

Company: Amazon.com		Ticker: AMZN	Current Price: \$2879.56	Sector: Consumer Discretionary	Industry: E-commerce & Cloud Services
Target Price: \$3,217.48	TTM P/E: 54.32	Beta: 1.16	Market Cap: \$1460.36B		
Stop Loss: \$2,318	Forward P/E: 43.29	Credit Rating: AA (S&P)	Dividend Yield: N/A		
52 Week Low / High: \$2707.04-\$3773.08	TTM EPS: 51.14				

Investment Thesis:
It is in our opinion that the company Amazon.com, Inc. (NASDAQ: AMZN) is a buy at its current price based on the following value drivers:

- Strong existing customer base with options to expand into untapped markets**
- High pricing power over customers and suppliers**
- Increased margin expansion with investments in efficiency, innovation, and Amazon Web Services**
- Strong brand reputation for fast, quality, and ease of service**

Company Overview:
Amazon.com, Inc. (AMZN) is an American technology company focused on e-commerce, cloud computing, digital streaming, and artificial intelligence. AMZN distinguishes itself into three different business segments: North America, International, and Amazon Web Services (AWS). With \$236B of revenue in 2020, North America has historically been AMZN's largest and fastest growing segment. Its International segment has historically performed at a loss, but experienced positive margins in 2020. With recent investment into international regions, AMZN will likely experience further margin expansion and revenue growth. Both revenue from North America and the International segments consist of sales (including third-party items) on Amazon.com, revenue from physical stores (Amazon Go and Whole Foods), and subscription services (Amazon Prime). AWS is the last segment that makes up around 12% of AMZN's total revenue but produces more than half of its operating income. This is a very high margin business within an industry that is rapidly growing. AWS provides services such as cloud computing, data storage, machine learning, and database analytics. AMZN currently owns 32% market share in the cloud provider industry and is in a great position to defend this market share from its competition.

Industry Analysis:
AMZN engages in many business operations, so it is best distinguished as a participant in the e-commerce, cloud services, and online streaming industries. In the U.S. e-commerce industry, AMZN holds the greatest market share of 41% against companies such as Walmart, eBay, and Apple. Internationally, countries such as Turkey, India, and Japan are anticipated to experience the greatest growth in e-commerce sales, and AMZN is well-positioned to capture a growing market share given that those are regions it has recently expanded to. Within the cloud services industry, AWS competes against vendors such as Microsoft, Google, Alibaba, and IBM. Over the next five years, this industry is expected to grow at a CAGR of 16.3%, and AMZN is well-positioned to defend its market share given its long-standing contracts with government organizations and major businesses, such as Netflix. AMZN also competes in the online streaming industry, which is anticipated to grow at a CAGR of 18.74% over the next three years, mostly due to increasing internet access. AMZN distinguishes itself from competitors such as Netflix, Hulu, and Disney by including exclusive shopping and discounts, alongside streaming services, in a Prime subscription. In the U.S. AMZN is already the second most used streaming service, and its upcoming acquisition of MGM studios will further expand and improve its market share and content offerings.

Investment Risks:

- Intense Competition-** AMZN operates in many different industries and faces intense competition. Year after year AMZN invests its earnings back into the company to build out its global infrastructure. AMZN is still the global leader in e-commerce and cloud services and we believe they are in a strong position to defend and gain market share.
- Government Regulation-** Amazon faces government pressure because of some of its monopolistic tendencies. Mitigants to these claims include the fact that government agencies depend on AMZN's services, especially AWS. Also, services such as Amazon Prime have completely changed consumers preferences. Yes AMZN may limit competition, but it delivers quick and efficient services that people depend on.
- International Expansion-** As AMZN builds out its infrastructure internationally they will face margin depression and unforeseen risks. Over time we expect margins to increase as they achieve economies of scale. Also, AMZN has revenue diversification both geographically and product wise that should mitigate some of these concerns.
- Cyber Security-** AMZN relies on strong cyber security to maintain its services and protect customers important data. They are constantly investing into their technology and have a large amount of resources to combat any potential threats. Also, AMZN employs many leading edge precautions like encrypted data storage and other various security measures that also mitigate its cyber risk.

Financial Performance:

numbers in millions

	2017	2018	2019	2020	2021 - Q1	2021 - Q2	2021 - Q3
Revenue	106,110	141,366	170,773	236,282	108,518	113,080	110,812
Revenue Growth %	30.80	33.23%	20.80%	38.36%	-13.56%	4.21%	-2.01%
Gross Profit	39,334	56,899	69,999	93,496	46,115	48,904	47,882
Gross Margin %	37.07	40.25	40.99	39.57	42.49	43.25	43.10
Operating Income	4,106	12,421	14,541	22,899	8,865	7,702	4,852
EBIT	3,037	10,064	11,602	21,315	8,107	7,778	3,156
FCF	-1,526	8,439	12,504	20,309	-7,869	-1,573	-8,435
EPS	4.55	20.14	23.01	41.83	15.79	15.12	6.12

Company	Ticker	52 Week Range	Current Price	Market Capitalization (Billions)	EPS TTM	ROIC	P/S Ratio	P/B Ratio	P/E Ratio
Alibaba	BABA	108.70 - 274.29	\$111.79	\$1,930	42.91	6.67	2.37	1.80	2.61
Etsy	ETSY	136.00 - 307.75	\$139.54	\$18	3.56	24.66	7.9	33.08	39.20
Ebay	EBAY	51.51 - 81.19	\$56.70	\$35	3.97	22.51	3.5	3.28	14.28
Apple Inc.	AAPL	116.21 - 182.94	\$159.22	\$2,600	6.02	46.25	7	36.17	26.45
Walmart	WMT	126.28 - 152.57	\$135.84	\$377	6.31	9.51	0.7	4.6	21.53
Amazon	AMZN	2707.04 - 3773.08	\$2,792.75	\$1,416	51.12	11.97	3.1	11.74	54.63
Averages:					21.57	15.06	3.51	10.90	26.45
Company	Ticker	52 Week Range	Current Price	Market Capitalization (Billions)	EPS TTM	ROIC	P/S Ratio	P/B Ratio	P/E Ratio
Microsoft	MSFT	224.26 - 349.67	\$299.84	\$2,248	8.73	28.87	12.20	14.05	34.35
Adobe	ADBE	420.78 - 699.54	\$493.05	\$233	9.99	27.73	14.9	15.83	49.35
Oracle	ORCL	60.21 - 106.34	\$79.78	\$213	4.16	18.11	5.4	35.80	19.18
Google	GOOGL	1801.56 - 3019.33	\$2,580.10	\$1,713	87.90	14.57	7.2	7.01	29.35
Alibaba	BABA	108.70 - 274.29	\$111.79	\$1,930	42.91	6.67	2.37	1.80	2.61
Amazon	AMZN	2707.04 - 3773.08	\$2,792.75	\$1,416	51.12	11.97	3.1	11.74	54.63
Averages:					34.14	17.99	7.53	14.37	31.58
Company	Ticker	52 Week Range	Current Price	Market Capitalization (Billions)	EPS TTM	ROIC	P/S Ratio	P/B Ratio	P/E Ratio
Netflix	NFLX	351.46 - 700.99	\$386.70	\$172	10.75	18.02	5.80	11.12	35.97
Disney	DIS	129.26 - 203.02	\$135.42	\$247	1.58	1.94	3.6	2.72	85.71
Roku	ROKU	139.47 - 490.76	\$147.82	\$20	2.03	-1.29	7.6	7.39	72.82
Amazon	AMZN	2707.04 - 3773.08	\$2,792.75	\$1,416	51.12	11.97	3.1	11.74	54.63
Averages:					18.24	4.21	4.77	7.28	71.05

Team Blue: Devin Stachelsky, Karolina Tarnacki, Connor Avallone
Sources: Bloomberg, TD Ameritrade, Yahoo Finance, Statista

Discounted Cash Flow:

	2016-2021	2022-2030
Avg Revenue growth	29.95%	16.94%
Avg Net Income Margin	3.93%	6.38%
Avg FCF / Margin	2.89%	5.05%
Tax Rate	10%	
Hurdle Rate / Perpetual Growth Rate	8.5% / 4%	

Analyst Opinion

Buy: 50	Hold: 2	Sell: 0
Rating		Target
Average Consensus		Buy
		\$4,055

Returns

	5 Year Return	1 Year Return
AMZN	230.98%	-16.50%
S&P 500	107.49%	14.58%

