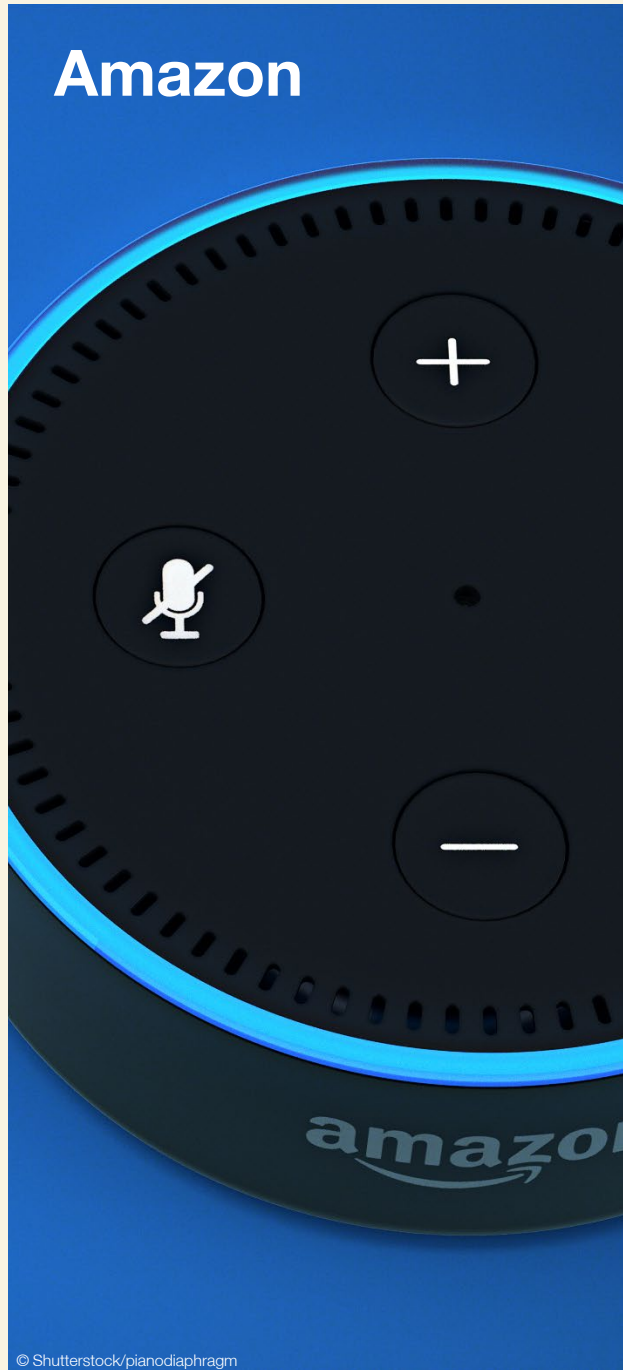


Amazon



What it does

From its origins as an online bookstore, Amazon has transformed into one of the world's most influential companies in e-commerce, cloud computing and AI. But it doesn't stop there: physical stores, subscription services, and advertising are just some of the other growth pathways. It's still Day 1.

Why we own it

- Addressable markets are incomprehensibly large, almost without number, and ever expanding.
- The technologies powering Amazon's businesses get exponentially better and cheaper every year – all with the aim to delight customers.
- Bezos instilled a remarkable cultural within Amazon.
- AWS (Amazon's cloud service) may be the most promising and potentially valuable business in the world in its own right. The Alexa platform is just as exciting. There will be others.

How it could be worth many times more

AWS 30% market share with margins settling at 20% drives strong cash generation with considerable lock in of long run clients.

Ecommerce takes a bigger share of western world retail than we once thought with a large and rising percentage in 3rd party sales.

For further upside, advertising and imagining what Amazon might create. 5% chance that entrepreneurial genius builds something more valuable than AWS.

Where we might be wrong

The history of retail dominance is replete with changes of leadership. Amazon faces credible competition from the likes of Shopify, Microsoft and Alibaba to name a few.

Expansion into other geographies doesn't materialise as anticipated and Amazon becomes old before it becomes rich.

Andy Jassy can't fill the void left by Bezos.

Short 10 questions

Can sales double in the next five years?

1

Yes; AWS continues to soar, retail profits boom especially driven by ads.

Ten years and beyond?

2

Amazon uses retail to build out more entries into consumer relationship. No foreseeable limit to AWS.

Competitive advantage?

3

Customer-obsessed, long-term oriented, and willing to be misunderstood.

Is the business culture different?

4

Famously a unique culture of reinvention with a visionary founder.

Customers like you? Contribute to society?

5

Price, speed and continual upgrades please customers and increase living standards.

Are returns worthwhile?

6

Retail is getting there; AWS definitely!

Will they rise or fall?

7

Company is still in build mode and investing heavily in Capex and R&D. We expect this to reverse in time as it transitions to harvest.

How is capital allocated?

8

Still reinvesting heavily to support a flywheels-of-scale business in retail, a global computer (AWS), and more.

Could it be worth 5x as much?

9

Decreased probability of outlier returns but still could be worth multiples from here.

What doesn't the market understand?

10

The market realises the model works, but not close to grasping the scale of the opportunity.

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