Amazon.com (AMZN US)

FUNDAMENTAL VIEW [1]

As of 13 Aug 2025

- We continue to have confidence in CEO Andy Jassy and the company's long-term business for both AWS and Stores. While the AWS growth rate is below peers, it is a $123 bn run-rate business with high-teens growth and operating margins in the 30s%. We continue to believe that Amazon will be a winner in Generative AI given the breadth of its cloud business, custom silicon (Trainium, Inferentia), and Bedrock platform.
- Leverage declined slightly to 0.4x gross and 0.9x lease-adjusted gross. While Amazon's capex has been ramping, along with other hyperscalers, we are encouraged by its debt reduction over the past few years and zero shareholder returns. Also, Amazon's market cap is $2.4 tn. There are risks related to the FTC suit although we view a breakup as unlikely.

RISKS & CATALYSTS

As of 13 Aug 2025

- We think Amazon has moderate event risk given its large size (~$2.4 tn market cap).
- While Amazon is increasing its Capex spend, we are encouraged by the ~$19.6 bn reduction in lease-adjusted debt from its peak in 1Q23 through 2Q25.
- Amazon continues to face regulatory scrutiny. In September 2023, the FTC and 17 states filed a lawsuit against Amazon and accused the company of (1) punishing sellers for offering lower prices elsewhere and (2) making Prime eligibility conditional on usage of fulfillment services. The biggest risk would be a breakup, although we view that as unlikely.
- Amazon's $14 bn acquisition of Whole Foods has shown its proclivity for large M&A, although the regulatory environment could make large deals challenging.

CREDIT QUALITY SCORE (CQS) [2]

As of 29 Aug 2025

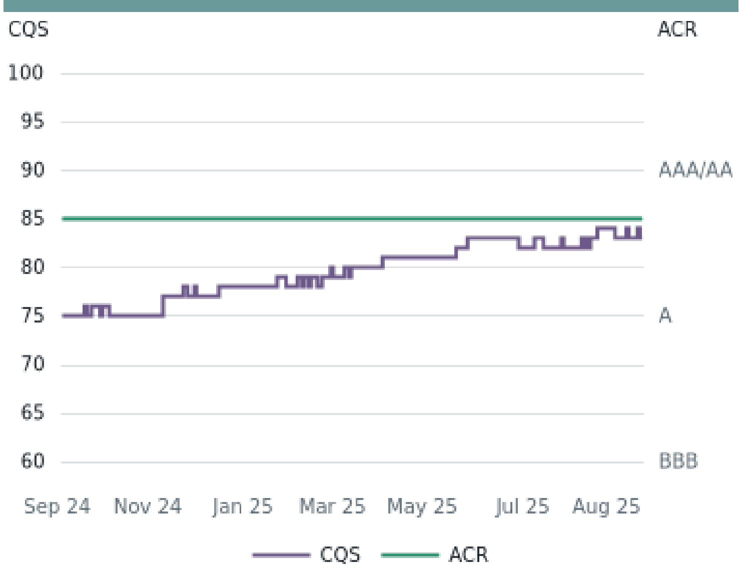
CURRENT CQS

83

CQS OUTLOOK [3]

NEGATIVE | **STABLE** | POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)[4] VS CQS



KEY METRICS

As of 13 Aug 2025

$ MN	2020	2021	2022	2023	2024	LTM 2Q25
Revenue YoY %	**37.6%**	**21.7%**	**9.4%**	**11.8%**	**11.0%**	**10.9%**
EBITDA	57,284	71,994	74,593	110,305	144,162	156,248
EBITDA Margin	**14.8%**	**15.3%**	**14.5%**	**19.2%**	**22.6%**	**23.3%**
CapEx % of Sales	12.1%	13.3%	11.5%	8.5%	12.3%	15.6%
Sh. Ret. % of CFO-CapEx	**0%**	**0%**	**n/m**	**0%**	**0%**	**0%**
Net Debt	(50,497)	(44,453)	8,516	(19,451)	(43,051)	(36,925)
Gross Leverage	**0.6x**	**0.7x**	**1.1x**	**0.6x**	**0.4x**	**0.4x**
EV / EBITDA	28.3x	23.3x	11.7x	14.4x	16.1x	14.9x

BUSINESS DESCRIPTION

As of 13 Aug 2025

- Amazon is an e-commerce company which sells a wide range of its own products and those of 3rd party sellers. Amazon offers fulfillment services for 3rd party sellers (FBA) and sells cloud computing services (AWS). In 2Q25, 3rd party units were 62% of total paid units, and FBA units are a majority of 3rd party units.
- In LTM 2Q25, NA segment was 60% of sales, International was 22% of sales, and AWS was 17% of sales.
- Amazon disclosed it surpassed 200 mn Prime members in April 2021. The annual membership was increased in February 2022 from $119 to $139 in the US, although fees vary by country. In mid-2019, Amazon Prime began to transition from 2-day to 1-day shipping. Amazon Prime also offers Prime Video, streaming music, and other benefits.
- In 2006, Amazon launched AWS which remains the leader in cloud computing (IaaS/PaaS). Amazon sells its own devices (e-reader, smart speaker, streaming media player, etc.).

GLOSSARY

[1] The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

[2] The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

[3] The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

[4] The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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