

INVESTOR'S EDGE

Amazon has become more than a giant in e-commerce

The company dominates cloud computing, digital advertising, robotics and streaming.

"There's no bad time to innovate."

— Jeff Bezos



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Guest columnist

In 1994, Jeff Bezos founded Amazon.com out of his garage as a simple online bookstore. Over the last 30+ years, no company has reshaped our economy like Amazon has, and very few stocks have generated as powerful returns as Amazon. In fact, since its inception as a publicly traded entity, Amazon has returned a mind-blowing nearly 250,000%, making it obviously one of the ultimate investments of our generation.

I recommended Amazon shares in this column in April 2016. Since then, the stock has almost doubled the return of the Dow Jones Industrial Average and handily beat the S&P 500 Index.

Today, almost 10 years later, Amazon is the largest e-commerce retailer in the world, with an estimated over 310 million active global users. It's a company synonymous with daily American life, with more than 190 million Amazon Prime members in the United States alone.

To put that in perspective, that's over half our country's population holding a paid Prime membership and using Amazon for much of their day-to-day shopping!

While e-commerce remains Amazon's largest segment, the company is now much more than just an online shopping giant, but rather a diversified technology powerhouse with leading positions in rapidly growing industries.

With the stock about 10% off its all-time high and at a historically low relative valuation, I believe that Amazon shares are a compelling buy for serious, long-term investors.

All great businesses evolve and change over time. In fact, since my April 2016 column, Amazon has expanded significantly to dominate a variety of emerging industries including cloud computing, digital advertising, robotics, streaming and more.

Amazon Web Services is the world's largest cloud computing platform, offering companies access to more than 240 services including cloud storage, databases, and analytics. It is Amazon's most profitable division that is accelerating swiftly, boasting 17% annual profit growth.

Amazon has invested heavily into building a powerful entertainment platform. Amazon Prime Video — which I'm sure many readers use — competes directly with the likes of Netflix, Hulu and Disney Plus and is the home of original content, movies and live sporting events. Prime Video generated \$13.5 billion in revenue last year and reached more than 200 million monthly viewers.

Amazon's dominance in e-commerce has helped build out a powerful online advertising business. Companies have flocked to advertise on both Amazon.com and Amazon Prime Video, and because of this, their ad business saw revenues jump

23% in its most recent quarter.

As you can imagine, Amazon will be one of the prime — pun intended — beneficiaries of the artificial intelligence revolution. Simply put, Amazon's AI infrastructure will make all its businesses dramatically more efficient. Areas such as logistics/fulfillment, Alexa, Amazon Web-services and fresh grocery delivery will see expanded profit margins.

Amazon is also investing heavily in AI powered robotics, including industrial robots that move, pack and ship goods and "futuristic" humanoid robots that are capable of human level decision making and skills.

Cool beans.

Amazon also holds growing footholds in other areas including pharmacy, home security systems, and self-driving robots.

I know this is a lot of information, but here's the bottom line: Amazon is one of the great growth franchises of our time, a dominant online retailer that will see its profits grow significantly over the next five years and beyond.

Amazon currently trades at a price to earnings ratio of around 32. That may seem a high relative to the overall market, but, in fact, Amazon's P/E has not been this inexpensive since the mid 2000s. Given the company's leading positions in rapidly growing industries, I believe this presents an excellent buying opportunity right now.

I personally own the stock, as do many of my clients. I have a lot of conviction here.

One of the reasons Amazon has been so successful is because its e-commerce platform offers a wide variety of products at low prices. Well, that's exactly what Amazon shares offer investors right now — a wide variety of superb, growing businesses, selling at a very attractive share price.

And, like my recommendation almost 10 years ago, if you buy Amazon shares at the current quote, a decade from now you'll be very happy that you did.

Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment. Contact him at jburns@jwburns.com

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