

Amazon.com (AMZN US)

FUNDAMENTAL VIEW ¹

As of 25 Feb 2025

- We continue to have confidence in CEO Andy Jassy and the company's long-term business for both AWS and Stores. The recent operating trends reinforce our views particularly the margin improvement. We continue to believe that Amazon is an underappreciated winner in Generative AI given the breadth of its cloud business and offerings including custom silicon and its platform Bedrock.
- Gross leverage declined to 0.4x and 0.9x on a lease-adjusted basis. While Amazon is increasing its capex spend (along with the other hyperscalers), we are encouraged by its debt reduction and zero shareholder returns. Also, Amazon's equity cushion is ~\$2.2 tn. There are risks related to the FTC suit although we expect those to be addressed by behavioral remedies, and we view a breakup as unlikely.

RISKS & CATALYSTS

As of 25 Feb 2025

- We think Amazon has moderate event risk given its large size (~\$2.2 tn market cap).
- While Amazon is increasing its CapEx spend, we are encouraged by the \$14 bn reduction in lease-adjusted debt from year-end 2022 through year-end 2024.
- Amazon continues to face regulatory scrutiny. In September 2023, the FTC and 17 states filed a lawsuit against Amazon and accused the company of (1) punishing sellers for offering lower prices elsewhere and (2) making Prime eligibility conditional on usage of fulfillment services. The biggest risk would be a breakup, although we view that as unlikely.
- Amazon's \$14 bn acquisition of Whole Foods has shown its proclivity for large M&A, although the regulatory environment could make large deals challenging.

KEY METRICS

As of 25 Feb 2025

\$ MN	2020	2021	2022	2023	LTM 4Q24
Revenue YoY %	37.6%	21.7%	9.4%	11.8%	11.0%
EBITDA	57,284	71,994	74,593	110,305	144,162
EBITDA Margin	14.8%	15.3%	14.5%	19.2%	22.6%
CapEx % of Sales	12.1%	13.3%	11.5%	8.5%	12.3%
Sh. Ret. % of CFO-CapEx	0%	0%	(49%)	0%	0%
Net Debt	(50,497)	(44,771)	7,316	(19,598)	(43,202)
Gross Leverage	0.6x	0.7x	1.0x	0.6x	0.4x
EV / EBITDA	28.3x	23.3x	11.7x	14.4x	16.1x

BUSINESS DESCRIPTION

As of 25 Feb 2025

- Amazon is an e-commerce company which sells a wide range of its own products and those of 3rd party sellers. Amazon offers fulfillment services for 3rd party sellers (FBA) and sells cloud computing services (AWS). In 4Q24, 3rd party units were 62% of total paid units, and FBA units are a majority of 3rd party units.
- In LTM 4Q24, NA segment was 61% of sales, International was 22% of sales, and AWS was 17% of sales.
- Amazon disclosed it surpassed 200 mn Prime members in April 2021. The annual membership was increased in February 2022 from \$119 to \$139 in the US, although fees vary by country. In mid-2019, Amazon Prime began to transition from 2-day to 1-day shipping. Amazon Prime also offers Prime Video, streaming music, and other benefits.
- In 2006, Amazon launched AWS which remains the leader in cloud computing (IaaS/PaaS). Amazon sells its own devices (e-reader, smart speaker, streaming media player, etc.).

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