

Third-party sellers (Marketplace) account for about 18% of sales. Seasonality: Q4 accounted for 33% of '14 revenue. Acquired Internet Movie Database, Bookpages, Telebook, '98; Junglee and

dent, Chairman & CEO: Jeffrey Bezos. Incorporated: Delaware. Address: 410 Terry Avenue North, Seattle, WA 98109-5210. Telephone: 206-266-1000. Internet: www.amazon.com

10 Yrs. to '18-'20 of change (per sh) 5 Yrs. 28.5% 28.0% 29.0% 27.5% 18.5% 23.0% Revenues "Cash Flow company -11.5% -40.0% NMF Dividends 24.0% **Book Value** 24.5% QUARTERLY REVENUES (\$ mill.) Full Mar.31 Jun.30 Sep.30 Dec.31 Year 12834 61093 13185 13806 21268 16070 15704 17092 25586 74452 19741 19340 20579 29328 88988 22717 23185 25358 34990 106250 27400 27870 30045 39685 25000 EARNINGS PER SHARE A Full Mar.31 Jun.30 Sep.30 Dec.31 Year .29 d.23 .18 d.02 d.09 .51 .59 .23 d.27 d.95 .45 d.52d.12 .19 .17 1.36 1.60 .95 .90 **QUARTERLY DIVIDENDS PAID** Full Mar.31 Jun.30 Sep.30 Dec.31 NO CASH DIVIDENDS BFING PAID

Since our August review, shares of Amazon.com are trading roughly 18% higher in price. This uptick came after reported better-thanexpected September-period financial results. Indeed, revenues increased more than 23%, to roughly \$25.4 billion, thanks to a solid rise in worldwide volumes as global active customer accounts continue to swell. Additional benefits are stemming from new product offerings like the recently introduced *Fire* tablet, and *Fire TV* devices, as well as original series programming. The continued rolling out of Prime *Now* to eight metro areas allows members to have tens of thousands of daily essentials delivered free within two hours, or within one hour paid. That service is now offered in 17 different locations around the world. At the same time, the company continues to expand its geographic footprint for its regular services. On the profitability front, cost of goods sold declined 500 basis points as a percentage of the top line. This was partially offset by a 70-basis-point rise in operating expenses. On balance, these factors catapulted AMZN's bottom line

back into positive territory, to \$0.17 a

share. This was well above our earlier call. Consequently, we have raised our 2015 earnings estimate by \$0.55, to \$1.60 a share. This would represent a vast improvement over 2014's easy comparison, thanks to geographic expansion and new product offerings.

The balance sheet is in decent shape at this time. Although cash and equivalents have declined 17% so far this year, that financial cushion still sits at roughly \$14.4 billion. At the same time, the longterm debt load has remained relatively unchanged, and represents a manageable 40% of the capital structure.

Interested investors may have patiently await a more attractive entry point into timely Amazon shares. The recent bottom-line improve-Amazon ments have sent the stock price sharply higher. However, we remain cautious given the company's difficulties with regard to sustainable earnings growth in the past. At its recent quotation, AMZN is trading above our Target Price Range, which assumes traditional valuation measures will eventually take hold here. Bryan J. Fong November 13, 2015

(A) Diluted earnings. Excludes goodwill: '02, (1¢). Includes stock-based compensation: '02, (19¢); '03, (21¢); '04, (14¢); '05, (20¢); '06, (24¢); '07, (44¢); '08, (64¢); '09, (77¢). Ex-

Accts Pavable

Debt Due

Current Liab

ANNUAL RATES

Other

Cal-

endar

2012

2013

2014

2015

2016

Cal-

endar

2012

2013

2014

2015

2016

Cal-

endar

2011

2012

2013

2015

15133

22980

Past

753 7094

16459

1520 10110

28089

Past Est'd '12-'14

14437

12220

26657

cludes merger/acquisition costs: '02, (11¢); '03, (32¢). Excludes equity in losses: '02, (01¢). Ex- (B) In millions. cludes other nonrecurring items: '04, 54¢; '05, 5¢; '12, (37¢). Qtly. egs. may not sum. Next

Company's Financial Strength Stock's Price Stability A+ 45 Price Growth Persistence 95 **Earnings Predictability** 20