

**Research Analyst:**

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Student Managed Fund

Sector: Consumer Cyclical	Industry: Internet Retail	Date: 2/4/2022
Current Price: 3120.32	Target Price: \$3850.48	Recommendation: BUY

Market Cap: \$1.41T	Operating Margin: 5.37%
52-Week High: \$3773.08	P/E Ratio: 42.8
52-Week Low: \$2707.04	EPS: 51.1
Dividend Yield: n/a	Beta: 1.13



Investment Thesis

Amazon is a dominant retail ecommerce company that has been successful by acquiring and integrating diverse businesses in their revenue stream. Their AWS cloud software is a market leader in the cloud computing space, which has been particularly booming during the pandemic as more people adapt to work from home. Amazon's dedication to innovation and technology keeps them at the forefront of the technology and retail industry.

Company Overview

Amazon operates in 5 main segments: online stores, ASW, third party selling services, Subscriptions and Physical stores.

- **Online Stores:** eCommerce sales made on the Amazon website
 - **Competitors:** JD & Walmart
- **Amazon Web Services:** Cloud-based service offerings (i.e. storage, analytics, and AI)
 - **Competitive Advantage:** We serve developers and enterprises of all sizes, including start-ups, government agencies, and academic institutions, through AWS, which offers a broad set of on-demand technology services, including compute, storage, database, analytics, and machine learning, and other services.; **Competitors:** Google Cloud & Microsoft Azure
- **Third Party Selling Services:** Commission and shipping fees on products sold by third-party vendors
 - **Competitive advantage:** "Offer programs that enable sellers to grow their businesses, sell their products in our stores and fulfill orders through us. We are not the seller of record in these transactions." **Competitors:** Ebay & Etsy
- **Subscription Services:** Revenue generated from their subscription services, notably Amazon Prime
 - **Amazon Prime** : a membership program that includes unlimited free shipping on over 100 million items, access to unlimited streaming of tens of thousands of movies and TV episodes, including Amazon Original content, and other benefits; **Competitors:** Netflix, Disney+, and Apple Music
- **Physical Stores:** Revenue from Whole Foods and other physical stores like Amazon Go
 - **Competitors:** Walmart, Costco, B&N
- **Other:** Ad revenue, co-branded credit cards & shipping
 - **Competitors:** Target card, Google

Industry Outlook

Company	Ticker	Market Cap (\$B)	Forward P/E	EPS	Enterprise Value (\$B)	EBITDA (\$B)	EV/EBITDA	Beta (5Y monthly)
Amazon	AMZN	1576	43.29	51.1	1440	60.40	23.84	1.13
Alphabet	GOOG	1957	25.58	103.81	1780	91.15	19.53	n/a
Microsoft	MSFT	2350	32.57	9.39	2290	90.83	25.21	0.89
Ebay	EBAY	36	12.84	18.28	30.2	3.48	8.69	1.14
Etsy	ETSY	17	36.1	3.37	19.42	0.55	35.60	1.68
Walmart	WMT	388	21.14	2.83	432.58	40.31	10.73	0.53
Costco	COST	230	41.84	11.63	228.12	9.41	24.24	0.68
Netflix	NFLX	189	36.9	11.24	200.04	6.4	31.26	0.96
Disney	DIS	255	30.4	1.09	296.6	8.6	34.49	1.19

Financial Performance & Projections



Investment Risks

A few key areas of risk for Amazon include supply chain issues, Anti-Trust legislation, Unionization, Competitions, Expansions Risk and Third-party Merchant Risk. The supply chain risk was mitigated with Amazon purchasing shipping containers to continue their services. Something to watch is the potential unionization of Amazon workers in Alabama, which would impact the company's relationship with its warehouse employees.

ESG Considerations

Amazon welcomed 16 new companies to The Climate Pledge, including Snap Inc. and Fortescue Metals Group, bringing the total number of companies that have pledged to achieve net-zero carbon emissions by 2040 to 217. Pledge signatories generated over \$1.9 trillion in global annual revenue in 2020 and have over 7 million employees across 29 industries in 24 countries. Amazon has also announced a range of initiatives during the United Nations Climate Change Conference (COP26) to fight climate change. The initiatives include Mobilizing \$1 billion to protect tropical forests via the LEAF (Lowering Emissions by Accelerating Forest finance) Coalition, an ambitious public-private initiative designed to protect tropical forests and support sustainable development.