OVERVIEW

Amazon Overview

Retail supplies the scale. AWS drives reported profit; advertising diversifies revenue. The investment question is whether AI infrastructure spending converts into durable cash flow.

$775.7B

LTM revenue

+15.8% year over year

12.1%

LTM operating margin

+0.7 percentage points YoY

-$7.6B

LTM free cash flow

Company net PP&E definition

$249.09

AMZN reference close

October 26 2026



Amazon fulfillment conveyor. Photo: Amazon / Amazon Press Center.

- **The operating mix is improving.** AWS and advertising grow alongside an increasingly efficient retail and logistics network.
- **GAAP earnings overstate cash economics.** Large investment gains inflate net income while AI capex pushes free cash flow below zero.
- **Valuation requires execution.** A simple DCF spans $30-$364 a share; the $161 base case is an assumption set, not a price target.

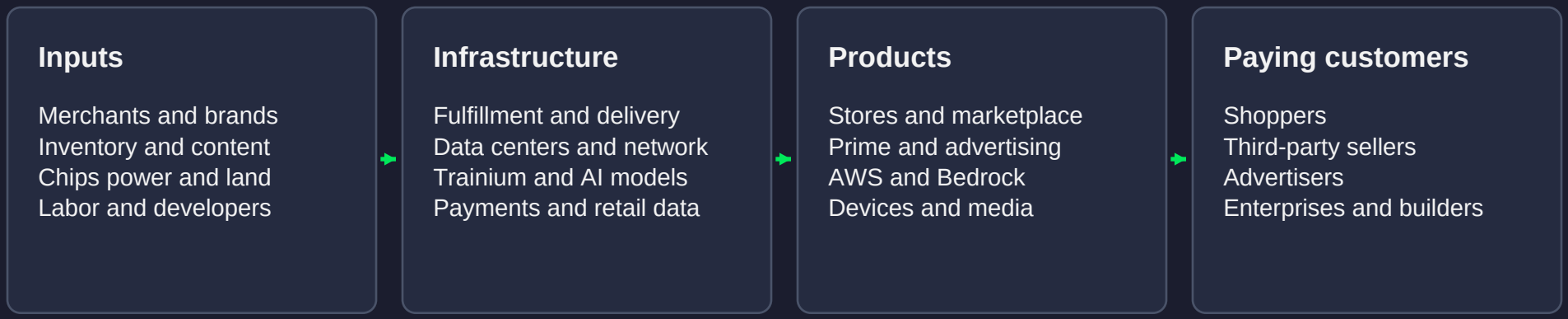
Reading guide Business 2-5 | Financials 6-7 | Competition and news 8-9 | Valuation 10-13 | Sources 14 | Your chart 15

Data cutoff October 27 2026. LTM ended June 30 2026. Q3 results scheduled for October 29 are not included. [1, 2, 3, 4, 5, 8, 6, 7]

BUSINESS MODEL

One platform connects commerce logistics and computing

Amazon earns from product sales, seller services, subscriptions, advertising and cloud usage. Shared infrastructure helps these revenue streams reinforce each other.



Selection and convenience attract customers; scale supports reinvestment and lower unit costs.

Why this is defensible

Prime engagement, seller selection, a dense delivery network and a broad cloud ecosystem compound the value of scale.

Where value can leak

Retail price competition, fulfillment costs, power and chips, content spending and regulatory remedies can absorb growth.

What is changing

AI expands cloud demand but needs upfront capital. Advertising and seller services change the economics of commerce; standalone product profits are not disclosed.

Analytical value-chain diagram, not a supply-chain market-share estimate. Segment and product descriptions are based on company filings. [2, 4, 5]

SEGMENT ECONOMICS

AWS supplies a disproportionate share of operating profit

North America is the revenue anchor. International profitability has improved, while AWS remains the highest-margin reported segment.

58.5%
North America share of LTM revenue

22.4%
International share of LTM revenue

19.1%
AWS share of LTM revenue

USD billions unless stated	FY 2022	FY 2023	FY 2024	FY 2025	LTM Jun 26
North America revenue	**315.9** +12.9%	**352.8** +11.7%	**387.5** +9.8%	**426.3** +10.0%	**453.7** +12.3%
Operating profit	**-2.8** chg -10.1	**14.9** chg +17.7	**25.0** +67.8%	**29.6** +18.6%	**33.7** +19.0%
Operating margin	-0.9%	4.2%	6.4%	6.9%	7.4%
International revenue	**118.0** -7.7%	**131.2** +11.2%	**142.9** +8.9%	**161.9** +13.3%	**173.6** +16.1%
Operating profit	**-7.7** chg -6.8	**-2.7** chg +5.1	**3.8** chg +6.4	**4.8** +25.3%	**5.4** +4.9%
Operating margin	-6.6%	-2.0%	2.7%	2.9%	3.1%
AWS revenue	**80.1** +28.8%	**90.8** +13.3%	**107.6** +18.5%	**128.7** +19.7%	**148.4** +27.5%
Operating profit	**22.8** +23.3%	**24.6** +7.8%	**39.8** +61.7%	**45.6** +14.5%	**54.7** +27.8%
Operating margin	28.5%	27.1%	37.0%	35.4%	36.8%

Revenue and profit cells show value and YoY. Loss-year comparisons show the dollar change rather than a misleading growth rate.

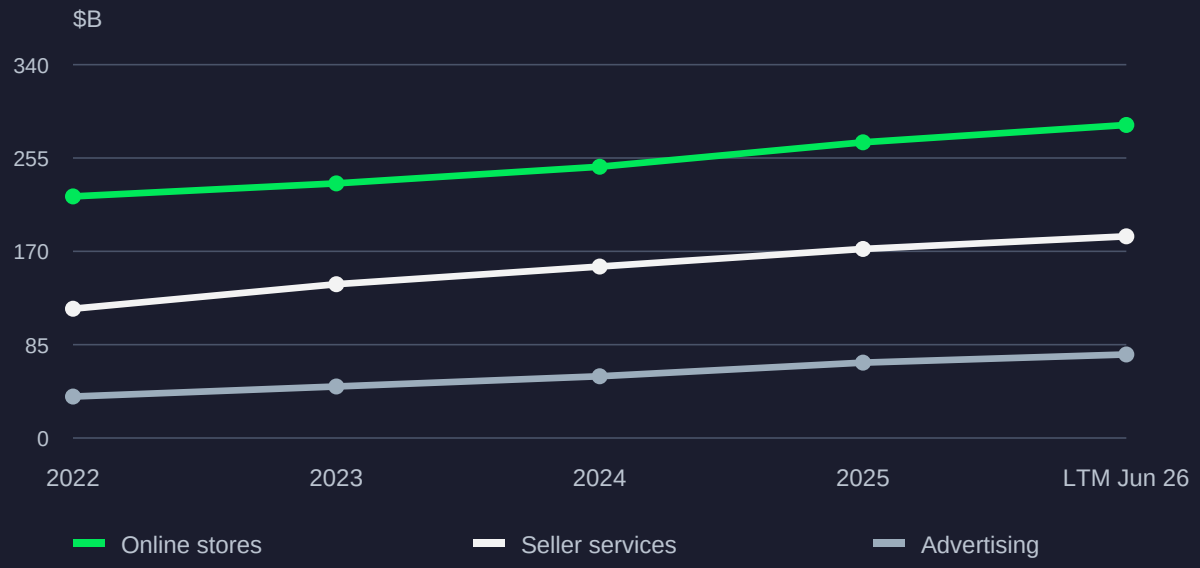
North America and International include online and physical stores, seller services, advertising and subscriptions. AWS is reported separately. Product revenue streams are not extra segments. [1, 2, 3, 4]

RETAIL MARKETPLACE AND ADVERTISING

Commerce monetizes more than the product transaction

First-party sales provide scale. Seller services, advertising and Prime create additional economics around the same customer relationships.

Selected product revenue streams



- **Stores:** Amazon takes inventory risk in first-party retail. Faster delivery can improve conversion but requires fulfillment density.
- **Marketplace:** seller fees and fulfillment services monetize third-party activity. Reported service revenue is not gross merchandise value.
- **Advertising and Prime:** purchase intent helps ads; membership supports repeat usage. Standalone product profit is not disclosed.

LTM Jun 2026	Revenue $B	YoY
Online stores	285.1	+11.4%
Third-party seller services	183.7	+13.2%
Advertising services	76.1	+24.2%
Subscription services	52.9	+13.2%

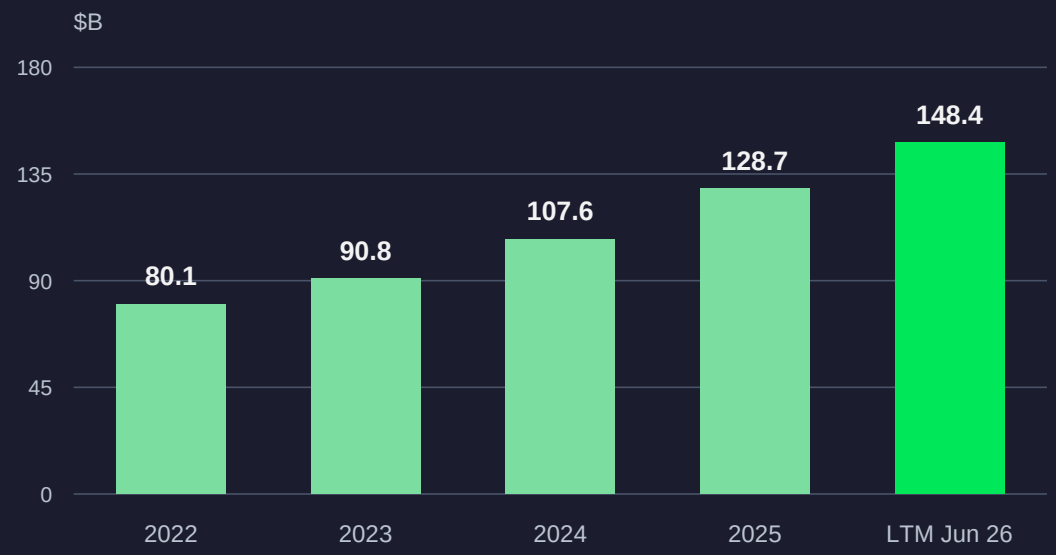
Product-stream revenues span North America and International; do not add them to segment revenue. Subscription services include Prime and other digital subscriptions. Annual actuals plus overlapping LTM endpoint. [1, 2, 3, 4]

AWS AI AND EMERGING BUSINESSES

AWS gives AI a direct path to revenue

AWS sells cloud infrastructure and software. AI expands demand, but capacity utilization and the cost of delivery determine the return on new investment.

AWS revenue



Operating margin

28.5%	27.1%	37.0%	35.4%	36.8%

- **Broad cloud platform.** Compute, storage, databases, analytics and security keep AWS embedded in enterprise workloads.
- **AI differentiation.** Bedrock offers model choice; Trainium provides custom compute. Anthropic is both an investment exposure and an important AWS customer.
- **Options beyond the core.** Satellite broadband, devices, healthcare and media can add growth, but they also compete for capital and management attention.

Investor test: Does AWS growth remain strong as capacity comes online, and can consolidated cash generation catch up with operating profit? Revenue growth alone does not establish AI returns.

AWS segment profit includes the costs allocated under Amazon reporting; this is not a separate-company valuation. Annual actuals plus overlapping LTM endpoint. [1, 2, 3, 4, 5]

FINANCIAL HISTORY

Operating growth is real but cash conversion has weakened

Revenue and operating profit have scaled since 2022. The latest free-cash-flow trend is less favorable because capital spending has accelerated.

USD billions unless stated	FY 2022	FY 2023	FY 2024	FY 2025	LTM Jun 26
Revenue	**514.0** +9.4%	**574.8** +11.8%	**638.0** +11.0%	**716.9** +12.4%	**775.7** +15.8%
Gross profit	**225.2** +14.0%	**270.0** +19.9%	**311.7** +15.4%	**360.5** +15.7%	**393.8** +18.5%
Operating income	**12.2** -50.8%	**36.9** +200.9%	**68.6** +86.1%	**80.0** +16.6%	**93.7** +23.0%
GAAP net income	**-2.7** chg -36.1	**30.4** chg +33.1	**59.2** +94.7%	**77.7** +31.1%	**135.3** +91.6%
Operating cash flow	**46.8** +0.9%	**84.9** +81.7%	**115.9** +36.4%	**139.5** +20.4%	**161.4** +33.2%
Net cash PP&E capex	**58.3** +5.3%	**48.1** -17.5%	**77.7** +61.3%	**128.3** +65.2%	**169.0** +64.2%
Free cash flow	**-11.6** chg -2.5	**36.8** chg +48.4	**38.2** +3.8%	**11.2** -70.7%	**-7.6** chg -25.8
Operating margin	2.4%	6.4%	10.8%	11.2%	12.1%
Reported diluted EPS	-$0.27	$2.90	$5.53	$7.17	$12.44

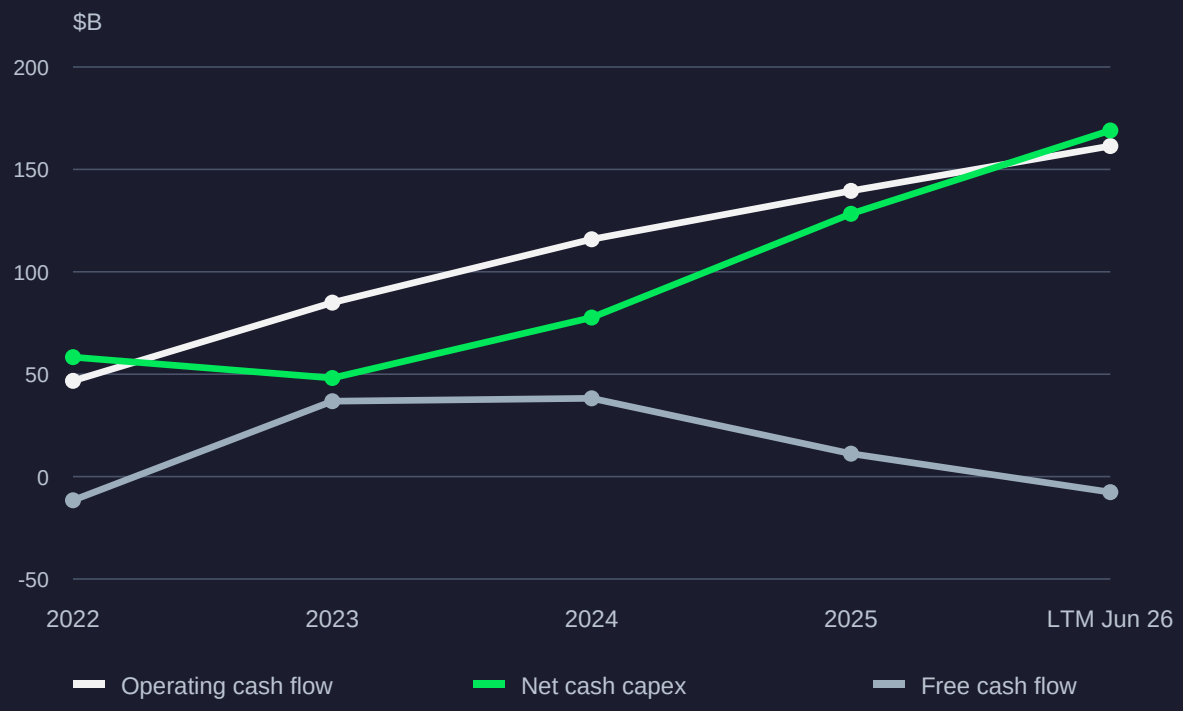
Value above; YoY below. FY22 growth is versus FY21. Negative-base and loss comparisons use dollar change. LTM growth compares June 2026 with June 2025.

FCF = OCF - cash PP&E purchases + PP&E sales and incentives; excludes finance-lease principal. Gross profit = sales - cost of sales, before fulfillment and technology costs. EPS is issuer reported. [1, 2, 3, 4, 5]

CASH FLOW AND EARNINGS QUALITY

AI investment absorbs more than operating cash flow

Do not treat investment gains as recurring operating earnings, or a low GAAP P/E as proof that the stock is cheap.



21.8%

LTM net cash capex / revenue

11.3% in FY2022

$53.4B

Q2 2026 other income

Largely nonoperating investment gains

GAAP earnings distortion. LTM net income of $135.3B exceeds operating profit of $93.7B. Investment revaluations are not cash generated by customers.

Accounting matters. Cash-flow depreciation and amortization includes content, operating-lease assets and other items. Adding the whole line to EBIT would not produce clean, comparable EBITDA.

Company FCF nets PP&E-sale and incentive proceeds; the peer table instead uses gross cash PP&E for consistency. Noncash investment gains are removed in OCF reconciliation. [2, 4, 5]

COMPETITIVE LANDSCAPE

Amazon has several moats and several attack surfaces

Selection, delivery density, purchase intent and cloud breadth matter. None removes the risk that customers or workloads move elsewhere.

Arena	Main alternatives	Amazon differentiation	Main vulnerability
Retail and marketplace	Walmart Target Temu Shopify	Prime, selection, seller ecosystem and dense fulfillment network	Price competition, low-cost imports, seller economics and regulation
Cloud and enterprise AI	Microsoft Azure Google Cloud	Broad cloud services, installed base, custom chips and Bedrock model choice	Rival distribution, model providers, pricing and capacity constraints
Digital advertising	Google Meta and retail media	Purchase intent and commerce measurement across shopping and video	Competing audiences, ad load, privacy and measurement changes
Logistics and fulfillment	UPS FedEx Merchant-owned networks	Network density and integration with marketplace demand	Wages, fuel, service reliability, excess capacity and labor issues
Media and consumer services	Netflix Disney Apple and other platforms	Prime bundle, global retail relationships, devices and video reach	Content cost, fragmented attention and limited standalone disclosure

What to measure: incremental operating profit and cash after compute, delivery and content costs. More orders, tokens or subscribers alone do not establish a better business.

Analytical comparison, not a market-share ranking. These alternatives compete with different parts of Amazon; cloud segment and retail accounting definitions differ. [2, 4, 5]

NEWS AND EQUITY RESEARCH

Recent news centers on AI demand and capital intensity

Operating momentum is improving, but infrastructure funding, retail efficiency and investment payback drive disagreement.

Q1 2026

The investment cycle accelerates

Initial 2026 capex guidance was about $200B. Amazon announced up to $50B of OpenAI investment, with funding conditions. Growth potential came with higher capital needs.

Q2 2026

AI partners become major customers

Anthropic committed over $100B of AWS spending over ten years, including up to 5GW of Trainium. Multiyear commitments are not all current revenue.

Q3 2026

AWS demand accelerates

Q2 AWS sales grew 37%; AMZN rose 15.3% on July 31 after results. Reuters reported management raised 2026 cash-capex expectations to about $220B.

OCTOBER

Software power and the next report

TorchNeuron entered public beta. AEP and partners began feasibility work on 960MW of nuclear capacity, not an operating plant. Q3 earnings are due October 29.

Selected public analyst updates

2026 date	Firm and analyst	Rating action	Target per share	Publicly reported rationale
Oct 26	UBS / Stephen Ju	Buy retained	$318 to $348	Profitability and AWS margin potential
Oct 19	Morgan Stanley / Brian Nowak	Overweight; Top Pick	$335 to $350	AWS growth, agents and robotics
Oct 12	Wells Fargo / Ken Gawrelski	Overweight retained	$338 to $329	Fuel and wage cost pressure
Oct 12	Cantor / Deepak Mathivanan	Overweight retained	$320 to $310	Constructive on AI; cut rationale not detailed

Selected public summaries, not consensus or proprietary research. Target revisions are not necessarily rating upgrades or downgrades. A catalyst does not explain an entire share-price move.

Dated information known by October 27; Q3 results are still pending. [21, 22, 23, 5, 24, 25, 26, 27, 6, 28, 29, 30, 31, 32]

PUBLIC MARKET VALUATION

Amazon is not obviously cheap on operating profit

Trailing GAAP P/E benefits from investment gains. Operating-profit multiples and cash yields provide a more useful cross-check.

Ex-lease enterprise value to operating profit



Company	Named fiscal year	Adjusted P/E
AMZN	FY2026 Dec	31.5x
MSFT	FY2027 Jun	27.0x
GOOGL	FY2026 Dec	26.6x
META	FY2026 Dec	20.9x

Consensus adjusted EPS from S&P Global via StockAnalysis, read Oct 27. Fiscal periods differ; these are not uniform next-twelve-month estimates.

Company	Price $	Equity $T	LTM sales $B	LTM EBIT $B	GAAP P/E	FCF yield
AMZN	249.09	2.69	775.7	93.7	20.0x	-0.43%
MSFT	532.60	3.96	331.8	155.2	29.7x	1.69%
GOOGL	316.80	3.86	445.9	147.6	15.9x*	1.38%
META	630.56	1.61	228.2	86.9	23.7x*	2.55%

All historical flows: twelve months ended June 30 2026. Prices: Oct 26 close. Equity value uses June share counts. *Approximate P/E assembled from period EPS; not normalized earnings.

Ex-lease EV = equity + borrowings + preferred claim - cash/current marketables; all lease debt excluded. FCF = OCF - gross cash PP&E. Peer accounting and investment gains affect comparability. [4, 16, 17, 18, 19, 20, 8, 9, 10, 11, 12, 13, 14, 15]

SIMPLE DISCOUNTED CASH FLOW

The stock price needs a sustained cash-flow recovery

The DCF is most sensitive to AI reinvestment, long-run margins and the discount rate. These are scenarios, not forecasts or investment targets.



Assumption	Bear	Base	Bull
WACC	10.5%	9.5%	8.5%
Terminal growth	2.5%	3.0%	3.5%
Y5 EBIT margin	13%	19%	22%
Y5 capex / sales	16%	15%	13%

95%

Base enterprise value from the terminal period

Base case: revenue rises 82% over five stylized years, EBIT margin reaches 19%, and modeled capex falls from 27% to 15% of sales. Value is about $161 a share.

Interpretation: the reference price needs better operating outcomes or a lower required return than this base case. Terminal value dominates, so this range is a stress test, not a set of price targets.

Analyst model using June 2026 LTM as a run-rate anchor. Five full stylized periods discounted from the valuation date, not calendar-year forecasts. No stub-period precision implied. [4, 8]

CAPITAL STRUCTURE AND DEBT

Borrowing and leases both matter to capital intensity

Use dated balances, recognize lease commitments and distinguish contractual bond coupons from market yields.

$118.3B

Cash and marketable debt

June 30 2026; excludes equities

$132.5B

Financial debt carrying value

June 30 2026; before leases

$13.5B

Finance lease liabilities

Plus $96.3B operating leases

Common equity: 10.783B shares at June 30. Cash plus current marketable securities totals $123.0B, but includes $4.7B of listed equities. Real-estate financing obligations add approximately $9.3B beyond the financial-debt and lease figures above.

Selected USD bonds

Oct 26 indicative secondary-market prices. Calculated YTM is not a live TRACE quote or executable offer.

ISIN	Coupon	Maturity	Price per 100	Implied YTM
US023135AP19	4.80%	2034-12-05	95.460	5.50%
US023135AQ91	4.95%	2044-12-05	86.300	6.22%
US023135BM78	4.25%	2057-08-22	70.000	6.52%

After June: Amazon issued $25B of USD notes in July and GBP4.25B in September. These are excluded from the June balances. New borrowing and its cash proceeds must be bridged together.

YTM assumes Oct 28 settlement, semiannual coupons, 30/360 and par redemption; no call optimization or yield-to-worst. Prices are indicative historical observations, not executable offers. [4, 33, 34, 35, 36, 37, 38, 39]

MODEL DETAIL

Make the valuation assumptions visible

A simple model is useful only when the reinvestment path, nonoperating assets and capital claims are explicit.

Base case	Y1	Y2	Y3	Y4	Y5
Revenue $B	899.8	1034.8	1169.3	1297.9	1414.7
Revenue growth	16%	15%	13%	11%	9%
EBIT margin	14.0%	15.5%	17.0%	18.0%	19.0%
PPE D&A $B	67.5	88.0	111.1	136.3	155.6
Capex $B	242.9	248.3	245.5	233.6	212.2
Unlevered FCF $B	-75.9	-33.4	23.2	88.3	157.3

June bridge plus funding	$B
Cash and debt securities	118.3
Listed equities x 75%	3.5
Nonmarketables x 50%	112.4
Debt leases financing	(155.3)
Post June OpenAI net	(10.7)
Net equity bridge	68.3
Common shares billions	10.783

Base operating case sensitivity

WACC / terminal g	2.0%	3.0%	4.0%
8.5%	$168	$197	$240
9.5%	$141	$161	$190
10.5%	$120	$136	$156

Per common share. Only WACC and terminal growth change; operating assumptions remain the base case.

Model rules
20% tax; working capital is 1% of incremental sales. PPE D&A only. Capex includes financed PPE; content replacement offsets amortization. SBC and operating-lease costs stay in EBIT. Finance leases and financing obligations are deducted. Common shares fixed; no buybacks.

Cash flow formula: EBIT x (1 - tax rate) + modeled D&A - capex - change in working capital. Terminal value = terminal-year FCF / (WACC - g); working capital is recalculated at terminal growth.

June bridge with targeted OpenAI adjustment: $21.3B cash funding less new asset at 50% realization. Not an October balance sheet. Private-asset and listed-equity haircuts are assumptions. [4]

Sources and calculation notes

Linked references support the data and dated events. Sources were reviewed on October 27 2026 unless an item states an earlier observation date.

[1] Amazon FY2023 Form 10-K and FY2021-23 history

[2] Amazon FY2025 Form 10-K and FY2023-25 history

[3] Amazon Q2 2025 Form 10-Q and prior LTM inputs

[4] Amazon Q2 2026 Form 10-Q

[5] Amazon Q2 2026 earnings release July 30

[6] Amazon October 29 2026 earnings call notice

[7] Amazon official press image library and cover credit

[8] AMZN price history October 26 regular close

[9] GOOGL price history October 26 regular close

[10] MSFT price history October 26 regular close

[11] META price history October 26 regular close

[12] AMZN S&P Global consensus via StockAnalysis

[13] GOOGL S&P Global consensus via StockAnalysis

[14] MSFT S&P Global consensus via StockAnalysis

[15] META S&P Global consensus via StockAnalysis

[16] Alphabet Q2 2026 Form 10-Q

[17] Alphabet FY2025 Form 10-K

[18] Microsoft FY2026 annual report June year end

[19] Meta Q2 2026 Form 10-Q

[20] Meta FY2025 full-year earnings release

[21] Amazon Q4 2025 results, February 5, 2026

[22] Amazon OpenAI investment, February 27, 2026

[23] Amazon Anthropic expansion, April 20, 2026

[24] Reuters: Q2 call and capital spending, July 30, 2026

[25] Reuters: post-Q2 stock reaction, July 31, 2026

[26] AWS confirms TorchNeuron public beta, October 26, 2026

[27] AEP nuclear feasibility agreement, October 19, 2026

[28] UBS target revision via dpa-AFX, October 26, 2026

[29] Morgan Stanley research update via Yahoo/AOL, October 19, 2026

[30] Wells Fargo public research update, October 12, 2026

[31] Wells/Cantor actions via Stocktwits/The Fly, October 12, 2026

[32] Benzinga public AMZN rating action table

[33] Amazon December 2014 USD bond terms

[34] Amazon August 2017 USD bond terms

[35] Indicative Oct 26 price US023135AP19

[36] Indicative Oct 26 price US023135AQ91

[37] Indicative Oct 26 price US023135BM78

[38] Amazon July 2026 USD debt pricing and tranches

[39] Amazon September 2026 GBP debt pricing and tranches

LTM = FY2025 + H1 2026 - H1 2025; prior LTM = FY2024 + H1 2025 - H1 2024. $B = US$ billions; $T = trillions. Figures may not sum due to rounding. Educational investment research, not a personalized recommendation.

SUPPLIED MARKET CHART

Amazon Daily Chart

Original AlgoTradeAlert TradingView export reproduced unchanged, supplied October 27 2026 at 5:44 a.m. Central Time (image displays 6:44 a.m. UTC-4). Its prices are a separate snapshot; valuation pages use the October 26 regular-session AMZN close of $249.09.

