

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	Trying to Justify Amazon's Current Valuation using a net present value analysis.												
2	(all numbers in millions)												
3		<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	Value in Perpetuity *
4	Sales	\$ 1,500	\$ 2,895	\$ 4,979	\$ 7,967	\$ 11,951	\$ 17,926	\$ 26,889	\$ 38,989	\$ 54,584	\$ 76,418	\$ 106,985	
5	Net Operating Profit After-Tax	(\$195)	(\$145)	\$0	\$159	\$478	\$710	\$1,334	\$2,417	\$3,384	\$4,738	\$6,633	\$6,633
6	Capital required	\$1,900	\$2,311	\$2,610	\$2,845	\$3,023	\$3,212	\$3,413	\$3,586	\$3,729	\$3,878	\$4,033	
7	less increase in capital required		\$411	\$299	\$235	\$178	\$189	\$201	\$173	\$143	\$149	\$155	
8	= net free cash flow (FCF)		(\$556)	(\$299)	(\$76)	\$300	\$521	\$1,133	\$2,245	\$3,241	\$4,589	\$6,478	
9	net present value of FCF	\$7,466											
10	net present value of perpetuity *	\$25,573											
11													
12	Assumptions												
13	Sales growth rate		93%	72%	60%	50%	50%	50%	45%	40%	40%	40%	
14	Capital growth rate as % sales **		23%	18%	15%	13%	13%	13%	11%	10%	10%	10%	
15	Operating Profit Margin	-13%	-5%	0%	2%	4%	6%	8%	10%	10%	10%	10%	
16	Tax Rate	0%	0%	0%	0%	0%	34%	38%	38%	38%	38%	38%	
17	Amazon's Avge Cost of Capital	10.0%											
18	Perpetuity Factor *	3.86											
19													
20	Intrinsic Value Calculation												
21	Current Intrinsic Value (Gross)	\$33,039											
22	- Debt and Leases	\$264											
23	Intrinsic Value (Net)	\$32,775											
24	divided by shares outstanding	390											
25	Current Intrinsic Value per share	\$84.04											
26													

* -- net operating profit, after-tax is assumed to flatten out at \$6,333 per year; the present value of that stream (using a perpetuity factor) is added to the present value of free cash flow to estimate the company's current intrinsic valuation.

**-- the amount of capital required to fund the growth of the business--assumed to be 25% of sales growth.