

THE ISSUE GROWING PAINS

Amazon's third-quarter results, which were posted recently, led the market to question the company's growth story. Last month Amazon's market value fell from \$978bn to \$781bn (€845bn to €682bn), a fall that is nearly double the market capitalisation of the ISEQ.

Despite smashing analysts' estimates on profits, with earnings of \$5.75 per share in the quarter against expectations of \$3.14, market fears about the growth outlook and management guidance on the next quarter's sales resulted in a 9% drop in the share price on the day.

The forthcoming holiday quarter will be critical for the full-year outcome. Analysts say the retailer is a victim of the laws of large numbers: the bigger a company gets, the harder it is to match previous growth rates. The Amazon Paycheck Index shows the retailer accounts for 2.1% of consumer spending in America.

THE BOSS JEFF BEZOS

Jeff Bezos, 54, the world's richest man with an estimated net worth of \$147bn, started Amazon from his garage as an online bookstore in 1993.

Princeton graduate Bezos hails from Albuquerque, New Mexico, and was raised in Houston, Texas. At the time of his birth, his mother was a 17-year-old high school student and his father owned a bike shop. Bezos survived the dotcom bust with a \$2bn loan, closing warehouses and sacking 14% of staff.

Bezos and Amazon are in President Trump's crosshairs over Amazon's business practices and Bezos's ownership of The Washington Post.

THE ANALYST PIERCE BYRNE, CANTOR

While it may be intuitive to look at Amazon's numbers and to question market concerns, investing in growth is expensive. The company trades on a forward price earnings ratio of 85 times compared with the wider S&P, which is trading at 16.6 times. This means that for every dollar Amazon earns, it costs the shareholder \$85 to own the stock. A dollar earned on the wider S&P 500 costs \$16.60.

The important point is how long Amazon can deliver growth rates to justify such a lofty price tag. The retailer does not pay a dividend.

◆ Amazon



Source: Yahoo

Market cap: \$814.39bn; **Share price:** \$1,665.53; **DPS:** 0%; **EPS:** FY18 \$36.38; **Shareholders:** Jeff Bezos 16.13%, Vanguard Group 5.95%, Blackrock 5.20%, FMR LLC 3.53%, The Capital Group 3.49%