

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	<b>My Estimation of Amazon's Valuation Using a Reasonable Set of Assumptions</b>												
2	(all numbers in millions)												<b>Value in</b>
3		<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>Perpetuity *</b>
4	Sales	\$ 1,500	\$ 2,895	\$ 4,979	\$ 6,971	\$ 9,760	\$ 13,663	\$ 17,079	\$ 21,349	\$ 26,686	\$ 33,358	\$ 41,698	
5	Net Operating Profit After-Tax	(\$195)	(\$145)	\$0	\$70	\$195	\$410	\$560	\$596	\$860	\$1,179	\$1,603	\$1,603
6	Capital required	\$1,900	\$2,342	\$2,763	\$3,040	\$3,344	\$3,678	\$3,908	\$4,152	\$4,412	\$4,687	\$4,980	
7	less increase in capital required		\$442	\$422	\$276	\$304	\$334	\$230	\$244	\$260	\$276	\$293	
8	= net free cash flow (FCF)		(\$587)	(\$422)	(\$207)	(\$109)	\$76	\$330	\$351	\$601	\$903	\$1,310	
9	net present value of FCF	\$471											
10	net present value of perpetuity *	\$6,180											
11													
12	<b>Assumptions</b>												
13	Sales growth rate		93%	72%	40%	40%	40%	25%	25%	25%	25%	25%	25%
14	Capital growth rate as % sales **		23%	18%	10%	10%	10%	6%	6%	6%	6%	6%	6%
15	Operating Profit Margin	-13%	-5%	0%	1.0%	2.0%	3.0%	4.0%	4.5%	5.2%	5.7%	6.2%	
16	Tax Rate	0%	0%	0%	0%	0%	0%	18%	38%	38%	38%	38%	
17	Amazon's Avge Cost of Capital	10.0%											
18	Perpetuity Factor *	3.86											
19													
20	<b>Intrinsic Value Calculation</b>												
21	Current Intrinsic Value (Gross)	\$6,651											
22	- Debt and Leases	\$264											
23	Intrinsic Value (Net)	\$6,387											
24	divided by shares outstanding	390											
25	<b>Current Intrinsic Value per share</b>	<b>\$16.38</b>											
26													

\* -- net operating profit, after-tax is assumed to flatten out at \$1,603 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.