

# Amazon (AMZN US)

## Steady margin expansion ongoing

Amazon reported (1 May BJT) better-than-expected 1Q24 results: revenue was US\$143.3bn, up 12.5% YoY, and was 1% ahead of consensus, mainly driven by 4% beat in AWS revenue as impact from cloud optimization is milder than expectation, and total operating profit was US\$15.3bn, up 221% YoY, better than consensus at US\$11.0bn, driven by OPM margin beat across all three business segments (North America, International, and AWS). We trim 2024-26E revenue forecast by 1% each but lifted OP forecast by 11-15% to account for better-than-expected margin expansion. Our TP was largely unchanged at US\$211.0 (was US\$213.0) based on unchanged 18.8x EV/EBITDA, as we accounted for the incremental investment in capex that Amazon will incur to fulfil the reaccelerating cloud demand. Amazon's steady margin expansion remains on track despite the incremental capex investments, in our view, aided by optimization of costs to serve retail business, and increase in revenue contribution from high-margin ads business. Reiterate BUY.

- Recovery of AWS revenue growth better than expected in 1Q24.** In 1Q24, AWS inked revenue of US\$25.0bn, up 17.2% YoY, or 16% YoY if excluding impact of leap year (1Q23: 16%; 4Q23: 13%), 4% better than market expectation. Management believes that enterprises have largely completed the lion's share of their cost optimization and turned attention to new initiatives. Also, management highlighted that it has seen considerable momentum on the AI front, where AWS has accumulated a multibillion-dollar revenue run-rate already, which we believe could support steady AWS revenue growth over 2Q-4Q24. Operating profit for AWS segment was US\$9.4bn in 1Q24, 31% ahead of consensus, and translates into 37.6% OPM (1Q23: 24.0%; 4Q23: 29.6%), mainly driven by the change in estimated useful life of servers, and labour cost optimization initiatives. Management expects OPM of AWS to fluctuate driven in part by the level of investments, while remain focused on driving efficiencies gains.
- Both NA and international business delivered steady margin expansion.** In 1Q24, Amazon's North America (NA) business recorded revenue of US\$86.3bn, up 12.3% YoY, and operating margin was 5.8%, better than consensus at 5.1%, aided by the improvement in cost to serve, including continued benefit from Amazon's work to regionalize operation, savings from more consolidated customer shipment, and improving operating leverage. For international segment, revenue was US\$31.9bn, up 9.7% YoY, and operating margin was 2.8%, better than consensus at -1.8%, thanks to improvement of cost efficiencies through network design enhancement and improved volume leverage. Management believes that there is still room for further margin expansion for both NA and international business driven by optimization of cost to serve and increase in revenue contribution from relatively high margin advertising business.
- Robust advertising revenue growth could sustain and act as a solid driver for overall margin expansion.** In 1Q24, Amazon's advertising services revenue grew 24% YoY (1Q23: 22%; 4Q23: 27%) to US\$11.8bn, aided by strong performance in sponsored ads, as well as incremental revenue contribution generated from Amazon Prime ads. As a percentage of revenue, advertising services contributed to 8.3% of total in 1Q24, increased from 7.5% in 1Q23.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	513,983	574,785	635,563	707,192	780,106
YoY growth (%)	9.4	11.8	10.6	11.3	10.3
Net profit (US\$ mn)	(2,722.0)	30,425.0	51,048.6	69,815.8	89,406.0
YoY growth (%)	na	na	67.8	36.8	28.1
EPS (Reported) (US\$)	(0.27)	2.90	4.82	6.51	8.23
Consensus EPS (US\$)	na	2.83	4.16	5.33	6.94
P/E (x)	ns	61.7	37.1	27.5	21.8

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

<b>Target Price</b>	<b>US\$211.00</b>
(Previous TP)	US\$213.00)
<b>Up/Downside</b>	<b>17.9%</b>
<b>Current Price</b>	<b>US\$179.00</b>

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### Stock Data

Mkt Cap (US\$ mn)	1,878,068.0
Avg 3 mths t/o (US\$ mn)	4,704.4
52w High/Low (US\$)	189.05/103.65
Total Issued Shares (mn)	10492.0

Source: FactSet

### Shareholding Structure

Jeffrey P. Bezos	9.6%
The Vanguard Group, Inc.	7.1%

Source: Nasdaq

### Share Performance

	Absolute	Relative
1-mth	-0.9%	3.1%
3-mth	4.2%	4.3%
6-mth	29.6%	10.4%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

## Changes in forecast and valuation

Figure 1: Amazon forecast revision

USD bn	Current			Previous			Change (%)		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Revenue	635.6	707.2	780.1	642.9	716.2	790.0	-1.1%	-1.3%	-1.3%
Gross Profit	310.7	349.7	389.6	307.2	346.2	385.8	1.1%	1.0%	1.0%
Operating Profit	64.1	80.7	99.3	55.8	71.6	89.3	15.0%	12.8%	11.2%
Net profit	51.0	69.8	89.4	44.7	60.6	78.6	14.2%	15.3%	13.7%
GPM	48.9%	49.4%	49.9%	47.8%	48.3%	48.8%	1.1 ppt	1.1 ppt	1.1 ppt
OPM	10.1%	11.4%	12.7%	8.7%	10.0%	11.3%	1.4 ppt	1.4 ppt	1.4 ppt
NPM	8.0%	9.9%	11.5%	7.0%	8.5%	9.9%	1.1 ppt	1.4 ppt	1.5 ppt

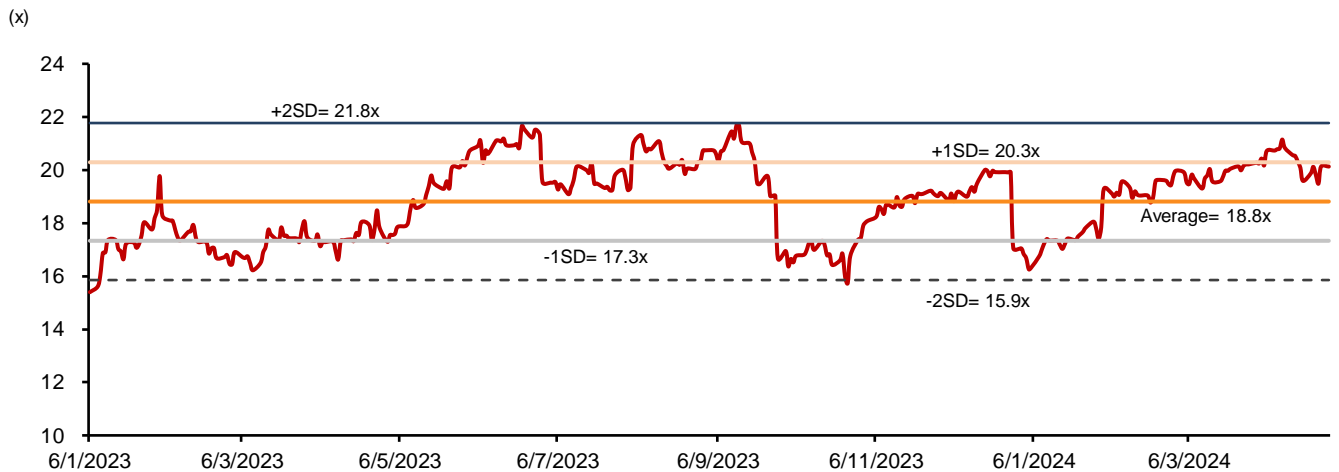
Source: CMBIGM estimates

Figure 2: Amazon: CMBI forecast vs consensus

USD bn	Current			Consensus			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	635.6	707.2	780.1	642.1	717.4	800.1	-1.0%	-1.4%	-2.5%
Gross Profit	310.7	349.7	389.6	308.1	351.6	399.2	0.9%	-0.5%	-2.4%
Operating Profit	64.1	80.7	99.3	54.9	70.5	90.9	16.8%	14.5%	9.3%
Net profit	51.0	69.8	89.4	44.3	57.9	75.4	15.3%	20.5%	18.6%
GPM	48.9%	49.4%	49.9%	48.0%	49.0%	49.9%	0.9 ppt	0.4 ppt	0.0 ppt
OPM	10.1%	11.4%	12.7%	8.5%	9.8%	11.4%	1.5 ppt	1.6 ppt	1.4 ppt
NPM	8.0%	9.9%	11.5%	6.9%	8.1%	9.4%	1.1 ppt	1.8 ppt	2.0 ppt

Source: CMBIGM estimates

Figure 3: Amazon: one-year EV/EBITDA band



Source: Bloomberg, CMBIGM

Figure 4: Amazon: target price of US\$211.0 based on 18.8x EV/EBITDA

(USDmn)	
<b>GAAP EBITDA (2024E)</b>	111,778
GAAP EBITDA Margin %	17.6%
EV / 2024 GAAP EBITDA	<b>18.8x</b>
Enterprise Value	2,102,549
<b>Capital Structure Adjustments</b>	
Adjusted Net Debt - 2024E	(185,780)
Shares Outstanding - 2024E	11,001
<b>Valuation (USD)</b>	<b>211.0</b>
% upside/downside to current share price	21%

Source: CMBIGM estimates

Figure 5: Amazon: SOTP valuation cross-check of US\$217.0 per ADS

#	Segment (USDmn)	Valuation method	2024E Rev (USDmn)	EV/S (x)	Val. US\$m	\$/share	Value split
1	First party retail (online stores + physical stores + Others)	0.9x 2024E PS	265,129	0.9	238,617	22.0	10%
2	Third party revenue ( Retail Third-Party Seller Services + Retail Subscription Services)	5.0x 2024E PS	205,999	5.0	1,029,993	94.9	44%
3	Advertising services	5.0x 2024E PS	58,196	5.0	290,981	26.8	12%
4	AWS	7.5x 2024E PS	106,239	7.5	796,789	73.4	34%
<b>Total (US\$m)</b>						<b>217.0</b>	
#s of shares outstanding (mn)						10,859	

Source: CMBIGM estimates

Figure 6: Overseas mega TMT companies: EV/EBITDA valuation comparison

Companies	Ticker	Price (Local)	EV/Sales (x)			EV/EBITDA (x)		
			2024E	2025E	2026E	2024E	2025E	2026E
Meta	Meta US	471.8	6.7	6.0	5.3	11.9	10.2	8.9
Apple	AAPL US	181.6	6.7	6.3	6.0	19.7	18.6	17.5
Microsoft	MSFT US	402.8	11.7	10.2	8.9	21.8	19.0	16.3
Google	GOOG US	142.2	6.7	5.7	5.2	13.6	12.3	11.2
Netflix	NFLX US	575.1	6.4	5.7	5.2	23.9	19.7	16.7
<b>Average</b>			<b>7.6</b>	<b>6.8</b>	<b>6.1</b>	<b>18.1</b>	<b>16.0</b>	<b>14.1</b>

Source: Bloomberg, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
<b>Revenue</b>	<b>469,822</b>	<b>513,983</b>	<b>574,785</b>	<b>635,563</b>	<b>707,192</b>	<b>780,106</b>
Cost of goods sold	(272,344)	(288,831)	(304,739)	(324,822)	(357,539)	(390,502)
<b>Gross profit</b>	<b>197,478</b>	<b>225,152</b>	<b>270,046</b>	<b>310,741</b>	<b>349,653</b>	<b>389,604</b>
<b>Operating expenses</b>	<b>(172,599)</b>	<b>(212,904)</b>	<b>(233,194)</b>	<b>(246,643)</b>	<b>(268,951)</b>	<b>(290,313)</b>
Selling expense	(32,551)	(42,238)	(44,370)	(46,541)	(50,768)	(54,455)
Admin expense	(8,823)	(11,891)	(11,816)	(12,401)	(13,849)	(14,793)
R&D expense	(56,052)	(73,213)	(85,622)	(90,024)	(98,322)	(106,606)
Others	(75,173)	(85,562)	(91,386)	(97,677)	(106,013)	(114,459)
<b>Operating profit</b>	<b>24,879</b>	<b>12,248</b>	<b>36,852</b>	<b>64,098</b>	<b>80,701</b>	<b>99,291</b>
Interest income	448	989	2,949	4,518	8,152	13,598
Interest expense	(1,809)	(2,367)	(3,182)	(2,499)	(2,239)	(2,089)
Other income/expense	14,633	(16,806)	938	(2,673)	0	0
<b>Pre-tax profit</b>	<b>38,151</b>	<b>(5,936)</b>	<b>37,557</b>	<b>63,444</b>	<b>86,614</b>	<b>110,800</b>
Income tax	(4,791)	3,217	(7,120)	(12,056)	(16,458)	(21,054)
Others	4	(3)	(12)	(340)	(340)	(340)
<b>After tax profit</b>	<b>33,364</b>	<b>(2,722)</b>	<b>30,425</b>	<b>51,049</b>	<b>69,816</b>	<b>89,406</b>
<b>Net profit</b>	<b>33,364</b>	<b>(2,722)</b>	<b>30,425</b>	<b>51,049</b>	<b>69,816</b>	<b>89,406</b>
<b>Adjusted net profit</b>	<b>33,364</b>	<b>(2,722)</b>	<b>30,425</b>	<b>51,049</b>	<b>69,816</b>	<b>89,406</b>
<b>BALANCE SHEET</b>						
YE 31 Dec (US\$ mn)						
<b>Current assets</b>	<b>161,580</b>	<b>146,791</b>	<b>172,351</b>	<b>237,886</b>	<b>340,796</b>	<b>460,412</b>
Cash & equivalents	36,220	53,888	73,387	121,052	210,410	315,862
Restricted cash	60,080	24,093	32,328	23,918	28,114	32,847
Account receivables	32,640	34,405	33,318	46,458	51,136	55,851
Inventories	32,640	34,405	33,318	46,458	51,136	55,851
Contract obtaining costs	258,969	315,884	355,503	378,330	390,754	408,302
PP&E	160,281	186,715	204,177	221,300	233,724	251,272
Deferred income tax	0	0	0	0	0	0
Goodwill	15,371	20,288	22,789	22,770	22,770	22,770
Other non-current assets	420,549	462,675	527,854	616,216	731,550	868,714
<b>Current liabilities</b>	<b>142,266</b>	<b>155,393</b>	<b>164,917</b>	<b>191,484</b>	<b>212,187</b>	<b>236,246</b>
Account payables	78,664	79,600	84,981	95,573	106,401	117,528
Other current liabilities	11,827	13,227	15,227	18,741	20,845	22,987
Accrued expenses	51,775	62,566	64,709	77,170	84,940	95,732
<b>Non-current liabilities</b>	<b>140,038</b>	<b>161,239</b>	<b>161,062</b>	<b>146,541</b>	<b>143,754</b>	<b>137,859</b>
Long-term borrowings	48,744	67,150	58,314	43,268	41,017	36,267
Other non-current liabilities	91,294	94,089	102,748	103,273	102,737	101,592
<b>Total liabilities</b>	<b>282,304</b>	<b>316,632</b>	<b>325,979</b>	<b>338,025</b>	<b>355,941</b>	<b>374,105</b>
Share capital	5	108	109	109	109	109
Capital surplus	55,538	75,066	99,025	124,592	152,194	181,789
Retained earnings	85,915	83,193	113,618	164,667	234,482	323,888
Other reserves	(3,213)	(12,324)	(10,877)	(11,435)	(11,435)	(11,435)
<b>Total shareholders equity</b>	<b>138,245</b>	<b>146,043</b>	<b>201,875</b>	<b>277,933</b>	<b>375,351</b>	<b>494,351</b>
<b>Total equity and liabilities</b>	<b>420,549</b>	<b>462,675</b>	<b>527,854</b>	<b>615,958</b>	<b>731,292</b>	<b>868,456</b>

<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (US\$ mn)</b>						
<b>Operating</b>						
Profit before taxation	38,151	(5,936)	37,557	63,444	86,614	110,800
Depreciation & amortization	34,296	41,461	48,663	47,680	47,974	48,371
Tax paid	(4,791)	3,217	(7,120)	(12,056)	(16,458)	(21,054)
Change in working capital	(19,611)	(20,886)	(11,541)	4,576	9,679	12,885
Others	(1,718)	28,896	17,387	27,071	27,262	29,254
<b>Net cash from operations</b>	<b>46,327</b>	<b>46,752</b>	<b>84,946</b>	<b>130,716</b>	<b>155,070</b>	<b>180,256</b>
<b>Investing</b>						
Capital expenditure	(55,396)	(58,321)	(48,133)	(60,680)	(60,111)	(66,309)
Acquisition of subsidiaries/ investments	(1,985)	(8,316)	(5,839)	(3,354)	0	0
Others	(773)	29,036	4,139	(2,210)	(2,528)	(2,990)
<b>Net cash from investing</b>	<b>(58,154)</b>	<b>(37,601)</b>	<b>(49,833)</b>	<b>(66,244)</b>	<b>(62,640)</b>	<b>(69,299)</b>
<b>Financing</b>						
Net borrowings	17,616	23,907	(11,224)	(14,762)	(2,251)	(4,750)
Share repurchases	0	(6,000)	0	0	0	0
Others	(11,325)	(8,189)	(4,655)	(1,896)	(822)	(756)
<b>Net cash from financing</b>	<b>6,291</b>	<b>9,718</b>	<b>(15,879)</b>	<b>(16,658)</b>	<b>(3,073)</b>	<b>(5,506)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	41,466	35,566	53,342	72,979	120,364	209,722
Others	(364)	(1,093)	403	(429)	0	0
<b>Cash at the end of the year</b>	<b>35,566</b>	<b>53,342</b>	<b>72,979</b>	<b>120,364</b>	<b>209,722</b>	<b>315,174</b>
<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Revenue	21.7%	9.4%	11.8%	10.6%	11.3%	10.3%
Gross profit	29.3%	14.0%	19.9%	15.1%	12.5%	11.4%
Operating profit	8.6%	(50.8%)	200.9%	73.9%	25.9%	23.0%
Net profit	56.4%	na	na	67.8%	36.8%	28.1%
Adj. net profit	56.4%	na	na	67.8%	36.8%	28.1%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Gross profit margin	42.0%	43.8%	47.0%	48.9%	49.4%	49.9%
Operating margin	5.3%	2.4%	6.4%	10.1%	11.4%	12.7%
Adj. net profit margin	7.1%	(0.5%)	5.3%	8.0%	9.9%	11.5%
Return on equity (ROE)	28.8%	(1.9%)	17.5%	21.3%	21.4%	20.6%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Current ratio (x)	1.1	0.9	1.0	1.2	1.6	1.9
Receivable turnover days	22.0	26.4	29.4	30.6	30.4	30.5
Inventory turnover days	37.3	41.8	46.1	49.9	49.1	49.3
Payable turnover days	104.0	99.2	104.9	105.9	107.1	108.3
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
P/E	54.2	ns	61.7	37.1	27.5	21.8
P/E (diluted)	55.8	ns	61.7	38.1	28.2	22.3
P/B	13.5	12.7	9.3	7.0	5.2	4.0
P/CFPS	ns	ns	51.0	27.8	20.7	17.5

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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**NOT RATED** : Stock is not rated by CMBIGM

**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
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