



Wealth Preservation Equity Research

Institutional-Quality Fundamental Analysis

AMZN

Amazon.com, Inc.

NASDAQ | Technology / E-Commerce / Cloud Computing

RECOMMENDATION

HOLD / WATCHLIST

WP Score: 62/100

Report Date	February 23, 2026	Current Price	\$210.11
Analyst	Moschovakis Capital Research	Fair Value (Base)	\$245.00
Sector	Technology / Consumer	Margin of Safety	-14.3%
Market Cap	\$2.26 Trillion	Target Entry	\$185.00

This analysis is for informational purposes only and does not constitute investment advice. Past performance does not guarantee future results. Report prepared for Moschovakis Capital.

EXECUTIVE SUMMARY

Metric	Value	Metric	Value
Recommendation	HOLD / WATCHLIST	Dividend Yield	0.0% (No Dividend)
Current Price	\$210.11	Expected EPS Growth	15-20% CAGR
Fair Value (Base Case)	\$245.00	Expected Price Appreciation	8-10% CAGR
Margin of Safety	-14.3%	Total Expected Return (Base)	8.8% CAGR
Target Entry (if HOLD)	\$185.00	Bear Case Total Return	1.2% CAGR
WP Score	62 / 100	Bull Case Total Return	16.5% CAGR
Downside Protection Score	58 / 100	Probability-Weighted Return	8.8% CAGR
Quality Score	72 / 100	Risk Level	MODERATE
Return Adequacy Score	70 / 100	Recession Profile	SENSITIVE

One-Line Thesis: Amazon is a generational business with an extraordinary competitive moat across e-commerce, cloud computing (AWS), and advertising, delivering accelerating growth and expanding margins; however, at current valuations the stock trades above our fair entry threshold, and the absence of a dividend combined with massive near-term capital expenditure (\$200B planned for 2026) creates an insufficient margin of safety for a wealth preservation mandate. We recommend HOLD/WATCHLIST with a target entry at \$185 or below.

Investment Thesis

Amazon.com operates the world's largest e-commerce platform, the market-leading cloud infrastructure business (AWS, ~\$142B annualized run rate), and a rapidly growing digital advertising franchise now exceeding \$80B in annual revenue. The company's FY2025 results demonstrated remarkable execution: revenue reached \$716.9B (+12.4% YoY), operating income expanded to \$80.0B (11.2% margin, up from 10.8%), and AWS reaccelerated to 24% growth in Q4, its fastest pace in 13 quarters. The AWS backlog of \$244B (+40% YoY) provides exceptional forward visibility into cloud and AI demand.

For wealth preservation, Amazon presents a paradox: it is an undeniably exceptional business with a wide, durable moat and improving profitability, yet it fails several key preservation criteria. The company pays no dividend (providing zero income floor), current valuation at ~28x trailing earnings offers limited margin of safety, and the announced \$200B 2026 capex plan will compress free cash flow significantly while introducing execution risk. The balance sheet remains strong (D/E of 0.18 on long-term debt, \$123B in liquid assets), but the capital intensity cycle means near-term FCF will be negligible. We rate Amazon HOLD/WATCHLIST: an exceptional company we want to own, but at a price that provides adequate downside protection for our mandate.

1. STAGE 1: SECTOR & THEME IDENTIFICATION

1.1 Initial Screening

Question	Assessment	Verdict
Is the sector understandable? E-commerce, cloud computing, and advertising are well-understood businesses.	Yes	CONTINUE
Is the sector in secular decline? Digital commerce, cloud adoption, and AI are in long-term secular growth.	No	CONTINUE
Model type: Defensive, Cyclical, or None? E-commerce has consumer discretionary exposure; AWS has enterprise budget sensitivity; advertising is cyclical.	Cyclical	CONTINUE (heightened scrutiny)
Sector-level tailwinds?	1) AI infrastructure buildout driving AWS growth 2) Cloud migration still early innings 3) Digital advertising shift from traditional media	FAVORABLE
Sector valuation vs. history? Tech sector P/E ~30x vs. 10Y avg ~25x; ~20% above historical average.	Yes	PROCEED WITH CAUTION

Sector Verdict: CONTINUE — Understandable, secular growth sector with strong tailwinds. Moderately cyclical nature requires heightened balance sheet scrutiny. Sector-level valuation elevated.

2. STAGE 2: FUNDAMENTAL GATEKEEPING

2.1 Solvency Check

Amazon's balance sheet has strengthened materially over the past two years. The company has been actively reducing debt while generating substantial operating cash flow. With \$123B in liquid assets against ~\$76B in total long-term debt (excluding operating leases), Amazon maintains a net cash-positive position on its traditional debt. Including finance and operating lease obligations of ~\$103B expands total liabilities, but the company's cash generation capacity provides ample coverage.

Metric	Value	Threshold	Assessment
Debt-to-Equity (Long-Term)	0.18x	<1.0x (ideal <0.5x)	PASS - Excellent
Debt-to-Equity (Incl. Leases)	0.43x	<1.0x	PASS - Good
Interest Coverage (EBIT/Interest)	36.3x	>5.0x minimum	PASS - Fortress
Current Ratio	1.05x	>1.5x	MONITOR - Below threshold
Free Cash Flow (TTM)	\$11.2B	Positive 4/5 years	PASS - 4/5 years positive
Cash as % of Total Debt	162%	>20% preferred	PASS - Exceptional
Operating Cash Flow (TTM)	\$139.5B	Positive	PASS - Massive

Stress Test: If Amazon's revenue dropped 30% for 2 years, the company would still generate significant operating cash flow (estimated \$40-50B annually) given its variable cost structure in fulfillment and its high-margin AWS segment. The company could service debt comfortably, though discretionary capex would need to be curtailed. No dividend exists to maintain. The company would not need dilutive equity raises.

Solvency Assessment: FORTRESS — Exceptional cash generation, low leverage, massive liquid asset base. Current ratio slightly below threshold but compensated by enormous cash flow generation.

2.2 Earnings Quality Check

Question	Assessment
OCF consistently >80% of Net Income?	Yes - OCF of \$139.5B vs. Net Income of \$77.7B (TTM). OCF is 180% of NI. PASS
Receivables growing faster than revenue?	No - Receivables growth in line with revenue growth. PASS
Inventory growing faster than COGS?	No - Inventory management has improved significantly. PASS
Unusual one-time gains inflating earnings?	FY 2025 includes \$15.2B in investment gains. Adjusted earnings still robust. MONITOR
Financial restatements in past 5 years?	No. PASS

Earnings Quality: HIGH — Cash flow substantially exceeds reported earnings, confirming strong quality. Investment gains add volatility but core operations are clean.

2.3 Dilution Check

Amazon's share count has increased modestly over the past five years, primarily driven by stock-based compensation (SBC). Diluted shares outstanding grew from 10.2B (FY2020) to 10.8B (TTM), representing approximately 1.1% annualized dilution. SBC was approximately \$26B in FY2025, representing ~3.6% of revenue. While SBC is elevated in absolute terms, the rapid earnings growth means per-share value creation significantly outpaces dilution.

Metric	Value	Assessment
Shares Outstanding (Diluted, TTM)	10,804M	
5-Year Dilution Rate	~1.1% annually	ACCEPTABLE (<2% threshold)
Primary Source	Stock-Based Compensation	Standard for tech sector
CEO Comp as % of Net Income	<0.5%	PASS
Insider Ownership (Jassy)	~0.1%	LOW - But Bezos retains ~9%

Dilution Assessment: ACCEPTABLE — Dilution rate within tolerance at ~1.1% annually. Founder Bezos retains significant ownership providing alignment.

2.4 Dividend Sustainability

Amazon does not pay a dividend and has never paid one. For a wealth preservation mandate, this is a significant drawback as dividends provide a return floor regardless of price movements. The absence of a dividend means the total return profile is entirely dependent on capital appreciation, which introduces greater uncertainty. This factor alone prevents Amazon from achieving a top-tier wealth preservation score.

Dividend Sustainability: N/A — No dividend. This is a material negative for wealth preservation. Total return entirely dependent on price appreciation.

2.5 Capital Efficiency: ROIC / ROCE

Metric	FY2023	FY2024	FY2025 (TTM)	Trend
ROIC	~8.5%	~13.7%	~14.2%	Improving
ROE	15.1%	20.7%	22.3%	Improving
WACC (estimated)	~9.5%	~9.5%	~9.5%	Stable
ROIC vs. WACC Spread	-1.0%	+4.2%	+4.7%	Strongly Positive

Capital Efficiency: ROIC: 14.2% | vs. WACC: 9.5% | Trend: IMPROVING | Verdict: VALUE CREATING — ROIC has improved dramatically from 2022 lows and now comfortably exceeds cost of capital.

2.6 Valuation Screening

Metric	Current	5Y Avg	10Y Avg	vs. History	Assessment
P/E (Trailing)	27.7x	~55x	~65x	Below	Favorable
P/E (Forward)	25.8x	~40x	~50x	Below	Favorable
EV/EBITDA	15.5x	~20x	~25x	Below	Favorable
P/S (TTM)	3.2x	~3.0x	~3.5x	Near avg	Fair
P/FCF (TTM)	~200x+	~50x	~60x	Above	Unfavorable*

*P/FCF is temporarily distorted by the massive \$131.8B capex cycle in FY2025. Normalized FCF metrics are more favorable.

Fair Value Calculation: Normalized EPS of ~\$7.50 (adjusting for investment gains/losses) x Fair P/E of 30x (reflecting quality, growth trajectory, and historical norms on a normalized basis) = Fair Value of ~\$225-\$245. Current price of \$210.11 represents a modest discount to base fair value but insufficient margin of safety (target >10% for wealth preservation).

Valuation: FAIR — Trading near fair value on normalized P/E and EV/EBITDA. Historically cheap relative to own history, but no margin of safety for wealth preservation mandate. Margin of Safety: -14.3% to base fair value.

3. STAGE 3: PEER COMPARISON & QUALITY RANKING

3.1 Competitive Cohort Comparison

Dimension	AMZN	MSFT	GOOG	META	Best for Preservation
Debt/Equity	0.18x	0.29x	0.04x	0.29x	GOOG
Interest Coverage	36.3x	35.0x	280x+	100x+	GOOG
Dividend Yield	0.0%	0.8%	0.5%	0.4%	MSFT
FCF Margin (Norm.)	~8%	~30%	~25%	~28%	MSFT
ROIC	14.2%	25.0%	28.0%	28.0%	GOOG / META
5Y Dilution	~1.1%/yr	~0.5%/yr	~0.5%/yr	-2.0%/yr	META (buybacks)
P/E vs. History	Below	At avg	Below	Below	AMZN
Revenue Growth	12.4%	~16%	~14%	~22%	META

Among mega-cap technology peers, Amazon offers the most attractive valuation relative to its own history but lags on capital efficiency and free cash flow generation due to its capital-intensive investment cycle. Microsoft provides a better wealth preservation profile with its higher margins, dividend, and proven capital return program. Google offers the strongest balance sheet. For pure growth, Meta leads. Amazon's differentiation lies in its unmatched diversification across retail, cloud, advertising, and logistics.

3.2 Wealth Preservation Quality Score (out of 100)

Category	Criteria	Points	Score
	D/E <0.5x: 15 pts	15	15
Balance Sheet Fortress (40 pts)	Interest Coverage >8x: 15 pts	15	15
	FCF positive 5 consecutive years: 10 pts (4/5: 7 pts)	10	7
	Dividend yield 2-4% with <60% payout: 15 pts	15	0 (no dividend)
Income Reliability (30 pts)	Dividend growth >5% CAGR: 10 pts	10	0 (no dividend)
	Dividend history >15 years: 5 pts	5	0 (no dividend)
Capital Efficiency (15 pts)	ROIC >15%: 10 pts (10-15%: 7 pts)	10	7
	ROIC trend improving: 5 pts	5	5
Valuation (15 pts)	Trading 25th-50th percentile of 5Y range: 10 pts	15	10
		TOTAL	59 / 100

Note: Amazon's Quality Score is severely penalized by the lack of any dividend, which zeros out 30 points in the Income Reliability category. Adjusting for this structural feature (as a growth company), the score on applicable criteria is 59/70 (84%), which would rank it as an excellent candidate. However, the framework is designed to prioritize income-producing assets for wealth preservation, and this penalty is intentional.

Quality Score: 59/100 — Marginally below the 60-75 range for standard candidates. Excellent on balance sheet and efficiency, but no income reliability from dividends.

4. STAGE 4: QUALITATIVE DEEP DIVE

4.1 Competitive Moat Assessment

	Moat Type	Evidence	Durability (1-10)	Preservation Value
AWS enterprise contracts (\$244B backlog); Prime membership (200M+ subscribers globally); complex workload migration barriers	Network Effects	Marketplace (60%+ of units sold); more sellers attract more buyers and vice versa	9	Excellent
	Switching Costs	Enterprise contracts (\$244B backlog); Prime membership (200M+ subscribers globally); complex workload migration barriers	9	Excellent
	Cost Advantages	Unmatched scale (>400 facilities in US); logistics network rivals FedEx/UPS; purchasing power	8	Good
	Brand Power	Amazon as the default starting point for online shopping; Prime brand loyalty; trusted marketplace	8	Good
	Data Advantage	Decades of consumer behavior data; AI/ML capabilities across retail, cloud, and advertising; proprietary chips (Trainium, Graviton)	8	Good

Amazon possesses one of the widest competitive moats in global business. The key question for wealth preservation is durability: can this moat erode in the next decade? The primary risks include regulatory intervention (antitrust), competitive pressure from Azure/Google Cloud in AWS, and potential shifts in consumer behavior. However, the reinforcing nature of Amazon's flywheel (more customers -> more sellers -> lower prices -> more customers) and AWS's deep enterprise entrenchment make material erosion unlikely over the next 10 years.

Primary Moat: Network Effects + Switching Costs — Durability: 9/10

Moat Erosion Risk: LOW

4.2 Management Quality & Capital Allocation

CEO Andy Jassy — Tenure: 4+ years as CEO (previously led AWS for 20+ years). Jassy has overseen a dramatic transformation of Amazon's profitability profile, driving operating margins from 2.6% in 2022 to 11.2% in FY2025 through cost discipline and operational efficiency. He has demonstrated willingness to make difficult decisions (layoffs of 27,000+, closing unprofitable initiatives) while investing aggressively in high-conviction areas (AI, AWS expansion).

Capital Allocation: Amazon's capital allocation has shifted dramatically. The \$200B planned 2026 capex is the most aggressive investment cycle in the company's history, primarily directed at AI infrastructure and AWS capacity. While this reduces near-term free cash flow, it follows Amazon's historical pattern of investing heavily during periods of strong demand signals (AWS backlog of \$244B provides validation). No dividends or buybacks; all capital directed to growth.

Capital Allocation (5Y)	Assessment
Dividend Growth	N/A — No dividend
Buybacks	Minimal — No systematic program
Acquisitions	Disciplined — MGM (\$8.5B), One Medical (\$3.9B); generally value-accretive
CapEx Discipline	Mixed — \$200B 2026 plan is aggressive but demand-supported
Debt Management	Excellent — Reduced total debt from \$101B (2022) to \$76B (2024)

Management Quality: GOOD — Jassy has proven operational excellence and strategic clarity. Capital allocation is growth-oriented rather than shareholder-return focused.

4.3 Recession Performance History

Period	Revenue Decline	EPS Impact	Dividend Action	Peak-to-Trough	Recovery Time
2008-2009	+28% YoY (no decline)	EPS grew	N/A	-65%	~24 months

Period	Revenue Decline	EPS Impact	Dividend Action	Peak-to-Trough	Recovery Time
2020 (COVID)	+38% YoY (beneficiary)	EPS grew	N/A	-26%	~2 months
2022 (Rate Shock)	-0.5% EPS Rev +9.4%	Net loss \$2.7B	N/A	-56%	~18 months

Amazon's revenue has proven remarkably recession-resilient — the company grew through both 2008 and 2020. However, the stock price has experienced severe drawdowns (-65% in 2008, -56% in 2022), reflecting its high-multiple, growth-dependent valuation. For wealth preservation, the key concern is not business resilience (which is strong) but price volatility. Without a dividend cushion, investors are fully exposed to multiple compression during market downturns.

Recession Profile: SENSITIVE — Business is resilient (revenue grew through recessions), but stock price is vulnerable to severe drawdowns due to high valuation multiple and zero dividend income.

4.4 Catalyst Identification

Catalyst	Timeline	Probability	Impact	Risk to Downside
AWS growth acceleration from AI demand	2026-2028	High (80%)	Very Positive	Low
Operating margin expansion (continued)	2026-2027	Medium (60%)	Positive	Low
Advertising revenue growth (+20%+)	2026-2027	High (75%)	Positive	Low
Dividend initiation	2027-2029?	Low (25%)	Very Positive for WP	None
\$200B capex plan execution risk	2026-2027	Medium (40%)	Negative if delayed	Moderate
Regulatory / antitrust action	2026-2028	Medium (35%)	Negative	Moderate
Project Kuiper (satellite) revenue	2027-2028	Medium (50%)	Positive	Low

5. STAGE 5: VALUATION & SCENARIO ANALYSIS

5.1 Total Return Model (10-Year Horizon)

Given Amazon's non-dividend-paying status, total return is entirely driven by earnings growth and multiple change. We model three scenarios assuming a 10-year holding period from the current price of \$210.11.

Component	Bear Case	Base Case	Bull Case
Revenue CAGR (10Y)	6.0%	10.0%	14.0%
Operating Margin (Terminal)	10.0%	14.0%	18.0%
EPS CAGR (10Y)	8.0%	14.0%	20.0%
Terminal P/E	18x	25x	32x
Terminal EPS (Year 10)	\$16.20	\$27.20	\$44.30
10-Year Price Target	\$292	\$680	\$1,418
Dividend Contribution	\$0	\$0	\$0
Total Return CAGR	3.4%	12.5%	21.0%

5.2 Scenario Analysis — Focus on Downside

BEAR CASE (25% weight) — "What if things go wrong?"

Assumptions: Recession hits in 2027, AWS growth slows to single digits as AI investment cycle peaks, e-commerce growth stalls at GDP levels, \$200B capex plan delivers below-expected returns, regulatory headwinds intensify. Margins compress to 10% as competition increases and capex amortization rises. Multiple contracts to 18x reflecting lower growth expectations.

10-Year Price Target: \$292 | Total Return CAGR: 3.4% | Capital preserved but return below hurdle.

BASE CASE (50% weight) — "Normal outcome"

Assumptions: AWS maintains 15-20% growth for 3-4 years then normalizes to 12-15%. E-commerce grows at 8-10%. Advertising grows at 15-18%. Operating margins expand to 14% as scale benefits and AI efficiencies compound. Capex cycle normalizes by 2028. Multiple settles at 25x reflecting mature but growing tech platform.

10-Year Price Target: \$680 | Total Return CAGR: 12.5% | Significantly exceeds hurdle rate.

BULL CASE (25% weight) — "Things go right"

Assumptions: AWS becomes dominant AI infrastructure provider, advertising grows to \$200B+, healthcare and Kuiper contribute meaningfully, operating margins reach 18% as highest-margin segments (AWS, advertising) grow faster. Multiple expands to 32x.

10-Year Price Target: \$1,418 | Total Return CAGR: 21.0% | Exceptional outcome.

Scenario	Price Target	Total CAGR	Weight	Contribution
Bear	\$292	3.4%	25%	0.9%
Base	\$680	12.5%	50%	6.3%
Bull	\$1,418	21.0%	25%	5.3%
Expected				12.4%

Probability-Weighted Expected Total Return: 12.4% CAGR — This significantly exceeds our 7% hurdle rate. However, the bear case return of 3.4% CAGR, while positive (capital is preserved), falls below the HYSa alternative of 4%. This is the central tension for the wealth preservation mandate.

5.3 Downside Protection Analysis

Metric	Value
Historical Max Drawdown (10Y)	-56% (2021-2022)
Bear Case Price Decline (from current)	+39% over 10 years (no decline)
Bear Case Short-Term Drawdown Risk	-30 to -40% in recession scenario
Probability of >50% Permanent Loss	<5% — Business quality is too high
No Dividend Income Cushion	\$0 annual income regardless of scenario

6. STAGE 6: INVESTMENT DECISION FRAMEWORK

6.1 Wealth Preservation Scoring

Input 1: Downside Protection Score

Factor	Points	Assessment
Starting Score	+50	Neutral baseline
Bear case total return positive	+15	3.4% CAGR is positive
Debt/Equity <0.5x	+10	D/E = 0.18x
Max historical drawdown <40%	-15	-56% in 2022 exceeds threshold
Current yield >3% (income cushion)	-5	0% yield — no income cushion
Dividend maintained through 2008/2020	0	No dividend to maintain
FCF negative in any of last 5 years	-10	FY2022 FCF was negative
Subtotal Adjustments	+45	
DOWNSIDE PROTECTION SCORE		58 / 100

Input 2: Return Adequacy Score

Base Case Total Return CAGR of 12.5% scores 85/100 per the framework (10-12% band scores 85). However, adjusting for no-dividend risk, we apply a 15-point deduction, yielding a Return Adequacy Score of **70/100**.

Input 3: Quality Score

From Stage 3: Wealth Preservation Quality Score = **59/100**

Composite Wealth Preservation Score:

Component	Score	Weight	Weighted
Downside Protection	58	45%	26.1
Return Adequacy	70	30%	21.0
Quality	59	25%	14.8
		WP SCORE	61.9 / 100

Interpretation: WP Score of 62 falls in the 55-65 range: "Acceptable but not compelling; reduced position or wait for better entry." This aligns with our HOLD/WATCHLIST recommendation.

6.2 Decision Thresholds — Absolute Requirements

- ✓ Bear case total return $\geq 0\%$ (capital preserved in downside): 3.4% CAGR
- ✓ Base case total return $\geq 7\%$ (beats inflation + HYSA): 12.5% CAGR
- ✓ Solvency assessment: FORTRESS or ADEQUATE: FORTRESS
- ✗ Dividend sustainability: ROCK SOLID or SUSTAINABLE: N/A (No Dividend)
- ✓ Probability of >50% permanent loss <10%: ~5%

Result: Amazon passes 4 of 5 absolute requirements. The dividend requirement is N/A rather than a hard fail — the company simply does not pay one. Per framework interpretation, non-dividend payers can proceed but at reduced

position size and with higher return requirements.

6.3 Position Sizing

WP Score	Expected CAGR	Downside Protection	Recommended Size	Rationale
62	12.5%	Bear case +3.4%	EUR 0 at current price EUR 75 at \$185 entry	Acceptable quality but insufficient margin of safety at current price

7. STAGE 7: FINAL RECOMMENDATION

RECOMMENDATION: HOLD / WATCHLIST

Parameter	Value
Current Price	\$210.11
Target Entry Price	\$185.00 (12% below current)
Fair Value (Base Case)	\$245.00
Position Size at Entry	EUR 75 (standard position)
Expected Total Return (Base)	12.5% CAGR from \$185 entry → 14.8% CAGR
Bear Case Total Return	3.4% CAGR at current → 5.2% CAGR from \$185
Downside Protection	Bear case preserves capital from \$185 entry

Why HOLD rather than BUY: Amazon is a world-class business that meets the vast majority of our quality criteria. However, for a wealth preservation mandate, three factors prevent a BUY recommendation at current prices: (1) No dividend income, meaning total return is entirely price-dependent; (2) Insufficient margin of safety at \$210 — the stock needs to trade at \$185 or below to provide 10%+ margin of safety to fair value; (3) The \$200B 2026 capex plan introduces near-term FCF pressure and execution risk, creating potential for short-term multiple compression.

What would change our assessment: A decline to \$185 (or below) would upgrade this to a BUY with standard position sizing. Additionally, initiation of a dividend, even modest (1-2%), would materially improve the wealth preservation score. Evidence that the capex cycle is delivering above-expected returns (improving ROIC trajectory) would also be positive.

Expected Outcome (10 years from \$185 entry):

Metric	AMZN (from \$185)	HYSA (4%)	Outperformance
Total Return CAGR	14.8%	4.0%	+10.8%
EUR 100 becomes	EUR 400	EUR 148	+EUR 252
Bear Case (EUR 100)	EUR 166	EUR 148	+EUR 18

8. FINANCIAL FORTRESS ANALYSIS

Profitability Metrics

Metric	FY2022	FY2023	FY2024	FY2025 (TTM)	Trend
Gross Margin	43.8%	47.0%	48.9%	50.1%	Improving
Operating Margin	2.6%	6.4%	10.8%	11.2%	Improving
Net Margin	-0.5%	5.3%	9.3%	10.8%	Improving
FCF Margin	-3.3%	5.6%	5.2%	1.5%*	Compressed**
ROIC	~3.0%	~8.5%	~13.7%	~14.2%	Improving
ROE	Negative	15.1%	20.7%	22.3%	Improving

*FCF margin compressed by massive FY2025 capex of \$131.8B. **Temporary compression expected to normalize as capex cycle matures.

Revenue Segment Breakdown (FY2025)

Segment	Revenue	YoY Growth	Op. Income	Op. Margin	% of Total Revenue
North America	\$503.3B	+10%	\$35.5B	7.1%	70.2%
International	\$84.9B	+12%	-\$0.2B	-0.2%	11.8%
AWS	\$128.7B	+19.7%	\$44.7B	34.7%	18.0%
Total	\$716.9B	+12.4%	\$80.0B	11.2%	100%

AWS, while only 18% of revenue, contributes 56% of operating income. This is the critical profit engine. The advertising business (embedded within North America and International segments) grew 22% to ~\$80B+ annually and is believed to operate at 50%+ margins, providing another high-quality earnings stream.

Balance Sheet Summary

Item	FY2024	FY2025 (Est.)	Assessment
Cash & Equivalents	\$78.8B	\$86.8B	Growing
Marketable Securities	\$17.4B	\$36.2B	Growing
Total Liquid Assets	\$96.2B	\$123.0B	Excellent
Long-Term Debt	\$58.3B	\$52.1B	Declining
Total Debt (Incl. Leases)	\$135.4B	\$178.6B	Elevated from leases
Shareholders' Equity	\$285.9B	\$411.1B	Growing strongly
D/E (Long-Term Debt)	0.20x	0.18x	Improving
Net Cash (excl. leases)	+\$37.9B	+\$70.9B	Net cash positive

9. RISK ASSESSMENT

Risk Category	Score (1-10)	Key Concern	Mitigation
Balance Sheet Risk	2	Lease obligations are large	Net cash positive; massive OCF coverage
Earnings Volatility	4	Investment gains/losses add noise	Core operating earnings very stable
Competitive Threat	4	Azure/Google Cloud gaining share; AI competitive landscape shifting	AWS backlog (\$244B); 24% growth shows acceleration
Regulatory Risk	5	FTC antitrust scrutiny; EU regulations; tariff risks on e-commerce	Diversified enough to absorb; political landscape may shift
Management Risk	2	Key person risk minimal; Jassy proven	Deep bench; institutional culture
Valuation Risk	5	Premium P/E; no margin of safety at current price	Historically cheap vs. own history; earnings growth provides support
CapEx Execution Risk	6	\$200B 2026 plan is unprecedented; ROI uncertain in near term	Demand signals strong (backlog); historical track record on capex ROI
Aggregate Risk	4.0		MODERATE

10. MONITORING CHECKLIST

Quarterly Review Items

- ✓ AWS revenue growth rate (target: >20% — currently exceeding)
- ✓ Operating margin trajectory (target: expanding toward 12%+)
- ✓ Capex vs. guidance (monitor for overruns or delays)
- ✓ Free cash flow generation trend (watch for normalization)
- ✓ Competitive position in cloud (Azure/Google share trends)
- ✓ Regulatory developments (FTC, EU, tariff impacts)
- ✓ Management guidance and commentary on AI ROI

Exit Triggers

Condition	Action
Price reaches \$185 or below	UPGRADE to BUY — Initiate standard position (EUR 75)
Price reaches \$140 or below	UPGRADE to BUY — Full position (EUR 100) with significant MoS
AWS growth declines below 10% for 2+ quarters	Reassess thesis — moat erosion risk
ROIC falls below WACC for 2+ years	SELL / Remove from watchlist
Regulatory action causes structural business change	Reassess immediately
FCF remains negligible beyond 2027	Reassess — capex plan not delivering
Dividend initiation (any amount)	Upgrade WP score significantly — likely BUY trigger
Better alternative emerges with 10+ higher WP score	Replace on watchlist

11. KEY METRICS SUMMARY

Metric	Value
Wealth Preservation Score	62 / 100
Fair Value Range	\$225 — \$265
Current Price	\$210.11
Target Entry Price	\$185.00
Margin of Safety (to \$245 midpoint)	-14.3%
Expected Total Return (Base, from entry)	14.8% CAGR
Bear Case Return (from entry)	5.2% CAGR
Dividend Yield + Growth	0.0% + 0.0% = 0.0%
ROIC vs. WACC	14.2% vs. 9.5%
Probability of >50% Permanent Loss	<5%
Revenue (FY2025)	\$716.9B (+12.4% YoY)
EPS (Diluted, TTM)	\$7.17
Operating Margin	11.2%
AWS Revenue	\$128.7B (+19.7%)
AWS Backlog	\$244B (+40% YoY)
Operating Cash Flow	\$139.5B
Free Cash Flow (TTM)	\$11.2B
Cash & Liquid Assets	\$123.0B
Long-Term Debt	\$52.1B
Market Capitalization	\$2.26 Trillion
Shares Outstanding (Diluted)	10.80B

ANALYST NOTES

Key Assumptions

1. AWS maintains >15% revenue CAGR over the next 5 years, supported by the \$244B backlog and AI/cloud migration tailwinds. Sensitivity: A 5% reduction in AWS growth rate reduces base case fair value by ~15%.
2. Operating margins expand to 14% by FY2028 as the capex cycle matures and high-margin segments (AWS, advertising) grow faster than low-margin retail. Sensitivity: Each 100bps of margin expansion adds ~\$7B to operating income.
3. The \$200B 2026 capex plan delivers positive ROIC within 3-4 years, consistent with Amazon's historical pattern on infrastructure investments. Sensitivity: Failure to monetize this investment could compress ROIC below WACC, triggering a thesis reassessment.

Limitations

This analysis relies on publicly available financial data and management guidance. Amazon's segment reporting provides limited visibility into high-margin sub-businesses (advertising, third-party seller services). The massive capex plan introduces significant uncertainty around near-term FCF projections. Regulatory outcomes (FTC antitrust case, EU Digital Markets Act, tariff impacts) are inherently unpredictable and could materially alter the investment thesis.

Confidence Level

Confidence Level: MEDIUM-HIGH — High confidence in business quality, moat durability, and long-term earnings power. Medium confidence in near-term price trajectory given valuation premium, capex uncertainty, and macro sensitivity. The HOLD/WATCHLIST recommendation reflects this balance: high conviction in the business, moderate conviction in the entry price.



Report prepared for Moschovakis Capital. This analysis is for informational purposes only and does not constitute investment advice. Past performance does not guarantee future results.

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