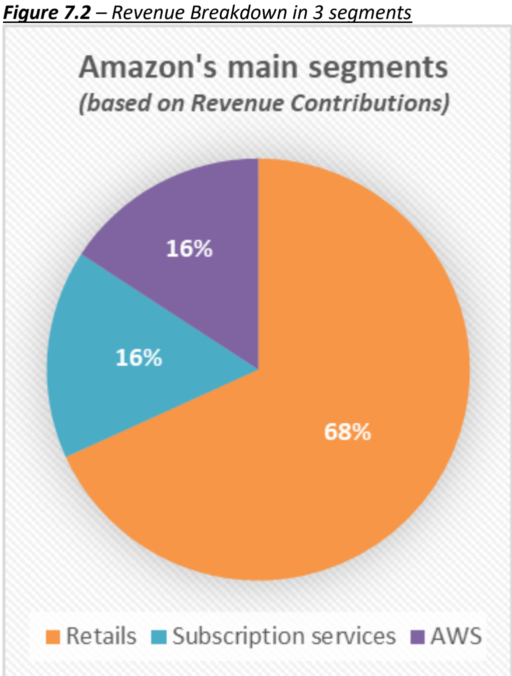
The Weighted Average Cost of Capital (WACC), which considers the market conditions and the company's distinct financial structure, has been carefully computed in order to determine an appropriate discount rate for Amazon. WACC is an important measure because it shows the average interest rate that investors in a company's securities are expected to pay to finance the company's assets. The WACC calculation for Amazon considers both the cost of debt and the cost of equity, with the goal of providing investors with a clear picture of the company's capital structure and operational risks.

***Table 7.2** – Beta Regression Output*

SUMMARY OUTPUT					
Regression Statistics					
Multiple R	0.614368				
R Square	0.377449				
Adjusted R	0.372128				
Standard E	0.071532				
Observatio	119				
ANOVA					
	df	*SS*	*MS*	*F*	*Significance F*
Regressioi	1	0.362968	0.362968	70.9363	1.07625E-13
Residual	117	0.598668	0.005117		
Total	118	0.961636			
	Coefficients	*Standard Err*	*t Stat*	*P-value*	*Lower 95%*
Intercept	0.010851	0.006649	1.631928	0.105383	-0.002317345
X Variable	1.264856	0.150178	8.422369	1.08E-13	0.967435646

Source: *Company Data, Team estimated*

***Figure 7.2** – Revenue Breakdown in 3 segments*



Source: *Company Data, Team estimated*

***Table 7.3** – Monte Carlo Simulation Result*

Simulation Statistic	
Mean	198.1567
SD	64.6890
25th Percentile	151.7201
Median	54.7166
75th Percentile	233.9291

Source: *Company Data, Team estimated*

Cost of Equity

A capital asset pricing model, or CAPM, is used to determine the cost of equity. The expected market return, the risk-free rate, and the company's beta, which gauges its volatility in the market, are all taken into consideration by this model.

Beta

The process of calculating Amazon's beta involved conducting linear regression of its stock price to the S&P 500 index. After averaging the resulting betas, a representative number reflecting Amazon's risk profile in comparison to the market was obtained.

Risk Free Rate and Market Risk Premium

The yield of a 10-year U.S. Treasury bond is commonly used as a benchmark for determining the risk-free rate, which represents the expected return on investment in an almost risk-free environment. The market risk premium is also a factor to consider. The extra return on investment anticipated from market investments over the risk-free rate is known as the market risk premium.

Cost Of Debt

The yield on Amazon's outstanding debt instruments is evaluated, taking into account the company's credit rating, to calculate the Cost of Debt. A risk-free rate plus a spread that represents the credit risk related to Amazon's debt are used to calculate the cost in this instance.

Capital Structure

Amazon's long-term financing strategy is used to evaluate its target capital structure. According to the analysis, a balanced structure with a target ratio of roughly 70% equity to 30% debt is recommended. The relative proportions of each component in the financing mix are reflected in the structure used to weight the costs of debt and equity in the overall WACC calculation.

Sales Growth

Amazon's revenue growth is primarily driven by a combination of expanding its product offerings, enhancing customer experience, and leveraging its technological infrastructure to optimize operations. The company has shown remarkable growth in various segments, including e-commerce, cloud computing (AWS), and subscription services (Amazon Prime).

Assumptions for the Terminal Value Component

Amazon's terminal growth rate is determined by several significant assumptions that capture the company's potential for long-term growth: Continuous Growth Rate: Estimates for Amazon's terminal growth rate range from 5% to 7%, which is conservative given its stronghold in cloud computing and e-commerce. This growth rate considers the retail market's maturity, the competitive landscape, and the expected expansion of AWS. Market Growth and Trends in E-Commerce: Amazon is in a strong position to gain market share as e-commerce adoption grows internationally, especially in underserved markets. Sustained revenue growth is supported by the company's initiatives to broaden its product offerings, optimize delivery logistics, and improve customer satisfaction.

Investment and Financing Module

Investment in Current Assets: Regular investment in current assets shows sound working capital management. Fixed Asset Investment: Rises to $143.32 million in 2033 from $71.36 million in 2022, because of Amazon's emphasis on infrastructural expansion. Replacement of Depreciated Assets: Amazon's commitment to operational efficiency is demonstrated by its plans to replace depreciated assets. Strategy for Financing Required Funding: peaks in the first years, indicating a need for outside funding during periods of expansion, and then starts to decline as cash flow gets better. Funding Sources: Effective cash generation from operations is demonstrated by a strong reliance on net income and depreciation. Net income increases over time in a substantial way. Debt and Equity Management: To maintain liquidity, Amazon manages its debt and equity by issuing equity when necessary.

RELATIVE VALUATION

To confirm our recommendation, we conducted a comprehensive relative valuation analysis for Amazon, using competitors such as Microsoft (MSFT), Google (GOOG), Target (TGT), Costco (COST), Walmart (WMT), eBay (EBAY), and Netflix (NTFZ).

We divided Amazon's business into three main segments: Retail (68% weight), Subscription (16% weight), and AWS (16% weight), reflecting their respective contributions. Each segment of Amazon has its own set of competitors.

We applied four key valuation multiples—P/E ratio, EBITDA multiple, Sales multiple, and Book Value multiple—from the competitors' financial data. After calculating and weighing these multiples for each segment, we determined the industry average and projected Amazon’s stock price to be $192.71.

Table 7.4 *– Relative Valuation*

	Cap Based on AVG	Price per share
P/E (forward or last earnings)	$ 790,343,048	76.12
EBITDA multiplier	$ 1,522,553,529	146.64
Sales multiplier	$ 3,510,881,194	338.14
Book Value multiplier	$ 2,179,912,602	209.95
	Average	**192.71**

Source: *Company Data, Team estimated*

Amazon's current share price as of October 4th, 2024, is $186.51, showing a +2.50% increase. This indicates that Amazon may still be slightly undervalued based on our valuation.

Target Price

In addition to the Discounted Cash Flow (DCF) model, we have employed a Relative Valuation analysis to refine our target price for Amazon. We used a 50:50 weighing between the DCF model and the Relative Valuation approach to calculate a balanced target price. By applying 50% weight to each method, we arrived at a target price of **$195.76**.

Table 7.5*– Target Price*

Method	Weight	Price per share
DCF	50%	198.80
Relative Valuation	50%	192.71
	Target Price	**195.76**

Source: *Company Data, Team estimated*

A Monte Carlo Simulation was also employed to assess the potential price outcomes for Amazon, modeling a diverse range of scenarios based on factors such as growth rates, market conditions, and segment performance.

Using Amazon's stock price data from 2014 to 2023, we calculated an average growth rate, and then used Excel's "What-If Analysis" data table to run 1,000 simulations. The simulation revealed an average projected price of $198.16, with a standard deviation of $64.69, closely aligning our target price of $195.76 from the DCF and Relative Valuation methods.

The 75th percentile value of $233.93 suggests potential upside in optimistic scenarios, while the 25th percentile value of $151.72 highlights the need for caution in more conservative market conditions.

Recommendation

With Amazon's current share price of **$180.08** (as of October 6th, 2024), this target price suggests that the stock is undervalued by approximately 5%. Given the moderate upside potential and considering Amazon's stable business across its Retail, Subscription, and AWS segments, we recommend a **BUY**. The stock market presents an opportunity for growth, especially if there are favorable developments in its core businesses or broader market improvements.

Investors looking for long-term gains may find this an attractive entry point, while monitoring for any significant catalysts that could further drive Amazon's valuation closer to the target price

INVESTMENT RISKS

Regulatory Risks

- Amazon operates in numerous regulatory environments, both domestically and internationally, each subject to changes that could affect its operations. Stricter data privacy laws, antitrust scrutiny, and changes in e-commerce taxation could impact Amazon's business model, especially in regions where it is under investigation for monopolistic practices. These regulations could increase operational costs or impose restrictions on its growth, affecting its ability to maintain market share.
- Additionally, Amazon Web Services (AWS), which contributes significantly to the company's profitability, faces heightened scrutiny from governments concerning data sovereignty, cybersecurity, and competition laws. Any changes or violations in these regulatory requirements may impose heavy fines or restrictions on AWS's expansion capabilities.

Operational Risks

- Amazon's reliance on its vast and complex technological infrastructure poses a substantial risk. A failure in key systems or a cyber attack on its cloud services or e-commerce platforms could disrupt business continuity and erode consumer trust. With a growing number of cybersecurity threats, any system downtime or data breach could significantly impact its operational efficiency and financial standing.
- The high dependency on its delivery network, including third-party carriers and its own logistics arm, exposes Amazon to disruptions such as strikes, supply chain bottlenecks, or rising transportation costs. Such risks may delay deliveries, impair customer satisfaction, and increase costs, affecting its bottom line and brand loyalty.
- Seasonality in consumer spending and economic downturns could further pressure Amazon's retail segment, particularly in regions more prone to fluctuations in disposable income and spending habits.

Economic Risks

- Despite Amazon's strong financial position, it remains vulnerable to broader economic uncertainties, including inflation, rising interest rates, and fluctuations in consumer demand. A prolonged economic slowdown could result in reduced consumer spending, especially in discretionary categories, impacting Amazon's overall growth and profitability.
- Increased competition from both domestic and international players in the e-commerce and cloud computing sectors could put downward pressure on margins. If Amazon fails to maintain its competitive edge in technology, customer experience, and logistics efficiency, it could lose market share to competitors like Microsoft, Google, and Alibaba.

The volatility of global markets, particularly in relation to currency exchange rates, could impact on Amazon's international operations, limiting growth potential or increasing costs. Additionally, geopolitical tensions and trade restrictions in key markets, such as China, may affect supply chain efficiency and product availability

DATA SOURCES

Global net revenue of Amazon from 2014 to 2023, by product group:

https://www.businessofapps.com/data/amazon-statistics/

Global net revenue of Amazon from 2014 to 2023, by product group:

https://www.statista.com/statistics/672747/amazons-consolidated-net-revenue-by-segment/

AMAZON.COM ANNOUNCES FOURTH QUARTER RESULTS:

https://s2.q4cdn.com/299287126/files/doc_financials/2023/q4/AMZN-Q4-2023-Earnings-Release.pdf

CEO Andy Jassy's 2023 Letter to Shareholders:

https://www.aboutamazon.com/news/company-news/amazon-ceo-andy-jassy-2023-letter-to-shareholders

Appendix

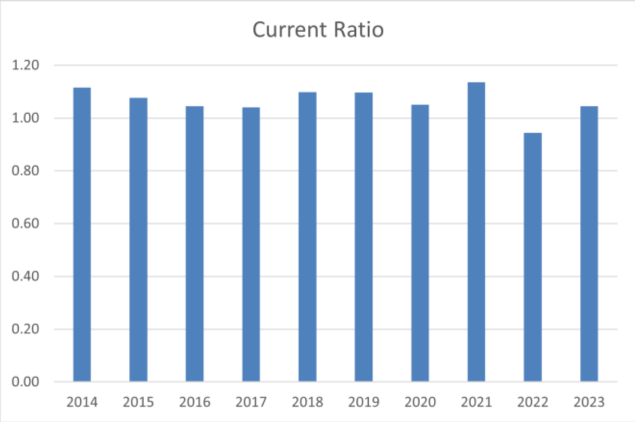
Common Size Income statement

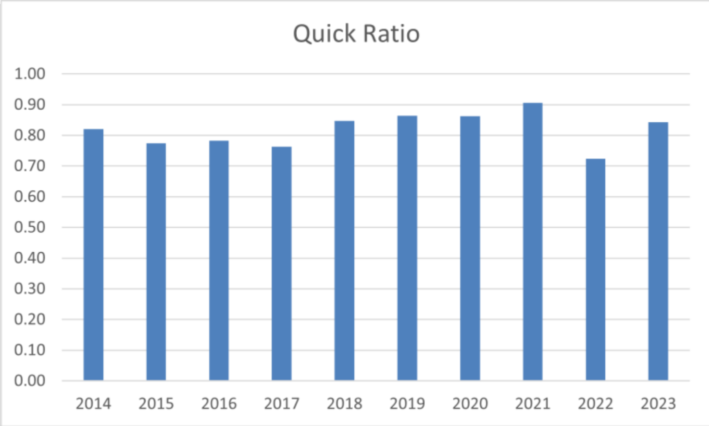
Standardized Annual Income Statement										
Report Date	**12/31/2014**	**12/31/2015**	**12/31/2016**	**12/31/2017**	**12/31/2018**	**12/31/2019**	**12/31/2020**	**12/31/2021**	**12/31/2022**	**12/31/2023**
Currency	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**
Audit Status	**Not Qualified**	**Not Qualified**	**Not Qualified**	**Not Qualified**	**Not Qualified**	**Not Qualified**	**Not Qualified**	**Not Qualified**	**Not Qualified**	**Not Qualified**
Consolidated	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
Scale	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**
Sales Revenue										
Total Revenue	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Direct Costs	**71%**	**67%**	**65%**	**63%**	**60%**	**59%**	**60%**	**58%**	**56%**	**53%**
Gross Profit	**29%**	**33%**	**35%**	**37%**	**40%**	**41%**	**40%**	**42%**	**44%**	**47%**
Selling General & Admin	**19%**	**19%**	**20%**	**22%**	**22%**	**23%**	**23%**	**25%**	**27%**	**26%**
Research & Development	**10%**	**12%**	**12%**	**13%**	**12%**	**13%**	**11%**	**12%**	**14%**	**15%**
Other Operating Expense	0.15%	0.16%	0.12%	0.12%	0.13%	0.07%	-0.02%	0.01%	0.25%	0.13%
Total Indirect Operating Costs	**29%**	**31%**	**32%**	**35%**	**35%**	**36%**	**34%**	**37%**	**41%**	**41%**
Operating Income	**0%**	**2%**	**3%**	**2%**	**5%**	**5%**	**6%**	**5%**	**2%**	**6%**
Interest Income	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Gains on Sale of Assets									**-3%**	**0%**
Foreign Exchange Gains									**0%**	**0%**
Other Non-Operating Income	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**1%**	**3%**	**0%**	**0%**
Total Non-Operating Income	**0%**	**-1%**	**0%**	**0%**	**0%**	**0%**	**0%**	**3%**	**-4%**	**0%**
Earnings Before Tax	**0%**	**1%**	**3%**	**2%**	**5%**	**5%**	**6%**	**8%**		**7%**
Taxation	**0.19%**	**0.89%**	**1.05%**	**0.43%**	**0.51%**	**0.85%**	**0.74%**	**1.02%**	**-0.63%**	**1.24%**
Equity Earnings	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Extraordinary Items	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Accounting Changes	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Net Income	**-0.27%**	**0.56%**	**1.74%**	**1.71%**	**4.33%**	**4.13%**	**5.53%**	**7.10%**	**-0.53%**	**5.29%**
Preference Dividends & Similar	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Net Income to Common	**0%**	**1%**	**2%**	**2%**	**4%**	**4%**	**6%**	**7%**	**-1%**	**5%**

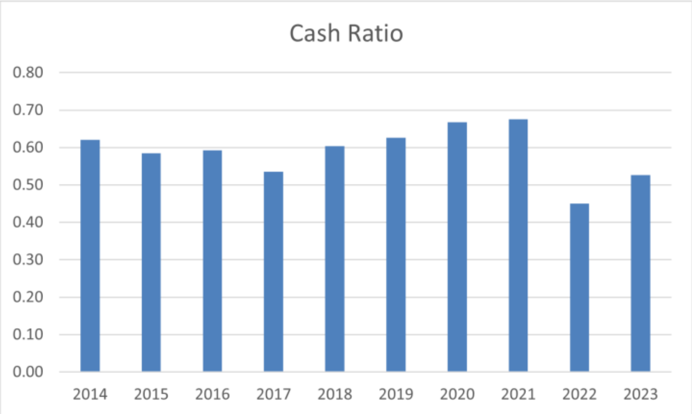
Common Size Balance sheet-

Standardized Annual Balance Sheet										
Report Date	**12/31/2014**	**12/31/2015**	**12/31/2016**	**12/31/2017**	**12/31/2018**	**12/31/2019**	**12/31/2020**	**12/31/2021**	**12/31/2022**	**12/31/2023**
Currency	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**
Audit Status	**Not Qualified**	**Not Qualified**	**Not Qualified**	**Not Qualified**	**Not Qualified**	**Not Qualified**	**Not Qualified**	**Not Qualified**	**Not Qualified**	**Not Qualified**
Consolidated	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
Scale	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**	**Thousands**
Cash & Equivalents	32%	30%	31%	24%	25%	24%	26%	23%	15%	16%
Cash & Equivs & ST Investments	32%	30%	31%	24%	25%	24%	26%	23%	15%	16%
Receivables (ST)	10%	10%	10%	10%	10%	9%	8%	8%	9%	10%
Inventories	15%	16%	14%	12%	11%	9%	7%	8%	7%	6%
Other Current Assets	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total Current Assets	57%	56%	55%	46%	46%	43%	41%	38%	32%	33%
Gross Property Plant & Equip	42%	46%	51%	52%	59%	53%	54%	57%	61%	61%
Accumulated Depreciation	11%	13%	16%	15%	21%	21%	19%	19%	21%	23%
Net Property Plant & Equip	**31%**	**33%**	**35%**	**37%**	**38%**	**32%**	**35%**	**38%**	**40%**	**39%**
Intangible Assets	**6%**	**6%**	**5%**	**10%**	**9%**	**7%**	**5%**	**4%**	**4%**	**4%**
Other Assets	**5%**	**5%**	**6%**	**7%**	**7%**	**18%**	**19%**	**20%**	**24%**	**24%**
Total Assets	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Accounts Payable & Accrued Exps	30%	31%	30%	26%	23%	21%	23%	19%	17%	27%
Accounts Payable	**30%**	**31%**	**30%**	**26%**	**23%**	**21%**	**23%**	**19%**	**17%**	**16%**
Accrued Expenses										11%
Current Debt										2%
Current Lease Obligations										0%
Other Current Liabilities	21%	21%	22%	18%	19%	18%	17%	15%	16%	3%
Total Current Liabilities	**52%**	**52%**	**53%**	**44%**	**42%**	**39%**	**39%**	**34%**	**34%**	**31%**
LT Debt & Leases	**23%**	**22%**	**18%**	**29%**	**24%**	**10%**	**10%**	**12%**	**15%**	**13%**
Deferred LT Liabilities	2%	2%	0%	1%	1%					
Minority Interests	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other Liabilities	4%	4%	6%	5%	6%	23%	22%	22%	20%	18%
Total Liabilities	**80%**	**80%**	**77%**	**79%**	**73%**	**72%**	**71%**	**67%**	**68%**	**62%**
Common Share Capital	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Additional Paid-In Capital	20%	20%	21%	16%	16%	15%	13%	13%	16%	19%
Retained Earnings	4%	4%	6%	7%	12%	14%	16%	20%	18%	22%
Accum Other Comprehensive Income	-1%	-1%	-1%	0%	-1%	0%	0%	0%	-1%	-1%
Treasury Stock	3%	3%	2%	1%	1%	1%	1%	0%	2%	1%
For Curr Trans (BS)	-1%	-1%	-1%	0%						
Other Equity	1%	1%	1%	0%	0%	0%	0%	0%	0%	0%
Total Equity	**20%**	**20%**	**23%**	**21%**	**27%**	**28%**	**29%**	**33%**	**32%**	**38%**
Total Liabilities & Equity	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

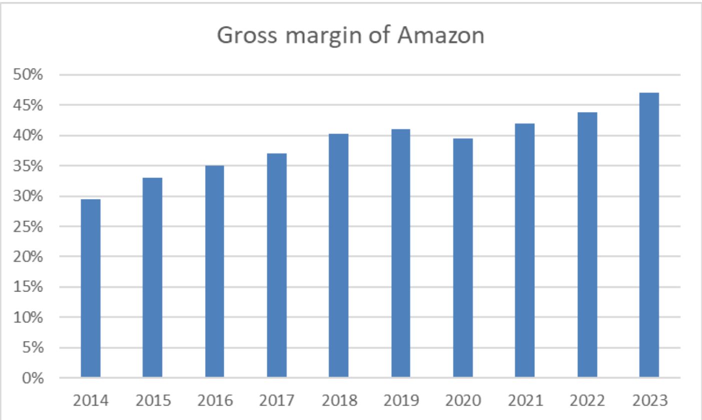
Liquidity Ratios

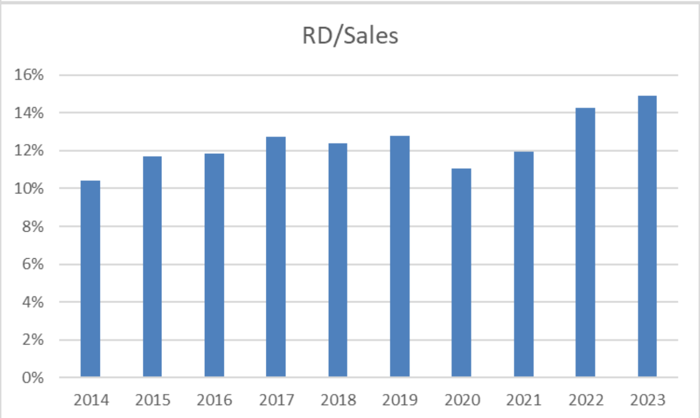


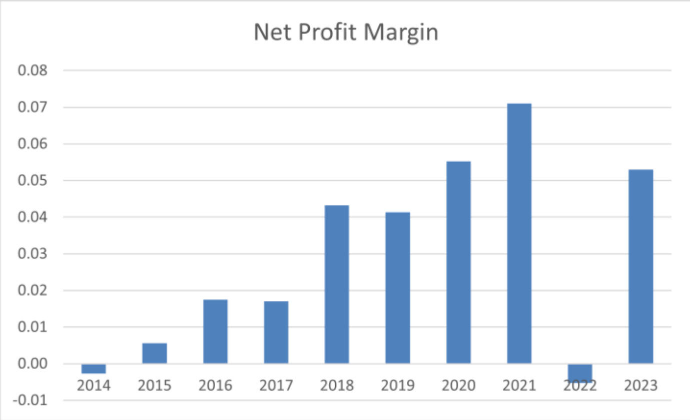


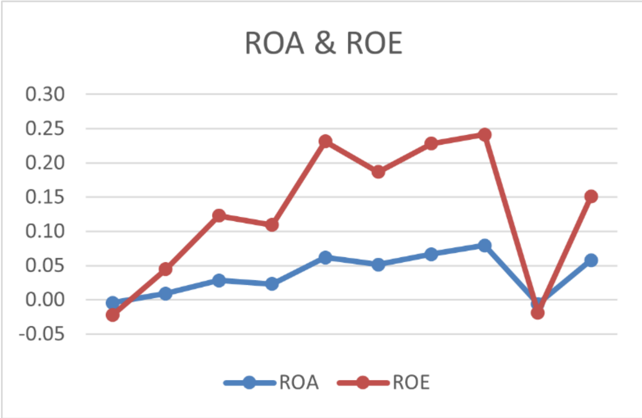


Profitability Ratios

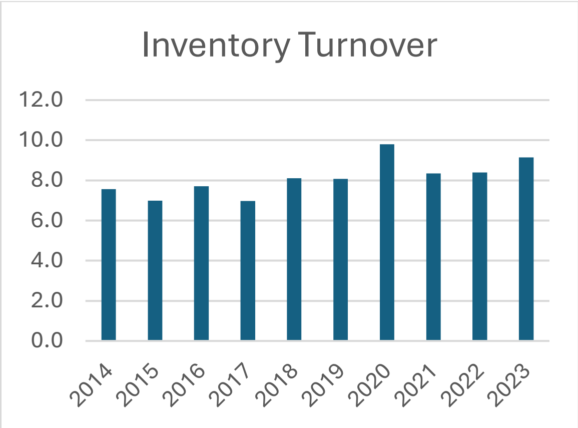


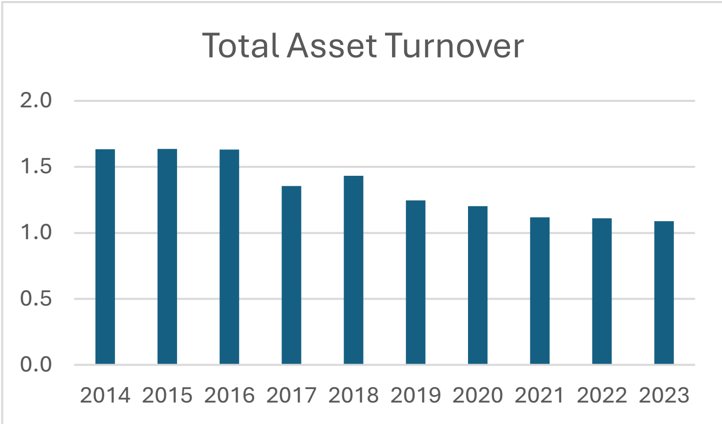


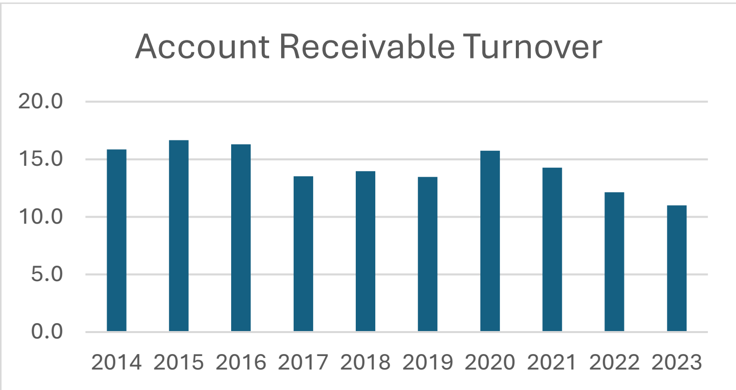


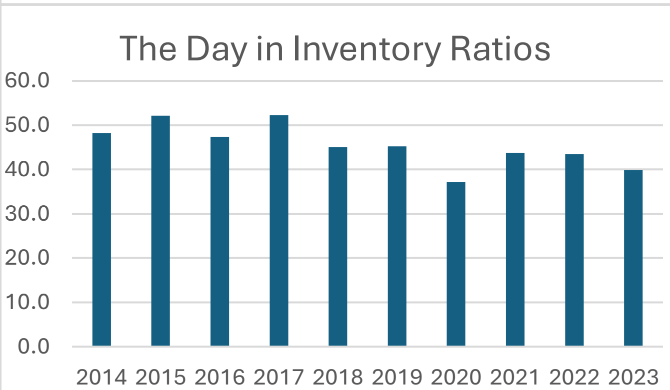


Efficiency Ratios

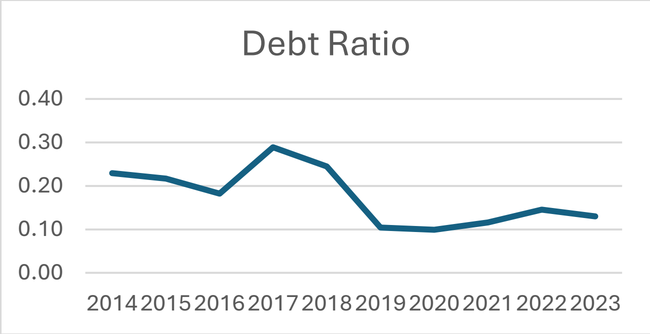


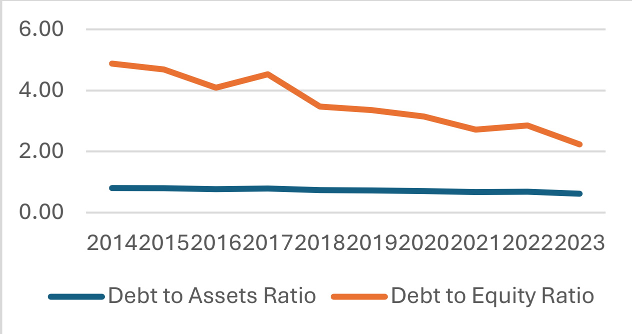






Long term solvency ratios





DCF model

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
External Factors										
Risk Free Rate	4.00%	4.00%	4.00%	3.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Market risk premium	6.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Interest rate on debt (cost of debt)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Annual sales growth	10%	10%	9%	8%	7%	7%	7%	7%	7%	7%
Cost of equity	10.90%	9.75%	9.75%	9.25%	8.75%	8.75%	8.75%	8.75%	8.75%	8.75%
Capital Structure (% debt)	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%
WACC (discount rate)	10.32%	9.25%	9.25%	8.79%	8.32%	8.32%	8.32%	8.32%	8.32%	8.32%
Perpetual CF growth	6%									
Perpetual discount	8.32%									
Payout and financing										
Debt portion to fin operations	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Payout ratio	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Relative Valuation

			Microsoft	Alphabet	Target	Costco	Walmart	Ebay	Netflix
	AMZN		MSFT	GOOG	TGT	COST	WMT	EBAY	NTFZ
Market Cap	$ 1,577,593,020		$ 2,780,316,000	$ 1,751,626,800	$ 64,320,561	$ 291,186,957	$ 419,130,160	$ 22,215,490	$ 210,702,189
Shares outstanding	10,383,000		7,434,000	12,460,000	461,675	443,126	8,054,000	517,000	432,760
NET INCOME	34,871,696								
NET INCOME (last)	$ 30,425,000		$ 88,136,000	$ 73,795,000	$ 4,138,000	$ 7,367,000	$ 15,511,000	$ 2,767,000	$ 5,407,990
EBITDA	$ 78,734,641		$ 101,057,000	$ 75,877,000	$ 3,925,000	$ 25,970,000	$ 19,573,000	$ 1,853,000	$ 6,852,701
SALES	$ 634,723,260		$ 245,122,000	$ 307,394,000	$ 107,412,000	$ 25,445,300	$ 648,125,000	$ 10,112,000	$ 20,588,313
BOOK VALUE (EQUITY)	$ 298,202,522		$ 268,477,000	$ 283,379,000	$ 13,432,000	$ 23,622,000	$ 83,861,000	$ 6,396,000	$ 20,588,313

	Cap Based on AVG	Price per share
P/E (forward or last earnings)	$ 790,343,048.22	**$ 76.12**
EBITDA multiplier	$ 1,522,553,528.81	**$ 146.64**
Sales multiplier	$ 3,510,881,194.17	**$ 338.14**
Book Value multiplier	$ 2,179,912,601.74	**$ 209.95**
	Average	**$ 192.71**