

Amazon (AMZN)

Year-on-year revenue growth in 2Q24 increased, 2025 capital expenditure exceeds expectations
US | E-commerce | Internet

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Company profile

Amazon was founded in 1995 and is an American multinational technology company engaged in providing online retail shopping services. It operates through the following segments: North America, International, and Amazon Web Services (AWS). The North America segment involves the retail sale of consumer products, including sales from sellers and subscriptions through online and physical stores focused on North America. It also includes export sales from online stores. The International segment focuses on consumer product retail revenue, including revenue from sellers and subscriptions through international online stores. The AWS segment includes the global sales of computing, storage, databases, and other services for startups, enterprises, government agencies, and academic institutions.

4Q24 revenue grew year-over-year, but Q1 guidance fell short of expectations

In the fourth quarter of 2024, the company achieved net revenue of \$187.8 billion, representing a 10.0% YoY growth. Operating profit rose to \$21.2 billion (up 61.0% YoY), while net profit surged 88.0% YoY to \$20.0 billion. By business segment, online stores generated \$75.6 billion in net revenue (up 7.1% YoY), physical stores \$5.6 billion (up 8.3% YoY), third-party retail \$47.5 billion (up 9.0% YoY), advertising \$17.3 billion (up 18.0% YoY), subscription services \$11.5 billion (up 9.7% YoY), and AWS \$28.8 billion (up 19.0% YoY). Regionally, international markets contributed \$43.4 billion in net revenue (up 7.9% YoY), while North America accounted for \$115.6 billion (up 9.5% YoY), with global paid units increasing 11.0% YoY due to competitive pricing, wide product selection, and fast shipping. Logistics efficiency improved significantly in Q4 due to better inventory management, increased units per package, and shorter shipping distances. Looking ahead to Q1 2025, the company forecasts net revenue between \$151.0 billion and \$155.5 billion and operating profit between \$14.0 billion and \$18.0 billion, both falling short of expectations due to unfavorable exchange rate fluctuations. Management also indicated that Q4’s capital expenditure of \$26.3 billion would be representative of 2025, with total capital expenditures projected to reach \$105.0 billion for the year.

Retail Business: low-price strategy continues to drive gains

The company’s online retail business remains focused on its low-price strategy, maintaining the lowest online prices for the eighth consecutive year, averaging 14% lower than other major U.S. retailers. Regionalization has improved cost management and delivery efficiency, with same-day delivery site volumes growing by more than 60.0% year-over-year. As a result, the operating profit margin for the online retail business increased by 1.9% YoY, reaching 8.0% in Q4 2024. The company operates over 750,000 robots in its retail network and highlighted that innovations in AI and robotics helped reduce fulfillment center service costs by 25.0% during the holiday season. Currently, the company is leveraging generative AI to create new shopping experiences, including Rufus (a generative AI shopping assistant), enhancements/reconstruction of Alexa, Amazon Lens (which allows users to upload images to find products), enhancements to Prime Video, and Fit Review Highlights.

Advertising Business: achieving high double-digit growth

The company employs a full-funnel advertising approach, offering differentiated audience targeting capabilities by leveraging billions of customer signals from both its stores and media platforms. This enables precise audience targeting for advertisers. Advertising revenue has achieved high double-digit growth, driven by improved relevance in international regions and the U.S. market (excluding foreign exchange impacts). This growth is attributed to the continued expansion of sponsored listing ads and above-industry-average GMV growth during the holiday season.

Accumulate

CMP USD 214
(Closing price as of 26 Feb)
Target USD 238 (+11.2%)

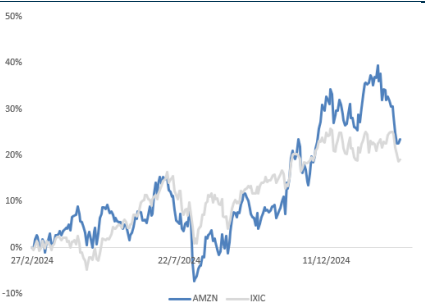
COMPANY DATA

O/S SHARES (MN) :	10,598
MARKET CAP (USD TN) :	2.27
52 - WK HI/LO (USD):	242.52/151.61

SHARE HOLDING PATTERN, %

Bezos (Jeffrey P)	10.14%
Vanguard Group Inc	7.33%
Blackrock Inc.	5.99%

PRICE VS. IXIC



Source: Phillip Securities (HK) Research

KEY FINANCIALS

USD mn	FY23	FY24	FY25E	FY26E
Revenue	574,785	637,959	698,506	772,298
Net profit	30,425	59,248	71,866	85,079
Diluted EPS	2.90	5.53	6.64	7.80
P/E ratio, x	73.9	38.8	32.3	27.5
Dividend Yield, %	0	0	0	0

Source: Company reports, Phillip Securities Est.

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AWS: 2025 capital expenditure exceeds expectations

In the fourth quarter of 2024, AWS reported an operating profit of \$10.6 billion, a year-on-year increase of 48.3%, with an operating profit margin of 36.9%, up significantly from 30.0% in the same period last year. This improvement was primarily due to efficiency gains from software and infrastructure innovations, as well as ongoing cost control efforts. Management expects AWS operating profit margins to fluctuate with capital investments but anticipates that 2025 capital expenditure will remain stable compared to the fourth quarter of 2024. As a result, we expect minimal fluctuations in AWS operating profit margins in 2025. Amazon Bedrock continues to iterate rapidly, adding over 100 new and popular models. Additionally, the company's management announced the launch of its own cutting-edge model family, Nova, which integrates key Bedrock features while offering high efficiency and low cost. The company has now established a competitive advantage across the entire AI industry chain, with a comprehensive layout spanning cloud infrastructure, model ecosystems, computing power, and application scenarios. This positions AWS to meet diverse customer needs and is expected to drive new growth opportunities for the business.

Investment thesis

Given Amazon's strong position in both e-commerce and public cloud sectors, which are still in the early stages of long-term transformation, the company is well-positioned for future growth. Amazon has provided a significant competitive advantage to its retail business by enhancing the flexibility of its first-party and third-party inventory. Additionally, its first-mover advantage in cloud computing has enabled AWS to capture over 30% of the global market share. As a result, we forecast the company's operating revenue for 2025-2027 to be \$698.5 billion, \$772.3 billion, and \$850.6 billion, respectively, with net profits of \$71.9 billion, \$85.1 billion, and \$106.4 billion. This translates to EPS of \$6.64, \$7.80, and \$9.66, respectively. The current stock price corresponds to a PE ratio of 32.3x, 27.5x, and 22.2x for the respective years.

Based on the DCF valuation method, we apply a 15x EV/EBITDA multiple for 2030 and assume a 10% discount rate, estimating the company's total target market capitalization at \$2.58 trillion for 2025. This corresponds to a target price of \$238, with a "Accumulate" rating.

Risk factors

1) Slower-than-expected progress in AI; 2) Intensified competition in the e-commerce industries; 3) Reduction in global cloud computing spending.

Financials

Key Financial Data

Dec Y/E	FY22	FY23	FY24	FY25E	FY26E
Valuation Ratio					
P/E ratio	-	73.9	38.8	32.3	27.5
Dividend Yield, %	0.00%	0.00%	0.00%	0.00%	0.00%
Per share data					
EPS	(0.27)	2.90	5.53	6.64	7.80
BVPS	14.33	19.24	26.67	35.31	45.24
Growth & Margin					
Growth					
Revenue Growth	0.09	0.12	0.11	0.09	0.11
Gross Profit Growth	0.14	0.20	0.15	0.12	0.14
EBIT Growth	(0.51)	2.01	0.86	0.22	0.29
Net Profit Growth	(1.08)	(12.18)	0.95	0.21	0.18
Margin					
Gross Profit Margin	0.44	0.47	0.49	0.50	0.51
EBIT Margin	0.02	0.06	0.11	0.12	0.14
Net Profit Margin	(0.01)	0.05	0.09	0.10	0.11
Key Ratios					
ROE	(0.02)	0.15	0.21	0.19	0.17
ROA	(0.01)	0.06	0.09	0.10	0.10

Consolidated Statement of Profit or Loss

Dec Y/E, USD mn	2022	2023	2024	2025E	2026E
REVENUE	513,983	574,785	637,959	698,506	772,298
Cost of sales	288,831	304,739	326,288	349,979	375,327
Gross profit	225,152	270,046	311,671	348,527	396,971
Fulfilment	84,299	90,619	98,505	105,734	113,164
Sales & Marketing	42,238	44,370	43,907	48,315	53,420
Technology & Content	73,213	85,622	88,544	97,434	107,727
General & Administrative	11,891	11,816	11,359	12,499	13,820
Other operating expenses	1,263	767	763	763	763
Operating profit	12,248	36,852	68,593	83,782	108,077
Finance costs	(2,367)	(3,182)	(2,406)	(3,568)	(3,881)
Profit before income tax and share of results of equity investees	(5,936)	37,557	68,614	83,085	107,695
Income tax expenses	3,217	(7,120)	(9,265)	(11,219)	(22,616)
Net profit	(2,722)	30,425	59,248	71,866	85,079

Consolidated Statement of Financial Position

Dec Y/E, USD mn	FY22	FY23	FY24	FY25E	FY26E
Current assets					
Accounts receivable	42,360	52,253	55,451	47,843	52,897
Cash and cash equivalents	53,888	73,387	78,779	159,269	244,666
Inventory	34,405	33,318	34,214	38,888	41,705
Marketable securities	16,138	13,393	22,423	22,423	22,423
Total current assets	146,791	172,351	190,867	268,423	361,691
Non-current assets					
PPE	186,715	204,177	252,665	255,801	276,964
Others	129,169	151,326	181,362	205,856	219,661
Total non-current assets	315,884	355,503	434,027	461,657	496,625
Total Assets	462,675	527,854	624,894	730,080	858,316
Current liabilities					
Accounts payable	79,600	84,981	94,363	94,507	101,352
Others	75,793	79,936	85,068	92,451	100,360
Total current liabilities	155,393	164,917	179,431	186,958	201,712
Non-current liabilities					
Long-term debt	67,150	58,314	52,623	52,623	52,623
Others	94,089	102,748	106,870	108,563	110,320
Total non-current liabilities	161,239	161,062	159,493	161,186	162,943
Total liabilities	316,632	325,979	338,924	348,144	364,655
Total equity	146,043	201,875	285,970	381,936	493,661
Total liabilities and equity	462,675	527,854	624,894	730,080	858,316

Consolidated Statement of Cash Flow

Dec Y/E, USD mn	2022	2023	2024	2025E	2026E
CFO	46,752	84,946	115,877	143,848	154,367
Net profit	(2,722)	30,425	59,248	71,866	85,079
Depreciation and Amortization	41,921	48,663	52,795	58,178	63,809
Change in working capital	(20,886)	(11,541)	(15,541)	(10,296)	(21,167)
Others	28,439	17,399	19,375	24,100	26,646
CFI	(37,601)	(49,833)	(94,342)	(59,064)	(60,972)
Short term and long term investment, net	26,044	2,896	(177,341)	0	0
Purchase of property, equipment and intangible assets	(63,645)	(52,729)	82,999	(59,064)	(60,972)
CFF	9,718	(15,879)	(11,812)	(7,828)	(7,997)
Proceeds/Repayment of leases/obligations	(8,189)	(4,655)	(2,712)	(7,828)	(7,997)
Cash received from financing	17,907	(11,224)	(9,100)	0	0
Effect of exchange rate changes on cash	(1,093)	403	(1,301)	0	0
Net Change in Cash	17,776	19,637	8,422	76,957	85,398
Cash, CE and Restricted cash at Beg	36,477	54,253	73,890	82,312	159,269
Cash, CE and Restricted cash at Y/E	54,253	73,890	82,312	159,269	244,666

Current Price as of: Feb 26

Source: PSHK Est.

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm 5\%$ from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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