



Merger Analysis

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What is Amazon?

- **Founded by Jeff Bezos in 1994**
- **Started online as a bookstore**
- **Grown to a multinational technology and e-commerce company**
- **Is now one of the world's largest retailers**
- **Best known for its digital services like Amazon Prime, Amazon Alexa, and Prime Video**



Deal Overview

Who merged with whom?

Whole Foods Market Inc.
merged with Amazon Inc.

Deal Value

\$13.7 billion USD

Announcement & Completion Dates

Announcement: June, 16th 2017
Completion: August, 29th 2017

Deal Structure

All cash deal at \$42 per share

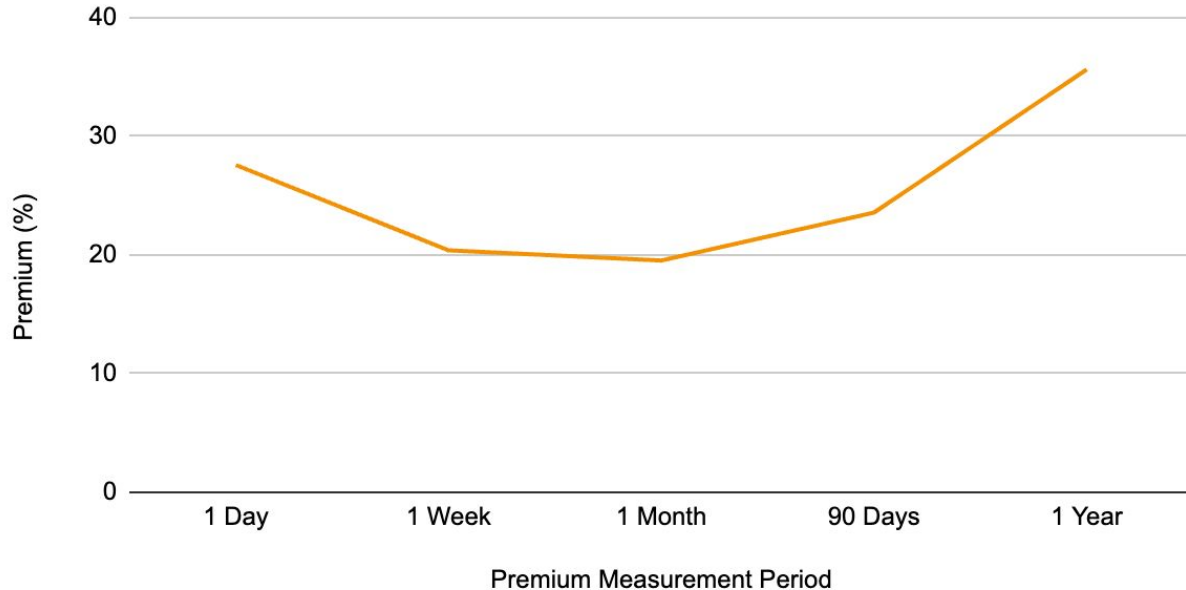
Why Pursue the Merger?

Strategic Rationale	Financial Value Creation
Instant entry into a massive, hard-to-penetrate U.S. grocery market, giving Amazon an immediate national brick-and-mortar presence instead of slowly building its own chain (<i>IMD</i>).	<ul style="list-style-type: none">• Revenue enhancement & reduction in capital needs
Strengthening Amazon Prime and loyalty economics by integrating grocery into Prime benefits and deepening customer engagement (<i>LEK</i>).	<ul style="list-style-type: none">• Revenue enhancement
Access to a valuable “treasure trove” of consumer data, enhancing Amazon’s data-driven retail and personalization capabilities (<i>Forbes</i>).	<ul style="list-style-type: none">• Cost Reduction & synergy
Acquisition of Whole Foods’ strong private-brand product portfolio, expanding Amazon’s higher-margin branded offerings (<i>Forbes</i>).	<ul style="list-style-type: none">• Revenue enhancement & lower taxes

Premium Analysis

Premium paid Over Whole Food's Stock Price

Amazon paid \$42 per share



- The premium gets smaller from 1 day to 1 month → Whole Foods' stock had been going up before the deal.
- The premium gets bigger at 90 days and 1 year → the stock was much cheaper further back in time.
- There was a small, gradual rise in Whole Foods' stock before the announcement.
- No big or suspicious spike—just normal movement.

Industry Context

- Grocery represented a major gap in Amazon's retail empire, and Whole Foods offered a rapid path into one of the largest consumer spending categories (*Forbes*).
- Groceries are among the biggest household expenditure categories, and acquiring Whole Foods positioned Amazon to become a national grocery competitor overnight rather than remaining primarily an online retailer (*Forbes*).
- Competitive pressure from Walmart, traditional grocers, and emerging online grocery players made accelerated entry into brick-and-mortar grocery strategically necessary (*IMD*).



Acquirer's Financial Health: Amazon

Amazon		
In Millions of USD	2015	2016
Size & Scale		
Revenue	\$107,006	\$135,987
Total Assets	\$64,747	\$83,402
Profitability		
ROE	4.94	14.52
ROA	1.00	3.20
Financial Strength		
Total Debt-to-Equity	131.04	105.83

- **Rapid growth:** Revenue and assets rose from 2015–2016.
- **Higher profitability:** ROE and ROA strengthened heading into the deal.
- **Stronger balance sheet:** Debt-to-equity declined, boosting financial capacity.

Target's Financial Health: Whole Foods

Amazon			Whole Foods	
In Millions of USD	2015	2016	2015	2016
Size & Scale				
Revenue	\$107,006	\$135,987	\$15,389	\$15,724
Total Assets	\$64,747	\$83,402	\$5,741	\$6,341
Profitability				
ROE	4.94	14.52	14.14	14.50
ROA	1.00	3.20	9.33	8.39
Financial Strength				
Total Debt-to-Equity	131.04	105.83	1.72	32.60

- **Steady growth:** Revenue and assets increased modestly from 2015–2016.
- **Solid profitability:** ROA ~9% and ROE ~14% showed strong returns.
- **Rising financial risk:** Debt-to-equity jumped from 1.72 to 32.60, signaling significant leverage pressure.

Deal Metrics Analysis

.86

Revenue Total Transaction Value Multiple

For every \$1 of Whole Foods' revenue, we paid about \$0.86 in total enterprise value.

- Whole Foods topline was solid
- Acquire meaningful scale without paying an excessive sales multiple
- Unlock growth through integration with Prime, logistics optimization, and price investments.

1.36

Market Cap Equity Transaction Val Multiple

We paid 1.36 times Whole Foods' pre-deal market capitalization.

- Expectation that Whole Foods would be more valuable to us than as a standalone public company

19.27

EBIT Total Transaction Value Multiple

We paid 19.27 times Whole Foods' earnings before interest and taxes.

- Although the EBIT multiple appears high → Grocery is a low-margin business by nature.
- Saw clear opportunities to expand margins post-acquisition.

64.33

Free Cashflow Equity Transaction Val Multiple

We paid 64 times Whole Foods' free cash flow.

- Very high, primarily because Whole Foods' FCF had been declining pre-acquisition.
- We paid a high multiple on CF because we believed we could dramatically improve Whole Foods' cash-generation.

Post-Merger Performance

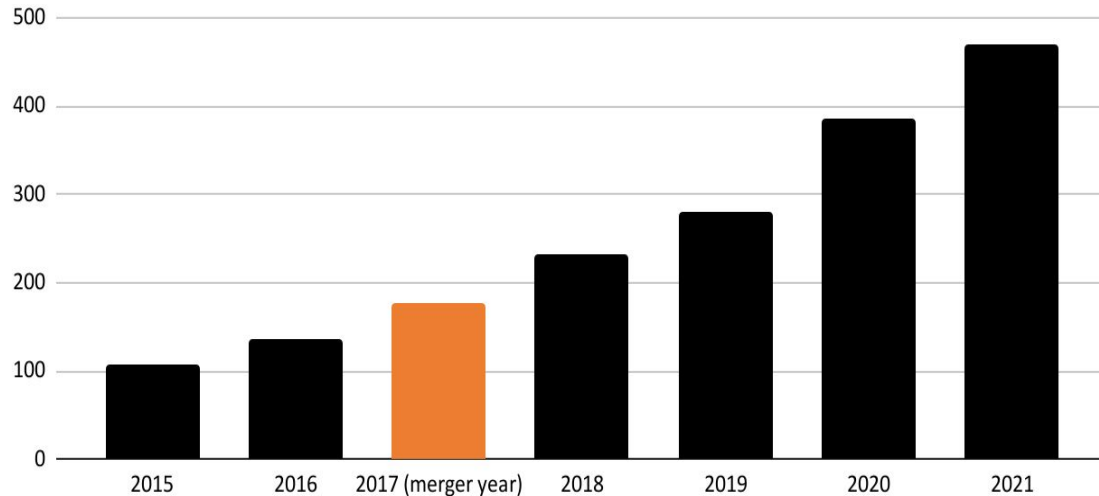


Revenue & Growth Performance:

Revenue improved significantly post-merger, both in absolute and percentage terms, and Whole Foods contributed direct and indirect revenue synergies

Amazon Revenue (2015-2021)

in billions

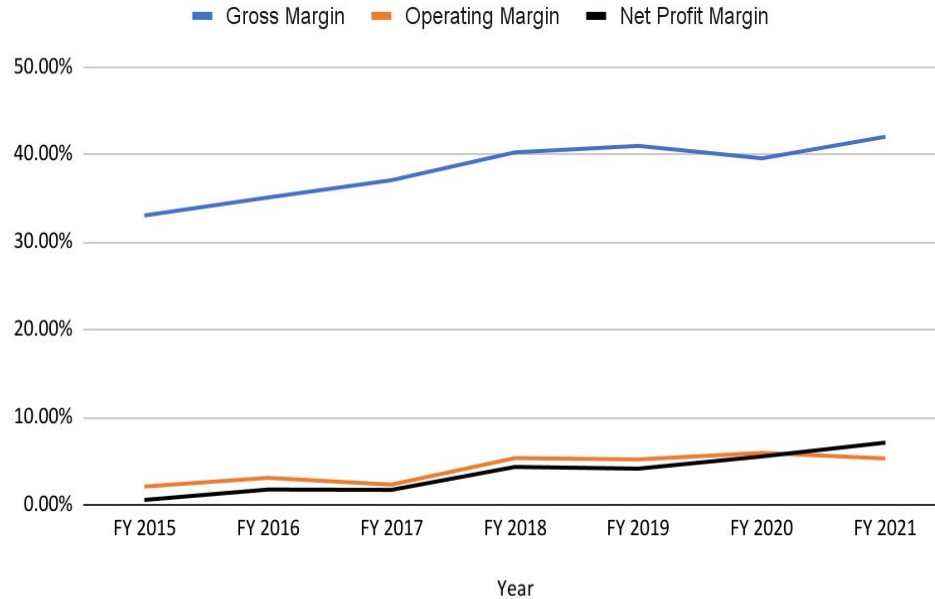


- \$16B revenue since acquisition
- Whole Foods contributed through introduction of Amazon Fresh, Prime grocery benefits, and last-mile efficiencies

Profitability Evolution:

Margins improved significantly after the acquisition, supporting the conclusion that we achieved meaningful cost synergies through scale, logistics efficiencies, and omnichannel grocery integration.

Margin Analysis: Amazon (2015-2021)

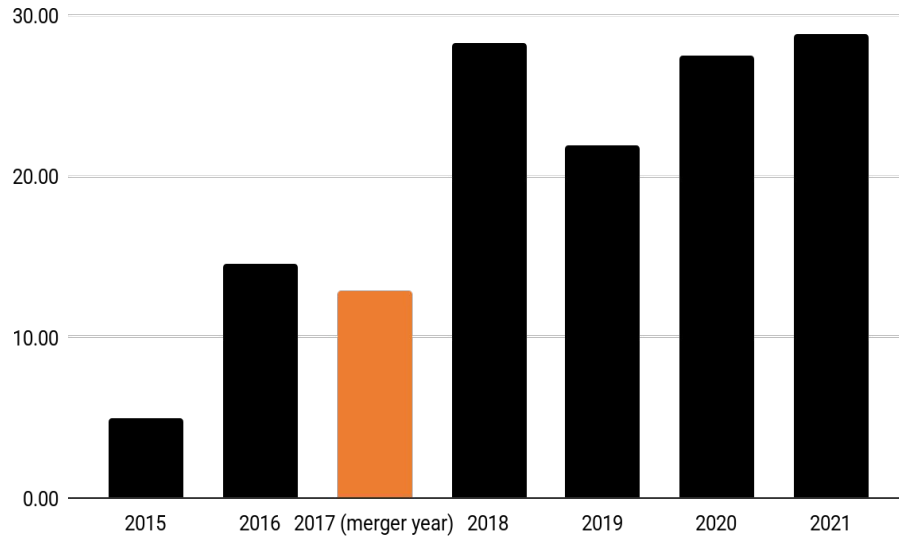


- Direct Cost Synergies:
 - Whole Foods stores reduced Amazon's last-mile delivery costs
 - Amazon used Whole Foods locations as fulfillment nodes
 - Grocery purchase volume increased Amazon's bargaining power with suppliers
 - Consolidation of logistics + procurement lowered operating expenses

Return Metrics

Prior to the merger, ROE averaged about 10%. Following the merger, ROE consistently rose into the 20–28% range, doubling to tripling our return on shareholder equity over the eight years.

Amazon ROE (2015-2021)



- Prior to the merger, ROE ~ 10%. Following the merger, ROE ~ 20–28% range
- Direct synergies: integrating Whole Foods into our last-mile delivery network
- Indirect synergies through strengthened Prime engagement and better asset utilization.

Overall Assessment



The Whole Foods acquisition was a strategically and financially successful decision.

Why It Was the Right Call:

- We paid a fair premium at reasonable valuation multiples. → entering the grocery space
- The all-cash structure avoided dilution and reflected strong financial capacity.
- Margins improved post-merger through scale and efficiency gains. → increase in consumer data
- ROE doubled (from ~10% to 20–28%), demonstrating clear value creation. → increased prime utilization

Overall, the merger strengthened Amazon's long-term competitive position and created substantial shareholder value.

thank you!



Sources



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