

**8TH  
DEC  
2023**

# Stock Report

AMAZON  
TICKER: AMZN



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Amazon

# Business model and overview

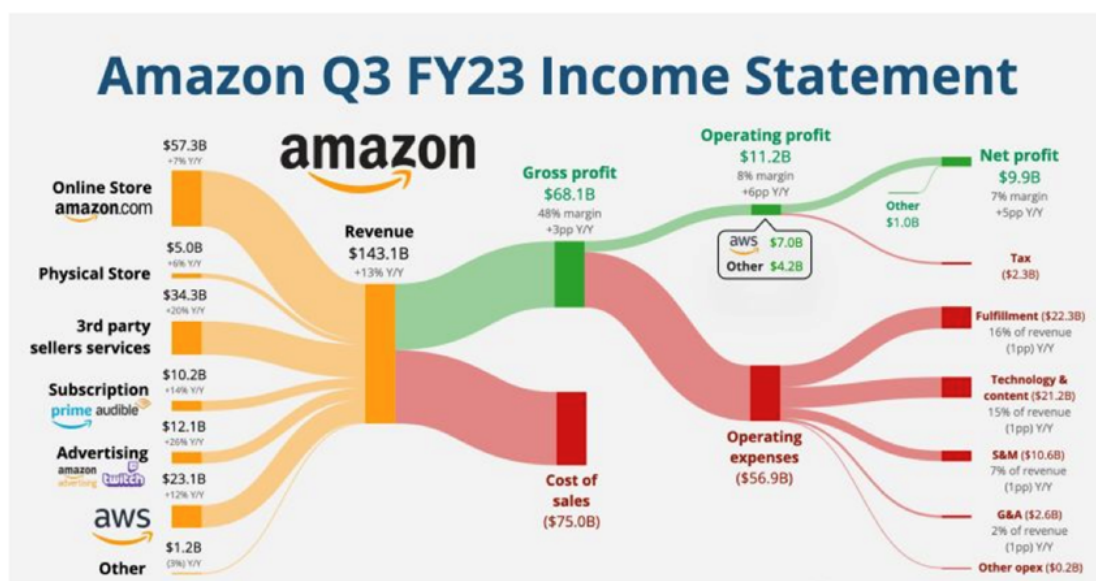
## AMAZON

Amazon was founded by Jeff Bezos on the 5th of July 1994 in Washington, United States. Amazon is a dominant market leader in many industries, including e-commerce, cloud services, advertising, video streaming, and music streaming. Since the opening of Amazon, they have diversified their business away from online e-commerce into new ventures. Amazon Fresh was an idea that started in 2007 on a smaller scale, but in 2021, they introduced the first walk-in store outside of the USA. Amazon has the 5th largest market cap worldwide at \$1.52 trillion.

Amazon is mainly known for its e-commerce site, Amazon.com, which holds 37.6% of the market share of US online retailers. This means Amazon.com can be defined as a working monopoly as it dominates its competitors. In 2022, Amazon's total global sales were \$514 billion, and its Q3 2023 Sales were record-breaking, bringing in \$143.1 billion, which could mean that this year could be Amazon's highest sales revenue year of all time.

### Key Business Segments

- **E-Commerce** - This segment provided Amazon with most of its overall revenue, accounting for over 40% of total revenue in Q3 2023.
- **Amazon's third-party seller services** - This segment allows sellers to sell their new, used and refurbished items online with a fraction of the sale going to Amazon. This segment generated \$34.3B, which is 24% of total sales in Q3 FY23.
- **Amazon Web Services (AWS)** - This segment is an online platform which provides cloud computing solutions for consumers and businesses. In FY23 Q3, this segment accumulated \$23.1 billion, 16% of the total revenue.



# 40%

of Amazon's revenue is attributed to E-commerce

# 1994

Amazon was founded on 5th July 1994

# \$3B

Customers spent \$3B on Prime Day 2022



# Management Team

AMAZON



## **Amazon Jeffrey P. Bezos: Executive Chair**

Bezos is the current Executive Chair of Amazon, having stepped down from his role as Chief Executive Officer (CEO) in July 2021. Bezos founded the company in 1994 and remained CEO for 27 years, during which time he was responsible for the launch of both Amazon Prime and Amazon Web Services (AWS). As Executive Chair, he is the head of the Amazon Board of Directors and a strategic advisor to the CEO. Before founding Amazon, Bezos worked on Wall Street, becoming the fourth senior vice president for D.E. Shaw & Co. by the age of 30.



## **Andy Jassy: President and Chief Executive Officer (CEO)**

Jassy currently serves as Amazon's President and CEO, taking over from Bezos in July 2021. In the 5 years between receiving his bachelor's degree from Harvard and enlisting into their MBA program, Jassy worked as a project manager for a collectables company, MBI. After graduating in 1997 from the MBA program, Jassy joined Amazon as a marketing manager. He has held various management roles in the company, most notably the founder and CEO of the AWS segment.



## **Brian T. Olsavsky: Senior Vice President and CFO**

Olsavsky is the Senior Vice President and the Chief Financial Officer of Amazon. He joined the company in 2002 and was in charge of the financial departments of Amazon's Worldwide Operations Organisation until 2007. He became CFO in June 2015; before this, he was Amazon's Vice President of Finance and CFO for the company's Global Consumer Business. Olsavsky obtained a Mechanical Engineering degree from Penn State before completing an MBA in Finance at Carnegie Mellon University. Before joining Amazon, Olsavsky served in financial roles at Fisher Scientific and BF Goodrich.

# \$420B

Total Assets

# \$23.1B

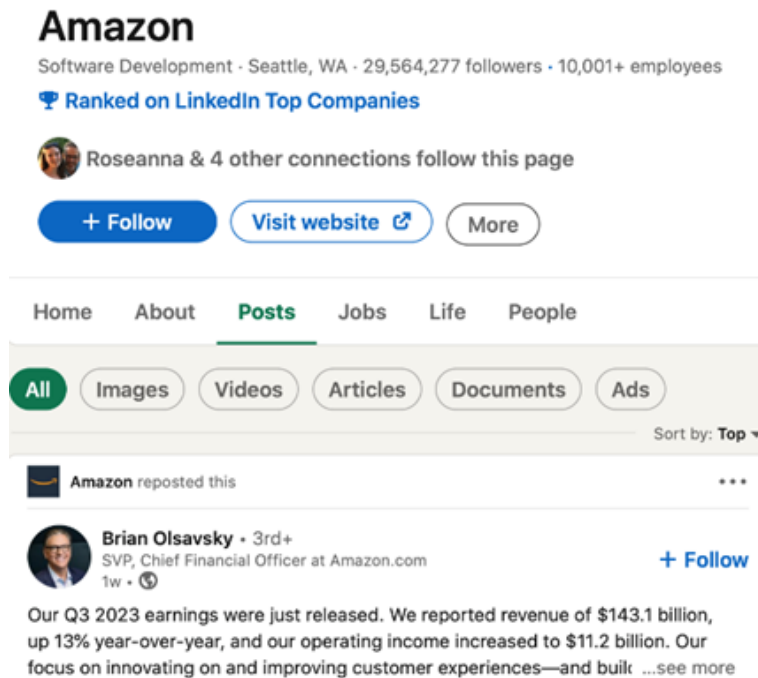
AWS Revenue in 2022

# 1.54M

employees as  
of Dec 31 2022

# Social Media

## AMAZON



As the world's largest e-commerce company, Amazon has accumulated a mass following of over 100 million accounts across all channels. Due to its various departments, Amazon has a dedicated social media account for each, such as Amazon Prime, Amazon Videos and AWS. They have the largest followings on LinkedIn and Facebook. Amazon mainly used its Facebook accounts to highlight deals and benefits and run community competitions to raise brand awareness. Amazon's Twitter is used not only as a marketing tool but as a form of communication between the company and the public. This method creates greater awareness of their products and promotional offers, allowing customers to access more information when needed. Amazon's social media platform also engages them with genuine conversations with their customers.

Furthermore, as shown in the top left image, Amazon updates their LinkedIn profile with informal progress reports and news about strategies and current business endeavours. Amazon's LinkedIn homepage acts as a news hub for the company, keeping its almost 30 million followers updated on its worldwide projects and achievements.

# 30M

LinkedIn Followers

# 6M

Twitter Followers

# 29M

Facebook Followers

# Financials + Institutions

## AMAZON

2022 has been a momentous year for many businesses, illustrated by the robust recovery from the pandemic and strong financial metrics of 2022. Amazon has significantly profited from the tumultuous pandemic, emphasised by the increase in revenue of \$105.5B, a 37.6% rise from 2019 to 2020, and subsequently increased by \$127.9B from 2020 to 2022, more specifically, a 33% rise. The high P/E (TTM) ratio of 72.8 further reinforces investors' confidence and optimistic outlook looking into the future.

In 2022, the mega-cap company continued innovating across numerous departments to improve customer experience and complex logistic processes. Implementing cost minimising strategy and optimal capital structure aided both profitability and solvency, but more specifically, streamlined investment decisions. In doing so, they have nearly doubled their revenue base in 2019 compared to 2022. Amazon continues to benefit from the considerable structural changes undergone during the early pandemic, which fostered diversification and innovation. One area in particular Amazon is deciding to allocate more funds towards includes LLMs and Generative AI technologies, depicted by the \$4bn investment. Amazon aims to democratise this technology so companies of all sizes can leverage Generative AI in a structured manner.

\$M	2022	2021	2020	2019
Revenue	513,983	469,822	386,064	280,552
Gross Profit	225,152	197,478	152,757	114,986
Operating Expenses	212,904	172,599	129,858	100,445
Operating Income	12,248	24,879	22,899	14,541
Basic Shares Outstanding	10,189	10,117	10,005	9,880
EPS [\$]	0.27	3.30	2.13	1.17

Ratios	2022	2021	2020
Revenue	9.40%	21.70%	37.61%
Gross Profit	14.01%	29.28%	32.85%
Operating Income	-50.77%	8.65%	57.48%
EPS [\$]	-91.82%	54.93%	82.05%
ROE	-1.86%	24.13%	22.84%
ROA	-0.59%	7.93%	6.64%

### Top 5 Institutional Holders

Shareholder	Holding Shares [\$M]
Vanguard Group	725.9
BlackRock	610.9
State Street	335.9
FMR LLC	280.4
T.Rowe Price	216.5

# \$1.93

2023 TTM EPS

# 76.7

P/E ratio

# 10.8%

Return on Equity  
Q3 2023

# Competitors

## AMAZON

### Walmart – FY22 Revenue: \$573B, Beta: 0.44

Walmart is one of the world's largest multinational retail corporations, with a well-recognised presence in the United States and other countries. Operating in various retail formats, Walmart offers products and services to consumers and businesses. Walmart operates an extensive network of physical retail stores, including Walmart Supercentres, discount stores, and warehouse clubs. They sell diverse products, from groceries and apparel to electronics and household items. Walmart is among the largest companies globally in terms of revenue. In the fiscal year ending January 31, 2021, it reported total revenues of approximately \$559.15 billion. Walmart had over 2.3 million employees worldwide, making it one of the largest private employers globally. It boasts a 6.3% market share in the United States Retail E-Commerce industry.

### Alibaba – FY22 Revenue: \$134B, Beta – 1.30

Alibaba Group is a Chinese multinational conglomerate specializing in e-commerce, retail, internet, and technology services. Alibaba has expanded to become one of the world's largest and most influential technology companies. The company owns and operates various online marketplaces, including Alibaba.com, Taobao (a popular consumer-to-consumer shopping website), and Tmall (a premium B2C platform). These platforms help online retail and enable businesses to reach consumers domestically and globally. Alibaba invests in and operates digital entertainment platforms, including Youku Tudou (a video streaming service) and UCWeb (a mobile browser and content platform). In the e-commerce sector, Alibaba holds a vital market share in China and competes globally. Alibaba Group reported annual revenues of around \$109.5 billion in the fiscal year ending March 31, 2021. In 2022, Alibaba is the largest e-commerce player in China, with a 45% market share in terms of gross merchandise volume (GMV).

### Netflix – FY22 Revenue: \$31.6B, Beta: 1.34

Netflix is a global entertainment company known for its streaming service that offers a wide range of movies, TV shows, documentaries, and other content. Netflix invests heavily in producing its own original content, including popular series such as "Stranger Things," "One Piece," and "Wednesday". Netflix is available in many countries worldwide, making it a global leader in the streaming industry. It is one of the dominant players in the streaming industry, and it faces competition from other streaming services like Amazon Prime Video, Disney+, and Hulu. Netflix reported annual revenues of over \$29 billion in 2021. However, Netflix's market share is shrinking as competitors join the industry. The company had 49.1% of total U.S. OTT subscription revenues in 2018 but will have just 26.3% by the end of 2023.



# 37.6%

Amazon Market Share

# \$514B

Amazon Revenue

# 1.30

Amazon Beta

# SWOT Analysis

## AMAZON

### Strengths

- **Market Leadership:** Amazon is a dominant player in the e-commerce and cloud computing markets. It holds a significant share in both industries.
- **Diverse Product Portfolio:** Amazon offers various products and services, including e-commerce, Amazon Web Services (AWS), digital media, and more, diversifying its revenue streams.
- **Customer-Centric Approach:** Amazon is known for its customer-focused philosophy, offering fast and dependable delivery, a user-friendly website, and brilliant customer service.
- **Global Reach:** Amazon operates in numerous foreign countries, providing access to a global customer base and a vast market.
- **Innovative Technology:** The company invests in cutting-edge technology, such as AI, robotics, and drone delivery, to enhance its operations and services.

### Weaknesses

- **Regulatory and Legal Challenges:** Amazon faces regulatory and legal challenges related to antitrust concerns, data privacy, and the treatment of workers.
- **Reliance on Third-Party Sellers:** A crucial portion of Amazon's sales comes from third-party sellers, which can lead to quality and counterfeit issues on its platform.
- **Logistics and Delivery Challenges:** While Amazon has grown its logistics network, it still faces logistical challenges, especially during peak seasons.
- **Environmental Impact:** The company has been criticized for its environmental impact, especially concerning its packaging and carbon emissions from its delivery network.

### Opportunities

- **Growing E-commerce Market:** The e-commerce industry continues to grow rapidly, offering Amazon opportunities to capture more market share.
- **Cloud Computing Expansion:** Given the increasing demand for cloud services, AWS can expand into new markets and industries.
- **Original Content Production:** Amazon Prime Video can invest in more original content to compete with other streaming services; for example, Netflix heavily invests in its original shows.
- **Acquisitions and Partnerships:** Strategic acquisitions and partnerships can help Amazon enter new markets or strengthen its position in existing ones. A potential partnership could be with Hulu or Disney +.
- **Sustainable Initiatives:** The company can continue to invest in sustainability and eco-friendly practices to address environmental concerns.

### Threats

- **Competition:** Amazon faces fierce competition from other major players in e-commerce, cloud computing, and streaming services.
- **Regulatory Risks:** Increasing regulatory oversight and potential antitrust actions can impact the company's operations and growth.
- **Supply Chain Disruptions:** Potential events like natural disasters, trade disputes, or health crises can disrupt Amazon's supply chain and affect its ability to deliver products.
- **Data Security:** The company must continuously address the threat of data breaches and ensure customer data security.
- **Labour Issues:** Labour disputes and negative press related to working conditions can harm Amazon's reputation and operations.

# \$2.47T

E-Commerce  
Market Cap

# 15.6%

of Total US Sales was  
attributed to E-Commerce

# 190M

Amazon Prime Video Users



# Technical Analysis

## AMAZON



Amazon stock is up 71.1% year to date.

Amazon stock has been assigned a strong buy grade with an average estimate of \$176.50. The stock price has been trending upward and has been respecting the short-term moving averages since the start of the year. The stock price broke above its long-term 200EMA in May 2023 and reached a swing high at a significant level of \$145. Following this, the stock had a 17.4% correction, corresponding to the 38.2% Fibonacci retracement level. Amazon's stock correction results from the broader market correction due to systemic risks over the rising 10-year Treasury yield and increased Geopolitical tensions, causing the 10-year yield to surpass 5% over increasing uncertainty and sustained inflation.

Amazon's stock price is currently consolidating around the key \$145 level, which was the previous August 22 high and is sitting at the 20EMA [\$145.70]. Suppose the bullish momentum continues, and Amazon's weekly candle engulfs the previous week. In that case, there should be no reason why Amazon should continue its upward trajectory and reach the next key level of \$170. As of now, Amazon shares paint a positive picture, fuelled by the strong Q3 earnings report and movement towards the holiday season. With long-term price targets on the upside, shares most likely break the 52-week high of \$149.26 and reach closer to analysts' price estimates. It will be interesting to observe whether this optimistic behaviour persists or if there will be a minor pullback based on the uncertain economic sentiments.

# 128.13

200-day Moving  
Average

# 139.55

50-day Moving  
Average

# 81.43

52 week low



# Final Thoughts

## AMAZON

### Thomas Kinnell

Amazon successfully navigated the pandemic by cutting costs and refining operation processes. The strong stock performance, the 13% revenue jump, and stable profit margins have accelerated business development despite elevated monetary/fiscal tightening and market volatility. Amazon shares received a consensus rating of a strong buy and are forecasted to have a median price target of \$154.7. Amazon aims to increase profitability through its Amazon Web Services (AWS) and strong ad-spending campaigns. This will improve both consumer confidence and visibility within the highly competitive marketplace. The transition towards Artificial Intelligence facilitates online activities and business development, fundamentally allowing Amazon to explore unspoiled business opportunities.

### Yash Sethi

Amazon has established itself as a well-respected retail and online pioneer, especially during the Covid-19 pandemic. This is underpinned by persistent consumer demand and strong earnings, which are essential to maintain positive shareholder satisfaction. I admire Amazon's investment strategies, which are predominantly focused on promoting its AWS and AI services. The firm has also diversified significantly by creating a significant impact across its primary sectors. From a macro point of view, Amazon remains a strategic supplier of goods and services and simultaneously generates a solid revenue base for future expansion purposes. It will be interesting to see to what extent Amazon's investment in AI improves internal operations while considering the untapped markets of potential AI involvement.

### Diana Yang

Amazon has various divisions, such as e-commerce, streaming services, and web services (AWS). Amazon is a global e-commerce leader, contributing significantly to Amazon's revenue and profitability. This is especially the case as the trend of online shopping and delivery continues to grow rapidly. Furthermore, Amazon is known for its history of innovation and technology with its products such as Prime, Echo, and Kindle and its focus on logistics and fulfilment. Amazon has a great record for reinvesting in growth, and this is beneficial to long-term stakeholders. Amazon has a 26.2% upside potential and a Strong Buy consensus rating. Analysts expect Amazon's revenue to rise 5% in 2023 and 12% in 2024. I recommend this as a buy/hold stock with a median target of 175.0, a high estimate of 230.00 and a low estimate of 138.00.

### Matthew Provoost

My concluding thoughts are that I can see Amazon dominating the markets for the next 5-10 years as long as they keep innovating. From strong Q3 results and an increase in their share price of 11.56% in the last month, it's looking promising for Amazon. Finally, 2023 has been a strong year for Amazon compared to 2022, where they saw share prices plummeting, but it seems like they are back on the rise.

### Joshua Wright

Amazon has been the leading company in E-commerce since the dot com boom and has always had strong financial reports. The pandemic led to a significant increase in demand for goods on Amazon, mirrored by their revenue at \$469.8 billion in 2021, almost double their pre-COVID levels. Their stock price has dropped slightly since the pandemic, which was to be expected but shows the potential price Amazon has. The company will become more successful as its AWS and Prime departments develop further. I recommend this as a buy stock with an estimated 1-year median price target of \$180.



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## AMAZON

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