

Amazon.com, Inc.

US CORE HOLDING*

Recommended since 20.07.20

13.01.2023



Country US	Market capitalization (bn) USD 1 009,95	Perf. since reco. (%)
Sector Retail	Free float 87,2%	Amazon.com, Inc. -40,4
Factset AMZN-US	Closing price USD 95,27	Sector -37,8
ISIN US0231351067	ESG Risk score* 30,3 High risk	



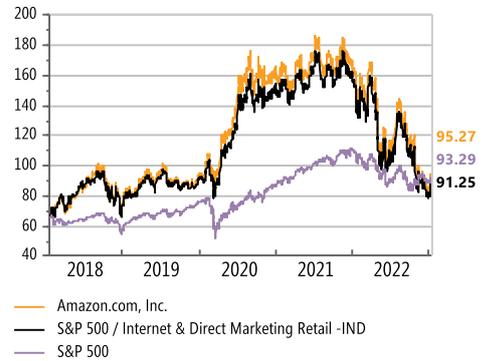
**From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.*

Profile

Founded in 1994, Amazon has become the world leader in e-commerce, generating more than USD 469 bn in revenues (FY2021). Operating in nearly 20 countries, Amazon is organized into 3 segments: North America, International, and Amazon Web Services (AWS). The company's innovation policy is focused on e-commerce, Cloud computing services (AWS), digital streaming and artificial intelligence.

Market - competition - positions - barriers to entry

Thanks to its R&D spending (between 10% and 12% of revenues in recent years), Amazon is perfectly positioned to face the Internet giants: Alibaba, Microsoft Azure, Google, and Netflix. The development of a highly efficient ecosystem, including customer focus, innovation, and "physical" stores, has further increased the barriers to entry into this market.



Source: Factset

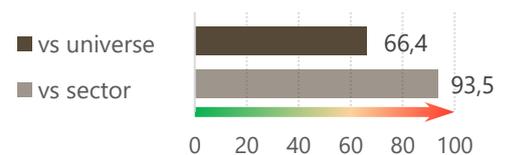
Investment case

- Amazon generates its revenues from six major business segments: 1/ e-Commerce (Amazon.com), which accounts for just over 47% of consolidated revenues in 2021. 2/ Services for third-party sellers (Amazon.com), 22% of revenues. 3/ Cloud services (AWS), representing approximately 13% of Group revenues. 4/ Subscription services (Amazon Prime), with 6.7% of revenues. 5/ Sales in "physical" stores (with Amazon Fresh and Whole Foods), representing 3.6% of revenues. 6/ Advertising, Kindle and other services (Alexa, Twitch, IMDb, Amazon Pay, audio), representing 7% of revenues. These six segments are highly complementary: thanks to the data collected, these segments are optimized (economies of scale, cost reductions), offering attractive prices for consumers. Amazon's philosophy is focused on customer convenience: the success of the Amazon Prime loyalty program is the result. In e-commerce, the post-COVID world is witnessing an acceleration in the structural trend: in 2019, the global retail market is estimated at USD 25 trillion (up 4.5% year-on-year); e-commerce represents only approximately 14% (growing at around 20% year-on-year). The potential of this market, dominated by Amazon, is huge. Growth of e-commerce remains on a solid positive trend (above 25% of retail sales by 2024) and will be an organic growth driver over the next 10 years.
- The cloud services (AWS) are the other growth driver: with a high EBIT margin (30%), this segment combines with the whole business model (big data analysis improves the selection of products at the best cost and allows the development of artificial intelligence applicable to all domains). With growth above 35%, AWS, the world's leading provider of public Cloud services (above 33% market share), is booming in a world where data is becoming precious and companies are ready to transfer to the Cloud data that is sometimes "mission critical".
- Amazon is constantly enhancing its customer experience, offering digital products and services that strengthen its ecosystem: the adoption of the Prime subscription builds loyalty among the customer base, making it largely captive. The product-mix is therefore unique: Amazon's long-term growth is balanced and ensures leadership in most of its markets (e-commerce, cloud computing, media, digital ad, AI voice assistants).

ESG - risks and key points

1/ Competition in e-commerce (Walmart, Costco, Ebay), but also in Cloud computing (Azure, Google). 2/ Difficulty in establishing itself in certain international markets (domination of regional players, such as Alibaba, Shopee or MercadoLibre; unfavourable regulation). 3/ The sale of products by third parties is a special case: if they are treated unfavourably, Amazon could lose a significant market share. 4) Macro factors (interest rates, seasonality, consumer spending patterns). On the ESG side, the points of controversy mainly relate to working conditions, fiscal optimization and anti-competitive practices.

ESG risk vs. universe & sector (percentile)*



Source: Sustainalytics

Valuation** in USD

Current price	Value Bordier Scenario
95	123

Our scenario assumes USA 10-year yields of 3.5% as well as an improvement in the EBIT margin, stabilising at around 8.5% by 2025. The Ebit margin will accelerate from 2023 after the big CapEx phase between 2020 and 2022.

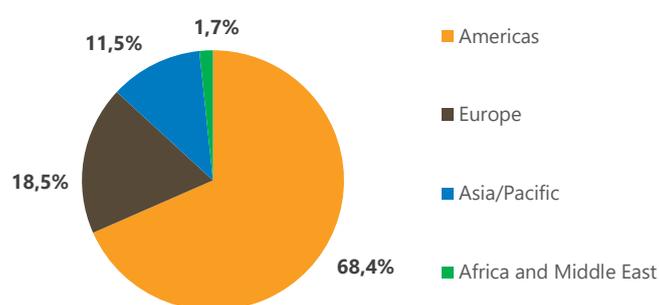
** The theoretical value reflects the company's business model, our baseline growth and profit scenario and market data, exogenous to the company (risk-free rate and equity risk premium). It does not in itself constitute a target price.

"Bordier Core Holding" indicators

In millions of USD	2020	2021	2022e	2023e	2024e
Sales revenue	386 064	469 822	516 804	563 317	626 971
Sales growth %	37,6%	21,7%	10,0%	9,0%	11,3%
a/w organic	37,6%	21,7%	10,0%	9,0%	11,3%
EBIT adjusted	22 899	24 879	11 096	22 598	35 776
% of sales	5,9%	5,3%	2,1%	4,0%	5,7%
Net income	21 315	33 364	8 958	18 528	29 730
Adjusted EPS	41,83	64,81	0,87	1,80	2,89
Adjusted EPS growth	81,7%	55,0%	-98,7%	106,5%	60,5%
Capex/Sales	10,4%	11,8%	10,7%	10,7%	8,9%
Free cash-flow	25 924	-9 069	-13 982	2 598	24 456
FCF/Sales	6,7%	-1,9%	-2,7%	0,5%	3,9%
Dividend per share	0,00	0,00	0,00	0,00	0,00
Dividend yield	0,0%	0,0%	0,0%	0,0%	0,0%
ROCE - WACC	13,9%	7,5%	-1,2%	3,8%	7,8%
ROE (%)	22,8%	24,1%	6,1%	11,2%	15,2%
Net debt/Ebitda	-109,2%	-79,9%	-67,9%	-53,1%	-68,8%

Source: Factset, Bordier estimates

Sales breakdown - 12/2021



Ratios

	Amazon.com, Inc.	S&P 500	
		Sector	Market
PE (x)***	Internet & Direct	Mark. Retail	S&P 500
	2021	45,1	21,2
	2022e	1756,5	18,3
2023e	48,8	17,4	
P/B (x)***	2021	11,0	4,5
	2022e	6,8	3,9
	2023e	5,5	3,6
Beta (2Y, daily) vs market:			0,81

***) The valuation ratios set out are provided for information only. They do not constitute the criteria based upon which Core Holdings are selected, and may present significant premi-ums representing the quality of the company's business model.

Governance and ownership structure

Since February 2021, Andy Jassy is in transition to become CEO.

Key shareholders (if any):

Jeff Bezos 10.61%; Mackenzie Bezos 3.89%; The Vanguard Group 6.09%; BlackRock Fund Advisors 3.62%.

Any special characteristics of ownership (multiple voting rights, controlling holding company, shareholders' agreements)

No dividend.

Glossary

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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