

Amazon (AMZN US)

1Q earnings beat; pace of earnings growth to enter a healthy stage

Amazon announced (2 May HKT) 1Q25 results: revenue was US\$155.7bn, up 8.6% YoY (1Q24: 12.5%), inline with both our forecast and Bloomberg consensus estimate, and total operating profit was US\$18.4bn, up 20% YoY, 2/5% better than our estimates/consensus, mainly driven by OPM margin beat in AWS segment, thanks to ongoing operating efficiency improvement. Management guided for US\$159.0-164.0bn revenue for 2Q25E (consensus: US\$161.4bn), implying 7-11% YoY growth, and US\$13.0-17.5bn operating profit (consensus: US\$17.8bn) after accounting for regular impact from step-up in share-based compensation annually, and additional Project Kuiper related expenses to be booked. We lower 2025-2027E revenue/OP forecast by 0.5-0.8%/3.2-5.1% to factor in additional Kuiper expenses, and our target price is lowered by 8% to US\$247.0 (was US\$268.0), based on 18.3x EV/EBITDA (was 18.5x), inline with the two-year trading average. We are looking for 18% YoY growth in OP in 2025E aided by optimization in cost to serve and improvement in scale effect, which we believe could be the key stock price driver in 2025E. Maintain BUY.

■ AWS: revenue growth fluctuated while margin expansion continued.

In 1Q25, AWS inked revenue of US\$29.3bn, up 16.9% YoY (1Q24: 17.2%; 4Q24: 18.9%), in line with consensus, while management attributed the fluctuation in revenue growth to sales cycle. Management highlighted that AI-related cloud revenue still saw triple-digit YoY growth in 1Q25, noted that supply constraints still persist, and is expecting for a relaxation in the coming months. Operating profit for AWS segment was US\$11.5bn in 1Q25, up 23% YoY, and was 11% ahead of consensus, translating into a 39.5% OPM (1Q24: 37.6%; 4Q24: 36.9%), driven by ongoing operating efficiency improvement aided by enhancement in infrastructure capability and scale effect. Pace of margin expansion for AWS could fluctuate in the coming quarters, in our view, as AI-related cloud services currently have relatively a lower-than-segment average margin, and is ramping up quickly. Cash capex plus finance leases was US\$24.3bn in 1Q25 (4Q24: US\$26.3bn).

■ NA and international business segments delivered ongoing margin expansion.

The ongoing improvement in cost to serve continued to help drive operating margin expansion for both North America (NA) and international segments in 1Q25. In 1Q25, Amazon's NA business recorded revenue of US\$92.9bn, up 7.6% YoY, inline with consensus, while OPM expanded by 0.5ppt YoY to 6.3% (consensus: 6.5%). For international segment, revenue was US\$33.5bn, up 4.9% YoY, 1% ahead of consensus, and operating margin improved by 0.2ppts YoY to 3.0%, 0.1ppts ahead of consensus. Management noted that it has recorded one-time charges related to some historical customer returns that have not yet been resolved, and some costs to receive inventory that was pulled forward into 1Q25 ahead of anticipated tariffs. Without these charges, OPM for NA/international segment would have been 7.2%/3.7%, respectively.

■ Assessing tariff impact. Regarding impact from tariffs on store business, management noted that it has seen some heightened buying in certain categories that may indicate stocking up in advance, but has not seen any attenuation of demand yet. It believes, compared with peers, Amazon has a broader base of product selection and global sellers, and should be better positioned to weather the uncertainties.

BUY (Maintain)

Target Price US\$247.00
(Previous TP US\$268.00)
Up/Downside 32.5%
Current Price US\$186.35

US Software & IT Services

Saiyi HE, CFA
(852) 3916 1739
hesaiyi@cmbi.com.hk

Ye TAO, CFA
franktao@cmbi.com.hk

Wentao LU, CFA
luwentao@cmbi.com.hk

Joanna Ma
(852) 3761 8838
joannama@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn)	2,039,884.8
Avg 3 mths t/o (US\$ mn)	6,023.6
52w High/Low (US\$)	242.06/161.02
Total Issued Shares (mn)	10946.5

Source: FactSet

Shareholding Structure

Jeffrey P. Bezos	8.7%
The Vanguard Group, Inc.	7.7%

Source: Nasdaq

Share Performance

	Absolute	Relative
1-mth	9.0%	-4.8%
3-mth	-22.0%	-13.5%
6-mth	-10.0%	-4.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	574,785	637,959	699,039	762,940	828,219
YoY growth (%)	11.8	11.0	9.6	9.1	8.6
Net profit (US\$ mn)	30,425.0	59,248.0	69,642.3	81,559.8	98,202.2
YoY growth (%)	na	94.7	17.5	17.1	20.4
EPS (Reported) (US\$)	2.90	5.61	6.52	7.55	9.00
Consensus EPS (US\$)	na	na	6.16	7.37	9.06
P/E (x)	64.3	33.2	28.6	24.7	20.7
P/B (x)	9.7	7.1	5.4	4.2	3.4

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Amazon quarterly results review and comparison with consensus

(USDbn)	1Q24	2Q24	3Q24	4Q24	1Q25	1Q25 Consensus	Diff%
Online Stores	54.7	55.4	61.4	75.6	57.4	56.8	1.0%
YoY Growth	7.0%	4.6%	7.2%	7.1%	5.0%		
Third-Party Seller Services	34.6	36.2	37.9	47.5	36.5	37.0	-1.3%
YoY Growth	16.0%	12.0%	10.3%	9.0%	5.5%		
AWS	25.0	26.3	27.5	28.8	29.3	29.4	-0.3%
YoY Growth	17.2%	18.7%	19.1%	18.9%	16.9%		
Subscription Services	10.7	10.9	11.3	11.5	11.7	11.6	0.6%
YoY Growth	11.0%	9.8%	10.9%	9.7%	9.3%		
Advertising Services	11.8	12.8	14.3	17.3	13.9	13.8	1.1%
YoY Growth	24.3%	19.5%	18.8%	18.0%	17.7%		
Physical Stores	5.2	5.2	5.2	5.6	5.5	5.4	2.3%
YoY Growth	6.3%	3.6%	5.4%	8.3%	6.4%		
Other (New)	1.3	1.3	1.3	1.6	1.3	1.1	15.0%
YoY Growth	22.9%	-6.3%	7.1%	16.8%	4.0%		
Total revenue	143.3	148.0	158.9	187.8	155.7	155.2	0.3%
YoY Growth	12.5%	10.1%	11.0%	10.5%	8.6%		
Gross profit	70.7	74.2	77.9	88.9	78.7	77.7	1.3%
Operating profit	15.3	14.7	17.4	21.2	18.4	17.5	5.1%
Net profit	10.4	13.5	15.3	20.0	17.1	14.7	16.5%
Revenue breakdown by segment							
North America	86.3	90.0	95.5	115.6	92.9	92.6	0.3%
YoY Growth	12.3%	9.1%	8.7%	9.5%	7.6%		
% of total revenue	60.2%	60.8%	60.1%	61.6%	59.7%		
International revenue	31.9	31.7	35.9	43.4	33.5	33.1	1.4%
YoY Growth	9.7%	6.6%	11.7%	7.9%	4.9%		
% of total revenue	22.3%	21.4%	22.6%	23.1%	21.5%		
AWS	25.0	26.3	27.5	28.8	29.3	29.4	-0.3%
YoY Growth	17.2%	18.7%	19.1%	18.9%	16.9%		
% of total revenue	17.5%	17.8%	17.3%	15.3%	18.8%		
OP breakdown by segment							
North America	5.0	5.1	5.7	9.3	5.8	6.0	-2.5%
OPM	5.8%	5.6%	5.9%	8.0%	6.3%	6.5%	-0.2 ppt
International	0.9	0.3	1.3	1.3	1.0	1.0	6.1%
OPM	2.8%	0.9%	3.6%	3.0%	3.0%	2.9%	0.1 ppt
AWS	9.4	9.3	10.4	10.6	11.5	10.4	10.8%
OPM	37.6%	35.5%	38.1%	36.9%	39.5%	35.5%	4.0 ppt
YoY Growth	83.9%	74.0%	49.8%	48.3%	22.6%		
Margins (%)							
GPM	49.3%	50.1%	49.0%	47.3%	50.6%	50.1%	0.5 ppt
OPM	10.7%	9.9%	11.0%	11.3%	11.8%	11.3%	0.5 ppt
NPM	7.3%	9.1%	9.6%	10.7%	11.0%	9.5%	1.5 ppt

Source: Company data, CMBIGM, Bloomberg

Changes in forecast and valuation

Figure 2: Amazon forecast revision

USD bn	Current			Previous			Change (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Revenue	699.0	762.9	828.2	702.6	769.0	832.1	-0.5%	-0.8%	-0.5%
Gross profit	347.1	383.6	422.2	351.2	391.3	429.3	-1.2%	-2.0%	-1.6%
Operating profit	81.1	98.7	120.2	83.8	104.0	124.6	-3.2%	-5.1%	-3.5%
Net profit	69.6	81.6	98.2	71.2	88.4	108.6	-2.2%	-7.7%	-9.6%
GPM	49.7%	50.3%	51.0%	50.0%	50.9%	51.6%	-0.3 ppt	-0.6 ppt	-0.6 ppt
OPM	11.6%	12.9%	14.5%	11.9%	13.5%	15.0%	-0.3 ppt	-0.6 ppt	-0.5 ppt
NPM	10.0%	10.7%	11.9%	10.1%	11.5%	13.0%	-0.2 ppt	-0.8 ppt	-1.2 ppt

Source: CMBIGM estimates

Figure 3: Amazon: CMBI forecast vs consensus

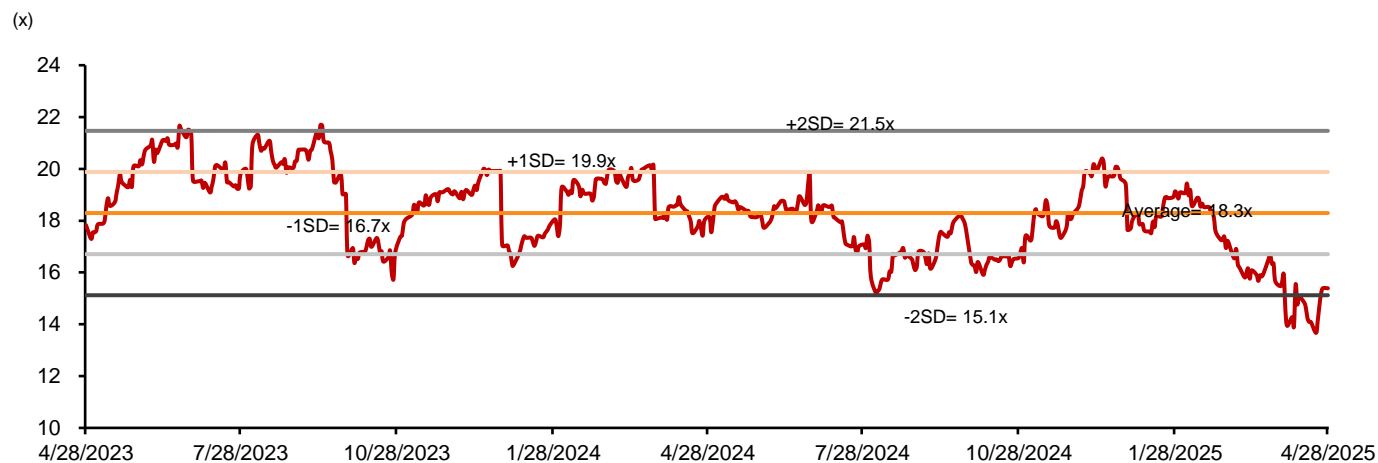
USD bn	Current			Consensus			Difference (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	699.0	762.9	828.2	694.6	763.1	839.6	0.6%	0.0%	-1.4%
Gross profit	347.1	383.6	422.2	343.8	383.6	428.9	1.0%	0.0%	-1.5%
Operating profit	81.1	98.7	120.2	79.1	96.2	116.8	2.5%	2.6%	2.9%
Net profit	69.6	81.6	98.2	66.8	80.9	100.2	4.3%	0.8%	-1.9%
GPM	49.7%	50.3%	51.0%	49.5%	50.3%	51.1%	0.2 ppt	0.0 ppt	-0.1 ppt
OPM	11.6%	12.9%	14.5%	11.4%	12.6%	13.9%	0.2 ppt	0.3 ppt	0.6 ppt
NPM	10.0%	10.7%	11.9%	9.6%	10.6%	11.9%	0.3 ppt	0.1 ppt	-0.1 ppt

Source: CMBIGM estimates, Bloomberg

Figure 4: Amazon: target price of US\$247.0 based on 18.3x EV/EBITDA

(USDmn)	
GAAP EBITDA (12-month forward)	142,160
GAAP EBITDA Margin %	20.9%
Target EV/EBITDA	18.3x
Enterprise Value	2,601,530
GAAP EBITDA CAGR (2024-2027E CAGR)	16%
Capital Structure Adjustments	
Adjusted Net Debt - 2025E	(105,868)
Shares Outstanding - 2025E	10,947
Valuation (USD)	247.0

Source: CMBIGM estimates

Figure 5: Amazon: EV/EBITDA band over the past two years

Source: Bloomberg, CMBIGM

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Revenue	513,983	574,785	637,959	699,039	762,940	828,219
Cost of goods sold	(288,831)	(304,739)	(326,288)	(351,899)	(379,309)	(405,980)
Gross profit	225,152	270,046	311,671	347,140	383,631	422,239
Operating expenses	(212,904)	(233,194)	(243,078)	(266,075)	(284,908)	(302,071)
Selling expense	(42,238)	(44,370)	(43,907)	(47,313)	(50,669)	(53,862)
Admin expense	(11,891)	(11,816)	(11,359)	(12,116)	(12,764)	(13,356)
R&D expense	(73,213)	(85,622)	(88,544)	(97,403)	(105,428)	(113,021)
Others	(85,562)	(91,386)	(99,268)	(109,242)	(116,046)	(121,833)
Operating profit	12,248	36,852	68,593	81,066	98,723	120,168
Interest income	989	2,949	4,677	3,539	4,401	3,502
Interest expense	(2,367)	(3,182)	(2,406)	(2,428)	(2,437)	(2,437)
Other income/expense	(16,806)	938	(2,250)	2,749	0	0
Pre-tax profit	(5,936)	37,557	68,614	84,926	100,686	121,232
Income tax	3,217	(7,120)	(9,265)	(15,288)	(19,130)	(23,034)
Others	(3)	(12)	(101)	4	4	4
After tax profit	(2,722)	30,425	59,248	69,642	81,560	98,202
Net profit	(2,722)	30,425	59,248	69,642	81,560	98,202

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Current assets	146,791	172,351	190,867	247,300	341,947	457,077
Cash & equivalents	53,888	73,387	78,779	97,411	107,905	25,023
Restricted cash	24,093	32,328	43,660	77,957	158,742	353,881
Account receivables	34,405	33,318	34,214	35,966	37,649	39,086
Inventories	34,405	33,318	34,214	35,966	37,649	39,086
Contract obtaining costs	315,884	355,503	434,027	485,087	517,022	546,650
PP&E	186,715	204,177	252,665	299,257	331,192	360,820
Deferred income tax	0	0	0	0	0	0
Goodwill	20,288	22,789	23,074	23,089	23,089	23,089
Other non-current assets	108,881	128,537	158,288	162,741	162,741	162,741
Total assets	462,675	527,854	624,894	732,387	858,968	1,003,727
Current liabilities	155,393	164,917	179,431	197,724	219,603	241,567
Account payables	79,600	84,981	94,363	105,017	116,194	127,302
Other current liabilities	13,227	15,227	18,103	19,877	21,711	23,589
Accrued expenses	62,566	64,709	66,965	72,830	81,697	90,676
Non-current liabilities	161,239	161,062	159,493	154,269	153,820	153,611
Long-term borrowings	67,150	58,314	52,623	46,872	46,872	46,872
Other non-current liabilities	94,089	102,748	106,870	107,397	106,948	106,739
Total liabilities	316,632	325,979	338,924	351,993	373,422	395,178
Share capital	108	109	111	111	111	111
Capital surplus	75,066	99,025	120,864	143,062	166,654	191,454
Retained earnings	83,193	113,618	172,866	242,508	324,068	422,270
Other reserves	(12,324)	(10,877)	(7,871)	(5,287)	(5,287)	(5,287)
Total shareholders equity	146,043	201,875	285,970	380,394	485,546	608,548
Total equity and liabilities	462,675	527,854	624,894	732,387	858,968	1,003,727

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	(5,936)	37,557	68,614	84,926	100,686	121,232
Depreciation & amortization	41,461	48,663	52,795	61,094	65,881	68,331
Tax paid	3,217	(7,120)	(9,265)	(15,288)	(19,130)	(23,034)
Change in working capital	(20,886)	(11,541)	(15,541)	1,320	17,290	17,929
Others	28,896	17,387	19,274	19,931	23,596	24,804
Net cash from operations	46,752	84,946	115,877	151,983	188,324	209,263
Investing						
Capital expenditure	(58,321)	(48,133)	(77,658)	(97,020)	(97,020)	(97,020)
Acquisition of subsidiaries/ investments	(8,316)	(5,839)	(7,082)	48	0	0
Others	29,036	4,139	(9,602)	(32,567)	(79,564)	(193,977)
Net cash from investing	(37,601)	(49,833)	(94,342)	(129,539)	(176,584)	(290,997)
Financing						
Net borrowings	23,907	(11,224)	(9,100)	(6,023)	0	0
Share repurchases	(6,000)	0	0	0	0	0
Others	(8,189)	(4,655)	(2,712)	(1,517)	(1,245)	(1,148)
Net cash from financing	9,718	(15,879)	(11,812)	(7,540)	(1,245)	(1,148)
Net change in cash						
Cash at the beginning of the year	35,566	53,342	72,979	81,401	96,722	107,217
Others	(1,093)	403	(1,301)	416	0	0
Cash at the end of the year	53,342	72,979	81,401	96,722	107,217	24,335

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report. Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM. Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.