We see 2013 EPS of $2.75, a significant increase from the $1.01 we project for 2012. We forecast a 1% decline in the diluted share count, attributable to share repurchases.

In 2013, we expect a slight widening in gross margins, driven by an increase in third-party sales and product mix shift, largely offset by competitive pressures. We look for operating margins to widen significantly, with an expected deceleration in investments related to fulfillment, marketing and technology infrastructure.

Despite numerous positives, we think the shares are fairly valued, trading at over 90X our 2013 EPS estimate. AMZN continues to demonstrate the strength and worldwide potential of its business model, in our view. Continued investments in long-term growth opportunities such as Amazon Web Services, hardware such as the Kindle and Kindle Fire tablet offerings and increased digital content should provide new sources of revenue over the next few years. Long term, we expect AMZN’s initiatives to result in continued strong sales results and significant margin expansion, as it leverages its leading brand name and position as an Internet retailer. We consider AMZN a best-in-class retailer that we expect to generate significant free cash flow.

Risks to our opinion and target price include a double-dip recession, lower-than-projected revenues should growth initiatives fail to live up to their potential, and unfavorable currency impacts.

Our 12-month target price of $260 is based on our discounted cash flow analysis, which assumes a weighted average cost of capital of 10.3% and a terminal growth rate of 4.0%.

Our risk assessment reflects AMZN’s large market capitalization and leading position in the e-commerce industry, offset by increasing competition.

AMZN’s relentless focus on providing value to consumers through selection and price will allow the company to continue to gain notable market share.

In 2013, we expect a slight widening in gross margins, driven by an increase in third-party sales and product mix shift, largely offset by competitive pressures. We look for operating margins to widen significantly, with an expected deceleration in investments related to fulfillment, marketing and technology infrastructure.

We look for net sales to rise 28% in 2013, following our projections of a 31% advance in 2012. We expect this growth to be driven by lower the company to continue to gain notable market share.

Despite numerous positives, we think the shares are fairly valued, trading at over 90X our 2013 EPS estimate. AMZN continues to demonstrate the strength and worldwide potential of its business model, in our view. Continued investments in long-term growth opportunities such as Amazon Web Services, hardware such as the Kindle and Kindle Fire tablet offerings and increased digital content should provide new sources of revenue over the next few years. Long term, we expect AMZN’s initiatives to result in continued strong sales results and significant margin expansion, as it leverages its leading brand name and position as an Internet retailer. We consider AMZN a best-in-class retailer that we expect to generate significant free cash flow.

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Our 12-month target price of $260 is based on our discounted cash flow analysis, which assumes a weighted average cost of capital of 10.3% and a terminal growth rate of 4.0%.

Analysis prepared by Equity Analyst Michael Souers on Sep 07, 2012, when the stock traded at $257.90.
CORPORATE OVERVIEW. Since opening for business as “Earth’s Biggest Bookstore” in July 1995, Amazon.com has expanded into a number of other product categories, including: apparel, shoes and jewelry; electronics and computers; movies, music and games; toys, kids and baby; sports and outdoors; home and garden; tools, auto and industrial; grocery; health and beauty; and digital downloads.

AMZN has virtually unlimited online shelf space, and can offer customers a vast selection of products through an efficient search and retrieval interface. The company personalizes shopping by recommending items which, based on previous purchases, are likely to interest a particular customer. Key Web site features also include editorial and customer reviews, manufacturer product information, secure payment systems, wedding and baby registries, customer wish lists, and the ability to view selected interior pages and search the entire contents of many books.


In addition to being the seller of record for a broad range of new products, AMZN allows other businesses and individuals to sell new, used and collectible products on its Web sites through its Merchant and Amazon Marketplace programs. The company earns fixed fees, sales commissions, and/or per-unit activity fees under these programs. AMZN also serves developers and enterprises of all sizes through Amazon Web Services, which provides access to technology infrastructure that developers can use to enable virtually any type of business.

Starting in 2003, the company began reporting results for two core segments: North America (56% of 2011 net sales) and International (44%). In 2011, media products accounted for 37% of net sales, electronics and other general merchandise for 60%, and other 3%.

PRIMARY BUSINESS DYNAMICS. Amazon’s business is highly capital-intensive in terms of spending on technology and content, as the company had nearly $2 billion in capital expenditures in 2011. As a result, barriers to entry do exist. However, AMZN faces intense price competition from bricks and mortar retailers as well as other Internet retailers. Other challenges and weaknesses inherent in Amazon’s business model include low switching costs for consumers when shopping online, and search engines that simplify and enable comparison shopping.

Strengths of the company, in our view, include: strong brand name recognition; the breadth and depth of the company’s product lines; a user feedback feature that we believe helps to build trust and increase customer loyalty; what we see as a strong balance sheet, with over $9.5 billion in cash and marketable securities and no long-term debt; and efficient deployment of capital on technology to help promote a fast, user-friendly shopping experience.

We believe the size of the market represents an opportunity for AMZN. In 2011, only about 7% of total U.S. retail sales were estimated to be e-commerce transactions, totaling $202 billion. Forrester Research anticipates that figure will rise to 9% by 2016, to $327 billion. Another opportunity is the growing use of the Internet internationally, with penetration rates at 33% at the end of 2011, according to Internet World Stats. This compares to 78% penetration in the U.S., and, in our view, demonstrates strong potential for increased Internet usage and e-commerce sales abroad.

FINANCIAL TRENDS. From 2008 to 2011, Amazon.com generated a three-year compound annual growth rate (CAGR) in sales of 36%, above the S&P Internet Retail sub-industry average of 33%. We attribute this growth largely to global expansion and product category growth.

Amazon’s return on invested capital (ROIC) has fluctuated dramatically over the years, but decreased to 6.5% in 2011 from 14.5% in 2010. This compares with the S&P Internet Retail sub-industry average of 14.4% and the S&P Consumer Discretionary sector average of 12.9%. We expect AMZN’s ROIC to decline slightly in 2012, on a projected narrowing of operating margins.
Quantitative Evaluations

S&P Fair Value Rank

1
2
3
4
5

LOWEST HIGHEST

Based on S&P’s proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation $152.60 Analysis of the stock’s current worth, based on S&P’s proprietary quantitative model suggests that AMZN is overvalued by $104.87 or 40.7%.

Investability Quotient Percentile

LOWEST = 1 HIGHEST = 100

AMZN scored higher than 83% of all companies for which an S&P Report is available.

Volatility

LOW AVERAGE HIGH

Technical Evaluation

BULLISH Since April, 2012, the technical indicators for AMZN have been BULLISH.

Insider Activity

UNFAVORABLE NEUTRAL FAVORABLE

Company Financials Fiscal Year Ended Dec. 31

Tangible Book Value 10.56 10.47 7.35 4.44 2.30 0.58 0.15 NM NM NM
Cash Flow 3.72 3.77 2.51 2.28 1.76 0.93 1.07 1.56 0.27 -0.16
Earnings 1.37 2.53 2.04 1.49 1.12 0.45 0.78 1.39 0.08 -0.40
S&P Core Earnings 1.02 2.53 2.10 1.41 1.12 0.48 0.83 1.27 0.02 -0.64
Dividends Nil Nil Nil Nil Nil Nil Nil Nil Nil Nil
Payout Ratio Nil Nil Nil Nil Nil Nil Nil Nil Nil Nil
Prices:High 246.71 185.65 145.91 97.43 101.09 48.58 50.00 57.82 61.15 25.00
Prices:Low 160.59 105.80 47.63 34.68 36.30 25.76 30.60 33.00 18.55 9.03
P/E Ratio:High NM 73 72 65 90 NM 64 42 NM NM
P/E Ratio:Low NM 42 23 23 32 NM 39 24 NM NM

Income Statement Analysis (Million U.S. $)

Revenue 48,077 34,204 24,509 19,166 14,835 10,711 8,490 6,921 5,264 3,933
Operating Income 1,945 1,974 1,386 1,129 926 629 553 508 490 180
Depreciation 1,083 568 206 340 271 205 121 58.7 46.0 64.0
Interest Expense 65.0 39.0 34.0 71.0 77.0 78.0 92.0 107 130 143
Pretax Income 922 1,504 1,155 892 645 476 333 588 35.3 -150
Effective Tax Rate 31.6% 23.4% 21.9% 27.7% 27.9% 49.6% 22.2% NM NM NM
Net Income 631 1,152 902 645 476 333 588 35.3 -150
S&P Core Earnings 468 1,151 933 609 476 354 539 10.3 -242

Balance Sheet & Other Financial Data (Million U.S. $)

Cash 9,576 8,762 6,366 3,727 3,112 2,019 2,000 1,779 1,395 1,301
Current Assets 17,490 13,747 9,757 6,157 5,164 3,373 2,929 2,539 1,821 1,616
Total Assets 25,278 18,797 13,813 8,314 6,485 4,363 3,696 3,249 2,162 1,990
Current Liabilities 14,896 10,372 7,364 4,746 3,714 2,532 1,929 1,620 1,253 1,066
Long Term Debt 255 184 109 533 1,282 1,247 1,521 1,855 1,945 2,277
Common Equity 7,757 6,864 5,257 2,672 1,197 431 246 227 -1,036 -1,353
Total Capital 7,757 6,864 5,388 3,205 2,479 1,678 1,767 1,628 909 924
Capital Expenditures 1,811 979 373 333 224 216 204 89.1 46.0 39.2
Cash Flow 1,714 1,720 1,106 985 747 395 454 664 114 -62.2
Current Ratio 1.2 1.3 1.3 1.3 1.4 1.3 1.5 1.6 1.5 1.5
% Long Term Debt of Capitalization Nil Nil 2.0 16.6 51.7 74.3 86.1 113.9 213.9 246.3
% Net Income of Revenue 1.3 3.4 3.7 3.4 3.2 1.8 3.9 8.5 0.7 NM
% Return on Assets 2.9 7.1 8.2 8.7 8.8 4.7 9.6 21.8 1.7 NM
% Return on Equity 8.6 19.0 22.8 33.3 58.5 56.1 NM NM NM

Key Growth Rates and Averages

Past Growth Rate (%)

1 Year 3 Years 5 Years 9 Years
Sales 40.56 36.24 34.06 31.13
Net Income -45.23 1.80 29.28 NM


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Our fundamental outlook for the Internet retail sub-industry for the next 12 months is positive. While shipping costs (reflecting higher fuel prices and free shipping offers) and increased marketing expenses are concerns, we think growth prospects are favorable, as consumers increasingly enjoy the convenience and value that online retail provides.

Forrester Research projects that U.S. e-commerce sales will increase from $202 billion in 2011 to $327 billion in 2016, a compound annual growth rate (CAGR) of 10.1%. We believe that the significant growth in this category has been, and will continue to be driven by several factors. From a macroeconomic viewpoint, personal spending remains the primary driver. S&P notes that personal spending increased only 2.0% in 2010 and just 2.2% in 2011 despite favorable tax legislation. S&P Economics projects a 2.0% increase for 2012 and an additional 2.3% gain in 2013. While wage growth is expected to increase only slightly, S&P estimates the unemployment rate will average 8.2% for 2012 and 8.0% in 2013 after averaging 8.9% in 2011. However, a headwind to the potential improvement is that many of the currently discouraged workers will start looking for jobs once there are signs that the labor market is recovering. Despite the travails in the workforce, banks are slowly increasing their lending, which should provide a tailwind to spending in the near term. In addition, the savings rate has remained low in recent months as consumers who have jobs are likely feeling relatively secure. From an industry perspective, we think online merchants often offer a strong combination of convenience, selection, information and value compared to off-line competitors.

Consumers can use the Internet to quickly find and conduct research about items at attractive prices. Some Internet purchases do not require the payment of state and local sales taxes, although that will likely be changing over the next few years based on potential new legislation. Also, we believe advancements in technology have made e-commerce transactions easier to complete and more reliable and secure. But while these factors are effectively driving sales, we think heavy investment spending on technology and fulfillment remain limiting factors to earnings growth.

Year to date through August 24, the S&P Internet Retail Index rose 36.5%, significantly outpacing the 12.0% advance in the S&P 1500 Index. In 2011, the sub-industry index underperformed by a small margin, falling 4.5% compared to a 0.3% decline for the S&P 1500.

--Michael Souers

Sub-Industry : Internet Retail Peer Group*: Internet Retail - Large

<table>
<thead>
<tr>
<th>Peer Group</th>
<th>Stock Symbol</th>
<th>Stk. Cap. (Mil. $)</th>
<th>Recent Stock Price($)</th>
<th>52 Week High/Low($)</th>
<th>Beta</th>
<th>Yield (%)</th>
<th>P/E Ratio</th>
<th>Fair Value Calc.($)</th>
<th>S&amp;P IQ %ile</th>
<th>Return on Revenue (%)</th>
<th>LTD to Cap (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon.com Inc</td>
<td>AMZN</td>
<td>116,393</td>
<td>257.47</td>
<td>264.11/166.97</td>
<td>0.92</td>
<td>Nil</td>
<td>NM</td>
<td>152.60</td>
<td>B-</td>
<td>83</td>
<td>1.3</td>
</tr>
<tr>
<td>1-800-FLOWERS.com'A'</td>
<td>FLWS</td>
<td>142</td>
<td>3.85</td>
<td>4.12/2.08</td>
<td>2.28</td>
<td>Nil</td>
<td>15</td>
<td>NA</td>
<td>B-</td>
<td>58</td>
<td>0.8</td>
</tr>
<tr>
<td>Blue Nile</td>
<td>NILE</td>
<td>512</td>
<td>36.85</td>
<td>50.00/22.94</td>
<td>NA</td>
<td>Nil</td>
<td>68</td>
<td>22.80</td>
<td>NR</td>
<td>75</td>
<td>3.3</td>
</tr>
<tr>
<td>Expedia Inc</td>
<td>EXPE</td>
<td>5,765</td>
<td>69.37</td>
<td>60.29/27.28</td>
<td>1.73</td>
<td>0.9</td>
<td>22</td>
<td>46.10</td>
<td>NR</td>
<td>30</td>
<td>9.5</td>
</tr>
<tr>
<td>NetFlix Inc</td>
<td>NFLX</td>
<td>3,209</td>
<td>57.79</td>
<td>137.88/52.81</td>
<td>0.89</td>
<td>Nil</td>
<td>30</td>
<td>28.90</td>
<td>B</td>
<td>92</td>
<td>7.2</td>
</tr>
<tr>
<td>Overstock.com Inc</td>
<td>OSTK</td>
<td>243</td>
<td>10.40</td>
<td>10.81/4.97</td>
<td>1.65</td>
<td>Nil</td>
<td>NM</td>
<td>9.40</td>
<td>B-</td>
<td>69</td>
<td>NM</td>
</tr>
<tr>
<td>priceline.com Inc</td>
<td>PCLN</td>
<td>31,696</td>
<td>636.15</td>
<td>774.96/411.26</td>
<td>1.24</td>
<td>Nil</td>
<td>27</td>
<td>994.60</td>
<td>B</td>
<td>97</td>
<td>24.2</td>
</tr>
</tbody>
</table>

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.
S&P Analyst Research Notes and other Company News

September 6, 2012
03:06 pm ET ... S&P REITERATES HOLD RECOMMENDATION ON SHARES OF AMAZON.COM (AMZN 250.55***): We are lifting our '12 and '13 EPS estimates to $1.01 and $2.75 from $0.84 and $2.31, and are also raising our DCF-based target price by $30 to $260. AMZN released two new products: a front-lit e-reader called Kindle Paperwhite and a Kindle Fire HD, which is a larger tablet than the Kindle Fire with what we see as impressive features. We expect low price points will drive strong unit sales and sales of related services, creating cost leverage despite poor margins on the devices. While we see continued innovation, we think shares are fully valued at over 90X our '13 EPS estimate. /Michael Souers

July 27, 2012
AMZN posts $0.01 vs. $0.41 Q2 EPS as higher expenses offset 29% sales rise. Sees Q3 sales of $12.9B-$14.3B, operating loss of $50M-$550.

July 27, 2012
08:26 am ET ... S&P REITERATES HOLD RECOMMENDATION ON SHARES OF AMAZON.COM (AMZN 220.01***): We are lowering our '12 and '13 EPS estimates to $0.84 and $2.31 from $1.27 and $2.80. In addition, we are reducing our DCF-based target price by $10 to $200. Q2 EPS of $0.01, vs. $0.42, is $0.41 below our estimate. Revenues rose 29% despite unfavorable forex and weakness in Europe. We were encouraged by a significant widening of gross margins due to mix shift and an increase in third-party sales. However, we expect continued investments in technology and fulfillment to adversely impact operating margins in the near-term. Our long-term margin outlook is more sanguine. /Michael Souers

June 21, 2012
05:31 am ET ... S&P REITERATES STRONG BUY OPINION ON SHARES OF FASTENAL (FAST 40.37****): We keep our $60 target price, 40X our '12 EPS estimate, and the top of FAST's historical valuation. We keep our estimates at $1.50 in '12 and $1.85 in '13. Shares are off about 25% from an all-time high in April, and trade at some 27X our '12 estimate. We think this offers an enhanced opportunity to take positions in FAST at a valuation in the lower half of its range of the past decade. We acknowledge uncertainties about the U.S. economy and Amazon.com's (AMZN 223, Hold) recent activities in industrial supplies, but see FAST's business recovery going on for an extended period. /Tuna N. Amobi, CPA, CFA

May 15, 2012
UP 6.80 to 229.73... Credit Suisse upgrades AMZN to outperform from neutral. Co. unavailable....

May 15, 2012
11:18 am ET ... AMAZON.COM INC. (AMZN 228.76) UP 5.83, CREDIT SUISSE UPGRADES AMAZON (AMZN) TO OUTPERFORM FROM NEUTRAL... Analyst Spencer Wang says his work suggests recent upward pressure on fulfillment center (FC) costs is driven by accelerated FC build outs in '10/'11, growth in Fulfillment by Amazon (FBA), not a structural change in economics. Believes consolidated segment op. income margin will stabilize in H2 '12, trend higher in '13 driven by 1) gross margin upside from growing mix of 3rd party, digital, Amazon Web Svcs revenue and 2) fulfillment productivity gains as new FCs opened over the past 2 years mature. Raises $0.90 '12 EPS estimate to $1.18, $190 target to $270. B.Brodie

April 27, 2012
AMZN posts $0.28 vs. $0.44 Q1 EPS despite 34% sales rise. Capital IQ consensus forecast was $0.07. Sees Q2 sales of $11.9B-$13.3B, $260M operating loss to $40M operating income.

April 27, 2012
10:49 am ET ... AMAZON.COM INC. (AMZN 222.91) UP 26.92, AMAZON (AMZN) POSTS Q1. GOLDMAN UPGRADES TO BUY FROM NEUTRAL... Analyst Heather Bellini tells salesforce $13.2B Q1 rev. came in at higher end of $12.0B-$13.4B forecast (consensus $12.9B). Notes while total rev. grew 34% y/y, real upside surprise was gross margins and consolidated segment operating income (CSOI) performance. Notes GAAP EPS were $0.28 vs. $0.07 consensus. Believes thesis on physical to digital media is overstated and media segment is likely to perform. Notes GAAP EPS were $0.28 vs. $0.07 consensus. Believes bear surprise was gross margins and consolidated segment operating income (CSOI) forecast (consensus $12.91B). Notes while total rev. grew 34% y/y, real upside surprise was gross margins and consolidated segment operating income (CSOI) performance. Notes GAAP EPS were $0.28 vs. $0.07 consensus. Believes thesis on physical to digital media is overstated and media segment is likely to show acceleration through '13. Believes '12 will mark bottom in CSOI margins. Raises $0.36 '12 adj. EPS est. to $0.87, $2.11 '13 to $2.67, $182 target to $300.

April 27, 2012
08:37 am ET ... S&P REITERATES HOLD RECOMMENDATION ON SHARES OF AMAZON.COM (AMZN 195.99***): Q1 EPS of $0.28, vs. $0.44, is $0.16 above our estimate. Revenues rose 34%, and we are encouraged by a 120 bps widening of gross margins. However, guidance was slightly disappointing to us, and we are growing resigned to the belief that '12 will be a year of continued high investments and narrowing margins before AMZN monetizes some of those investments in 2013 and beyond. As a result, we are lowering our '12 and '13 EPS forecasts to $1.27 and $2.80 from $1.45 and $2.86, but are raising our DCF-based target price by $30 to $240 on more aggressive medium-term revenue assumptions. /Michael Souers

April 27, 2012
11:50 am ET ... S&P KEEPS STRONG BUY OPINION ON 'B SHARES OF CBS CORP. (CBS 31.62****): We note CBS's Simon & Schuster as one of named parties in an antitrust lawsuit for alleged e-book price collusion by Justice Department among five of the nation's largest publishers, in concert with Apple's (AAPL 633, Buy) iPad release. The gov't case details parties' collaboration on a shift from "wholesale" to the so-called 'agency' pricing model, allegedly designed to thwart competition from Amazon's (AMZN 191, Hold) Kindle. With CBS apparently near a settlement, the news seems like a little more than an unexpected bump in an uphill road for the nascent e-books category. /Tuna N. Amobi, CPA, CFA

April 11, 2012
12:23 pm ET ... S&P KEEPS BUY OPINION ON 'A SHARES OF NEWS CORPORATION (NWSA 18.90****): We note NWSA's HarperCollins is one of named parties in antitrust lawsuit by Justice Department for alleged e-books price collusion among five of the nation's largest publishers, in concert with Apple's (AAPL 633, Buy) iPad release. The gov't case details parties' collaboration on a shift from 'wholesale' to the so-called 'agency' pricing model, allegedly designed to thwart competition from Amazon's (AMZN 190***)' Kindle. With NWSA apparently near a settlement, the news seems like a little more than an unexpected bump in an uphill road for the nascent e-books category. /Tuna N. Amobi, CPA, CFA

April 11, 2012
08:26 am ET ... S&P REITERATES HOLD RECOMMENDATION ON SHARES OF AMAZON.COM (AMZN 195.99***): Q1 EPS of $0.28, vs. $0.44, is $0.16 above our estimate. Revenues rose 34%, and we are encouraged by a 120 bps widening of gross margins. However, guidance was slightly disappointing to us, and we are growing resigned to the belief that '12 will be a year of continued high investments and narrowing margins before AMZN monetizes some of those investments in 2013 and beyond. As a result, we are lowering our '12 and '13 EPS forecasts to $1.27 and $2.80 from $1.45 and $2.86, but are raising our DCF-based target price by $30 to $240 on more aggressive medium-term revenue assumptions. /Michael Souers

April 27, 2012
10:29 am ET ... S&P REITERATES HOLD RECOMMENDATION ON SHARES OF AMAZON.COM (AMZN 195.99***): Q1 EPS of $0.28, vs. $0.44, is $0.16 above our estimate. Revenues rose 34%, and we are encouraged by a 120 bps widening of gross margins. However, guidance was slightly disappointing to us, and we are growing resigned to the belief that '12 will be a year of continued high investments and narrowing margins before AMZN monetizes some of those investments in 2013 and beyond. As a result, we are lowering our '12 and '13 EPS forecasts to $1.27 and $2.80 from $1.45 and $2.86, but are raising our DCF-based target price by $30 to $240 on more aggressive medium-term revenue assumptions. /Michael Souers
Of the total 59 companies following AMZN, 44 analysts currently publish recommendations.

### No. of Ratings % of Total 1 Mo. Prior 3 Mos. Prior

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>No. of Ratings</th>
<th>% of Total</th>
<th>1 Mo. Prior</th>
<th>3 Mos. Prior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy</td>
<td>20</td>
<td>45</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Buy/Hold</td>
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<td>20</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Hold</td>
<td>13</td>
<td>30</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>Weak Hold</td>
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<td>0</td>
</tr>
<tr>
<td>Sell</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>No Opinion</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>44</td>
<td>100</td>
<td>44</td>
<td>41</td>
</tr>
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</table>

### Wall Street Consensus Estimates

#### Fiscal Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Avg Est.</th>
<th>High Est.</th>
<th>Low Est.</th>
<th># of Est.</th>
<th>Est. P/E</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2.53</td>
<td>3.99</td>
<td>1.92</td>
<td>29</td>
<td>NM</td>
</tr>
<tr>
<td>2012</td>
<td>0.79</td>
<td>1.34</td>
<td>-0.13</td>
<td>24</td>
<td>NM</td>
</tr>
<tr>
<td>2013 vs. 2012</td>
<td>▲ 220%</td>
<td>▲ 198%</td>
<td>▲ 1577%</td>
<td>▲ 21%</td>
<td>NA</td>
</tr>
</tbody>
</table>

A company’s earnings outlook plays a major part in any investment decision. Standard & Poor’s organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.
Glossary

S&P STARS
Since January 1, 1987, Standard and Poor’s Equity Research Services has ranked a universe of common stocks based on a given stock’s potential for future performance. Under proprietary STARS (Stock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock’s future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index). S&P STARS, S&P Europe 350 Index or S&P 500 Index, is designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst’s own models as well as internal proprietary models resulting from dynamic data inputs.

S&P 12-Month Target Price
The S&P equity analyst’s projection of the market price a given stock might reach over a 12-month horizon based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Fair Value.

Investment Style Classification
Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and safe-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

S&P EPS Estimates
Standard & Poor’s earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P EPS estimates reflect either forecasts of S&P equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to Standard & Poor’s Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in-process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, management judgment, and the extent to which some types of data is disclosed by companies.

S&P Core Earnings
Standard & Poor’s Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company’s after-tax earnings generated from its principal businesses. Included in the Standard & Poor’s definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

Qualitative Risk Assessment
The S&P equity analyst’s view of a given company’s operational risk, or the risk of a firm’s ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company’s operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations
In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst’s qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking
Growth and stability of earnings and dividends are deemed key elements in establishing S&P’s Quality Rankings for common stocks, which are designed to capitalize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is based on a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

- A+ Highest
- A High
- A+ Average
- A Above Average
- B+ Average
- B Average
- B Below Average
- NR Not Ranked

S&P Fair Value Rank
Using S&P’s exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation
The price at which a stock should trade should, according to S&P’s proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company’s actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company’s consensus earnings per share estimate.

Insider Activity
Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company’s stock during the most recent six months.

Funds From Operations FFO
FOF is Funds from Operations and equal to a REIT’s net income, excluding gains or losses from sales of property, plus real estate depreciation.

Investment Story Quotient (IQ)
The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P’s IQ Rationale:
Amazon.com Inc

Proprietary S&P Measures Raw Score Max Value
Technical Indicators
Risk
Liquidity/Volatility Measures
Quantitative Measures
IQ Total
1017
250

Volatility
Rates the volatility of the stock’s price over the past year.

Technical Evaluation
In researching the past market history of prices and trading volume for each company, S&P’s computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank
Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P’s universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)
An industry classification standard, developed by Standard & Poor’s in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

S&P Issuer Credit Rating
A Standard & Poor’s Issuer Credit Rating is a current opinion of an obligor’s overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor’s capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor’s from other sources it considers reliable. Standard & Poor’s does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unsued information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type
ASE - American Stock Exchange; AU - Australia Stock Exchange; BB - Bulletin Board, NEM - Nasdaq Global Market; NMM - Nasdaq Global Select Market; NSC - Nasdaq Capital Market; NYS - New York Stock Exchange; OTCN - Other OTC (Over the Counter); OTC - Over the Counter; QB - OTCBB; OX - OTCQX; TS - Toronto Stock Exchange; TXV - TSX Venture Exchange; NEX - NEX Exchange.

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Abbreviations Used in S&P Equity Research Reports

CAGR - Compound Annual Growth Rate; CAPEX - Capital Expenditures; CY - Calendar Year; DF - Discounted Cash Flow; EBIT - Earnings Before Interest and Taxes; EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization; EPS - Earnings Per Share; EV - Enterprise Value; PCF - Free Cash Flow; FFO - Funds From Operations; FY - Fiscal Year; P/E - Price Earnings; P/E Ratio; P/F-to-Growth Ratio; PV - Present Value; R&D - Research & Development; ROE - Return on Equity; ROI - Return on Investment; ROIC - Return on Invested Capital; ROA - Return on Assets; SG&A - Selling, General & Administrative Expenses; WACC - Weighted Average Cost of Capital

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In contrast to the qualitative STARS recommendations covered in this report, which are determined and assigned by S&P equity analysts, S&P’s quantitative evaluations are derived from S&P’s proprietary Fair Value quantitative model. In particular, the Fair Value Ranking methodology is a relative ranking methodology, whereas the STARS methodology is not. Because the Fair Value model and the STARS methodology reflect different criteria, assumptions and analytical methods, quantitative evaluations may at times differ from (or even contradict) an equity analyst’s STARS recommendations. As a quantitative model, Fair Value relies on historical and consensus estimates and therefore does not introduce an element of subjectivity as can be the case with equity analysts in assigning STARS recommendations.

S&P Global STARS Distribution

In North America: As of June 29, 2012, research analysts at Standard & Poor’s Equity Research Services North America recommended 40.1% of issuers with buy recommendations, 20.1% with hold recommendations and 39.8% with sell recommendations.

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Additional information is available upon request.

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The model performance calculation purposes, the equities within each STARS category at December 31, 1986 were equally weighted. Thereafter, additions to the composition of the equities in each STARS category are made at the average value of the STARS equities at the preceding month end with no rebalancing. Deletions are made at the closing price of the day that the deletion is made. Performance was calculated from inception through March 31, 2003 on a monthly basis. Thereafter, performance is calculated daily. Equities in each STARS category will change over time, and some or all of the equities that received STARS rankings during the time period shown may not have maintained their STARS ranking during the entire period.

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