

# Company Update Report

## Amazon.com, Inc.

Consumer Discretionary

<b>Ticker</b>	AMZN-US
<b>Share price</b>	\$210
<b>Intrinsic value</b>	\$269
<b>Upside/(Downside)</b>	28%
<b>Recommendation</b>	Buy

As at: 12 Mar 26

### Analyst thesis

Our recommendation is based on:

- The company is structurally shifting from lower margin ecommerce towards high margin, cash-generating web services through AWS, which accounts for 18% of net sales and 57% of operating profit. AWS's revenue contribution has increased from 13% to 18% over the past five years.
- AMZN continues to generate strong cash flow in an environment with a drag on cash due to high capex needs. Operating cash flows rose 20% over this period and we anticipate similar growth in FY26 driven by robust AWS performance.
- Demand for artificial intelligence (AI) infrastructure platforms serve as a catalyst for long-term growth in cloud and AI services.
- Various competitive advantages across business segments, including scale, cost leadership and network effects in cloud and logistics, alongside differentiation through quick delivery and exclusive access to resources such as distribution networks and vast customer data.
- Key growth drivers going forward include:
  - Continued global cloud adoption accelerated by AI.
  - Margin expansion through higher AWS and advertising growth combined with fulfilment network efficiencies and automation.
  - Ongoing logistics expansion.
  - Long-term growth projects, including an \$8 billion stake in Anthropic, Kuiper, Zoox and freight services.
- Attractive valuation levels from a P:E perspective compared to its own history.

### Latest company and market insights

#### Key highlights

In this report, we review AMZN's FY25 results, released in February 2026.

#### Financial results at a glance:

- Net sales rose 12% for the full year and 14% in 4Q25.
  - North American sales increased 10% for FY25 and 10% in 4Q25.
  - International sales growth was 13% for the full year and 17% in 4Q25.
  - AWS sales climbed 20% for the full year and 24% in 4Q25.
- Operating income grew 17% for the fiscal year and 18% in 4Q25.
  - North American operating income advanced 18% for FY25 and 24% in 4Q25.
  - International operating income increased 24% for the full year and declined 23% in 4Q25.
  - AWS operating income was up 15% for the full year and 18% in 4Q25.
- AWS represents 18% of group net sales and accounts for 57% of operating income, underscoring the strength of its web-based services. While its fixed infrastructure costs are higher, variable costs are lower, indicating a structurally high-margin business at scale compared to the core business – that is capital and logistics intensive with lower margins.
- Gross profit margins expanded by 143bp and 113bp, respectively for FY25 and 4Q25.
- Operating income margin expanded 41bps and 40bps, respectively for FY25 and 4Q25.
- Net income advanced 31% for the full year and 6% for 4Q25. DEPS were up 30% for the full year and 5% in 4Q25.
- The group had its operating cash flows grow by 20% and increased capital expenditure by 59% compared to FY24.
- Our take on the results:
  - Strong growth from the structurally higher margin business remains a key driver.
  - Capital intensity in the cloud and AI space is a growing concern in an otherwise historically less capital-intensive sector.
  - Demand for cloud services continues, while e-commerce continues to grow, sustaining the core business. AI expansion will serve as an additional driver, rather than the sole catalyst, going forward.



**Management's outlook:**

Management has guided sales for 1Q26 to grow between 11% and 15%, with operating income anticipated to be between a 10% decline and 17% growth. This incorporates \$1billion Amazon Leo costs, as well as sharper pricing in international markets. Capital expenditure is guided to be at \$200 billion for FY26 (51% increase to FY25).

**Sector outlook**

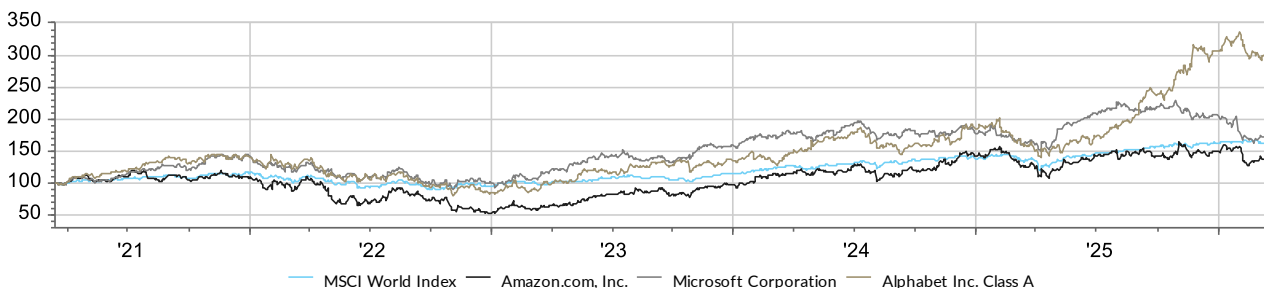
AI and cloud remain key sector growth drivers, with capital expenditure rising amid peers' ongoing race to develop infrastructure. Concerns on capital intensity in a historically less capital-intensive sector are rising, along with questions on when the capex cycle will subside and returns will further scale up. AMZN's core business remains resilient across e-commerce and cloud services. AI will serve as an additional catalyst to an existing high-margin model, rendering current valuation levels opportunistic – despite near-term cash flow concerns due to elevated capital expenditures.

**Table 1: Qualitative summary**

Factor	Rating	Description
Growth	★★★★☆	Expected three-year revenue CAGR is 12% and expected three-year EPS CAGR is 18.5%. We expect earnings growth over the next three years to be driven by: Growing demand in cloud and AI services. Logistics expansion. Long-term projects such as Claude, Kuiper, and Zoox. High-margin advertising, improved logistics and e-commerce dynamics.
Valuation	★★★★☆	The share price is trading at a 28% discount to the IV. Current NTM P:E of 26.8x is trading at a 39% discount to the five-year average P:E of 43.9x.
Dividend	☆☆☆☆☆	LTM dividend yield 0%. NTM dividend yield 0%.
Issuance	★★★★☆	Shares issued have increased by 5% over the past five years.
Catalyst		Demand for AI infrastructure to power both AMZN's own products/services and as a platform for customers' AI workloads. Continued demand for cloud services. LT growth projects within the AI, self-driving, satellite broadband, and freight services space.
Quality of earnings	★★★★☆	Five-year average ROE 18.2%. Five-year average operating margin 7.4%. Nine of the past 10 years had both positive earnings with growth. FY22 earnings were impacted by AMZN's Rivian stake, as share price declines led to equity valuation losses flowing through to earnings.
Moat	★★★★☆	Scale in cloud services infrastructure as the largest public cloud services provider. Network effects across platforms: Prime (more usage attracts more sellers) and AWS (workloads draw in vendors, developers, and integrators).
Management and governance	★★★★☆	C-suite team is well-established within the company and has been at the forefront of the AI race, while maintaining the core business operations. The founder remains actively involved in the business, holding the position of board chair.
Balance sheet	★★★★☆	Net debt/EBITDA ratio -0.3x, interest coverage ratio 37.2x. Debt/assets ratio 20.8%.
Risks		Capex that may not deliver the required long-term return on investment. Competition among peers in cloud and AI infrastructure development, alongside e-commerce retail. Regulation: Antitrust clashes with EU and US given its sheer size as a cloud service provider and data collector.

Source: FactSet

**Graph 1: Five-year price (Indexed to 100)**



Source: FactSet

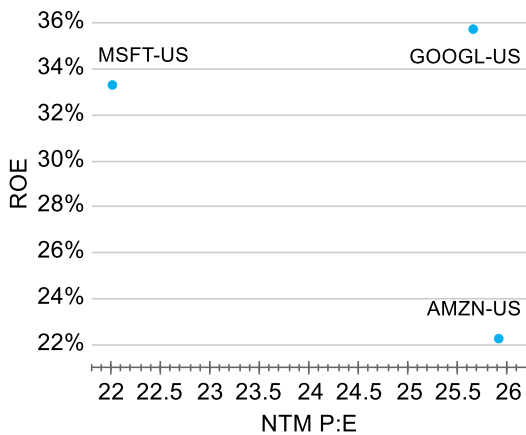


**Table 2: Price performance versus benchmark and peers**

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
AMZN-US	-8.7%	-12.0%	-8.3%	-7.6%	-1.0%	20.4%	125.3%	37.8%	658.9%
MSFT-US	-17.2%	-6.9%	-16.0%	-20.6%	0.7%	-2.4%	60.7%	74.9%	668.9%
GOOGL-US	0.0%	-7.4%	-3.3%	50.1%	78.4%	117.4%	251.1%	210.4%	758.3%
MSCI world	3.0%	0.9%	4.9%	9.6%	17.7%	35.7%	65.9%	71.5%	197.7%

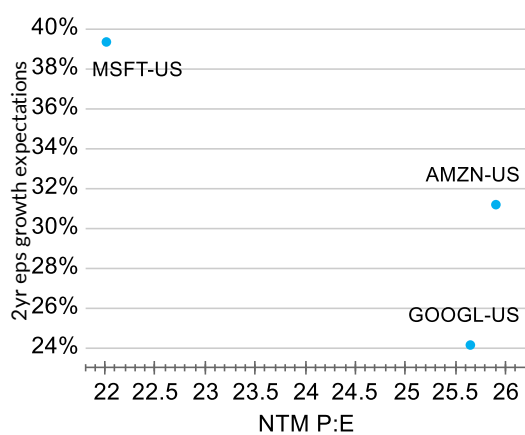
Source: FactSet

**Graph 2: P:E vs 2Y average ROE**



Source: FactSet

**Graph 3: P:E vs consensus EPS 2Y CAGR forecast**



Source: FactSet

## Valuation

AMZN is structurally shifting towards a higher-margin business through cloud and AI services, along with developing infrastructure for future AI platform needs, placing the bulk of its value at the tail end of the valuation.

The current business model (cloud and e-commerce) remains resilient, with an increasing demand in the higher margin AWS business with earnings growth in the near-term protected by AWS and the strength of the lower margin ecommerce business.

We analyse the EV/EBITDA multiple and conclude it is at subdued levels, considering the potential for cash flow generation, margin expansion, and earnings growth. A similar trail emerges when analysing the P:E against AMZN's own historical levels.

We anticipate over the medium- to long-term an uplift in valuation driven by earnings growth as the business shifts into a structurally higher margin model and demand for cloud along with AI services grows. We anticipate a medium- to long-term valuation uplift, driven by earnings growth as the business transitions to a structurally higher-margin model amid rising demand for cloud and AI services.

**Table 3: Valuation table**

	2025est	2026est	2027est	2028est
CFO (\$mn)	167 590	186 377	211 534	218 029
Capex (\$mn)	200 000	220 000	231 000	242 550
Net borrowing (\$mn)	169 934	169 934	169 934	169 934
FCFE (\$mn)	137 524	136 311	150 468	145 413
PV of cash flows (\$mn)	131 303	118 637	119 379	105 167
Sum of FCFE (\$mn)	474 487			
	<b>Bear</b>	<b>Base</b>	<b>Bull</b>	<b>Weighted</b>
Scenario	20%	50%	30%	100%
EBITDA FY29 estimate (\$mn)	164 842	299 558	391 676	300 250
NTM EV/EBITDA	9	12	13	12
PV of terminal value (\$mn)	978 093	2 369 909	3 356 918	2 387 648
Equity value (\$mn)	1 452 580	2 844 396	3 831 405	2 862 135
<b>Intrinsic value (\$)</b>	<b>136</b>	<b>267</b>	<b>360</b>	<b>269</b>
Share price (\$)	210	210	210	210
<b>Upside/(downside)</b>	<b>-35%</b>	<b>27%</b>	<b>72%</b>	<b>28%</b>

Source: FactSet

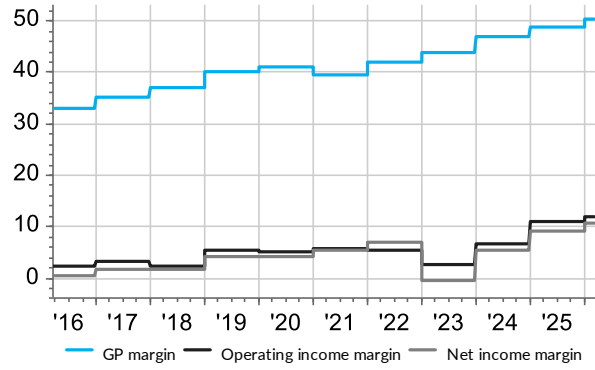


Graph 4: NTM P:E relative to benchmark



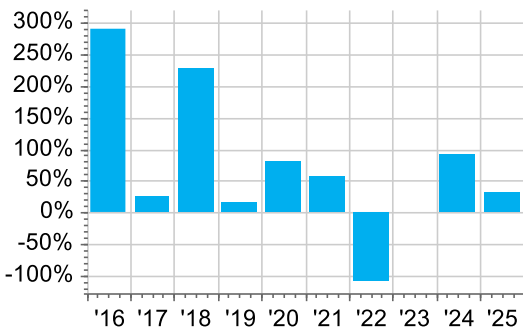
Source: FactSet

Graph 5: Profit margins (%)



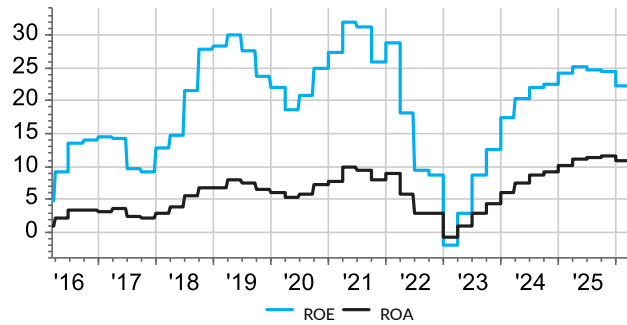
Source: FactSet

Graph 6: 10Y EPS year-on-year growth



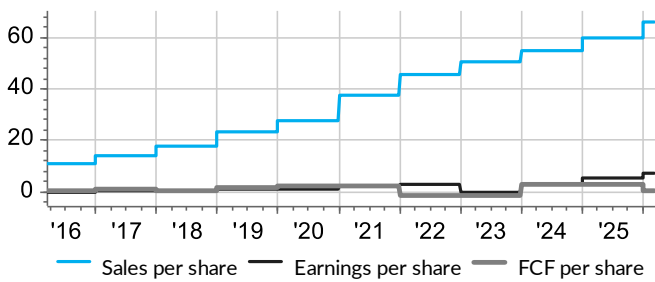
Source: FactSet

Graph 7: ROE and ROA (%)



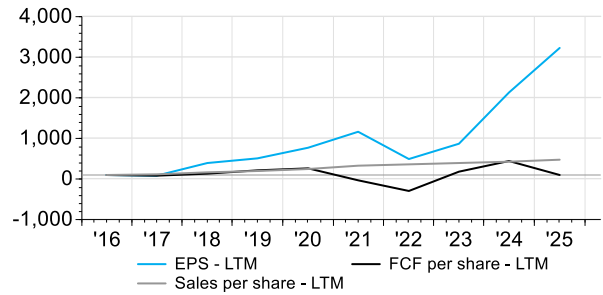
Source: FactSet

Graph 8: Sales, earnings, and FCF per share (USD)



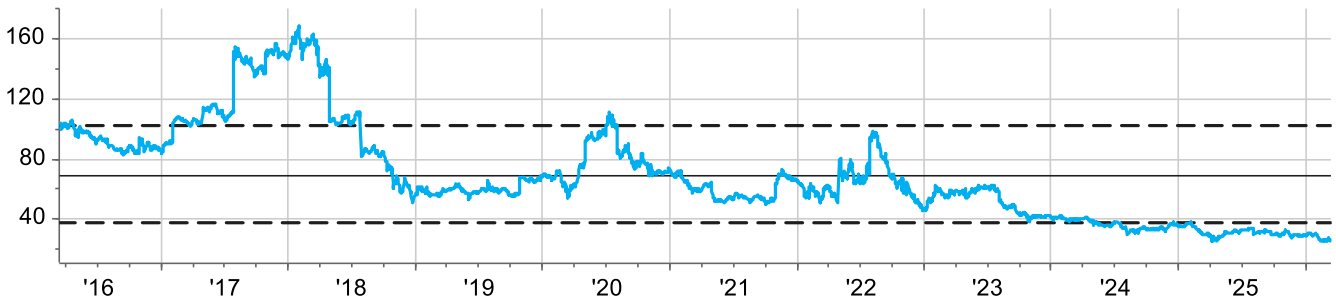
Source: FactSet

Graph 9: Sales, earnings, and FCF per share indexed



Source: FactSet

Graph 10: NTM P:E



Source: FactSet



**Table 4: Financials and ratios**

Income statement (\$Mn)	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	1Y Growth	3Y CAGR	5Y CAGR
Revenue	469 822	513 983	574 785	637 959	716 924	12%	12%	13%
Cost of sales	272 344	288 831	304 739	326 288	356 414	9%	7%	9%
Gross income	197 478	225 152	270 046	311 671	360 510	16%	17%	19%
EBIT	24 941	13 511	37 619	69 356	84 614	22%	84%	30%
EBITDA	59 237	55 432	86 282	122 151	150 370	23%	39%	26%
Net income	33 364	-2 722	30 425	59 248	77 670	31%	-406%	29%
EPS (\$)	3.2	-0.3	2.9	5.5	7.2	30%	-399%	28%
Balance sheet (\$Mn)	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	1Y Growth	3Y CAGR	5Y CAGR
Total assets	420 549	462 675	527 854	624 894	818 042	31%	21%	21%
Total shareholders' equity	138 245	146 043	201 875	285 970	411 065	44%	41%	34%
Total liabilities	282 304	316 632	325 979	338 924	406 977	20%	9%	12%
Ratios	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	5Y Avg		
Net debt/EBITDA*	-0.4	0.3	-0.1	-0.3	-0.3	-0.2		
Interest coverage	13.8	5.7	11.8	28.8	37.2	19.5		
Debt/assets	31.5	33.5	29.3	23.7	20.8	27.7		

Source: FactSet

\*Negative numbers reflects a net cash position.

**Table 5: Standard finance and investment abbreviations**

Abbreviation	Definition
AI	Artificial Intelligence
AMZN	Amazon.com, Inc.
AWS	Amazon Web Services
Bps	Basis points
CAGR	Compound annual growth rate
DCF	Discounted Cash Flow
DFCFE	Discounted free cash flow to equity
EBITDA	Earnings before interest, tax, depreciation, and amortisation
EPS	Earnings per share
FCF	Free Cash Flow
FY	Financial year
GOOGL	Alphabet Inc. Class A
LTM	Last twelve months (also known as trailing)
M	Month
MSFT	Microsoft Corporation
MTD	Month to date
NOSH	Number of shares outstanding
NTM	Next twelve months (also known as forward)
P:E	Price to earnings
ROA	Return on assets
ROE	Return on equity
USD	United States Dollar
Y/y	Years (s)
YTD	Year to date



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\*Share price as at closing.

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