Internet

Agentic Shoppers Are Coming… Who Could Win or Lose?

By enabling personalized digital shoppers, we believe agentic will be a paradigm shift for e-commerce. With greater digitization of consumers' wallets, agentic could add up to $115bn to our '30 e-comm forecast and shake up the e-comm funnel with implications across retailers and digital ad players.

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Key Takeaways

- Agentic commerce is on the horizon and we believe is set to be the next substantial GenAI-enabled unlock.

- Personalized shopping agents will increase consumer utility and unlock further digitization of consumers' wallets, adding up to ~$115bn/~6% to '30 e-comm spend.

- We detail a "5 I's" framework for retailers on agentic risks/opportunities with a focus on incrementality and profitability (pos AMZN/WMT/M; neg LULU/FIVE).

- Within digital advertising, leading reach platforms will become more valuable while retail media and open web are at risk (pos META/APP; mixed TTD)…

- …as search (GOOGL) faces an agentic "take rate" transition creating a new debate: Will lower take rates be offset by more paid traffic and transactions?

Agentic Commerce is on the Horizon as the Next Key GenAI-Enabled Advancement: It has been three years since the release of ChatGPT and GenAI related investment and innovation continue to ramp. For perspective, we expect cumulative data center capex from the leading six players to reach ~$1.7tr from '25-'27. But this investment is already leading to improved machine learning and a multitude of new GenAI enabled products that are driving early, but budding sources of consumer and enterprise utility and productivity… and ROIC on the investment. **We believe agentic commerce – in effect the ability to have a personal digital interactive shopper – is set to be the best next substantial GenAI-enabled unlock.**

Exhibit 1: We See Early Agentic Offerings Emerging From Leading Platforms and Retailers

Source: Company Data, Morgan Stanley Research

Early agentic shopping offerings are starting to emerge from leading platforms like Alphabet and OpenAI, and retailers like Amazon and Walmart. **We see the consumer "e-commerce funnel" evolving to be more conversational, personalized, interactive**… with a personal shopping agent that is always on. Searching for difficult to find items, suggestions on pairing groups of items, real time and continuous price comparison, and automated recurring purchases (like groceries) are set to become your personal digital shopping agent's tasks… that will further increase the consumer value and utility of e-commerce.

Exhibit 2: Shopping Agents Will Offer Improved Research and Discovery across Multiple Sites with Context and Personalization
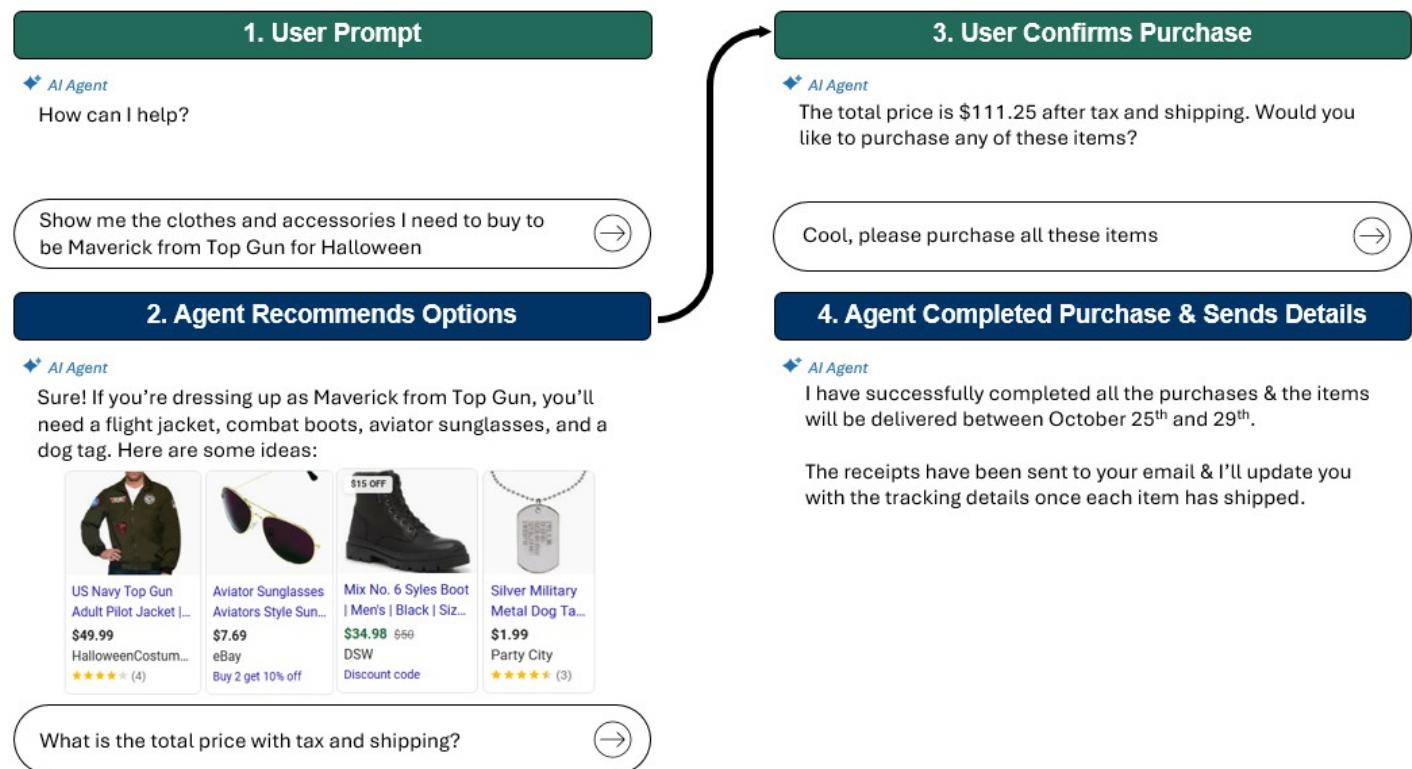
Source: Google, Morgan Stanley Research

Exhibit 3: Some Agentic Capabilities will be Revolutionary...Like Recurring Grocery Shoppers

Source: Instacart, Morgan Stanley Research

Exhibit 4: We See Agentic Commerce Bringing Multiple New Sources of Utility to Consumers...and Ultimately Leading to More Durable Multi-Year E-commerce Growth


Higher Consumer Utility Leads to Further Digitization of Consumers' Wallets and More Durable E-Commerce and Digital Ad Growth

Source: Morgan Stanley Research

Some Agentic Features Will be Evolutionary (Happen Faster) While others will be Revolutionary: In the recent words of Amazon CEO Andy Jassy, **"**The promise is that AI and agentic commerce solutions are going to expand the amount of shopping that happens online. And I think that's really good for customers." We think higher utility offerings will lead to further digitization of consumers' wallets, as our bottom-up user adoption and retail category-level agentic commerce model shows how **agentic could add ~$50bn to ~$115bn to US e-commerce spend by '30.** We benchmark our adoption curves vs. e-commerce in the 1990s and mobile e-commerce in the 2010s, with **agentic reaching 10% e-commerce share in our base case and 20% in our bull case by 2030.** *Please let us know if interested in our interactive agentic e-commerce model.*

Exhibit 5: We See Agentic E-commerce Adding More Than 100bp/300bp to Annual Growth by '30 in our Base/Bull Cases...

US E-Comm Y/Y Growth - Bull v. Base v. Bear
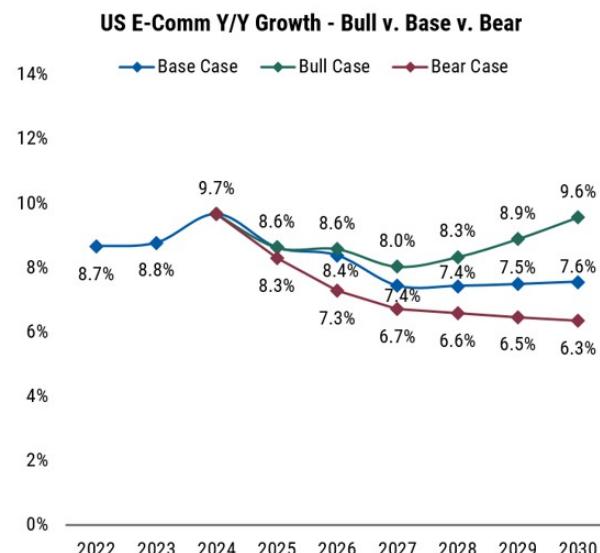
Source: Census Bureau, Company Data, Morgan Stanley Research

Exhibit 6: ...as Agentic Spend Reaches ~10%/20% of total E-commerce spend by 2030 in our Base/Bull Case


Share of E-Commerce Spend
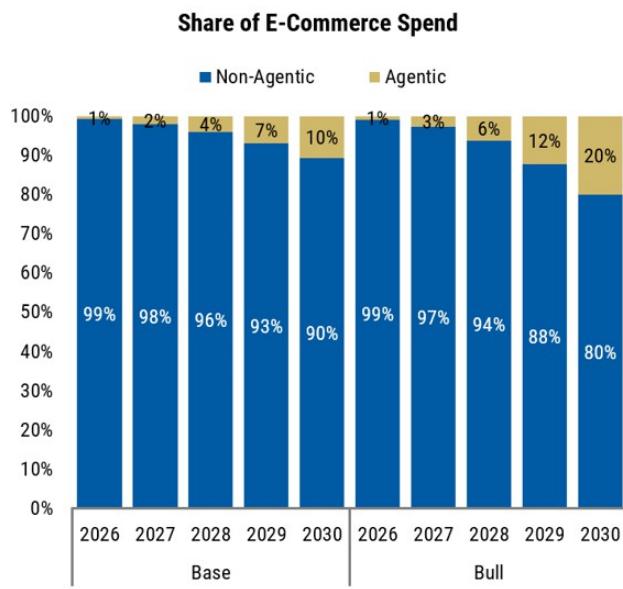
Source: Morgan Stanley Research

Creating Risks and Opportunities for Retailers and Digital Ad Platforms: Search (GOOGL) is set for an agentic transition. Retail media, the open web, and direct traffic are most at risk of being cannibalized while leading reach-based platforms with strong performance ad tools (META, YouTube, APP) could become more valuable for brand, product and new business building. This has implications for retailers and digital ad players.

Exhibit 7: Current E-Commerce Funnels of Search, Social and Direct Traffic Are Set to All Be Impacted by Agentic Agents..
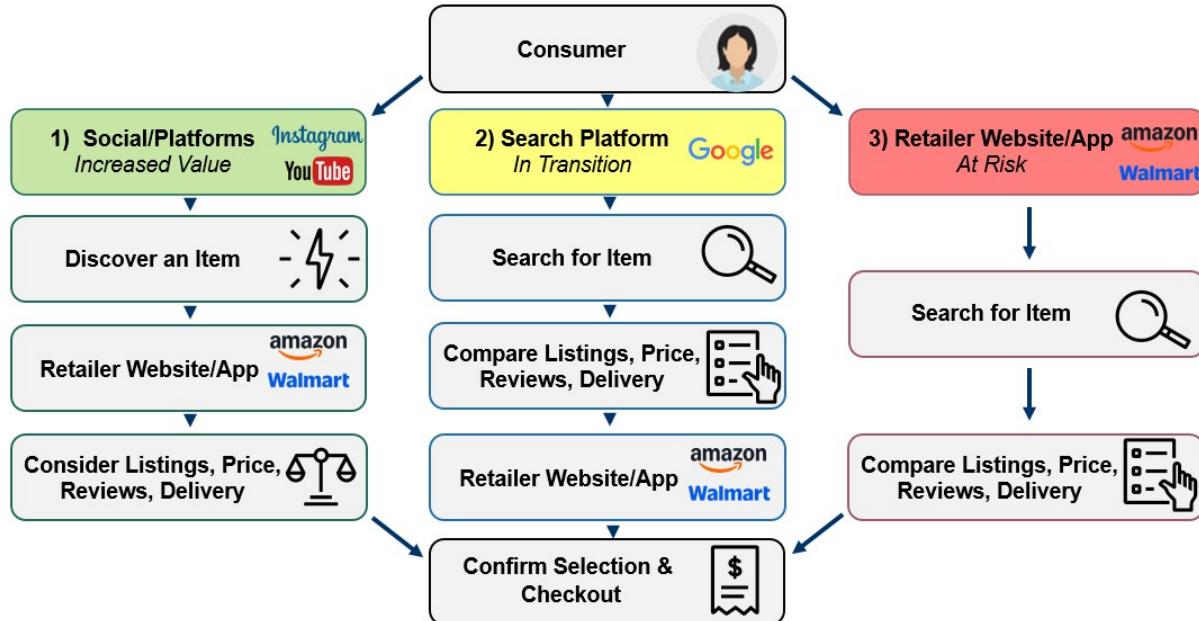
Source: Morgan Stanley Research

Exhibit 8: ...As Agents Create More Personalized, Interactive and Direct E-commerce Tools
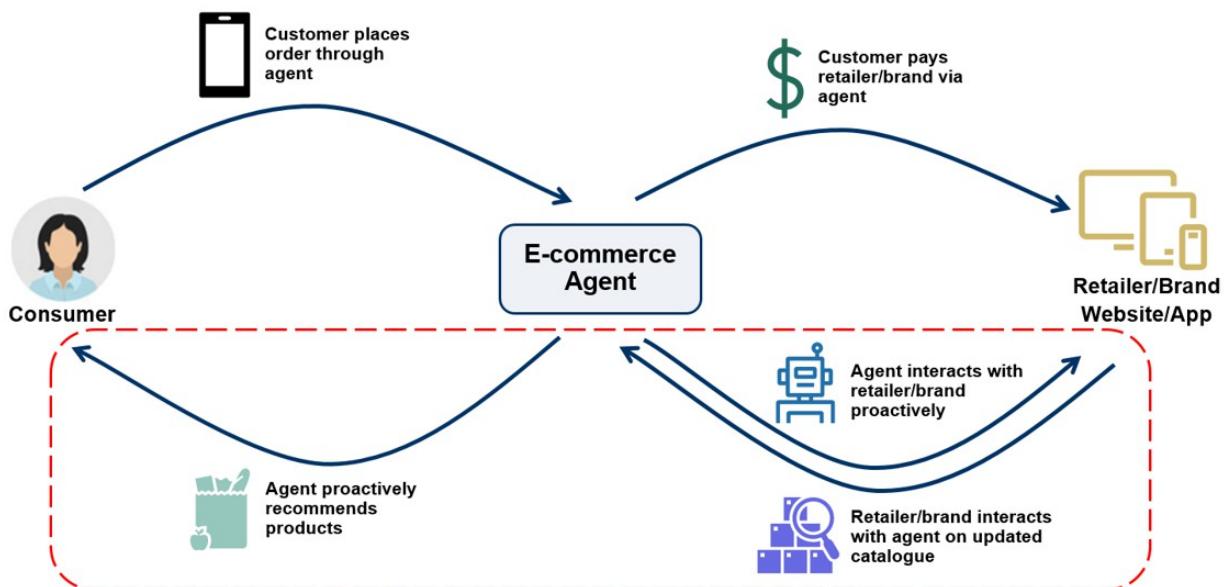
Source: Morgan Stanley Research

The Agentic Impact on Retailers: A "5 I's" Framework Highlighting Risks and Opportunities: How is each retailer positioned for this agentic shift? Our "5 I's" retailer agentic commerce framework (Inventory, Infrastructure, Innovation, Incrementality, Income Statement) highlight the opportunities and risks of partnering with next generation platform agents vs. investing to build first party agentic offerings.

Having unique and competitively priced inventory, the physical infrastructure to quickly and cheaply deliver items, and a strong ability to innovate will be key to defend existing share. The growth opportunity for retailers that have the superior physical supply chains, strong competitive scale, and access to large amounts of consumer data will become larger as agentic can accelerate customer acquisition and e-commerce growth.

But there are risks such as retailers relying on retail media advertising for significant earnings contribution which face potential income statement disruption as third party agents (OpenAI, Alphabet, etc) potentially displace direct or on-platform traffic. As such, **studying and proving incrementality to these transactions** (and market share gains with core categories) **is crucial**.

Applying this lens to our e-commerce coverage, we see the best positioned companies as **AMZN** given deep fulfillment/customer moats and grocery opportunity; **EBAY** with unique breadth and depth of inventory; and **RVLV** which has captured share during past tech transitions. With that said, even those best positioned must be mindful and strategic to avoid retail media traffic disruption. We see the least favorably positioned players as **ETSY** whose high take rate could come under pressure; **FIGS** given high search exposure and premium pricing; and **CHWY** which has high share within pet and sells largely commoditized products.

Exhibit 9: Our "5 I's" Retailer Agentic Commerce framework highlights the opportunities and risks of partnering with next generation platform agents vs. investing to build first party capabilities and deeper customer relationships

Company	Inventory	Infrastructure	Innovation	Incrementality	Income Statement	Average
	Agentic Defensibility			Potential for Incrementality		
amazon	🟩	🟩	🟩	🟨	🟥	🟩
ebay	🟩	🟨	🟨	🟨	🟨	🟩
REVOLVE	🟨	🟥	🟨	🟩	🟩	🟩
chewy	🟥	🟩	🟨	🟥	🟩	🟨
Etsy	🟥	🟨	🟨	🟩	🟨	🟨
PELOTON	🟩	🟥	🟨	🟥	🟩	🟨
FIGS	🟩	🟥	🟥	🟥	🟩	🟧

Source: Morgan Stanley Research

For Hardlines/Broadlines/Food Retail, the emergence of Agentic Commerce presents both opportunities and risks. The opportunity for those retailers that have superior physical supply chains, strong competitive scale, and access to large amounts of consumer data is that Agentic AI can accelerate customer acquisition and e-commerce growth. Conversely, for those retailers that rely on retail media for a significant earnings contribution, external AI Agents could potentially displace some of this advertising income.

We view **W** as best positioned to capitalize on the opportunity thanks to its established tech stack and early AI lead, CastleGate logistics network, and no meaningful retail media downside. **COST** and **WMT** also rank highly, thanks to their scale, established supply chain net-

works and membership bases, and depth of inventory. In WMT's case, we estimate Walmart Connect retail media income represents ~10% of enterprise-wide earnings, although downside risks from Agentic Commerce are limited, in our view.

At the lower end of the table, **DLTR** and **FIVE** screen as least favorably positioned, given low-price point, less differentiated assortment, little to no digital mix, highly promotional cadence, and dependence on wholesale suppliers. In addition, **AAP** is also weakly positioned given years of underinvestment in supply chain and technology, and competitive disadvantage in its assortment/speed of service.

Exhibit 10: Our "5 I's" Framework Applied to our Hardlines/Broadlines/Food Retail Coverage

Company	Inventory	Infrastructure	Innovation	Incrementality	Income Statement	Average
	Agentic Defensibility			Potential for Incrementality		
wayfair						
Costco Wholesale						
Walmart						
O'Reilly Auto Parts						
The Home Depot						
AutoZone						
Dick's Sporting Goods						
Lowe's						
Williams Sonoma						
Kroger						
BJ's Wholesale Club						
RH						
Albertsons						
Tractor Supply Co						
Best Buy						
Ulta Beauty						
Target						
Arhaus						
Dollar General						
Floor & Decor						
Ollie's Good Stuff Cheap						
Dollar Tree						
Advance Auto Parts						
Five Below						

Source: Morgan Stanley Research

For Softlines Retail & Brands, we scored our companies across four key metrics: (1) inventory, as determined by category demand elasticity, with more elastic categories (e.g., apparel) less differentiated; (2) infrastructure/innovation, as determined by AI transcript mentions; (3) incrementality, as determined by (a) level of promotions offered, (b) DTC exposure, and (c) branded/3P product exposure – with fewer promotions, greater direct exposure, and lower branded/3P mix viewed as more favorable; and 4) income statement, as determined by EBIT benefit from AI-related cost savings (more here). Based on this framework, **BBWI, M, VSCO, and WRBY** screen as the most favorably positioned, supported by (1) less elastic, more differentiated category exposure (i.e., beauty, home, and eyewear); (2) frequent AI transcript mentions for M, VSCO, and WRBY; (3) predominantly direct channel and owned product exposure for BBWI, WRBY, and VSCO; and (4) significant potential AI-driven cost savings opportunity for M and VSCO. On the other hand, **LULU** and **PVH** screen as least favorably positioned, driven by (1) more elastic, less differentiated category exposure (i.e., apparel); 2) low AI transcript mentions, 3) higher wholesale exposure and promotional levels for PVH; and 4) low EBIT uplift from AI-driven cost savings for LULU.

Exhibit 11: Our "5 I's" Framework Applied to our Softlines Retail & Brands Coverage

Company	Inventory	Infrastructure/ Innovation	Incrementality	Income Statement	Average
	Agentic Defensibility		Potential for Incrementality		
Bath & Body Works	green	yellow	green	yellow	light green
macy's	green	green	red	green	light green
Victoria's Secret	yellow	green	yellow	green	light green
WARBY PARKER	green	green	green	red	light green
allbirds	green	yellow	green	green	light green
KOHL'S	green	green	red	green	light green
(Gildan)	green	green	yellow	red	light green
URBN	yellow	green	yellow	yellow	light green
AMERICAN EAGLE OUTFITTERS	red	yellow	green	green	yellow
Burlington	yellow	yellow	red	green	yellow
TORRID	yellow	red	yellow	green	yellow
GAP	red	green	yellow	green	yellow
UNDER ARMOUR	red	yellow	yellow	green	yellow
NIKE	green	red	red	yellow	orange
TJX	green	red	yellow	yellow	orange
AMER SPORTS	yellow	red	yellow	red	orange
Abercrombie & Fitch	red	red	yellow	yellow	orange
Levi's	red	green	red	yellow	orange
ROSS DRESS FOR LESS	yellow	yellow	red	yellow	orange
tapestry	red	yellow	yellow	green	orange
lululemon	red	red	yellow	yellow	orange
PVH	red	red	red	yellow	orange

Source: Morgan Stanley Research

Focus on Incrementality and Profitability = Meet Our Agentic Breakeven Curve: As noted above, retailers could potentially lose direct traffic as agentic scales... and with it the high margin retail media ad dollars that often make up the bulk of e-commerce profitability. As a result, incrementality to growth and the income statement impact will be critical to decision making as retailers begin paying third party agents commissions to capture transactions.

In a downside case, agentic commerce could play out like online travel or food delivery where marketplaces initially argued sales would be incremental, but ultimately cannibalized existing transactions and pressured margins. **Our retailer agentic breakeven curve analysis shows that retailers will need an average of ~50% of agentic transactions to be incremental** in order for this to be EBIT breakeven at a 5% fee. That is a tall order, highlighting the direct traffic/retail media risk. Through this lens, we think AMZN, WMT, TGT, and EBAY face higher margin risk from third party agentic partnerships, while CHWY and W have more opportunity.

Exhibit 12: Retailers Need to Be Aware of Third Party Agentic Risks...as Our Agentic Breakeven Curve Analysis Shows Retailers Will Need an Average of ~50% of Agentic Transactions to be Incremental for EBIT Breakeven (at a 5% fee)
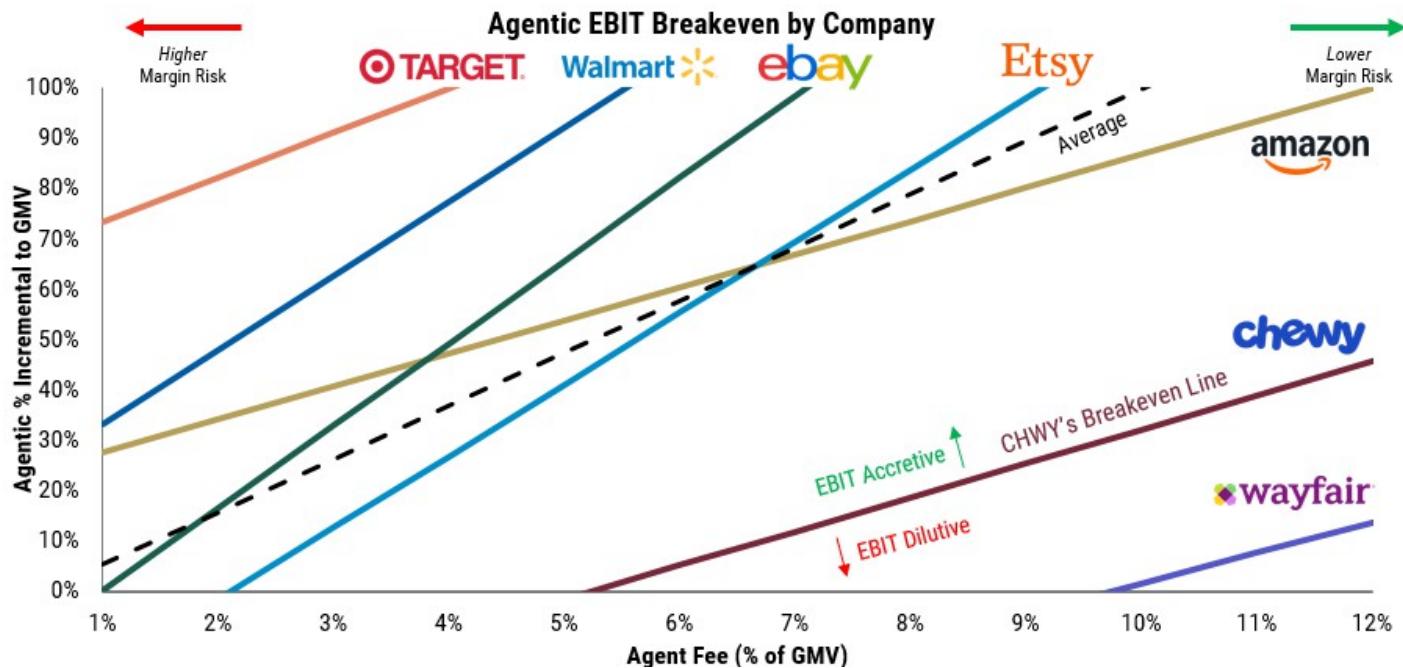
Example: At a ~2% agent fee, EBAY needs ~20% of its agentic purchases to be incremental for EBIT breakeven.

Source: Company Data, Morgan Stanley Research * Agentic refers to platform agents (by GOOGL, OpenAI, etc.) & not owned agents (i.e. Sparky). WMT is US only, AMZN is NA only.

The Agentic Impact on Digital Advertising: Leading Reach Platforms Become More Valuable…: We see the value of leading performance-based reach platforms likely rising as brands/companies looking to reach new consumers will need large corpuses of engagement that offer highly targeted and personalized ad offerings. **META, YouTube and APP stand out here** given their broad reach and rapidly improving ad targeting (showing the right products to the right people at the right time to maximize conversion) and budding full funnel campaign creation and diffusion/creative tools.

Exhibit 13: Within Digital Ads, Performance-based Reach Platforms Could Become More Valuable, Search will Transition, and Retail Media Could Be at Risk
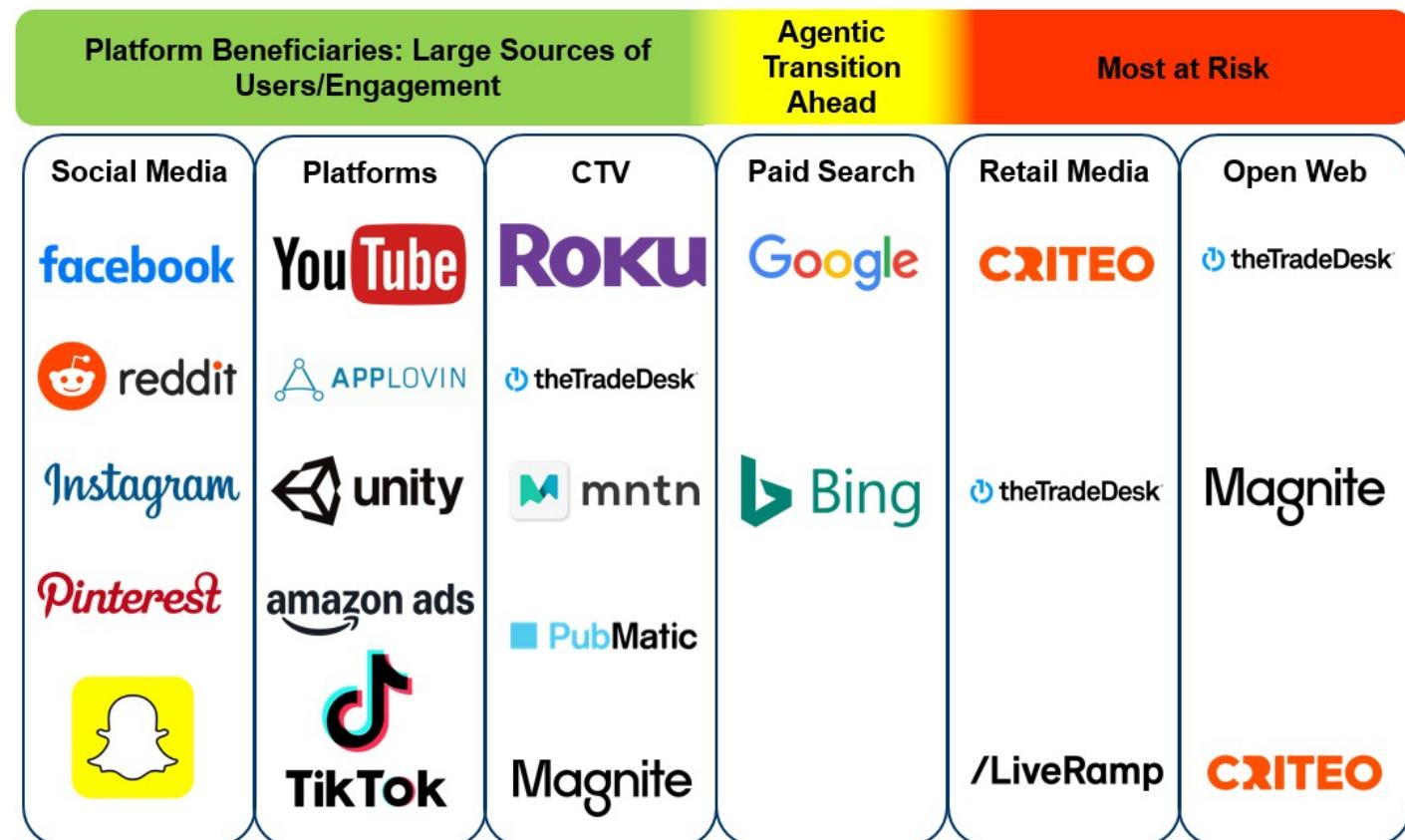
Source: Morgan Stanley Research

We also see digital ad platforms creating retailer/merchant agents that in effect will be able to fully manage ad campaigns… and further digitize their businesses. Here again, higher utility offerings will lead to more online selection, improved targeting on new and repeat customers… and ultimately more durable e-commerce growth. **Winners here include META, YouTube (GOOGL) and APP.** On the flip side, the open web, and retail media ad dollars are likely to face risk as agents begin shopping more and consumer traffic trends change and decline.

Exhibit 14: META and GOOGL's platforms already have sizeable advantages in distribution and reach, and the extent to which they develop their own agentic commerce offerings could help retain those advantages
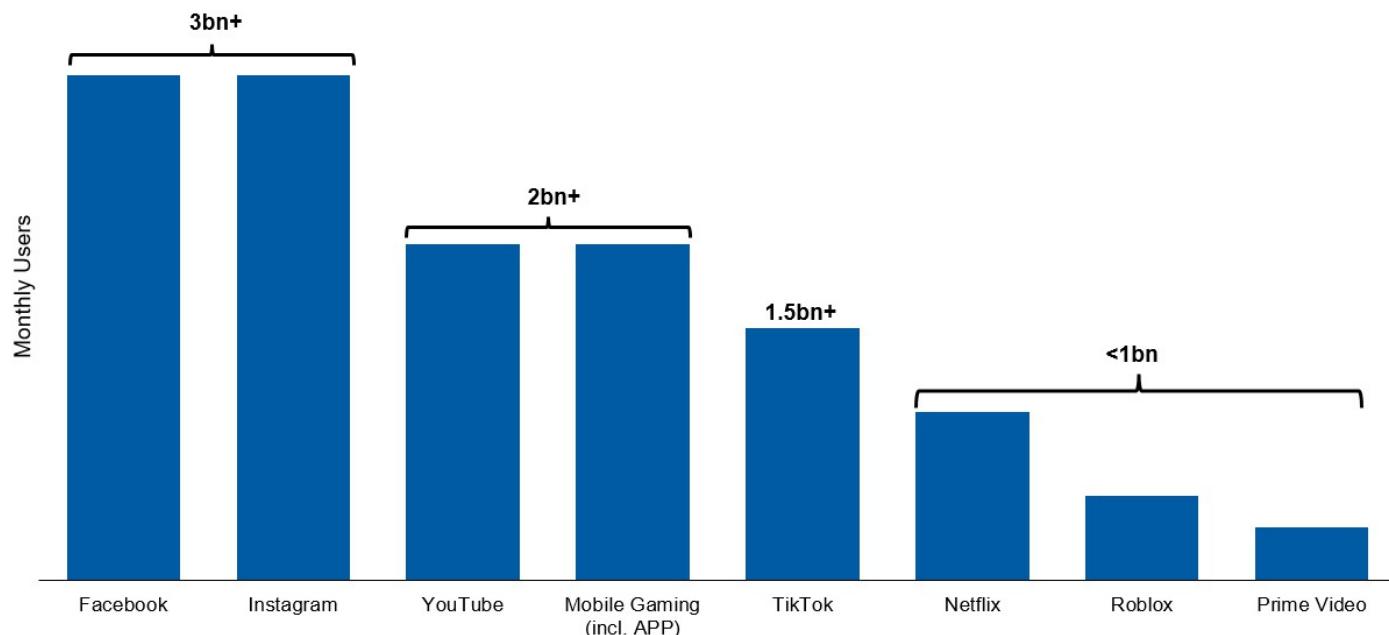
Source: Company Data, Morgan Stanley Research

Exhibit 15: SMBs will be able to leverage agents within leading platforms to design personalized ad campaigns
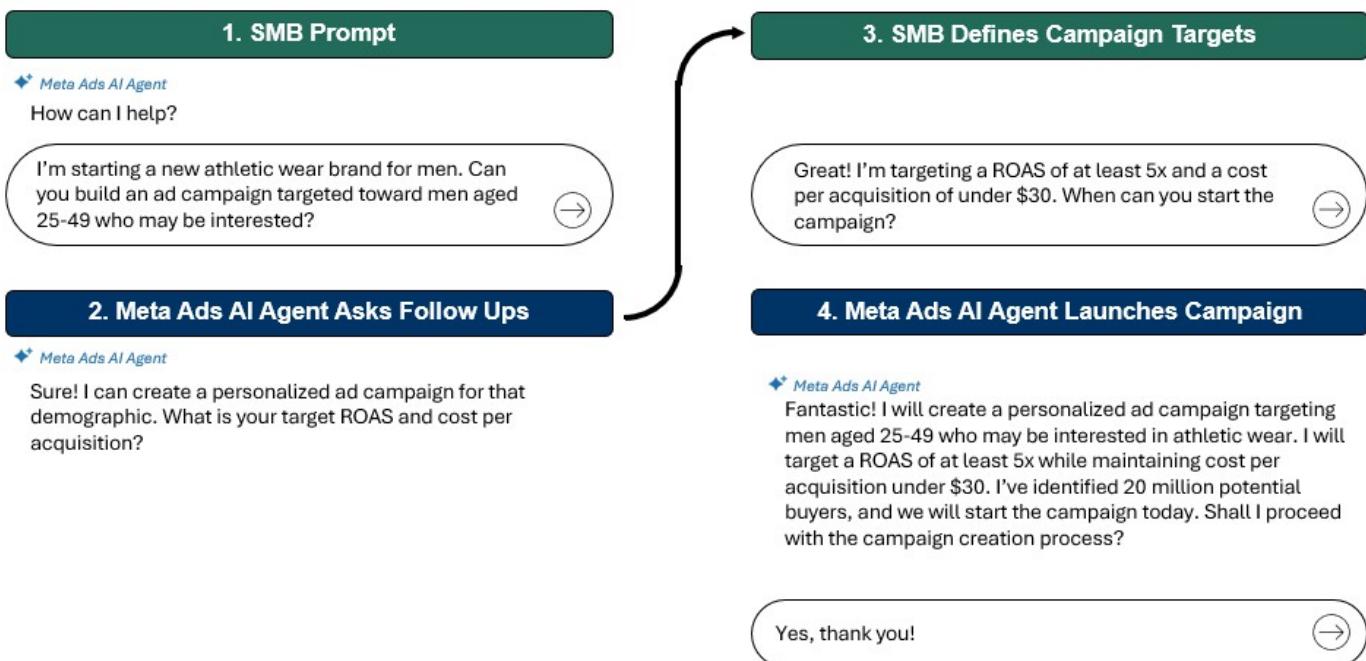
...While Search Could Face an Agentic "Take Rate" Transition: It is very important for Alphabet's long-term revenue growth and earnings power that it leads the agentic transition. If a multitude of retailers are able to build first party agents, they may become less reliant on Google Search. We view this as a low risk. But if other scaled platforms like OpenAI (or META or Perplexity or others) are able to scale agentic commerce offerings and capture meaningful commercial behavior and dollars away from Google Search, Alphabet may be forced to disrupt its current leading search monetization model to adapt.

Consider that we estimate current search per transaction "effective take rates" (ad spend as a percent of GMV) are ~5-10X higher than early agentic take rate offerings from OpenAI (~33% for search vs single digits for agent offerings). We acknowledge the rates may change and expect all agentic players to layer in paid ads within agentic results too... which could close some of this gap. But this monetization gap is material.

Exhibit 16: We Believe Current "Effective Search Take Rates" are 5-10X Higher than Early Agentic Commission Offerings from OpenAI...
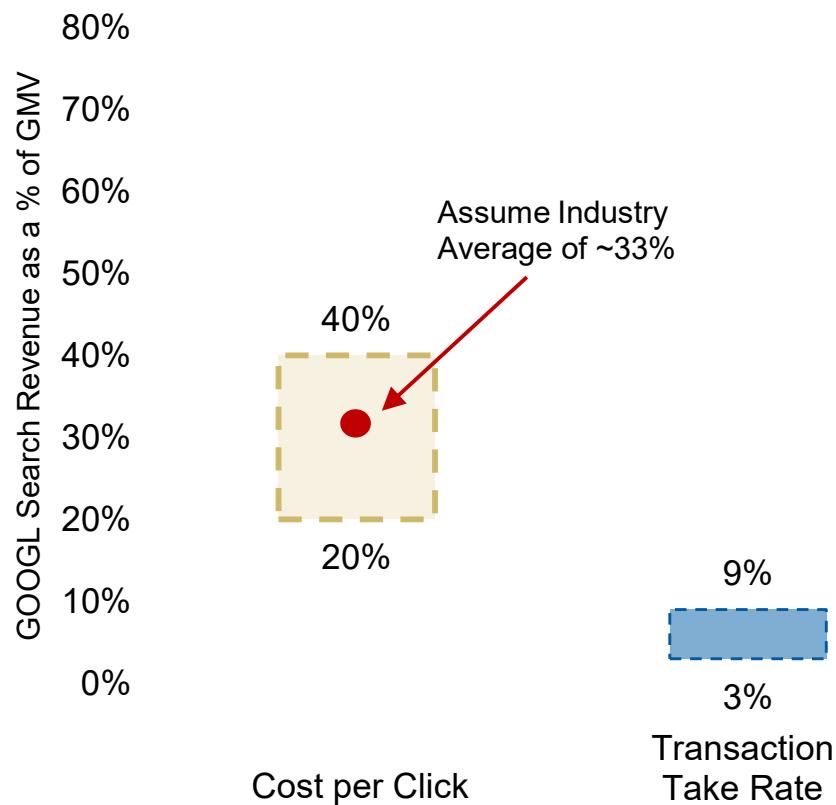
Source: Company Data, Morgan Stanley Research

This speaks to the importance that Alphabet continues shipping next gen products and agentic offerings across its leading corpuses of users (and leverages its leading data) to stay at the top of the agentic funnel… and drive more transactions for advertisers. But as a further offset, **consider that 80%+ of retailer online traffic is still unpaid/direct.** We expect this to fall over time from agentic offerings… and our sensitivity shows how shifting unpaid traffic toward paid commission traffic can offset lower "per transaction take rates." As an example, a 500bp shift in unpaid traffic toward paid channels can offset a 1,400bp decline in effective take rates. But, it would require a 3,800bp shift in unpaid toward paid channels to make GOOGL breakeven at a 5% take rate. This again speaks to how retailers need to be focused on incrementality, transaction profitability and preserving their high margin direct business… because Alphabet's incentive to use its next generation agents to eat into their high margin direct business is likely to only grow over time.

Exhibit 17: …But 80%+ of Retailer Online Traffic is Still Free, So An Agentic Traffic Shift Toward Paid Channels Can Offset Lower Take Rates. A 500bp Shift in Direct/Unpaid Retailer Traffic Toward Paid Channels can offset a 1,400 bp Decline in Net Effective Take Rate
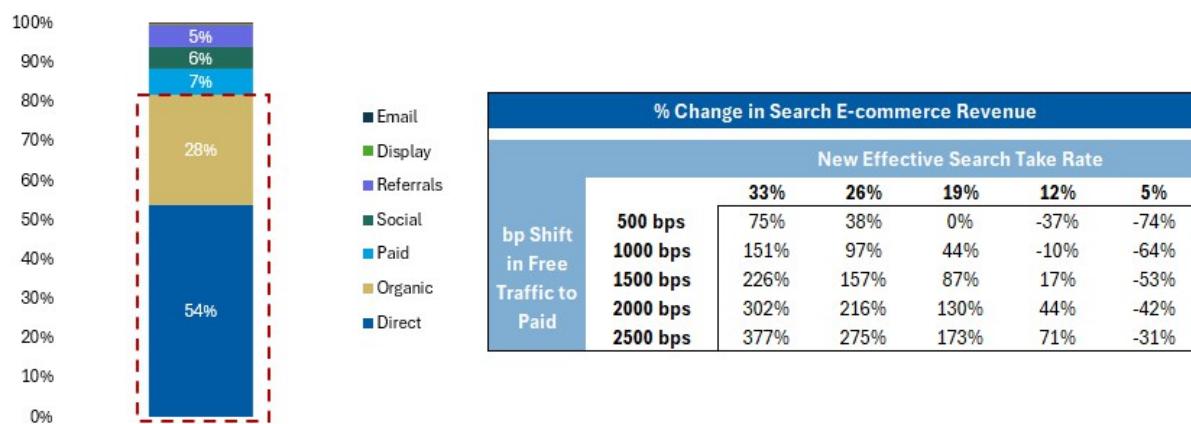
		% Change in Search E-commerce Revenue				
		New Effective Search Take Rate				
		33%	26%	19%	12%	5%
bp Shift in Free Traffic to Paid	500 bps	75%	38%	0%	-37%	-74%
	1000 bps	151%	97%	44%	-10%	-64%
	1500 bps	226%	157%	87%	17%	-53%
	2000 bps	302%	216%	130%	44%	-42%
	2500 bps	377%	275%	173%	71%	-31%

Source: SimilarWeb, Company Data, Morgan Stanley Research; Note: Traffic is measured as monthly visits

What Will We Study Next? We acknowledge it's early and the agentic ecosystem is evolving. While first and foremost it will be critical to monitor product innovation and consumer adoption, below we list other topics that we think will be important to analyze as opportunities and risks emerge for all players across the e-commerce and digital ad landscape.

Exhibit 18: Our Roadmap for Further Research

Roadmap for Further Research

- **Better products needed to change behavior**
  - ✓ How Will GPT's shopping tools and Chrome + Gemini improve?
  - ✓ Future of Search and GOOGL's ability to navigate through the traffic shift
  - ✓ Changing behavior of hundreds of millions hard with quality current offerings (search/social are only improving)
  - ✓ Payment friction
- **Who will win the top of funnel? Platform level agents like GPT/Gemini…or retailer specific agents from Amazon and Wal-Mart?**
- **Retailer unit economics as retail media and business mix could change**
- **Agentic retail media models?** We expect advertising/promotions within agentic results as well. How these models develop and their monetization mechanisms (CPA? Commission?) will be important.
- **Agentic OpEx benefits to come for retailers:** Improved delivery routing, inventory management, supply/demand matching, customer service automation.
- **How will next generation digital ad campaign tools develop and lead to further digitization of SMB and large advertisers' total budgets?**
- **How will accelerating e-commerce spend affect the physical retail footprint?**

Source: Morgan Stanley Research

Morgan Stanley

Morgan Stanley Research

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The Current E-Commerce Funnel Starts Through Search, Social or Direct Traffic…

Consumer

| Social/Platforms | Search Platform | Retailer Website/App |
| Instagram / YouTube | Google | amazon / Walmart |

| Discover an Item | Search for Item | |

| Retailer Website/App (amazon / Walmart) | Compare Listings, Price, Reviews, Delivery | Search for Item |

| Consider Listings, Price, Reviews, Delivery | Retailer Website/App (amazon / Walmart) | Compare Listings, Price, Reviews, Delivery |

Confirm Selection & Checkout
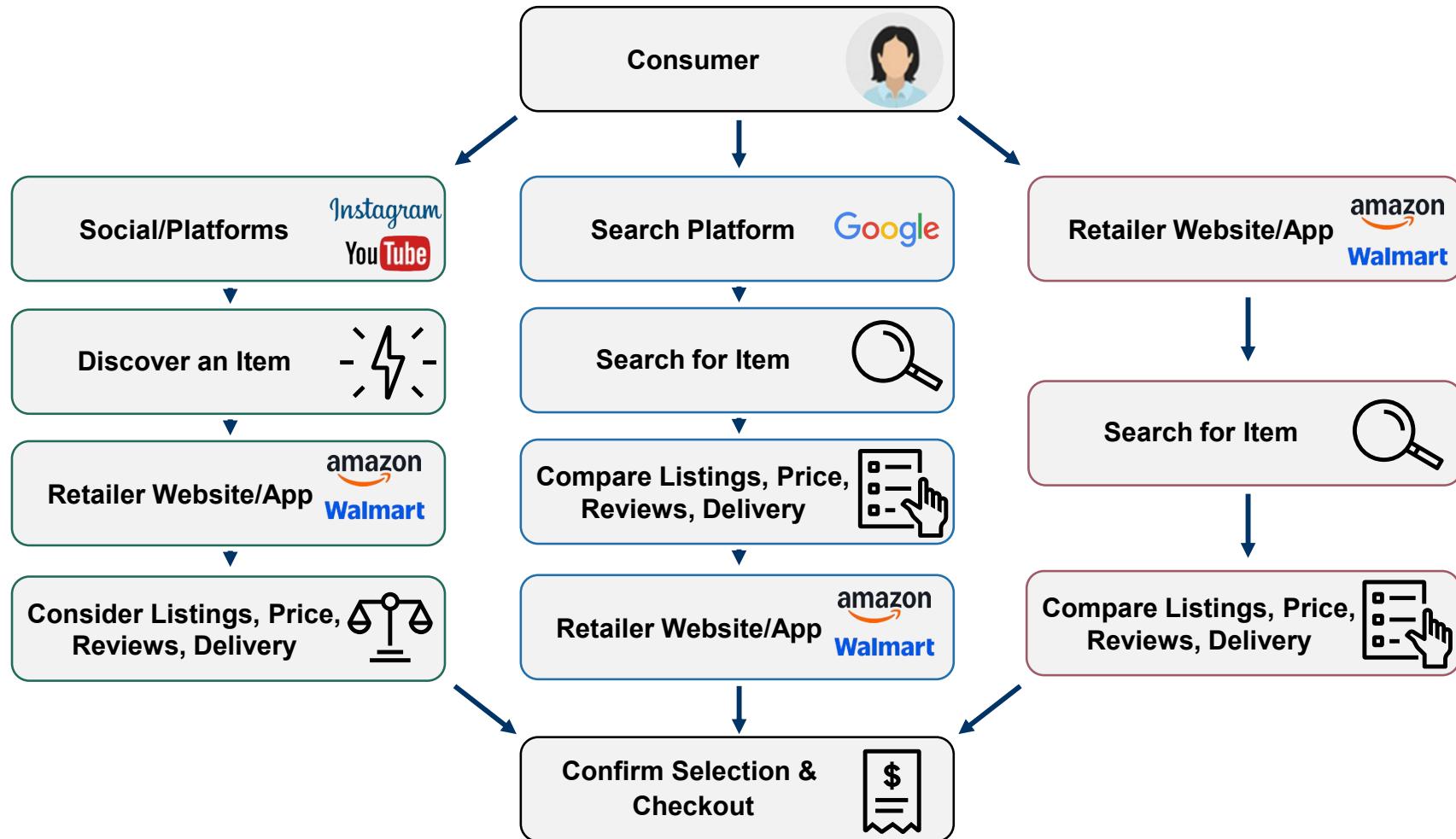
Source: Morgan Stanley Research

Morgan Stanley

…But Agents Are Set to Improve the Shopping Experience With Better Research/Discovery, Personalization, Purchase Recommendations and More…

Customer places order through agent

Customer pays retailer/brand via agent

E-commerce Agent

Consumer

Retailer/Brand Website/App

Agent interacts with retailer/brand proactively

Agent proactively recommends products

Retailer/brand interacts with agent on updated catalogue

Source: Morgan Stanley Research

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…Which Means the E-commerce Funnel is Set to Change

1) **Leading Reach Platforms Could Be More Valuable for Brand/Product Building**
2) **Search Will Transition to Agentic**
3) **High Margin Direct Traffic Could Face Disruption**

Consumer

1) Social/Platforms *Increased Value* — Instagram, YouTube

2) Search Platform *In Transition* — Google

3) Retailer Website/App *At Risk* — amazon, Walmart

Discover an Item

Search for Item

Retailer Website/App — amazon, Walmart

Compare Listings, Price, Reviews, Delivery

Search for Item

Consider Listings, Price, Reviews, Delivery

Retailer Website/App — amazon, Walmart

Compare Listings, Price, Reviews, Delivery

Confirm Selection & Checkout

Source: Morgan Stanley Research

Who Are the Early Agentic Players? Platforms and Retailers

Platform Agents	Retailer Agents	Agentic Browsers
OpenAI ChatGPT Agent	**amazon** Rufus "Buy for Me" Alexa+	**Google** Chrome with Gemini
Google Project Mariner AI Mode		**perplexity** Perplexity Comet
perplexity Perplexity Shopping	**Walmart** Sparky	**Microsoft** Edge with Copilot
		OpenAI ChatGPT Atlas

Source: Company Data, Morgan Stanley Research

Morgan Stanley

How Will Agentic E-Commerce Work? Most is Evolutionary…Some is Revolutionary

Illustrative Example: Improved research and discovery across multiple sites with better context and personalization

1. User Prompt

✦ *AI Agent*

How can I help?

Show me the clothes and accessories I need to buy to be Maverick from Top Gun for Halloween →

2. Agent Recommends Options

✦ *AI Agent*

Sure! If you're dressing up as Maverick from Top Gun, you'll need a flight jacket, combat boots, aviator sunglasses, and a dog tag. Here are some ideas:

US Navy Top Gun Adult Pilot Jacket |...	Aviator Sunglasses Aviators Style Sun...	$15 OFF Mix No. 6 Syles Boot | Men's | Black | Siz...	Silver Military Metal Dog Ta...
$49.99	$7.69	$34.98 $50	$1.99
HalloweenCostum...	eBay	DSW	Party City
★★★★☆ (4)	Buy 2 get 10% off	Discount code	★★★★⯪ (3)

What is the total price with tax and shipping? →

3. User Confirms Purchase

✦ *AI Agent*

The total price is $111.25 after tax and shipping. Would you like to purchase any of these items?

Cool, please purchase all these items →

4. Agent Completes Purchase & Sends Details

✦ *AI Agent*

I have successfully completed all the purchases & the items will be delivered between October 25th and 29th.

The receipts have been sent to your email & I'll update you with the tracking details once each item has shipped.

Source: Google, Morgan Stanley Research

Morgan Stanley

How Will Agentic E-Commerce Work? Most is Evolutionary…Some is Revolutionary

Illustrative Example: Agentic commerce will create a personal shopping agent and "recurring product and deal searcher"

1. User Prompt

✦ *AI Agent*

How can I help?

> Help me find a new Ralph Lauren light blue polo in men's size L for under $30 →

2. Agent Displays Results or Alternatives

✦ *AI Agent*

I couldn't find any new light blue Polo Ralph Lauren shirts under $30. Would you like me to look again daily until I find it?

Here are your next best options:

Ralph Lauren Men's The Iconic Mesh Polo Shirt -…	U.s. Polo Assn. Men's Interlock Polo Shirt, Size:…	Polo Ralph Lauren Shirts | Light Blue Ralph Lauren…
$125.00	$18.00	$20.00
Ralph Lauren	Walmart	Poshmark
★★★★✦ (42)	📍 Panorama City 📍 Pick up today	Used

3. User Sets-Up Recurring Search

✦ *AI Agent*

Would you like me to look again daily until I find it?

> Yes, please search once a day until December 25th →

4. Agent Runs Tasks and Displays Results

✦ *AI Agent*

I just found a new light blue Polo Ralph Lauren shirt in size L on eBay under $30. Would you like me to buy it?

Ralph Lauren Men's The Iconic Mesh…
$29.99
eBay
★★★★✦ (150)

> Yes, purchase this item for me →

Source: Google, Morgan Stanley Research

How Will Agentic E-Commerce Work? Most is Evolutionary…Some is Revolutionary

Illustrative Example: Multi-step, multi-modal shopping…with grocery one of the key unlocks

1. User Prompt

✦ *AI Agent*

How can I help?

I am looking to make steak tacos with 2 appropriate sides for a dinner party tonight for 6 people. Here is what I have in the fridge/pantry. Please make me a grocery list of what I'm missing.

2. Agent Analyzes Photo & Determines Missing Items

✦ *AI Agent*

Sure! You seem to be missing chopped steak and garlic. Sweet peppers and corn would make good sides.

Churros may make an appropriate dessert to serve for the party.

3. User Analyzes List & Prices

✦ *AI Agent*

Here's the grocery list of items you will need.

$2.69 $16.46 $12.99 $5.10

That looks great. Are there any cheaper options for sweet peppers?

4. Agent Adjusts List…and User Confirms

✦ *AI Agent*

The total price is $128 and can be delivered by 4pm.

Would you like me to place the order or make any changes?

Great; please place the order

Source: Instacart, Copilot, Morgan Stanley Research

Morgan Stanley

How Will Agentic E-Commerce Work? Most is Evolutionary…Some is Revolutionary

Illustrative Example: Multi-step shopping, AGENTIC DRIVEN shopping…with promotion potential too

1. Agent Prompts User for Purchases Based on History ➡️

✦ *AI Agent*

Good morning, Brian! Happy Saturday. I have your weekly grocery order shown below with 17 items.

I found a new queso cheese dip that goes well with your favorite tortilla chips and a 10% coupon for your Eggo waffles.

Promoted agent potential

Nowak Weekly Groceries
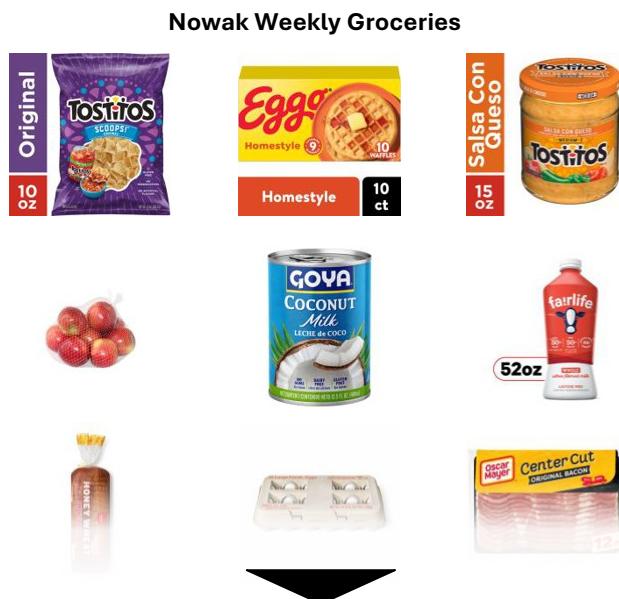
2. User Interacts with Agent about Items/List

✦ *AI Agent*

Thanks! I'll try the queso dip.

Please also add an extra case of Topo Chico Lime and one 32-roll pack of Charmin toilet paper and remove the apples and coconut milk.

Can we get delivery by 9am tomorrow morning? →

3. Agent Adjusts Order and Confirms Delivery

✦ *AI Agent*

I added and removed the items above.
I can confirm delivery through between 7am and 9am tomorrow morning.

The total price of this order is $212.

4. User Confirms Checkout Detail

✦ *AI Agent*

Great please place the order →

Source: Instacart, Morgan Stanley Research

Morgan Stanley

Our "5 I's" Retailer Agentic Commerce Framework

Inventory: Unique inventory increasingly important as agentic makes it easier to cross-shop, compare prices, and match unique items to personalized tastes/demand.

Infrastructure: Physical infrastructure key to increase inventory availability and reduce shipping times.

Innovation: Investment/innovation to take advantage of GPU-enabled ML, better matching, improved supply management.

Incremental Growth Opportunity: Ability to drive incremental topline growth and gain market share in company's addressable market.

Income Statement and Margin Impact: The risk that agentic cannibalizes the higher margin core business and retail media ad earnings.

AMZN, EBAY, RVLV Screen Best While ETSY, CHWY, FIGS Screen Questionable

Company	Inventory	Infrastructure	Innovation	Incrementality	Income Statement	Average
		Agentic Defensibility		Potential for Incrementality		
amazon	🟩	🟩	🟩	🟨	🟥	🟩
ebay	🟩	🟨	🟨	🟨	🟨	🟩
REVOLVE	🟨	🟥	🟨	🟩	🟩	🟩
chewy	🟥	🟩	🟨	🟥	🟩	🟨
Etsy	🟥	🟨	🟨	🟩	🟨	🟨
PELOTON	🟩	🟥	🟨	🟥	🟩	🟨
FIGS	🟩	🟥	🟥	🟥	🟩	🟧

Source: Morgan Stanley Research

Morgan Stanley

Our "5 I's" Retailer Agentic Commerce Framework - *Continued*

Within Hardlines, Broadlines, and Food Retail, W, COST, WMT Screen Best While FIVE Screens Lowest

Company	Inventory	Infrastructure	Innovation	Incrementality	Income Statement	Average
	Agentic Defensibility			Potential for Incrementality		
COSTCO WHOLESALE						
Walmart						
Kroger						
BJ's Wholesale Club						
TARGET						
Albertsons						
DOLLAR GENERAL						
OLLIE'S GOOD STUFF CHEAP						
DOLLAR TREE						
five BELOW						
THE HOME DEPOT						
LOWE'S						
TSC TRACTOR SUPPLY CO						
FLOOR & DECOR						

Company	Inventory	Infrastructure	Innovation	Incrementality	Income Statement	Average
	Agentic Defensibility			Potential for Incrementality		
wayfair						
WILLIAMS SONOMA						
RH						
ARHAUS						
O'Reilly AUTO PARTS						
AutoZone						
Advance Auto Parts						
DICK'S SPORTING GOODS						
BEST BUY						
ULTA BEAUTY						

Source: Morgan Stanley Research

Morgan Stanley

Our "5 I's" Retailer Agentic Commerce Framework - *Continued*

Within Softlines Retail & Brands, BBWI, M, VSCO, & WRBY Screen Best While LULU & PVH Screen Lower

Company	Inventory	Infrastructure/ Innovation	Incrementality	Income Statement	Average
	Agentic Defensibility		Potential for Incrementality		
Bath & Body Works					
macy's					
Victoria's Secret					
WARBY PARKER					
allbirds					
KOHL'S					
Urban Outfitters					
URBN					
American Eagle Outfitters					
Burlington					
TORRID					

Company	Inventory	Infrastructure/ Innovation	Incrementality	Income Statement	Average
	Agentic Defensibility		Potential for Incrementality		
GAP					
UNDER ARMOUR					
NIKE					
TJX					
AMER SPORTS					
Abercrombie & Fitch					
Levi's					
ROSS DRESS FOR LESS					
tapestry					
lululemon					
PVH					

Source: Morgan Stanley Research

The Risk of Losing High Margin Retail Media Ad Dollars is Significant

- High margin retail media ad revenue makes up ~6% of e-commerce GMV on average now…and often makes up most (or all) of profit
- **The spread in retailer ad revenue and how much they spend on advertising to acquire transactions should play a role in the fee they are willing to pay an agent**

Illustrative Unit Economics for Agentic Purchases, Incremental and Non-Incremental

Non-Agentic Unit Economics

Revenue: Ads, 5; Purchase Price, 95
Expenses: Ads, 1.5; Fixed Costs, 18; Marketing, 6; Variable Costs, 70
EBIT: Ads, 3.5; Core, 1 — **4.5% EBIT Margin**

Cannibalistic Agentic Unit Economics
No Retail Media Earnings, Agent Fee

Revenue: Purchase Price, 95
Expenses: Fixed Costs, 18; Agent Fee, 5; Variable Costs, 70
EBIT: Core, 2 — **2.1% EBIT Margin**

Incremental Agentic Unit Economics
No Retail Media Earnings, Agent Fee, Fixed Cost Leverage

Revenue: Purchase Price, 95
Expenses: Fixed Costs, 13; Agent Fee, 5; Variable Costs, 70
EBIT: Core, 7 — **7.4% EBIT Margin**

Source: Morgan Stanley Research

Putting Companies with High Ad Earnings Contribution & Low Ad Spend Most at Risk

We See Most Margin Risk for Companies with High Ad Earnings and Low Ad Spend (WMT, AMZN)

Lower Margin Risk
Low Ad Earnings, High Ad Spend

Higher Margin Risk
High Ad Earnings, Low Ad Spend

Y-axis: Marketing Expense % of GMV (0%, 7%, 14%)

X-axis: E-Commerce Advertising EBIT % of EBIT (0%, 50%, 100%, ~245%)

Source: Company Data, Morgan Stanley Research
* Based on FY25 Data. WMT is US only, AMZN is NA Retail only.

The Retailer Agentic Breakeven Curve: It's All About Incrementality

- **Higher Agentic Incrementality:** EBIT accretive as new sales volumes drive share gains and operating leverage.
- **Lower Agentic Incrementality:** Cannibalizes higher margin retail media driven sales volumes, hurts direct mix, and flows through at a ~1%-10% decremental margin.
- **Bottom Line: On average, retailers need to see ~50% of agentic commerce as incremental (at 5% fee) to be EBIT break-even**

Agentic EBIT Breakeven by Company

Source: Company Data, Morgan Stanley Research

* Agentic refers to platform agents (by GOOGL, OpenAI, etc.) & not owned agents (i.e. Sparky). WMT is US only, AMZN is NA only. Decremental margin as a % of GMV.

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This "Incrementality" Debate and Claim Reminds Us of Other Tech Transitions… Such as the OTAs or Early Days of Food Delivery

- Remember when the OTAs and food delivery companies claimed to potential suppliers **"We'll drive incremental demand."**
- **Will Agents become the "new Marketplaces?"**

North America OTA Bookings % of Hotel Bookings

Legend: OTAs, Other

Values shown: 21%, 32%, 50%, 54% (years 2011–2024)

High Take Rate/AOV ($30) Food Delivery Unit Economics

Food Order Value: Restaurant Cut, 18; Uber Commission, 9; Delivery Fee, 3
Uber's Costs: Delivery Costs, 8
Adj. Net Revenue: 4

Low Take Rate/AOV ($10) Food Delivery Unit Economics

Food Order Value: Restaurant Cut, 5.8; Uber Commission, 1.2; Delivery Fee, 3
Uber's Costs: Delivery Costs, 8
Adj. Net Revenue: (3.8)

Source: Euromonitor, Company Data, Morgan Stanley Research

* Food delivery math is illustrative; from 11/12/19 note: US Online Food Delivery: How Will the Next 5 Years Be Delivered?

And the Biggest Winner? *The Consumer!*

Higher Consumer Utility Leads to Further Digitization of Consumers' Wallets and More Durable E-Commerce and Digital Ad Growth

Proactive Tailored Product Suggestions

Improved Ability to Research & Discover Products

Agent Becomes *A Personalized Digital Shopper*

Match Products to Lifestyle Planning

Automate Recurring Purchases like Grocery

Automatically Track/Compare Product Prices & Availability

Discover Hard to Find Products

Pre-Plan Purchases Of Upcoming Releases

Source: Morgan Stanley Research

We See Agentic E-Commerce Adding More Than 100bp/300bp to Annual E-Commerce Growth by '30 in our Base/Bull Cases

- Bottom-up user and category level agentic e-commerce model shows how agentic could add more than 100bp/300bp to e-commerce growth by '30 in base/bull cases, as agentic commerce reaches 10%/20% of e-commerce
- Said another way, we model consumers to spend ~$200bn/$400bn annually through agentic channels by '30

US E-Comm Y/Y Growth - Bull v. Base v. Bear

Share of E-Commerce Spend

Source: Census Bureau, Morgan Stanley Research
Note: Bear case is roughly in-line with prior e-commerce forecast and assumes that agentic does not ramp and/or is all cannibalistic to growth

Stepping Back, It's Still Pretty Small, As We See Agentic Spend Reaching 3%/7% of Total Adjusted Retail Sales by '30 in our Base/Bull Cases

Share of Adjusted Retail Sales

Legend: ■ Offline ■ Traditional E-commerce ■ Agentic

Case	Year	Agentic	Traditional E-commerce	Offline
Base	2026	0%	28%	72%
Base	2027	1%	29%	71%
Base	2028	1%	29%	70%
Base	2029	2%	29%	68%
Base	2030	3%	30%	67%
Bull	2026	0%	28%	72%
Bull	2027	1%	29%	71%
Bull	2028	2%	29%	69%
Bull	2029	4%	29%	67%
Bull	2030	7%	28%	65%

Source: Census Bureau, Morgan Stanley Research

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On a User Basis, We Estimate ~50% of E-Commerce Shoppers Will Use Agents By 2030…with Agentic Making Up ~25% of Their E-Commerce Spend

Agentic E-Commerce User Adoption (Base Case)

Sanity Check: ~23% have used AI platforms/tools to buy products in the past month

Sanity Check: ~40-50% of people use AI tools for product research or comparing pricing

Year	Agentic Shoppers	Non-Agentic Shoppers
2026	9% 24M	91% 240M
2027	18% 48M	82% 219M
2028	27% 73M	73% 196M
2029	37% 99M	64% 173M
2030	46% 126M	54% 149M

- Non-Agentic Shoppers
- Agentic Shoppers

Agentic as a % of Spend - Average Agentic Consumer

Year	% of Adj. Retail Spend	% of E-commerce Spend
2026	2%	7%
2027	3%	10%
2028	4%	14%
2029	6%	19%
2030	8%	23%

— % of Adj. Retail Spend — % of E-commerce Spend

Source: Census Bureau, AlphaWise, Morgan Stanley Research

For Perspective, This Would Put Agentic Adoption Between Early E-Commerce and Mobile

- For guardrails, we compared our Agentic estimates to the ramp for 1) E-commerce in the 1990s & 2) mobile E-commerce in the 2010s.
- We'd expect agentic to ramp faster than early E-commerce given the needed hardware/software build-out & consumer behavior shift, but slower than mobile which required minimal behavior change.

% of Consumers Shopping Through…

Legend: ■ E-commerce ■ Agentic

Y1: E-commerce 8%, Agentic 9%
Y2: E-commerce 16%, Agentic 18%
Y3: E-commerce 24%, Agentic 27%
Y4: E-commerce 32%, Agentic 37%
Y5: E-commerce 42%, Agentic 46%

% of Total Spend Through…

Legend: ■ E-commerce (% of Adj. Retail) ■ Agentic (% of eComm) ■ Mobile (% of eComm)

Y1: E-commerce 0%, Agentic 1%, Mobile 3%
Y2: E-commerce 0%, Agentic 2%, Mobile 8%
Y3: E-commerce 0%, Agentic 4%, Mobile 11%
Y4: E-commerce 1%, Agentic 7%, Mobile 17%
Y5: E-commerce 1%, Agentic 10%, Mobile 21%

Source: Pew Research, ComScore, Euromonitor, eMarketer, Wired, Morgan Stanley Research
* E-Commerce Y1 = 1995, Mobile Y1 = 2010, Agentic Y1 = 2026. E-Commerce Consumers as a % of Internet Users.

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From a Category Perspective, Grocery, Household Products and Personal Care Are the Key Unlocks to Agentic Adoption

- We see personalized grocery shopping as a key unlock for agentic commerce, with **grocery/CPG set to drive 48%/53% of agentic spend from '26-'30 in our base/bull cases.**
- After grocery, household products, personal care, and apparel are next key agentic category beneficiaries in our view.

E-Commerce Penetration by Category

Agentic Share of E-Comm by Category

Source: Census Bureau, Morgan Stanley Research

* Other includes various categories including pet, appliances, sporting goods & hobby items, motor parts & accessories, etc.

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Within Digital Ads, Performance-based Reach Platforms Could Become More Valuable, Search will Transition, and Retail Media Could Be at Risk

Platform Beneficiaries: Large Sources of Users/Engagement		Agentic Transition Ahead	Most at Risk	

Social Media	Platforms	CTV	Paid Search	Retail Media	Open Web
facebook	YouTube	ROKU	Google	CRITEO	theTradeDesk
reddit	APPLOVIN	theTradeDesk	Bing	theTradeDesk	Magnite
Instagram	unity	mntn			
Pinterest	amazon ads	PubMatic			CRITEO
(Snapchat)	TikTok	Magnite		/LiveRamp	

Source: Morgan Stanley Research

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The Search Agentic Transition: We Believe Current "Effective Search Take Rates" are 5-10X Higher than Early Agentic Commission Offerings from OpenAI…

- We believe OpenAI has introduced a low to high single digit % transaction take rate model in agentic shopping
- **This is a fraction of implied take rates GOOGL currently captures with its CPC based ad model**
- Industry convos suggest advertisers target an average 3x ROAS in retail (implied 33% take rate)… note advertisers are willing to pay more for search ads as a % of GMV as they reap the benefits of brand awareness/building and potential future sales over time

Key Questions:
- Will ChatGPT's take rate increase?
- Will ChatGPT agentic shopping cause Google to change/lower its monetization model?
- How will direct and organic traffic evolve?

Source: Morgan Stanley Research
* Footnote: Industry Checks indicate CPC implied take rate in range from 20% to 67% of purchase price of good. We assume a baseline of 33%.

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…But 80%+ Retailer Online Traffic is Unpaid (Direct and Organic)…and Shifting That Toward Commission Models Can Quickly Offset Lower "Take Rates"

- We believe search DOES drive brand building, future traffic and transaction…as 80%+ of retailer online traffic is actually unpaid
- Shifting this unpaid traffic toward commission-based agents can quickly offset "lower effective commission rates"
- A 500bp shift in direct traffic toward paid channels can offset a 1400bp reduction in effective take rates

We Estimate Paid Search Makes up ~7% of Retailer Online Traffic… as 80%+ is Free

Legend:
- Email
- Display
- Referrals
- Social
- Paid
- Organic
- Direct

Bar values: 5%, 6%, 7%, 28%, 54%

The Agentic Shift Could Be On: A 500bp Shift in Direct Traffic Toward Paid Channels Can Offset a 1400bp Decline in Effective Take Rate

% Change in Search E-commerce Revenue						
		New Effective Search Take Rate				
		33%	26%	19%	12%	5%
bp Shift in Free Traffic to Paid	500 bps	75%	38%	0%	-37%	-74%
	1000 bps	151%	97%	44%	-10%	-64%
	1500 bps	226%	157%	87%	17%	-53%
	2000 bps	302%	216%	130%	44%	-42%
	2500 bps	377%	275%	173%	71%	-31%

Source: SimilarWeb, Morgan Stanley Research; Note: Traffic is measured as monthly visits

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We See the Value of Leading Reach Platforms with Strong Performance-Based Ad Tools Rising…

- We believe performance-based platforms with scale and reach will continue to drive value for advertisers even in an agentic commerce world
- META and GOOGL's platforms already have sizeable advantages in distribution and reach, and the extent to which they develop their own agentic commerce offerings could help retain those advantages

Monthly Users Across Various Engagement Platforms
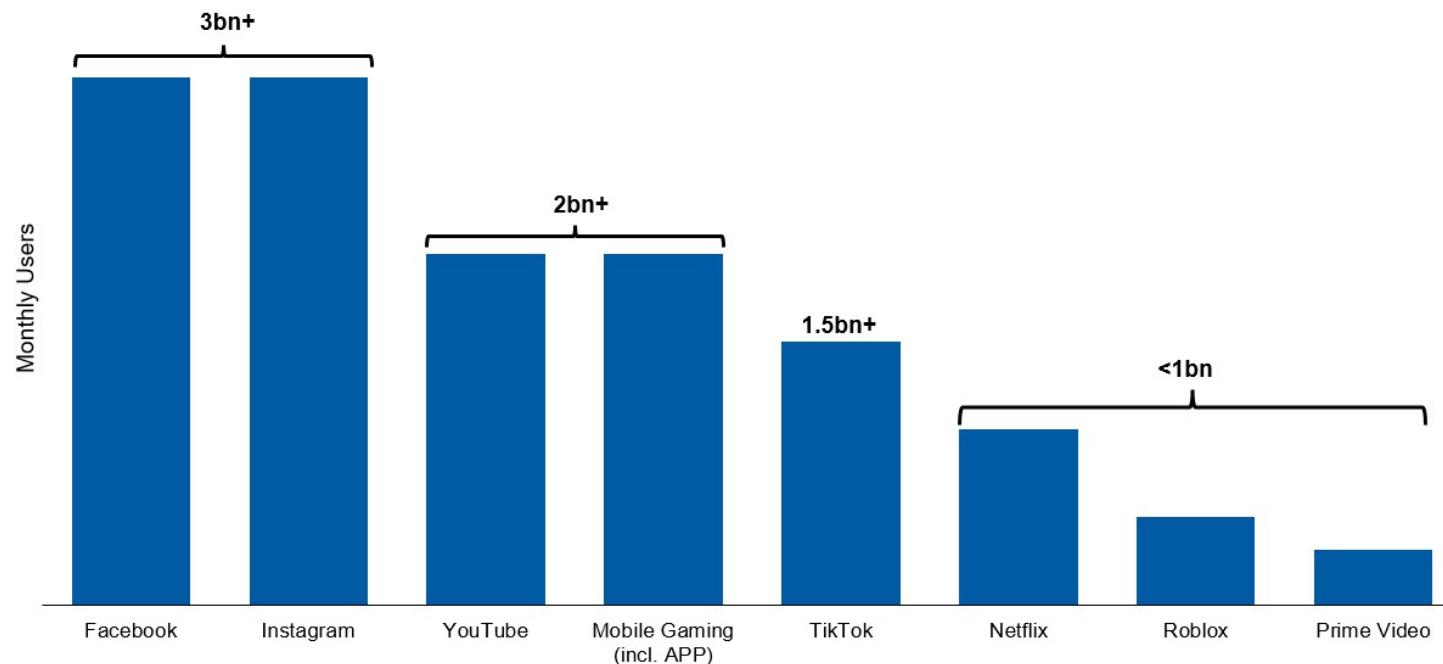
Source: Company Data, Morgan Stanley Research

…and In This Case Agents Will Make Full Campaigns for Businesses

Illustrative Example: SMBs can leverage ad agents within social platforms to design personalized ad campaigns. SMBs can specify target outcomes such as a minimum ROAS or maximum cost per acquisition, and the agent can create and launch a campaign that meets those specifications.

1. SMB Prompt

✦ *Meta Ads AI Agent*

How can I help?

> I'm starting a new athletic wear brand for men. Can you build an ad campaign targeted toward men aged 25-49 who may be interested? →

2. Meta Ads AI Agent Asks Follow Ups

✦ *Meta Ads AI Agent*

Sure! I can create a personalized ad campaign for that demographic. What is your target ROAS and cost per acquisition?

3. SMB Defines Campaign Targets

> Great! I'm targeting a ROAS of at least 5x and a cost per acquisition of under $30. When can you start the campaign? →

4. Meta Ads AI Agent Launches Campaign

✦ *Meta Ads AI Agent*

Fantastic! I will create a personalized ad campaign targeting men aged 25-49 who may be interested in athletic wear. I will target a ROAS of at least 5x while maintaining cost per acquisition under $30. I've identified 20 million potential buyers, and we will start the campaign today. Shall I proceed with the campaign creation process?

> Yes, thank you! →

Source: Morgan Stanley Research

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Agentic: Framework for Further Exploration

Roadmap for Further Research

- **Better products needed to change behavior**
  - ✓ *How Will GPT's shopping tools and Chrome + Gemini improve?*
  - ✓ *Future of Search and GOOGL's ability to navigate through the traffic shift*
  - ✓ *Changing behavior of hundreds of millions hard with quality current offerings (search/social are only improving)*
  - ✓ *Payment friction*

- **Who will win the top of funnel? Platform level agents like GPT/Gemini…or retailer specific agents from Amazon and Wal-Mart?**

- **Retailer unit economics as retail media and business mix could change**

- **Agentic retail media models?** We expect advertising/promotions within agentic results as well. How these models develop and their monetization mechanisms (CPA? Commission?) will be important.

- **Agentic OpEx benefits to come for retailers:** Improved delivery routing, inventory management, supply/demand matching, customer service automation.

- **How will next generation digital ad campaign tools develop and lead to further digitization of SMB and large advertisers' total budgets?**

- **How will accelerating e-commerce spend affect the physical retail footprint?**

Source: Morgan Stanley Research

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Debate #1

What are the Large Opportunities for Agentic Commerce… and Hurdles to Clear to Get There?

Our View:
- Agents are set to improve research and discovery, with better personalization, and able to automate suggestions for future purchases.

- That could alter the current purchase funnel and make leading reach platforms even more valuable for advertisers.

- To get there, agentic products need to streamline the purchase experience, especially on payments.

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GenAI Agents Combine LLMs With Tools To Autonomously Plan and Execute Tasks…including Shopping

| **AI Agents Are Coming**	AI Agents are **software programs able to understand and interact with environments**, collect data, make decisions, execute tasks, and **meet specified goals** Autonomous AI Agents **leverage LLMs to plan and execute tasks** with lower recurring human interaction…**building a memory of past actions** to "learn" future autonomous tasks to accomplish goals.

AI Agent Cycle
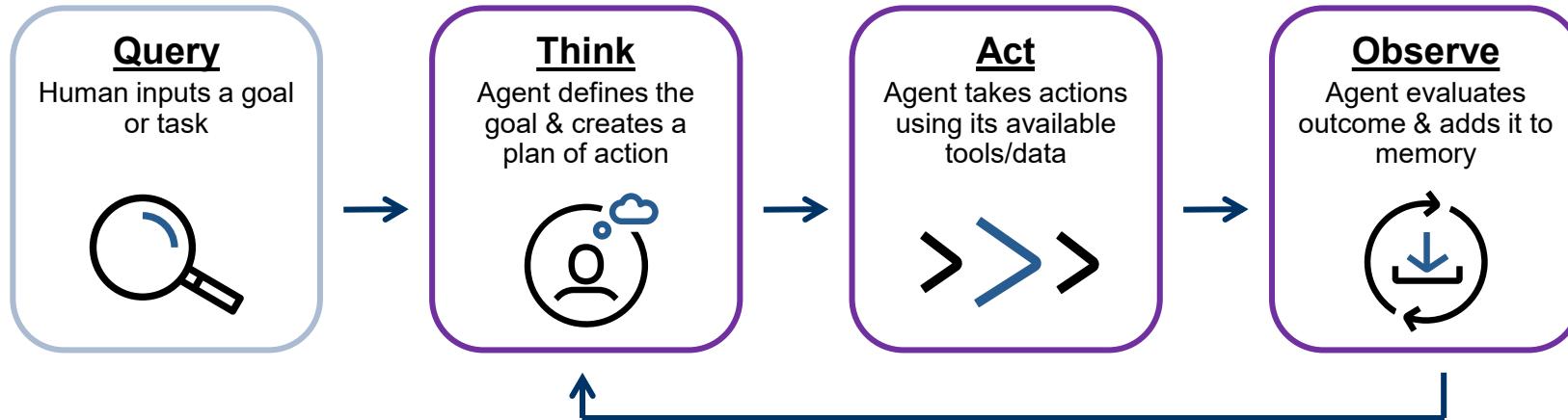
Query
Human inputs a goal or task

Think
Agent defines the goal & creates a plan of action

Act
Agent takes actions using its available tools/data

Observe
Agent evaluates outcome & adds it to memory

Source: Morgan Stanley Research

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## The Current E-Commerce Funnel Starts with the Consumer Through Search, Social or Direct Traffic…
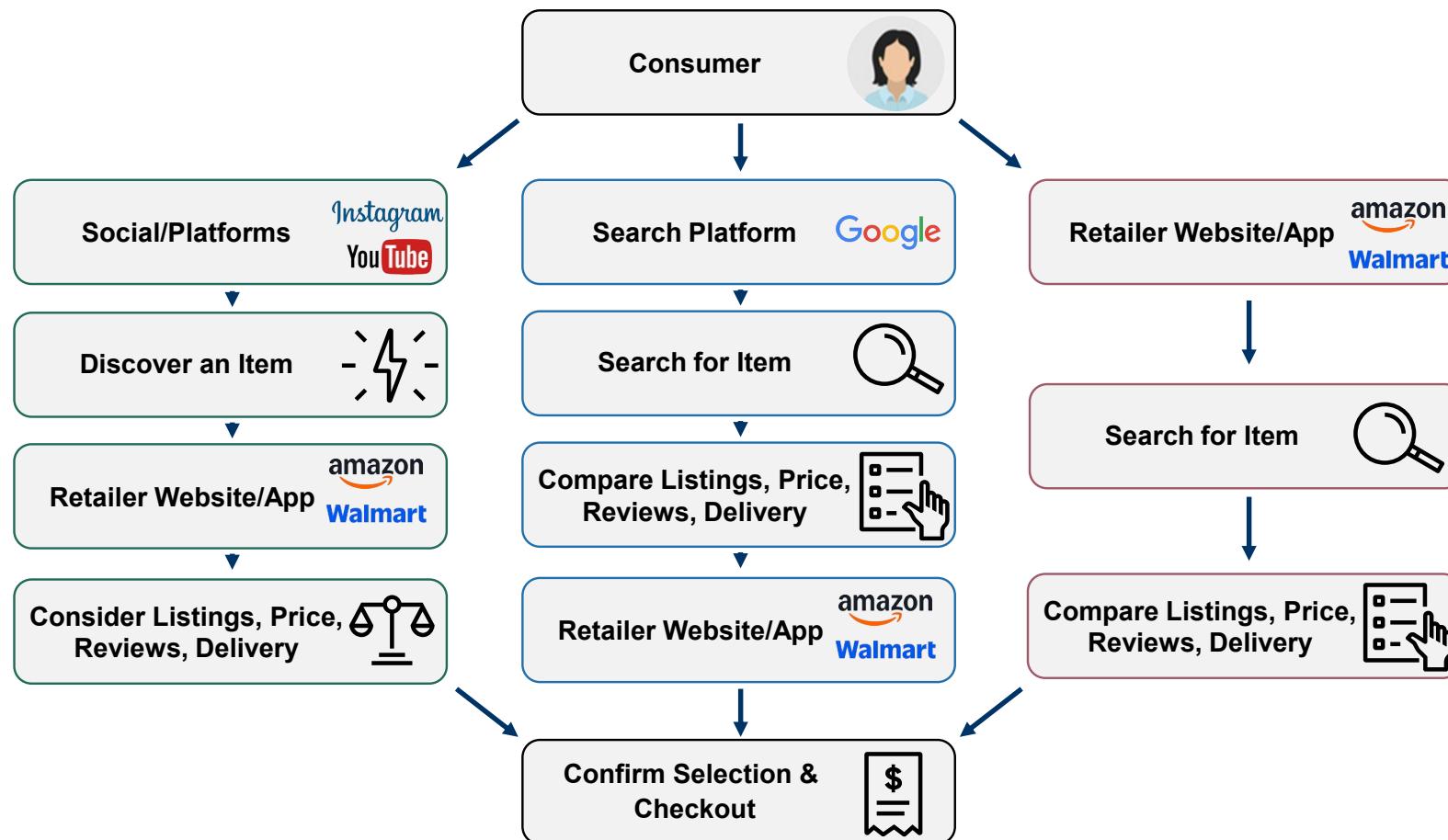
Consumer

Social/Platforms — Instagram, YouTube
Search Platform — Google
Retailer Website/App — amazon, Walmart

Discover an Item
Search for Item

Retailer Website/App — amazon, Walmart
Compare Listings, Price, Reviews, Delivery
Search for Item

Consider Listings, Price, Reviews, Delivery
Retailer Website/App — amazon, Walmart
Compare Listings, Price, Reviews, Delivery

Confirm Selection & Checkout

Source: Morgan Stanley Research

Morgan Stanley

…But Agents Are Set to Improve Research/Discovery…Personalization…and Automated Suggestions For Future Purchases…

Customer places order through agent

Customer pays retailer/brand via agent

E-commerce Agent

Consumer

Retailer/Brand Website/App

Agent interacts with retailer/brand proactively

Agent proactively recommends products

Retailer/brand interacts with agent on updated catalogue

Source: Morgan Stanley Research

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…Which Means the E-commerce Funnel is Set to Change

1) **Leading Reach Platforms Could Be More Valuable for Brand/Product Building**
2) **Search Will Transition to Agentic**
3) **High Margin Direct Traffic Could Face Disruption**

Consumer

1) Social/Platforms *Increased Value* — Instagram, YouTube

2) Search Platform *In Transition* — Google

3) Retailer Website/App *At Risk* — amazon, Walmart

Discover an Item

Search for Item

Retailer Website/App — amazon, Walmart

Search for Item

Consider Listings, Price, Reviews, Delivery

Compare Listings, Price, Reviews, Delivery

Retailer Website/App — amazon, Walmart

Compare Listings, Price, Reviews, Delivery

Confirm Selection & Checkout

Source: Morgan Stanley Research

Yet, There Are Agentic Friction Points That Need to Be Solved to Make the Offerings Multiples Better than Current E-Commerce

1

User Prompt

- **Access:** Cutting edge agents restricted to paid subscribers

- **Experience:** Lack of prior agentic interactions result in low-quality user prompts

2

Agent Outlines Plan

- **Data:** Limited customer data hurts initial response

- **Ease of Use:** User must respond to follow-ups for quality answers

3

Agent Takes Actions

- **Speed:** Agent takes significant time to run (10-30 minutes)

- **Interruptions:** Lack of exact item matches can interrupt purchase flow

4

Checkout

- **Payments:** User must manually log-in and enter payment details

- **Returns:** Lack of order history and ease of return impacts future purchases

Source: Morgan Stanley Research

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Connecting Payments is a Critical Hurdle…but Google's Agent Payment Protocol (AP2) May Show The Future

What is AP2?

- AP2 is an **open protocol** to **securely initiate and transact agent-led payments** across platforms.
- It establishes a **payment-agnostic framework** for users, merchants, and payments providers to **transact with confidence** across all types of payment methods.
- It **supports different payment types**: credit/debit cards, stablecoins, real-time bank transfers, etc.

AP2 Connects Merchant/Payment Ecosystems…
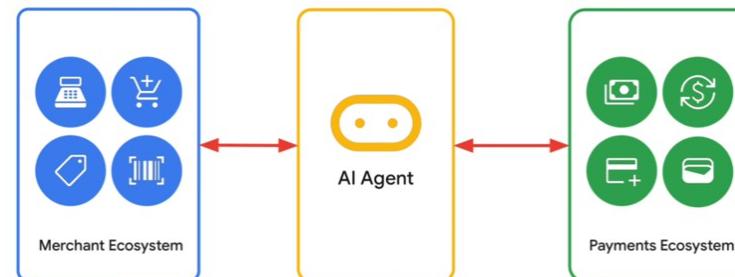
… Supports Multiple Purchase Types…
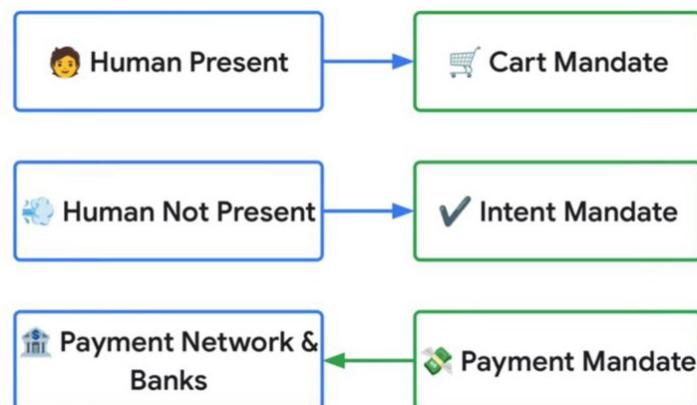
… And Has an Extensive Partner List

Source: Google, Morgan Stanley Research

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Debate #2

How Much E-Commerce Growth Could Agentic Commerce Add to the Ecosystem over the Next 5 Years?

Our View:

- Agentic is in early stages today with just ~MSD% of people starting their purchase journey through AI… but there is early product-market fit as ~40-50% already use AI for product research.

- As products improve, we expect agentic to reach ~10% of E-commerce sales in 2030 and drive >100bp of growth, led by adoption in grocery, household products, and personal care.

- In our bull case, agentic reaches ~20% of E-commerce in '30 leading to 300bp+ of incremental growth.

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How Will Agentic E-Commerce Work? Most is Evolutionary…Some is Revolutionary

Illustrative Example: Improved research and discovery across multiple sites with better context and personalization

1. User Prompt

✦⁺ *AI Agent*

How can I help?

> Show me the clothes and accessories I need to buy to be Maverick from Top Gun for Halloween →

2. Agent Recommends Options

✦⁺ *AI Agent*

Sure! If you're dressing up as Maverick from Top Gun, you'll need a flight jacket, combat boots, aviator sunglasses, and a dog tag. Here are some ideas:

US Navy Top Gun Adult Pilot Jacket |...
$49.99
HalloweenCostum...
★★★★☆ (4)
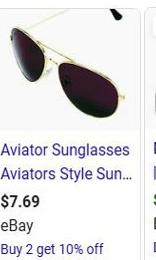
Aviator Sunglasses Aviators Style Sun...
$7.69
eBay
Buy 2 get 10% off

$15 OFF
Mix No. 6 Syles Boot | Men's | Black | Siz...
$34.98 $50
DSW
Discount code

Silver Military Metal Dog Ta...
$1.99
Party City
★★★★⯪ (3)

> What is the total price with tax and shipping? →

3. User Confirms Purchase

✦⁺ *AI Agent*

The total price is $111.25 after tax and shipping. Would you like to purchase any of these items?

> Cool, please purchase all these items →

4. Agent Completes Purchase and Sends Details

✦⁺ *AI Agent*

I have successfully completed all the purchases & the items will be delivered between October 25th and 29th.

The receipts have been sent to your email & I'll update you with the tracking details once each item has shipped.

Source: Google, Morgan Stanley Research

Morgan Stanley

How Will Agentic E-Commerce Work? Most is Evolutionary…Some is Revolutionary

Illustrative Example: Agentic commerce will create a personal shopping agent and "recurring product and deal searcher"

1. User Prompt

✦ *AI Agent*

How can I help?

> Help me find a new Ralph Lauren light blue polo in men's size L for under $30 →

2. Agent Displays Results or Alternatives

✦ *AI Agent*

I couldn't find any new light blue Polo Ralph Lauren shirts under $30. Would you like me to look again daily until I find it?

Here are your next best options:

Ralph Lauren Men's The Iconic Mesh Polo Shirt -…
$125.00
Ralph Lauren
★★★★✦ (42)

📍Panorama City
U.s. Polo Assn. Men's Interlock Polo Shirt, Size:…
$18.00
Walmart
📍 Pick up today

Polo Ralph Lauren Shirts | Light Blue Ralph Lauren…
$20.00
Poshmark
Used

3. User Sets-Up Recurring Search

✦ *AI Agent*

Would you like me to look again daily until I find it?

> Yes, please search once a day until December 25th →

4. Agent Runs Tasks and Displays Results

✦ *AI Agent*

I just found a new light blue Polo Ralph Lauren shirt in size L on eBay under $30. Would you like me to buy it?

Ralph Lauren Men's The Iconic Mesh…
$29.99
eBay
★★★★✦ (150)

> Yes, purchase this item for me →

Source: Google, Morgan Stanley Research

Morgan Stanley

How Will Agentic E-Commerce Work? Most is Evolutionary…Some is Revolutionary

Illustrative Example: Multi-step, multi-modal shopping…with grocery one of the key unlocks

1. User Prompt

✦ *AI Agent*

How can I help?

I am looking to make steak tacos with 2 appropriate sides for a dinner party tonight for 6 people. Here is what I have in the fridge/pantry. Please make me a grocery list of what I'm missing.

2. Agent Analyzes Photo & Determines Missing Items

✦ *AI Agent*

Sure! You seem to be missing chopped steak and garlic. Sweet peppers and corn would make good sides.

Churros may make an appropriate dessert to serve for the party.

3. User Analyzes List & Prices

✦ *AI Agent*

Here's the grocery list of items you will need.

| $2.69 | $16.46 | $12.99 | $5.10 |

That looks great. Are there any cheaper options for sweet peppers?

4. Agent Adjusts List…and User Confirms

✦ *AI Agent*

The total price is $128 and can be delivered by 4pm.

Would you like me to place the order or make any changes?

Great; please place the order

Source: Instacart, Copilot, Morgan Stanley Research

Morgan Stanley

How Will Agentic E-Commerce Work? Most is Evolutionary…Some is Revolutionary

Illustrative Example: Multi-step shopping, AGENTIC DRIVEN shopping…with promotion potential too

1. Agent Prompts User for Purchases Based on History

➡️

2. User Interacts with Agent about Items/List

✦ *AI Agent*

Good morning, Brian! Happy Saturday. I have your weekly grocery order shown below with 17 items.

I found a new queso cheese dip that goes well with your favorite tortilla chips and a 10% coupon for your Eggo waffles.

Promoted agent potential

Nowak Weekly Groceries

✦ *AI Agent*

Thanks! I'll try the queso dip.

Please also add an extra case of Topo Chico Lime and one 32-roll pack of Charmin toilet paper and remove the apples and coconut milk.

Can we get delivery by 9am tomorrow morning?

3. Agent Adjusts Order and Confirms Delivery

✦ *AI Agent*

I added and removed the items above.
I can confirm delivery through between 7am and 9am tomorrow morning.

The total price of this order is $212.

4. User Confirms Checkout Detail

✦ *AI Agent*

Great please place the order

Source: Instacart, Morgan Stanley Research

Morgan Stanley

We See Agentic E-Commerce Adding More Than 100bp/300bp to Annual E-Commerce Growth by '30 in our Base/Bull Cases

- Bottom-up user and category level agentic e-commerce model shows how agentic could add more than 100bp/300bp to e-commerce growth by '30 in base/bull cases, as agentic commerce reaches 10%/20% of e-commerce
- Said another way, we model consumers to spend ~$200bn/$400bn annually through agentic channels by '30

US E-Comm Y/Y Growth - Bull v. Base v. Bear

Share of E-Commerce Spend

Source: Census Bureau, Morgan Stanley Research

Note: Bear case is roughly in-line with prior e-commerce forecast and assumes that agentic does not ramp and/or is all cannibalistic to growth

Stepping Back, It's Still Pretty Small, As We See Agentic Spend Reaching 3%/7% of Total Adjusted Retail Sales by '30 in our Base/Bull Cases

Share of Adjusted Retail Sales

Legend: ■ Offline ■ Traditional E-commerce ■ Agentic

Base:
Year	Agentic	Traditional E-commerce	Offline
2026	0%	28%	72%
2027	1%	29%	71%
2028	1%	29%	70%
2029	2%	29%	68%
2030	3%	30%	67%

Bull:
Year	Agentic	Traditional E-commerce	Offline
2026	0%	28%	72%
2027	1%	29%	71%
2028	2%	29%	69%
2029	4%	29%	67%
2030	7%	28%	65%

Source: Census Bureau, Morgan Stanley Research

On a User Basis, We Estimate ~50% of E-Commerce Shoppers Will Use Agents By 2030…with Agentic Making Up ~25% of Their E-Commerce Spend

Agentic E-Commerce User Adoption (Base Case)

Sanity Check: ~23% have used AI platforms/tools to buy products in the past month

Sanity Check: ~40-50% of people use AI tools for product research or comparing pricing

Non-Agentic Shoppers / Agentic Shoppers

	2026	2027	2028	2029	2030
Agentic	9% / 24M	18% / 48M	27% / 73M	37% / 99M	46% / 126M
Non-Agentic	91% / 240M	82% / 219M	73% / 196M	64% / 173M	54% / 149M

Agentic as a % of Spend - Average Agentic Consumer

% of Adj. Retail Spend: 2%, 3%, 4%, 6%, 8%

% of E-commerce Spend: 7%, 10%, 14%, 19%, 23%

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For Perspective, This Would Put Agentic Adoption Between Early E-Commerce and Mobile

- For guardrails, we compared our Agentic estimates to the ramp for 1) E-commerce in the 1990s & 2) mobile E-commerce in the 2010s.
- We'd expect agentic to ramp faster than early E-commerce given the needed hardware/software build-out & consumer behavior shift, but slower than mobile which required minimal behavior change.

% of Consumers Shopping Through…

Legend: E-commerce, Agentic

% of Total Spend Through…

Legend: E-commerce (% of Adj. Retail), Agentic (% of eComm), Mobile (% of eComm)

Source: Pew Research, ComScore, Euromonitor, eMarketer, Wired, Morgan Stanley Research
* E-Commerce Y1 = 1995, Mobile Y1 = 2010, Agentic Y1 = 2026. E-Commerce Consumers as a % of Internet Users.

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From a Category Perspective, Grocery, Household Products and Personal Care Are the Key Unlocks to Agentic Adoption

- We see personalized grocery shopping as a key unlock for agentic commerce, with **grocery/CPG set to drive 48%/53% of agentic spend from '26-'30 in our base/bull cases.**
- After grocery, household products, personal care, and apparel are next key agentic category beneficiaries in our view.

E-Commerce Penetration by Category

■ 2026 ■ 2028 ■ 2030

Category	2026	2028	2030
Grocery	13%	16%	19%
Household + PC	30%	35%	40%
Apparel	40%	41%	43%
Other	46%	50%	53%
Home Furniture	30%	31%	34%
Electronics	45%	46%	48%
Prescriptions	14%	15%	16%

Agentic Share of E-Comm by Category

■ 2026 ■ 2028 ■ 2030

Category	2026	2028	2030
Grocery	1%	8%	19%
Household + PC		6%	15%
Apparel		4%	10%
Other		3%	8%
Home Furniture		2%	6%
Electronics		2%	6%
Prescriptions		2%	4%

Source: Census Bureau, Morgan Stanley Research

* Other includes various categories including pet, appliances, sporting goods & hobby items, motor parts & accessories, etc.

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Debate #3

How Could Agentic Commerce Impact Retailer Unit Economics and Which Companies Are Best Positioned and Which Are Less Favorably Positioned?

Our View:

- For retailer's agentic positioning we're watching the 5 I's: Inventory, Infrastructure, Innovation, Incrementality, and Income Statement Impact. Within Internet, AMZN, EBAY, RVLV screen positive, ETSY, CHWY, FIGS screen questionable.

- Downside risk to monitor: if retailers lose traffic to agentic, they could face reduced retail media earnings and potentially increased marketing spend. Higher risk for companies with high ad earnings and low marketing spend.

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Our "5 I's" Retailer Agentic Commerce Framework

Inventory: Unique inventory increasingly important as agentic makes it easier to cross-shop, compare prices, and match unique items to personalized tastes/demand.

Infrastructure: Physical infrastructure key to increase inventory availability and reduce shipping times.

Innovation: Investment/innovation to take advantage of GPU-enabled ML, better matching, improved supply management.

Incremental Growth Opportunity: Ability to drive incremental topline growth and gain market share in company's addressable market.

Income Statement and Margin Impact: The risk that agentic cannibalizes the higher margin core business and retail media ad earnings.

AMZN, EBAY, RVLV Screen Best While ETSY, CHWY, FIGS Screen Questionable

Company	Inventory	Infrastructure	Innovation	Incrementality	Income Statement	Average
	Agentic Defensibility			Potential for Incrementality		
amazon	green	green	green	yellow	red	light green
ebay	green	yellow	yellow	yellow	yellow	light green
REVOLVE	yellow	red	yellow	green	green	light green
chewy	red	green	yellow	red	green	yellow
Etsy	red	yellow	yellow	green	yellow	yellow
PELOTON	green	red	yellow	red	green	yellow
FIGS	green	red	red	green	green	orange

Source: Morgan Stanley Research

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Our "5 I's" Retailer Agentic Commerce Framework - *Continued*

Within Hardlines, Broadlines, and Food Retail, W, COST, WMT Screen Best While FIVE Screens Lowest

Company	Inventory	Infrastructure	Innovation	Incrementality	Income Statement	Average
	Agentic Defensibility			Potential for Incrementality		
COSTCO WHOLESALE						
Walmart						
Kroger						
BJ's Wholesale Club						
TARGET						
Albertsons						
DOLLAR GENERAL						
OLLIE'S GOOD STUFF CHEAP						
DOLLAR TREE						
five BELOW						
THE HOME DEPOT						
LOWE'S						
TSC TRACTOR SUPPLY CO						
FLOOR & DECOR						

Company	Inventory	Infrastructure	Innovation	Incrementality	Income Statement	Average
	Agentic Defensibility			Potential for Incrementality		
wayfair						
WILLIAMS SONOMA						
RH						
ARHAUS						
O'Reilly AUTO PARTS						
AutoZone						
Advance Auto Parts						
DICK'S SPORTING GOODS						
BEST BUY						
ULTA BEAUTY						

Source: Morgan Stanley Research

Morgan Stanley

Our "5 I's" Retailer Agentic Commerce Framework - Continued

Within Softlines Retail & Brands, BBWI, M, VSCO, & WRBY Screen Best While LULU & PVH Screen Lower

Company	Inventory	Infrastructure/ Innovation	Incrementality	Income Statement	Average
	Agentic Defensibility		**Potential for Incrementality**		
Bath & Body Works					
macy's					
Victoria's Secret					
WARBY PARKER					
allbirds					
KOHL'S					
On					
URBN					
American Eagle Outfitters					
Burlington					
TORRID					

Company	Inventory	Infrastructure/ Innovation	Incrementality	Income Statement	Average
	Agentic Defensibility		**Potential for Incrementality**		
GAP					
UNDER ARMOUR					
NIKE					
TJX					
AMER SPORTS					
Abercrombie & Fitch					
Levi's					
ROSS DRESS FOR LESS					
tapestry					
lululemon					
PVH					

Source: Morgan Stanley Research

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With the Direct & Search Channels Both At Risk of Disruption, Retailers Could Face A New Paradigm for Growth & Profitability…

Consumer

Social/Platforms (Instagram, YouTube)	Search Platform (Google)	Retailer Website/App (amazon, Walmart)
Discover an Item	Search for Item	Search for Item
Retailer Website/App (amazon, Walmart)	Compare Listings, Price, Reviews, Delivery	Compare Listings, Price, Reviews, Delivery
Consider Listings, Price, Reviews, Delivery	Retailer Website/App (amazon, Walmart)	

Confirm Selection & Checkout

Source: Morgan Stanley Research

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…As The Risk of Losing High Margin Retail Media Ad Dollars Is Significant

- High margin retail media ad revenue makes up ~6% of e-commerce GMV on average now…and often makes up most (or all) of profit
- **The spread in retailer ad revenue and how much they spend on advertising to acquire transactions should play a role in the fee they are willing to pay an agent**

Illustrative Unit Economics for Agentic Purchases, Incremental and Non-Incremental

Non-Agentic Unit Economics

- Ads, 5
- Ads, 1.5
- Fixed Costs, 18
- Marketing, 6
- Purchase Price, 95
- Variable Costs, 70
- **4.5% EBIT Margin**
- Ads, 3.5
- Core, 1

Revenue / Expenses / EBIT

Cannibalistic Agentic Unit Economics
No Retail Media Earnings, Agent Fee

- Fixed Costs, 18
- Agent Fee, 5
- Purchase Price, 95
- Variable Costs, 70
- **2.1% EBIT Margin**
- Core, 2

Revenue / Expenses / EBIT

Incremental Agentic Unit Economics
No Retail Media Earnings, Agent Fee, Fixed Cost Leverage

- Fixed Costs, 13
- Agent Fee, 5
- Purchase Price, 95
- Variable Costs, 70
- **7.4% EBIT Margin**
- Core, 7

Revenue / Expenses / EBIT

Source: Morgan Stanley Research

Putting Companies with High Ad Earnings Contribution & Low Ad Spend Most at Risk

We See Most Margin Risk for Companies with High Ad Earnings and Low Ad Spend (WMT, AMZN)

Lower Margin Risk
Low Ad Earnings, High Ad Spend

Higher Margin Risk
High Ad Earnings, Low Ad Spend

Marketing Expense % of GMV

E-Commerce Advertising EBIT % of EBIT

0%   7%   14%

0%   50%   100%   ~245%

wayfair · Etsy · chewy · ebay · amazon · TARGET · Walmart (Total Business) · Walmart (E-Commerce Only)

Source: Company Data, Morgan Stanley Research
* Based on FY25 Data. WMT is US only, AMZN is NA Retail only.

The Retailer Agentic Breakeven Curve: It's All About Incrementality

- **Higher Agentic Incrementality:** EBIT accretive as new sales volumes drive share gains and operating leverage.
- **Lower Agentic Incrementality:** Cannibalizes higher margin retail media driven sales volumes, hurts direct mix, and flows through at a ~1%-10% decremental margin.
- **Bottom Line: On average, retailers need to see ~50% of agentic commerce as incremental (at 5% fee) to be EBIT break-even**

Agentic EBIT Breakeven by Company

Source: Company Data, Morgan Stanley Research

* Agentic refers to platform agents (by GOOGL, OpenAI, etc.) & not owned agents (i.e. Sparky). WMT is US only, AMZN is NA only. Decremental margin as a % of GMV.

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It Appears Agentic Fees Would Need to Be in the Single Digit Percentage to Drive Retailer Adoption
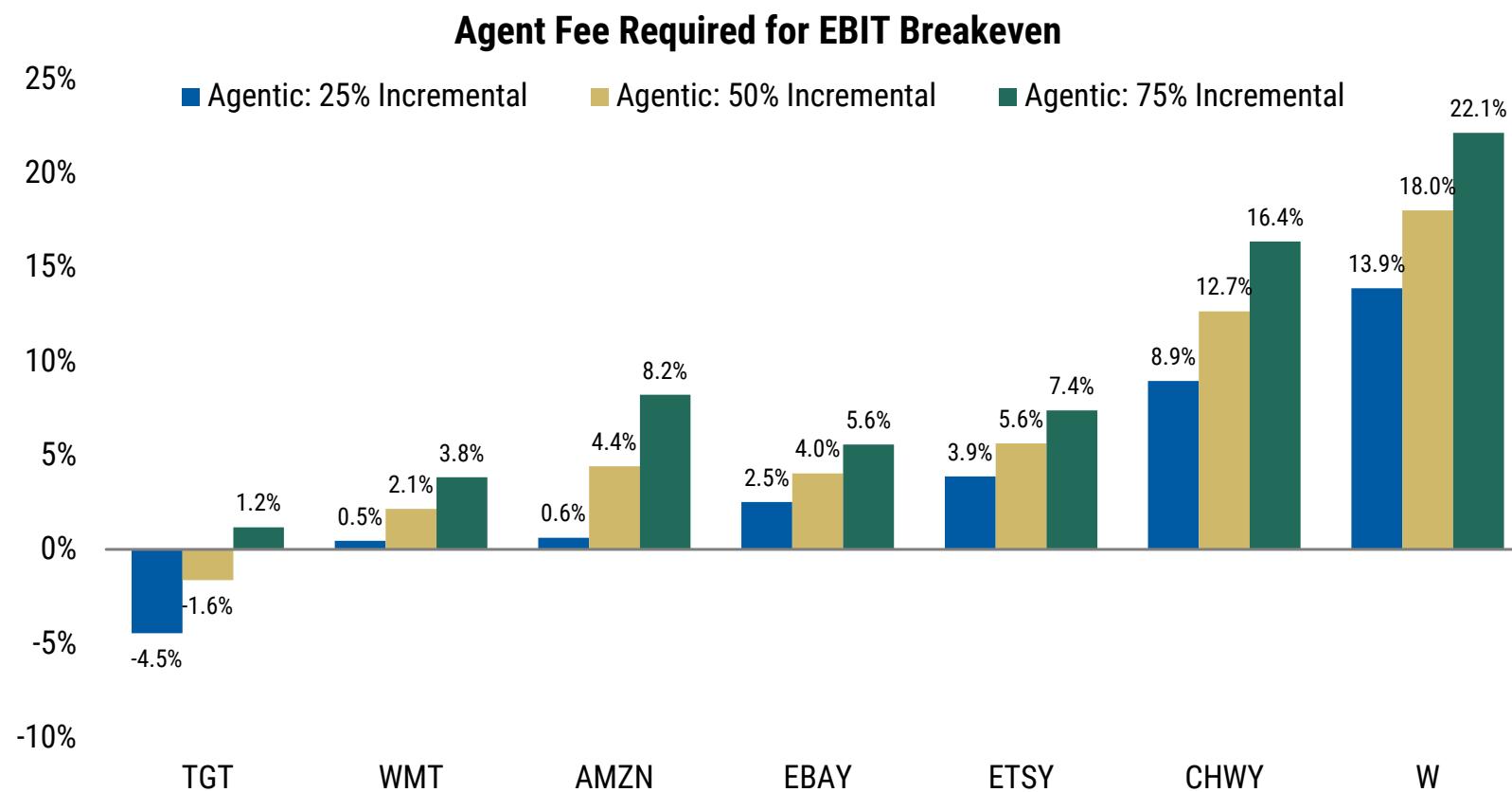
Agent Fee Required for EBIT Breakeven

Legend:
- Agentic: 25% Incremental
- Agentic: 50% Incremental
- Agentic: 75% Incremental

Company	25% Incremental	50% Incremental	75% Incremental
TGT	-4.5%	-1.6%	1.2%
WMT	0.5%	2.1%	3.8%
AMZN	0.6%	4.4%	8.2%
EBAY	2.5%	4.0%	5.6%
ETSY	3.9%	5.6%	7.4%
CHWY	8.9%	12.7%	16.4%
W	13.9%	18.0%	22.1%

Source: Company Data, Morgan Stanley Research

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We Detail Sensitivities Across Our Coverage To Determine the Breakeven Points Where Agentic Would be EBIT Accretive vs. Dilutive

- We built sensitivities to determine whether it would be profitable for retailers to partner with agents.

- Unless the agent fee is below EBAY's already low marketing expense (~3%), agentic purchases need to be >30% incremental to be accretive.

EBAY - Agentic % Impact on E-Commerce EBIT (Per 5% Agentic Shift)

		Change in Marketing Expense (% of GMV)				
		(200bp)	(100bp)	0bp	100bp	200bp
	10%	1%	(0%)	(2%)	(3%)	(4%)
Agentic %	30%	2%	1%	(0%)	(1%)	(3%)
Incremental to	50%	4%	3%	1%	0%	(1%)
GMV	70%	5%	4%	3%	2%	0%
	90%	7%	6%	4%	3%	2%

EBAY - Absolute Agentic E-Comm EBIT Margin

		Change in Marketing Expense (% of GMV)				
		(200bp)	(100bp)	0bp	100bp	200bp
	10%	37%	28%	20%	11%	2%
Agentic %	30%	41%	32%	23%	15%	6%
Incremental to	50%	45%	36%	27%	18%	10%
GMV	70%	48%	40%	31%	22%	13%
	90%	52%	43%	35%	26%	17%
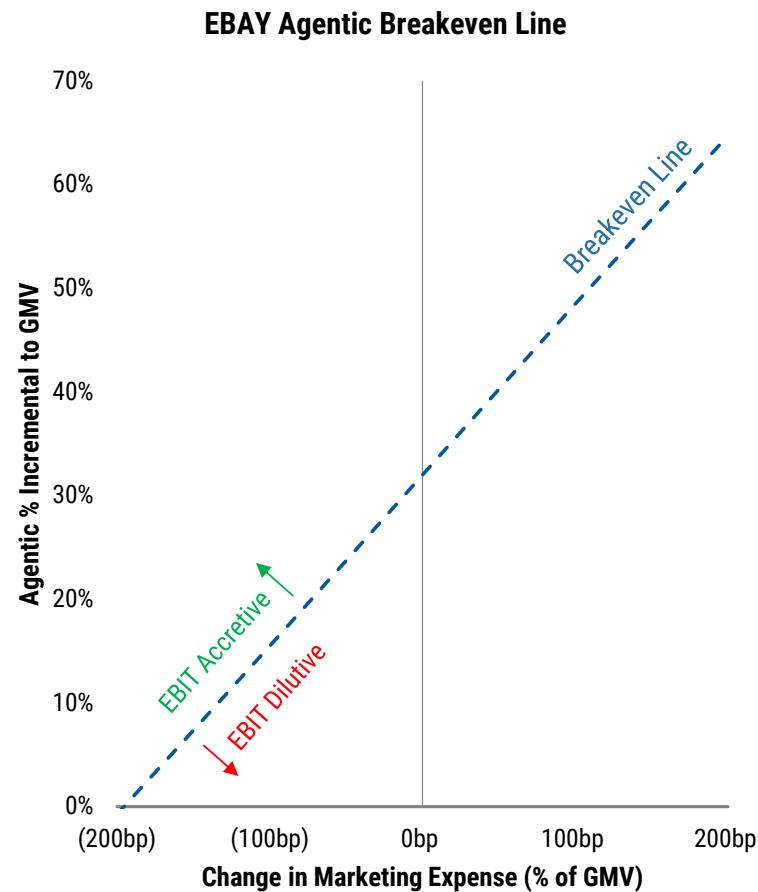
EBAY Agentic Breakeven Line

Source: Company Data, Morgan Stanley Research
* Agentic refers to platform agents (by GOOGL, OpenAI, etc.) & not owned agents (i.e. Rufus, Sparky)

Morgan Stanley

For Companies With High Search Exposure, the Agentic Transition Could Swing Either Way; FIGS Shows The Oncoming Bull-Bear Debate

| Agentic Could Reduce Marketing… | …But Also Lead to Contracting Traffic | Search as a % Traffic |

Marketing % of Revenue - FIGS

15%

Agents Could Materially Lower Marketing Spend…

LSD% - HSD%

FIGS Marketing Spend

ChatGPT Rumored Fee

Traffic Sources - FIGS

Social & Open Web 15%

Owned 34%

Search 51%

…But Also Significantly Reduce Traffic

Search as a % Traffic

55%
50%
45%
40%
35%
30%
25%

FIGS

Etsy
Walmart
wayfair
REVOLVE
ebay

PELOTON

chewy
amazon

Source: Similarweb, Company Data, Morgan Stanley Research

* No fee for ChatGPT Instant Checkout has been disclosed, additional features may have higher fees

Morgan Stanley

Debate #4

How Could Agentic Commerce Change the Online Shopping Funnel and Which Companies are Best Positioned and Which Are Less Favorably Positioned?

Our View:
We see data and reach as key in the agentic world across all types of ad formats.
- In search, while a shift to transaction take rates and away from CPC based ad pricing may cause a compression in overall take rates, we expect the shift in traffic from organic to paid will more than offset this change.

- In social, we believe performance-based platforms with scale and reach will continue to drive value for advertisers even in an agentic commerce world.

The E-commerce Funnel is Set to Change

1) **Leading Reach Platforms Could Be More Valuable for Brand/Product Building**
2) **Search Will Transition to Agentic**
3) **High Margin Direct Traffic Could Face Disruption**

Consumer

1) Social/Platforms *Increased Value*	2) Search Platform *In Transition*	3) Retailer Website/App *At Risk*

Discover an Item

Search for Item

Retailer Website/App (amazon, Walmart)

Compare Listings, Price, Reviews, Delivery

Search for Item

Consider Listings, Price, Reviews, Delivery

Retailer Website/App (amazon, Walmart)

Compare Listings, Price, Reviews, Delivery

Confirm Selection & Checkout

Source: Morgan Stanley Research

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The Search Agentic Transition: We Believe Current "Effective Search Take Rates" are 5-10X Higher than Early Agentic Commission Offerings from OpenAI…

- We believe OpenAI has introduced a low to high single digit % transaction take rate model in agentic shopping
- **This is a fraction of implied take rates GOOGL currently captures with its CPC based ad model**
- Industry convos suggest advertisers target an average 3x ROAS in retail (implied 33% take rate)… note advertisers are willing to pay more for search ads as a % of GMV as they reap the benefits of brand awareness/building and potential future sales over time

Chart: GOOGL Search Revenue as a % of GMV. Cost per Click range: 20% to 40%, with Assume Industry Average of ~33%. Transaction Take Rate range: 3% to 9%.

Key Questions:
- Will ChatGPT's take rate increase?
- Will ChatGPT agentic shopping cause Google to change/lower its monetization model?
- How will direct and organic traffic evolve?

Source: Morgan Stanley Research

* Footnote: Industry Checks indicate CPC implied take rate in range from 20% to 67% of purchase price of good. We assume a baseline of 33%.

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…But 80%+ Retailer Online Traffic is Unpaid (Direct and Organic)…and Shifting That Toward Commission Models Can Quickly Offset Lower "Take Rates"

- We believe search DOES drive brand building, future traffic and transaction…as 80%+ of retailer online traffic is actually unpaid
- Shifting this unpaid traffic toward commission-based agents can quickly offset "lower effective commission rates"
- A 500bp shift in direct traffic toward paid channels can offset a 1400bp reduction in effective take rates

We Estimate Paid Search Makes up ~7% of Retailer Online Traffic… as 80%+ is Free

The Agentic Shift Could Be On: A 500bp Shift in Direct Traffic Toward Paid Channels Can Offset a 1400bp Decline in Effective Take Rate

% Change in Search E-commerce Revenue					
	New Effective Search Take Rate				
	33%	**26%**	**19%**	**12%**	**5%**
500 bps	75%	38%	0%	-37%	-74%
1000 bps	151%	97%	44%	-10%	-64%
1500 bps	226%	157%	87%	17%	-53%
2000 bps	302%	216%	130%	44%	-42%
2500 bps	377%	275%	173%	71%	-31%

(Left column: **bp Shift in Free Traffic to Paid**)

Chart (stacked bar, % of retailer online traffic):
- Email
- Display
- Referrals: 5%
- Social: 6%
- Paid: 7%
- Organic: 28%
- Direct: 54%

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We See the Value of Leading Reach Platforms with Strong Performance-Based Ad Tools Rising…

- We believe performance-based platforms with scale and reach will continue to drive value for advertisers even in an agentic commerce world
- META and GOOGL's platforms already have sizeable advantages in distribution and reach, and the extent to which they develop their own agentic commerce offerings could help retain those advantages

Monthly Users Across Various Engagement Platforms

Source: Company Data, Morgan Stanley Research

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…and In This Case Agents Will Make Full Campaigns for Businesses

Illustrative Example: SMBs can leverage ad agents within social platforms to design personalized ad campaigns. SMBs can specify target outcomes such as a minimum ROAS or maximum cost per acquisition, and the agent can create and launch a campaign that meets those specifications.

1. SMB Prompt

✦ *Meta Ads AI Agent*

How can I help?

I'm starting a new athletic wear brand for men. Can you build an ad campaign targeted toward men aged 25-49 who may be interested? →

2. Meta Ads AI Agent Asks Follow Ups

✦ *Meta Ads AI Agent*

Sure! I can create a personalized ad campaign for that demographic. What is your target ROAS and cost per acquisition?

3. SMB Defines Campaign Targets

Great! I'm targeting a ROAS of at least 5x and a cost per acquisition of under $30. When can you start the campaign? →

4. Meta Ads AI Agent Launches Campaign

✦ *Meta Ads AI Agent*

Fantastic! I will create a personalized ad campaign targeting men aged 25-49 who may be interested in athletic wear. I will target a ROAS of at least 5x while maintaining cost per acquisition under $30. I've identified 20 million potential buyers, and we will start the campaign today. Shall I proceed with the campaign creation process?

Yes, thank you! →

Source: Morgan Stanley Research

TTD: Open Web and Retail Media Exposure Adds Agentic Commerce Disruption Risk

- While CTV remains a growth opportunity, the majority of TTD's gross billings are from the open web, which could see pressure from agentic commerce
- Even within CTV, which is arguably more defensible against the agentic commerce threat, TTD has recently shown weakness amid rising competition (AMZN DSP) and execution hurdles
- The extent to which TTD's position weakens in relatively defensible areas like CTV could put the company at more risk of disruption from agentic commerce given its exposure to open web and retail media

TTD Gross Billings Mix: CTV vs. Open Web
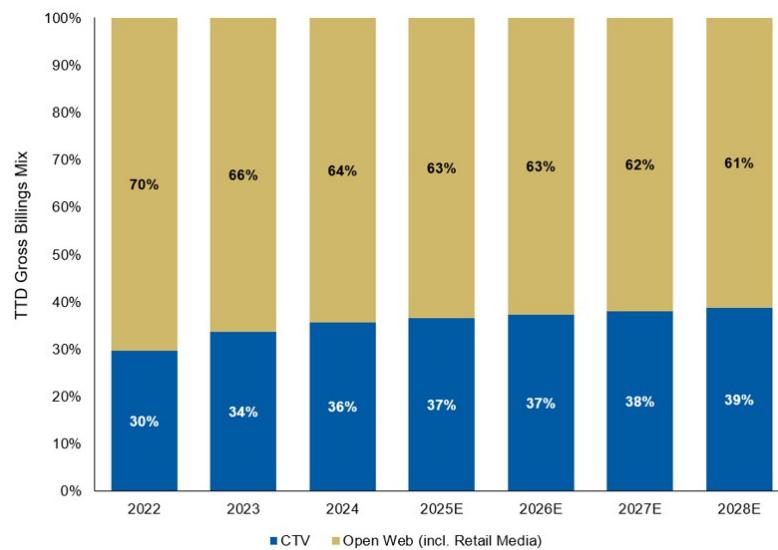
Video Gross Billings Deceleration
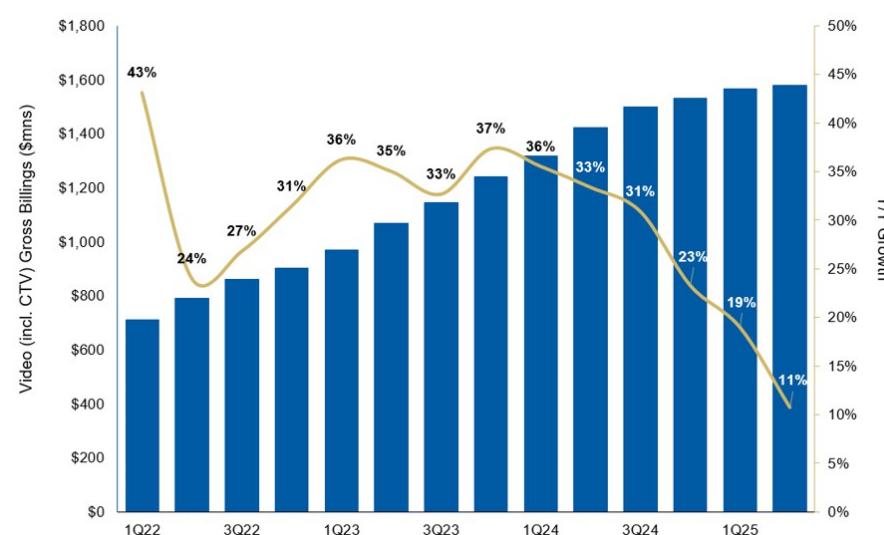
Source: Company Data, Morgan Stanley Research

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Views by Company

Our Views on Potential Agentic Impact and the Key Opportunities, Risks, and Gating Factors by Company

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AMZN (OW, $315 PT): Innovating Quickly With A Material Grocery/CPG Opportunity And Deep Moats Across Fulfillment And Customer Lock-in

Our View

- Pole position to be the leading retailer e-commerce agent, particularly for ~$2T grocery and household products opportunity
- Logistics and Prime lock-in are deep moats that new agentic players will find difficult to replicate
- If external agents take share, AMZN's $69B of retail media revenue could be at risk

amazon

What Have They Done & What We Are Watching

Amazon Rufus	AMZN's on-site agent Rufus has already reached >250M active customers and is on track to deliver >$10B in annualized sales.
Alexa+	Alexa+ is AMZN's multi-modal, conversational assistant compatible with "almost every" Alexa device with a wide range of use cases… with a $0 price tag for Prime members.
Partnership with External Agents	AMZN has said they "will find ways to partner" with third-party agents which could help maintain/expand share… but only for the right exchange of value given all AMZN brings to the table.

Key Opportunities

1. **Grocery Adoption.** Just ~12% of grocery spending is online… and we believe agentic may be the unlock needed for AMZN to expand penetration given new abilities in multi-step, multi-modal shopping.
2. **On-site Agents.** With its base of Prime members, AMZN captures a large portion at the top of the funnel… giving its owned agents the chance to gain share.
3. **Fulfillment.** Although agentic may disrupt the top of the funnel, AMZN's fulfillment network is a durable moat.

Key Risks & Gating Factors

1. **Retail Media Earnings.** An evolving top of the funnel places AMZN's ad earnings at risk. With ad earnings generating a majority of its GAAP NA Retail EBIT, this could be a material headwind if direct traffic shrinks.
2. **Existing Share.** With ~40% of US E-commerce share today, AMZN has lower share gain opportunity within existing E-comm spend than peers.
3. **Marketplace Disruption.** If agents prioritize seller-led sites, it could pressure marketplace share.

Source: Company Data, Morgan Stanley Research

Morgan Stanley

WMT (OW, $115 PT): Upside Given Low E-Commerce Share, Control of Checkout and Order Delivery, With Limited Retail Media Risk

| **Our View** | • We see a favorable risk-reward for WMT given its ability to host the '*Instant Checkout*' process, own customer data, and control order delivery.
• Agentic Commerce could reshape customer acquisition models, allowing WMT to expand its ~6% share within the ~$1.3T US E-commerce channel.
• Retail media (*Walmart Connect*) income could potentially be displaced, although control of the checkout and delivery process mitigates this risk. | |

What Have They Done & What We Are Watching

Walmart – OpenAI Partnership	Customers can buy Walmart merchandise directly through ChatGPT. Includes General Merchandise and non-perishable Grocery SKUs
First Mover Advantage in Agentic Commerce	Eliminates friction in the '*browse & search*' process, curating the purchase decision, and supporting predictive / repeat transactions and creating opportunity for Walmart+ membership enrollment
WMT controls ChatGPT's '*Instant Checkout*' & Delivery	WMT hosts the cart and checkout process, including customer data, payment info, and delivery options, including possible delivery fees for non-Walmart+ members

Key Opportunities	Key Risks & Gating Factors
1. **WMT controls ChatGPT's '*Instant Checkout*'**. WMT hosts the cart+checkout process, including customer data, payments, and delivery, including delivery fees for non-Walmart+ members. 2. **Accelerating Share Gains.** WMT has ~6% share of US E-commerce, but a ~12% share of US retail (including a ~23% share in Grocery). First mover advantage to gain more share. 3. **Increase Walmart+ Memberships**. ChatGPT's Instant Checkout for WMT is a '*single item*' model, meaning repeat purchases likely lead to a sign-up for Walmart+ membership.	1. **Retail Media.** Walmart Connect generates $2.2bn in advertising income EBIT, or an estimated ~9% of total WMT EBIT, which could theoretically see slower growth. 2. **3P Gen. Merch. Displacement.** Increased comparability could lead to competitive pressure on WMT's online Gen Merch offering from AMZN, ETSY, SHOP, etc. 3. **Increased Advertising Costs.** If ChatGPT develops a highly loyal user base over time, advertising/transaction fees for drawing traffic could become more expensive.

Source: Company Data, Morgan Stanley Research

SHOP (OW, $192 PT): 'What's Next' for SHOP? Laying the Rails for Agentic Commerce

Our View	• View SHOP as a Best Athlete in Software, historically leveraging its unrivaled pace of innovation & demonstrated market leadership to accelerate share gains in periods of industry disruption, supporting a unique durable growth profile • Agentic driving deeper e-comm penetration & potential mix shift towards DTC represent further GMV share gain potential; while early innovation in Agentic infrastructure creates monetization opportunity, contribution to Shopify's blended GMV take rate likely remains modest barring material scale

What Have They Done & What We Are Watching

Catalog	Categorized, enriched, and standardized product data drives more efficient and targeted search queries by agents
Agentic Infrastructure (Universal Cart, Checkout Kit)	Seamless multi-brand cart builds carried directly into a secure, compliant, and trustworthy checkout represent tangible, out-of-the-box value for agentic platforms
ChatGPT Instant Checkout Integration	New sales channel with reduced friction drives better conversion, while merchants retain control of brand and infrastructure

Key Opportunities	Key Risks & Gating Factors
1. **Durability of GMV Growth.** Inflection in e-comm penetration sustains SHOP's GMV share gains 2. **Leveraging Pole Position in Checkout / Payments.** Reliability, trust / compliance, & conversion benefits in existing infrastructure drives outsized adoption of agentic products 3. **Reduced Reliance on Discovery Intermediaries Bolster Brand Power.** With agents capable of sifting through products, comparing prices, and transacting directly, reliance on the marketplace 'aggregator model' could moderate, shifting value to DTC / brands powered by SHOP	1. **Marketplaces.** Should agents prioritize buying decisions strictly on price and availability, incremental value could shift towards aggregator marketplaces rather than brands directly 2. **Competitive Encroachment from Either Agent Providers Directly…** Build out of checkout / payments functionality from agentic vendors directly would moderate reliance on Shopify as the execution layer 3. **… Or Payments Vendors.** If agents become price-sensitive optimizers, choosing the most favorable route within a crowded payments landscape, SHOP's take rate could be pressured

Source: Company Data, Morgan Stanley Research

Morgan Stanley | RESEARCH

Morgan Stanley

EBAY (OW, $102 PT): Differentiated Inventory Provides a Clear Moat and Upside Potential

| **Our View** | • We see EBAY as well-positioned for an agentic world as 80%+ of its GMV comes from unique used & not-in-season inventory and agents can help connect buyers with its long-tail items
• However, its high ratio of ad earnings to ad expense could lead to margin risk if agentic cannibalizes direct traffic | **ebay** |

What Have They Done & What We Are Watching

AI Shopping Assistant	Real-time personalized product recommendations should increase relevance, drive ASP, and improve wallet share
Unified Agentic Commerce Platform	This platform connects EBAY data with platform agents to surface the most relevant items using its hybrid cloud infrastructure and LLM ecosystem
Collaboration with Platform 3P Agents	EBAY has shown a willingness to integrate with platform agents such as OpenAI's Operator

Key Opportunities

1. **Inventory Breadth & Depth.** EBAY has >2B highly differentiated listings on its platform. New traffic sources can increase visibility to buyers looking for niche items.
2. **Direct Traffic.** Given its enthusiast buyers, EBAY has a high direct traffic base (~45% of EBAY's web traffic) which likely limits the near-term risk of disruption and gives them the opportunity to launch direct agentic features.
3. **Structured Data.** EBAY has significant structured data on non-new products which can help agents surface long-tail items.

Key Risks & Gating Factors

1. **Retail media.** ~45% of EBAY's EBIT comes from ad earnings while it spends just ~3% of GMV on ad expense… providing risk of margin contraction if it loses direct traffic.
2. **Investment.** EBAY has far less FCF than many players developing agents to invest in owned offerings.
3. **Auctions.** Although a minority of the business, we think it's unlikely agents will initially develop features for the auction format.

Source: Company Data, Morgan Stanley Research

ETSY (EW, $65 PT): High Upside Given Low Share in a Large TAM, But High Take Rate Opens Displacement Risk

Our View

- We see a wide risk-reward skew for ETSY although it's unclear whether agentic shopping is a friend or foe.
- Agentic could better surface its long-tail inventory, allowing ETSY to expand its ~2% share within its ~$550B TAM.
- ETSY's volume and its industry-high take rate could face pressure as the same items are often available for cheaper on other platforms.

What Have They Done & What We Are Watching

ChatGPT Instant Checkout Partnership	Reduced payment friction should lead to an increased conversion rate and GMS contribution from ChatGPT
Listing Optimization	New listing segmentation tactics can allow prioritization of listings with more click history and higher investment returns
Partnerships with Additional External Agents	As ETSY has been an early partner to platform agents, we are watching for additional partnerships especially if they can increase ETSY's prominence in results

Key Opportunities

1. **Taking Share of New Demand.** ETSY only has ~0.6% share of US E-commerce. New demand sources could help it take share, especially as an early adopter.
2. **Inventory Relevance.** ETSY has >100M listings of unique inventory but has struggled with search relevance. Agents can better match long-tail of inventory with queries.
3. **Premium Pricing.** Agents may be better able to explain why an ETSY listing may be worth a premium vs. a cheaper, lower quality item.

Key Risks & Gating Factors

1. **Retail Media.** At ~7.5% of GMS, ETSY has a large onsite and offsite ad business that could be displaced.
2. **Platform Displacement.** If agentic commerce prioritizes seller-led channels (i.e. SHOP) that offer the same item for cheaper, it could reduce ETSY's GMS.
3. **Take Rate Compression.** ETSY's take rate is much higher than pure 3P marketplace. If direct offerings become the demand aggregator, ETSY may have to reduce its rate to remain competitive.

Source: Company Data, Morgan Stanley Research

CHWY (OW, $48 PT): High Subscription and Health Features Are a Moat, Although Commoditized Inventory Could be a Risk

| Our View | • Given the nature of pet purchases (largely recurring and subscription-based) we think agentic shopping will see a slower rate of adoption in the category
• Most of CHWY's revenue comes from commoditized products that match competitor pricing which could place share at risk if agents take share
• CHWY under-indexes on discretionary items and personalized recommendations could help it expand wallet share | chewy |

What Have They Done & What We Are Watching

Expansion of Personalized Recommendations	If CHWY improves recommendations to be more personalized and proactive, it could encourage higher spend on the platform
Investments in AI and Automation	CHWY has spent less than peers on Gen AI as it has focused on the core e-commerce experience
Partnerships with External Agents	Partnerships with agents could increase CHWY's prominence in results and drive more traffic to the platform

Key Opportunities	Key Risks & Gating Factors
1. **Autoship Penetration.** Autoship makes up ~85% of total sales. Given high penetration and customer likeliness to keep purchasing the same pet food, we see limited opportunities/reasons for customers to churn. 2. **Reduced Ad Expense.** CHWY spends ~7% of revenue on marketing. If agentic lowers fees, this could expand margins. 3. **Fulfillment.** CHWY has high one/two-day delivery coverage, including for pharmacy items which traditionally have a long lead-time.	1. **Specialized Platform.** Although CHWY and AMZN prices are comparable, agents may prioritize AMZN if a shopper is looking to buy items across categories. 2. **Customer Service Differentiation.** CHWY is known for its customer service and pet-first brand. Brand messaging and customer service may be less relevant in an agentic world. 3. **Free Shipping Threshold.** CHWY has a higher free shipping threshold ($50) than peers which may limit its ability to win small basket size purchases.

Source: Company Data, Morgan Stanley Research

TGT (OW, $112 PT): Mixed Risk/Reward, Given Low Incremental Margins, High Advertising Income

Our View

- We see a mixed risk-reward for TGT, given low incremental E-commerce margins, high advertising income, and undefined approach to external AI Agent solutions.
- TGT has a strong base to work with, and AI Agents could boost TGT's Style/Design visibility when assortment is on-trend.
- However, retail media income (*Roundel*) could potentially be displaced if external AI agents control the transaction.

What Have They Done & What We Are Watching

Internal Initiatives So Far	AI-focused internal initiatives, like '*Bullseye Gift Finder*' or '*Shop the Look*', to generate personalized recommendations, summarize social media trends and/or SKU descriptions.
Time Is Of The Essence	While management transition is in progress, competitors are already on their marks and set to run. We will look for an Agentic strategy when incoming CEO Michael Fiddelke unveils his plans.
Profit vs Share Equation May Change	TGT has prioritized profitability and retail media income over scale and share gains in E-commerce. This may no longer be possible if Agentic Commerce raises competitive intensity.

Key Opportunities

1. **A strong base to work with.** $20bn in digital sales, a broad merchandise assortment, and an extended store fleet capable of covering 80% of U.S. population with same-day delivery.
2. **Reversing Share Losses.** If partnered adequately, TGT has the potential to reverse market share losses to the E-commerce channel, its core structural competitive threat.
3. **Boosting Style/Design Visibility**. Catalyst for TGT to play to its strength –capturing on-trend style/design– by elevating visibility when the merchandise resonates.

Key Risks & Gating Factors

1. **Retail Media.** Roundel generates ~$2bn in value, or an estimated ~40% of total TGT EBIT, which could be displaced if external AI agents control the transaction.
2. **Increased competitive intensity.** TGT's visibility may further suffer if they do not insert themselves as a relevant player in the Agentic Commerce ecosystem.
3. **Need for investment cycle**. Remaining competitive in E-commerce while maintaining profitability may no longer be possible if Agentic prioritizes players with scale/convenience.

Source: Company Data, Morgan Stanley Research

Morgan Stanley

W (OW, $130 PT): Optimally Suited to Agentic Commerce With High Incremental Margins, High Ad spend Budget, And Limited Retail Media Exposure

Our View	• We see a favorable risk-reward for W, given high incremental margins and low exposure to retail media income erosion. • W has substantial leverage potential, with mid- to high-teens sales flow-through to earnings, thanks to investments in CastleGate and replatforming its tech stack. • Retail media income exposure is relatively modest, at only ~1% to ~2% of GMV.	**wayfair**

What Have They Done & What We Are Watching

Dual Track Strategy	W has developed solid internal ML and AI capabilities through years of investment, but is also moving to integrate seamlessly with leading external Agents (i.e. Google, OpenAI, Perplexity).
Fulfilment & Proprietary Data Provide Moat	Leveraging its years of investment in supply chain + delivery (CastleGate network) and extended proprietary customer data file to maximize shopper traffic in the Agentic Commerce landscape.
High Incremental Profit Margins	After 3 years of cost discipline, and with substantial fixed cost leverage in its supply chain, W has at least a mid- to high-teens % incremental profit margin, ideal for external Agentic partnerships.

Key Opportunities

1. **Market Share Gains.** W, with estimated ~3.5% of the U.S. furniture and home furnishings market, may accelerate market share gains if it capitalizes on the Agentic opportunity.
2. **Operating Leverage.** With a substantial portion of supply chain and infrastructure expenses relatively fixed, W's model is ideal to deliver incremental profitability on Agentic-sourced traffic.
3. **Little Retail Media Exposure**. We estimate retail media income at a relatively low ~1% to ~2% of GMV, minimizing downside risk to earnings..

Key Risks & Gating Factors

1. **Bricks-to-clicks.** A broader industry embrace of external agents in driving traffic and customer acquisition could raise competitive intensity in furniture E-commerce.
2. **Take rate compression.** If external agents prioritize less developed marketplaces operating on lower take-rate models, there could be pressure on W's P&L.
3. **Increased Advertising Costs**. If agentic commerce players capture a large, highly loyal user base, it may exact a higher expense per transaction from marketplaces like W.

Source: Company Data, Morgan Stanley Research

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Global Stock Ratings Distribution

(as of October 31, 2025)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1501	41%	384	46%	26%	703	41%
Equal-weight/Hold	1609	44%	370	44%	23%	788	46%
Not-Rated/Hold	4	0%	1	0%	25%	1	0%
Underweight/Sell	568	15%	80	10%	14%	223	13%
Total	3,682		835			1715	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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INDUSTRY COVERAGE: Internet

COMPANY (TICKER)	RATING (AS OF)	PRICE* (11/14/2025)
Brian Nowak, CFA		
Airbnb Inc (ABNB.O)	U (12/06/2022)	$122.02
Alphabet Inc. (GOOGL.O)	O (08/11/2015)	$276.41
Amazon.com Inc (AMZN.O)	O (04/24/2015)	$234.69
Booking Holdings Inc (BKNG.O)	E (01/09/2019)	$5,048.01
DoorDash Inc (DASH.O)	O (02/21/2024)	$206.96
Expedia Inc. (EXPE.O)	E (01/09/2019)	$264.66
Instacart (CART.O)	E (01/29/2024)	$41.05
Lyft Inc (LYFT.O)	E (10/24/2019)	$23.14
Meta Platforms Inc (META.O)	O (03/20/2023)	$609.46
Nextdoor Holdings Inc (NXDR.N)	U (05/12/2025)	$1.66
Pinterest Inc (PINS.N)	O (07/20/2025)	$26.62
Reddit Inc (RDDT.N)	O (12/08/2024)	$193.31
Snap Inc. (SNAP.N)	E (07/22/2024)	$8.57
Uber Technologies Inc (UBER.N)	O (06/04/2019)	$91.62

Matthew Cost

AppLovin Corp (APP.O)	O (04/10/2025)	$557.70
Compass, Inc. (COMP.N)	++	$9.41
Criteo SA (CRTO.O)	E (01/26/2016)	$20.77
DoubleVerify Holdings Inc (DV.N)	E (06/25/2024)	$10.42
Electronic Arts Inc (EA.O)	E (08/04/2021)	$201.06
Integral Ad Science Holding Corp. (IAS.O)	E (04/16/2024)	$10.27
MNTN Inc (MNTN.N)	E (06/16/2025)	$14.00
Opendoor Technologies Inc (OPEN.O)	E (07/24/2023)	$8.12
Playtika Holding Corp (PLTK.O)	E (11/27/2022)	$4.06
Roblox Corporation (RBLX.N)	O (11/04/2024)	$102.28
Shutterstock Inc (SSTK.N)	E (07/28/2022)	$21.47
Take-Two Interactive Software (TTWO.O)	O (02/01/2018)	$235.03
Trade Desk Inc (TTD.O)	E (09/10/2025)	$41.93
Unity Software Inc (U.N)	O (09/02/2024)	$36.72
Webtoon Entertainment Inc (WBTN.O)	E (07/22/2024)	$12.83
Yelp Inc (YELP.N)	U (01/10/2019)	$28.31
Zillow Group Inc (Z.O)	E (04/18/2018)	$68.80

Nathan Feather

Bumble Inc. (BMBL.O)	E (03/08/2021)	$3.60
Chewy Inc (CHWY.N)	O (10/31/2023)	$33.53
Duolingo Inc (DUOL.O)	O (04/23/2025)	$185.07
eBay Inc (EBAY.O)	O (04/18/2024)	$83.85
Etsy Inc (ETSY.N)	E (07/20/2025)	$57.10
FIGS, Inc. (FIGS.N)	E (02/29/2024)	$9.24
Match Group Inc (MTCH.O)	E (04/18/2024)	$32.28
Peloton Interactive, Inc. (PTON.O)	E (03/14/2022)	$7.48
Revolve Group Inc (RVLV.N)	E (10/20/2024)	$20.96
WW International Inc (WW.O)	E (08/01/2025)	$27.12

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INDUSTRY COVERAGE: Hardline/Broadline/Food Retail

COMPANY (TICKER)	RATING (AS OF)	PRICE* (11/14/2025)
Simeon Gutman, CFA		
Academy Sports and Outdoors Inc (ASO.O)	E (08/15/2022)	$44.72
Advance Auto Parts Inc (AAP.N)	E (08/26/2021)	$50.03
Albertsons Companies, Inc (ACI.N)	E (10/19/2022)	$18.21
Arhaus Inc (ARHS.O)	E (11/29/2021)	$9.03
AutoZone Inc. (AZO.N)	O (06/15/2022)	$3,856.87
Best Buy Co Inc (BBY.N)	E (01/19/2016)	$75.72
BJ'S Wholesale Club (BJ.N)	E (07/23/2018)	$94.38
Costco Wholesale Corp (COST.O)	O (03/16/2020)	$922.98
Dick's Sporting Goods (DKS.N)	O (08/26/2020)	$216.35
Dollar General Corporation (DG.N)	E (08/29/2024)	$104.30
Dollar Tree Inc (DLTR.O)	E (02/16/2016)	$104.75
Driven Brands Holdings Inc (DRVN.O)	E (01/15/2024)	$13.90
European Wax Center (EWCZ.O)	U (11/14/2024)	$3.80
Five Below Inc (FIVE.O)	E (07/17/2024)	$147.05
Floor & Decor Holdings Inc (FND.N)	E (11/12/2018)	$60.02
Grocery Outlet Holding Corp (GO.O)	E (08/05/2025)	$11.25
Home Depot Inc (HD.N)	O (02/23/2017)	$362.36
Kroger Co. (KR.N)	E (01/17/2023)	$66.71
Leslie's, Inc. (LESL.O)	E (11/23/2020)	$2.99
Lowe's Companies Inc (LOW.N)	O (01/21/2015)	$227.85

Mister Car Wash, Inc (MCW.O)	E (08/12/2022)	$5.12
National Vision Holdings Inc. (EYE.O)	E (01/17/2023)	$23.70
O'Reilly Automotive Inc (ORLY.O)	O (01/20/2025)	$98.80
Ollie's Bargain Outlet Holdings Inc (OLLI.O)	E (05/23/2021)	$124.67
Petco Health and Wellness co (WOOF.O)	E (05/16/2022)	$2.96
RH (RH.N)	O (01/12/2025)	$149.41
Sally Beauty Holdings Inc (SBH.N)	U (06/15/2022)	$14.18
Target Corp (TGT.N)	O (01/15/2024)	$89.90
Tractor Supply Co (TSCO.O)	E (10/23/2025)	$55.42
Ulta Beauty Inc (ULTA.O)	O (01/20/2025)	$529.34
Valvoline Inc. (VVV.N)	E (01/20/2025)	$31.44
Walmart Inc (WMT.N)	O (01/23/2019)	$102.48
Wayfair Inc (W.N)	O (01/15/2024)	$101.94
Williams-Sonoma Inc (WSM.N)	E (03/14/2024)	$182.24

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INDUSTRY COVERAGE: Software

COMPANY (TICKER)	RATING (AS OF)	PRICE* (11/14/2025)
Chris Quintero		
BILL Holdings Inc (BILL.N)	E (06/10/2025)	$50.35
Blackline Inc (BL.O)	O (09/29/2024)	$54.67
Descartes Systems Group Inc (DSGX.O)	E (07/13/2025)	$83.37
Manhattan Associates Inc. (MANH.O)	E (10/21/2025)	$178.23
OneStream Inc (OS.O)	O (01/16/2025)	$21.68
SPS Commerce Inc (SPSC.O)	E (11/11/2025)	$81.55
Vertex Inc. (VERX.O)	O (01/17/2024)	$20.17
Elizabeth Porter, CFA		
Amplitude Inc. (AMPL.O)	E (01/13/2025)	$10.73
Autodesk (ADSK.O)	O (08/23/2024)	$299.39
Figma Inc (FIG.N)	E (08/25/2025)	$38.53
Five9 Inc (FIVN.O)	E (10/10/2022)	$20.27
Freshworks Inc (FRSH.O)	E (10/18/2021)	$12.11
GoDaddy Inc (GDDY.N)	E (07/19/2021)	$129.70
HubSpot, Inc. (HUBS.N)	O (03/21/2023)	$396.36
Klaviyo, Inc (KVYO.N)	O (09/19/2025)	$28.61
LegalZoom.com Inc (LZ.O)	U (07/28/2022)	$10.01
Liveramp Holdings Inc (RAMP.N)	E (01/13/2025)	$29.66
NICE Ltd. (NICE.O)	O (10/16/2023)	$133.38
RingCentral Inc (RNG.N)	E (08/08/2023)	$27.26
Semrush Holdings Inc -A (SEMR.N)	E (08/05/2025)	$7.06
Sprinklr Inc (CXM.N)	E (07/19/2021)	$7.28
Sprout Social Inc (SPT.O)	E (11/17/2020)	$10.05
Twilio Inc (TWLO.N)	O (02/24/2025)	$125.36
Wix.Com Ltd (WIX.O)	O (01/13/2025)	$125.29
Zeta Global Holdings Corp (ZETA.N)	E (08/01/2024)	$18.44
ZoomInfo Technologies Inc (GTM.O)	E (02/01/2024)	$10.20
Josh Baer, CFA		
Asana Inc (ASAN.N)	U (05/20/2025)	$12.70
Box Inc (BOX.N)	E (05/21/2024)	$32.01
CCC Intelligent Solutions Holdings Inc (CCC.O)	O (11/13/2024)	$7.37
Commerce.com Inc. (CMRC.O)	E (05/11/2021)	$4.91
Coursera, Inc. (COUR.N)	E (06/05/2025)	$8.48
DigitalOcean Holdings Inc (DOCN.N)	O (01/16/2025)	$45.84
Docebo Inc. (DCBO.O)	E (05/12/2025)	$22.18

DocuSign Inc (DOCU.O)	E (01/16/2024)	$67.76
Lightspeed POS Inc. (LSPD.N)	E (02/18/2021)	$12.10
monday.com Ltd (MNDY.O)	O (08/12/2025)	$160.54
Sabre Corp (SABR.O)	E (03/16/2021)	$1.70
ServiceTitan Inc (TTAN.O)	E (01/06/2025)	$89.34
Toast, Inc. (TOST.N)	O (12/16/2021)	$35.90
Udemy Inc (UDMY.O)	E (06/05/2025)	$5.18
Via Transportation Inc (VIA.N)	E (10/07/2025)	$43.87
Zoom Communications (ZM.O)	E (10/11/2022)	$84.22

Keith Weiss, CFA

Adobe Inc. (ADBE.O)	E (09/24/2025)	$331.11
Atlassian Corporation PLC (TEAM.O)	O (01/13/2020)	$151.79
Cloudflare Inc (NET.N)	O (12/02/2024)	$210.60
CoreWeave (CRWV.O)	E (04/22/2025)	$77.36
Intuit (INTU.O)	O (02/26/2025)	$662.41
Microsoft (MSFT.O)	O (01/13/2016)	$510.18
Oracle Corporation (ORCL.N)	E (01/15/2019)	$222.85
Salesforce, Inc. (CRM.N)	O (12/21/2023)	$243.66
Samsara Inc (IOT.N)	E (03/23/2023)	$37.81
ServiceNow Inc (NOW.N)	O (09/24/2025)	$850.43
Shopify Inc (SHOP.O)	O (04/19/2024)	$146.04
Workday Inc (WDAY.O)	E (02/19/2025)	$230.82

Meta A Marshall

Check Point Software Technologies Ltd. (CHKP.O)	E (10/16/2023)	$197.52
CrowdStrike Holdings Inc (CRWD.O)	E (07/14/2025)	$537.55
CyberArk Software Ltd (CYBR.O)	E (01/09/2024)	$487.93
Fortinet Inc. (FTNT.O)	U (09/02/2025)	$82.31
Gen Digital Inc. (GEN.O)	E (06/07/2024)	$26.70
Jamf Holding Corp (JAMF.O)	E (10/13/2024)	$12.86
Netskope, Inc. (NTSK.O)	O (10/13/2025)	$19.87
Okta, Inc. (OKTA.O)	O (12/02/2024)	$83.94
Palo Alto Networks Inc (PANW.O)	O (10/10/2017)	$205.25
Qualys Inc (QLYS.O)	U (02/09/2021)	$143.57
Rapid7 Inc (RPD.O)	E (08/11/2015)	$14.03
SailPoint Inc (SAIL.O)	O (09/02/2025)	$19.92
SentinelOne, Inc. (S.N)	E (12/02/2024)	$16.79
Tenable Holdings Inc (TENB.O)	E (12/02/2024)	$26.98
Varonis Systems, Inc. (VRNS.O)	O (10/16/2023)	$33.69
Zscaler Inc (ZS.O)	O (09/02/2025)	$299.45

Roy D Campbell

Karooooo Ltd (KARO.O)	O (04/27/2021)	$45.04

Sanjit K Singh

Akamai Technologies, Inc. (AKAM.O)	U (08/05/2025)	$87.17
Appian Corp (APPN.O)	E (12/03/2021)	$43.27
C3.ai (AI.N)	U (01/04/2021)	$14.07
Confluent, Inc. (CFLT.O)	E (01/16/2025)	$23.30
Datadog, Inc. (DDOG.O)	E (01/16/2025)	$185.01
Dynatrace Inc (DT.N)	E (02/13/2024)	$46.84
Elastic NV (ESTC.N)	O (12/16/2024)	$90.83
GitLab Inc (GTLB.O)	O (10/09/2024)	$44.33
JFrog Ltd. (FROG.O)	O (12/21/2023)	$59.09
MongoDB Inc (MDB.O)	O (04/12/2023)	$352.61
PagerDuty, Inc. (PD.N)	E (01/24/2024)	$15.44
Palantir Technologies Inc. (PLTR.O)	E (02/04/2025)	$174.01

Snowflake Inc. (SNOW.N)	O (06/24/2025)	$257.02
UiPath Inc (PATH.N)	E (09/07/2022)	$14.03

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INDUSTRY COVERAGE: Branded Apparel & Footwear

COMPANY (TICKER)	RATING (AS OF)	PRICE* (11/14/2025)
Alex Straton		
Allbirds Inc (BIRD.O)	E (08/10/2022)	$5.05
Amer Sports Inc (AS.N)	E (02/26/2024)	$30.37
Levi Strauss & Co (LEVI.N)	E (08/03/2022)	$21.41
Nike Inc. (NKE.N)	E (06/28/2024)	$64.17
On Holding AG (ONON.N)	O (05/17/2022)	$42.40
PVH Corp. (PVH.N)	E (03/30/2022)	$77.75
Under Armour Inc. (UAA.N)	U (07/22/2024)	$4.53
Warby Parker Inc. (WRBY.N)	E (02/28/2023)	$16.96

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INDUSTRY COVERAGE: Retail, Department Stores

COMPANY (TICKER)	RATING (AS OF)	PRICE* (11/14/2025)
Alex Straton		
Kohl's (KSS.N)	U (03/01/2023)	$16.75
Macy's Inc. (M.N)	E (05/26/2022)	$19.99

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INDUSTRY COVERAGE: Retail, Off-Price

COMPANY (TICKER)	RATING (AS OF)	PRICE* (11/14/2025)
Alex Straton		
Burlington Stores Inc (BURL.N)	O (11/22/2022)	$279.81
Ross Stores Inc. (ROST.O)	E (01/20/2025)	$160.58
TJX Companies Inc. (TJX.N)	O (11/16/2022)	$146.08

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INDUSTRY COVERAGE: Retail, Specialty Retail

COMPANY (TICKER)	RATING (AS OF)	PRICE* (11/14/2025)
Alex Straton		
Abercrombie & Fitch Co. (ANF.N)	E (08/24/2023)	$69.74
American Eagle Outfitters, Inc. (AEO.N)	E (01/20/2025)	$17.56
Bath & Body Works, Inc. (BBWI.N)	O (08/18/2022)	$22.00
Gap Inc (GAP.N)	O (07/18/2024)	$24.15
Lululemon Athletica Inc. (LULU.O)	E (06/08/2025)	$170.68
TAPESTRY INC (TPR.N)	O (05/08/2025)	$101.41
Torrid Holdings Inc. (CURV.N)	U (07/18/2024)	$1.26
Urban Outfitters Inc. (URBN.O)	O (01/20/2025)	$61.46
Victoria's Secret & Company (VSCO.N)	E (08/14/2024)	$35.70

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Morgan Stanley

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