

Amazon.com

Accelerating Growth & Many Investment Opportunities; Lighter 3Q Profit Outlook, But Raising PT to \$1,175

3 Key Takeaways From AMZN Earnings & Mgmt Comments: The overall story coming out of AMZN's 2Q print feels a lot like it did 3 months ago—accelerating growth, stepped-up investments, & lower near-term profitability. But will anyone care about profit when AMZN is taking bigger chunks of market share? **1) AMZN has more major growth opportunities to invest into than any company we cover.** Think fulfillment centers, data centers, video content & marketing, India, Echo/Alexa, Prime, grocery, & many others we're not including here. While heavier investments may not cut quite as deeply into profit as they did a few years ago thanks to 3P & AWS, 2Q GAAP operating income was ~40% below expectations & AMZN hasn't seen negative op inc (as suggested in the lower half of the 3Q outlook) since 3Q14. **2) The offset to that spend, or rather the outcome, is accelerating growth in FXN revenue & units.** AMZN's FXN revenue growth accelerated 220bps to 26.5% & unit growth accelerated ~300bps to 27% driven by Prime & FBA selection. The 3Q outlook also suggests accelerating revenue growth at the high end, to ~28.4%. **3) AWS customers may be shifting more of their workload into the cloud following the most recent round of heavier price cuts.** AWS FXN growth of 42% showed more stability in 2Q, only decel'ing 1 point, suggesting that enterprises may be responding to the price cuts w/greater volume, just as they did in 2014. **Overall**, given accelerating growth and long runway in both retail and cloud—along w/AMZN's track record—we believe many investors will look beyond lower near-term profitability. Still, we think it could cap some of the upside in AMZN shares in the very near-term. We are increasing our 2017 & 2018 revenue by 2% & 3%, but our GAAP operating income comes down 33% & 18%. **We are establishing a Dec'18 PT of \$1,175, up from our prior Dec'17 PT of \$1,110, based on our SOP analysis, including a 0.75x multiple on '18E retail GMV of \$474B & 14.5x multiple on our '19E AWS EBITDA of \$14.4B.**

- **Top-Line Beat & Raise, But On Less Profit.** 2Q revenue of \$38B (+26.5% FXN Y/Y) came in 2.5% above our \$37B estimate & above mgmt's \$35.25B-\$37.75B guide, driven by accelerating growth in both the North America & Int'l segments. AWS revenue growth of +42% Y/Y also came in ahead of our +39% estimate. AMZN's 3Q revenue guide of \$39.25B-\$41.75B was well above our \$39.8B estimate & implies further acceleration at the high-end. Turning to profit, AMZN's 2Q operating income of \$628B was 41% below our \$1.0B estimate, & the (\$400M)-\$300M 3Q guide came in well below our \$800M estimate.

Amazon.com Inc (AMZN;AMZN US)

FYE Dec	2015A	2016A	2017E (Prev)	2017E (Curr)	2018E (Prev)	2018E (Curr)
EPS - Reported (\$)						
Q1 (Mar)	(0.12)	1.07	1.48A	1.48A	-	-
Q2 (Jun)	0.19	1.78	1.51	0.40A	-	-
Q3 (Sep)	0.17	0.52	1.10	0.29	-	-
Q4 (Dec)	1.00	1.54	2.59	1.63	-	-
FY	1.25	4.90	6.68	3.80	15.00	11.98
Bloomberg EPS FY (\$)	5.30	9.93	-	12.10	-	17.10

Source: Company data, Bloomberg, J.P. Morgan estimates.

See page 9 for analyst certification and important disclosures, including non-US analyst disclosures.

J.P. Morgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Overweight

AMZN, AMZN US

Price: \$1,046.00

▲ Price Target: \$1,175.00
Previous: \$1,110.00

Internet

Doug Anmuth AC

(1-212) 622-6571

douglas.anmuth@jpmorgan.com

Bloomberg JPMA ANMUTH <GO>

J.P. Morgan Securities LLC

Cory A Carpenter

(1-212) 270-8125

cory.carpenter@jpmorgan.com

J.P. Morgan Securities LLC

Dae K Lee

(1-212) 622-5673

dae.k.lee@jpmorgan.com

J.P. Morgan Securities LLC

Lina Y Rudashevski, CFA

(1-212) 622-6416

lina.y.rudashevski@jpmorgan.com

J.P. Morgan Securities LLC

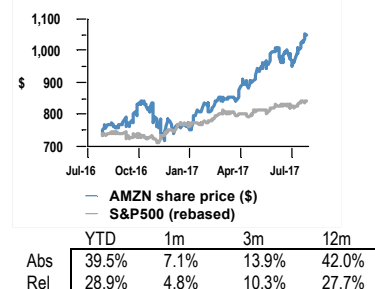
Neeraj S Kookada

(91-22) 6157-5052

neeraj.s.kookada@jpmorgan.com

J.P. Morgan India Private Limited

Price Performance



Company Data

Price (\$)	1,046.00
Date Of Price	27 Jul 17
52-week Range (\$)	1,083.31-710.10
Market Cap (\$ mn)	514,632.00
Fiscal Year End	Dec
Shares O/S (mn)	492
Price Target (\$)	1,175.00
Price Target End Date	31-Dec-18

Doug Anmuth
 (1-212) 622-6571
 douglas.anmuth@jpmorgan.com

North America Equity Research
 28 July 2017

J.P.Morgan

Summary of the Quarter

Figure 1: AMZN 2Q Results vs. J.P. Morgan Estimates

\$ in millions, except per share data

Amazon (\$ in millions)	2Q17		
	JPME	Actuals	Diff (%)
Net Sales	\$37,040	\$37,955	2.5%
North America	21,739	22,370	2.9%
International	11,289	11,485	1.7%
AWS	4,012	4,100	2.2%
Gross Profit	14,131	14,516	2.7%
GAAP Operating Income	1,068	628	-41.2%
% Margin	2.9%	1.7%	-123 bps
GAAP EPS	\$1.51	\$0.40	-73.5%
Y/Y Growth			
FXN Net Sales	24.2%	26.5%	
North America	23.0%	26.6%	
FXN International	22.0%	22.0%	
FXN AWS	39.0%	42.0%	
Gross Profit	25.9%	29.3%	
GAAP Operating Income	-16.9%	-51.1%	
GAAP EPS	-14.9%	-77.4%	

Source: J.P. Morgan estimates, Bloomberg, & company data.

Doug Anmuth
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

North America Equity Research
28 July 2017

J.P.Morgan

Adjusting Estimates

Figure 2: Adjusting J.P. Morgan Estimates

Amazon (\$ in millions)	3Q17 JPME		4Q17 JPME		2017 JPME		2018 JPME		2019 JPME	
	Old	New	Old	New	Old	New	Old	New	Old	New
GMV	\$85,636	\$92,203	\$120,596	\$121,500	\$358,865	\$372,192	\$472,909	\$474,441	\$608,377	\$596,482
Y/Y Growth	26.9%	34.2%	32.5%	32.5%	29.0%	31.5%	31.8%	27.5%	28.6%	25.7%
% chg vs. old		7.7%		0.7%		3.7%		0.3%		-2.0%
Net Sales	\$39,819	\$41,338	\$53,210	\$54,816	\$165,783	\$169,823	\$200,724	\$207,426	\$240,583	\$249,891
Y/Y Growth	21.7%	26.4%	21.6%	25.3%	21.9%	24.9%	21.1%	22.1%	19.9%	20.5%
% chg vs. old		3.8%		3.0%		2.4%		3.3%		3.9%
FXN Y/Y Growth	23.5%	26.7%	21.1%	23.4%	23.0%	25.1%				
chg. vs. old (bps)		324		231		204				
AWS	\$4,394	\$4,446	\$4,703	\$4,807	\$16,770	\$17,015	\$22,136	\$22,630	\$28,334	\$28,966
Y/Y Growth	36.0%	37.6%	33.0%	36.0%	37.2%	39.2%	32.0%	33.0%	28.0%	28.0%
% chg vs. old		1.2%		2.2%		1.5%		2.2%		2.2%
FXN Y/Y Growth	36.0%	38.0%	33.0%	34.0%	37.3%	38.8%				
chg. vs. old (bps)		200		100		153				
Gross Profit	\$14,660	\$15,127	\$18,398	\$19,078	\$60,471	\$62,003	\$76,679	\$77,990	\$93,677	\$96,983
Y/Y Growth	27.9%	32.0%	24.4%	29.0%	26.7%	29.9%	26.8%	25.8%	22.2%	24.4%
Margin (%)	36.8%	36.6%	34.6%	34.8%	36.5%	36.5%	38.2%	37.6%	38.9%	38.8%
% chg vs. old		3.2%		3.7%		2.5%		1.7%		3.5%
GAAP Operating Income	\$800	\$291	\$1,775	\$1,170	\$4,649	\$3,094	\$10,116	\$8,269	\$14,675	\$13,658
Y/Y Growth	39.2%	-49.4%	41.4%	-6.8%	11.1%	-26.1%	117.6%	167.2%	45.1%	65.2%
Margin (%)	2.0%	0.7%	3.3%	2.1%	2.8%	1.8%	5.0%	4.0%	6.1%	5.5%
% chg vs. old		-63.6%		-34.1%		-33.4%		-18.3%		-6.9%
GAAP EPS	\$1.10	\$0.29	\$2.59	\$1.63	\$6.68	\$3.80	\$15.00	\$11.98	\$21.80	\$20.00
Y/Y Growth	112.2%	-43.8%	68.0%	6.0%	36.5%	-22.4%	124.4%	215.1%	45.3%	66.9%
% chg vs. old		-73.5%		-36.9%		-43.1%		-20.1%		-8.2%

Source: J.P. Morgan estimates.

Doug Anmuth
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

North America Equity Research
28 July 2017

J.P.Morgan

Investment Thesis, Valuation and Risks

Amazon.com (Overweight; Price Target: \$1,175.00)

Investment Thesis

Overweight rating. We believe Amazon is well positioned as the market leader in eCommerce, where it's still early days with US eCommerce representing ~12% of adjusted retail sales (ex-gas, food, and autos), which we view as likely going to 30%+ over time. We believe Amazon continues to show strong ability to take share of overall eCommerce, and its flexibility in pushing first-party vs. third-party inventory and its Prime offering both serve as major advantages. Additionally, we believe AWS is the leader in the public cloud with a ~75% US market share, and it remains early with only ~10% of workloads in the cloud today and the pace of cloud adoption accelerating in our view. High AWS profitability gives us increased confidence in the business and also drives a meaningful increase in our sum-of-the-parts valuation.

Valuation

We are establishing a Dec 2018 PT of \$1,175, up from our prior Dec'17 PT of \$1,110, based on a sum-of-the-parts analysis as we believe this methodology appropriately attributes value to the company's large, fast-growing, and profitable AWS segment, in which Amazon continues to invest.

We apply a 0.75x multiple on 2018E North America and International GMV of \$474B, which we believe is justified as large retailer peer WMT trades at ~0.5x GMV and as Amazon has a meaningfully higher growth profile. We apply a 14.5x multiple on our 2019E AWS EBITDA of ~\$14.4B, which is at a discount to other SaaS companies such as Salesforce (currently trading at ~20x CY2018E EBITDA).

Sum-of-the-Parts Analysis

AMZN SOP Valuation					
	Year	GMV	EBITDA	Multiple	Value
NA & Int'l Retail	2018	474,441		0.75x	357,491
AWS	2019		14,412	14.5x	208,974
Total Value					\$566,466
Less: Debt					7,683
Plus: Cash					28,875
Value to Common Shareholders					\$587,658
Total shares outstanding					500
Value per AMZN share					\$1,175

Source: Company reports, J.P. Morgan estimates.

Risks to Rating and Price Target

Downside risks include 1) heavy investment spending in AWS, infrastructure, video content, and international expansion that creates further margin pressure; 2) competition from online and offline retailers coming out with improved offerings; 3) consumer spending suffering due to macroeconomic weakness; 4) GMV decelerating more than expected; and 5) AWS price-cutting pressure on CSOI.

Doug Anmuth
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

North America Equity Research
28 July 2017

J.P.Morgan

Figure 3: AMZN Income Statement

\$ in thousands, except per share data

	2015A	3/16A	6/16A	9/16A	12/16A	2016A	3/17A	6/17A	9/17E	12/17E	2017E	2018E	2019E
GMV	210,913,000	59,924,333	62,736,333	68,690,000	91,681,333	283,032,000	76,476,000	82,012,333	92,203,287	121,500,374	372,191,994	474,440,847	596,482,270
Net sales	107,007,000	29,128,000	30,404,000	32,714,000	43,741,000	135,987,000	35,714,000	37,955,000	41,338,125	54,815,575	169,822,700	207,426,301	249,891,397
Retail products	76,863,000	19,916,000	20,378,000	21,590,000	29,548,000	91,431,000	22,826,000	23,754,000	25,501,529	34,853,018	106,934,547	122,974,730	139,576,318
Retail third-party seller services	16,086,000	4,801,000	5,083,000	5,652,000	7,456,000	22,993,000	6,438,000	6,991,000	8,004,211	10,397,683	31,830,894	42,175,934	54,828,714
Retail subscription services	4,467,000	1,300,000	1,431,000	1,532,000	2,130,000	6,394,000	1,939,000	2,165,000	2,307,457	3,130,118	9,541,575	13,119,666	17,383,558
AWS	7,880,000	2,566,000	2,886,000	3,231,000	3,536,000	12,219,000	3,861,000	4,100,000	4,446,416	4,807,330	17,014,745	22,629,611	28,965,903
Other	1,710,000	545,000	626,000	709,000	1,071,000	2,950,000	850,000	945,000	1,078,512	1,627,426	4,500,938	6,526,360	9,136,904
Cost of sales	71,651,000	18,866,000	19,180,000	21,253,000	28,949,000	88,248,000	22,432,000	23,439,000	26,211,559	35,737,142	107,819,702	129,436,222	152,908,058
Gross profit	35,356,000	10,262,000	11,224,000	11,461,000	14,792,000	47,739,000	13,282,000	14,616,000	15,126,566	19,078,433	62,002,998	77,990,080	96,983,339
Operating expenses													
Fulfillment	12,930,000	3,571,000	3,692,000	4,170,000	5,529,000	16,962,000	4,534,000	4,897,000	5,332,618	6,742,316	21,505,934	26,550,567	32,235,990
Marketing	5,062,000	1,380,000	1,466,000	1,653,000	2,411,000	6,910,000	1,826,000	2,096,000	2,356,273	2,960,041	9,238,314	11,408,447	13,744,027
Technology and content	11,317,000	3,209,000	3,461,000	3,701,000	4,052,000	14,423,000	4,372,000	4,916,000	5,373,956	6,194,160	20,856,116	23,231,746	27,488,054
General and administrative	1,523,000	442,000	497,000	554,000	624,000	2,117,000	709,000	755,000	767,415	909,985	3,141,400	3,747,621	4,366,823
Stock-based compensation	2,120,000	544,000	768,000	776,000	887,000	2,975,000	792,000	1,158,000	970,000	1,064,400	3,984,400	4,582,060	5,269,369
Amortization of other intangibles	171,000	45,000	55,000	32,000	34,000	166,000	44,000	66,000	35,200	37,400	182,600	200,860	220,946
Total operating expenses	33,123,000	9,191,000	9,939,000	10,886,000	13,537,000	43,553,000	12,277,000	13,888,000	14,835,462	17,908,302	58,908,764	69,721,300	83,325,208
Operating income	2,233,000	1,071,000	1,285,000	675,000	1,255,000	4,186,000	1,005,000	628,000	291,103	1,170,131	3,094,234	8,268,780	13,658,131
Non-GAAP Operating income (CSOI)	4,524,000	1,660,000	2,108,000	1,383,000	2,176,000	7,327,000	1,841,000	1,852,000	1,296,303	2,271,931	7,261,234	13,051,700	19,148,446
Interest income	49,000	21,000	24,000	26,000	30,000	101,000	39,000	44,000	44,874	50,594	178,467	236,765	261,064
Interest expense	(460,000)	(117,000)	(116,000)	(118,000)	(133,000)	(484,000)	(139,000)	(143,000)	(144,056)	(144,056)	(570,113)	(576,225)	(576,225)
Other income, net	(254,000)	81,000	(14,000)	8,000	14,000	89,000	48,000	137,000	-	-	185,000	-	-
Total non-operating expenses, net	(665,000)	(15,000)	(106,000)	(84,000)	(89,000)	(294,000)	(52,000)	38,000	(99,183)	(93,463)	(206,645)	(339,460)	(315,161)
Income (loss) before equity-method investees	1,568,000	1,056,000	1,179,000	491,000	1,166,000	3,892,000	953,000	666,000	191,921	1,076,669	2,887,589	7,929,320	13,342,970
Equity in losses of equity-method investees, net	(21,000)	(68,000)	(15,000)	(10,000)	(3,000)	(96,000)	(96,000)	(2,000)	-	-	(2,000)	-	-
Income (loss) before income taxes	1,547,000	988,000	1,164,000	481,000	1,163,000	3,796,000	953,000	664,000	191,921	1,076,669	2,885,589	7,929,320	13,342,970
Provision (benefit) for income taxes	951,000	475,000	307,000	229,000	414,000	1,425,000	229,000	467,000	47,980	289,167	1,013,147	1,982,330	3,335,743
Effective Tax Rate	61.5%	48.1%	26.4%	47.6%	35.6%	37.5%	24.0%	70.3%	25.0%	25.0%	35.1%	25.0%	25.0%
Income before change in acctg/ Fully Taxed Income	596,000	513,000	857,000	252,000	749,000	2,371,000	724,000	197,000	143,941	807,501	1,872,442	5,946,990	10,007,228
Cumulative effect of change in accounting principle	-	-	-	-	-	-	-	-	-	-	-	-	-
GAAP Net income (loss)	596,000	513,000	857,000	252,000	749,000	2,371,000	724,000	197,000	143,941	807,501	1,872,442	5,946,990	10,007,228
Basic income (loss) per share	\$1.28	\$1.09	\$1.81	\$0.53	\$1.57	\$5.00	\$1.52	\$0.41	\$0.30	\$1.68	\$3.91	\$12.31	\$20.54
Diluted income (loss) per share	\$1.25	\$1.07	\$1.78	\$0.52	\$1.54	\$4.90	\$1.48	\$0.40	\$0.29	\$1.63	\$3.80	\$11.98	\$20.00
Basic shares outstanding	467,000	471,000	473,000	474,000	476,000	474,000	477,000	479,000	480,198	481,398	479,399	483,234	487,100
Diluted shares outstanding	477,000	481,000	482,800	485,000	486,000	484,000	490,000	492,000	493,230	494,463	492,423	496,363	500,334
Non-GAAP Net income (loss)	2,908,000	1,170,000	1,695,000	1,070,000	1,673,000	5,608,000	1,560,000	1,423,000	1,149,141	1,909,301	6,041,442	10,729,910	15,497,543
Non-GAAP basic income (loss) per share	\$6.23	\$2.48	\$3.58	\$2.26	\$3.51	\$11.83	\$3.27	\$2.97	\$2.39	\$3.97	\$12.60	\$22.20	\$31.82
Non-GAAP diluted income (loss) per share	\$6.10	\$2.43	\$3.51	\$2.21	\$3.44	\$11.59	\$3.18	\$2.89	\$2.33	\$3.86	\$12.27	\$21.62	\$30.97
EBITDA Reconciliation													
Non-GAAP Operating income (CSOI)	4,524,000	1,660,000	2,108,000	1,383,000	2,176,000	7,327,000	1,841,000	1,852,000	1,296,303	2,271,931	7,261,234	13,051,700	19,148,446
Depreciation and other amortization	6,281,000	1,827,000	1,909,000	2,084,000	2,297,000	8,117,000	2,435,000	2,633,000	2,760,830	2,996,101	10,824,930	13,474,671	15,928,825
EBITDA	10,805,000	3,487,000	4,017,000	3,467,000	4,473,000	15,444,000	4,276,000	4,485,000	4,057,133	5,268,032	18,086,165	26,526,370	35,077,271
	2015A	3/16A	6/16A	9/16A	12/16A	2016A	3/17A	6/17A	9/17E	12/17E	2017E	2018E	2019E
Y/Y Growth													
Net sales	20.2%	28.2%	31.1%	29.0%	22.4%	27.1%	22.6%	24.8%	26.4%	25.3%	24.9%	22.1%	20.5%
Retail products	12.2%					19.0%	14.6%	16.6%	18.1%	18.0%	17.0%	15.0%	13.5%
Retail third-party seller services	36.9%					42.9%	34.1%	37.5%	41.6%	39.5%	38.4%	32.5%	30.0%
Retail subscription services	61.7%					43.1%	49.2%	51.3%	50.6%	47.0%	49.2%	37.5%	32.5%
AWS	69.7%					55.1%	42.7%	42.1%	37.6%	36.0%	39.2%	33.0%	28.0%
Other	29.3%					72.5%	56.0%	51.0%	52.1%	52.0%	52.6%	45.0%	40.0%
Net sales (excluding FX impact)	26.1%	29.1%	30.4%	28.8%	23.9%	27.6%	24.3%	26.5%	26.7%	23.4%	25.1%	22.1%	20.5%
Cost of sales	14.2%	22.5%	26.5%	26.8%	18.9%	23.2%	18.9%	22.2%	23.3%	23.4%	22.2%	20.0%	18.1%
Gross profit	34.8%	40.2%	39.9%	33.2%	29.7%	35.0%	29.4%	29.3%	32.0%	29.0%	29.9%	25.8%	24.4%
Fulfillment	24.4%	33.8%	34.5%	34.2%	25.4%	31.2%	27.0%	32.6%	27.9%	21.9%	26.8%	23.5%	21.4%
Marketing	20.3%	31.7%	33.3%	35.9%	42.0%	36.5%	32.3%	43.0%	42.5%	22.8%	33.7%	33.7%	20.5%
Technology and content	33.6%	27.3%	28.1%	28.2%	26.3%	27.4%	36.2%	42.0%	45.2%	52.9%	44.6%	11.4%	18.3%
General and administrative	12.0%	16.9%	22.7%	39.2%	82.5%	39.0%	60.4%	51.9%	38.5%	45.8%	48.4%	19.3%	16.5%
Total cash operating expenses	26.2%	30.0%	31.2%	32.4%	30.7%	31.1%	33.0%	38.9%	37.2%	33.2%	35.5%	18.6%	19.9%
Operating income	1154.5%	320.0%	176.9%	41.6%	13.3%	87.5%	-6.2%	-51.1%	-49.4%	-6.8%	-26.1%	167.2%	65.2%
Non-GAAP Operating income	150.2%	135.1%	96.1%	39.3%	24.3%	62.0%	10.9%	-12.1%	-6.3%	4.4%	-0.9%	79.7%	46.7%
GAAP Net income	NA	NA	831.5%	219.0%	55.4%	297.8%	41.1%	-77.0%	-42.9%	7.8%	-21.0%	217.6%	68.3%
Non-GAAP Net income	115.2%	191.8%	139.7%	59.0%	48.4%	92.8%	33.3%	-16.0%	7.4%	14.1%	7.7%	77.6%	44.4%
GAAP EPS	NA	NA	818.4%	214.4%	53.8%	292.1%	38.5%	-77.4%	-43.8%	6.0%	-22.4%	215.1%	66.9%
Non-GAAP EPS	110.3%	182.1%	136.4%	56.7%	46.9%	90.1%	30.9%	-17.6%	5.6%	12.2%	5.9%	76.2%	43.3%
EBITDA	64.9%	63.6%	55.8%	33.8%	27.7%	42.9%</							

Doug Anmuth
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

North America Equity Research
28 July 2017

J.P.Morgan

Figure 4: AMZN Segment Breakdown

\$ in thousands, except per share data

	2015A	3/16A	6/16A	9/16A	12/16A	2016A	3/17A	6/17A	9/17E	12/17E	2017E	2018E	2019E
NET SALES													
Retail products	76,863,000	19,916,000	20,378,000	21,590,000	29,548,000	91,431,000	22,826,000	23,754,000	25,501,529	34,853,018	106,934,547	122,974,730	139,576,318
% change	12.2%					19.0%	14.6%	16.6%	18.1%	18.0%	17.0%	15.0%	13.5%
FX Benefit (Negative Impact)							(276,560)	(292,040)	(82,621)	577,338	(73,883)		
% change FXN		21.0%	22.0%	20.0%	16.0%		16.0%	18.0%	18.5%	16.0%	17.0%		
Retail third-party seller services	16,086,000	4,801,000	5,083,000	5,652,000	7,456,000	22,993,000	6,438,000	6,991,000	8,004,211	10,397,683	31,830,894	42,175,934	54,828,714
% change	36.9%					42.9%	34.1%	37.5%	41.6%	39.5%	38.4%	32.5%	30.0%
FX Benefit (Negative Impact)							(91,360)	(125,200)	(21,629)	145,683	(92,506)		
% change FXN		46.0%	48.0%	46.0%	39.0%		36.0%	40.0%	42.0%	37.5%	38.8%		
Retail subscription services	4,467,000	1,300,000	1,431,000	1,532,000	2,130,000	6,394,000	1,939,000	2,165,000	2,307,457	3,130,118	9,541,575	13,119,666	17,383,558
% change	61.7%					43.1%	49.2%	51.3%	50.6%	47.0%	49.2%	37.5%	32.5%
FX Benefit (Negative Impact)							(37,000)	(24,430)	(5,863)	41,618	(25,675)		
% change FXN		56.0%	52.0%	47.0%	33.0%		52.0%	53.0%	51.0%	45.0%	49.6%		
AWS	7,880,000	2,566,000	2,886,000	3,231,000	3,536,000	12,219,000	3,661,000	4,100,000	4,446,416	4,807,330	17,014,745	22,629,611	28,965,903
% change	69.7%					55.1%	42.7%	42.1%	37.6%	36.0%	39.2%	33.0%	28.0%
FX Benefit (Negative Impact)	15,830	(2,240)	4,080	(750)	650	1,740	(8,380)	1,880	(12,364)	69,090	50,225		
% change FXN	69.3%	64.0%	58.0%	55.0%	47.0%	55.0%	43.0%	42.0%	38.0%	34.0%	38.8%		
Other	1,710,000	545,000	626,000	709,000	1,071,000	2,950,000	850,000	945,000	1,078,512	1,627,426	4,500,938	6,526,360	9,136,904
% change	29.3%					72.5%	56.0%	51.0%	52.1%	52.0%	52.6%	45.0%	40.0%
FX Benefit (Negative Impact)							(11,100)	(12,780)	(2,713)	20,926	(5,667)		
% change FXN		46.0%	65.0%	74.0%	99.0%		58.0%	53.0%	52.5%	50.0%	52.8%		
Total Net Sales	107,007,000	29,128,000	30,404,000	32,714,000	43,741,000	135,987,000	35,714,000	37,955,000	41,338,125	54,815,575	169,822,700	207,426,301	249,891,397
% change Y/Y	20.2%	28.2%	31.1%	29.0%	22.4%	27.1%	22.6%	24.8%	26.4%	25.3%	24.9%	22.1%	20.5%
% change Q/Q		-18.5%	4.4%	7.6%	33.7%		-18.4%	6.3%	8.9%	32.6%			
FX Benefit (Negative Impact)	(5,190,000)	(210,000)	166,000	52,000	(558,000)	(550,000)	(492,000)	(502,000)	(125,190)	854,655	(264,535)		
% change, ex-FX impact	26.1%	29.1%	30.4%	28.8%	23.9%	27.6%	24.3%	26.5%	26.7%	23.4%	25.1%		
Net Sales by Geography (ex-AWS)													
North America													
Net Sales	63,709,000	16,996,000	17,674,000	18,874,000	26,240,000	79,784,000	20,992,000	22,370,000	23,979,611	32,505,359	99,846,970	120,579,840	143,601,571
% change	25.3%	26.8%	28.1%	25.8%	22.0%	25.2%	23.5%	26.6%	27.1%	23.9%	25.1%	20.8%	19.1%
% of retail sales	64%	64%	64%	64%	65%	64%	65%	66%	65%	65%	65%	65%	65%
International													
Net Sales	35,418,000	9,566,000	9,844,000	10,609,000	13,965,000	43,984,000	11,061,000	11,485,000	12,912,098	17,502,886	52,960,984	64,216,850	77,323,923
% change	5.7%	23.5%	30.1%	28.3%	17.9%	24.2%	15.6%	16.7%	21.7%	25.3%	20.4%	21.3%	20.4%
FX Benefit (Negative Impact)	(5,023,400)	(168,950)	168,420	36,480	(505,720)	(469,770)	(513,860)	(524,680)	(125,190)	854,655	(264,535)		
% change, ex-FX impact	20.7%	25.7%	27.9%	27.9%	23.0%	25.5%	21.0%	22.0%	22.9%	19.2%	21.0%		
% of retail sales	36%	36%	36%	36%	35%	36%	35%	34%	35%	35%	35%	35%	35%
Gross Merchandise Value Build													
Amazon 1P sales	76,863,000	19,916,000	20,378,000	21,590,000	29,548,000	91,431,000	22,826,000	23,754,000	25,501,529	34,853,018	106,934,547	122,974,730	139,576,318
% change	12.2%					19.0%	14.6%	16.6%	18.1%	18.0%	17.0%	15.0%	13.5%
Amazon 3P sales	16,086,000	4,801,000	5,083,000	5,652,000	7,456,000	22,993,000	6,438,000	6,991,000	8,004,211	10,397,683	31,830,894	42,175,934	54,828,714
% change	36.9%					42.9%	34.1%	37.5%	41.6%	39.5%	38.4%	32.5%	30.0%
3P blended take rate	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
3P GMV	134,050,000	40,008,333	42,358,333	47,100,000	62,133,333	191,600,000	53,650,000	58,258,333	66,701,757	86,647,356	265,257,447	351,466,117	456,905,952
Amazon GMV	210,913,000	59,924,333	62,736,333	68,690,000	91,681,333	283,032,000	76,476,000	82,012,333	92,203,287	121,500,374	372,191,994	474,440,847	596,482,270
% change	26.7%	33.8%	37.3%	37.4%	30.1%	34.2%	27.6%	30.7%	34.2%	32.5%	31.5%	27.5%	25.7%
1P as % of total GMV	36.4%	33.2%	32.5%	31.4%	32.2%	32.3%	29.8%	29.0%	27.7%	28.7%	28.7%	25.9%	23.4%
3P as % of total GMV	63.6%	66.8%	67.5%	68.6%	67.8%	67.7%	70.2%	71.0%	72.3%	71.3%	71.3%	74.1%	76.6%
3P as % of total units	45.5%	48.0%	49.0%	50.0%	49.0%	49.0%	50.0%	51.0%					
North America GMV	135,553,949	38,343,271	40,293,697	43,972,970	59,836,294	182,449,624	50,085,302	54,190,397	59,932,136	78,975,243	243,195,737	309,572,652	387,713,476
% change	35.2%	35.1%	36.5%	36.4%	31.7%	34.6%	30.6%	34.5%	36.3%	32.0%	33.3%	27.3%	25.2%
% of total GMV	64.3%	64.0%	64.2%	64.0%	65.3%	64.5%	65.5%	66.1%	65.0%	65.0%	65.3%	65.3%	65.0%
International GMV	75,359,051	21,581,062	22,442,636	24,717,030	31,845,040	100,582,376	26,390,698	27,821,936	32,271,150	42,525,131	128,996,258	164,868,194	208,768,795
% change	14.0%	31.6%	38.7%	39.2%	27.3%	33.5%	22.3%	24.0%	30.6%	33.5%	28.2%	27.8%	26.6%
% of total GMV	35.7%	36.0%	35.8%	36.0%	34.7%	35.5%	34.5%	33.9%	35.0%	35.0%	34.7%	34.8%	35.0%

Source: J.P. Morgan estimates, Company data.

Doug Anmuth
 (1-212) 622-6571
 douglas.anmuth@jpmorgan.com

North America Equity Research
 28 July 2017

J.P.Morgan

Figure 5: AMZN Segment Breakdown (Cont'd)

\$ in thousands, except per share data

	2015A	3/16A	6/16A	9/16A	12/16A	2016A	3/17A	6/17A	9/17E	12/17E	2017E	2018E	2019E
GROSS PROFIT													
North America	18,333,480	5,098,800	5,567,310	5,473,460	7,609,600	23,749,170	6,507,520	7,113,660	7,193,883	9,589,081	30,404,144	37,379,750	45,593,499
% change	34%	36%	32%	26%	26%	30%	28%	28%	31%	26%	28%	23%	22%
% margin	28.8%	30.0%	31.5%	29.0%	29.0%	29.8%	31.0%	31.8%	30.0%	29.5%	30.5%	31.0%	31.8%
International	9,142,520	2,597,200	2,770,690	2,756,540	3,646,400	11,770,830	3,113,480	3,302,340	3,486,267	4,682,022	14,584,108	17,980,718	22,423,938
% change	16%	30%	39%	27%	22%	29%	20%	19%	26%	28%	24%	23%	25%
% margin	25.8%	27.2%	28.1%	26.0%	26.1%	26.8%	28.1%	28.8%	27.0%	26.8%	27.5%	28.0%	29.0%
AWS	7,880,000	2,566,000	2,886,000	3,231,000	3,536,000	12,219,000	3,661,000	4,100,000	4,446,416	4,807,330	17,014,745	22,629,611	28,965,903
% change													
% margin	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total Consolidated	35,356,000	10,262,000	11,224,000	11,461,000	14,792,000	47,739,000	13,282,000	14,516,000	15,126,565	19,078,433	62,002,998	77,990,080	96,983,339
% change	35%	40%	40%	33%	30%	35%	29%	29%	32%	29%	30%	26%	24%
% margin	33.0%	35.2%	36.9%	35.0%	33.8%	35.1%	37.2%	38.2%	36.6%	34.8%	36.5%	37.6%	38.8%
FX Benefit (Negative Impact)	(1,724,058)	(73,984)	61,281	18,218	(188,700)	(183,186)	(182,974)	(191,991)	(45,810)	297,461	(123,315)		
% change ex-FX	41%	41%	39%	33%	31%	36%	31%	31%	32%	27%	30%	26%	24%
CASH OPERATING EXPENSES													
North America	15,582,480	4,174,800	4,410,310	4,779,460	6,285,600	19,650,170	5,460,080	6,016,700	6,457,301	8,192,493	26,126,574	30,431,178	36,099,068
% change	25%	29%	26%	25%	25%	26%	31%	36%	35%	30%	33%	33%	19%
% of sales	24.5%	24.6%	25.0%	25.3%	24.0%	24.6%	26.0%	26.9%	26.9%	25.2%	26.2%	25.2%	25.1%
International	9,233,520	2,577,200	2,682,690	3,088,540	3,900,400	12,248,830	3,385,480	3,720,340	4,125,901	5,106,687	16,338,409	18,069,325	20,532,512
% change	15%	24%	33%	39%	34%	33%	31%	39%	34%	31%	33%	31%	14%
% of sales	26.1%	26.9%	27.3%	29.1%	27.9%	27.8%	30.6%	32.4%	32.0%	29.2%	30.8%	28.1%	26.6%
AWS	6,016,000	1,850,000	2,023,000	2,210,000	2,430,000	8,513,000	2,595,440	2,926,960	3,247,060	3,507,321	12,276,781	16,437,877	21,203,314
% change	51%	42%	41%	41%	41%	42%	40%	45%	47%	44%	44%	34%	29%
% of sales	76.3%	72.1%	70.1%	68.4%	68.7%	69.7%	70.9%	71.4%	73.0%	73.0%	72.2%	72.6%	73.2%
Total Consolidated	30,832,000	8,602,000	9,116,000	10,078,000	12,616,000	40,412,000	11,441,000	12,664,000	13,830,262	16,806,502	54,741,764	64,938,380	77,834,893
% change	26%	30%	31%	32%	31%	31%	33%	39%	37%	33%	35%	19%	20%
% of sales	28.8%	29.5%	30.0%	30.8%	28.8%	29.7%	32.0%	33.4%	33.5%	30.7%	32.2%	31.3%	31.1%
NON-GAAP OPERATING INCOME (CSOI)													
North America (ex AWS starting '1Q13)	2,751,000	924,000	1,157,000	694,000	1,324,000	4,099,000	1,047,440	1,096,960	736,583	1,396,588	4,277,571	6,948,572	9,494,431
% change	113%	79%	65%	31%	32%	49%	13%	-5%	6%	5%	4%	62%	37%
% margin	4.3%	5.4%	6.5%	3.7%	5.0%	5.1%	5.0%	4.9%	3.1%	4.3%	4.3%	5.8%	6.6%
International (ex AWS starting '1Q13)	(91,000)	20,000	88,000	(332,000)	(254,000)	(478,000)	(272,000)	(418,000)	(639,635)	(424,665)	(1,754,300)	(88,607)	1,891,425
% change	-37%	NM	NM	NM	NM	NM	NM	NM	NM	NM	267%	-95%	-2235%
% margin	-0.3%	0.2%	0.9%	-3.1%	-1.8%	-1.1%	-2.5%	-3.6%	-5.0%	-2.4%	-3.3%	-0.1%	2.4%
AWS	1,864,000	716,000	863,000	1,021,000	1,106,000	3,706,000	1,065,560	1,173,040	1,199,355	1,300,009	4,737,964	6,191,734	7,762,589
% change	182%	170%	121%	96%	61%	99%	49%	36%	17%	18%	28%	31%	25%
% margin	24%	28%	30%	32%	31%	30%	29%	29%	27%	27%	28%	27%	27%
Total Consolidated	4,524,000	1,660,000	2,108,000	1,383,000	2,176,000	7,327,000	1,841,000	1,852,000	1,296,303	2,271,931	7,261,234	13,051,700	19,148,446
% change	150%	135%	96%	39%	24%	62%	11%	-12%	-6%	4%	-1%	80%	47%
% margin	4.2%	5.7%	6.9%	4.2%	5.0%	5.4%	5.2%	4.9%	3.1%	4.1%	4.3%	6.3%	7.7%
SBC & AMORTIZATION OF OTHER INTANGIBLES													
North America	1,327,000	336,000	455,000	439,000	508,000	1,738,000	451,440	660,960	532,756	583,954	2,229,110	2,487,118	2,745,158
International	608,000	141,000	223,000	209,000	233,000	806,000	209,000	306,000	251,300	275,450	1,041,750	1,195,730	1,427,482
AWS	356,000	112,000	145,000	160,000	180,000	597,000	175,560	257,040	221,144	242,396	896,140	1,100,072	1,317,676
Total	2,291,000	589,000	823,000	808,000	921,000	3,141,000	836,000	1,224,000	1,005,200	1,101,800	4,167,000	4,782,920	5,490,315
% North America	58%	57%	55%	54%	55%	55%	54%	54%	53%	53%	53%	52%	50%
% International	27%	24%	27%	26%	25%	26%	25%	25%	25%	25%	25%	25%	26%
% AWS	16%	19%	18%	20%	20%	19%	21%	21%	22%	22%	22%	23%	24%
OPERATING INCOME													
North America	1,424,000	588,000	702,000	255,000	816,000	2,361,000	596,000	436,000	203,827	812,634	2,048,461	4,461,454	6,749,274
% change	296%	131%	102%	37%	28%	66%	1%	-38%	-20%	0%	-13%	118%	51%
% margin	2.2%	3.5%	4.0%	1.4%	3.1%	3.0%	2.8%	1.9%	0.9%	2.5%	2.1%	3.7%	4.7%
International (699,000)	(121,000)	(135,000)	(541,000)	(487,000)	(1,284,000)	(481,000)	(724,000)	(890,935)	(700,115)	(2,796,050)	(1,284,337)	463,944	NM
% change	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
% margin	-2.0%	-1.3%	-1.4%	-5.1%	-3.5%	-2.9%	-4.3%	-6.3%	-6.9%	-4.0%	-5.3%	-2.0%	0.6%
AWS	1,508,000	604,000	718,000	861,000	926,000	3,109,000	890,000	916,000	978,211	1,057,613	3,841,824	5,091,663	6,444,913
% change	229%	210%	135%	101%	60%	106%	47%	28%	14%	14%	24%	33%	27%
% margin	19.1%	23.5%	24.9%	26.6%	26.2%	25.4%	24.3%	22.3%	22.0%	22.0%	22.6%	22.5%	22.3%
Total Consolidated	2,233,000	1,071,000	1,285,000	575,000	1,255,000	4,186,000	1,005,000	628,000	291,103	1,170,131	3,094,234	8,268,780	13,658,131
% change	1154%	320%	177%	42%	13%	87%	-6%	-51%	-49%	-7%	-26%	167%	65%
% margin	2.1%	3.7%	4.2%	1.8%	2.9%	3.1%	2.8%	1.7%	0.7%	2.1%	1.8%	4.0%	5.5%

Source: J.P. Morgan estimates, Company data.

Doug Anmuth
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

North America Equity Research
28 July 2017

J.P.Morgan

Amazon.com: Summary of Financials

Income Statement - Annual					Income Statement - Quarterly						
	FY15A	FY16A	FY17E	FY18E	FY19E	1Q17A	2Q17A	3Q17E	4Q17E		
Revenue	107,007	135,987	169,823	207,426	249,891	35,714A	37,955A	41,338	54,816		
COGS	(71,651)	(88,248)	(107,820)	(129,436)	(152,908)	(22,432)A	(23,439)A	(26,212)	(35,737)		
Gross profit	35,356	47,739	62,003	77,990	96,983	13,282A	14,516A	15,127	19,078		
SG&A	(6,585)	(9,027)	(12,380)	(15,156)	(18,111)	(2,535)A	(2,851)A	(3,124)	(3,870)		
Adj. EBITDA	10,805	15,444	18,086	26,526	35,077	4,276A	4,485A	4,057	5,268		
D&A	(6,452)	(8,283)	(11,008)	(13,676)	(16,150)	(2,479)A	(2,699)A	(2,796)	(3,034)		
Adj. EBIT	4,524	7,327	7,261	13,052	19,148	1,841A	1,852A	1,296	2,272		
Net Interest	(411)	(383)	(392)	(339)	(315)	(100)A	(99)A	(99)	(93)		
Adj. PBT	3,838	6,937	7,053	12,712	18,833	1,789A	1,888A	1,197	2,178		
Tax	(951)	(1,425)	(1,013)	(1,982)	(3,336)	(229)A	(467)A	(48)	(269)		
Minority Interest	-	-	-	-	-	-	-	-	-		
Adj. Net Income	2,908	5,608	6,041	10,730	15,498	1,560A	1,423A	1,149	1,909		
Reported EPS	1.25	4.90	3.80	11.98	20.00	1.48A	0.40A	0.29	1.63		
Adj. EPS	6.10	11.59	12.27	21.62	30.97	3.18A	2.89A	2.33	3.86		
DPS	-	-	-	-	-	-	-	-	-		
Payout ratio	-	-	-	-	-	-	-	-	-		
Shares outstanding	467	474	479	483	487	477A	479A	480	481		
Balance Sheet & Cash Flow Statement					Ratio Analysis						
	FY15A	FY16A	FY17E	FY18E	FY19E	FY15A	FY16A	FY17E	FY18E	FY19E	
Cash and cash equivalents	19,808	25,981	26,835	28,875	36,391	Gross margin	33.0%	35.1%	36.5%	37.6%	38.8%
Accounts receivable	5,654	8,339	10,963	12,446	14,369	EBITDA margin	10.1%	11.4%	10.7%	12.8%	14.0%
Inventories	10,243	11,461	13,156	14,520	16,243	EBIT margin	4.2%	5.4%	4.3%	6.3%	7.7%
Other current assets	0	0	0	0	0	Net profit margin	2.7%	4.1%	3.6%	5.2%	6.2%
Current assets	35,705	45,781	50,953	55,840	67,003	ROE	24.1%	34.3%	26.6%	34.1%	34.9%
PP&E	21,838	29,114	43,570	58,097	73,155	ROA	4.9%	7.6%	6.4%	9.4%	11.4%
LT investments	0	0	0	0	0	ROCE	16.8%	24.0%	20.4%	28.1%	30.3%
Other non current assets	7,204	8,507	9,618	9,418	9,197	SG&A/Sales	6.2%	6.6%	7.3%	7.3%	7.2%
Total assets	64,747	83,402	104,141	123,355	149,355	Net debt/equity	(86.5%)	(94.8%)	(73.1%)	(57.7%)	(55.2%)
Short term borrowings	0	0	0	0	0	P/E (x)	171.6	90.3	85.3	48.4	33.8
Payables	20,397	25,309	31,519	37,337	43,731	P/BV (x)	36.5	25.7	19.1	13.8	9.8
Other short term liabilities	13,490	18,507	22,376	25,243	29,571	EV/EBITDA (x)	46.6	32.1	27.4	18.6	13.9
Current liabilities	33,887	43,816	53,895	62,579	73,302	Dividend Yield	-	-	-	-	-
Long-term debt	8,227	7,694	7,683	7,683	7,683	Sales/Assets (x)	1.8	1.8	1.8	1.8	1.8
Other long term liabilities	9,249	12,607	16,364	16,364	16,364	Interest cover (x)	26.3	40.3	46.2	78.1	111.3
Total liabilities	51,363	64,117	77,942	86,626	97,349	Operating leverage	741.9%	228.8%	(3.6%)	360.1%	228.2%
Shareholders' equity	13,384	19,285	26,200	36,729	52,005	Revenue y/y Growth	20.2%	27.1%	24.9%	22.1%	20.5%
Minority interests	-	-	-	-	-	EBITDA y/y Growth	64.9%	42.9%	17.1%	46.7%	32.2%
Total liabilities & equity	64,747	83,402	104,141	123,355	149,355	Tax rate	24.8%	20.5%	14.4%	15.6%	17.7%
BVPS	28.66	40.69	54.65	76.01	106.77	Adj. Net Income y/y Growth	115.2%	92.8%	7.7%	77.6%	44.4%
y/y Growth	23.3%	42.0%	34.3%	39.1%	40.5%	EPS y/y Growth	110.3%	90.1%	5.9%	76.2%	43.3%
Net debt/(cash)	(11,581)	(18,287)	(19,152)	(21,192)	(28,708)	DPS y/y Growth	-	-	-	-	-
Cash flow from operating activities	12,039	17,271	19,866	30,043	38,503						
o/w Depreciation & amortization	6,281	8,117	10,825	13,475	15,929						
o/w Changes in working capital	2,556	3,916	2,816	5,838	7,077						
Cash flow from investing activities	(6,450)	(9,876)	(12,710)	(12,578)	(13,918)						
o/w Capital expenditure	(4,588)	(6,736)	(10,405)	(12,578)	(13,918)						
as % of sales	4.3%	5.0%	6.1%	6.1%	5.6%						
Cash flow from financing activities	(3,882)	(3,740)	(8,377)	(15,425)	(17,069)						
o/w Dividends paid	-	-	-	-	-						
o/w Net debt issued/(repaid)	(1,299)	265	(33)	0	0						
Net change in cash	1,333	3,444	(747)	2,040	7,516						
Free cash flow to firm	7,760	10,839	9,796	17,752	24,844						
y/y Growth	268.2%	39.7%	(9.6%)	81.2%	40.0%						

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec. o/w - out of which

Doug Anmuth
 (1-212) 622-6571
 douglas.anmuth@jpmorgan.com

North America Equity Research
 28 July 2017

J.P.Morgan

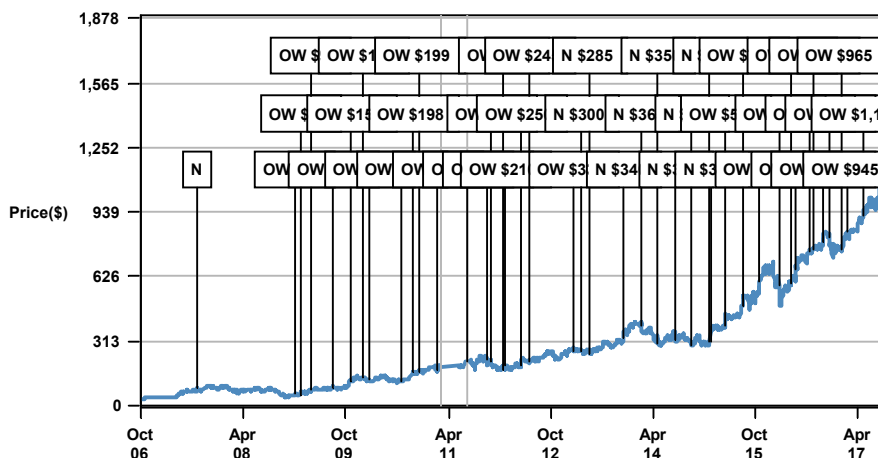
Analyst Certification: The research analyst(s) denoted by an “AC” on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an “AC” on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. For all Korea-based research analysts listed on the front cover, they also certify, as per KOFIA requirements, that their analysis was made in good faith and that the views reflect their own opinion, without undue influence or intervention.

Important Disclosures

- **Market Maker:** JPMS makes a market in the stock of Amazon.com.
- **Market Maker/ Liquidity Provider:** J.P. Morgan Securities plc and/or an affiliate is a market maker and/or liquidity provider in securities issued by Amazon.com.
- **Client:** J.P. Morgan currently has, or had within the past 12 months, the following entity(ies) as clients: Amazon.com.
- **Client/Non-Investment Banking, Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following entity(ies) as clients, and the services provided were non-investment-banking, securities-related: Amazon.com.
- **Client/Non-Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following entity(ies) as clients, and the services provided were non-securities-related: Amazon.com.
- **Non-Investment Banking Compensation:** J.P. Morgan has received compensation in the past 12 months for products or services other than investment banking from Amazon.com.
- **Other Significant Financial Interests:** J.P. Morgan owns a position of 1 million USD or more in the debt securities of Amazon.com.

Company-Specific Disclosures: Important disclosures, including price charts and credit opinion history tables, are available for compendium reports and all J.P. Morgan–covered companies by visiting <https://jpm.com/research/disclosures>, calling 1-800-477-0406, or e-mailing research.disclosure.inquiries@jpmorgan.com with your request. J.P. Morgan’s Strategy, Technical, and Quantitative Research teams may screen companies not covered by J.P. Morgan. For important disclosures for these companies, please call 1-800-477-0406 or e-mail research.disclosure.inquiries@jpmorgan.com.

Amazon.com (AMZN, AMZN US) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Jul 25, 2007.

Date	Rating	Share Price (\$)	Price Target (\$)
25-Jul-07	N	86.18	-
05-Jan-09	OW	54.06	65.00
30-Jan-09	OW	50.00	74.00
02-Apr-09	OW	76.34	91.00
24-Jul-09	OW	86.49	108.00
23-Oct-09	OW	118.49	150.00
04-Jan-10	OW	133.90	175.00
29-Jan-10	OW	125.41	180.00
23-Jul-10	OW	118.87	154.00
24-Sep-10	OW	160.73	198.00
22-Oct-10	OW	164.97	199.00
28-Jan-11	OW	171.14	192.00
13-Jul-11	OW	211.23	251.00
26-Oct-11	OW	227.15	230.00
14-Nov-11	OW	217.39	250.00
13-Jan-12	OW	178.42	235.00
01-Feb-12	OW	194.44	210.00
27-Apr-12	OW	195.99	250.00
06-Jun-12	OW	217.64	245.00
30-Jan-13	OW	260.35	333.00
14-Mar-13	N	265.74	300.00
26-Apr-13	N	254.81	285.00
25-Oct-13	N	332.21	340.00

Doug Anmuth
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

North America Equity Research
28 July 2017

J.P.Morgan

29-Jan-14	N	384.20	365.00
24-Apr-14	N	303.83	350.00
25-Jul-14	N	324.01	340.00
24-Oct-14	N	287.06	307.00
26-Jan-15	N	306.75	323.00
30-Jan-15	N	311.78	375.00
24-Apr-15	OW	389.99	535.00
24-Jul-15	OW	482.18	710.00
23-Oct-15	OW	599.03	800.00
29-Jan-16	OW	587.00	825.00
07-Apr-16	OW	591.43	822.00
29-Apr-16	OW	659.59	915.00
12-Jul-16	OW	748.21	908.00
29-Jul-16	OW	758.81	925.00
27-Sep-16	OW	799.16	1000.00
28-Oct-16	OW	818.36	975.00
03-Jan-17	OW	753.67	965.00
03-Feb-17	OW	839.95	945.00
28-Apr-17	OW	918.38	1110.00

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.

J.P. Morgan ratings or designations: OW = Overweight, N= Neutral, UW = Underweight, NR = Not Rated

Explanation of Equity Research Ratings, Designations and Analyst(s) Coverage Universe:

J.P. Morgan uses the following rating system: Overweight [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Neutral [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Underweight [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Not Rated (NR): J.P. Morgan has removed the rating and, if applicable, the price target, for this stock because of either a lack of a sufficient fundamental basis or for legal, regulatory or policy reasons. The previous rating and, if applicable, the price target, no longer should be relied upon. An NR designation is not a recommendation or a rating. In our Asia (ex-Australia) and U.K. small- and mid-cap equity research, each stock's expected total return is compared to the expected total return of a benchmark country market index, not to those analysts' coverage universe. If it does not appear in the Important Disclosures section of this report, the certifying analyst's coverage universe can be found on J.P. Morgan's research website, www.jpmorganmarkets.com.

Coverage Universe: Anmuth, Doug: Alphabet (GOOG), Alphabet Inc. (GOOGL), Altaba (AABA), Amazon.com (AMZN), Bankrate Inc (RATE), Care.com (CRCM), Chegg, Inc. (CHGG), Criteo (CRTO), Expedia, Inc. (EXPE), Facebook (FB), Groupon (GRPN), IAC/InterActiveCorp (IAC), Match Group (MTCH), Netflix Inc (NFLX), Pandora Media Inc (P), Snap Inc. (SNAP), The Priceline Group Inc (PCLN), TripAdvisor, Inc. (TRIP), TrueCar Inc. (TRUE), Twitter, Inc. (TWTR), Yelp Inc. (YELP), Zynga Inc (ZNGA), eBay, Inc (EBAY), trivago (TRVG)

J.P. Morgan Equity Research Ratings Distribution, as of July 03, 2017

	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage	44%	45%	11%
IB clients*	52%	50%	31%
JPMS Equity Research Coverage	44%	50%	6%
IB clients*	68%	65%	46%

*Percentage of investment banking clients in each rating category.

For purposes only of FINRA/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category. Please note that stocks with an NR designation are not included in the table above.

Equity Valuation and Risks: For valuation methodology and risks associated with covered companies or price targets for covered companies, please see the most recent company-specific research report at <http://www.jpmorganmarkets.com>, contact the primary analyst or your J.P. Morgan representative, or email research.disclosure.inquiries@jpmorgan.com. For material information about the proprietary models used, please see the Summary of Financials in company-specific research reports and the Company Tearsheets, which are

Doug Anmuth
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

North America Equity Research
28 July 2017

J.P.Morgan

available to download on the company pages of our client website, <http://www.jpmorganmarkets.com>. This report also sets out within it the material underlying assumptions used.

Equity Analysts' Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues.

Registration of non-US Analysts: Unless otherwise noted, the non-US analysts listed on the front of this report are employees of non-US affiliates of JPMS, are not registered/qualified as research analysts under NASD/NYSE rules, may not be associated persons of JPMS, and may not be subject to FINRA Rule 2241 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Other Disclosures

J.P. Morgan ("JPM") is the global brand name for J.P. Morgan Securities LLC ("JPMS") and its affiliates worldwide. J.P. Morgan Cazenove is a marketing name for the U.K. investment banking businesses and EMEA cash equities and equity research businesses of JPMorgan Chase & Co. and its subsidiaries.

All research reports made available to clients are simultaneously available on our client website, J.P. Morgan Markets. Not all research content is redistributed, e-mailed or made available to third-party aggregators. For all research reports available on a particular stock, please contact your sales representative.

Options related research: If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at <http://www.optionsclearing.com/publications/risks/riskstoc.pdf>

Legal Entities Disclosures

U.S.: JPMS is a member of NYSE, FINRA, SIPC and the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC. **U.K.:** JPMorgan Chase N.A., London Branch, is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and to limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from J.P. Morgan on request. J.P. Morgan Securities plc (JPMS plc) is a member of the London Stock Exchange and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered in England & Wales No. 2711006. Registered Office 25 Bank Street, London, E14 5JP. **South Africa:** J.P. Morgan Equities South Africa Proprietary Limited is a member of the Johannesburg Securities Exchange and is regulated by the Financial Services Board. **Hong Kong:** J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong and/or J.P. Morgan Broking (Hong Kong) Limited (CE number AAB027) is regulated by the Securities and Futures Commission in Hong Kong. **Korea:** This material is issued and distributed in Korea by or through J.P. Morgan Securities (Far East) Limited, Seoul Branch, which is a member of the Korea Exchange (KRX) and is regulated by the Financial Services Commission (FSC) and the Financial Supervisory Service (FSS). **Australia:** J.P. Morgan Australia Limited (JPMAL) (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (JPMSAL) (ABN 61 003 245 234/AFS Licence No: 238066) is regulated by ASIC and is a Market, Clearing and Settlement Participant of ASX Limited and CHI-X. **Taiwan:** J.P. Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited (Corporate Identity Number - U67120MH1992FTC068724), having its registered office at J.P. Morgan Tower, Off. C.S.T. Road, Kalina, Santacruz - East, Mumbai - 400098, is registered with Securities and Exchange Board of India (SEBI) as a 'Research Analyst' having registration number INH000001873. J.P. Morgan India Private Limited is also registered with SEBI as a member of the National Stock Exchange of India Limited (SEBI Registration Number - INB 230675231/INF 230675231/INE 230675231), the Bombay Stock Exchange Limited (SEBI Registration Number - INB 010675237/INF 010675237) and as a Merchant Banker (SEBI Registration Number - MB/INM000002970). Telephone: 91-22-6157 3000, Facsimile: 91-22-6157 3990 and Website: www.jpiml.com. For non local research reports, this material is not distributed in India by J.P. Morgan India Private Limited. **Thailand:** This material is issued and distributed in Thailand by JPMorgan Securities (Thailand) Ltd., which is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission and its registered address is 3rd Floor, 20 North Sathorn Road, Silom, Bangkok, Bangkok 10500. **Indonesia:** PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the OJK a.k.a. BAPEPAM LK. **Philippines:** J.P. Morgan Securities Philippines Inc. is a Trading Participant of the Philippine Stock Exchange and a member of the Securities Clearing Corporation of the Philippines and the Securities Investor Protection Fund. It is regulated by the Securities and Exchange Commission. **Brazil:** Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico:** J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore:** This material is issued and distributed in Singapore by or through J.P. Morgan Securities Singapore Private Limited (JPMSS) [MCI (P) 202/03/2017 and Co. Reg. No.: 199405335R], which is a member of the Singapore Exchange Securities Trading Limited and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) [MCI (P) 089/09/2016], both of which are regulated by the Monetary Authority of Singapore. This material is issued and distributed in Singapore only to accredited investors, expert investors and institutional investors, as defined in Section 4A of the Securities and Futures Act, Cap. 289 (SFA). This material is not intended to be issued or distributed to any retail investors or any other investors that do not fall into the classes of "accredited investors," "expert investors" or "institutional investors," as defined under Section 4A of the SFA. Recipients of this document are to contact JPMSS or JPMCB Singapore in respect of any matters arising from, or in connection with, the document. **Japan:** JPMorgan Securities Japan Co., Ltd. and JPMorgan Chase Bank, N.A., Tokyo Branch are regulated by the Financial Services Agency in Japan. **Malaysia:** This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan:** J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia:** J.P. Morgan Saudi Arabia Ltd. is authorized by the Capital Market Authority of the Kingdom of Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisaliyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia. **Dubai:** JPMorgan Chase Bank, N.A., Dubai Branch is regulated by the Dubai Financial Services Authority (DFSA) and its registered address is Dubai International Financial Centre - Building 3, Level 7, PO Box 506551, Dubai, UAE.

Doug Anmuth
(1-212) 622-6571
douglas.anmuth@jpmorgan.com

North America Equity Research
28 July 2017

J.P.Morgan

Country and Region Specific Disclosures

U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMS plc. Investment research issued by JPMS plc has been prepared in accordance with JPMS plc's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. Further information about J.P. Morgan's conflict of interest policy and a description of the effective internal organisations and administrative arrangements set up for the prevention and avoidance of conflicts of interest is set out at the following link <https://www.jpmorgan.com/jpmpdf/1320678075935.pdf>. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. This material does not take into account the specific investment objectives, financial situation or particular needs of the recipient. The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities plc, Frankfurt Branch which is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider/market maker for derivative warrants, callable bull bear contracts and stock options listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: <http://www.hkex.com.hk>. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Limited, Seoul Branch. **Singapore:** As at the date of this report, JPMS is a designated market maker for certain structured warrants listed on the Singapore Exchange where the underlying securities may be the securities discussed in this report. Arising from its role as designated market maker for such structured warrants, JPMS may conduct hedging activities in respect of such underlying securities and hold or have an interest in such underlying securities as a result. The updated list of structured warrants for which JPMS acts as designated market maker may be found on the website of the Singapore Exchange Limited: <http://www.sgx.com.sg>. In addition, JPMS and/or its affiliates may also have an interest or holding in any of the securities discussed in this report – please see the Important Disclosures section above. For securities where the holding is 1% or greater, the holding may be found in the Important Disclosures section above. For all other securities mentioned in this report, JPMS and/or its affiliates may have a holding of less than 1% in such securities and may trade them in ways different from those discussed in this report. Employees of JPMS and/or its affiliates not involved in the preparation of this report may have investments in the securities (or derivatives of such securities) mentioned in this report and may trade them in ways different from those discussed in this report. **Taiwan:** This material is issued and distributed in Taiwan by J.P. Morgan Securities (Taiwan) Limited. According to Paragraph 2, Article 7-1 of Operational Regulations Governing Securities Firms Recommending Trades in Securities to Customers (as amended or supplemented) and/or other applicable laws or regulations, please note that the recipient of this material is not permitted to engage in any activities in connection with the material which may give rise to conflicts of interests, unless otherwise disclosed in the "Important Disclosures" in this material. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **Brazil:** Ombudsman J.P. Morgan: 0800-7700847 / ouvidoria.jp.morgan@jpmorgan.com.

General: Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMS and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is indicative as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMS distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised July 22, 2017.

Copyright 2017 JPMorgan Chase & Co. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of J.P. Morgan.