



Amazon.com, Inc.

AMZN

EQUITY RESEARCH REPORT

August 17, 2026

AMZN — Amazon.com, Inc.

Report Date: 2026-08-17

Analyst: Moschovakis Capital Research

Listing: NASDAQ | **Current Price:** \$262.65 USD / €226.22 EUR (live, 2026-08-17)

FX applied throughout: 1 USD = 0.8613 EUR

STAGE GATE SUMMARY

Stage	Gate	Result	Outcome
1	Sector & Theme	Understandable, not in secular decline	Decline in moderately cyclical retail + secular decline in cloud
2.1	Solvency	Interest coverage >25x, large cash, D/E < 0.4	ADCF negative in 2 of last 5 years
2.2	Earnings Quality	OCF far exceeds net income; net income inflated by with operating	**ACCEPTABLE**
2.3	Dilution	10.30B → 10.83B diluted shares	2020-2025 BLE 26% annualized
2.4	Dividend Sustainability	No dividend paid, ever	**N/A — scores zero**
2.5	Capital Efficiency	ROIC est. 9-11% vs WACC est. 8-10%	31% comp. Value Overhang
2.6	Valuation	~34x 2026 consensus EPS, ~26x 2027 consensus EPS, no income comp	
3	Quality Score	53 / 100	Below primary-candidate threshold
4	Moat / Recession Profile	Wide moat, HIGH durability confirmed	Passes / SENSITIVE / Fairly severe drawdown
5	Scenario Analysis	Bear -5.3% CAGR, Base +4.7%, Bulls +8.1%	Base weighted +3.0%
6	WP Score	35 / 100	Below 45 floor
7	Decision	Two absolute requirements failed	**AVOID**

EXECUTIVE SUMMARY

Metric	Value
Recommendation	**AVOID**
Current Price	\$262.65 / €226.22
Fair Value (Base Case, discounted at 7% hurdle)	\$211 / €182
Margin of Safety	** -19.7% ** (price sits above hurdle-adjusted fair value)
Target Entry Price	\$205 / €177

Metric	Value
Market Cap (est., 10.83B diluted shares)	~\$2.84 trillion

Return Profile	Value
Dividend Yield	0.0%
Expected Dividend Growth	N/A
Expected Price Appreciation (Base, 10Y)	4.7% CAGR
Total Expected Return (Base)	**4.7% CAGR**
Bear Case Total Return	**5.3% CAGR** (-41.7% cumulative)
Bull Case Total Return	8.1% CAGR
Probability-Weighted Return	**3.0% CAGR**
Hurdle Rate (Inflation + 4%)	7.0%
Excess over hurdle	**4.0 pp**

Risk Assessment	Value
Wealth Preservation Score	**35 / 100**
Downside Protection Score	35 / 100
Return Adequacy Score	20 / 100
Quality Score	53 / 100
Risk Level	**ELEVATED**
Probability of >50% Permanent Loss	~8%
Recession Profile	**SENSITIVE** (operations) / **VULNERABLE** (share price)
Recommended Position Size	**€0**

One-Line Thesis:

Amazon runs one of the best businesses in the world, and at 34x 2026 consensus earnings with zero dividend, negative 2026 free cash flow, and \$200-220B of AI capex whose returns arrive after 2028, it prices in the bull case while offering you no income cushion and a 40%+ downside path.

INVESTMENT THESIS

You are being asked to pay roughly \$2.84 trillion for a company that will generate about \$84B of net income in 2026 and negative free cash flow in the same year. AWS is accelerating (Q2 2026 revenue \$42.2B, +36.7% year over year, 39% operating margin), advertising compounds at 26%, and consolidated operating income grew 43% year over year to \$27.5B in Q2 2026. Those are the numbers of a company executing at a high level. None of

that changes the arithmetic facing a capital-preservation mandate: at the entry price of \$262.65, the base case delivers 4.7% annually over ten years, and a 4% high-yield savings account delivers 4% with no drawdown risk and no equity beta.

The gap between the business and the investment sits in the multiple and the cash. Management guided to \$200-220B of capital spending in 2026, up more than 50% from roughly \$125-131B in 2025. Free cash flow already collapsed from \$32.9B in 2024 to \$7.7B in 2025 (a 76.6% decline), and consensus modelling points to negative FCF in 2026. Amazon funds this with debt: roughly \$15.0B of senior notes issued in late 2025, plus multiple 424B5 shelf updates across June and July 2026. A company earning 39% operating margins in its cloud segment can absorb that. A shareholder paying 34x forward earnings for it cannot absorb the outcome where AI demand normalizes and the data centers depreciate against mid-teens AWS growth rather than high-thirties growth. That is the bear case, and it costs you 42% of capital over a decade.

The second problem is the income line. Amazon has never paid a dividend. Under this framework, dividends carry 30 of 100 points in the Quality Score and provide the cushion that lets you hold through a 50% drawdown without selling. Amazon gives you nothing while you wait. In 2022, the stock fell more than 50% peak to trough, net income turned negative at -\$2.7B, and free cash flow ran -\$16.9B. You collected zero during that period. Compare that against a utility or a staples name yielding 3.5% with a 55% payout ratio: the dividend payer returns 35% of your capital in cash over a decade regardless of the multiple. Amazon returns nothing unless the terminal multiple cooperates.

Third, the legal calendar sits directly in the forecast window. The FTC marketplace case, with sources pointing to trial dates in late 2026 or the first quarter of 2027 and 17 state attorneys general attached, targets the Prime-to-FBA link that anchors third-party seller lock-in. Germany's Bundeskartellamt investigation became formally in force on 5 February 2026, and the EU Digital Markets Act constrains self-preferencing and Buy Box mechanics. None of these are likely to break Amazon. All of them raise the odds of structural remedies that thin marketplace economics at exactly the point when the capex bill comes due in depreciation.

What would change this view: a price in the \$195-215 range (roughly 24-26x 2027 consensus EPS), or two consecutive quarters showing capex converting to free cash flow while AWS holds 30%+ growth. Both are achievable. Neither is available today at \$262.65.

1. BUSINESS QUALITY ASSESSMENT

1.1 Business Model and Segment Economics

Amazon runs three businesses that share a balance sheet and little else:

Segment	Latest Data Point	Growth	Role
AWS	\$42.2B (Q2 2026), ~\$169B run rate	+36.7% YoY	Profit engine, 39%+ operating margin, \$4
Advertising	\$19.8B (Q2 2026)	+26% YoY	Highest incremental margin, second profi
Retail / Marketplace	Balance of \$200.6B group revenue	Group +20% YoY	Volume, traffic, and the flywheel that feed

AWS growth has accelerated for five consecutive quarters: ~17% (Q2 2025), 20% (Q3), 24% (Q4), 28% (Q1 2026), 37% (Q2 2026). The backlog of roughly \$496B provides multi-year revenue visibility that no competitor in retail can match. This is a high-quality asset.

1.2 Moat Assessment

Moat Component	Type	Durability	Preservation Value
AWS switching costs	Enterprise data gravity, IAM, compliance	Very High	Excellent
Fulfillment scale	Cost advantage, density economies	High	Good
Prime membership	Brand + switching cost hybrid, 200M+ members	Good	Good, but the legal target
Marketplace network effect	Two-sided seller/buyer flywheel	High	Regulatory exposure
Advertising data	Purchase-intent data no rival holds	High	Excellent

Key Question: Can this competitive position materially erode in the next 10 years?

Answer: possible but manageable on competitive grounds, elevated on regulatory grounds. Azure growing faster than AWS (sources cite ~40% vs ~28% entering 2026, before AWS accelerated to 37%) shows the cloud race remains contested rather than settled. Walmart converting stores into fulfillment nodes, plus Temu and TikTok Shop attacking price and social discovery, compresses retail unit economics. The larger threat is a court forcing separation of Prime eligibility from Fulfillment by Amazon, which would let third-party logistics providers qualify sellers for Prime and cut the fee capture that makes marketplace attractive.

Primary Moat: AWS switching costs, Very High durability

Threat Assessment: Moderate (competitive) / Elevated (regulatory)

Moat Preservation Confidence: HIGH

Amazon passes the qualitative gate. The moat is not the problem here.

2. FINANCIAL FORTRESS ANALYSIS

2.1 Five-Year Financial Record

Fiscal Year	Revenue (\$B)	YoY	Net Income (\$B)	Diluted EPS (\$)	Free Cash Flow (\$B)	Net Margin	FCF Margin
2021	469.8	—	33.4	3.24	**14.7**	7.1%	-3.1%
2022	514.0	9.4%	**2.7**	-0.27	**16.9**	-0.5%	-3.3%
2023	574.8	11.8%	30.4	2.90	32.2	5.3%	5.6%
2024	638.0	11.0%	59.2	5.53	32.9	9.3%	5.2%
2025	716.9	12.4%	77.7	7.17	**7.7**	10.8%	1.1%

Fiscal Year	Revenue (\$B)	YoY	Net Income (\$B)	Diluted EPS (\$)	Free Cash Flow (\$B)	Net Margin	FCF Margin
2026E	~828 (consensus)	~5.5%	~84	~7.75	**negative (guided capex \$200-220B)	~10.6%	~20.5%

Operating income: \$68.6B (2024) → \$80.0B (2025), with 2026 tracking toward \$100B+ based on Q2 actual \$27.5B and Q3 guidance of \$22.5-26.5B.

2.2 Solvency Metrics

Metric	Estimate	Threshold	Assessment
Interest Coverage (EBIT/Interest)	~25x	>8x preferred	**PASS, comfortably**
Debt-to-Equity	~0.35x (ex-operating leases), ~0.45x incl. leases	<1.5x	**PASS**
Current Ratio	~1.0-1.1x (est.)	>1.5x	**MONITOR**
FCF Positive 4 of 5 years	**3 of 5**	4 of 5	**FAIL**
Cash as % of Total Debt	>50% (est.)	>20%	**PASS**
Debt Maturity Cliff	No cliff >30% identified; laddered	No cliff	**PASS**
Going Concern / Auditor Flags	None found in FY2025 10-K (filed Feb 26)	0 of 6	**PASS**

2.3 Recession Stress Test

Scenario: revenue drops 30% for two years.

Question	Answer
Remains solvent?	Yes, without question. Interest coverage above 25x leaves room for a 90% drop in revenue.
Maintains dividend?	Not applicable. There is nothing to maintain.
Avoids dilutive equity raise?	Yes. Amazon would cut discretionary capex from ~\$210B toward maintenance capex of ~\$100B.

The stress test reveals the asymmetry buried inside Amazon's cash statement: the negative FCF is voluntary. Management is choosing to spend \$200B+ on AI infrastructure. In a genuine downturn, that spending gets cut and cash floods back. That flexibility is real and it is why solvency rates **ADEQUATE** rather than **MARGINAL** despite the FCF record.

Solvency Assessment: ADEQUATE (fortress-grade liquidity, penalized for a five-year FCF record that fails the framework threshold and a 2026 that turns negative again)

2.4 Earnings Quality

Test	Finding	Verdict
OCF vs Net Income	OCF ~\$140B against 2025 net income \$77.7B	Ratio ~180%
Non-operating gains	2025 operating income \$80.0B versus net income \$77.7B. After a 22% tax rate, operating income is ~\$62.4B.	**FAIL**

Test	Finding	Verdict
Restatements past 5 years	None found	Clean
Capitalization judgment	Data center, custom silicon, and internal-use software capitalization creates useful-life estimation	

The mark-to-market issue matters for how you read the multiple. Reported trailing P/E screens near 21x, and 2026 consensus EPS of \$7.75 implies 34x at the current price. Both cannot describe the same earnings stream. The trailing window includes non-operating investment gains that will not repeat on a predictable schedule. Value the operating business, not the marks.

Earnings Quality: ACCEPTABLE (operating cash conversion is excellent; headline net income is not a clean signal)

2.5 Dilution and Share Count

Year	Diluted Shares (B, derived from NI/EPS)
2021	10.30
2023	10.49
2024	10.71
2025	10.83

Annualized dilution 2021-2025: **1.26%**. Amazon issues stock-based compensation heavily and buys back little. You lose about 1.3% of your claim on the business per year before anything else happens. That falls inside the acceptable 1-2% band but sits at the wrong end of it, and it subtracts directly from your total return.

Dilution Assessment: ACCEPTABLE

3. DIVIDEND ANALYSIS

Amazon pays no dividend and has never paid one.

Metric	Value	Framework Weight
Current Yield	0.0%	Requires 1.5-5% for full credit
Payout Ratio	N/A	—
Dividend Growth 5Y CAGR	N/A	—
Consecutive Years Paying	0	10+ preferred
Income Reliability Score	**0 / 30**	30% of Quality Score

The consequence for this mandate: 30 points of the 100-point Quality Score are unavailable, and your entire return depends on the terminal multiple being right in year ten. Under the framework's BUY criteria, dividend yield

plus expected growth must reach 5% for dividend payers. Amazon contributes 0%, which pushes the entire burden onto price appreciation and onto a multiple you do not control.

Management has the free cash flow capacity to initiate a dividend in a lower-capex year. Nothing in the FY2025 10-K or the 2026 filing stream suggests they intend to.

Dividend Sustainability: N/A — no income cushion

4. VALUATION ANALYSIS

4.1 Multiple History

Metric	Current (8/14/26, \$262.65)	2/28/26 (shot)	3/31/26	12/31/25	9/30/25	6/30/25	Direction
P/E (TTM)	21.13x	28.51x	29.05x	32.60x	33.47x	35.73x	De-rating
EV/EBITDA	11.55x	13.99x	13.73x	16.03x	16.61x	17.61x	De-rating
Price/Book	5.14x	5.82x	5.45x	6.70x	7.03x	7.65x	De-rating
Forward P/E	22.37x	—	—	—	—	—	—

On its own history, Amazon looks cheaper than at any point in the past year. That is the seductive read, and it is misleading.

4.2 The Multiple That Matters

Basis	EPS	Implied P/E at \$262.65
2025 actual (incl. investment gains)	\$7.17	36.6x
2026 consensus	\$7.75	**33.9x**
2027 consensus (mid of \$10.09-10.60)	\$10.35	**25.4x**
Screen-reported TTM (incl. non-operating m&A)	\$12.54 implied	21.1x

The trailing multiple compressed because non-operating gains inflated the denominator, not because the stock got cheap against operating earnings. You are paying 34x for 2026 and 25x for 2027, and the 2027 number only holds if AWS sustains 30%+ growth and the capex wave produces the operating leverage that consensus assumes.

4.3 Peer Context

Metric	AMZN	Microsoft	Walmart	Best for Preservation
Price/Book (Morningstar)	5.37x	8.39x	9.44x	AMZN

Metric	AMZN	Microsoft	Walmart	Best for Preservation
Normalized P/E (Morningstar)	38.3x	29.78x	41.43x	MSFT
Dividend Paid	**No**	Yes	Yes	MSFT / WMT
FCF 2026 direction	**Negative**	Positive	Positive	MSFT / WMT
Balance sheet	Strong	Stronger	Strong	MSFT
Sector Median P/E (cited)	21.9x	—	—	—

Against the two most relevant mega-cap comparables, Amazon offers the cheapest book multiple, a mid-range earnings multiple, no dividend, and the only negative free cash flow profile. For a preservation mandate, that ranking runs backwards.

4.4 Fair Value and Margin of Safety

Base case terminal value (see Section 5) of \$416 in 2035, discounted at the 7% hurdle rate, gives a hurdle-consistent fair value today:

$$\$416 / (1.07)^{10} = \$211 / \text{€}182$$

Calculation	Value
Fair Value (7% hurdle)	\$211 / €182
Fair Value (8% hurdle)	\$193 / €166
Current Price	\$262.65 / €226.22
Margin of Safety	** -19.7% **
Target Entry	\$205 / €177 (-22% from current)

Valuation: FULL — no margin of safety exists at the current price for an investor with a 7% hurdle.

4.5 Analyst Target Note

The Yahoo snapshot reports an average analyst target of \$262.65 with a low of \$230.00 and a high of \$327.00. That average sits at the live price to the cent, which implies either zero consensus upside or a stale data artifact. Treat it as a data point requiring verification rather than a signal. The low target of \$230 sits 12.4% below the current price, which tells you the Street's downside case already exists inside the range.

5. SCENARIO ANALYSIS

5.1 Bear Case (25% weight)

Assumptions: AI demand normalizes through 2027-2028. AWS growth reverts from 37% to mid-teens and then low-teens. The \$200-220B of 2026 capex plus follow-on spending depreciates against a slower revenue base. Consolidated operating margin stalls at 12% rather than expanding. An FTC or DMA remedy decouples Prime from FBA, thinning marketplace fee capture. Multiple compresses to a mature-retailer level.

Input	Value
Revenue CAGR (10Y)	5.5% → 2035 revenue ~\$1,225B
Operating margin (2035)	12.0% → op income ~\$147B
Net income (2035)	~\$112B
Diluted shares (2035)	11.0B (continued 1.3% dilution, no buyback)
EPS (2035)	~\$10.20
Terminal P/E	15x
2035 Price Target	**\$153 / €132**
Cumulative return	**41.7%**
Total Return CAGR	**5.3%**

Is the bear case return positive? No. This is the disqualifying answer. The framework requires bear case total return at or above 0% for capital to be preserved in the downside. Amazon fails by 5.3 percentage points annually, and the failure is structural: there is no dividend stream to offset multiple compression.

5.2 Base Case (50% weight)

Assumptions: AWS holds high-20s growth through 2028, then decelerates to mid-teens and low-teens as the base compounds. Advertising sustains 20%+ for five years then moderates. Retail margins improve modestly on automation. Capex normalizes to 12-14% of revenue after 2028, restoring positive FCF. Regulatory outcomes are behavioral, not structural.

Input	Value
Revenue CAGR	10% years 1-5, 6% years 6-10 → 2035 revenue ~\$1,546B
Operating margin (2035)	16.5% → op income ~\$255B
Net income (2035)	~\$196B
Diluted shares (2035)	10.8B (dilution offset by modest buyback)
EPS (2035)	~\$18.10
Terminal P/E	23x
2035 Price Target	**\$416 / €358**
Cumulative return	+58.4%
Total Return CAGR	**4.7%**

The base case grows earnings at roughly 9.5% annually for a decade and still returns 4.7% to you, because the starting multiple of 34x contracts to 23x. Multiple compression eats 4.8 points of annual return. This is the entire argument against buying at \$262.65.

5.3 Bull Case (25% weight)

Assumptions: The \$200B AI bet works. AWS sustains 30%+ for three more years on the \$496B backlog and AI workload migration, holding 40% operating margins. Advertising compounds at 25% through 2030. Custom silicon (Trainium, Inferentia) delivers structural cost advantage against Nvidia-dependent rivals. Group operating margin reaches 18%.

Input	Value
Revenue CAGR	11% years 1-5, 7% years 6-10 → 2035 revenue ~\$1,695B
Operating margin (2035)	18.0% → op income ~\$305B
Net income (2035)	~\$237B
Diluted shares (2035)	10.8B
EPS (2035)	~\$22.00
Terminal P/E	26x
2035 Price Target	**\$572 / €493**
Cumulative return	+117.8%
Total Return CAGR	**8.1%**

Note what this says. The bull case, in which Amazon executes near-flawlessly on the largest infrastructure buildout in corporate history, returns 8.1% annually. That clears the 7% hurdle by 1.1 points. You are being asked to accept a -5.3% bear case for a bull case that beats a savings account by 4 points.

5.4 Probability-Weighted Summary

Scenario	2035 Price (USD)	2035 Price (EUR)	Total CAGR	Weight	Contribution
Bear	\$153	€132	-5.3%	25%	-1.33%
Base	\$416	€358	+4.7%	50%	+2.35%
Bull	\$572	€493	+8.1%	25%	+2.03%
Expected			**+3.05%**	100%	**+3.05%**

Expected return of 3.05% sits below the 4% HYSA baseline and 4 points below the 7% hurdle.

5.5 Downside Protection

Measure	Value
Historical max drawdown (2022)	~56% peak to trough
Historical max drawdown (2008-09)	~65%
Bear case price decline from current	-41.7%
Income received during drawdown	\$0
Capital at Risk (25% × 41.7%)	10.4% of position
Probability of >50% decline not recovered within 5 years	**~8%**

The permanent-loss probability of 8% passes the <10% test. Amazon recovered from both the 2008 and 2022 drawdowns. What fails is the path: you hold a 40-56% drawdown with no coupon, and the framework's mandate treats that as unacceptable volatility for capital you cannot afford to impair.

6. RISK ASSESSMENT

Risk	Probability	Severity	Timeline	Mitigant
AI capex underdelivers (M\$200-220B in 2026, up 150% YoY) leaving under 2027-2029	High	High	2027-2029	Backlog of \$496B provides visibility
Negative FCF persists into 2027 - High	High	Moderate	2026-2027	Operating cash flow ~\$140B absorbs
FTC antitrust trial (late 2026 to 1 2027, 17 states) forcing Prime-FBA	High	High	2027-2028	Behavioral remedies more likely than
EU DMA + German Bundeskartellamt (force 5 Feb 2026) at restraining Bny Bny	High	High	2026-2028	Compliance cost, not existential
AWS growth reverts to moderate after five quarters of acceleration	Moderate	High	Any quarter	Backlog growth and AI migration
Azure/Google share gains moderate - frontier AI workloads	Moderate	Moderate	Ongoing	Custom silicon cost advantage
Retail competition from Walmart, Temu, TikTok Shop on price and delivery	High	Moderate	Ongoing	Prime density economics
Tariffs / Section 301 raising third-party seller COGS	Moderate	Moderate	2026-2027	Cost passes to sellers and consumers
Labor class actions on safety, scheduling, accommodations	Moderate	Moderate	12-18 months	Reserved and manageable at scale
Depreciation life estimates moderate data centers and moderate chips	Moderate	Moderate	2028+	Auditor-reviewed; watch for life exte
Multiple compression from 10x to 4x	High	High	Continuous	None. This is the position risk.

Risk Level: ELEVATED

The dominant risk is not that Amazon breaks. It is that Amazon performs well and you still earn 4.7% because you paid 34x for it.

7. MANAGEMENT & GOVERNANCE

Dimension	Assessment
CEO tenure	Andy Jassy since July 2021, over five years, meets stability preference
Operating track record	Group operating income \$68.6B (2024) → \$80.0B (2025) → ~\$100B+ run
Capital allocation	Aggressive. \$200-220B of 2026 capex against a company earning ~\$84B
Buybacks	Minimal. Share count rose 1.26% annually 2021-2025.
Dividends	None initiated.
Communication	Stock fell ~17% from its November 2025 peak after the capex guidance la
Accounting integrity	No restatements, no going concern language, clean FY2025 10-K filed 6

Management Quality: GOOD

Capital Allocation Track Record: ACCEPTABLE, with an unresolved test in progress

The honest read on Jassy: he took a company with 2% operating margins and negative free cash flow and produced \$80B of operating income in three years. He is now betting the next three years of shareholder cash flow on AI infrastructure. That bet may prove correct. It transfers risk from the company to the shareholder in the interim, and it does so without compensating you with income.

Red flags checked: no empire-building acquisitions in the period, no buybacks at peak valuations (because there are almost no buybacks), no dividend cut (no dividend), no related-party disclosures surfaced, no executive turnover flags.

8. PEER COMPARISON

Dimension	AMZN	Microsoft	Walmart	Best for Preservation
Dividend Yield	0.0%	Pays	Pays	MSFT / WMT
Payout Ratio	N/A	Low	Moderate	MSFT
FCF 2026	**Negative (guided)**	Positive	Positive	MSFT / WMT
Price/Book	5.37x	8.39x	9.44x	AMZN
Normalized P/E	38.33x	29.78x	41.43x	MSFT
Interest Coverage	>25x	Very high	High	MSFT
5Y Dilution	1.26%/yr	Lower (net buyback)	Lower (net buyback)	MSFT / WMT
Revenue Growth	15.5% (2026E)	Lower	Lower	AMZN
Recession Drawdown Hist	56% (2022)	Shallower	Shallowest	WMT

Where Amazon wins: growth rate, price-to-book, AWS backlog visibility.

Where Amazon loses on this mandate: income, free cash flow, dilution, drawdown history.

If your objective is inflation plus 4% with severe downside protection, Walmart's defensive profile and Microsoft's cash return discipline both fit the mandate better than Amazon at this price. That is a statement about mandate fit, not about business quality.

9. KEY METRICS SUMMARY

Metric	Value	Threshold	Pass/Fail
Interest Coverage	>25x	>5.0x	PASS
Debt-to-Equity	~0.35x ex-leases	<1.0x	PASS
FCF positive 4 of 5 years	3 of 5	4 of 5	**FAIL**
Current Ratio	~1.0-1.1x	>1.5x	**FAIL**
Annual Dilution	1.26%	<2%	PASS
ROIC	~9-11%	>10% good	MARGINAL
ROIC vs WACC (~8.5%)	+0.5 to +2.5 pp	Positive spread	PASS, thin
Dividend Yield	0.0%	1.5-5%	**FAIL**
Base Case Total Return	4.7%	≥8%	**FAIL**
Bear Case Total Return	-5.3%	≥0%	**FAIL**
Margin of Safety	-19.7%	≥10%	**FAIL**
Prob. of >50% permanent loss	~8%	<10%	PASS
Solvency Rating	ADEQUATE	FORTRESS/ADEQUATE	PASS
WP Score	35	≥65 for BUY	**FAIL**

9.1 Wealth Preservation Score Derivation

Downside Protection Score:

Component	Points
Base	50
Bear case total return positive	0 (not met)
D/E <0.5x	+10
Dividend maintained through 2008/2020	0 (no dividend)
Max historical drawdown <40%	0 (56% in 2022)
Yield >3%	0

Component	Points
Bear case shows >20% price decline	**15**
FCF negative in any of last 5 years	**10**
Total	**35**

Return Adequacy Score: Base case 4.7% CAGR → below 6% → **20 points**

Quality Score:

Block	Points	Max
Balance Sheet Fortress (D/E 10, coverage 2.5, FCF 3/5 years = 3)	25	40
Income Reliability (no dividend)	**0**	30
Capital Efficiency (ROIC 10-15% = 7, trend stable given capex drag = 3)	15	15
Valuation (below 25th percentile of 5Y multiple range)	15	15
Total	**53**	100

Composite WP Score = (35 × 0.45) + (20 × 0.30) + (53 × 0.25) = 15.75 + 6.00 + 13.25 = 35.0

Interpretation band: **<45 — does not meet wealth preservation standards; avoid.**

A note on fairness: the Income Reliability block costs Amazon 30 points automatically because it pays no dividend. Strip that block entirely and rescale, Amazon's Quality Score becomes 76/70 of available points, or roughly 76 on a comparable basis. Rerun the composite with a rescaled Quality Score of 76 and WP rises to 38.5. Still below 45. The dividend penalty is not what produces the AVOID. The bear case and the base case return produce it.

10. MONITORING CHECKLIST

Item	Current	Watch Level	Frequency	Action Trigger
Share price	\$262.65	\$205-215	Weekly	Re-run full model at \$215
AWS YoY growth	+36.7% (Q2 26)	<25% for two quarters	Quarterly	Downgrade base case margin path
AWS operating margin	~39%	<33% sustained	Quarterly	Cut terminal margin assumption
Group operating income	\$27.5B (Q2 26)	Below \$22.5B guide floor	Quarterly	Thesis reset
Advertising growth	+26%	<15%	Quarterly	Cut margin-mix assumption
Capex guidance	\$200-220B (2026)	>\$240B for 2027	Semi-annual	Extend negative-FCF window
Trailing FCF	\$7.7B (2025), negative 2026	Negative through 2027	Quarterly	Raise bear weight to 35%
Net debt	Rising, ~\$15.0B notes later 2025	2025+ cash flow <1.5x	Quarterly	Downgrade solvency rating

Item	Current	Watch Level	Frequency	Action Trigger
Diluted share count	10.83B (2025)	>2% annual growth	Annual	Downgrade dilution assessment
FTC trial	Late 2026 / Q1 2027	Structural remedy ruling	Event-driven	Re-run bear scenario immediately
EU DMA / Bundeskartellamt	enforce 5 Feb 2026	Fee or Buy Box mandate	Event-driven	Cut marketplace take rate
Short interest	98.4M shares, 1.9 days to cover	>0.5% days to cover	Monthly	Rising skepticism signal
Dividend initiation	None	Any announcement	Event-driven	**Upgrade review, adds 30 quality

11. MARKET EXPECTATIONS & CONSENSUS

What the current price implies

At \$262.65 and roughly 10.83B diluted shares, the market capitalization is about \$2.84 trillion. Against 2026 consensus net income of ~\$84B, that is 33.9x. Against 2027 consensus of ~\$109B, 25.4x.

Implied requirements to justify \$262.65 at a 7% discount rate: revenue CAGR of roughly 9-10% for a decade, terminal operating margin near 16.5%, and a terminal multiple of 23x. Every one of those has to land. Miss the margin by 200bps or the multiple by 3 turns and you are at 3% annually.

Consensus estimates

Metric	2026E	2027E
Revenue	~\$828B (+15.5%)	~\$946B (+14.3%)
Revenue range	\$816-842B	—
EPS	~\$7.75 (+8%)	~\$10.09-10.60 (+30%)
Direction of revisions	Upward (2027 EPS moved from ~\$10.0 to ~\$10.6 over recent months)	

Guidance versus consensus

Period	Company Guidance	Actual / Consensus	Read
Q1 2026	Revenue \$173.5-178.5B, op income ~\$16.5-21.5B	Consensus \$173.5B / \$22.2B	Management conservative on profit
Q2 2026	Revenue \$194-199B (+16-19%), op income ~\$20.5-22.5B	Actual \$200.5B (-2.2%), \$27.5B (+4.3%)	Peak 10th ends
Q3 2026	Revenue \$197-202B, op income ~\$22.5-26.5B	—	Sequential caution on margin

Management guides conservatively on operating income while the Street underwrites re-acceleration once capex-driven depreciation is absorbed. That gap is the position risk in one sentence.

Consensus bull case

AWS holds 30%+ growth on a \$496B backlog, advertising compounds above 20%, group operating margin sustains 13-14%, and the \$200B+ capex earns high returns starting 2027-2028. Upside models cite scenarios with EPS reaching \$11.7 by 2028 and stock upside above 100%.

Consensus bear case

Revenue growth normalizes to 11-12% rather than mid-teens. Capex depreciation compresses margins longer than expected, with some analysts already cutting operating profit forecasts 2-4%. AWS reverts to high-teens growth. Multiple compresses toward the sector median of ~21.9x.

Positioning

Metric	Value	Read
Short interest	98.4M shares (down from 106.6M)	Falling
Days to cover	~1.9	Low, no crowded short
Avg daily volume	~48.8M shares	Deep liquidity
Analyst average target	\$262.65 (low \$230, high \$327)	Zero implied upside to average; verify for staleness

Skepticism on Amazon expresses itself through valuation arguments, not through short positioning. Nobody is betting against the business. Plenty are questioning the price.

What would validate consensus

2026 revenue at or above \$828B, 2027 EPS reaching \$10.00-10.50, AWS holding 30%+ for four consecutive quarters, advertising above 25%, and Q3 operating income printing near the \$26.5B top of guidance.

What would disappoint

2026 revenue below \$800B (11-12% growth), 2026 EPS below \$7.50, 2027 EPS failing to reach \$10.00, AWS reverting to mid-teens, advertising decelerating into single digits, or operating income landing below the \$22.5B guidance floor.

Forward Valuation Table

Metric	Value	Source Note	Assessment
Forward P/E	22.37x (reported snapshot) / 25.54x (2026 consensus)	Snapshot taken on 8/23/26 live price	Calculated at \$262.65
P/E on 2026 consensus	33.9x	Derived at live price	Expensive
EV/EBITDA	11.55x (snapshot)	Down from 17.61x a year prior	Optically cheap, distorted by non-operating
Price/Book	5.14x (snapshot) / 5.37x (Morningstar)	Below MSFT 8.39x, WMT 9.44x	Reasonable
PEG	Not present in provided data	Do not estimate	N/A

Metric	Value	Source Note	Assessment
Beta	Not present in provided data	Historically above 1.0	Cyclical/growth factor exposure
Short float	98.4M shares, ~0.9% of shares provided		Low

Data caution: the reported trailing P/E of 21.13x and 2026 consensus EPS of \$7.75 are irreconcilable at any single share price. The gap comes from non-operating investment gains sitting inside the trailing earnings window. Use the consensus-based multiples for decisions.

12. KEY BUSINESS DRIVERS

Driver 1: AWS revenue growth rate

Why it matters: AWS supplies the majority of group operating profit and all of the terminal-value argument. Every dollar of the \$200-220B capex is underwritten by an assumption about this number.

Current level: +36.7% YoY (Q2 2026), fifth consecutive quarter of acceleration from ~17% in Q2 2025.

Bull threshold: ≥35% sustained across four quarters with backlog still compounding.

Bear threshold: ≤22% for two consecutive quarters, framed by management as demand-driven rather than timing.

Next data point: Q3 2026 earnings, approximately 29 October 2026.

Driver 2: AWS operating margin

Why it matters: margin determines whether AI revenue converts to profit or gets consumed by depreciation on the new data centers.

Current level: ~39-39.4%, roughly 650bps of expansion year over year.

Bull threshold: ≥40% sustained while AI revenue mix rises.

Bear threshold: ≤33% for more than one quarter without a clear one-off explanation.

Next data point: Q3 2026 earnings, approximately 29 October 2026.

Driver 3: Consolidated operating income versus guidance

Why it matters: this is the single number that tells you whether Amazon can carry record capex and still expand profit.

Current level: \$27.5B in Q2 2026, +43% YoY. Q3 guided to \$22.5-26.5B.

Bull threshold: printing at or above \$26.5B in Q3 and sustaining 13-14% group operating margin.

Bear threshold: below \$22.5B without a one-off explanation, or group margin sliding toward single digits.

Next data point: Q3 2026 earnings, approximately 29 October 2026.

Driver 4: Capex versus free cash flow

Why it matters: free cash flow fell 76.6% in 2025 to \$7.7B and turns negative in 2026. Until this reverses, you own an asset that consumes cash rather than producing it.

Current level: capex guided to \$200-220B for 2026 against operating cash flow near \$140B.

Bull threshold: 2027 capex guidance flat or lower with TTM FCF returning positive by Q4 2027.

Bear threshold: 2027 capex guided above \$240B with FCF still negative, plus incremental debt issuance to fund it.

Next data point: Q3 2026 earnings call capex commentary, then the FY2026 10-K in early February 2027.

Driver 5: Advertising revenue growth

Why it matters: advertising carries the highest incremental margin in the group and drives the mix shift that supports a 16%+ terminal operating margin.

Current level: \$19.8B in Q2 2026, +26% YoY, accelerating from ~22%.

Bull threshold: 25-30% sustained with no saturation signal on ad load.

Bear threshold: deceleration into low teens or single digits, especially if attributable to share loss rather than macro.

Next data point: Q3 2026 earnings, approximately 29 October 2026.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker	Relationship	Signal
Semiconductor complex (AI capex demand)	SOXX	Leads AWS capacity narrative	Bullish for AWS hyperscaler order com
Microsoft (Azure read-across)	MSFT	Correlates and often leads on cloud growth	Cloud growth decelerating below 35% support
Consumer Discretionary sector	XLY	Correlates with Amazon's retail and marketplace	S&P by more than
US 10-year real yield	TIPS 10Y breakeven-adjusted	Leads long-duration growth multiples	Real yield pressing above 2.5% pressures t

Monitoring rule: if SOXX declines more than 15% from its trailing high while Azure growth decelerates below 25% in the same quarter, cut the bull case weight from 25% to 10% and re-run the probability-weighted return within five trading days.

RE-ENTRY TRIGGERS

This is an AVOID, so there is no exit plan. These are the conditions that would move Amazon onto the active watchlist and trigger a full re-underwrite:

- **Price reaches \$215 / €185** (-18% from current): re-run the model. At \$215 the base case delivers roughly 6.8% annually, which sits at the hurdle boundary.
- **Price reaches \$205 / €177** (-22%): base case clears 7.3%, and the bear case improves to roughly -2.8%. Upgrade to HOLD with a small starter position under review.

- **Price reaches \$185 / €159 (-30%):** base case reaches 8.4% with a bear case near flat. This would satisfy the BUY criteria on return, though the zero-dividend penalty keeps the WP Score capped below 65.
- **Amazon initiates a dividend:** adds up to 30 points to the Quality Score and provides the income cushion this mandate requires. Immediate full re-underwrite regardless of price.
- **Two consecutive quarters of positive trailing free cash flow** with 2027 capex guided flat or lower: removes the primary balance sheet objection and lifts the solvency rating to FORTRESS.
- **FTC case resolves with behavioral remedies only:** removes the largest tail risk from the bear case and would justify raising the bear case weight down from 25% to 15%.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

Position Size: €0

Disqualifying factors (any one is sufficient under Stage 7.3):

1. **Bear case total return of -5.3% CAGR** (-41.7% cumulative). The framework requires at or above 0%. Amazon fails by a wide margin, and the failure has no offset because there is no dividend to collect while you wait.
2. **Base case total return of 4.7% CAGR.** The hurdle is 7%. Amazon delivers less than a high-yield savings account plus 1 point, while carrying full equity risk and a documented history of 56% drawdowns.
3. **WP Score of 35**, against a floor of 50 for consideration and 65 for a BUY.
4. **Margin of safety of -19.7%.** You are paying roughly 20% above the price that produces a hurdle-consistent return.

What this recommendation is not: a judgment that Amazon is a poor business or a poor stock. AWS at 37% growth with 39% operating margins is one of the best assets in public markets. Group operating income growing 43% year over year while the company spends \$200B on infrastructure demonstrates operating discipline that few companies could manage. An investor with a 12-year horizon, a growth mandate, and tolerance for a 50% drawdown may well earn a good return here.

What this recommendation is: a statement that at \$262.65, Amazon does not fit a mandate whose first question is "how much can I lose" and whose minimum acceptable return is inflation plus 4% with severe downside protection. You would accept a 42% downside path with zero income for a probability-weighted 3.0% annual return. A 4% savings account beats that with no drawdown and no ten-year lockup.

Better fits for this capital today: dividend-paying defensives with 3%+ yields, payout ratios below 60%, and 15+ year dividend growth records. They win on the two dimensions that matter here, income cushion and drawdown history, and lose only on growth rate, which this mandate does not pay for.

ANALYST NOTES

Key Assumptions:

- Diluted share count of 10.83B derived from 2025 net income of \$77.670B divided by diluted EPS of \$7.17
- Market capitalization of ~\$2.84T calculated at the live price of \$262.65
- WACC estimated at 8.5% for a mega-cap with rising leverage and cyclical revenue exposure
- Terminal P/E of 23x in the base case reflects a mature mega-cap growing high single digits, in line with the cited sector median of 21.9x plus a quality premium
- Tax rate of 22% applied to operating income for NOPAT and net income derivations
- Dilution of 1.26% annually continues in the bear case, offset by buybacks in the base and bull cases
- Capex normalizes to 12-14% of revenue after 2028 in the base and bull cases
- Bear case assumes a behavioral-plus-partial-structural regulatory outcome, not a divestiture

Limitations:

- **Material data inconsistency.** The provided valuation data reports a trailing P/E of 21.13x and a forward P/E of 22.37x against a share price "near \$230," which implies TTM EPS around \$10.88. That is irreconcilable with 2026 consensus EPS of \$7.75. The gap is attributable to non-operating mark-to-market gains on equity investments sitting inside the trailing window. All valuation conclusions in this report use consensus operating-earnings-based multiples calculated at the authoritative live price of \$262.65.
- The reported analyst average target of \$262.65 matches the live price to the cent, which suggests a stale or artifact reading. Treat with skepticism.
- Balance sheet detail (exact debt-to-equity, current ratio, cash balance, debt maturity schedule) was not present in the provided dataset. Solvency figures are estimated from operating income, disclosed note issuance of ~\$15.0B in late 2025, the price-to-book ratio of 5.14x, and known company characteristics. These are flagged as estimates throughout and should be verified against the FY2025 10-K and the Q2 2026 10-Q filed 31 July 2026.
- Gross margin and operating margin series for 2021-2023 were not extractable from the provided sources. Margin path assumptions rely on the 2024 operating income of \$68.6B, 2025 of \$80.0B, and Q2 2026 of \$27.5B.
- No PEG ratio, beta, or ROE figures were supplied. These are marked N/A rather than estimated.
- No insider transaction or institutional ownership data was available. Governance assessment relies on filing patterns and disclosed compensation structure only.
- FTC trial timing is reported inconsistently across sources (October 2026, February 2027, March 2027). The bear case treats the resolution as landing within the 2027-2028 window.
- Ten-year scenarios carry wide error bands. Small changes to the terminal multiple move the base case CAGR by 100-150 basis points per turn.

Confidence Level: MEDIUM-HIGH

High confidence on the recommendation itself. The AVOID rests on arithmetic that survives reasonable changes to assumptions: at 34x 2026 consensus earnings with zero dividend yield, the base case cannot clear a 7% hurdle unless you assume a terminal multiple above 28x, which no framework in this document would support for a company growing high single digits in year ten. Medium confidence on the precise scenario values, given the balance sheet data gaps and the valuation source conflicts described above.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

IMPORTANT DISCLOSURES

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