



Amazon.com, Inc.

AMZN

EQUITY RESEARCH REPORT

October 26, 2026

AMZN — AMAZON.COM, INC.

Report Date: 2026-10-26

Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric	Value
Recommendation	BUY
Current Price	€221.27 (\$248.00)
Fair Value (Base Case)	€276.60 (\$310.00)
Margin of Safety	20.0% discount to fair value (25.0% upside)
Target Entry (if HOLD)	N/A

Return Profile	Value
Dividend Yield	0.0%
Expected Dividend Growth	N/A
Expected Price Appreciation	12.6% CAGR (base case)
Total Expected Return (Base)	12.6% CAGR
Bear Case Total Return	1.1% CAGR
Bull Case Total Return	22.9% CAGR
Probability-Weighted Return	12.3% CAGR

Risk Assessment	Value
Wealth Preservation Score	74 / 100
Downside Protection Score	65 / 100
Quality Score	60 / 100
Risk Level	ELEVATED
Probability of >50% Loss	Less than 10%
Recession Profile	SENSITIVE

One-Line Thesis:

Amazon preserves and grows capital through its durable multi-layer platform, AWS-driven margin expansion, and a \$123 billion cash cushion against \$137.8 billion of long-term debt, producing a base-case total return near 12.6% with a positive bear-case decade return.

INVESTMENT THESIS

Amazon meets the wealth preservation hurdle on the strength of its operating model, even though it pays no dividend and its equity has a violent drawdown history. The company reported \$716.9 billion of revenue for fiscal 2025, up 12.4% year over year, with operating income of \$79.97 billion and net income of \$77.67 billion. The current price of \$248.00 values the equity at \$2.68 trillion against trailing twelve-month revenue of \$775.68 billion and TTM net income of \$135.28 billion. You are not paying a speculative price for a loss-making platform. You are paying 19.7x trailing EPS of \$12.61 and roughly 19.4x forward EPS, well below the 55x to 65x forward multiple the market assigned Amazon for much of the past five years.

The return case rests on two high-margin engines that did not exist at scale a decade ago. AWS generated \$128.7 billion of revenue in 2025 at a 38.1% full-year operating margin. Advertising grew 22% to \$17.7 billion in Q3 2025 and compounds at a mid-20s rate. Amazon's gross margin expanded from 39.57% in fiscal 2020 to 50.29% in fiscal 2025 and 50.8% on a TTM basis. That mix shift from low-margin first-party retail toward AWS, advertising, and third-party services is the fundamental reason the earnings multiple can compress while the stock still compounds. In the base scenario, EPS grows 13% annually for ten years, the forward multiple settles at 19x, and the total return lands at 12.6% annualized. That clears the 7% inflation-plus-hurdle with meaningful room.

The downside is not hidden. Trailing free cash flow is negative \$11.63 billion because Amazon is spending \$173 billion a year on capital expenditures, much of it for AI infrastructure. The FTC monopolization trial has a federal court date set for October 2026, which is this month, and Amazon now faces both competition and consumer-protection investigations across its stores, fulfillment network, Prime, and parts of AWS. The bear case must therefore assume slower AWS growth, compressed valuation, and persistent capital intensity. Under a 5% EPS growth rate and a 13.5x terminal multiple, the ten-year bear scenario returns 1.1% annualized. That is not an exciting return, but it is positive, and it is the condition the wealth preservation framework demands. You preserve capital in the modeled bear case even if you do not get paid for the risk.

The structural risk is that Amazon has deliberately suppressed free cash flow to build future capacity. If the \$200 billion 2026 capex plan does not convert into AWS and AI revenue, the current earnings power will look fragile and the stock will de-rate. The framework accepts that risk because the balance sheet carries \$122.99 billion of cash and short-term investments against \$137.79 billion of long-term debt, net debt of \$5.9 billion to \$14.8 billion, an Altman Z-score of 5.27, and a Beneish M-score of negative 2.63. Solvency in a severe recession is not the main threat. Multiple compression and execution are the threats, and the bear case already prices a decade of compressed growth and valuation while still avoiding permanent loss.

1. BUSINESS QUALITY ASSESSMENT

Amazon operates as a layered platform rather than a traditional retailer. The company monetizes the same infrastructure and customer base repeatedly. Retail traffic and Prime subscriptions support third-party seller services, fulfillment, and advertising. AWS sells cloud infrastructure. Advertising sells access to the marketplace's demand. Morningstar assigns Amazon a Wide Economic Moat with Medium Uncertainty, describing a virtuous circle in which low prices and unmatched selection create brand and technology advantages in search and recommendation. That description matches the financial evidence. The company's official reporting segments are North America, International, and AWS, but the economic mix is richer. Retail-related revenue is roughly 80% of total revenue, AWS is 10% to 15%, and advertising is about 5%.

The moat has durability because the fixed assets are difficult to replicate. Amazon's logistics network, regionalized fulfillment architecture, and AWS global infrastructure represent capital commitments that a new entrant cannot match quickly. The company also benefits from a negative cash conversion cycle in retail, which lets it collect from customers before paying suppliers. That funding advantage does not show up in the income statement but it reduces financial risk and supports the low-price strategy.

The quality assessment improves when you look at the margin trend. Gross margin moved from 39.57% in fiscal 2020 to 48.85% in fiscal 2024 and 50.29% in fiscal 2025. The change is not a retail miracle. It is a mix shift toward AWS and advertising, whose margins exceed the core retail business by a wide margin. Q1 2026 operating income of \$23.9 billion produced a 13.1% operating margin, a quarterly record. Q2 2026 revenue reached \$200.6 billion with a 13.7% margin. The business is proving it can grow revenue and expand margin simultaneously.

Competitive threats are real but manageable. AWS leads cloud infrastructure with more than 30% market share, though Microsoft Azure and Google Cloud continue to compete aggressively. E-commerce competition comes from Walmart, Target, Alibaba, PDD, JD.com, Coupang, and eBay, but none of those names combines Amazon's retail scale, logistics density, cloud business, and advertising stack in a single entity. The 2022 downturn tested the model. Revenue still grew, but the stock lost 47% of its value at one point as the market repriced duration. The operating business survived without a dividend cut, without an equity raise, and without financial distress. Amazon is fundamentally resilient but equity sensitive.

The business quality verdict is positive for preservation with one warning. The moat is wide, the profitability mix is improving, and the platform has no pure-play e-commerce equal. The warning is capital intensity. The AI infrastructure buildout has turned free cash flow negative and made the company more sensitive to interest rates and execution than a typical defensive compounder. That is why the framework rates Amazon a high-quality business with an elevated risk profile, not a low-risk regulated utility.

2. FINANCIAL FORTRESS ANALYSIS

Amazon's solvency rests on its profit power and cash position, not on conservative capital allocation. The company holds \$122.99 billion in cash and short-term investments against \$137.79 billion of long-term debt. The resulting net debt is \$14.8 billion using only long-term debt, or \$5.9 billion using the broader net debt figure from Stockrow. Either way, leverage is modest for a \$2.68 trillion enterprise. The Altman Z-score stands at 5.27, a level associated with low bankruptcy risk. The Beneish M-score of negative 2.63 does not indicate earnings manipulation. The current ratio of 1.03 is thin for a conventional business, but Amazon's negative cash conversion cycle means the company receives customer cash before it pays many suppliers. The current ratio is the least useful liquidity metric for this model.

Profit generation is strong. Fiscal 2025 produced EBIT of \$79.97 billion, EBITDA of \$145.73 billion, and net income of \$77.67 billion. TTM figures are even larger: revenue of \$775.68 billion, EBITDA of \$168.91 billion, and net income of \$135.28 billion. The operating margin was 11.16% in fiscal 2025 and 11.0% TTM, with Q2 2026 reaching 13.7%. Amazon can service its debt from operating profit many times over. The packet does not disclose interest expense, but net debt of \$5.9 billion against annual EBITDA of \$168.91 billion leaves no realistic coverage concern.

The weakness is free cash flow. Fiscal 2025 free cash flow was positive at \$11.19 billion, but TTM free cash flow is negative \$11.63 billion. The swing comes from capital expenditures of negative \$173.03 billion on a TTM basis. Amazon has prioritized generative AI, proprietary Trainium chips, robotics, and a regionalized fulfillment network. The company has also increased total debt, with one source reporting total debt up 154.1% in the quarter to June 2026, and it issued £4.0 billion of debt in September 2026 across maturities from 2029 to 2045. The June 2026 8-K recorded a new term loan and amended revolving-credit agreements. The balance sheet is not distressed, but the financing needs have grown with the AI buildout.

Stress testing a 30% revenue decline for two years produces a solvable situation, not a comfortable one. Revenue of \$775.68 billion would fall to roughly \$543 billion. Operating income would likely compress sharply because fulfillment and cloud infrastructure carry high fixed costs. Amazon would need to draw on its \$122.99

billion cash cushion, maintain access to credit, and reduce capex. The company has no dividend to protect, which removes a cash obligation. A 30% revenue decline would not threaten bankruptcy or force a dilutive equity raise, in the analyst's view. The risk is that shareholders would absorb a severe earnings decline and multiple compression, not that creditors would take the company.

The solvency assessment is ADEQUATE, not FORTRESS. The fortress label fails because free cash flow is negative on a TTM basis and the current ratio sits at 1.03. Amazon is far from insolvent, but it is also not the clean, cash-rich balance sheet it displayed before the current capex cycle.

3. DIVIDEND ANALYSIS (If Applicable)

Amazon pays no dividend. The entire return on AMZN stock comes from price appreciation, so there is no dividend sustainability analysis to perform.

4. VALUATION ANALYSIS

At \$248.00, Amazon trades at 19.7x TTM diluted EPS of \$12.61. Against fiscal 2025 EPS of \$7.17, the trailing multiple is 34.6x, because TTM EPS includes a large net income expansion. The VCP Scanner dated October 14, 2026 reported a forward P/E of 20.2x at \$258.58, which implies forward EPS near \$12.80. At the current \$248.00 price, that forward multiple is approximately 19.4x. The stock also trades at roughly 15.9x TTM EBITDA, using a \$2.68 trillion market capitalization, \$5.9 billion of net debt, and TTM EBITDA of \$168.91 billion. Price to TTM revenue is 3.45x. P/FCF is not meaningful because TTM free cash flow is negative. P/B is above 3.0x according to one source but no exact figure is provided in the packet.

The historical comparison favors the long-term buyer. A June 2025 source put Amazon at roughly 37x forward earnings against a five-year average of 55x to 65x. The current forward multiple of 19.4x sits well below that five-year range. The PEG ratio from VCP was 0.72, which arithmetically implies growth expectations far above the reported next-year EPS growth of 3.0%. The market is no longer paying the 55x-plus earnings multiple it paid before the 2022 re-rating. The compression has created an entry point relative to Amazon's own history.

The DCF evidence argues the other way. Stockoscope reported on July 22, 2026 that Amazon traded 41% above its blended estimate and 63% above its DCF intrinsic value. The DCF model used 13.3% growth for five years, tapering to a 3.50% terminal rate, discounted at 9.86%. The problem is that Amazon's current free cash flow is negative, so a DCF that starts from present free cash flow produces a low value. The valuation method is internally consistent but it treats the AI capex as a cash outflow without crediting the future revenue until much later. For a wealth preservation mandate, the DCF signal cannot be ignored, but it should be weighed against the earnings power of a business producing \$135 billion of TTM net income.

The analyst sets fair value at \$310.00 per share, or €276.60, for the base case. That target is below the VCP consensus target of \$328.71 and below the median target of \$325.00, but above the current price. It reflects a 12-month forward earnings power of roughly \$12.80 and a fair forward multiple of 24.2x, still below Amazon's five-year average. At the current €221.27, the margin of safety is 20.0% as a discount to fair value, or 25.0% upside. The margin clears the 10% framework threshold. The valuation is not cheap on a DCF basis, but it is reasonable against the earnings multiple history and the consensus earnings trajectory.

5. SCENARIO ANALYSIS

The scenario table below uses TTM diluted EPS of \$12.61 as the starting earnings base and models a ten-year horizon.

Scenario	10Y EPS CAGR	Terminal P/E	10Y Price (USD)	10Y Price (EUR)	Total Return CAGR	Weight	Contribution
Bear	5.0%	13.5x	\$277.30	€247.40	1.1%	25%	0.3%
Base	13.0%	19.0x	\$813.20	€725.50	12.6%	50%	6.3%
Bull	20.0%	25.0x	\$1,952.30	€1,741.80	22.9%	25%	5.7%
Expected					12.3%		

The bear case assumes Amazon becomes a much slower grower. EPS grows only 5% annually, a rate just above inflation, and the market assigns a 13.5x terminal multiple. Under those assumptions, the stock reaches \$277.30 in ten years. The total return is 1.1% annualized, including no dividend. That is a weak return, but it is positive. The bear case survives the framework's absolute requirement that capital be preserved in the worst modeled scenario. The bear case also embeds multiple compression from the current 19.7x trailing multiple to 13.5x, so it does not rely on a permanently high valuation.

The base case assumes 13% annual EPS growth and a 19x terminal multiple. Amazon's five-year average revenue growth is 13.14%, its forward EPS long-term growth estimate is 20.83%, and its current revenue growth is 15.77%. A 13% EPS growth assumption is conservative relative to those data points. The 19x terminal multiple is close to the current forward multiple, which means the base case does not depend on multiple expansion. It depends on earnings compounding. The result is \$813.20 in ten years and a 12.6% total return.

The bull case assumes 20% EPS growth and a 25x terminal multiple. This scenario requires AWS to sustain high-20% growth, advertising to keep compounding at a mid-20s rate, and AI/chip businesses to maintain run rates above \$25 billion. It also requires the FTC case to resolve without a structural remedy that impairs the platform. Under those assumptions, the stock reaches \$1,952.30 and returns 22.9% annualized.

The probability-weighted expected return is 12.3% annualized. That clears the 7% hurdle with a substantial margin. The downside scenario is positive but thin, which is why the Downside Protection Score is 65 rather than 90. The scenario work identifies the central trade: Amazon offers base and bull returns that exceed the hurdle, while the bear case only barely preserves capital.

6. RISK ASSESSMENT

The dominant near-term risk is the FTC antitrust action. The FTC and multiple states sued Amazon in 2023, alleging monopolization in online retail and related market conduct. A federal judge set the trial for October 2026, which is the month of this report, and the core federal case has been allowed to move forward. The company also faces open competition and consumer-protection investigations covering its stores, fulfillment network, Prime, and aspects of AWS. A structural remedy, such as forced separation of retail and marketplace or restrictions on Prime bundling, would damage the platform economics. The probability of a remedy that permanently impairs the moat remains below 10% in the analyst's view, but the headline risk is immediate.

The second risk is capital intensity. Amazon plans roughly \$200 billion in capex for 2026, and Polymarket assigns an 87% probability to that spending exceeding \$200 billion. Trailing free cash flow is negative \$11.63 billion, with one source reporting a free cash flow growth rate of negative 599% in FY2026 Q2. If AI infrastructure spending does not convert into AWS and advertising revenue, the company will have spent capital without a return, compressing ROIC and pressuring the stock. The \$145 billion AI capex figure and \$173 billion TTM capex are the clearest reason for the elevated risk label.

AWS competition is the third risk. AWS leads the cloud market with more than 30% share, but Azure and Google Cloud compete on enterprise AI workloads. The Q2 2026 AWS growth trajectory of 37% is strong, but any

deceleration below the high-20% consensus pace would break the primary profit-engine thesis. Advertising is less contested but depends on consumer spending and retail traffic.

Labor and regulatory friction adds cost pressure. In April 2026, the NLRB ordered Amazon to negotiate with the ALU-IBT Local 1 at the JFK8 facility in Staten Island. In March 2026, Amazon settled a case and agreed it would no longer penalize workers for striking. A first-ever union contract or additional unionization votes would raise fulfillment costs and narrow the retail margin advantage Amazon holds over Walmart and Target.

The equity risk is amplified by the absence of a dividend. Amazon's entire return depends on price appreciation, so a 47% drawdown like 2022 cannot be cushioned by income. The historical maximum drawdown exceeded 40%, which removes a point from the Downside Protection Score. Still, the company recovered from that drawdown, and the probability of a permanent loss exceeding 50% is below 10%. The framework labels Amazon SENSITIVE rather than RESILIENT because the stock price, unlike the revenue line, is tied to multiple cycles and capex cycles. The solvency risk is low, but the equity-return risk is real.

7. MANAGEMENT & GOVERNANCE

Morningstar gives Amazon a Capital Allocation rating of Exemplary. The management team has demonstrated the ability to grow high-margin businesses such as AWS and advertising while reducing the company's dependence on first-party retail profitability. The historical record from Koalagains credits management with altering Amazon's profitability profile and executing a successful pivot away from growth-at-all-costs after the fiscal 2022 net loss. Fiscal 2022 included a negative \$2.72 billion net loss from writedowns and inflated fulfillment costs. Management responded by cutting costs and allowing the higher-margin segments to dominate, and the company emerged with stronger margins.

The capital allocation record is mixed on the equity front. Amazon pays no dividend and repurchased no stock in the TTM period. Stock-based compensation was \$19.31 billion. Share count moved from 10.83 billion diluted shares in fiscal 2025 to 10.79 billion TTM, indicating no meaningful net dilution and perhaps a slight reduction. The lack of buybacks means shareholders rely entirely on business compounding rather than financial engineering. For a wealth preservation portfolio that values dividends, Amazon fails the income test, but for a wealth preservation portfolio that values moat durability, the reinvestment approach has produced tangible margin expansion.

The governance structure has a concerning element. Amazon has no controlling shareholder, but the dual-class share history and CEO influence remain relevant. The packet does not identify the current CEO or provide a detailed compensation table. It does confirm Kevin R. Mandia was elected to the board on September 9, 2026 and appointed to the Audit and Security Committees, adding cybersecurity expertise. Insider ownership is reported at 8.81%, which is high for a mega-cap and suggests alignment.

The main management weakness is the scale of current investment. Management has prioritized generative AI, proprietary chips, robotics, and a regionalized fulfillment network. These investments have driven free cash flow negative and increased total debt. If the investments succeed, the capital allocation will look prescient. If they fail, the capital allocation will look like 2022 repeated on a larger scale. The management quality rating is GOOD to EXCELLENT, with the caveat that the current capex cycle is the largest test of that judgment since the company began reporting AWS as a separate segment.

8. PEER COMPARISON

Metric	AMZN	BABA	PDD	JD	EBAY	CPNG	DASH
Market cap	\$2.68T	\$262.7B	\$112.7B	\$36.2B	\$49.8B	\$27.7B	\$83.1B

Metric	AMZN	BABA	PDD	JD	EBAY	CPNG	DASH
P/E trailing	19.7x	22.0x	8.2x	n/a	n/a	n/a	n/a
Forward P/E	19.2x	18.8x	8.1x	n/a	n/a	n/a	n/a
Revenue growth	19.6%	14.7%	14.1%	n/a	n/a	n/a	n/a
Gross margin	52.3%	38.2%	57.3%	n/a	n/a	n/a	n/a
EBIT margin	13.7%	7.3%	24.7%	n/a	n/a	n/a	n/a
FCF growth	-770.4%	+17.2%	+25.4%	n/a	n/a	n/a	n/a

Amazon screens as a premium franchise against this peer group, not as a cheap stock. PDD trades at 8.2x trailing earnings with a 57.3% gross margin and a 24.7% EBIT margin, but PDD carries a different corporate governance and China regulatory profile. Alibaba trades at a similar forward multiple to Amazon but has an EBIT margin of only 7.3% and reported EPS growth of negative 74.1%. Amazon's revenue growth of 19.6% exceeds Alibaba's 14.7% and PDD's 14.1%. Amazon's EBIT margin of 13.7% sits above Alibaba's and below PDD's.

The capital preservation screen is incomplete because the packet does not provide debt-to-equity, interest coverage, dividend yield, or ROIC for the peers. The only balance sheet data available for Amazon are net debt of \$5.9 billion and an Altman Z-score of 5.27. Amazon's \$2.68 trillion market capitalization dwarfs every peer except none, and its financial strength rank is 6/10 from GuruFocus. The peer comparison supports the view that Amazon is not the cheapest broadline retailer, but it is the most durable and most diversified. For a preservation mandate, durability matters more than a low P/E on a structurally challenged Chinese e-commerce platform.

9. KEY METRICS SUMMARY

Metric	Value
Current price	€221.27 (\$248.00)
Market capitalization	\$2.68T
TTM revenue	\$775.68B
FY2025 revenue	\$716.9B
Revenue growth TTM	+15.8%
TTM gross margin	50.8%
FY2025 operating margin	11.16%
Q2 2026 operating margin	13.7%
TTM net income	\$135.28B
FY2025 net income	\$77.67B
TTM diluted EPS	\$12.61
FY2025 diluted EPS	\$7.17
TTM EBITDA	\$168.91B
Cash and short-term investments	\$122.99B

Metric	Value
Long-term debt	\$137.79B
Net debt	\$14.8B (or \$5.9B per Stockrow)
TTM capex	-\$173.03B
FY2025 free cash flow	\$11.19B
TTM free cash flow	-\$11.63B
Current ratio	1.03
Altman Z-score	5.27
Beneish M-score	-2.63
Diluted shares	10.79B

10. MONITORING CHECKLIST

Item	Frequency	Trigger
AWS revenue growth	Quarterly	Below 25% = re-review
AWS operating margin	Quarterly	Below 35% = monitor
Advertising revenue growth	Quarterly	Below 20% = monitor
Consolidated operating margin	Quarterly	Below 10% for two quarters = re-review
Capex vs. \$200B plan	Quarterly	Above \$200B without FCF improvement = reduce
Free cash flow	Quarterly	Two more negative quarters = re-review
FTC antitrust trial	Monthly	Structural remedy or asset divestiture = sell
JFK8 union negotiations	Monthly	First union contract = cost re-review
Debt issuance and credit metrics	Quarterly	Net debt > \$40B = re-review
Insider buying	Quarterly	Clusters of insider sales = re-review

11. MARKET EXPECTATIONS & CONSENSUS

What the current stock price implies about growth:

The VCP Scanner snapshot from October 14, 2026, at \$258.58, showed a forward P/E of 20.2x and a PEG of 0.72. The PEG implies a growth expectation near 28% over a multi-year horizon, while the same source showed only 3.0% next-year EPS growth from analysts. The market is pricing Amazon as though near-term earnings are depressed by capex and as though longer-term AWS and advertising growth will re-accelerate. The current price of \$248.00 is below the October 5 quote of \$251.52 and 12.4% below the August all-time high of \$287.20.

Consensus Bull Case:

Analysts expect AWS to sustain high-20% growth through 2026 on AI infrastructure and custom chips. The 24/7 Wall St. trajectory shows AWS growth of 20% in Q3 2025, 24% in Q4 2025, 28% in Q1 2026, and 37% in Q2 2026. Advertising compounds at a mid-20s rate. AI and chips businesses have annualized run rates above \$25

billion each, and Trainium exceeds \$10 billion annually with triple-digit growth. The bull case fair value reaches \$450 on P/E and DCF models. Morgan Stanley has a target of \$325, Evercore ISI \$355, Goldman Sachs \$340, and JPMorgan \$330.

Consensus Bear Case:

The bear argument centers on capex-driven free cash flow compression. Q4 2025 free cash flow fell 65.95% year over year to \$11.19 billion as capex surged 58.82% to \$131.82 billion. Amazon plans \$200 billion of capex in 2026. If AWS decelerates below high-20% growth or AI run rates fail to hold above \$25 billion, the stock de-rates. The analyst target range is \$200 to \$390, a 58% spread. TradersQuant's bear scenario is \$248.29, near the current price. The low analyst target is \$200.

Short Interest:

The research packet does not provide short interest, short percent of float, or days to cover for AMZN.

Analyst Consensus:

The latest dated consensus is VCP Scanner, October 14, 2026: 94 analysts, 85 Buy/Strong Buy, 8 Hold, 1 Sell, consensus target \$328.71, range \$200 to \$390, median \$325. A September 2, 2026 source reported 43 Buys, 16 Strong Buys, and 3 Holds, with a target of \$327.

Forward Valuation:

Metric	Value	Assessment
Forward P/E	19.4x at \$248.00	Below 5-year average
PEG	0.72	Below 1.0
EV/EBITDA	15.9x	Moderate for mega-cap platform
Beta	Not provided in packet	Cannot evaluate factor exposure from data

What would validate the consensus:

AWS sustains high-20% growth, advertising keeps mid-20s growth, AI/chip run rates stay above \$25 billion, and capex near \$200 billion converts to revenue without further FCF deterioration. A Q3 2026 beat consistent with Q2, revenue near \$200.6 billion with a 13.7% margin and EPS near \$1.43, would support the \$265 to \$280 near-term range.

What would disappoint:

AWS decelerates below 25%, management fails to provide AI revenue run-rate figures, FCF remains compressed, and EPS growth stays near 3%, forcing the \$328.71 target to depend on multiple expansion alone.

12. KEY BUSINESS DRIVERS

Driver 1: AWS revenue growth and operating margin

Why it matters: AWS is the highest-margin, highest-multiple profit engine, and its growth is the single biggest swing factor in the thesis.

Current level: \$128.7 billion 2025 revenue, 38.1% operating margin, \$200 billion backlog, Q2 2026 growth 37%.

Bull threshold: Sustained high-20% to 30%+ revenue growth.

Bear threshold: AWS revenue growth below 25%.

Next data point: Q3 2026 earnings, expected late October or early November.

Driver 2: Advertising revenue growth

Why it matters: Advertising is capital-light and margin-accretive, improving consolidated profitability without adding fulfillment costs.

Current level: 22% growth to \$17.7 billion in Q3 2025, mid-20s compounding rate.

Bull threshold: Sustained 25%+ growth.

Bear threshold: Growth below 20% for two consecutive quarters.

Next data point: Q3 2026 earnings.

Driver 3: Consolidated operating margin

Why it matters: The blended margin indicates whether the retail re-architecture and mix shift toward AWS and ads are translating into earnings.

Current level: 13.1% Q1 2026 record, 13.7% Q2 2026, 11.16% FY2025.

Bull threshold: 13%+ sustained.

Bear threshold: Below 10% for two consecutive quarters.

Next data point: Q3 2026 earnings.

Driver 4: Capex and free cash flow

Why it matters: The current \$200 billion 2026 capex plan determines whether the AI buildout creates value or destroys free cash flow.

Current level: TTM capex -\$173.03 billion, TTM FCF -\$11.63 billion, FY2025 FCF \$11.19 billion.

Bull threshold: FCF inflects positive while capex remains near plan and AWS growth holds.

Bear threshold: Capex exceeds \$200 billion and FCF remains negative for two more quarters.

Next data point: Q3 2026 earnings capex guidance.

Driver 5: Retail flywheel by segment

Why it matters: North America, International, and third-party/Prime volume provide the customer base that feeds advertising and AWS.

Current level: Q3 2025 North America \$106.3 billion, International \$40.9 billion; retail roughly 80% of total revenue.

Bull threshold: International operating margin expansion plus stable North America volume.

Bear threshold: North America revenue declines or international losses widen.

Next data point: Q3 2026 segment reporting.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker/Symbol	Relationship	Signal
Invesco QQQ Trust	QQQ	Contains AMZN and leads mega-cap tech QoQ trends	Bullish if QQQ trends above its 50-day average
Microsoft	MSFT	Cloud competitor, read-through for Azure/AWS cloud growth	Bullish if MSFT cloud growth accelerates
VanEck Semiconductor ETF	SMH	AI capex and chip demand proxy	Bullish if SMH strength confirms AI infrastructure growth

Proxy	Ticker/Symbol	Relationship	Signal
FedEx	FDX	E-commerce volume and logistics supply	Buy if FDX volume commentary improves

Monitoring rule: If QQQ breaks below its 50-day moving average and SMH weakens in the same week, re-evaluate the AMZN thesis within five days.

EXIT TRIGGERS (For BUY Recommendation)

- AWS growth falls below 25% or management fails to provide AI revenue run-rate figures: Reduce or sell, because the primary profit-engine thesis breaks.
- FTC case yields a structural remedy, forced separation, or material asset divestiture: Sell. The moat assumptions no longer hold.
- Free cash flow remains negative for two additional quarters while capex exceeds \$200 billion: Reduce. The AI investment is not converting to cash returns.
- Operating margin falls below 10% for two consecutive quarters: Re-review. The mix shift thesis is failing.
- A first-ever union contract at JFK8 or additional major fulfillment-center unionization: Re-review cost assumptions and margin trajectory.
- Stock trades above \$390 without a proportionate AWS acceleration: Trim. The bull multiple has run ahead of fundamentals.
- Net debt rises above \$40 billion without positive FCF: Re-review solvency.

FINAL RECOMMENDATION

RECOMMENDATION: BUY

ANALYST NOTES

Key Assumptions:

- TTM diluted EPS of \$12.61 remains a valid starting base for ten-year compounding.
- Base scenario EPS growth of 13% is achievable given five-year average revenue growth of 13.14% and forward long-term EPS growth of 20.83%.
- Terminal multiples of 13.5x bear, 19x base, and 25x bull are realistic relative to Amazon's forward multiple history.
- The FTC case does not result in a structural breakup.
- Currency conversion uses \$248.00 equaling €221.27.

Limitations:

- The packet does not provide interest expense, debt-to-equity, ROIC, 5-year share count history, beta, short interest, or full annual financials for fiscal 2021 through 2024.
- The sources contain conflicting gross margin figures, and the analyst used the TTM 50.8% figure from PEValuator while noting the Yahoo conflict.
- The \$135.28 billion TTM net income may include one-time items, which could inflate TTM EPS.
- The DCF source implies Amazon trades 63% above intrinsic value, a signal that conflicts with the earnings-multiple approach. The analyst chose the earnings-multiple approach because the DCF penalizes current AI capex without crediting future revenue, but the conflict reduces confidence.

Confidence Level: MEDIUM

The qualitative moat evidence is strong, and the earnings-based valuation supports a positive margin of safety. Confidence is capped at medium because free cash flow is negative, the FTC litigation has an immediate court date, and the packet lacks several standard financial data points needed for a fortress-level solvency rating.

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Revolut	Multi-currency banking and FX
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