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AMAZON AND WHOLE FOODS MERGER: AN ANALYSIS OF ACCRETIVE EARNINGS

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ABSTRACT

Amazon is a well-known and respected U.S. company that fascinates and intimidates both companies and consumers alike, not only in the United States, but also in countries throughout the world. The company was responsible for 43 percent of all online sales in the U.S. in 2016 and sparked curiosity in many last summer after announcing their plans to acquire U.S. grocer Whole Foods for $13.7 billion (Pierson and Easter). Given that Amazon was the only company that offered to buy Whole Foods, it suggests that they paid a premium to acquire Whole Foods' distribution system and networks. Ultimately this deal will pay off for Amazon as long as the deal is accretive to their future earnings. In order to do so, Amazon must figure out how to successfully integrate both wealthy customer bases and utilize their new assets in order to continue to pursue the aggressive growth strategy they have been pursuing for the last two decades.

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First and foremost, I would like to thank my family for their support and guidance in everything that I do. I would like to thank all of the friends I have made in my four years of college. I will always cherish my time at Penn State, and it truly would not have been the same without you all. I would also like to thank all of my professors over the past four years who have gone above and beyond to provide me with an amazing education. Finally, I would like to thank my thesis supervisor, Brian Davis, who I cannot thank enough for the amount of time he has invested in me and the continuous resources, advice, and encouragement he has provided to me throughout the entire thesis process.

Chapter 1

Introduction

Twenty years ago, if someone said the word “Amazon” most people likely would have thought of the famous rainforest in Brazil. However, today if someone mentions the word “Amazon” likely the first thing to come to mind would be the Seattle-based company. Amazon has grown from a small bookstore to the enterprise it is today by pursuing an aggressive growth strategy and by expanding into what seemingly feels like endless new lines of business. Their next target? The grocery industry.

The history of the grocery industry is a unique one. It always has been and forever will be a local business. Every individual store must accurately stock its shelves because a shortage will result in a loss of customers and a surplus of perishable goods will cut into the notoriously low profit margins of grocers. Milk truck deliveries were a thing of the past prior to the explosion of supermarkets in the United States. However, given Amazon’s Whole Foods acquisition, one may ask, “Is the future a blast from the past?” Will Amazon be the leading company that inspires households to once again return to receiving weekly consumption goods via home delivery?

The scope of competition is increasing rapidly in the grocery industry. Food prices in the U.S. have dropped for 17 months straight, which is the longest consecutive streak in over 60 years (Giammona). German companies Aldi and Lidl have plans to rapidly expand in the next five years. Lidl opened its doors in the U.S. for the first time last summer and could open as many as 600 more stores in the next five years. Consequently, Aldi says it will add 900 stores and remodel existing ones in the same timeframe with an ambitious goal of achieving 2,500 stores by 2022, which would mean it would become the third largest grocer in the United States. This would be preceded only by Kroger and Albertsons Companies (Egan). Aldi in particular is a huge market threat, as its mission and strategy align nearly perfectly with that of Amazon and Whole Foods.

In order to understand why Amazon purchased Whole Foods, we must first understand Amazon as a company. Amazon opened its virtual doors to the World Wide Web in 1995 and "seeks to be Earth's most customer-centric company" guided by four principles: customer obsession rather than competitor focus, passion for invention, commitment to operational excellence, and long-term thinking. With a focus on selection, price, and convenience, Amazon's website is designed such that millions of unique products can be sold by Amazon or by third parties across dozens of product categories. The company manufactures and sells electronic devices and offers a membership program, Amazon Prime, which gives members unlimited free shipping on millions of items, access to unlimited instant streaming of thousands of movies and TV episodes, and other benefits ("Our Innovations"). Amazon's strategy all along has been to first capture market share and to second capture profits. The company is at the forefront of innovation, which is why it will be so interesting to see how Amazon capitalizes on the Whole Foods deal.

Secondly, we must understand why Whole Foods, as opposed to another company, was the right fit for Amazon to take on this large acquisition. Whole Foods has grown from a single, small natural and organic foods store in 1980 to a chain that is recognized both nationally and internationally. Even though every individual store is unique based on its surrounding market, all of Whole Foods' retail stores have several things in common, including the following: having approximately 200,000 people or more, the majority of which are college educated, within a 20-

minute drive; 25-50,000 square feet stores; abundant parking at preferably stand-alone stores; easy access and excellent visibility; and located in high traffic areas for vehicles and/or pedestrians ("Real Estate"). To further understand Whole Foods as a company, it is important to understand what an average store looks like. The company operates over 450 stores, and on average each store is 39,000 square feet and carries 35,000 SKUs that include a wide variety of non-GMO, vegan, gluten-free, dairy-free, and other special diet foods (Evans). Each store averages $682,000 in sales and 17,500 customer visits on a weekly basis (10-K). It is particularly interesting for Amazon to make this acquisition because Amazon has not had a brick-and-mortar presence for its 20+ years of existence, unlike some of its other competitors such as Target or Walmart.

In order for this deal to be accretive to Amazon's earnings, Amazon must successfully be able to integrate both customer bases via Amazon Prime and efficiently integrate the Whole Foods locations such that they can be utilized for Amazon's other lines of business. Given the large $13.7 billion price tag and implied premium, will Amazon be able to unlock value through this acquisition, and will it prove to be accretive to Amazon's future earnings?

Chapter 2

Literature Review

Before diving into financial analyses, it is important to really understand both Amazon and Whole Foods as companies. I will look at and focus on how Amazon will improve and incentivize Amazon Prime to capture Whole Foods' already existing wealthy customer base. Shortly after the acquisition announcement, Amazon disclosed they would immediately lower prices on several of Whole Foods' grocery items. The company also began establishing Amazon Lockers, where customers are able to pick up their Amazon packages in a secure manner, with the likely thought that customers would purchase a few groceries while they are already in the store.

A study from Consumer Intelligence Research Partners stated that Amazon has nearly doubled its Prime membership in the last two years. A few strategies Amazon has been utilizing include offering a monthly rate (as opposed to only an annual membership) and offering free trials. Data suggests Prime members spend more than non-Prime members, which proposes that this membership rate growth is huge if new Prime members increase their spending with Amazon (Levy, Nat).

Furthermore, one of the ways Amazon will either attract new customers or strengthen existing customer relationships is by not only giving them what they want, but also providing convenience and new opportunities to everyone the company serves. For example, by using the "customer first" strategy, Amazon is figuring out ways to first benefit and impress the consumer (for example with two-hour delivery) and then working backward to develop their company strategy and supply chain. An article by USA Today explains that entrepreneurs and small businesses stand to benefit tremendously from new opportunities to sell their products on Amazon.com and in local Whole Foods stores, with the potential to expand rapidly if their product is a success (Layne). By focusing on the “customer first” strategy and expanding Prime membership, Amazon is well on its way to integrate online and offline sales.

The biggest controversial topic to date is that no one is really sure what Amazon’s plans are for the future in direct regards to this acquisition. The announcement came as a surprise to many, and for this reason there are still numerous speculations as to how Amazon will utilize Whole Foods’ physical locations and how the company will integrate Whole Foods’ wealthy customer base. Despite Amazon being in the news on a daily basis, a lot has yet to be researched in terms of the implications this ever-expanding company potentially has on numerous other industries. One of the most difficult parts about analyzing Amazon is that it is very hard to compare it to other companies. Each segment has competitors: for example, Amazon Web Services (AWS) can be compared to other cloud companies, and Amazon’s retail can be compared to other retailers; however no other company comes close in size, scope, or strategy.

The goal of this thesis is first to determine the price premium Amazon paid to acquire Whole Foods’ business model, existing real estate, and distribution network, and then to see if and how accretive to earnings this deal is to Amazon’s future earnings. I will summarize what industry experts are saying about this deal as well as hypothesize my own assumptions about Amazon and the implications this deal will play in the coming years. Lastly, I will analyze these findings to see how other retailers and industries will potentially be affected.

For me, what’s interesting is not only the acquisition, but also Amazon as a company. Nearly every week there is an announcement that catches experts and consumers alike off-guard.

I find it intriguing to think about the sheer number of experts who have written articles about which industries they think will be impacted by this “behemoth company”. Right after the Whole Foods announcement, a lot of the focus was on other grocers, such as Walmart, Target, and Kroger, and wholesalers, such as Costco and BJs. Now people are talking about the implications from not only this deal, but also how Amazon as a company can and will impact firms such as UPS, Starbucks, and virtually everyone in the $560 billion per year pharmaceutical industry after the announcement that Amazon acquired wholesale pharmacy licenses in 12 states with very little talk prior to obtaining the licenses (Perlow). There remains countless uncertainties in this high barrier to entry industry, for example if Amazon has intentions of entering retail or wholesale, but there also remains a lot of potential. It is important to also keep in mind that this is all happening while Amazon is gaining a lot of publicity for actively searching for a U.S. city to become the home to Amazon’s second headquarters, HQ2. The $5 billion investment will bring an estimated 50,000 jobs to whichever city it ultimately chooses, which is why there is so much interest and why there are so many stakeholders that will be affected by this decision (Bhattarai).

Fundamentally, the root of the debate is how Amazon will utilize the acquisition of the Whole Foods footprint to improve Amazon Prime and capture Whole Foods’ wealthy customer base for additional market share and sales. The premium Amazon paid for Whole Foods can be justified as long as the deal will be accretive to earnings in the future.

Chapter 3

A Brief History

The Evolution of the Grocery Industry

Change is an inevitable part of life. In the context of the grocery industry, the focus has always been and will always be locally focused. Every individual store must be neither understocked nor overstocked in order to retain a local loyal customer base and to effectively compete with other grocers for what is perhaps the retail industry with the smallest profit margins. A few changes that have occurred in this industry over the years include the introduction of home delivery, the concept of self-service check out, the shift from mom and pop stores to corporate America supermarkets, and the speculation and growth of the online retail industry. Many Americans grew up with a local milk delivery service in which the milkman would deliver frequently consumed, perishable goods such as milk and eggs straight to a family's home. So, the question now is, "Is the future a blast from the past?"

Chain grocery retailing took off around the beginning of the twentieth century with the Great Atlantic and Pacific Tea Company. At the time, grocery stores were traditionally stocked with "dry grocery items" and butchers (meat) and greengrocers (fresh produce) were separate entities (A Quick History). In 1916, the founding of Memphis-based Piggly Wiggly dramatically changed the industry by decreasing the number of specialty stores in order to achieve economies of scale and to reduce costs. Piggly Wiggly is credited with launching the first self-service model and becoming the supermarket franchise model. Many things in today's traditional supermarket originated from this store. For example, the methodical arrangement of goods to encourage impulse purchases near the cash register, price-marked items, employees in uniform, and even shopping baskets. The new technologies and world events of this decade only helped to perpetuate the growth of this chain. Thousands of small grocery stores had to close their doors as employees went off to fight in World War II, while supermarkets were able to retain enough employees to keep the stores operating. Furthermore, the popularity of refrigerators and automobiles for the middle class kept feeding into the supermarket model (Ross).

Chain stores exploded in the 1920s and improved in quality throughout the 1930s and 1940s. The 1950s came with another dramatic change to American society with the introduction of suburbs and shopping centers (Morris). Bright new stores with recognizable, standardized formats were opening regularly. The American philosophy that “bigger is better” thrived in the grocery industry as stores continued to grow in size and selection. The 1970s brought about the introduction of discounters and warehouse stores, and the 1980s and 1990s amplified these trends with larger warehouses and numerous mergers. A National Bureau of Economic Research study found that the most significant influences on the retail sector over the last two decades is attributed to the evolution and growth of warehouse clubs and supercenters. The top four market players, Walmart, Kroger, Safeway (part of Albertsons), and Publix Supermarkets, were responsible for 36 percent of industry sales in 2013 (Soni). This leads us to present day, where analysts and companies such as Amazon debate just how many consumers will turn to online retailers to purchase their weekly groceries.

Where "Brick and Mortar" meets "Click and Collect"

According to *The Digitally Engaged Food Shopper* report, "younger, newer and more engaged digital shoppers adopt digital technologies more quickly, and will hasten the expansion of digital grocery shopping." It is predicted that online grocery shopping could grow five-fold over the next decade, which equates to approximately $100 billion in online sales by 2025. The study predicts grocery e-commerce will not lead to the demise of brick-and-mortar stores, rather force them to reconfigure their layout and purpose in order to enhance customer experiences in the store (Daniels). In agreement, partners at McKinsey & Company discussed in a podcast that they believe there is a great sustainable competitive advantage in regards to grocers being able to bring innovation and excitement back into grocery stores to enhance the day-to-day enjoyment of food, as demonstrated by consumers' interests in cooking shows, online how-to videos, and recipes that circulate social media (Toriello and Moulton). On the contrary, Neil Saunders, managing director of GlobalData retail, believes an online-only operation would suffer from perilously low margins and would damage profitability as it is scaled upwards (Saunders).

The majority of hesitations regarding online grocery sales growth stems from two principals: delivery fees and quality concerns (Daniels). Albeit convenient, not all consumers are ready to pay the price for delivery services. Furthermore, due to Amazon offering "free" shipping, most consumers now have an expectation that all shipping should be free. Quality is also a large concern – consumers enjoy being able to sort through fresh produce to pick "the best one in the pile" and would not have the opportunity to do so if the order is placed online. Ryne Misso, director of marketing at Market Track, a market data and analysis company, says that "Many of the product quality concerns may be instantly mitigated by the fact that Amazon acquired Whole Foods, a high-end grocer with a reputation for having the highest quality products, rather than a value grocery store. If Amazon can successfully combine their value and convenience formula with Whole Foods' top-end product quality, consumers may have fewer concerns about buying online for delivery" (Garcia).

The Entrance and Growth of Foreign Grocers

An additional element to consider is increased competition by foreign firms, namely German firms Aldi and Lidl. Food prices in the U.S. have dropped for 17 months straight, which is the longest consecutive streak in over 60 years (Giammona). Lidl opened its doors in the U.S. for the first time in summer 2017 and could open as many as 600 more stores in the next five years. Consequently, Aldi says it will add 900 stores and remodel existing ones in the same timeframe, with the goal of achieving 2,500 stores by 2022. This means it would become the third largest grocer in the United States, preceded only by Kroger and Albertsons Companies. The $3.4 billion investment would add approximately 25,000 jobs to the U.S. economy.

Aldi in particular is a huge market threat given that its mission and strategy align nearly perfectly with that of Amazon and Whole Foods. The company is divided into Aldi Nord, which owns California-based Trader Joe's, and Aldi Süd, which oversees the operations in the U.S. stores. Aldi is known for their low prices while simultaneously appealing to health-conscious consumers. The company's brand concentrates on gluten-free, natural, and organic products. Aldi ultimately values their customers by offering them what they want and at arguably better prices than some of their competitors. The checkout section includes individually wrapped healthy snacks, such as nuts and dried fruits, as opposed to traditional candy bar and chip options. Aldi increased the amount of fresh produce they offers, while keeping the center of the store reserved for packaged and processed foods. This grocer not only offers products at a discount, but also offers “an experience” when it comes to what for many consider to be a mundane weekly task. In addition to groceries, the chain offers a selection of wine, beer, and home goods.

One of the primary reasons that this chain is so successful is because they can offer quality products via Aldi-exclusive brands, essentially bypassing hidden costs of advertising and marketing associated with national name brands. New Aldi’s stores carry on average only 1,400 items, as opposed to the 50,000 or so on many rivals’ shelves, which allows them to take advantage of large economies of scale (Herten). Furthermore, the company saves on overhead costs by not offering plastic bags (customers have to bring their own, which concurrently appeals to environmentally conscious shoppers) and by displaying the merchandise in boxes with one side cut out, which saves both time and money on shipping costs and eliminating the need for an employee to stock shelves (Johnson).

The second reason why Aldi in particular is perhaps Amazon’s biggest competitor is due to their partnership with Instacart, which is an online grocery delivery service that can deliver in as early as one hour. Instacart does not have any of its own inventory, rather the service picks up the items at local stores. Aldi’s launched the pilot in August 2017 in Los Angeles, Dallas, and Atlanta. Although the company does not currently offer products online, it hopes to utilize this partnership to gain sales as market trends move toward online grocery sales (Bose). The Food Marketing Institute and Nielsen, a market research firm, estimated that online grocery spending during 2016-2025 will grow from 4.3 percent of the total U.S. food and beverage sales to as much as 20 percent, or more than $100 billion. From a strategic standpoint, Lidl is very similar to Aldi, which is why the combined forces and potential captured market share from these two international players is so important when analyzing the grocery industry and the shift toward online grocery sales (Giammona).

However, especially in the U.S. market, both German grocers are focusing heavily on their retail operations and not on online sales. According to an article written by The Economist, Aldi wants to "conquer the retail world by ignoring the internet" by "defying the conventional wisdom that customers want both in-store and online shopping," also known as omnichannel (Herten). Although both chains are capturing market share in the U.S., only time will tell if their heavy investments in retail, as opposed to online, will pay off for these German grocers. Despite talk about the "dying retail industry" in recent years, huge investments from Aldi's and Lidl in retail stores, as well as Amazon's purchase of Whole Foods' model and existing stores, confidence may be instilled once again in the traditional retail industry.

Chapter 4

Who is Amazon?

In order to understand why Amazon purchased Whole Foods, we first have to understand Amazon. So, who exactly is this company that was responsible for 43 percent of all online sales in the U.S. in 2016? (Pierson and Easter). Amazon opened its virtual doors on the World Wide Web in 1995 and "seeks to be Earth's most customer-centric company" guided by four principles: customer obsession rather than competitor focus, passion for invention, commitment to operational excellence, and long-term thinking. With a focus on selection, price, and convenience, Amazon's website is designed such that millions of unique products can be sold by Amazon or by third parties across dozens of product categories. The company manufactures and sells electronic devices and offers a membership program called Amazon Prime, which gives members unlimited free shipping on millions of items, access to unlimited instant streaming of thousands of movies and TV episodes, and other benefits ("Our Innovations"). Amazon's strategy all along has been to first capture market share and to second to capture profits.

The company is involved in countless lines of business and is at the forefront of innovation. In just over 20 years, the company has a long list of accomplishments. They created the Amazon Kindle and disrupted traditional bookstores, given that customers all over the world can download books in under 60 seconds from a selection of millions of books in any language. Their easy to set up dash button allows customers with one touch of a button to add commonly consumed household goods to their Amazon carts. Amazon's voice technology via Amazon Echo is hands-free and responds to a "wake word". Consumers can ask for information, music, news, weather, sports scores, general google searches, etc. Echo leverages Amazon Web Services (AWS) to continue to learn and add functionality over time, and the technology is constantly improving.

Over the last few years, Amazon Web Services (cloud services) has been the fastest growing and most profitable business for the company, growing at a compound annual growth rate of over 65 percent. AWS revenues have surged from under $1 billion in 2011 to $12.2 billion in 2016 (Trevis). Launched in 2006, AWS offers “a robust, fully featured technology infrastructure platform in the cloud comprised of a broad set of compute, storage, database, analytics, application, and deployment services”. AWS customers range from startups, like Pinterest, Dropbox, Airbnb, Supercell and Spotify, to large enterprises like Shell, BP, J&J, Philips, Comcast, Netflix, Adobe, Newscorp, The New York Times, and Major League Baseball (Trevis).

Amazon launched wind and solar farms and is currently working on Amazon Prime Air, which in the future will be used to deliver packages weighing less than five pounds (currently 90 percent of orders) in 30 minutes or less by using unmanned aerial vehicles, also known as drones. The goal is to develop a safe, environmentally sound system that enhances the services they already provide to customers. If successful in this feat, Amazon will have accomplished a more efficient supply chain system to bypass transportation companies such as FedEx and UPS.

Lastly, Amazon launched AmazonFresh which allows “customers to combine grocery and other shopping into one seamless experience that easily fits into their routines and improves their busy lives. Customers can order from more than 500,000 items for same-day and early-morning delivery, including everything from fresh groceries and prepared meals to toys, electronics, household goods, and more” (“Our Innovations”). This leads back to the Whole

Foods acquisition because Amazon indicated nearly a decade ago via the launch of AmazonFresh that they were interested in the grocery business. The grocery business is notoriously known for its low profit margins and difficulty to manage, despite the industry making up 7 percent of consumer spending (Evans). Amazon is at the forefront of innovation, which is why it will be so interesting to see how they capitalize on the Whole Foods deal. Now that we understand Amazon a little better, we can now evaluate Whole Foods as a company and analyze why they provided such a good opportunity for Amazon.

Chapter 5

Who is Whole Foods?

Whole Foods has grown from a single, small natural and organic foods store to a chain that is recognized both nationally and internationally. The company is the largest natural and organic foods supermarket in the U.S. and the fifth largest public food retailer. Whole Foods respects new neighborhoods when they open new stores because they strive to become part of the community. Currently, retailers of organic products are not required by the USDA to become certified, but Whole Foods decided at the corporate level to voluntarily certify all of their stores and operations to demonstrate the deep commitment to organic consumers. In 2003, Whole Foods became the first national “Certified Organic” grocer and to date remains the only company that has all of its store departments and operations certified. The company purchases produce grown locally on more than 1,400 U.S. farms in order to support local communities and contribute to responsible land development (10-K).

Even though every individual store is unique based on its surrounding market, all of Whole Foods’ retail stores have several things in common, including the following: having approximately 200,000 people or more, the majority of which are college educated, within a 20-minute drive; 25-50,000 square feet stores; abundant parking at preferably stand-alone stores; easy access and excellent visibility; and located in high traffic areas for vehicles and/or pedestrians (“Real Estate”). To further understand Whole Foods as a company I think it is important to understand what an average store looks like. The company operates over 450 stores, and on average each store is 39,000 square feet and carries 35,000 SKUs that include a wide variety of non-GMO, vegan, gluten-free, dairy-free, and other special diet foods (Evans). Each store averages $682,000 in sales and 17,500 customer visits on a weekly basis (10-K).

Chapter 6

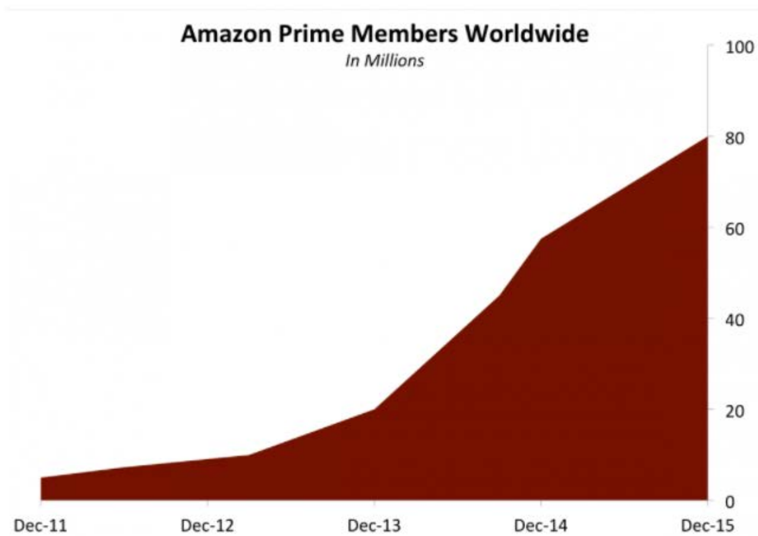
Why are Amazon and Whole Foods a Perfect Match?

Ultimately, it boils down to a few magic ingredients. Whole Foods had something that Amazon didn't – upper class, wealthy, repeat weekly customers that can be studied and analyzed. Amazon will be able to utilize these "ingredients" to perfect their own recipe. They have already mastered the process of upselling, which is when customers pick up additional products in addition to the ones they intended to buy. An example of this in relation to this acquisition would be if a Whole Foods customer goes to the store to purchase milk, typically located in the back of the store, and also buys a conveniently located Amazon Echo that the customer noticed as he or she was walking toward the back of the store to find the milk. As Amazon makes conscious efforts to grow vertically and organically, they continue to grow and focus on profitable, strong private-label businesses, which are much more profitable than national brands that are sold in nearly every channel. If Amazon can capture loyal customers via Whole Foods' private label, 365 by Whole Foods Market, and expand upon it, the recipe will get closer and closer to perfection. By capitalizing on Whole Foods 365 brand and studying the habitual, weekly pattern purchases of a consumer group averaging over $1,000 per month in disposable income, Amazon will be better able to improve their Amazon Prime service (Petro).

The Improvement, Integration, and Growth of Amazon Prime

Amazon will need to improve and incentivize Amazon Prime to capture Whole Foods' already existing wealthy customer base. By focusing on customers first and expanding Prime membership, Amazon is well on its way to integrate online and offline sales. Loyal Prime members to date total over 90 million memberships in the United States (Levy, Adam). The following figure shows the growth of Prime over a five year period, from 2011 to 2015.

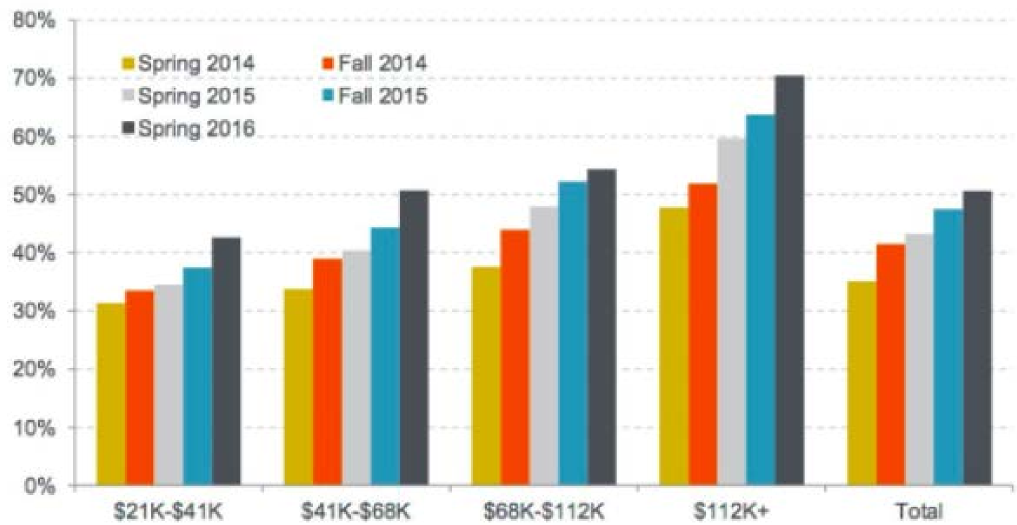
Figure 1: Amazon Prime Members Worldwide (BI Intelligence)



Unsurprisingly, a study by Consumer Intelligence Research Partners (CIRP) found that Prime members spend on average $1,300 per year with the e-commerce giant compared to an average $700 for non-Prime members. This increased spend helps Amazon "offset some of its costs associated with free shipping and other Prime perks." The study also concluded that

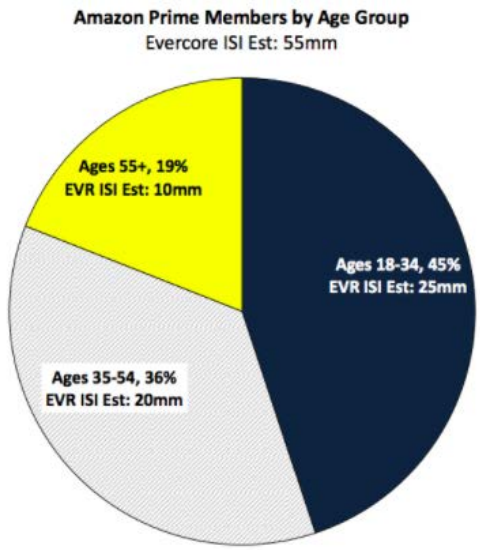
Prime's growth has been mostly concentrated in the U.S., where the total number of Prime members grew 38 percent Year over Year (YoY) in Q1 2017 (Pandolph and Camhi). This means 60 percent of Amazon's U.S. customers now have Prime memberships, which has greatly aided Amazon's increasing revenue and market share, especially when compared to declining sales and foot traffic in department stores and big-box retailers. What's interesting about Prime is that their members come from a wide variety of income levels, yet all income levels have seen consistent growth in memberships.

Figure 2: Amazon Prime Membership by Household Income (U.S.) (BI Intelligence)



Prime members encompass all age groups from high school seniors to retired individuals. Nearly half of their members are between the ages of 18 and 34, suggesting that this group is experiencing the most focus and attention from Amazon so that they can continue renewing current memberships and capturing new ones (Kim, Eugene).

Figure 3: Prime Members by Age Group (BI Intelligence)



Shortly after the acquisition announcement, Amazon announced they would immediately lower prices on several of Whole Foods grocery items. With Prime customers in mind, the company also began establishing Amazon Lockers, which are large orange lockers where customers can pick up their online Amazon orders and drop off returns in a secure manner, with the likely thought that customers would pick up a few groceries while they are already in the store (Griswold). The Motley Fool published an article stating that Amazon nearly doubled its Prime membership in the last two years. A few strategies Amazon has been utilizing include offering a monthly rate and offering free trials. I personally think one of the ways Amazon will either attract new customers or strengthen existing customer relationships is by not only giving them what they want, but also providing convenience and new opportunities to everyone the company serves. For example, by using the "customer first" strategy, Amazon is figuring out ways to first benefit and impress the consumer (for example thirty-minute and two-hour delivery) and then working backward to develop their company strategy and supply chain (Levy, Adam). Building off this, an article by USA Today explained that entrepreneurs and small businesses stand to benefit tremendously from new opportunities to sell their products on Amazon.com and in local Whole Foods stores, with the potential to expand rapidly if their product is a success (Layne).

The most important thing Amazon needs to do in order to capitalize on the Whole Foods deal is to integrate both customer bases. If Amazon can leverage these customers to become Prime members and if they successfully launch a convincing campaign that begins an explosive shift to online grocery sales, the company could then improve their AmazonFresh membership. This would allow the company to charge a premium for online grocery delivery and add benefits to their existing Prime membership (Garcia). Another way to impress and retain customers would be for Amazon to expand their Amazon Go program, which is a great example of an innovation Amazon developed starting with the customer in mind. In order to mitigate hassles of shopping in a store, Amazon eliminated the time and money wasted in the checkout process by utilizing technology and a mobile application to track what customers pick up in the store and use to pay for the items ("Our Innovations"). By giving customers what they want, Amazon is able to capture interest and continue their growth strategy.

Amazon's Evolving Supply Chain

Despite Amazon priding themselves for years on not having a brick and mortar presence, Amazon now suddenly owns over 450 Whole Foods stores. After capturing market share from consumers all over the globe for the last 20 years, the company has realized that brick and mortar locations are not necessarily a costly burden. Although Amazon has not had retail stores in the past, researchers are comparing Amazon with companies such as Apple, who has nearly 500 retail stores worldwide where consumers can “see, touch, and admire” iPhones in a physical store. The $800 billion market cap company uses these physical locations to hold marketing events and to promote brand awareness; this evidently works for Apple, demonstrated by the fact that their retail stores average more than one million visits per day (Griswold). It takes time and money to build a network of stores such as the network Apple already has, which is why Amazon essentially did the next best thing by acquiring Whole Foods’ already existing portfolio of highly desirable properties.

According to an article published on Quartz, Whole Foods will be where online meets offline for Amazon and their consumers, merging a variety of Amazon fulfillment and delivery operations (Prime Now, AmazonFresh, Amazon Lockers) with in-store customer experiences (Griswold). I believe Amazon will use Apple’s philosophy with their new Whole Foods locations in order to promote some of their newer products such as the Amazon Echo line in addition to future products Amazon will bring to market.

Furthermore, physical locations give this “behemoth company” all the more opportunity to grow and expand, especially as Amazon experiments with same-day and two-hour delivery. A CNBC article focuses on the bigger picture by saying “the product development perspective is that while most of the headlines around the Whole Foods acquisition have been about price cuts, we believe the real path for Amazon to create lasting shareholder value is through fulfillment and delivery via Prime Now. Hence, while price cuts capture the headlines, we submit that Amazon will wage war with its competitors with service instead” (Kim, Tae).

Now that Amazon now owns over 450 Whole Foods locations, it is important to analyze just how Amazon will be able to utilize their new locations (Nusca and Rapp). As discussed previously, Whole Foods stores are located in areas of wealthy consumers and high traffic areas. I believe Amazon is a strong believer in urbanization. The following figures show the U.S. population density (Figure 4) and Amazon fulfillment centers in purple and Whole Foods stores in green (Figure 5). According to a United Nations report, today 54 percent of the world's population lives in urban areas, and the figure is expected to increase to 66 percent by 2050 ("World's Population Increasing"). Amazon is positioning themselves well to continue to grow and improve delivery times by expanding their supply chain and physical assets.

Figure 4: U.S. Population Density (By Counties) (United States Census Bureau)

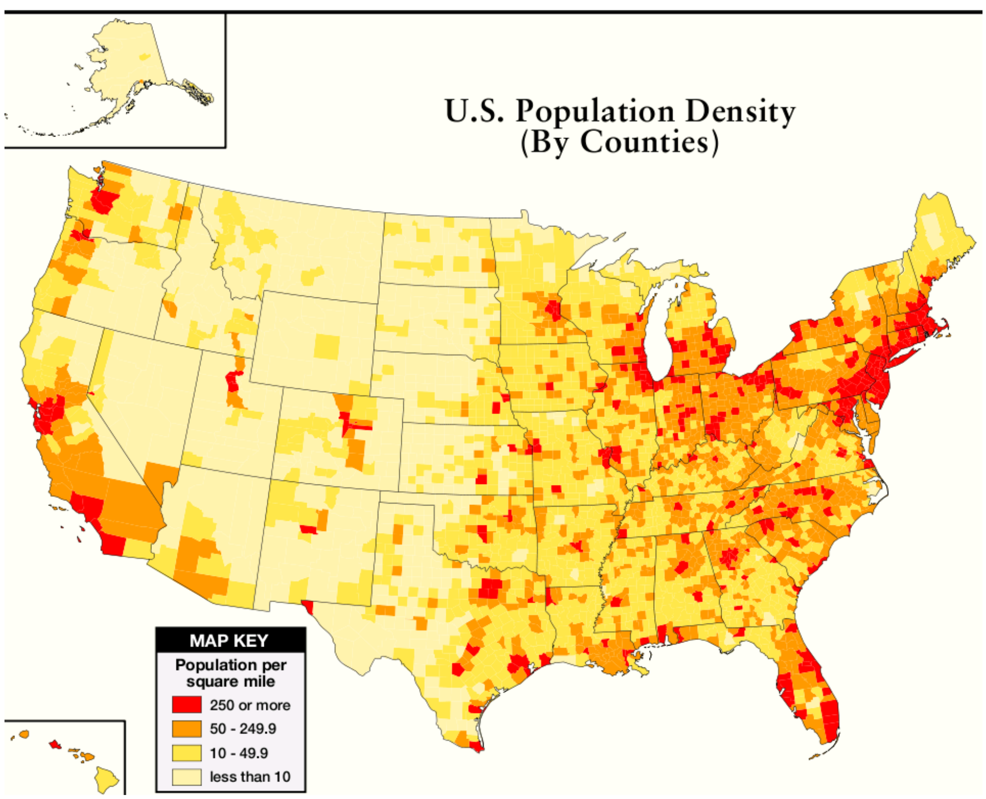
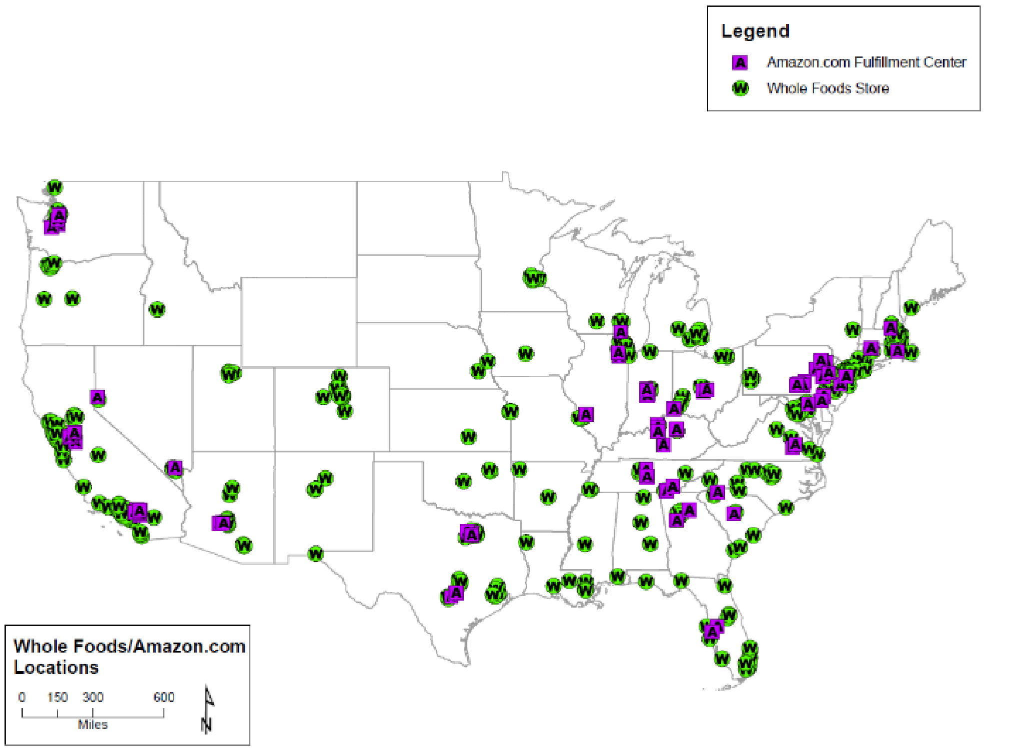


Figure 5: Amazon Fulfillment Centers and Whole Foods Stores (Medium)



The company is already working on expanding their same-day deliveries. Prime members can have select items delivered within two hours if the customer lives in one of 27 regions in the United States. Figure 6 shows the regions Amazon offers this option. Note that with the addition of Whole Foods stores, Amazon could offer more locations where there are currently gaps.

Figure 6: U.S. Cities with Two-Hour Delivery (BI Intelligence)

Additional supply chain implications stem from how Amazon customers will likely receive packages in the future. Amazon Prime Air is intended to be used in the future to deliver packages weighing less than five pounds (currently 90 percent of orders) in 30 minutes or less by using unmanned aerial vehicles, also known as drones. The goal is to develop a safe, environmentally sound system that enhances the services they already provide to customers. This is important because Amazon’s shipping costs are on the rise. Figure 7 demonstrates a consistent growth in gross shipping costs which logically makes sense as the company grew and had more business. However, in 2010, shipping costs were approximately 9 percent of revenue, while in 2016, shipping costs increased to just under 12 percent of revenue.

Figure 7: Amazon's Increasing Shipping Expenses (BI Intelligence)

The successful implementation of Amazon Prime Air would ultimately give Amazon more control in all facets, specifically in regards to time and price. If successful in this feat, Amazon will have accomplished an efficient enough supply chain system to bypass middleman transportation companies such as FedEx and UPS (Kim, Tae). The following graph displays the time and cost savings Amazon could achieve if they no longer need to outsource delivery.

Figure 8: Small Package Delivery Fees (BI Intelligence)

Chapter 7

An Overview of the Deal

Acquisitions are considered to be accretive if it adds to the company's value or increases earnings per share. Accretive earnings can either be attributed by acquiring a company at a discount or by assisting in growth in value due to opportunities from the transaction ("Accretive"). We know that Amazon did not acquire Whole Foods at a discount, which means that the only way for this deal to be accretive to earnings will be for Amazon to unlock value by utilizing Whole Foods' assets and their wealthy customer base to spur additional sales and growth. Despite the large premium, Amazon is in a unique position in the sense that they cover a wide variety of industries and only continue to expand into more and more segments. Had another big grocer acquired Whole Foods, an even larger grocer would have been the result. However, with Amazon there are new and unique opportunities to unlock value. But just how much value will Amazon have to unlock in order for the deal to be accretive to earnings?

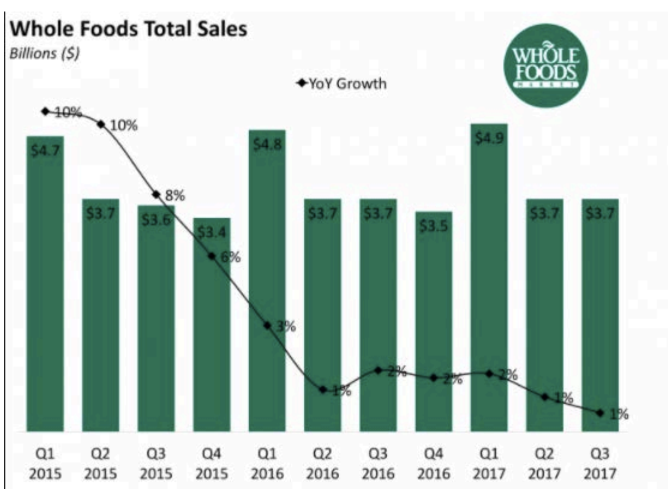
Chapter 8

Modeling the Value of Whole Foods

As previously mentioned, Amazon paid $13.7 billion for this acquisition, which equates to roughly $42 per share (Levy, Nat). But what were Whole Foods' assets actually worth? Looking at their balance sheet, one can see that shareholder's equity totaled $3.43 billion, which suggests that Amazon paid a premium of just over $10 billion. Similarly, after calculating the book value, $2.65 billion, one might infer that Amazon paid a premium of over $11 billion for this acquisition ("10-K"). This leaves analysts with two primary questions: "How is this justified?" and "Why did Amazon pay what appears to be such a large premium?"

At the time of acquisition, Whole Foods had relatively stagnant growth rates and declining Year over Year (YoY) growth, as shown in Figure 9.

Figure 9: Whole Foods Stagnant Sales and Declining YoY Growth (BI Intelligence)



However, a Seeking Alpha article reminds analysts that “the $42 buyout price is 35% below the 2013 high of $65 a share, and off more than 25% from its more recent high in 2015” (“Whole Foods: A Bidding War”). So although in 2017 it initially seemed as though Amazon overpaid, the company has the potential to assist with reverting back to higher YoY growth that Whole Foods enjoyed just a few years prior. In my opinion Amazon was willing to pay a premium in order to avoid a potential bidding war. They did not want to allow their competitors to have the opportunity to influence the deal, whether it be by making a serious offer or by trying to increase the price for Amazon. Other big players such as Wal-Mart, Target, Kroger, and Costco all saw declines in their stock prices after the Amazon-Whole Foods announcement, and a potential scenario would have been for these competitors to come together to “overpay for Whole Foods to block Amazon from getting its hands on this ‘strategic asset’” (“Whole Foods: A Bidding War”). This scenario would have represented a “big grocer becoming an even larger grocer” and would have resulted in very little, if any, value-add opportunities. Ultimately, Amazon avoided this potential scenario by paying a premium for Whole Foods and closing the deal quickly.

Chapter 9

Modeling the Value of Amazon

Perhaps the most difficult part of valuing Amazon is due to the fact that it is very hard to find good competitors. There really is no other business quite like Amazon and it is difficult to categorize this "behemoth company" into one industry segment, yet most analysts have strong opinions on how Amazon should be valued. It all goes back to one of the most basic, fundamental disagreements behind investing – growth versus value. However, this debate may be evolving, at least according to a mid-cap growth fund manager, Michael Lippert, who said, "Value investing is a lost cause in today's high-tech, winner-take-all economy. The world we live in today - it's haves and have-nots, and there are way more have-nots. There are so many industries being disrupted by the digitalization of the world; it's hard to make cyclical bets on have-not value stocks" (Braham).

Conversely, Bill Nasgovitz, a value fund investment manager stated, "We don't own Amazon.com because we can't justify its valuation on cash flow, earnings, book value, sales revenue, you name it. It just doesn't fit" (Braham). Rob Berger, an analyst for Forbes, says "Amazon is a great company selling at a bad price. It's one of the most innovative companies in existence. It's unquestionably an extremely valuable enterprise with a bright future. It's just not worth $465 billion. And therein lies the challenge." He goes on further to say "Value investors… must ignore Wall Street. We need to recognize that the value of an investment is driven by a company's earnings and what it does with those earnings. If we must rely on the future sale of an investment to make the investment worthwhile, we are no longer investing. We are speculating" (Berger).

It is not only difficult to defend Amazon’s value, but also to value the company in the first place. Amazon purposefully discloses as few details as possible. For example, in the company’s financials, revenues are only broken down into three segments: North America, International, and AWS. This makes it difficult to analyze the inner workings of the company and study them over time. For example, Amazon does not disclose the exact number of Prime subscribers, nor does it provide detailed information for any of their lines of business. For this reason, it is difficult to pinpoint and differentiate the segments that bring in profit for the company from those that do not.

For the purpose of my model, I broke Amazon down into six segments: AWS, Retail, Third Party, Subscription, Whole Foods, and Other. In order to project future cash flows for the next five years, I used expected growth rates based on analysts’ expectations and my own for each of these six segments in order to build out expected revenue cash flows (Desjardins). I used five-year historical average percentages to estimate line items such as COGS, other operating and non-operating expenses, and capital expenditures. I then analyzed three potential growth scenarios – expected, optimistic, and pessimistic. All figures are in millions of dollars.

Table 1 shows expected forecasted revenues based on the following growth rates: 18% AWS, 13% Retail, 25% Subscriptions, 22% Third Party, 15% Other, and 1.95% Whole Foods (Kim, Tae). Across all six segments, the compound annual growth rate is 15%.

Table 1: Expected Forecasted Revenues

REVENUE GROWTH (EXPECTED)						
SEGMENT BREAKDOWN	HISTORICAL	2018E	2019E	2020E	2021E	2022E
AWS	$ 17,459	$ 20,602	$ 24,310	$ 28,686	$ 33,849	$ 39,942
RETAIL	$ 91,400	$ 103,282	$ 116,709	$ 131,881	$ 149,025	$ 168,399
SUBSCRIPTIONS	$ 6,400	$ 8,000	$ 10,000	$ 12,500	$ 15,625	$ 19,531
THIRD PARTY	$ 23,000	$ 28,060	$ 34,233	$ 41,765	$ 50,953	$ 62,162
OTHER	$ 2,900	$ 3,335	$ 3,835	$ 4,411	$ 5,072	$ 5,833
WHOLE FOODS	$ 15,700	$ 16,006	$ 16,318	$ 16,636	$ 16,961	$ 17,292
TOTALS	$ 156,859	$ 179,285	$ 205,405	$ 235,878	$ 271,485	$ 313,159

Table 2 shows conservative forecasted revenues based on the following growth rates: 14% AWS, 10% Retail, 17% Subscriptions, 16% Third Party, 12% Other, and 1.6% Whole Foods (Blankenhorn). Across all six segments, the compound annual growth rate is 12%.

Table 2: Conservative Forecasted Revenues

REVENUE GROWTH (CONSERVATIVE)						
NET SALES AMOUNTS	HISTORICAL	2018E	2019E	2020E	2021E	2022E
AWS	$ 17,459	$ 19,903	$ 22,690	$ 25,866	$ 29,488	$ 33,616
RETAIL	$ 91,400	$ 100,540	$ 110,594	$ 121,653	$ 133,819	$ 147,201
SUBSCRIPTIONS	$ 6,400	$ 7,488	$ 8,761	$ 10,250	$ 11,993	$ 14,032
THIRD PARTY	$ 23,000	$ 26,680	$ 30,949	$ 35,901	$ 41,645	$ 48,308
OTHER	$ 2,900	$ 3,248	$ 3,638	$ 4,074	$ 4,563	$ 5,111
WHOLE FOODS	$ 15,700	$ 15,951	$ 16,206	$ 16,466	$ 16,729	$ 16,997
TOTALS	$ 141,159	$ 157,859	$ 176,631	$ 197,745	$ 221,507	$ 248,267

Table 3 shows optimistic forecasted revenues based on the following growth rates: 22% AWS, 17% Retail, 27% Subscriptions, 27% Third Party, 16% Other, and 2.25% Whole Foods (Morningstar). Across all six segments, the compound annual growth rate is 20%.

Table 3: Optimistic Forecasted Revenues

REVENUE GROWTH (OPTIMISTIC)						
NET SALES AMOUNTS	HISTORICAL	2018E	2019E	2020E	2021E	2022E
AWS	$ 17,459	$ 21,300	$ 25,986	$ 31,703	$ 38,678	$ 47,187
RETAIL	$ 91,400	$ 106,938	$ 125,117	$ 146,387	$ 171,273	$ 200,390
SUBSCRIPTIONS	$ 6,400	$ 8,128	$ 10,323	$ 13,110	$ 16,649	$ 21,145
THIRD PARTY	$ 23,000	$ 29,210	$ 37,097	$ 47,113	$ 59,833	$ 75,988
OTHER	$ 2,900	$ 3,422	$ 4,038	$ 4,765	$ 5,622	$ 6,634
WHOLE FOODS	$ 15,700	$ 16,053	$ 16,414	$ 16,784	$ 17,161	$ 17,548
TOTALS	$ 141,159	$ 168,998	$ 202,561	$ 243,078	$ 292,056	$ 351,344

From the forecasted revenues, I derived net income and free cash flow. Table 4 summarizes Amazon's Free Cash Flow for all three scenarios.

Table 4: Amazon's Expected Free Cash Flow

FREE CASH FLOW					
SCENARIOS	2018	2019	2020	2021	2022
EXPECTED	$ 8,468	$ 9,702	$ 11,141	$ 12,823	$ 14,791
CONSERVATIVE	$ 7,456	$ 8,343	$ 9,340	$ 10,462	$ 11,726
OPTIMISTIC	$ 7,982	$ 9,567	$ 11,481	$ 13,794	$ 16,594

Because of time value of money, it is important to discount these future cash flows into their present values. Weighted Average Cost of Capital (WACC) is commonly used to measure a firm's cost of capital based on debt and equity. It is commonly used as a "hurdle rate" because it represents the minimum rate of return at which a company produces value for its investors. I calculated Amazon's weighted average cost of capital (WACC) to be 8.53%, which is based off of Amazon's current equity and debt balances. The equity portion of the WACC calculation is calculated using the Capital Asset Pricing Model (CAPM), which includes the following components: the risk free rate (which represents the opportunity cost of the riskless return a company could receive if equity is invested), beta (which represents the volatility of a company relative to the overall market), and equity market premium (the expected return from the market less the risk free rate). I used the 10-year Treasury yield as the risk free rate and used Demoderan's website for the equity risk premium and Amazon's beta. The debt portion of the WACC calculation is derived from multiplying the average interest rate paid on debt times the interest tax shield, which is the tax savings a company achieves from taking advantage of the tax-deductible interest rate payments. Table 5 displays all components used to calculate Amazon's WACC.

Table 5: Amazon's Weighted Average Cost of Capital

WACC Calculation	
Cost of Equity	8.43%
Equity Risk Premium	5.08%
Beta	1.16
Treasury RFR	2.86%
% Equity	96.27%
Equity Balance	$ 680,654,442,000
Cost of Debt	0.10%
Average Interest Rate	3.21%
Tax Rate	20.20%
% Debt	3.73%
Debt Balance	$ 26,400,000,000
Weighted Average Cost of Capital	8.53%

Next, I used the WACC to discount the forecasted revenues in all three scenarios. Table 6 summarizes Amazon's discounted free cash flows for the next five years.

Table 6: Amazon's Discounted Free Cash Flows

DISCOUNTED FREE CASH FLOW					
SCENARIOS	2018	2019	2020	2021	2022
EXPECTED	$ 7,802	$ 8,237	$ 8,715	$ 9,242	$ 9,823
CONSERVATIVE	$ 6,870	$ 7,083	$ 7,306	$ 7,541	$ 7,788
OPTIMISTIC	$ 7,355	$ 8,122	$ 8,981	$ 9,943	$ 11,021

A logical test after undergoing nearly any investment is to calculate the breakeven point. However, the breakeven for this acquisition is difficult to calculate because the company will not breakeven from grocery sales alone. Rather, the cost savings from prime real estate locations and easier access to America's upper middle class, combined with increased sales from a growing base of loyal customers, will make this deal profitable for Amazon.

After undergoing substantial financial analysis and reading countless analyst reports, I believe that Amazon overpaid for the Whole Foods acquisition. While the company may be setting itself up for future success, I think there are a lot of obstacles between where Amazon currently stands and where they see themselves in the future, specifically with supply chain implications and innovations such as Prime Air. Considering that the value of Whole Foods' assets were approximately $3 billion, Amazon paid a premium of 350%. The majority of this premium will likely be added as goodwill on their balance sheet for several years to come. As a company, Amazon has been able to impressively grow in nearly any facet that can be analyzed (number of employees, number of distribution centers, scope of innovations, etc.) However, I think that after this acquisition in particular, Amazon is feeling a substantial amount of pressure from shareholders and stakeholders alike to not only prove that this was a worthwhile investment, but also to prove that the company is able to efficiently and effectively manage itself. As the company continues to grow and undertake more and more projects, more and more people will be impacted by this large corporation's decisions. When corporations grow too fast, they can quickly become overextended. This makes them harder to manage and control.

Amazon is constantly jumping from one thing to the next and I think sooner or later the company the company will realize the repercussions. Amazon's 10-year average growth rate from 2006 to 2015 was an impressive 28.8 percent. During that same period, the lowest YoY revenue growth was 19.5 percent in 2014 and the highest YoY revenue growth was over 40 percent in both 2010 and 2011 (Downie). However, when looking at what analysts and myself predict for the next five years, the expected compound annual growth rate is only 15 percent. In other words, the company is simply not growing as fast as they did in the past. I do not believe that Amazon will be able to keep up with the same pace of growth they enjoyed last decade, which is why the massive premium they paid for Whole Foods is not something that should be overlooked.

Chapter 10

Conclusion

Impacts on Other Industries

As more and more time passes after the summer 2017 acquisition announcement, research experts analyze other industries that could potentially be impacted by Amazon. Nearly every week there is an announcement that catches experts and consumers alike off-guard. A recent example of this is that Amazon now has the ability to severely disrupt the pharmaceutical industry. I find it interesting to think about the sheer number of experts who have written articles about which industries they think will be impacted by this “behemoth company”. Right after the Whole Foods announcement, a lot of the focus was on other grocers, such as Walmart, Target, and Kroger, and wholesalers, such as Costco and BJs. Now people are talking about the implications not only this deal, but essentially how Amazon as an entity will have implications on companies such as UPS, Starbucks, and virtually everyone in the pharmaceutical industry after the announcement that they quietly acquired wholesale pharmacy licenses in 12 states with very little talk prior to obtaining the licenses (Gakling). Fundamentally, the debate is how Amazon will utilize the acquisition of the Whole Foods footprint, improve Amazon Prime, and capture Whole Foods’ wealthy customer base to continue growing and capturing market share.

But Is It Really About Groceries?

Looking at all of this, it is important to take a step back and keep in mind that even after analyzing all of the details, in the scope of the U.S. grocery industry, the combination of Whole Foods and Amazon's own grocery sales only total roughly 2 percent of the entire market. And despite declines in the stock prices of several industry giants such as Walmart, Costco, and Kroger immediately after the Amazon-Whole Foods announcement, their stocks more than rebounded in the following months. At the time of the acquisition, Whole Foods had seen comparable sales decline for eight straight quarters before the merger. Although Whole Foods has a strong brand in natural foods, their competitors continue to launch competing private-label products, something with which Whole Foods has struggled to respond (Bowman).

So while other grocers deserve attention when considering this deal, it is important to recognize that just maybe this was Amazon's way of acquiring an existing company's infrastructure to be involved in the "real, physical lives of everyday Americans" (Griswold). Amazon has proved itself to be capable of giving customers what they want by consistently offering new innovations and integrating their loyal base of Prime members. When looking at essentially the same affluent customer base, prime real estate locations, and quality product offerings in something Amazon has been struggling with since 2007 with their launch of AmazonFresh, Whole Foods appeared to be the pot of gold at the end of the rainbow (Singh). The merger quickly helped their supply chain and distribution center in a time where the company is aggressively attempting to perfect and launch their Amazon Prime Air program. The new infrastructure has endless potential, which suggests that the acquisition might not have been about groceries at all.

Final Analysis

After analyzing both Amazon and Whole Foods, one can see that this acquisition offers both infinite opportunity for creating value and growth as well as numerous risks and uncertainties. Will Amazon succeed in the brick and mortar world, the world in which they spent the last twenty years trying to steal sales from by shifting sales online? Analysts continue to disagree about how Amazon is valued and just how long the company can continue chasing growth without contributing much to net profit. Now that Amazon has acquired these new assets, will they finally be able to profitably compete in the grocery business? Will acquiring Whole Foods be the strategic decision that allows Amazon to continue its aggressive growth strategy, or will it be the final straw that makes Amazon take a step back and finally pull the profit switch that they have been avoiding for the last twenty years? In a time when Amazon is now more than ever focused on growth, as demonstrated by the search for their new HQ2 and their interests in expanding into other industries, the ultimate outcome of the Whole Foods acquisition comes down to one thing: accretive earnings.

If Amazon can continue capturing and increasing additional sales and Prime members, and not only overcome the premium paid for Whole Foods, but prove it to be a strategic move that benefits the company’s other areas of business, the deal will be accretive to Amazon’s earnings. This will sooth investors and analysts alike as they continue to value this ambitious company that clearly has no intentions of slowing down their growth strategy.

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ACADEMIC VITA

EMILY R. WEILAND

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PERMANENT ADDRESS:
10641 WILLIAM PENN ROAD
IMLER, PA 16655

EDUCATION

The Pennsylvania State University **University Park, PA**
Schreyer Honors College, Smeal College of Business, and College of Liberal Arts *September 2014 – Present*
Bachelor of Science, Finance
Bachelor of Science, Spanish (Business Option)
Minor in International Business
Real Estate Analysis and Development (READ) certificate

CIEE and Universidad de Sevilla **Seville, Spain**
Liberal Arts Study Abroad Program (all coursework completed in Spanish) *January 2017 – May 2017*

EXTRACURRICULAR INVOLVEMENT AND LEADERSHIP SKILLS

Schreyer Honors College Student Council **University Park, PA**
Treasurer, Accepted Students Programs Volunteer, and Nittanyville Co-Chair *September 2014 – Present*
- Managed all Schreyer Honors College merchandise from Fall 2015 to Spring 2016
- Organized a committee, delegated tasks, and led sales for prospective students, current students, and alumni
- Managed inventory, placed purchase orders, and implemented new designs
- Provided tours of honors housing and participated in a student panel to help graduating high school seniors learn more about Penn State's prestigious honors college and the university as a whole
- Coordinated multiple groups for Nittanyville, which is a tradition at Penn State in which students camp out at Beaver Stadium the week leading up to home football games for front row seats

National Association of Home Builders Student Chapter **University Park, PA**
Lead Financial Analyst *August 2016 – January 2018*
- Worked collaboratively on a team to complete a ~100 page development proposal and prepare a presentation to be delivered in Orlando, FL at the International Business Show based on land development, project management, architecture, marketing, and finance components
- Placed first in the 2018 team competition and received an Outstanding Student Award

Resident Assistant **University Park, PA**
Schreyer Honors College Special Living Option *August 2016 – Present*
- Advocated for Penn State's values and fostered an inclusive and safe environment for residents and staff by enforcing housing and university rules and regulations in the residence hall
- Coordinated events for a diverse group of people and budgeted accordingly for weekly events both independently and along with other Resident Assistants

Real Estate Society **University Park, PA**
General Body Member *August 2015 – Present*
- Researched career opportunities and trends in the real estate industry to share with club members
- Traveled to Washington, D.C. and Fairfax, VA to learn about property development and growth in two very different growing districts
- Engaged with top leaders in the industry by completing Real Estate Boot Camp

International Business Association **University Park, PA**
Fundraising Chair and South America World Cultures Team *September 2014 – May 2016*
- Raised money and organized fundraisers to help with costs associated with International Night, the signature event open to the entire college
- Worked with fellow members in the South America sector to deliver current event updates to the club

Global Business Brigades **Arimae, Panama**
Spring 2015 International Volunteer *September 2014 – May 2015*
- Created and delivered interactive financial literacy workshops about honesty and reputation, payment culture, and debt crisis for the indigenous Arimae community
- Established a basic accounting ledger for a self-employed plantain farmer in a team setting
- Developed an equity-based finance plan to expand cultivated land to grow the business

WORK EXPERIENCE

PNC Financial Services **Charlotte, NC**
Real Estate Banking Intern *June 2017 – August 2017*
- Prepared lease abstracts, portfolio analyses, and market research
- Underwrote and presented a $42.1MM construction loan to PNC's top real estate executives

First National Bank **State College, PA**
Banking Services Associate *November 2015 – December 2016*
- Worked with senior management to plan a Grand Opening at F.N.B's first digital banking center
- Strategized the best way to advocate student checking accounts for the Penn State community while focusing on the convenient daily use of mobile deposits and innovative banking technologies

First National Bank **Hollidaysburg, PA**
Floating Bank Teller, Blair County *June 2015 – August 2015*
- Verified customer transactions while making deposits and withdrawals from checking, saving, and certificate of deposit accounts