



Buy: Amazon.com, Inc.

NOVEMBER 2025

HOLDINGS UPDATE

JENSEN QUALITY GROWTH STRATEGY

The Jensen Quality Growth Investment Team added Amazon.com (ticker: AMZN) to the Quality Growth Strategy with an initial weighting of 4%. As of November 30, 2025, the Strategy had 26 holdings.

Why We Like Amazon

Our thesis for Amazon.com ("Amazon") is driven by their strong business fundamentals' alignment with key tenets of the **Jensen Quality Growth Strategy's** investment selection process:

• Competitive Advantages

Network effects: Amazon's eCommerce platform is a powerful two-sided marketplace supported by logistics, Prime loyalty, and data flywheel, creating compounding effects that are hard to replicate. Amazon Web Services ("AWS") operates a vertically integrated hardware and software stack with a strong developer community, broad partner network, and industry-specific expertise.

Scale with cost advantage and high barriers to entry: In eCommerce, Amazon is double the combined scale of its second- and third-place competitors, Shopify and Walmart, respectively, with unique value adds for both consumers and sellers. In Cloud, AWS is roughly the same size as that segment's second- and third-place competitors, Azure and Google Cloud, respectively.

Brand and switching costs: Amazon is among the most trusted consumer brands globally. While traditional retailers have low switching costs, Amazon increases stickiness through Prime membership, comprehensive third party seller services, and AWS's deep integration in enterprise workloads. AWS is considered the "safe choice" for enterprises' mission-critical workloads.

• Earnings Stability

Amazon maintains a strong balance sheet with a net cash position, robust free cash flow generation, and stable-to-improving margins, all supporting higher long-term returns.

• Valuation

Amazon is traded at a discount from our long-term free cash flow-based model, especially given the company's secular and high-quality growth opportunity.

Company Overview

Amazon was founded in 1994 by Jeff Bezos and is headquartered in Seattle, Washington. The company's current CEO is Andrew Jassy, and Amazon employs 1,578,000 employees across North America and internationally. Amazon is a global platform with unrivaled scale and leadership across three structurally advantaged businesses:

- **e-Commerce:** Amazon.com is the world's largest online retailer, supported by one of the deepest logistics networks in the industry and a global membership base of ~270M Prime subscribers.
- **Cloud:** As the top hyperscale cloud provider, AWS serves as critical infrastructure for enterprises, startups, and governments, with durable advantages in scale, breadth of services, and customer trust.
- **Retail advertising:** Amazon is the #3 global digital advertising platform, monetizing a massive ecosystem of active sellers and buyers with high purchase intent and customer trust, leveraging proprietary first-party data.

Amazon's mission is distinctive, reflecting a culture shaped since its founding: to be "Earth's most customer-centric company." The company's consumer focus is exhibited in their online and physical stores' abundant selection, competitive prices, and unrivaled convenience.



Why Now

We have long admired Amazon's deep moat, and the company has been a Strategy candidate since 2024. With its sustained elevated valuation, the company remained on our bench until recent volatility led to it trading at a discount relative to our model. Our decision to add the name reflects our assessment of its competitive-advantage trajectory, valuation, and risk profile.

Outlook

Although there is the possibility of near-term volatility, Amazon is an overall high-quality growth compounder. With long-term revenue growth of ~10% compound annual growth rate (CAGR) and returns on equity of ~24%, Amazon generates resilient free cash flow of ~20% CAGR. We believe its strong balance sheet with cash flow generation and improving margins all point to expected higher long-term growth.

Definitions

Compound Annual Growth Rate (CAGR): The year-over-year growth rate of an investment over a specified period of time. The CAGR is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered.

Free Cash Flow: Is equal to the cash from operations of a company less capital expenditures.

Return on Equity: Is equal to a company's after-tax earnings (excluding non-recurring items) divided by its average stockholder equity for the year.

Strategy holdings are subject to change and should not be considered recommendations to buy or sell any security. For a listing of the Quality Growth Strategy's current holdings, please visit www.jenseninvestment.com/growth-composite-holdings.

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