

## Amazon.com Inc. (AMZN)

**\$1,898.01** (As of 01/02/20)

Price Target (6-12 Months): **\$1,993.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 10/28/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:C

Value: D

Growth: A

Momentum: F

### Summary

Amazon is benefiting from its aggressive retail strategies and distribution strength. Rapid adoption of Prime driven by customer benefits and strengthening grocery services is aiding its top line. Further, Prime is driving its holiday sales growth. Also, expanding content portfolio is encouraging Prime membership. Further, strengthening AWS services and its growing adoption rate are aiding Amazon's dominance in the cloud space. Furthermore, improving Alexa skills and features remain major positives. Also, rising number of Alexa compatible devices is a tailwind. However, rising transportation cost related to its free one-day shipping service remains an overhang and is likely to increase further. Also, Amazon expects foreign exchange headwinds to continue impacting its top line. Notably, the stock has underperformed the industry over a year.

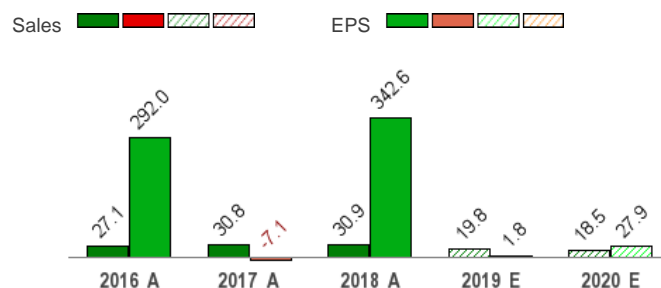
### Price, Consensus & Surprise



### Data Overview

|                            |                                     |
|----------------------------|-------------------------------------|
| 52 Week High-Low           | \$2,035.80 - \$1,497.11             |
| 20 Day Average Volume (sh) | 2,979,273                           |
| Market Cap                 | \$941.0 B                           |
| YTD Price Change           | 2.7%                                |
| Beta                       | 1.50                                |
| Dividend / Div Yld         | \$0.00 / 0.0%                       |
| Industry                   | <a href="#">Internet - Commerce</a> |
| Zacks Industry Rank        | Bottom 22% (197 out of 253)         |

### Sales and EPS Growth Rates (Y/Y %)



|                           |            |
|---------------------------|------------|
| Last EPS Surprise         | -5.2%      |
| Last Sales Surprise       | 1.9%       |
| EPS F1 Est- 4 week change | -1.2%      |
| Expected Report Date      | 01/30/2020 |
| Earnings ESP              | 2.0%       |
| P/E TTM                   | 84.1       |
| P/E F1                    | 72.4       |
| PEG F1                    | 2.2        |
| P/S TTM                   | 3.5        |

### Sales Estimates (millions of \$)

|      | Q1       | Q2       | Q3       | Q4        | Annual*   |
|------|----------|----------|----------|-----------|-----------|
| 2020 | 71,422 E | 75,192 E | 82,096 E | 100,396 E | 330,684 E |
| 2019 | 59,700 A | 63,404 A | 69,981 A | 85,984 E  | 279,115 E |
| 2018 | 51,042 A | 52,886 A | 56,576 A | 72,383 A  | 232,887 A |

### EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*   |
|------|----------|----------|----------|----------|-----------|
| 2020 | \$6.30 E | \$5.74 E | \$6.81 E | \$6.86 E | \$26.23 E |
| 2019 | \$7.09 A | \$5.22 A | \$4.23 A | \$3.98 E | \$20.51 E |
| 2018 | \$3.27 A | \$5.07 A | \$5.75 A | \$6.04 A | \$20.14 A |

\*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/02/2020. The reports text is as of 01/03/2020.

## Overview

Seattle, Washington-based Amazon.com, Inc. is one of the largest online retailers, with extensive operations in North America, now spreading across the globe. Its division Amazon Web Services (AWS) has become a dominant name in the cloud-computing market.

Further, robust Prime program has been successfully aiding Amazon's momentum in the e-commerce market. Moreover, expanding content portfolio of Prime bodes well for its growing footprint in the streaming services space.

Revenues were \$232.9 billion in 2018. The company reports revenue under three broad heads—North America, International and AWS, which generated 60.7%, 28.3% and 11% of total revenues, respectively.

North America and International are further divided on the basis of Media, Electronics and other General Merchandise (EGM), and Other (basically non-retail revenue from infrastructure services, external seller sites, co-branded credit card agreements and miscellaneous marketing and promotional activities).

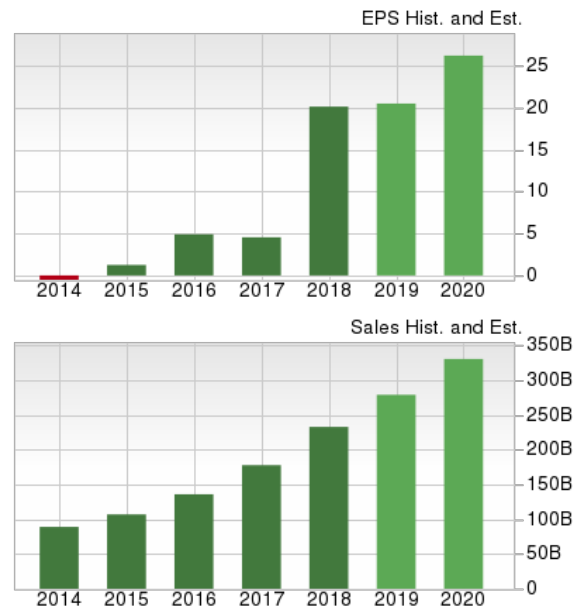
Amazon targets three categories of customers—consumers, sellers and website developers. Consumers are offered variety, convenience and free delivery of goods displayed on the company's websites. Some of the websites hosted include amazon.com, amazon.co.uk, amazon.de, amazon.fr, amazon.co.jp, amazon.ca, amazon.in and amazon.cn.

The agreements with sellers are varied, enabling them to use the company's websites to either sell their merchandise directly, or redirect customers to the sellers' own branded websites. In case of the latter arrangement, Amazon earns a fee for the sales thus generated.

While books, music and movies generate a major chunk of revenue, the company offers a variety of other products, including auto parts, toys, electronic gadgets, cell phones, software, home furnishings, apparel, jewelry, health and beauty aids, prescription drugs, groceries and food.

Additionally, the company generates a significant amount of revenues from cloud computing arm, AWS, which is one of its high-margin generating businesses.

Competition comes in the form of traditional retailers, other online retailers, media companies, web portals, search engines, e-commerce companies and cloud computing service providers.



## Reasons To Buy:

- ▲ Amazon.com is **one of the largest e-commerce companies** in the world. Although the primary product line was books at first, the company rapidly diversified into a host of other product categories. The current focus is on building video content, primarily for Prime subscribers because the growth prospects in that market are considerable. Product selection, a superior user experience, bargains and customer feedback have helped the company build a strong position for itself in the fast-growing ecommerce market. The growth of the e-commerce industry with consumers increasingly buying things online has proved to be favorable for the company. While the big brands may build their own online stores over time, a platform like Amazon allows discovery by new buyers. Smaller players are far more dependent on Amazon as they don't have the resources that Amazon has to invest in technology and fulfilment to generate the kind of reach that Amazon can deliver. Moreover, considering opportunities in international markets, the company's high growth rates are likely to be sustained over the next few years.
- ▲ Amazon keeps its retail business very hard to beat on price, choice, and convenience with the help of a solid loyalty system in **Prime and its FBA strategy**. The company continues to push advantages exclusively to Prime members, thus encouraging them to spend more on Amazon. The current focus is on building video content, primarily for Prime subscribers because the growth prospects in the market are considerable. Prime members are much more loyal and spend double the amount spent by non-Prime members.
- ▲ Amazon's strategy of **gradually merging online and offline retail** looks promising. It will not only reshape the retail landscape but also help it fend off competition, if it could manage a first mover advantage. It has added online and offline features to its bookstores and is going the same way with innovations such as drive-in-grocery delivery service (AmazonFresh Pickup - order groceries online and collect them from a store nearby) and "cashier-less" stores (Amazon Go – the company's first brick-and mortar grocery store). We expect online retail sales to decelerate while the overall retail market still holds a lot of potential. So, moves like these will help Amazon tap a large number of customers who prefer to shop offline, while not doing away with the online business.
- ▲ Amazon is the leading provider of cloud infrastructure as a service to enterprise customers. The expanding customer base of **Amazon Web Services (AWS)** driven by its strengthening cloud offerings will continue to aid Amazon's dominance in the global cloud space. Even more encouraging is the fact that AWS generates much stronger margins than the traditional retail business, which should remain a positive for the company's profitability as it continues to grow in the mix. AWS is gaining momentum with customers including Emirates NBD, Adobe, National Association for Stock Car Auto Racing, GE Oil & Gas, Kellogg's, Airbnb, Philips, Pinterest, Spotify, Tata Motors, Unilever, McDonalds, BMW, British Gas, Capital One, US Department of State and USDA Food and Nutrition Service, to name a few.
- ▲ Amazon is pushing well with its **devices strategy**. Alexa powered Echo devices are going great guns and help the company sell products and services. Artificial intelligence (AI) driven Alexa has already been integrated into a host of everyday devices for the digital home, which has converted the nascent smart home market into a potential area of growth in a very short time. Currently, Alexa is compatible with more than 60,000 smart home devices. The company is racing to build an ecosystem around Alexa and it's safe to say that it has taken an early lead over Google's smart assistant and Microsoft's Cortana.
- ▲ Amazon is gradually choosing the **buy option over build**, which, along with the other positives, ensures that the company generates revenues right way without wasting any time in building its own infrastructure. In Jul, 2017, the company completed the acquisition of a Dubai-based e-commerce giant, Souq.com. The deal will help Amazon to establish a presence in countries like Egypt, Saudi Arabia, and the UAE markets like Egypt, Saudi Arabia, and the UAE. Amazon's retail market share is still relatively small in these markets, but there is a good possibility of an increase in the next few years. If this happens, the company will see additional several billion dollars a year in revenues. The company acquired natural and organic foods supermarket, Whole Foods Market for \$13.7 billion. Through this acquisition, the company is gaining traction across a large customer base that still prefers to shop at physical stores. This is Amazon's way of tackling mounting competition and slow growth in the e-commerce space. Amazon has also acquired Body Labs, a startup that develops AI, computer vision and body-modelling based 3D body shapes and motion for various industries. It also acquired GameSparks to spruce up its gaming capabilities.

Amazon is benefiting from its Prime program, delivery and logistic system in the e-commerce space. Further, its dominant position in cloud market is a positive.

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## Reasons To Sell:

- ▼ There is a downside to a growing international business in the current economic environment. While expansion opportunities automatically increase, **currency** also starts playing a bigger role. Currency continues to have a significantly negative impact on its e-commerce results, which is now being offset by strength in AWS. Since the dollar remains strong at the moment and the situation may not change much for the rest of the year as well, there will be pressure on Amazon's profitability. The risk should be hedged however as AWS increases in the mix. AWS revenues are dollar-denominated while a lot of the assets were located in low-cost regions meaning that reduced competitiveness from the rising dollar would potentially be compensated by lower costs. Also note that once companies have migrated to its AWS platform, it will be difficult to switch or stop using it, leading to a situation of relatively inelastic demand.
- ▼ The AWS business is bringing an **element of cyclicality** into the business. Generally, a capital-intensive business means that the company will have to periodically sacrifice profits to build out infrastructure and then wait for customers to fill up the capacity thus created. So there will be periods during which the company will build out at the cost of profits and cash flows followed by periods during which the increased operating leverage will translate into improved profitability. AWS is still a small percentage of Amazon's total business, but still has a significant impact on its profitability because of the low-margin profile of the retail business. As AWS grows as a percentage of sales, it will become a greater influence on profitability.
- ▼ **Prime's saturation in the U.S. market** is apparent, because Amazon has very high penetration rates in the country. This led management to announce a tiered pricing system, wherein users can try out a monthly subscription if they are unsure about the program or don't want to pay upfront for the whole year. This plan brings flexibility to the pricing system, so is likely to remain. It should also increase penetration amongst the less affluent households.
- ▼ The **competition in online retail** is heating up. Traditional retailers have always provided the strongest competition and a number of them are running e-commerce sites as well. Additionally, the increased use of the Internet in both developed and developing economies is attracting other players into the space. Affiliation programs are being used by big players such as eBay. Several smaller companies could also find their own niche. While the Chinese market appears ripe and Amazon has initiatives to increase penetration in the market, local company Alibaba.com is very well-entrenched there. In China, Amazon has to contend with not only Alibaba, but also a growing number of other home-grown players. Additionally, Alibaba is now targeting the American market, which will greatly increase competition for Amazon. Further, since Amazon's first mover advantage is likely to moderate over time, some market share erosion seems inevitable.
- ▼ Amazon continues to **invest heavily on fulfillment centers, TV shows and movies, grocery, AWS, India expansion** and what not. In India, the company is making massive investments to build a logistics network that would cover the entire country. The \$5 billion investment plan is well on track but at the cost of global margins. Management has indicated that Amazon will continue with its push into the Indian e-commerce market, making the nation its fifth largest market after the U.S., the U.K. Japan and Germany. That being said, Amazon's global margins are likely to be under pressure at least for a few years in the future.
- ▼ Most retail businesses tend to be **seasonal** and Amazon's is no different. The company's revenues get a huge boost from the holiday season each year. Over 31% of its 2018 revenues were generated in the fourth quarter of 2018. With such a huge contribution from the fourth quarter, there is an obvious drop-off in the first quarter. The dependence on consumer spending makes the business lumpy, increasing the possibility of expectations going awry. However, management usually provides a fairly conservative guidance and reported revenues are usually within the guided range.

Amazon's rising operating expenses to support expansion of business into new markets and territories, and grow its volume of content remain major concerns.

## Last Earnings Report

### Amazon's Q3 Earnings Miss, Revenues Beat Estimates

Amazon reported third-quarter 2019 earnings of \$4.23 per share, missing the Zacks Consensus Estimate by 23 cents. Further, the figure declined 26.4% from the year-ago quarter.

Net sales of \$69.981 billion comfortably surpassed the Zacks Consensus Estimate of \$68.369 billion and came within management's guided range of \$66 billion and \$70 billion. Further, the figure improved year-over-year growth of 24%.

Excluding the unfavorable foreign exchange impact, sales would have reflected an improvement of 25% from the prior-year quarter.

North America revenues (60.9% of sales) increased 24.1% from the year-ago quarter to \$42.64 billion. International revenues (26.2% of sales) climbed 18% year over year to \$18.35 billion. Amazon Web Services (AWS) revenues (12.9% of sales) surged 34.7% year over year to \$8.99 billion.

Year-over-year top-line growth was driven by solid momentum across Prime on account of strong performance of Amazon's free one-day delivery service and expanding Prime Video content. Further, strengthening Amazon Web Services (AWS) services and smart home products offerings contributed to the company's third-quarter results.

However, the company's accelerating transportation and fulfillment center costs related to fast delivery services remains an overhang. Further, intensifying competition in both retail and cloud computing space is a headwind.

The company witnessed slowdown in growth rate of AWS sales in the reported quarter. This remains a woe.

Nevertheless, Amazon is making every effort to capitalize on this holiday season and stays optimistic about its delivery capabilities, backed by its Prime Free One Day service. This remains a positive.

Further, its expanding original series content portfolio remains encouraging. Further, AWS has revealed plans for opening 10 Availability Zones and three more AWS Regions in Indonesia, Italy, and South Africa. All these endeavors are likely to aid Amazon's business growth in the near term.

### Momentum Across Prime, Fashion & Music Streaming

Amazon Prime continued to gain traction during the reported quarter with expanding fast delivery services.

AmazonFresh service, which enables Prime members to receive delivery of daily essential goods and grocery items at an ultrafast speed, was introduced in cities like Indianapolis, Houston, Minneapolis and Phoenix.

Further, the company benefited from robust content portfolio. During the third quarter, Prime Video streamed Amazon Original series namely The Boys, Carnival Row and Undone.

Furthermore, Amazon original shows won 15 Emmy awards in the third quarter. Notably, Fleabag, which received four Emmy awards, was the primary reason behind the staggering number. Additionally, the Prime Video reached the third season of streaming NFL Thursday Night Football games in the reported quarter. Notably, in order to deliver enhanced video experience, the company unveiled Next Gen Stats on X-Ray feature for viewers.

The company also continued to gain traction in the global streaming space on the back of its expanding regional content, which added The Family Man (India), El Corazón de Sergio Ramos (Spain), Borussia Dortmund (Germany), The Bachelor (Japan) and El Juego de las Llaves (Mexico).

Apart from these, the company expanded international presence of Prime by launching the subscription service in Brazil. Further, Amazon introduced Prime Student in France, Italy, and Spain.

Further, the company ramped up initiatives in the fashion world by launching a new service called Personal Shopper by Prime Wardrobe. Additionally, the company's children's brand, Spotted Zebra, teamed up with Disney and launched its collection featuring Disney characters. Also, Amazon Fashion has made brands such as Tommy Hilfiger, 3.1 Phillip Lim, Vince Camuto and Rihanna's Savage X Fenty available.

Coming to music streaming, the e-commerce giant rolled out Amazon Music HD, which is a noteworthy step.

### Expanding AWS Portfolio: A Key Catalyst

AWS continued to remain one of the company's key growth drivers, witnessed significant improvement in the top line driven by expanding services portfolio that helped it in winning a number of customers during the reported quarter.

The company announced the general availability of several services — Amazon Forecast, AWS Lake Formation, Amazon Quantum Ledger Database and AWS IQ. Further, AWS made its new GPU-powered Amazon Elastic Compute Cloud (Amazon EC2) instance, G4 instances, generally available.

Further, expanding regions continued to act as tailwinds. The company opened AWS Middle East (Bahrain) Region in the third quarter. Currently, the number of availability zones and regions of AWS stands at 69 and 22, respectively.

Quarter Ending **09/2019**

| Report Date      | Oct 24, 2019 |
|------------------|--------------|
| Sales Surprise   | 1.90%        |
| EPS Surprise     | -5.16%       |
| Quarterly EPS    | 4.23         |
| Annual EPS (TTM) | 22.58        |

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We note that Amazon won a number of customers during the reported quarter — Cerner Corporation, The Globe and Mail, Galanz and Huashan Hospital.

### **Alexa, Fire TV & Echo Gaining Traction**

Amazon continued to enhance the skills and features of Alexa during the reported quarter. Features like Optional auto-deletion of voice recordings, Show and Tell, Frustration Detection, political campaign donations, Alexa Guest Connect, Drop In everywhere, Alexa Connections and photo sharing delivered enhanced user experience.

Additionally, Alexa Skills Store comprises over 100,000 skills. Education Technology skills were made available during the reported quarter. Further, increasing number of devices compatible with Alexa remains a major positive.

Notably, the virtual assistant is now capable of controlling above 85,000 smart home products from more than 9,500 brands.

During third-quarter 2019, Amazon launched 5 Echo smart speakers namely — All-new Echo, Echo Flex, Echo Dot with clock, Echo Show 8 and Echo Studio.

Further, it unveiled a wireless earbud with Bose Active Noise Reduction Technology and hands-free access to Alexa called Echo Buds. Additionally, Amazon introduced Alexa enabled prescription-ready glasses and a smart ring — Echo Frames and Echo Loop, respectively.

Additionally, Amazon unveiled Eero mesh Wi-Fi router with inbuilt Alexa. Moreover, it introduced voice-controlled Amazon Smart Oven with built-in Echo Dot.

Further, the company banked on Fire TV, which has now more than 37 million active users worldwide. Notably, Amazon announced 20 new Fire TV products during the reported quarter, thereby expanding its Fire TV product family.

### **Quarter Details**

Product sales (56.8% of sales) increased 17.7% year over year to \$39.73 billion. Service sales (43.2% of sales) surged 32.5% from the year-ago quarter to \$30.26 billion.

Operating expenses were almost \$66.82 billion, up 26.4% from the year-ago quarter. Cost of sales, fulfillment, marketing, technology & content, general & administrative and other operating expenses improved 18.6%, 16.8%, 47.9%, 25.1%, 14.3% and 7.5%, respectively.

As percentage of revenues, operating expenses expanded 210 bps on a year-over-year basis to 95.5%.

Operating income declined 15.2% from the year-ago quarter to \$3.16 billion. Operating margin contracted 210 bps from the year-ago quarter to 4.5%.

Operating income for North America and AWS came in \$1.28 billion and \$2.26 billion, down 36.9% and up 8.9%, respectively.

International segment reported a loss of \$386 million compared with the year-ago quarter's loss of \$385 million.

### **Guidance**

For fourth-quarter 2019, Amazon expects net sales between \$80 billion and \$86.5 billion. The figure is anticipated to grow in the range of 11-20% on a year-over-year basis.

Management projects an unfavorable impact of approximately 80 bps from foreign exchange rates.

Operating income is expected between \$1.2 billion and \$2.9 billion compared with \$3.8 billion in fourth-quarter 2018.

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## Recent News

On **Dec 26, 2019**, Amazon revealed its intentions about opening a fulfillment center in Deltona, FL, in order to meet the growing demand in the online shopping space. The new facility, spanning one-million square foot, will create more than 500 full-time jobs. Further, it will offer wages starting at \$15 an hour, including other comprehensive benefits like full medical, vision and dental insurance.

On **Dec 26, 2019**, Amazon announced record-breaking holiday sales numbers, which is a testament to its outstanding performance in this holiday season. Notably, the company experienced robust sales in product categories such as toys and games, electronics, fashion, beauty, pets, sports, books and home. Further, the company witnessed strong performance of its own brands like Amazon Essentials, AmazonBasics, 365 Everyday Value and Solimo during this holiday season.

On **Nov 14, 2019**, Amazon revealed about the opening of a new 30,000 square foot office in Town Square in downtown Las Vegas in order to double its corporate workforce in the city. It has also announced plans to create 125 additional corporate jobs in the city.

On **Nov 13, 2019**, Amazon rolled out AWS Data Exchange, which provides quick access to data offered by 80 qualified data providers like Reuters, Foursquare and Pitney Bowes, among others. The new service is likely to aid AWS' momentum across scientific researchers, academic institutions and enterprises who utilize such data for research work, making data-driven decisions, analytics and training machine-learning models.

On **Nov 4, 2019**, Amazon revealed about its growing initiatives for this holiday season. Its free one-day delivery service is now eligible for 10 million items that include holiday gifts such as toys, games, and electronics, among others, for Prime members across the United States. The company is also expanding same-day delivery service in order to deliver enhanced shopping experience during the holiday season.

On **Oct 24, 2019**, Amazon revealed that second season of Modern Love is going to be premiered on Prime Video in 2020. This move will strengthen the company's content portfolio.

On **Oct 16, 2019**, Amazon's cloud computing platform AWS expanded its customer base by adding Old Mutual to it. This highlights the efficiency and reliability of the company's AWS services.

On **Oct 11, 2019**, Amazon revealed about its plans to open a fulfillment center in Channahon, Illinois which is likely to strengthen its e-commerce business further. The fulfillment center is expected to create more than 500 new full-time jobs.

## Valuation

Amazon shares are down 2.1% in the six-month period but up 20.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Retail-Wholesale sector are up 4.2% and 5.5% in the six-month period, respectively. Over the past year, the Zacks sub-industry and the sector are up 24.3% and 22.6%, respectively.

The S&P 500 index is up 8.3% in the six-month period and 26.3% in the past year.

The stock is currently trading at 3.37X forward 12-month sales, which compares to 4.06X for the Zacks sub-industry, 1.06X for the Zacks sector and 3.46X for the S&P 500 index.

Over the past five years, the stock has traded as high as 3.7X and as low as 1.23X, with a 5-year median of 2.47X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$1,993 price target reflects 3.54X forward 12-month sales.

The table below shows summary valuation data for AMZN

| Valuation Multiples - AMZN |               |       |              |        |         |
|----------------------------|---------------|-------|--------------|--------|---------|
|                            |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/S F12M                   | Current       | 3.37  | 4.06         | 1.06   | 3.46    |
|                            | 5-Year High   | 3.7   | 5.77         | 1.1    | 3.46    |
|                            | 5-Year Low    | 1.23  | 3.1          | 0.8    | 2.54    |
|                            | 5-Year Median | 2.47  | 4.58         | 0.9    | 3       |
| P/B TTM                    | Current       | 16.65 | 7.25         | 5.11   | 4.41    |
|                            | 5-Year High   | 28.43 | 10.73        | 5.82   | 4.42    |
|                            | 5-Year Low    | 12.37 | 4.69         | 3.58   | 2.85    |
|                            | 5-Year Median | 20.43 | 7.99         | 4.78   | 3.6     |
| EV/Sales TTM               | Current       | 3.47  | 5.02         | 1.26   | 3.22    |
|                            | 5-Year High   | 4.77  | 8.12         | 1.27   | 3.3     |
|                            | 5-Year Low    | 1.39  | 4.13         | 0.88   | 2.14    |
|                            | 5-Year Median | 3.07  | 6.19         | 1.05   | 2.79    |

As of 01/02/2020



## Industry Analysis Zacks Industry Rank: Bottom 22% (197 out of 253)



## Top Peers

|                                      |            |
|--------------------------------------|------------|
| Target Corporation (TGT)             | Outperform |
| Alibaba Group Holding Limited (BABA) | Neutral    |
| eBay Inc. (EBAY)                     | Neutral    |
| Facebook, Inc. (FB)                  | Neutral    |
| Alphabet Inc. (GOOGL)                | Neutral    |
| The Kroger Co. (KR)                  | Neutral    |
| Microsoft Corporation (MSFT)         | Neutral    |
| Walmart Inc. (WMT)                   | Neutral    |

| Industry Comparison Industry: Internet - Commerce |              |            |           | Industry Peers |              |             |
|---------------------------------------------------|--------------|------------|-----------|----------------|--------------|-------------|
|                                                   | AMZN Neutral | X Industry | S&P 500   | GOOGL Neutral  | MSFT Neutral | WMT Neutral |
| <b>VGM Score</b>                                  | <b>C</b>     | -          | -         | <b>C</b>       | <b>D</b>     | <b>B</b>    |
| Market Cap                                        | 941.03 B     | 3.37 B     | 23.93 B   | 943.96 B       | 1,225.34 B   | 337.45 B    |
| # of Analysts                                     | 13           | 3          | 13        | 13             | 14           | 14          |
| Dividend Yield                                    | 0.00%        | 0.00%      | 1.78%     | 0.00%          | 1.27%        | 1.78%       |
| <b>Value Score</b>                                | <b>D</b>     | -          | -         | <b>C</b>       | <b>D</b>     | <b>C</b>    |
| Cash/Price                                        | 0.05         | 0.14       | 0.04      | 0.13           | 0.11         | 0.03        |
| EV/EBITDA                                         | 32.84        | 7.61       | 13.95     | 19.03          | 20.01        | 16.07       |
| PEG Ratio                                         | 2.19         | 1.36       | 2.12      | 1.50           | 2.52         | 4.82        |
| Price/Book (P/B)                                  | 16.65        | 4.62       | 3.33      | 4.85           | 11.55        | 4.32        |
| Price/Cash Flow (P/CF)                            | 36.69        | 19.92      | 13.67     | 22.43          | 25.28        | 13.74       |
| P/E (F1)                                          | 72.36        | 24.97      | 19.66     | 25.03          | 30.01        | 23.87       |
| Price/Sales (P/S)                                 | 3.54         | 1.85       | 2.69      | 6.09           | 9.44         | 0.65        |
| Earnings Yield                                    | 1.38%        | 1.92%      | 5.08%     | 4.00%          | 3.33%        | 4.19%       |
| Debt/Equity                                       | 0.40         | 0.25       | 0.72      | 0.07           | 0.69         | 0.83        |
| Cash Flow (\$/share)                              | 51.74        | 0.45       | 6.94      | 61.03          | 6.35         | 8.66        |
| <b>Growth Score</b>                               | <b>A</b>     | -          | -         | <b>C</b>       | <b>B</b>     | <b>C</b>    |
| Hist. EPS Growth (3-5 yrs)                        | 116.18%      | 16.19%     | 10.56%    | 23.64%         | 16.25%       | 0.13%       |
| Proj. EPS Growth (F1/F0)                          | 27.90%       | 13.27%     | 0.00%     | 17.38%         | 12.66%       | 1.50%       |
| Curr. Cash Flow Growth                            | 85.21%       | 2.56%      | 14.83%    | 44.22%         | 19.70%       | 5.58%       |
| Hist. Cash Flow Growth (3-5 yrs)                  | 48.43%       | 14.92%     | 9.00%     | 21.13%         | 11.99%       | -0.35%      |
| Current Ratio                                     | 1.10         | 1.64       | 1.23      | 3.78           | 2.85         | 0.81        |
| Debt/Capital                                      | 28.45%       | 24.51%     | 42.92%    | 6.59%          | 40.81%       | 45.25%      |
| Net Margin                                        | 4.27%        | 0.33%      | 11.08%    | 21.04%         | 31.66%       | 2.77%       |
| Return on Equity                                  | 22.52%       | 9.21%      | 17.10%    | 18.34%         | 39.14%       | 18.47%      |
| Sales/Assets                                      | 1.45         | 0.78       | 0.55      | 0.62           | 0.48         | 2.24        |
| Proj. Sales Growth (F1/F0)                        | 18.48%       | 14.90%     | 0.00%     | 18.10%         | 11.39%       | 2.21%       |
| <b>Momentum Score</b>                             | <b>F</b>     | -          | -         | <b>C</b>       | <b>D</b>     | <b>A</b>    |
| Daily Price Chg                                   | 2.72%        | 0.16%      | 0.33%     | 2.19%          | 1.85%        | 0.08%       |
| 1 Week Price Chg                                  | 4.66%        | 0.38%      | 0.13%     | 0.25%          | 0.98%        | -0.58%      |
| 4 Week Price Chg                                  | 9.05%        | 4.29%      | 3.67%     | 3.14%          | 7.13%        | 0.24%       |
| 12 Week Price Chg                                 | 10.33%       | 4.31%      | 10.64%    | 13.16%         | 15.47%       | -0.56%      |
| 52 Week Price Chg                                 | 26.51%       | 10.12%     | 27.46%    | 33.47%         | 64.91%       | 28.08%      |
| 20 Day Average Volume                             | 2,979,273    | 183,597    | 1,693,267 | 1,191,893      | 19,358,172   | 4,147,225   |
| (F1) EPS Est 1 week change                        | 0.00%        | 0.00%      | 0.00%     | 0.00%          | 0.00%        | 0.11%       |
| (F1) EPS Est 4 week change                        | -1.22%       | 0.00%      | 0.00%     | 0.05%          | -0.01%       | 0.11%       |
| (F1) EPS Est 12 week change                       | -18.91%      | -3.85%     | 0.14%     | -2.18%         | 2.14%        | 1.41%       |
| (Q1) EPS Est Mthly Chg                            | -2.70%       | 0.00%      | 0.00%     | 0.07%          | 0.00%        | 0.06%       |



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## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

|                |   |
|----------------|---|
| Value Score    | D |
| Growth Score   | A |
| Momentum Score | F |
| VGM Score      | C |

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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