

UConn Student Managed Fund Analyst Report

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(Company) (NASDAQ:(Ticker))		Recommendation:
Target Price: \$125.11	Market Cap: \$958.12B	P/E Ratio: 31.3
Current Price: \$93.87	Dividend Yield: NA	EV/EBITDA: 11
Stop Loss: 25%	Beta: 1.22	EBITDA Margin: 12.1%
52 Week High/Low:171/84	ROE: 8.03%	Gross Margin: 43.8%

Company Background:

Amazon engages in the online international retail sale of consumer products. The company operates through three segments: North America, International and amazon Web Services. Amazon opened for business in July 1995 and went public in 1997, at a split-adjusted stock price of \$1.50 per share. Over the years Amazon has expanded into several different service offerings including fulfillment, advertising, publishing, subscriptions, as well as its leading cloud computing business.

Industry Outlook:

Revenue in the eCommerce market is projected to reach \$4.11T in 2023. Revenue is expected to show an annual growth rate (CAGR 2023-2027) of 11.51%, resulting in a projected market volume of \$6.35T by 2027. BY the end of 2023 one in five retail sales will be made online. New innovations in eCommerce make it easier than ever to start an online business, increasing competition. Amazon deals with this by offering lower prices and convenient shipping for customers.

Investment Thesis:

Amason's advertising revenue grew 20% YOY boasting high margins. Amazon is also starting to reduce costs to focus on profitability. This is being done by slowing down hiring and subletting excess space. Currency volatility and inflation are short term headwinds and should not impact the long-term success of Amazon.

Investment Risks:

- Changes in consumer spending due to economic uncertainty
- Foreign exchange risk exposure due to transaction exposure, translation exposure and operating exposure
- Anti-trust lawsuits putting pressure on Amazon's low-price policies
- Pressured margins due to rapidly rising fulfillment and delivery costs.

Financial Performance

AMZN US Equity	Historical Period				Current FY		Projection Period				Projection Period				
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	
Revenue	\$232,887	\$280,522	\$386,064	\$469,822	\$513,983	\$570,521	\$656,099	\$754,514	\$867,491	\$997,845	\$1,147,522	\$1,319,650	\$1,517,598	\$1,745,237	\$2,007,023
% Growth	-	20.5%	37.6%	21.7%	9.4%	11.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Cost of Sales	\$139,156	\$165,536	\$233,307	\$272,344	\$288,831	\$302,376	\$347,733	\$399,893	\$459,876	\$528,858	\$608,187	\$699,415	\$804,327	\$924,976	\$1,063,722
% Margin	59.8%	59.0%	60.4%	58.0%	58.0%	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%	53.0%
Gross Profit	\$93,731	\$114,986	\$152,757	\$197,478	\$225,152	\$268,145	\$308,367	\$354,622	\$407,615	\$468,987	\$539,335	\$620,236	\$713,271	\$820,261	\$943,301
% Margin	40.2%	41.0%	39.6%	42.0%	43.8%	44.0%	44.0%	44.0%	44.0%	44.0%	44.0%	44.0%	44.0%	44.0%	44.0%
SG&A Expense	\$4,336	\$5,203	\$6,668	\$8,223	\$11,891	\$11,410	\$13,122	\$15,090	\$17,354	\$19,957	\$22,950	\$26,393	\$30,352	\$34,905	\$40,140
% Margin	1.9%	1.9%	1.7%	1.9%	2.3%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EBIT	\$12,421	\$14,541	\$22,899	\$24,879	\$12,248	\$54,200	\$62,329	\$71,679	\$82,431	\$94,795	\$109,015	\$125,367	\$144,172	\$165,798	\$190,667
% Margin	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income Tax Expense	\$1,197	\$2,374	\$2,863	\$4,791	-\$3,217	\$6,504	\$7,480	\$8,601	\$9,892	\$11,375	\$13,082	\$15,044	\$17,301	\$19,896	\$22,880
Effective Tax Rate	9.6%	16.3%	12.5%	19.3%	-26.3%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
NOPLAT	\$11,224	\$12,167	\$20,036	\$20,088	\$15,465	\$47,696	\$54,850	\$63,077	\$72,539	\$83,420	\$95,933	\$110,323	\$126,871	\$145,902	\$167,787
% Margin	4.8%	4.3%	5.2%	4.3%	3.0%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
Add: D&A	15341	\$21,789.0	\$25,251.0	\$34,433.0	\$41,921.00	\$42,789.08	\$45,926.95	\$52,815.99	\$52,061.48	\$59,870.70	\$57,376.09	\$65,982.50	\$60,703.90	\$69,809.49	\$80,280.91
% Revenue	6.6%	7.8%	6.5%	7.3%	7.1%	7.5%	7.0%	7.0%	6.0%	6.0%	5.0%	5.0%	4.0%	4.0%	4.0%
Less: Capex	\$11,323.00	\$12,689.00	\$35,044.00	\$55,396.00	\$58,321.00	\$43,389.69	\$51,640.50	\$56,100.81	\$56,290.22	\$55,744.45	\$59,064.79	\$61,060.07	\$62,392.88	\$64,032.96	\$66,260.50
% Revenue	4.86%	4.52%	9.08%	11.79%	11.35%	7.61%	7.87%	7.44%	6.49%	5.59%	5.15%	4.63%	4.11%	3.67%	3.30%
Less: Change in NWC	-\$1,043	-\$2,438	-\$2,431	-\$3,512	\$1,893	-\$420	\$3,570	\$3,570	\$8,465	\$3,416	\$3,720	\$4,548	\$4,744	\$4,979	\$4,281
% Revenue	-0.45%	-0.87%	-0.63%	-0.75%	0.37%	-0.07%	0.54%	0.47%	0.98%	0.34%	0.32%	0.34%	0.31%	0.29%	0.21%
FCF	\$16,285	\$23,705	\$12,674	\$2,637	-\$2,828	\$47,515	\$45,566	\$56,223	\$59,945	\$84,130	\$90,524	\$110,697	\$120,438	\$146,700	\$177,526
% Revenue	7.0%	8.5%	3.3%	0.6%	-0.6%	8.3%	6.9%	7.5%	6.9%	8.4%	7.9%	8.4%	7.9%	8.4%	8.8%

Valuation: Discounted Cash Flow Analysis

Implied Perpetuity Growth Rate	
Terminal Year FCF	\$177,526
Discount Rate	10.20%
Terminal Value	\$2,208,254
Perpetuity Growth Rate	2.00%

Implied Equity Value and Share Price	
PV of FCF	\$456,073
PV of Terminal Value	\$836,051
Enterprise Value	\$1,292,124
Less: Debt	\$67,150
Add: Cash & Equivalents	\$53,888
Equity Value	\$1,278,862
Diluted Shares Outstanding	10,222
Implied Share Price	\$125.11
Current Price	\$93.60
Margin of Safety	25.19%

Sensitivity Analysis and Implied Share Price						
		Discount Rate				
		8.20%	9.20%	10.20%	11.20%	12.20%
Perpetual Growth Rate	1.00%	160.28808	135.00245	115.50394	100.07451	87.610385
	1.50%	169.14422	141.23102	120.03036	103.45034	90.181724
	2.00%	179.42876	148.32467	125.10879	107.19312	93.005154
	2.50%	191.5176	156.47707	130.84676	111.36611	96.11966
	3.00%	205.93123	165.94438	137.38166	116.04799	99.572699

Relative Valuation

Name	Ticker	Current vs 5Y Average Historical Premium			
		Current Metric(x)	Prem(%)	Hist Avg(%)	Diff(%)
JD.com Inc	JD US Equity	15.2562	-25.6758	34.0244	-59.7002
Alibaba Group Holding Ltd	BABA US Equity	10.6205	-48.2596	-22.1993	-26.0603
Amazon.com Inc	AMZN US Equity	31.3703	52.8281	84.7758	-31.9477
Etsy Inc	ETSY US Equity	32.7419	59.5104	83.261	-23.7506
eBay Inc	EBAY US Equity	10.5315	-48.6932	-49.252	0.5588

Current vs 5Y Average Historical Multiple		Implied @ Hist Avg	
Metric	Current(x)	Diff(%)	Price(USD)
BF P/E	31.3686	-36%	145.4679
BF EV/EBITDA	11.0223	-45%	162.753
BF EV/EBIT	44.0783	-18%	107.2223
BF EV/Rev	1.8222	-40%	159.373
LF P/BV	6.494	-62%	244.1385

ESG

Total ESG Risk score

30 | 64th percentile
High

Environment Risk Score

5.6

Social Risk Score

14.8

Governance Risk Score

9.9