

Amazon.com, Inc. (AMZN-US)

At 7 February 2024

Sector:	Consumer Discretionary
Market cap (US\$m):	1,757,025
Price (US\$):	169.15
Consensus 12-month target price (US\$):	203.95
Upside/downside to target price (%):	20.6%
12-month dividend yield (%):	0.0%
Total stock return (TSR)*:	20.6%
* TSR = Upside/downside to target price + 12-month forward dividend yield.	

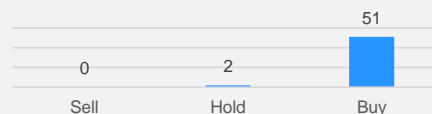
Morningstar rating:

Hold

Citi rating:

BUY

FactSet rating spread:



Company profile

Amazon is a leading multinational e-Commerce company and retailer. The company's key product offering is retailing, providing a platform for both buyers and sellers. The company also provides web services such as cloud computing, storage and database, as well as advertising services. Amazon distributes content through its media and gaming platforms. It also has cobranded credit cards and has developed its own consumer products, such as the Kindle.

Bull points



Amazon is well positioned as a leader in e-commerce and continues to leverage this position and scale to further invest in growth initiatives and enhance customer experience.

Amazon have a first mover advantage in the cloud computing market and have a clear lead in terms of the level of features and functionality that they can offer customers. The industry is very capital intensive and has strong barriers to entry and therefore it is very unlikely that new entrants will be able to effectively compete.

Retention and expansion of Amazon Prime memberships, which will ultimately result in recurring, high margin revenue, demonstrating the power of the network effect that Amazon's brand employs.

Bear points



Amazon is mandated by regulatory concerns in big technology firms, which may hinder international expansion.

Amazon may face difficulties penetrating global markets due to competitive logistic networks. There is a risk that Amazon cannot penetrate its targeted new retail categories such as luxury goods. This may be due to improved e-commerce competition from traditional retailers as a result of COVID.

As an enabler of online retail and with a business model that is based on fees derived from online retail transactions, Amazon's business is susceptible to changes in consumer spending.

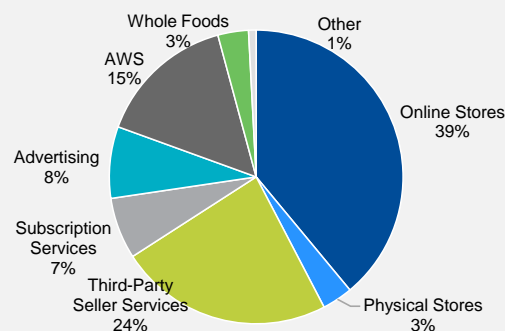
Amazon is investing in its fulfillment network, AWS data centres, delivery logistics, etc. These investments may weigh on near-term margins.

Past performance

(USD bn)	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	5-yr CAGR
Sales	280.52	386.06	469.82	513.98	574.79	15.4%
EBITDA	36.53	48.08	59.24	55.43	86.28	18.8%
EBIT	14.74	22.82	24.94	13.51	37.62	20.6%
Net income	11.59	21.33	33.36	(2.72)	30.43	21.3%
EPS (US\$)	1.15	2.09	3.24	(0.27)	2.90	20.3%
DPS (US\$)	-	-	-	-	-	n.a.
Div yield (%)	-	-	-	-	-	n.a.
EBITDA mgn (%)	13.0	12.5	12.6	10.8	15.0	2.9%
EBIT mgn (%)	5.3	5.9	5.3	2.6	6.5	4.5%
ROE (%)	21.9	27.4	28.8	-	17.5	-4.4%
TDebt%TEQ	124.9	107.6	95.7	106.1	76.6	-9.3%

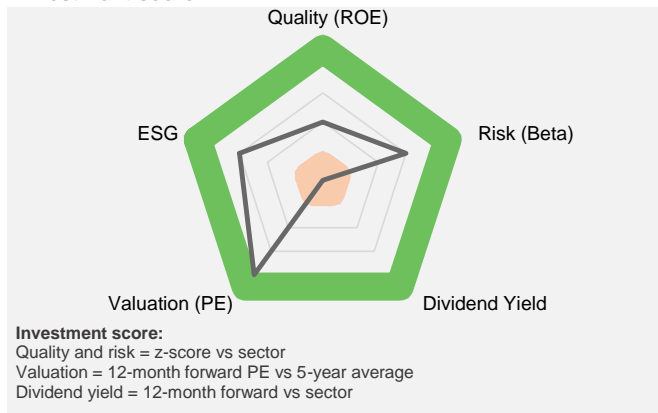
Source: FactSet

Revenue by segment (FY23)



Source: FactSet

Investment score



Source: FactSet, Morgans

Quarterly update

Amazon's 4Q22 result was slightly above consensus expectations. The company reported a 9% revenue increase to US\$149.2bn (vs guidance of US\$140-148bn and consensus of US\$145.8bn), EBIT decreased to US\$2.74bn from US\$3.5bn on the pcp (vs guidance of US\$0-4.0bn and consensus of US\$2.68bn). Adjusted EPS jumped 36% to US\$0.38 per share but was below consensus forecast of US\$0.53.

Amazon provided 1Q23 sales guidance of US\$121bn to US\$126bn (current Bloomberg consensus: US\$125.55bn), or growth of 4% to 8% on the pcp. This guidance anticipates a forex headwind impact of approximately 2%. EBIT is expected to be between US\$0-4.0bn, compared to US\$3.7bn in the pcp.

Amazon experienced strong consumer demand in the 4Q due to the wide range of third-party sellers providing accommodating pricing options in an uncertain environment for the consumer. The consumer responded positively to a growing selection and competitive prices, with everyday essential items a strong spending category according to management.

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