

## Amazon.com

# Solid Q, going big on AI infrastructure investment; Reiterate Buy

Reiterate Rating: BUY | PO: 257.00 USD | Price: 238.83 USD

## Retail beats on a strong holiday, 1Q outlook a bit below

Reported Rev./profit of \$187.8bn/\$21.2bn above Street at \$187.2bn/\$19.7bn, with retail beat on strong holiday. Cost to Serve efficiency gains (Shipping Cost per Unit down 5% Y/Y) drove N.A. retail margin to 8.0%, its highest level since 2004. AWS revenue at \$28.8bn was \$30mn below Street, but stable 19% growth was better than peer decel. Guidance for 1Q revenue of \$151.0-155.5bn with \$14-18bn in profit was slightly below Street at \$158.4bn/\$18.4bn, as top-line was negatively impacted by 2.5pts of FX + Leap Day (guide implies stable 11% y/y growth excluding these items at high end).

## Big capex investment cycle to support AI demand

Mgmt. noted FY25 capex could be >\$100bn (we now project \$104bn vs. \$85bn prior), with “vast majority” toward AI services. Mgmt sees “significant signal” on demand, with “virtually every” application eventually to incorporate AI, plus new momentum in core customers returning to modernizing cloud infrastructure across both core and GenAI services. This investment could pressure Cloud margins (we estimate 34% in 2025, vs. 37% in 2024), but we see AI as the biggest tech theme in 10-years, and with AWS as a big potential beneficiary, we believe Amazon has earned the benefit of the doubt on investment spend.

## Slightly lower estimates reflecting FX/GenAI capacity push

We lower our 1Q sales by 1% to \$155bn, reflecting big FX headwinds, and lower op. profit by \$663mn to \$18.0bn. 1Q AWS growth of 18% y/y remains unchanged on growing AI contribution. For FY25E, lower rev to \$696bn vs \$700bn, with our below-street profit/EPS ests. relatively unchanged. With capex growth, we are at FY25 FCF of \$55bn, below \$72bn prior, but don't see Amazon's Cloud capex (likely 70% of total capex in 2025) as out of place vs peers.

## Expect AI opportunity to support stock; Buy

Amazon's retail business continues to show strong margin improvement with a lower cost to serve (see [Logistics Checkup](#)), while we continue to see AWS as the best positioned AI service in our coverage group (Amazon's three-layered AI-stack with Trainium chips could be underappreciated in stock). We slightly raise our PO to \$257 (vs. \$255 prior) on unch'd multiples in SOTP, but higher AWS revenue estimates (AWS billed in USD, not impacted by FX). Reiterate Buy.

Estimates (Dec) (US\$)	2023A	2024A	2025E	2026E	2027E
EPS	2.90	5.53	6.16	7.12	8.11
EPS Change (YoY)	NM	90.7%	11.4%	15.6%	13.9%
Consensus EPS (Bloomberg)			7.17	8.58	9.83
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	82.4x	43.2x	38.8x	33.5x	29.4x
EV / EBITDA*	22.2x	17.0x	14.2x	12.1x	10.5x
Free Cash Flow Yield*	1.5%	1.6%	2.3%	3.0%	4.1%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 9.

07 February 2025

### Equity

#### Key Changes

(US\$)	Previous	Current
Price Obj.	255.00	257.00
2025E Rev (m)	700,000.8	695,921.2
2026E Rev (m)	769,129.0	766,362.6
2027E Rev (m)	838,666.8	837,334.0
2025E EPS	6.10	6.16
2026E EPS	7.15	7.12
2027E EPS	8.37	8.11

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### Stock Data

Price	238.83 USD
Price Objective	257.00 USD
Date Established	7-Feb-2025
Investment Opinion	B-1-9
52-Week Range	151.61 USD - 242.52 USD
Mrkt Val (mn) / Shares Out (mn)	2,429,140 USD / 10,171.0
Free Float	89.9%
Average Daily Value (mn)	7635.54 USD
BofA Ticker / Exchange	AMZN / NAS
Bloomberg / Reuters	AMZN US / AMZN.OQ
ROE (2025E)	19.6%
Net Dbt to Eqty (Dec-2024A)	21.0%

N.A. - North America

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# iQprofile<sup>SM</sup> Amazon.com

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Return on Capital Employed	15.6%	20.4%	18.3%	18.0%	18.6%
Return on Equity	17.1%	23.4%	19.6%	18.1%	17.8%
Operating Margin	10.7%	14.3%	15.2%	15.9%	16.8%
Free Cash Flow	36,813	38,219	55,226	72,471	98,514

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash Realization Ratio	2.9x	2.0x	2.5x	2.5x	2.6x
Asset Replacement Ratio	1.0x	1.5x	1.6x	1.4x	1.3x
Tax Rate	19.3%	14.0%	19.1%	19.2%	19.5%
Net Debt-to-Equity Ratio	36.8%	21.0%	5.4%	-6.7%	-9.5%
Interest Cover	19.4x	38.0x	46.3x	NM	NM

## Income Statement Data (Dec)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Sales	574,785	637,959	695,921	766,363	837,334
% Change	11.8%	11.0%	9.1%	10.1%	9.3%
Gross Profit	270,046	311,671	348,075	390,220	431,382
% Change	19.9%	15.4%	11.7%	12.1%	10.5%
EBITDA	110,305	144,162	172,242	201,709	232,950
% Change	48.1%	30.7%	19.5%	17.1%	15.5%
Net Interest & Other Income	705	21	2,120	2,284	3,484
<b>Net Income (Adjusted)</b>	<b>29,789</b>	<b>56,832</b>	<b>63,337</b>	<b>73,243</b>	<b>83,387</b>
<b>% Change</b>	<b>NM</b>	<b>90.8%</b>	<b>11.4%</b>	<b>15.6%</b>	<b>13.8%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Net Income from Cont Operations (GAAP)	29,790	56,794	63,354	73,243	83,417
Depreciation & Amortization	48,663	52,795	66,724	79,524	92,524
Change in Working Capital	(13,691)	(13,589)	(6,306)	(12,589)	(4,550)
Deferred Taxation Charge	(5,876)	(4,648)	16	16	16
Other Adjustments, Net	26,060	24,525	35,438	41,278	44,606
Capital Expenditure	(48,133)	(77,658)	(104,000)	(109,000)	(117,500)
<b>Free Cash Flow</b>	<b>36,813</b>	<b>38,219</b>	<b>55,226</b>	<b>72,471</b>	<b>98,514</b>
<b>% Change</b>	<b>NM</b>	<b>3.8%</b>	<b>44.5%</b>	<b>31.2%</b>	<b>35.9%</b>
Share / Issue Repurchase	(7,548)	82	4	8	8
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(3,676)	(9,182)	(120)	(120)	(120)

## Balance Sheet Data (Dec)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash & Equivalents	86,780	101,202	141,405	190,523	206,737
Trade Receivables	52,253	55,451	62,900	71,574	80,292
Other Current Assets	33,318	34,214	41,756	46,666	50,744
Property, Plant & Equipment	204,177	252,665	289,941	319,417	344,393
Other Non-Current Assets	151,326	181,362	181,362	181,362	181,362
<b>Total Assets</b>	<b>527,854</b>	<b>624,894</b>	<b>717,364</b>	<b>809,543</b>	<b>863,529</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	164,917	179,431	193,850	202,149	214,970
Long-Term Debt	161,062	161,012	160,962	160,762	160,562
Other Non-Current Liabilities	NA	NA	NA	NA	NA
<b>Total Liabilities</b>	<b>325,979</b>	<b>340,443</b>	<b>354,812</b>	<b>362,911</b>	<b>375,532</b>
<b>Total Equity</b>	<b>201,875</b>	<b>284,451</b>	<b>362,552</b>	<b>446,632</b>	<b>487,996</b>
<b>Total Equity &amp; Liabilities</b>	<b>527,854</b>	<b>624,894</b>	<b>717,364</b>	<b>809,543</b>	<b>863,529</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 9.

## Company Sector

Internet/e-Commerce

## Company Description

Amazon.com is one of the world's largest online retailers with a global brand and country specific sites in the U.S., UK, Germany, France, Japan, Canada, China, Spain, Italy, Mexico and India. Amazon also owns several other online retailers and online properties including Zappos.com, Diapers.com, Woot.com, Twitch.com and others. Amazon also operates Amazon Web Services (AWS), a leading cloud-based computing platform for developers and enterprises, and Whole Foods Markets.

## Investment Rationale

Amazon is an eCommerce and cloud computing leader with higher market share and margin potential stemming from its global scale, fulfillment footprint and technology platform investments. We think Amazon's focus on the customers and the buyer experience is right for the Internet. We think Amazon is well positioned to capitalize on the global growth of eCommerce and other secular trends such as cloud computing, online advertising and connected devices.

## Stock Data

Average Daily Volume 31,970,598

## Quarterly Earnings Estimates

	2024	2025
Q1	0.98A	1.38E
Q2	1.26A	1.38E
Q3	1.43A	1.54E
Q4	1.86A	1.85E



## Amazon Q4 Earnings Review

Amazon reported Q4 revenue of \$187.8bn, slightly above Street at \$187.3bn, with GAAP operating profit of \$21.2bn well above Street at \$18.8bn. Revenue grew 10% y/y, a 1pt decel vs Q3, but growth was stable on an FX-neutral basis at 11%. Unit growth of 11% y/y decelerated 1pt on a 3pt tougher comp given last year's strong holiday season. GAAP operating income of \$21.2bn was above guidance for \$16bn-\$20bn, and was aided by better inventory placement and package consolidation. Operating margin expanded 350bps y/y to 11.3%, with N.A. retail margins at 8.0% (190bps y/y), International at 3.0% (410bps y/y), and AWS at 36.9% (730bps y/y including a 200bps contribution from depreciation accounting changes).

For Q1, mgmt. expects \$151.0bn-\$155.5bn in total revenue (we previewed \$152.25bn-\$158.25bn). The midpoint of \$153.25bn suggests 7% y/y growth and was 3.4% below Street's prior sales est. of \$158.6bn. Guide considers headwinds from Leap Year (1pt) and FX (1.5pts), implying normalized growth of 9.5% at the midpoint and a stable 11% growth at high end. For operating income, mgmt. expects a range of \$14.0bn-\$18.0bn (we previewed \$15.0bn to \$19.0bn). The midpoint of \$16.0bn is about \$2.2bn below Street at \$18.2bn & implies a 10.4% operating margin at the midpoint (vs. Street at 11.5% prior). Amazon has recently be reporting margins at or above high end, which would be in line with Street pre-results.

### AWS to invest in a “once-in-a-lifetime” opportunity

AWS sales of \$28.79bn were \$30mn below Street, but \$80mn above our estimate. Growth at 19% y/y was stable vs Q3, and while Street may have been looking for AI upside, we note relatively less deceleration vs Azure & Google Cloud. Mgmt. highlighted continued growth in core infrastructure as well as GenAI services, as customers ramp newer initiatives and accelerate migrations following the post-COVID efficiency cycle. AWS generated \$10.6bn in operating income (Street at \$10.1bn) representing a 36.9% margin, expanding 730bps y/y with a 200bps contribution from the server life depreciation change that laps in Q1. Mgmt. noted margins are likely to fluctuate – suggesting margins could decline – due to growing capex.

Mgmt. expects total capex (including retail) to surpass \$100bn in 2025, with the \$26bn in 4Q capex serving as an annual run rate for this year. The “vast majority” of capex is supporting AI demand on AWS. Although AWS is investing ahead of demand (potential risk of overbuild), CEO Andy Jassy noted that “we don’t procure it unless we see significant signals... [particularly in] these once-in-a-lifetime type of business opportunities” that should be “quite a good sign medium to long-term for the AWS business”. While mgmt. expects the costs of AI and inference to reduce over time, lower unit costs should unlock greater spend from customers, with Amazon drawing parallels to AWS compute costs coming down in the 2000s driving higher demand for the cloud.

### Mgmt. sees further opportunity in Retail to lower cost-to-serve in 2025

N.A. Retail grew 10% y/y, accelerating 1pt vs Q3 on a 2pt tougher comp, with operating margins of 8.0% expanding 190bps y/y. Amazon notes lower transportation costs (we est. shipping cost per unit declined 5% y/y) as the company improves inventory placement, consolidates packages, and optimizes its last-mile network. Globally, Amazon decreased cost-to-serve for the second year in a row despite delivering 9bn+ packages same- or next-day, and still sees further opportunity in 2025 to lower costs. Efficiencies will largely be a continuation of 2024 initiatives (better inventory placement & ramping cheaper same-day delivery), but also accelerating the rollout of robotics/automation. Per CFO Olsavsky, “these efforts will take time to implement and progress may not be linear”, suggesting robotics could be a multi-year driver for Amazon. Long-term, we believe robotics will be a critical tool in avoiding wage inflation (robotics also make the warehouses safer for workers, potentially minimizing costs and employee turnover).



## Advertising

Advertising revenue grew 18% y/y, a 1pt deceleration vs 3Q on a 1pt tougher comp. Per mgmt., there is ample opportunity for additional Sponsored Ads growth and mgmt. sees “momentum” in its Prime Video ads (see [Advertising Update](#)), especially as it adds tools to do full-funnel advertising. Assuming a 42% EBIT margin, we estimate ads generated approx. \$7.3bn in GAAP profit in Q4, suggesting core retail margins at 2.1% with room to grow.

## Positives from Q4

- **Approaching \$10bn in Q4 NA operating profit.** North America Retail generated \$9.3bn in operating profit translating to an 8.0% margin. Margins were driven by better inventory placement, package consolidation, and same-day delivery. Mgmt. notes opportunity for further improvement in 2025 with the deployment of robotics.
- **AWS outperforms peers on a relative basis.** Stable 19% y/y growth was relatively strong vs competitors that decelerated on execution challenges and capacity constraints (which AWS is also facing).
- **3P unit mix hits highest annual percentage.** In Q4, the mix of higher-margin 3P units increased to 62%, bringing the annual rate to 61% (+1pt y/y). Per CEO Jassy, this is the highest annual level on record. 3P units have a lower revenue contribution, but likely higher per unit profit contribution.
- **Amazon continues to manage headcount growth.** Headcount growth slowed to 2% y/y (from 3% in Q3) with G&A of \$2.9bn coming in 6% below Street. While slower headcount growth remains a near-term margin driver, we also see the ramp of robotics & AI as a longer-term tool against wage inflation.

## Negatives from Q4

- **Lower 1Q revenue guide vs Street.** FX is expected to be a 150bps headwind to sales growth in Q1, compared to our estimate of 110bps and Street at only 40bps. The guide also considers a 100bps headwind from lapping Leap Day.
- **Subscription & ad growth both 1pt below our growth est.** Despite reporting accelerating growth in Prime membership last quarter, subscription revenue growth of 10% missed our estimate by 1pt. Advertising growth of 18% y/y was also 1pt below our projection, but mgmt. notes momentum going into 2025 with headroom to Sponsored Ads.
- **International revenue missed.** Amazon’s International segment generated \$43.4bn in Q4 sales, approx. \$700mn lower than Street. FX was a 50bps – or \$900mn – headwind, which was greater than the 10bps impact in the guide.
- **Big capex spend could pressure margins.** We estimate depreciation expense will grow \$14bn in 2025 and will show up in cost of revenue and tech and content lines. We raised our estimates for cost of revenue and tech and content expense.



## Actual vs Estimates

Amazon reported revenue/GAAP Operating Income of \$187.8bn/\$21.2bn, somewhat in line with Street's revenue projection but well above on profits at \$187.3bn/\$18.8bn. GAAP EPS of \$1.86 was \$0.38 above Street at \$1.47.

### Exhibit 1: Actuals vs Estimates

Rev/GAAP operating profit of 187.8bn/\$21.2bn beat Street's estimate of \$187.3bn/\$18.8bn

4Q24 AvE					
	Actuals	BofA Est	Diff.	Street	Diff.
<b>North America Sales</b>	<b>115,586</b>	<b>114,265</b>	<b>1,321</b>	<b>114,274</b>	<b>1,312</b>
<b>International Sales</b>	<b>43,420</b>	<b>44,264</b>	<b>-844</b>	<b>44,126</b>	<b>-706</b>
<b>AWS</b>	<b>28,786</b>	<b>28,706</b>	<b>80</b>	<b>28,817</b>	<b>-31</b>
<b>Total Sales</b>	<b>187,792</b>	<b>187,236</b>	<b>556</b>	<b>187,323</b>	<b>469</b>
y/y	10%	10%	0%	10%	0%
Gross profit	88,899	88,001	898	90,315	-1,416
Gross Margin	47.3%	47.0%	0.3%	48.2%	-0.9%
Fulfillment	27,962	29,022	-1,060	28,453	-491
Fulfillment %	14.9%	15.5%	-0.6%	15.2%	-0.3%
<b>Operating expenses:</b>					
Marketing	13,124	12,732	392	13,270	-146
Technology & content	23,571	23,404	167	24,189	-618
G & A	2,863	3,089	-226	3,043	-180
Other operating exp. (Inc.)	176	97	79	437	-261
Operating expense	39,734	39,323	411	40,939	-1,205
Operating expense %	21.2%	21.0%	0.2%	21.9%	-0.7%
<b>GAAP Operating Income</b>	<b>21,203</b>	<b>19,656</b>	<b>1,547</b>	<b>18,838</b>	<b>2,365</b>
Operating Margin	11.3%	10.5%	0.8%	10.1%	1.2%
GAAP Income Tax	2,325	3,820	-1,495	3,591	-1,266
Tax Rate (GAAP taxes)	10%	19%	-8%	18%	-8%
GAAP Net Income	20,004	16,504	3,500	15,863	4,141
Diluted EPS - GAAP	\$1.86	\$1.53	\$0.33	\$1.47	\$0.38
Stock Comp. In Above	4,995	6,400	-1,405	6,446	-1,451
CSOI (GAAP Op. Inc. ex. SBC & Other)	26,374	26,153	221	25,283	1,091
Adjusted Net Income	22,566	21,989	577	21,809	757
Adjusted Diluted EPS	\$2.20	\$2.14	\$0.06	\$2.04	\$0.16

Source: Company reports, Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 2: Actual vs Estimates

Rev/GAAP operating profit of 187.8bn/\$21.2bn beat Street's estimate of \$187.3bn/\$18.8bn

Metrics					
Online Stores	75,556	75,066	490	74,705	0
y/y	7.1%	6.4%	0.7%	5.9%	1.2%
Physical Stores	5,579	5,390	189	5,400	179
y/y	8%	5%	3.7%	5%	3.5%
Retail 3P seller services	47,485	47,656	-171	48,025	-540
y/y	9.0%	9.4%	-0.4%	10.3%	-1.2%
Retail subscription services	11,508	11,638	-130	11,577	-69
y/y	9.7%	11.0%	-1.2%	10.4%	-0.7%
AWS	28,786	28,706	80	28,817	-31
y/y	18.9%	18.6%	0.3%	19.1%	-0.1%
Advertising services	17,288	17,365	-77	17,358	-70
y/y	18.0%	18.5%	-0.5%	18.5%	-0.5%
Other	1,590	1,415	175	1,417	173
y/y	16.8%	4.0%	12.8%	4.1%	12.7%
<b>Total Revenue</b>	<b>187,792</b>	<b>187,236</b>	<b>556</b>	<b>187,323</b>	<b>469</b>
y/y	<b>10.5%</b>	<b>10.2%</b>	<b>0.3%</b>	<b>10.2%</b>	<b>0.3%</b>
Segment Profit Trends					
	Actuals	BofA Est	Diff.	Street Est	Diff.
<b>North America</b>					
Operating Income (GAAP)	9,256	7,994	1,262	7,409	1,847
North America Margin %	8.0%	7.0%	1.0%	6.5%	1.5%
Y/Y P.P.Change	1.9%	0.9%	1.0%	0.4%	1.5%
<b>International</b>					
Operating Income (GAAP)	1,315	1,328	-13	1,360	-45
International Margin %	3.0%	3.0%	0.0%	3.1%	-0.1%
Y/Y P.P.Change	4.1%	4.0%	0.0%	4.1%	-0.1%
<b>AWS</b>					
Operating Income (GAAP)	10,632	10,334	298	10,148	484
AWS Margin %	36.9%	36.0%	0.9%	35.2%	1.7%
Y/Y P.P.Change	7.3%	6.4%	0.9%	5.6%	1.7%
<b>Operating Income (GAAP)</b>					
Operating Margin %	11.3%	10.5%	0.8%	10.1%	1.2%
Y/Y Change	61%	49%	12%	43%	18%

Source: Company reports, Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

## Estimate changes

We lower our Q1 revenue estimate by 1% to \$155.5bn to reflect a greater-than-expected FX headwind in the International segment, and we lower our profit forecast by 4% to \$17.9bn. Our below street profit estimates are relatively unchanged. With greater than expected Capex, we now project 2025E FCF of \$55bn, well below our \$72bn prior estimate.

### Exhibit 3: Estimate changes

For 2025E, we lower rev/profit/GAAP EPS to \$696bn/\$80bn/ \$6.16 from \$700bn/\$79.5bn/\$6.10

	1Q25E			2025E			2026E			2027E		
	Old	New	Diff.	Old	New	Diff.	Old	New	Diff.	Old	New	Diff.
North America Revenue	93,877	93,306	-571	422,271	421,628	-642	459,270	458,569	-700	495,348	494,592	-756
International Revenue	33,691	32,575	-1,116	152,212	147,565	-4,648	165,231	160,185	-5,046	178,443	172,993	-5,450
AWS	29,544	29,619	75	125,518	126,728	1,210	144,628	147,609	2,980	164,876	169,750	4,874
Total Revenue	157,112	155,499	-1,612	700,001	695,921	-4,080	769,129	766,363	-2,766	838,667	837,334	-1,333
y/y	10%	9%	-1.1%	10%	9%	-1%	10%	10%	0.2%	9%	9%	0.2%
Gross profit	79,263	78,527	-736	349,430	348,075	-1,355	392,415	390,220	-2,195	437,119	431,382	-5,738
Gross Margin	50.5%	50.5%	0.1%	49.9%	50.0%	0.1%	51.0%	50.9%	-0.1%	52.1%	51.5%	-0.6%
Fulfillment	24,509	24,102	-407	110,202	107,121	-3,081	119,452	117,481	-1,971	129,993	125,600	-4,393
Fulfillment %	15.6%	15.5%	-0.1%	15.7%	15.4%	-0.4%	15.5%	15.3%	-0.2%	15.5%	15.0%	-0.5%
Operating expenses:												
Marketing	10,055	10,263	208	46,429	46,286	-143	50,244	49,438	-806	53,109	51,915	-1,194
Technology & content	23,095	23,169	74	100,616	101,483	867	114,589	115,601	1,012	128,316	130,624	2,308
G & A	2,828	2,892	64	12,292	12,312	20	13,123	13,176	53	13,890	13,978	88
Other operating exp. (Inc.)	102	181	79	408	724	316	426	426	0	450	450	0
Operating expense	36,081	36,506	425	159,745	160,805	1,060	178,381	178,641	259	195,765	196,966	1,202
Operating expense %	23.0%	23.5%	0.5%	22.8%	23.1%	0.3%	23.2%	23.3%	0.1%	23.3%	23.5%	0.2%
GAAP Operating Income (loss)	18,673	17,919	-754	79,483	80,149	666	94,582	94,098	-484	111,361	108,815	-2,546
Operating Margin	11.9%	11.5%	-0.4%	11.4%	11.5%	0.2%	12.3%	12.3%	0.0%	13.3%	13.0%	-0.3%
GAAP Income Tax	3,644	3,505	-139	14,864	14,993	129	17,436	17,349	-87	20,672	20,214	-458
Tax Rate (GAAP taxes)	19%	19%	0%	18%	18%	0%	18%	18%	0%	18%	18%	0%
GAAP Net Income	15,536	14,944	-592	66,647	67,276	629	79,435	79,038	-397	94,178	92,090	-2,088
Diluted EPS - GAAP	\$1.43	\$1.38	-\$0.05	\$6.10	\$6.16	\$0.07	\$7.15	\$7.12	-\$0.03	\$8.37	\$8.11	-\$0.25
Stock Comp. In Above	5,861	5,295	-566	27,016	24,645	-2,371	31,083	27,661	-3,422	34,583	31,161	-3,422
CSOI (GAAP Op. Inc. ex. SBC & Other)	24,636	23,395	-1,241	106,907	105,518	-1,389	126,091	122,185	-3,906	146,394	140,426	-5,968
CSOI Margin	15.7%	15.0%	-0.6%	15.3%	15.2%	-0.1%	16.4%	15.9%	-0.5%	17.5%	16.8%	-0.7%
Adjusted Net Income	20,617	19,619	-999	89,327	88,263	-1,063	105,267	102,065	-3,203	122,900	118,006	-4,894
Capex	-23,000	-26,000	-3,000	-85,000	-104,000	-19,000	-93,000	-109,000	-16,000	-101,500	-117,500	-16,000
FCF	2,225	-12,142	-14,366	72,247	55,226	-17,022	97,674	72,471	-25,203	110,627	98,514	-12,113

Source: BofA Global Research

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# Valuation

Our \$257 PO is based on our SOTP analysis that values AWS at 11x 2026 sales, 1P Retail at 1.1x, 3P Retail at 2.2x, and Advertising at 5.0x. Our 2026 sales multiples compare to 14.4x for SaaS comps, 1.4x for Retail comps, 2.5x for Marketplace comps, and 5.3x for Online Media comps. We think some conglomerate discount may be priced in during periods of elevated regulatory/antitrust risk, but long-term we believe that in-line multiples are warranted given growth rates in-excess of peers. Our PO implies 3.7x blended P/Sales, a multiple at the upper-half of Amazon's historical range of 1.0-3.5x, 14x '26 EBITDA, and 36x '26 EPS.

## Exhibit 4: Valuation

Our PO implies 3.7x blended P/Sales

Metric	2026	Comps
AWS sales	147,609	
<i>P/S multiple</i>	<i>11x</i>	<i>SaaS 14.4x</i>
AWS valuation	1,638,455	
<b>AWS per share</b>	<b>\$149</b>	
1P Retail sales (incl. Subscription)	347,195	
<i>P/S multiple</i>	<i>1.1x</i>	<i>Retail 1.4x</i>
1P Retail valuation	395,802	
<b>1P Retail per share</b>	<b>\$36</b>	
3P Retail sales	189,013	
<i>P/S multiple</i>	<i>2.2x</i>	<i>Marketplace 2.5x</i>
3P Retail valuation	415,830	
<b>3P Retail per share</b>	<b>\$38</b>	
Advertising sales	76,304	
<i>P/S multiple</i>	<i>5.0x</i>	<i>Online Media 5.3x</i>
Advertising valuation	381,522	
<b>Advertising per share</b>	<b>\$35</b>	
Implied Market Cap (\$mn)	2,831,609	
Shares (YE 2025)	11,011	
<b>Price Objective</b>	<b>\$257</b>	

Source: BofA Global Research estimates, company report

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## Price objective basis & risk

### Amazon.com (AMZN)

Our \$257 PO is based on our SOTP analysis that values AWS at 11x 2026 sales, 1P Retail at 1.1x, 3P Retail at 2.2x, and Advertising at 5.0x. Our 2026 sales multiples compare to 14.4x for SaaS comps, 1.4x for Retail comps, 2.5x for Marketplace comps, and 5.3x for Online Media comps. We think some conglomerate discount may be priced in during periods of elevated regulatory/antitrust risk, but long-term we believe that in-line multiples are warranted given growth rates in-excess of peers. Our PO implies 3.7x blended P/Sales, a multiple in the upper-half of Amazon's historical range of 1.0-3.5x, 14x '26 EBITDA, and 36x '26 EPS.

Downside risks to our price objective are increasing competition from offline and local retailers, AWS client cost optimization impact on revenues and margins, and regulatory pressure on the 3P marketplace. The stock has been subject to heavy volatility in the past, based on margin trends, and this volatility could increase due to economic uncertainty.

## Analyst Certification

I, Justin Post, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Alphabet	GOOGL	GOOGL US	Justin Post
	Alphabet	GOOG	GOOG US	Justin Post
	Amazon.com	AMZN	AMZN US	Justin Post
	AppLovin	APP	APP US	Omar Dessouky, CFA
	Carvana	CVNA	CVNA US	Michael McGovern
	Chewy Inc	CHWY	CHWY US	Curtis Nagle, CFA
	DoorDash	DASH	DASH US	Michael McGovern
	Expedia	EXPE	EXPE US	Justin Post
	Ibotta	IBTA	IBTA US	Curtis Nagle, CFA
	Integral Ad Science Holding Corp.	IAS	IAS US	Omar Dessouky, CFA
	Lyft, Inc.	LYFT	LYFT US	Michael McGovern
	Magnite, Inc.	MGNI	MGNI US	Omar Dessouky, CFA
	Meta Platforms Inc	META	META US	Justin Post
	Peloton	PTON	PTON US	Curtis Nagle, CFA
	Pinterest	PINS	PINS US	Justin Post
	RH	RH	RH US	Curtis Nagle, CFA
	Roblox Corp. Class A	RBLX	RBLX US	Omar Dessouky, CFA
	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA
	Uber	UBER	UBER US	Justin Post
	Vivid Seats	SEAT	SEAT US	Curtis Nagle, CFA
	Wix.com	WIX	WIX US	Michael McGovern
<b>NEUTRAL</b>				
	ACV Auctions	ACVA	ACVA US	Curtis Nagle, CFA
	Airbnb	ABNB	ABNB US	Justin Post
	Booking Holdings Inc	BKNG	BKNG US	Justin Post
	Duolingo	DUOL	DUOL US	Curtis Nagle, CFA
	eBay	EBAY	EBAY US	Justin Post
	Electronic Arts	EA	EA US	Omar Dessouky, CFA
	Etsy, Inc.	ETSY	ETSY US	Curtis Nagle, CFA
	Instacart	CART	CART US	Justin Post
	Match Group	MTCH	MTCH US	Curtis Nagle, CFA
	Reddit	RDDT	RDDT US	Justin Post
	Snap	SNAP	SNAP US	Justin Post





## US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Udemy Inc	UDMY	UDMY US	Curtis Nagle, CFA
	Wayfair	W	W US	Curtis Nagle, CFA
	Zillow	ZG	ZG US	Curtis Nagle, CFA
	Zillow	Z	Z US	Curtis Nagle, CFA
<b>UNDERPERFORM</b>				
	Bumble	BMBL	BMBL US	Curtis Nagle, CFA
	Cardlytics, Inc	CDLX	CDLX US	Omar Dessouky, CFA
	Digital Turbine, Inc	APPS	APPS US	Omar Dessouky, CFA
	DoubleVerify Holdings, Inc.	DV	DV US	Omar Dessouky, CFA
	LegalZoom	LZ	LZ US	Michael McGovern
	Opendoor Technologies	OPEN	OPEN US	Curtis Nagle, CFA
	Playtika	PLTK	PLTK US	Omar Dessouky, CFA
	Redfin Corp	RDFN	RDFN US	Curtis Nagle, CFA
	Yelp	YELP	YELP US	Nitin Bansal, CFA
<b>RVV</b>				
	Coursera Inc.	COUR	COUR US	Nafeesa Gupta

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

**Numerator**

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

**Denominator**

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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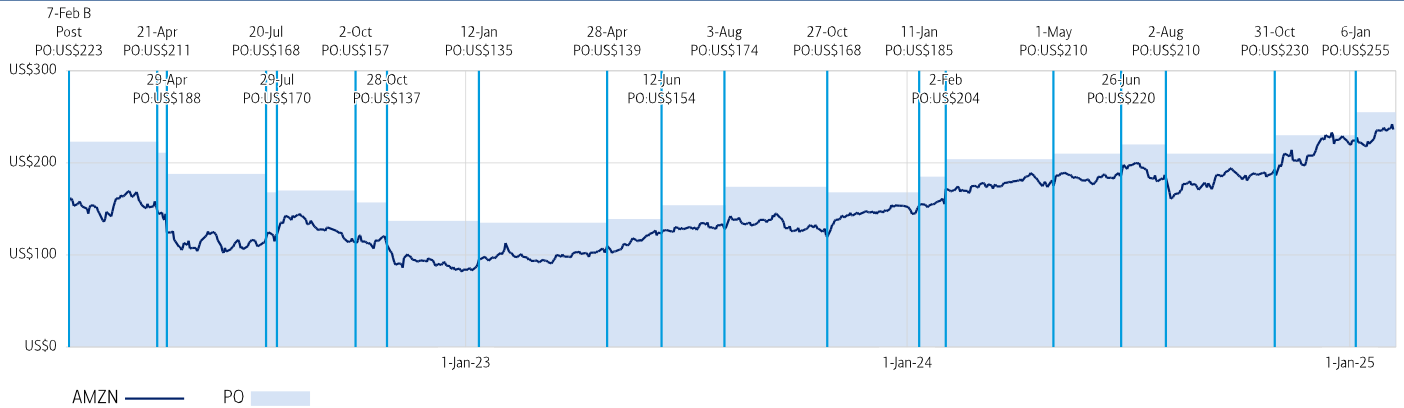
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## Important Disclosures

### Amazon.com (AMZN) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2024)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	209	53.45%	Buy	107	51.20%
Hold	93	23.79%	Hold	47	50.54%
Sell	89	22.76%	Sell	28	31.46%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2024)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1869	54.39%	Buy	1108	59.28%
Hold	766	22.29%	Hold	463	60.44%
Sell	801	23.31%	Sell	370	46.19%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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