

June 2019

Sohn Hearts and Minds Investment Leaders Conference Manager recommendation in focus

Munro Partners - Nick Griffin

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Recommendation: Amazon (AMZN:US)

Amazon.com, Inc., a Fortune 500 company based in Seattle, opened on the World Wide Web in July 1995 and today seeks to be the world's most customer-centric company. Where customers can find and discover anything they might want to buy online, and endeavours to offer its customers the lowest possible prices. Amazon also runs the biggest cloud computing business in the world, Amazon Web Services.

What Nick says about Amazon

- Amazon is unique because it sits at the centre of two large structural growth trends, e-commerce and cloud computing, both of which are still closer to the beginning of their growth runways.
- In e-commerce, Amazon is the world's largest player and looks set to benefit from the structural shift of retail sales from 'in store' to 'online' where customers are serviced directly via a distribution centre. E-Commerce makes up just over 10% of all retail sales today and we would expect this to grow to a 30% share over time.
- In cloud computing, organisations look to save money and improve security by hosting more of their data and processes in the cloud or in 'Infrastructure as a Service' (IAAS). Amazon is again the largest global player with the world's largest data centre footprint and looks set to benefit as IAAS goes from 10% of all workloads today to 50% within the next 5 years.
- Based on the above expectations, we would expect Amazon's revenue to grow at а CAGR of 15% over the next 5 years, with EBITDA likely to grow at a 23% CAGR over the same period as margins expand. Assuming Amazon can maintain its current 19.5x forward EBITDA multiple, a discount to numerous consumer staples such as Coca Cola, then this would result in a 17%+ annualised return as these structural trends play out over the next 5 years.

 All of this analysis is based on Amazon's existing businesses and discounts any further growth businesses that Amazon may generate from its prolific scale and R&D spend in the future.

Company information

Ticker code	AMZN US
Market capitalisation	USD 925bn
Average daily volume	USD 7.2bn
52-week range	USD 1,307- 2,050
Bloomberg consensus	51 Buys, 1 Hold, 1 Sell
Average price target	USD 2,254

\$2,500.00 \$2,000.00 \$1,500.00 \$1,000.00 \$500.00 2014 2015 2016 2017 2018 2019

AMZN US: 5 year share price history

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Nick Griffin Founding Partner