

BUY					HOLD			SELL							BUY	RATING SINCE TARGET PRICE	 03/02/2007 \$105.83
A+	A	A-	B+	B	B-	C+	C	C-	D+	D	D-	E+	E	E-			
Annual Dividend Rate NA				Annual Dividend Yield NA			Beta 2.80		Market Capitalization \$33.7 Billion				52-Week Range \$61.20-\$101.09			Price as of 6/6/2008 \$80.63	

Source: **Consumer Discretionary** | Sub-Industry: **Internet Retail** | Source: **GICS**
AMZN BUSINESS DESCRIPTION

Amazon.com, Inc. operates retail Web sites, as well as provides programs that enable third parties to sell their products on its Web sites in North America and internationally.

STOCK PERFORMANCE (%)

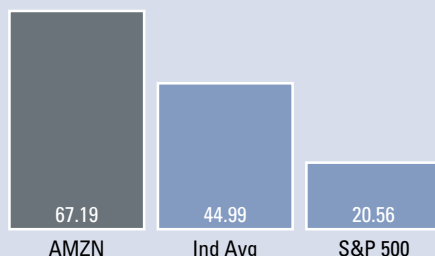
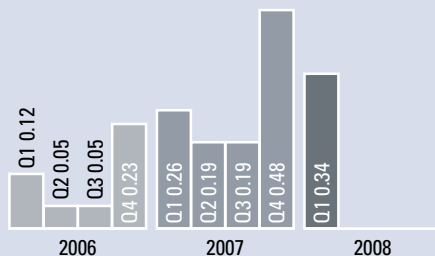
	3 Mo.	1 Yr.	3 Yr (Ann)
Price Change	28.51	11.53	31.12

GROWTH (%)

	Last Qtr	12 Mo.	3 Yr CAGR
Revenues	37.14	39.38	29.82
Net Income	28.82	103.20	-2.93
EPS	30.76	103.38	-1.35

RETURN ON EQUITY (%)

	AMZN	Ind Avg	S&P 500
Q1 2008	34.56	28.68	13.07
Q1 2007	70.82	41.19	16.83
Q1 2006	102.47	75.64	15.87

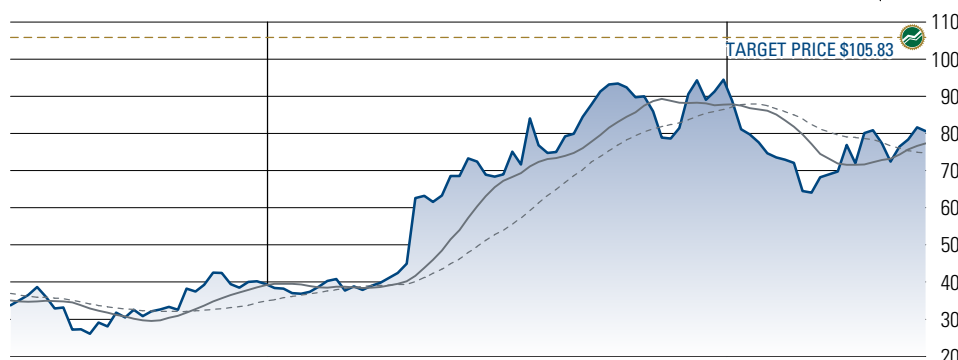
P/E COMPARISON

EPS ANALYSIS' (\$)


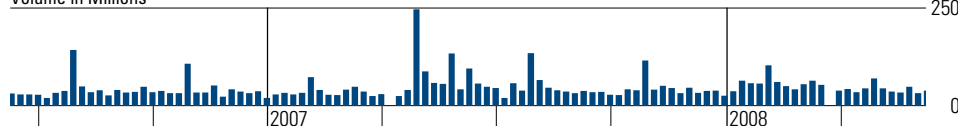
NA = not available NM = not meaningful

1 CompuStat fiscal year convention is used for all fundamental data items.

Weekly Price: (US\$) | SMA (50) — SMA (100) ---

1 Year | 2 Years


Rating History

Volume in Millions


COMPUSTAT for Price and Volume, TheStreet.com Ratings, Inc. for Rating History

RECOMMENDATION

We rate AMAZON.COM INC. (AMZN) a **BUY**. Our rating is supported by the company's strong revenue growth, increase in net income, improved debt-to-equity ratio, higher shipment revenue, and healthy cash position. The risks to our rating include: reduced prices, free-shipping services leading to higher cost of sales, and a decline in profit margins.

HIGHLIGHTS

Strong sales growth. Amazon.com Inc.'s Q1 FY08 revenue increased 37.1% to \$4.14 billion, driven by a strong performance from the International Media and Electronics' and the Other General Merchandise segments. In addition, the company's reduced prices, free shipping services and the benefits of Amazon Prime led to higher sales growth.

Increased net income. Solid revenue growth across segments resulted in higher earnings. Net income jumped to \$143.00 million or \$0.34 per share from \$111.00 million or \$0.26 per share in the year-ago quarter. However, deteriorating profit margin dragged down earnings growth, due to reduced price and increase in costs.

Improved debt-to-equity and healthy cash position. Amazon's equity rose more than four times resulting in a better debt-to-equity ratio, which improved to 0.93 from 3.59 a year ago. Shareholders' equity rose to \$1.47 billion from \$353.00 million. Moreover, the company has healthy cash and cash equivalents, which totaled to \$2.15 billion.

Strong growth in user base of new products. Newly introduced products and services led to higher user base. Over 370,000 developers have registered to use Amazon Web Services (AWS), up more than 35,000 from last quarter. Amazon's recently introduced Amazon Kindle continues to grow with more than 115,000 titles, up from 90,000 at its launch.

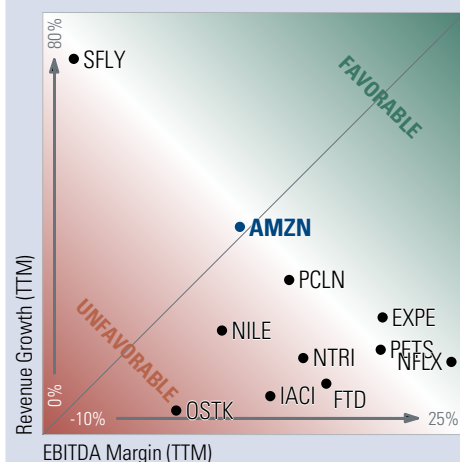
Risks to the BUY rating. During the quarter under review, profit margins deteriorated despite strong sales growth, due to reduced prices and free-shipping services leading to higher cost of sales. Any further decline in margins may adversely impact the profitability of the company.

Sector: Consumer Discretionary | Sub-Industry: Internet Retail | Source: GICS

Annual Dividend Rate NA	Annual Dividend Yield NA	Beta 2.80	Market Capitalization \$33.7 Billion	52-Week Range \$61.20-\$101.09	Price as of 6/6/2008 \$80.63
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PEER GROUP ANALYSIS

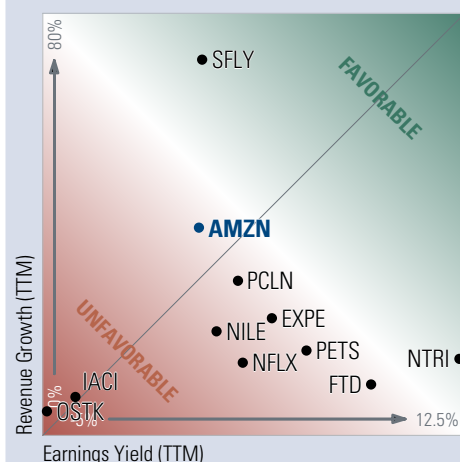
REVENUE GROWTH AND EBITDA MARGIN*



Companies with higher EBITDA margins and revenue growth rates are outperforming companies with lower EBITDA margins and revenue growth rates. Companies for this scatter plot have a market capitalization between \$323.1 Million and \$33.7 Billion. Companies with NA or NM values do not appear.

*EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization.

REVENUE GROWTH AND EARNINGS YIELD



Companies that exhibit both a high earnings yield and high revenue growth are generally more attractive than companies with low revenue growth and low earnings yield. Companies for this scatter plot have revenue growth rates between 4.5% and 71.2%. Companies with NA or NM values do not appear.

INDUSTRY ANALYSIS

In recent years, there has been a strong shift away from catalog sales and towards Internet sales. The reasons for this shift are that over the last few years companies have improved their on-line shopping interfaces, security of on-line transactions is better, and perhaps most importantly, the retail offerings one can access on-line have become virtually unlimited. Now, a customer can compare mortgages, send flowers, and buy a jar of Tony Packo's Pickles & Peppers without ever moving from his or her computer. In turn, customers have become more conditioned to do their shopping on-line and many catalog retailers have had to adapt their operations to the web as a result. Companies such as L.L. Bean and Lands End have had success with this strategy, while maintaining their catalog operations. By doing so, they have made sure not to alienate traditional catalogue shoppers, while enjoying a web operation that helps keep fixed-costs down, while attracting more customers.

Internet sales have been the driver for the overall health of the Internet & Catalog industry, as online access and internet usage has increased to over 70% of U.S. households; looking ahead, online retail revenues are expected to reach \$130 billion in 2006. We have every reason to believe that beyond 2006, this movement towards Internet sales and away from catalog sales will continue.

Aside from offering traditional catalogue retailers with a new way to serve customers, the Internet has also spawned Internet-only retail heavyweights such as Amazon (AMZN) and Ebay (EBAY). However, while these companies have established impressive market capitalization and sales in a relatively short period of time, they have also shown signs of slowing growth in recent years. However, as for the future, the next generation of shoppers is now being exposed to Internet retail at a very young age, and as a result, the already popular practice of on-line shopping could become even more commonplace. This could provide long term growth to these slowing giants.

The industry is not without threats. Despite improved security measures, Identity theft is a growing concern as cyber criminals have gained access, in a number of different ways, to online shoppers' personal data - such as credit card numbers, bank account information, and social security numbers. At times, this information has become available due to massive debit-card breaches, such as those experienced at Office Max and Sam's Club. Other times, sensitive information is accessed using phishing techniques which can include spyware (including "stealware" or trojan installed keyloggers), spam, look-alike sites, and "crimeware" URL redirects.

Along with traditional catalogue retailers, many brick & mortar stores have also established online presences. Shipping rates and delivery times for these retailers remain an issue.

The Internet & Catalog Retail industry has a positive outlook in our estimation. The key drivers for the industry include the increased use of the Internet and further ease of use through Broadband penetration. A stable economy also supports consumer spending in general, and is an important influence on the industry overall.

PEER GROUP: Internet & Catalog Retail

Ticker	Company Name	Recent Price (\$)	Market Cap (\$M)	Price/Earnings	Net Sales TTM (\$M)	Net Income TTM (\$M)
AMZN	AMAZON.COM INC	80.63	33,678	67.19	15,955.00	508.00
NILE	BLUE NILE INC	46.04	691	45.14	321.81	16.87
NTRI	NUTRISYSTEM INC	19.14	585	8.14	755.14	80.38
EXPE	EXPEDIA INC	22.38	5,833	22.16	2,802.64	312.39
OSTK	OVERSTOCK.COM INC	24.11	548	NM	802.98	-27.54
IACI	IAC/INTERACTIVECORP	21.23	5,456	NM	6,485.63	-152.00
PCLN	PRICELINE.COM INC	132.48	5,103	32.23	1,508.49	189.95
FTD	FTD GROUP INC	14.48	432	11.58	641.02	37.16
SFLY	SHUTTERFLY INC	14.86	372	61.92	194.36	7.52
PETS	PETMED EXPRESS INC	13.62	323	16.81	188.34	20.02
NFLX	NETFLIX INC	31.82	1,963	30.30	1,226.20	70.47

The peer group comparison is based on Major Internet Retail companies of comparable size.

Sector: Consumer Discretionary | Sub-Industry: Internet Retail | Source: GICS

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COMPANY DESCRIPTION

Amazon.com, Inc., which opened its virtual doors on the World Wide Web in July 1995, seeks to be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online, and endeavors to offer customers the lowest possible prices. Amazon.com and its affiliates operate seven retail websites: www.amazon.com, www.amazon.co.uk, www.amazon.de, www.amazon.co.jp, www.amazon.fr, www.amazon.ca, and www.joyo.com. The company has organized its operations into two principal segments: North America and International. The North America segment includes the operating results of www.amazon.com and www.amazon.ca. The International segment includes the operating results of www.amazon.co.uk, www.amazon.de, www.amazon.fr, www.amazon.co.jp, www.amazon.ca and www.joyo.com. In addition, the company operates www.a9.com and www.alexa.com, that enable search and navigation, and www.imdb.com, a comprehensive movie database. The company's software engineers, computer scientists, and management team focus on continuous innovation to provide further convenience for its customers. The company works to earn repeat purchases by providing easy-to-use functionality, fast and reliable fulfillment, timely customer service, feature rich content, and a trusted transaction environment. The company sources and sells a range of products to its customers worldwide across dozens of product categories. Additionally, through its Syndicated Stores program, the company utilizes its e-commerce services, features, and technologies to sell its products through other businesses' websites. Through Amazon Services, Amazon.com offers Amazon Marketplace and Merchants@ programs that enable third parties to sell their products on the company's websites, allow customers to shop for products owned by third parties using the company's features and technologies, and allow individuals to complete transactions that include multiple sellers in a single checkout process. The company is not the seller of record in these third-party seller transactions, but instead earns fixed fees, sales commissions, per-unit activity fees, or some combination thereof. Through Amazon Services Merchant.com program, the company utilizes its e-commerce services, features, and technologies to operate another business' website, sells its products under its brand name and website address, and sometimes offers fulfillment services. The company also provides marketing and promotional services, such as sponsored search, and has a co-branded credit card agreement.

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STOCK-AT-A-GLANCE

Below is a summary of the major fundamental and technical factors we consider when determining our overall recommendation of AMZN shares. It is provided in order to give you a deeper understanding of our rating methodology as well as to paint a more complete picture of a stock's strengths and weaknesses. It is important to note, however, that these factors only tell part of the story. To gain an even more comprehensive understanding of our stance on the stock, these factors must be assessed in combination with the stock's valuation. Please refer to our Valuation section on page 5 for further information.

FACTOR	SCORE					
Growth	4.0 out of 5 stars	★	★	★	★	☆
Measures the growth of both the company's income statement and cash flow. On this factor, AMZN has a growth score better than 70% of the stocks we rate.		weak				strong
Total Return	5.0 out of 5 stars	★	★	★	★	★
Measures the historical price movement of the stock. The stock performance of this company has beaten 90% of the companies we cover.		weak				strong
Efficiency	5.0 out of 5 stars	★	★	★	★	★
Measures the strength and historic growth of a company's return on invested capital. The company has generated more income per dollar of capital than 90% of the companies we review.		weak				strong
Price volatility	4.0 out of 5 stars	★	★	★	★	☆
Measures the volatility of the company's stock price historically. The stock is less volatile than 70% of the stocks we monitor.		weak				strong
Solvency	4.5 out of 5 stars	★	★	★	★	☆
Measures the solvency of the company based on several ratios. The company is more solvent than 80% of the companies we analyze.		weak				strong
Income	0.5 out of 5 stars	☆	☆	☆	☆	☆
Measures dividend yield and payouts to shareholders. This company pays no dividends.		weak				strong

THESTREET.COM RATINGS RESEARCH METHODOLOGY

TheStreet.com Ratings' stock model projects a stock's total return potential over a 12-month period including both price appreciation and dividends. Our Buy, Hold or Sell ratings designate how we expect these stocks to perform against a general benchmark of the equities market and interest rates. While our model is quantitative, it utilizes both subjective and objective elements. For instance, subjective elements include expected equities market returns, future interest rates, implied industry outlook and forecasted company earnings. Objective elements include volatility of past operating revenues, financial strength, and company cash flows.

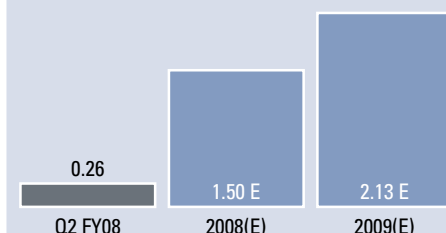
Our model gauges the relationship between risk and reward in several ways, including: the pricing drawdown as compared to potential profit volatility, i.e. how much one is willing to risk in order to earn profits; the level of acceptable volatility for highly performing stocks; the current valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's performance. These and many more derived observations are then combined, ranked, weighted, and scenario-tested to create a more complete analysis. The result is a systematic and disciplined method of selecting stocks.

Sector: Consumer Discretionary | Sub-Industry: Internet Retail | Source: GICS

Annual Dividend Rate NA	Annual Dividend Yield NA	Beta 2.80	Market Capitalization \$33.7 Billion	52-Week Range \$61.20-\$101.09	Price as of 6/6/2008 \$80.63
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Consensus EPS Estimates² (\$)

IBES consensus estimates are provided by Thomson Financial



INCOME STATEMENT

	Q1 FY08	Q1 FY07
Net Sales (\$mil)	4,135.00	3,015.00
EBITDA (\$mil)	263.00	207.00
EBIT (\$mil)	198.00	145.00
Net Income (\$mil)	143.00	111.00

BALANCE SHEET

	Q1 FY08	Q1 FY07
Cash & Equiv. (\$mil)	2,151.00	1,420.00
Total Assets (\$mil)	5,883.00	3,661.00
Total Debt (\$mil)	1,373.00	1,267.00
Equity (\$mil)	1,470.00	353.00

PROFITABILITY

	Q1 FY08	Q1 FY07
Gross Profit Margin	24.69%	25.90%
EBITDA Margin	6.36%	6.87%
Operating Margin	4.79%	4.81%
Sales Turnover	2.71	3.13
Return on Assets	8.64%	6.83%
Return on Equity	34.56%	70.82%

DEBT

	Q1 FY08	Q1 FY07
Current Ratio	1.12	1.41
Debt/Capital	0.48	0.78
Interest Expense	22.00	19.00
Interest Coverage	9.00	7.63

SHARE DATA

	Q1 FY08	Q1 FY07
Shares outstanding (mil)	417	409
Div / share	0.00	0.00
EPS	0.34	0.26
Book value / share	3.53	0.86
Institutional Own %	NA	NA
Avg Daily Volume	8,211,620	10,720,270

2 Sum of quarterly figures may not match annual estimates due to use of median consensus estimates.

FINANCIAL ANALYSIS

Online retailer, Amazon.com Inc.'s Q1 FY08 revenue grew 37.1% to \$4.14 billion from \$3.02 billion a year ago, driven by low prices and higher in-stock items available for shipment. Excluding the \$0.18 billion favorable impact from year-over-year changes in foreign exchange movements throughout the quarter, net sales grew 31.0% over Q1 FY07. Moreover, shipping revenue, which includes amounts earned from its Amazon Prime membership and fulfillment by Amazon programs, was \$192.00 million, up 27.2% from \$151 million in the same quarter of the previous year. The company recorded a strong performance across all segments and geographic regions. By segment, the Worldwide Media revenue increased 27.8% to \$2.54 billion. Revenue from the Worldwide Electronics and Other General Merchandise segment rose 56.4% to \$1.48 billion. Geographically, North America net sales jumped 31.1% to \$2.13 billion, fueled by higher demand in the Media segment. International revenue surged 44.2% to \$2.01 billion, supported by strong revenue growth from Electronics and the Other General Merchandise products.

The company's gross profit margin narrowed 121 basis points to 24.69% from 25.90% due to a surge in the cost of sales. The cost of sales soared 38.5% to \$3.18 billion from \$2.30 billion a year ago. Similarly, operating margin also declined to 4.79% from 4.81% on higher operating expenses. Operating profit increased to \$143.00 million from \$111.00 million. Interest expenses increased to \$22.00 million from \$19.00 million, while the interest coverage ratio declined to 9.00 from 7.63. Amazon's earnings rose 28.8% on higher revenue, led by a strong performance across segments. Net income jumped to \$143.00 million or \$0.34 per share from \$111.00 million or \$0.26 per share in Q1 FY07.

Cash and cash equivalents totaled to \$2.15 billion, an increase of 51.5% over \$1.42 billion a year ago. Increased earnings resulted in higher return on assets during the quarter. Returns on assets improved 181 basis points to 8.64% from 6.83%. However, return on equity decreased to 34.56% from 70.82% due to a surge in equity base. Shareholders' equity surged almost four times to \$1.47 billion from \$353.00 million. Total debt increased 8.4% to \$1.37 billion from \$1.27 billion. Consequently, the debt-to-equity ratio improved to 0.93 from 3.59.

During the quarter under review, over 370,000 developers have registered to use Amazon Web Services (AWS), up more than 35,000 from last year's quarter. The company launched Amazon TextBuyIt (www.textbuyit.com), a service which helps customers use text messages to find and buy products sold on Amazon.com. Moreover, Amazon's recently introduced Amazon Kindle continues to grow with more than 115,000 titles, up from 90,000 at its launch.

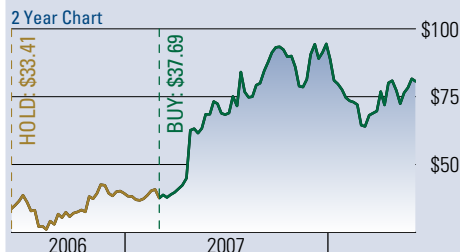
Looking ahead, Amazon expects its Q2 FY08 operating income to be in the range of \$120.00 million to \$160.00 million and net sales to range between \$3.88 billion and \$4.08 billion. For FY08, the company raised its revenue forecast to be in the range of \$19.10 billion to \$20.00 billion. However, it reduced its operating income forecast to \$740.00 million to \$940.00 million, due to margins pressures.

Sector: Consumer Discretionary | Sub-Industry: Internet Retail | Source: GICS

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RATINGS HISTORY

Our rating for AMAZON.COM INC has not changed since 3/2/2007. As of 6/6/2008, the stock was trading at a price of \$80.63 which is 20.2% below its 52-week high of \$101.09 and 31.7% above its 52-week low of \$61.20.



MOST RECENT RATINGS CHANGES

Date	Price	Action	From	To
3/2/07	\$37.69	Upgrade	Hold	Buy
6/6/06	\$33.41	No Change	Hold	Hold

Price reflects the closing price as of the date listed, if available

RATINGS DEFINITIONS & DISTRIBUTION OF THESTREET.COM RATINGS

(as of 6/6/2008)

28.31% Buy - We believe that this stock has the opportunity to appreciate and produce a total return of more than 10% over the next 12 months.

36.59% Hold - We do not believe this stock offers conclusive evidence to warrant the purchase or sale of shares at this time and that its likelihood of positive total return is roughly in balance with the risk of loss.

35.10% Sell - We believe that this stock is likely to decline by more than 10% over the next 12 months, with the risk involved too great to compensate for any possible returns.

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VALUATION

BUY. AMAZON.COM INC's P/E ratio indicates a significant premium compared to an average of 44.99 for the Internet & Catalog Retail industry and a significant premium compared to the S&P 500 average of 20.56. For additional comparison, its price-to-book ratio of 22.87 indicates a significant premium versus the S&P 500 average of 2.53 and a significant premium versus the industry average of 11.87. The current price-to-sales ratio is well above the S&P 500 average and above the industry average, indicating a premium. Upon assessment of these and other key valuation criteria, AMAZON.COM INC proves to trade at a premium to investment alternatives within the industry.

Price/Earnings

1	2	3	4	5
premium				discount

AMZN 67.19 **Peers 44.99**

- Premium. A higher P/E ratio than its peers can signify a more expensive stock or higher growth expectations.
- AMZN is trading at a significant premium to its peers.

Price/Projected Earnings

1	2	3	4	5
premium				discount

AMZN 37.85 **Peers 35.84**

- Premium. A higher price-to-projected earnings ratio than its peers can signify a more expensive stock or higher future growth expectations.
- AMZN is trading at a significant premium to its peers.

Price/Book

1	2	3	4	5
premium				discount

AMZN 22.87 **Peers 11.87**

- Premium. A higher price-to-book ratio makes a stock less attractive to investors seeking stocks with lower market values per dollar of equity on the balance sheet.
- AMZN is trading at a significant premium to its peers.

Price/Sales

1	2	3	4	5
premium				discount

AMZN 2.11 **Peers 1.84**

- Premium. In the absence of P/E and P/B multiples, the price-to-sales ratio can display the value investors are placing on each dollar of sales.
- AMZN is trading at a premium to its industry on this measurement.

Price/CashFlow

1	2	3	4	5
premium				discount

AMZN 32.09 **Peers 22.96**

- Premium. The P/CF ratio, a stock's price divided by the company's cash flow from operations, is useful for comparing companies with different capital requirements or financing structures.
- AMZN is trading at a significant premium to its peers.

Price to Earnings/Growth

1	2	3	4	5
premium				discount

AMZN 1.98 **Peers 2.07**

- Average. The PEG ratio is the stock's P/E divided by the consensus estimate of long-term earnings growth. Faster growth can justify higher price multiples.
- AMZN trades at a valuation on par to its peers.

Earnings Growth

1	2	3	4	5
lower				higher

AMZN 103.38 **Peers 40.77**

- Higher. Elevated earnings growth rates can lead to capital appreciation and justify higher price-to-earnings ratios.
- AMZN is expected to have an earnings growth rate that significantly exceeds its peers.

Sales Growth

1	2	3	4	5
lower				higher

AMZN 39.38 **Peers 24.73**

- Higher. A sales growth rate that exceeds the industry implies that a company is gaining market share.
- AMZN has a sales growth rate that significantly exceeds its peers.

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