Ed Faritov, CFA

Country	United States
Sector	Internet and cloud
Company	Amazon NASDAQ AMZN
Price 6 Nov 2026	$259.30
12 month target	$214.30
Financial signal	SELL signal
Expected total return	-17.35%
Diluted equity value	$2,833.9bn
Dividend yield	0.0%
EV EBITDA 2026E 2027E	15.71x 11.70x
P E normalized 2026E 2027E	34.90x 26.30x
Net debt EBITDA 2026E	0.57x

Amazon investment research

Amazon has two powerful systems for earning money: a shopping relationship that sells products, merchant services and advertising, and an enterprise computing platform becoming a large AI infrastructure supplier. At the $259.30 regular-session close on 6 November 2026, current intrinsic value is $194.60 and the conditional twelve-month value is $214.30 for 6 November 2027. Total return is -17.35%, giving a financial SELL signal against a 10.125% hurdle and ten-percentage-point band. Three conditions drive that conclusion: AWS growth must earn a return on a much larger installed asset base; retail and advertising must improve together while merchants retain a reason to participate; and the AI investments must become cash available to shareholders rather than a permanent claim on it. Business quality is not fully established; no active recommendation is assigned.

AWS is delivering real growth and profit, but new capacity is arriving ahead of its full revenue. Its net property and equipment reached $313.0bn at September 2026, equal to 1.94 times trailing revenue, against 1.48 times at December 2025. At the central growth and margin paths, supporting the current price instead requires lowering the whole future capital-intensity path by 0.80 times, to 1.20 times in 2027. That is a demanding alternative to simply extending the record quarterly margin. A 0.25-times increase reduces intrinsic value by $20.11 per share.

Retail is already improving in the central forecast. North America reaches a 10% operating margin and International 6%; advertising earnings are included within those segments. The risk is that an outside shopping assistant retains customer intent while Amazon retains only the order and delivery work, or that merchants cannot sustain the combined bill for commission, fulfillment and advertising. A permanent one percentage point reduction in commerce margin costs $9.17 per share. A separate Ads valuation added to the full commerce valuation would count its earnings twice.

Shareholder cash is the unresolved link. Trailing operating cash flow of $168.3bn was less than $210.7bn of cash investment; reported free cash flow was -$42.4bn before any separate economic charge for stock compensation. The strong bullish alternative combines faster AWS growth, higher margins and lower capital intensity: current value is $264.86, the twelve-month value $291.67 and total return +12.49%. At the reference price it falls in the financial HOLD band rather than BUY. Direct analyst consensus and an independent valuation cross-check remain unverified; the comparison is with a conditional reverse requirement, not proof that consensus is wrong.

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Report dated 7 November; valuation at the 6 November 2026 regular-session close, 16:00 EST. The valuation date is 6 November 2026 and the twelve-month horizon 6 November 2027. The September operating disclosures and conditional forecasts use their stated source periods; cash-flow fractions, discount dates and the estimated funding bridge use the valuation date. USD unless stated otherwise; A denotes actual and E estimate.

The companion calculation carries the full input paths, investment and financing treatment, quality tests, current valuation reconciliation and separate full-run stresses. The 6 November share price, Treasury rate and dated cash-flow/funding bridge are live inputs. Moving the date is a conditional economic forecast convention; it is not a claim to have observed actual daily cash, investment assets or obligations on 6 November.

1 How does Amazon turn purchases and computing into profit

Amazon sells access and convenience to several customers at the same time. A household buys merchandise and a Prime subscription; a merchant buys access to that household, delivery services and visibility; an enterprise buys computing and software services. These relationships share technology, brand and capital, but the payer and the unit of economic output differ. A delivered basket, a sponsored click and a useful AI task cannot be treated as interchangeable units of growth.

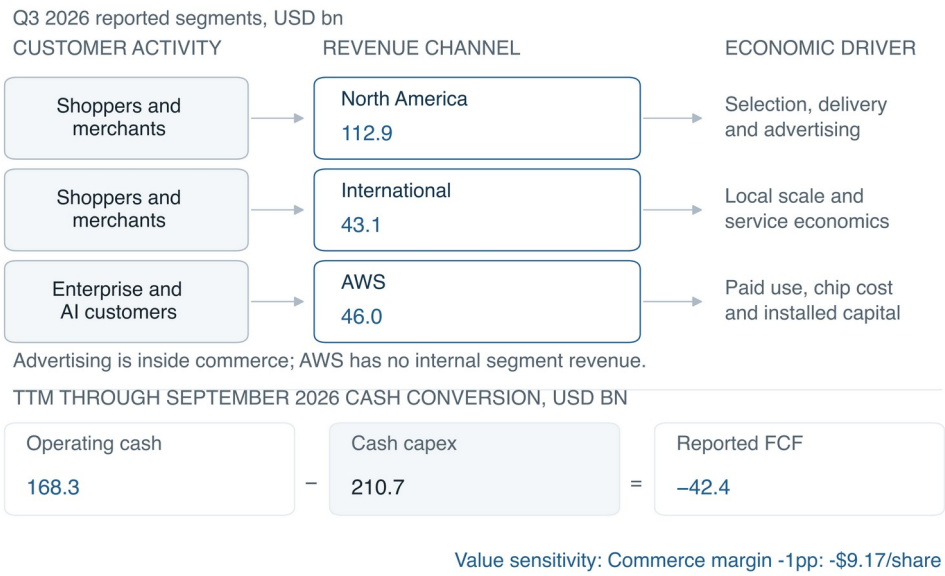
Reporting segment revenue and operating profit are reconciled in Table 9 in the appendix.

When Amazon owns the inventory, its online store generally records the product sale as revenue and bears the merchandise, inventory and delivery costs. When an independent merchant owns the product, Amazon records its service fees rather than the merchant's entire merchandise sale. Fulfillment by Amazon can add storage, picking, packing and shipping services. The distinction explains why a shift toward third-party sellers can improve the reported revenue mix even when the value of goods passing through the marketplace grows differently. Seller unit mix is neither marketplace gross merchandise value nor a seller take rate.

Who pays Amazon and where profit accrues

The three reported segments are the reliable profit perimeter. North America and International include the relevant retail, merchant, subscription and advertising activities; AWS reports separately. Figure 1 maps the customer routes to Q3 segment revenue. Its cash bridge is explicitly a different, trailing twelve month period. Advertising is a disclosed revenue category, not a disclosed profit segment. Its operating profit is already inside commerce, so this report values the segment earnings once. Table 1 gives the disclosed product revenue mix.

Figure 1: Three customer routes produced $201.9bn of quarterly revenue. Segment revenue must reconcile to $201.9bn; no separate Ads profit added. Commerce margin -1pp: -$9.17/share.



Source: Amazon Q3 2026 10-Q Note8 and earnings release. Revenue Q3; separately labelled cash bridge TTM to September, 29 October 2026.

Table 1: Advertising generated $68.6bn of disclosed revenue in 2025 while its profit remains undisclosed. Figures are disclosed revenue in USD bn; product groups are not profit segments.

Revenue group	2023A	2025A	Q3 2026A
Online stores	231.9	269.3	68.5
Physical stores	20.0	22.6	5.7

Revenue group	2023A	2025A	Q3 2026A
Third party seller services	140.1	172.2	46.5
Advertising services	46.9	68.6	19.6
Subscriptions	40.2	49.6	14.0
AWS	90.8	128.7	46.0
Other	5.0	5.9	1.6
Total	574.8	716.9	201.9

Source: Amazon 2023 and 2025 annual reports; Q3 2026 release and 10-Q, published 29 October 2026. Totals may differ from rounded cells.

The economics of retail advertising and AWS

AWS rents a system rather than merely a chip. Customers pay for compute, storage, databases, networking and managed services, often with long term commitments and volume discounts. Amazon must acquire power, buildings, servers and networking before it can sell sufficient useful capacity. Revenue therefore depends on paid utilization and effective price; profit also depends on service mix, chip and energy costs, engineering and depreciation. Cash return requires another deduction for the investment and subsequent replacement of the equipment.

Amazon Bedrock sits above that infrastructure. It gives customers managed access to multiple model providers, enterprise controls and tools for running applications. Its appeal is that a customer can change models without rebuilding the whole operating environment. This can preserve AWS distribution even when the best underlying model changes. It also means that growth in model usage does not all become Amazon's economic rent: model providers, infrastructure suppliers and customers each claim part of the benefit.

Amazon is best understood as a reinvesting platform with a large capital cycle. The shopping system has a long operating history; the present AI asset expansion has a shorter record of realized cash returns. The central forecast gives commerce further efficiency gains and AWS exceptional near term growth. The investment question is whether the combination earns enough after replacement and compensation to justify the entry price. The cost of one percentage point of enduring commerce margin is $9.17 per share; the cost of five percentage points of AWS margin is $34.92.

2 Can retail and advertising grow without exhausting merchants

The shopping business works when customers return and merchants still earn a satisfactory contribution after paying the platform. Selection attracts traffic; reliable delivery improves conversion; more transactions make the merchant tools and advertising inventory useful. The same loop can weaken if advertising becomes necessary merely to remain visible, if delivery costs absorb the merchant's surplus, or if customers begin their search somewhere else. Amazon must increase the total surplus of a purchase as well as the share it retains.

Q3 worldwide paid units rose 12% and third-party sellers supplied 61% of paid units. Advertising revenue was $19.6bn and grew 12% excluding currency effects. Prime Day moved from Q3 into Q2 in most large countries, so that single quarter is a poor basis for declaring a durable advertising slowdown. Management expects high teens advertising growth in Q4. These observations establish activity and monetization, not merchant profitability or the separate margin of advertising. Amazon Q3 results.

Five forces

The relevant competitive bill includes price, delivery speed, commission, fulfillment, returns and the advertising needed to convert a sale. A 10% increase in Amazon's all-in merchant charge is sustainable only if enough merchant contribution remains after that bill and merchants continue to choose Amazon. Public data do not establish this elasticity. National logistics scale supports the proposition, but it is not a measurement of advantage in every category, location or shopping mission.

Walmart is contesting the combined convenience and retail-media proposition. Its Q2 FY2027 release reported 24% U.S. eCommerce growth, 52% marketplace growth and 43% Walmart Connect growth excluding VIZIO. A store network can serve urgent grocery and household baskets efficiently; Amazon's broader assortment serves other needs. The rival's growth demonstrates an active alternative, not an automatically comparable measure of Amazon share loss. Walmart also records parts of advertising differently, preventing a simple like-for-like advertising revenue comparison. Walmart financial presentation, 20 August 2026.

Temu and AliExpress contest low ticket discretionary shopping and merchant access through a different price and delivery proposition. PDD disclosed RMB29.7bn of group sales and marketing expenditure in Q2 and RMB456.4bn of cash, equivalents and short term investments at June. Those are group resources, not Temu's acquisition cost or profit. Amazon's Haul response offers millions of items below $10 and had expanded to more than 25 countries and regions. Retaining that traffic may change basket size, returns, delivery cost and advertising yield; the announcement alone does not establish incremental profit. PDD Q2 results, Amazon Haul.

Online shopping adoption

Online shopping still has room to gain penetration, but penetration and Amazon share are separate variables. The U.S. Census reported Q2 eCommerce of $340.2bn, 17.1% of retail and 12.2% nominal year on year growth, compared with 6.7% for total retail. The figures do not remove inflation and do not cover Amazon's global service revenue. They support a continuing channel shift, not indefinite double-digit growth for every Amazon revenue stream. Census release, 18 August 2026.

Shopping agents may move the point at which that channel earns its advertising rent. Google's Universal Commerce Protocol, launched in January with major merchants and commerce platforms, connects discovery, checkout and subsequent support. An external assistant can own the customer's comparison and choice while Amazon still supplies the order or delivery. That would preserve some service revenue while reducing sponsored search impressions or Amazon's control over price discovery. Google developer announcement.

Amazon has a direct response in Alexa for Shopping, renamed from Rufus in May. Its product description includes comparisons, target price auto-buy and eligible purchases beyond Amazon. Better conversion and new sponsored formats could offset lost legacy impressions, while each interaction also has an inference and service cost. The right test is net contribution from the retained order and advertising relationship. Usage growth alone cannot answer it. We are wrong to treat agents as a margin threat if incremental converted orders and new advertising contribution consistently exceed lost legacy contribution plus the cost of serving the assistant. Amazon shopping assistant, updated 29 October.

PEST

Policy changes reach the purchase through landed cost and monetization rules. The old assumption of a universal $800 U.S. duty-free cross-border channel is obsolete: the June rule describes continued suspension and a statutory repeal scheduled from 1 July 2027. Amazon merchants and Haul supply chains may also import goods, so the sign is not uniformly favorable to Amazon. The relevant basket, origin and pass-through matter. CBP rule, 24 June 2026.

The FTC's August advertising case with 22 states alleges hidden search-ad surcharges and remains pending. No liability amount is established here. A one-time payment differs from a permanent reduction in auction monetization; the latter changes commerce earnings every year. The separate 2025 Prime settlement totaled $2.5bn and included enrollment and cancellation changes. It is evidence of a prior cost, not the price of the new case. Marketplace and Advertising already have DMA designations; the June AWS cloud position was preliminary at the cut-off. FTC advertising case, Prime order, Commission cloud announcement.

The central forecast already assumes North American margin rises to 10% and International to 6%. It does not require retail to fail for the share to be expensive. The relevant bearish condition is simply that competition, agent distribution and merchant economics prevent part of that improvement. A permanent one percentage point commerce margin shortfall removes $9.17 per share; a half point improvement adds value in the upside scenario described in section 6.

3 Can AWS keep the economics of the AI expansion

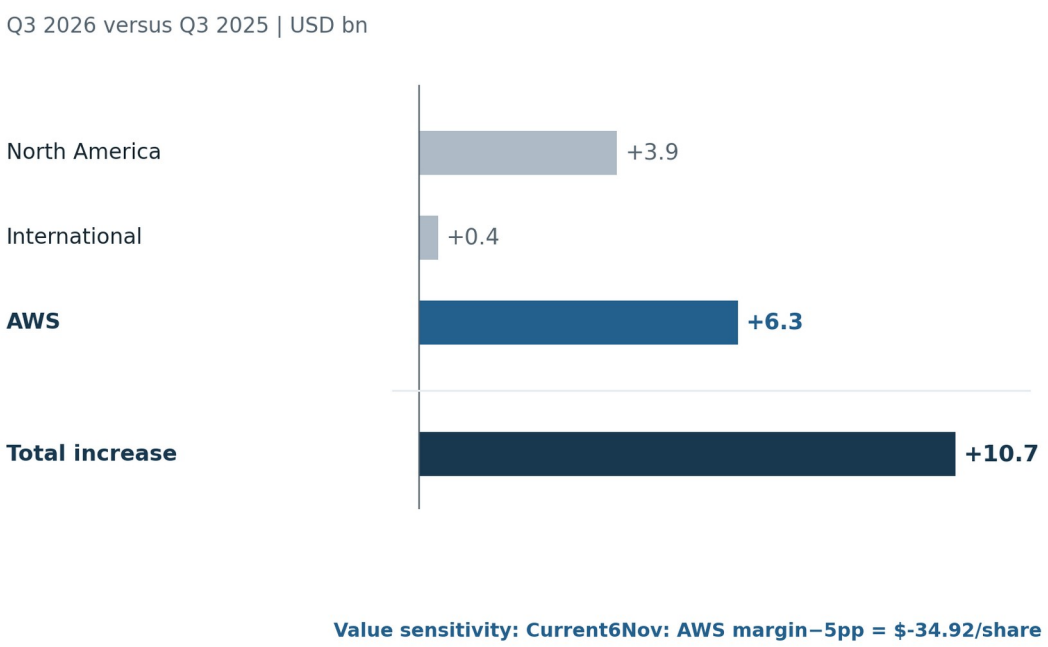
AWS is accelerating into a rapidly expanding market, and the next decision is how much of that growth becomes return on capital. Customers need reliable compute and software integration, not a particular number of tokens. Amazon can gain revenue while prices per useful task fall, and it can grow quickly while rivals grow faster. Those outcomes have different implications for the duration of its profit advantage.

Q3 AWS revenue rose 39.3% to $46.0bn and operating profit reached $17.8bn, a calculated 38.65% margin. AWS supplied $6.3bn of the group's $10.7bn year on year operating profit increase, shown in Figure 2. The prior-year quarter comparison includes special charges, so the change should not be read as a clean underlying incremental margin. Management projects more than 40% revenue growth in both 2027 and 2028. The central forecast uses 40%, then slows growth; this is an analyst path informed by guidance, not disclosed future revenue.

Cloud market shares and pricing power

Scale remains valuable, but concentration does not guarantee pricing power. Synergy's Q3 market release put global cloud infrastructure services revenue at $167.7bn, up 55%, with AWS at 26%, Microsoft 19% and Google 16%. The top three therefore account for 61%. These estimates cover IaaS, PaaS and hosted private cloud; dividing Amazon's reported segment revenue by that market total would mix perimeters. The comparable observation is Synergy's own share estimate, not a manufactured ratio. A full concentration index cannot be established from the top three alone. Synergy, 29 October 2026.

Figure 2: AWS supplied $6.3bn of the $10.7bn profit increase. Growth contribution reverses below $0.0bn; Q3 2025 includes special charges. AWS margin -5pp: -$34.92/share.



Source: Amazon Q3 2026 earnings release; segment changes calculated.

AI workloads and the durability of cloud growth

The economic inference is narrower than a forecast of share loss. AWS's installed base, breadth and customer integration protect existing relationships. New AI workloads are also available to competing clouds and specialist suppliers. The proposition that acceleration proves share gain fails if comparable share does not rise over successive observations. The next useful evidence is the same market definition at Q4, alongside AWS's own usage, pricing and capital disclosures. A five percentage point reduction in each forecast year's AWS growth rate costs $24.81 per share.

Trainium and the customer saving

Trainium can lower the cost of delivering useful computation, but the saving has several potential owners. A lower customer price can increase demand; lower chip and system cost can improve Amazon margin; increased replacement needs or migration support can absorb part of the saving. Counting the entire claimed benefit in growth, margin and reduced investment at once would overstate the gain. Customer total cost of ownership is not AWS's cost base or profit margin.

Trainium3 UltraServers became generally available in December 2025. Amazon advertises large performance and energy improvements versus Trainium2 and selected customers report savings of up to 50%. These are vendor and customer claims, not a controlled measurement of Amazon's cash return. The comparison must include model quality, latency, memory, utilization, networking, power, software porting and production support. TorchNeuron improves the software route, but its October public beta still lists unsupported functions and test exclusions. The broad claim that every existing PyTorch program moves without work is stronger than that evidence. Trainium3 release, PyTorch technical release.

Bedrock can preserve the customer relationship as model suppliers change. AWS added open weight models including DeepSeek, MiniMax, GLM, Kimi and Qwen in February, and continued expanding the selection in Q3. This makes Chinese models both a distribution opportunity for AWS and a source of price competition. A model

that needs less memory or fewer accelerator hours per successful task may bring more applications into use; it may also reduce infrastructure revenue per task or make self-hosting more attractive. The outcome depends on paid demand elasticity and contribution per task. Token volumes across models are not directly comparable without task quality, reasoning length and caching. AWS model additions.

Chinese cloud platforms and customer alternatives

Chinese competition also includes an alternative full stack of models, accelerators and cloud distribution. Alibaba announced Zhenwu V900 with mass production planned for Q1 2027 and an expanding international cloud footprint. Huawei demonstrated Atlas950 and reported installed Atlas384 systems. These announcements establish a route to competition; they do not establish realized useful performance, funded future capacity or an AWS revenue elasticity. AWS China itself operates through local partners with separate accounts, so substitution within China and competition for a global workload have different perimeters. Alibaba Apsara announcement, Huawei announcement, AWS China operating structure.

The test of AWS advantage is a comparable useful result at an attractive full cost and cash return after replacement. If a competing system delivers the same result, reliability and data protection at lower full cost with acceptable migration, a technical specification alone will not defend Amazon's margin. The central margin path falls from 37.5% in 2027 to 30% in 2036. A five point reduction to that entire path removes $34.92 per share. The forecast does not claim that a specific Chinese launch causes that exact reduction.

Regulation can change the ease of switching in both directions. The CMA's October update describes reduced transfer fees, improved interconnection and work on interoperability. Easier switching can reduce AWS retention; addressing restrictions in Microsoft's software ecosystem can help AWS compete. Neither effect supports an automatic global margin penalty. Actual commercial terms and migrations are the useful observations, with a further CMA update expected in spring 2027. CMA, 16 October 2026.

4 Who pays for the capacity and when does cash reach owners

Amazon is financing both infrastructure and parts of the ecosystem that will use it. The investment can create a durable customer relationship and valuable financial assets. It also means that a demand disappointment can affect operating receipts, the value of an investment and the recovery of installed equipment together. Contractual demand is stronger than an expression of interest, but its ultimate quality still depends on the counterparty and the end customers paying for useful services.

Anthropic's October S-1 describes a minimum $110.0bn Amazon commitment for May 2026 through April 2036, subject to the specified terms, true-ups and exceptions. That is not a disclosed even annual revenue schedule, and it is not exclusive: Anthropic also has substantial Google and Microsoft commitments and uses Trainium, TPU and GPU systems. The earlier announcement of up to 5 GW is a capacity plan, not proof that all capacity is already in service. Anthropic S-1, pp 171–172, Anthropic Amazon agreement.

Amazon invested $50.0bn in OpenAI and $10.0bn in Anthropic during the first nine months of 2026. Its Q3 filing records $298.8bn in equity, warrant and convertible debt investments. There is no evidence here of fictitious revenue; there is a disclosed financial interdependence that makes an independent end-demand and cash-payments bridge necessary. The central valuation carries named investment assets separately, with an assumed tax deduction on the Anthropic gain. A 50% reduction in private portfolio value after the assumed tax adjustment removes $11.16 per share; both the carrying value and tax reserve are scaled proportionally, rather than calculating tax on a specific sale. Amazon Q3 10-Q, Notes 1–2 and equity investment risk.

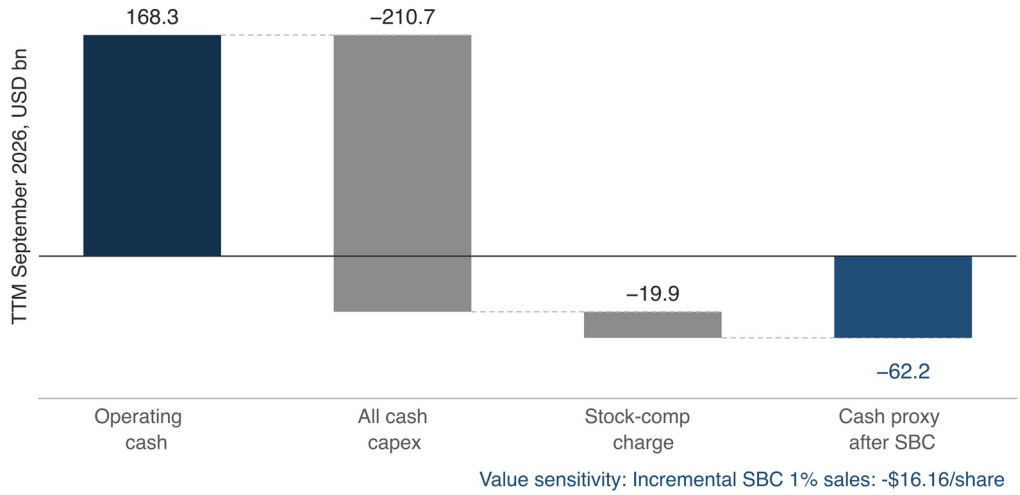
Capacity spending and the timing of cash returns

The installed asset base has expanded faster than revenue. AWS net property and equipment increased from $190.1bn at December 2025 to $313.0bn in September 2026. Figure 4 later compares that base with revenue; the ratio reached 1.94 times trailing revenue. Management describes a delay between investment and monetization. Until capacity is used and billed, accounting earnings can rise while cash investment rises faster. The central forecast assumes this period eventually gives way to lower capital intensity, not that every dollar spent is immediately productive.

Cash available to continuing shareholders

Reported operating cash flow is not the amount available to a continuing shareholder. It includes cash timing effects and an add-back of noncash stock compensation; it must fund the assets needed to preserve and expand the business. Trailing cash investment exceeded operating cash flow by $42.4bn. Subtracting the gross grant-date stock compensation charge gives the deliberately conservative economic cash proxy of -$62.2bn in Figure 3. That proxy is neither GAAP free cash flow nor maintenance-adjusted owner earnings; stock compensation is not a second cash payment. It illustrates why a rise in operating cash flow alone does not establish distributable earnings. Supplier credit delays some capital payments; those payments enter cash investment when due, so the model does not deduct the same payable again from equity value.

Figure 3: Investment and compensation leave a $62.2bn economic cash shortfall. The cash proxy becomes nonnegative below $148.4bn of capex at fixed CFO and SBC. Incremental SBC 1% sales: -$16.16/share.



Source: Amazon Q3 2026 release. Analyst proxy=CFO minus all cash capex minus gross grant-date SBC charge; not reported FCF or maintenance-adjusted owner earnings.

Replacement matters even if customers keep buying. Amazon shortened the estimated life of a subset of servers and networking equipment from six to five years in 2025, following a different extension in 2024. The central forward replacement estimate uses six years for servers, with a separate five year case. Both rely on assumed asset ages because physical cohorts and actual maintenance allocation are not disclosed. The central DCF funds the cash payments for investment and the assets received through finance leases; changing the split between replacement and growth cannot create value while the same total budget remains sufficient.

The more consequential adverse case is a cash replacement requirement exceeding the entire planned budget at unchanged useful capacity. A 50% increase in replacement cost creates additional required spending in 2034–2036 and the terminal period; the separately rerun value falls by $16.87 per share. A generic extra maintenance payment of 1% of sales is a different stress and costs $21.17. Neither is an observed estimate of future inflation or

obsolescence. Both explain how an apparently temporary cash deficit can become a permanent loss if assets must be replaced before they earn their cost.

Shareholder distributions do not yet demonstrate cash extraction at the required standard. Over the fixed 2021–2025 window, gross buybacks of $6.0bn were only 3.03% of cumulative GAAP profit of $198.0bn; there were no dividends. The one-third distribution test fails even before considering dilution. Full-cycle return on a reconciled capital base, actual maintenance coverage and a like-for-like advantage through the worst year remain unestablished. This does not prove that AWS lacks a franchise. It prevents the report from presenting Amazon as a confirmed high-quality compounder at any price.

The September bridge includes $204.6bn of financial debt, leases and financing obligations against $114.2bn of liquid assets. Funding carries an economic cost during the interval before capacity produces sufficient receipts; section 6 gives the matching return requirement and its price sensitivity.

5 What must improve in the financial outlook

The central outlook gives Amazon substantial operating success before it gives shareholders plentiful cash. AWS grows 40% in 2027 and 2028, commerce becomes more efficient and consolidated operating margin rises. The constraint is the amount of installed capital and replacement needed to support that success. Profit growth and financing needs therefore coexist in the forecast rather than being treated as mutually exclusive outcomes. Table 2 summarizes the forecast.

Table 2: Forecast normalized free cash flow is -$51.1bn in 2026E and -$30.7bn in 2027E. USD bn except margins, per share values and ratios. A is disclosed actual; E is analyst estimate.

Metric	2025A	2026E	2027E	2028E
Revenue	716.9	827.6	965.5	1,131.5
Operating profit	80.0	110.4	145.3	186.0
EBITDA as defined below	121.8	170.8	229.3	299.2
Operating margin	11.2%	13.3%	15.0%	16.4%
Net income GAAP A normalized E	77.7	81.2	107.7	136.4
EPS GAAP A normalized E	$7.17	$7.43	$9.86	$12.48
Operating cash flow A normalized E	139.5	168.9	223.4	288.8
Free cash flow A normalized E	11.2	-51.1	-30.7	-41.8
Cash capital investment	128.3	220.0	254.1	330.7
All economic asset additions	142.4	252.0	249.4	344.9
Net financial debt EBITDA	Not shown	0.57x	0.71x	0.82x
Dividend per share	$0.00	$0.00	$0.00	$0.00

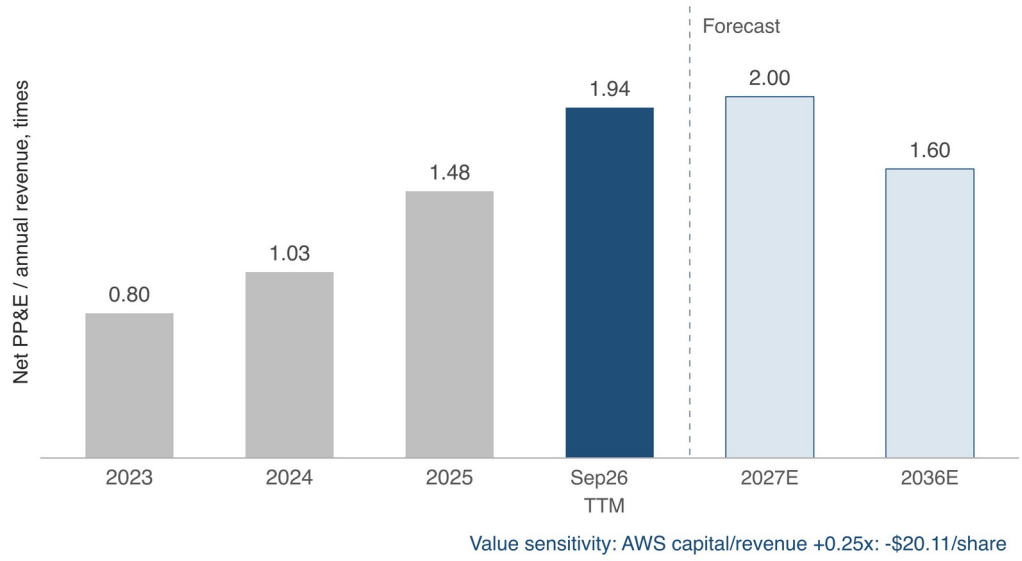
Source: Amazon FY2025 and analyst forecast. EBITDA is operating profit plus PP&E depreciation and amortization used in the workbook, not a separately reported company EBITDA. Actual net income is GAAP; estimated net income removes investment revaluation and uses normalized tax and financing assumptions, so the row is not a like-for-like GAAP earnings growth series. Forecast free cash flow is normalized CFO less cash capex, not forecast reported GAAP FCF. Valuation cash flow deducts cash PP&E payments and finance-lease asset additions, accounts for operating working capital separately and retains the compensation expense. Detailed definitions are in the appendix.

Five mechanisms explain the table. First, AWS growth is tied to capacity monetization and broader paid use; the 2027–2028 rates follow management's stated outlook conservatively at 40%. Second, AWS margin fades as customers and competing systems share the benefit of cheaper computation. Third, commerce margins improve with scale and mix, while the combined merchant bill limits how much can be extracted. Fourth, depreciation

rises as the asset base enters service, while cash payments also reflect leases and capital payables. Fifth, stock compensation remains an economic expense rather than a free source of cash for owners.

The apparent decline in cash capex between some forecast years does not imply a smooth physical capacity cycle. The path estimates net asset intensity, depreciation and payment timing; it does not establish gigawatts, installed accelerator cohorts or useful utilization. Figure 4 shows the central requirement: 2.05 times AWS net PP&E to revenue in 2028, easing to 1.60 in 2036. If the path is 0.25 times higher, current value falls $20.11 per share.

Figure 4: AWS required $1.94 of net PP&E per $1 of trailing revenue. At the current central growth and margin paths, supporting $259.30 requires 1.20x capital intensity in 2027. A +0.25x path shift costs $20.11 per share.



Source: Amazon FY2023/25 10-K, Q3 2026 10-Q; 2027/2036 analyst assumptions, not disclosed guidance.

6 What does the share price already require

The $259.30 entry price can be supported by a stronger business outcome than the central path, but the required improvement is measurable. The issue is whether Amazon retains enough profit and capital efficiency to clear the return required by owners. Current intrinsic value is $194.60, a $64.70 gap; it is different from the $214.30 conditional value for 6 November 2027.

Required returns and financing costs

The cash expansion carries a financing cost. The September disclosure bridge includes $204.6bn of financial debt, leases and financing obligations and $114.2bn of liquid assets. The current framework uses the 6 November Treasury risk-free rate of 4.86%, the 4.50% premium assumption and measured beta of 1.17, giving 10.125% required equity return. The 5.5% marginal debt cost is an assumption, not the historical coupon. Raising the current risk-free input by 1pp reduces intrinsic value by $31.29 per share; financing is part of the investment decision.

The valuation discounts after-tax operating cash after cash PP&E payments, finance-lease asset additions and stock compensation at 9.7285%. The remaining Q4 stub and annual flows use their actual date differences from 6 November; the non-operating and funding bridge also advances to that date. Current value carries at 10.125% to the 6 November 2027 horizon, with zero dividends. Financial SELL is below 0.125% TSR, HOLD spans 0.125%–20.125%, and BUY is above 20.125%; equality is HOLD. Business quality and recommendation activation remain separate. Table 3 states the isolated price-implied requirements.

Table 3: Isolated reverse conditions reproduce the $259.30 close of 6 November. Each is an alternative with other inputs fixed; annual shifts also alter the corresponding terminal base.

Required condition	Central assumption	Condition supporting $259.30
AWS annual revenue growth	40% in 2027–2028 then 28% to 6%	Add 8.10 percentage points every year
AWS operating margin	37.5% in 2027 falling to 30%	Add 9.26 percentage points to the path
AWS net PP&E revenue	2.00 times in 2027 falling to 1.60	Subtract 0.80 times from the path

Source: Separate inverse solutions from the full calculation. Solutions describe conditional requirements and are not observed market forecasts.

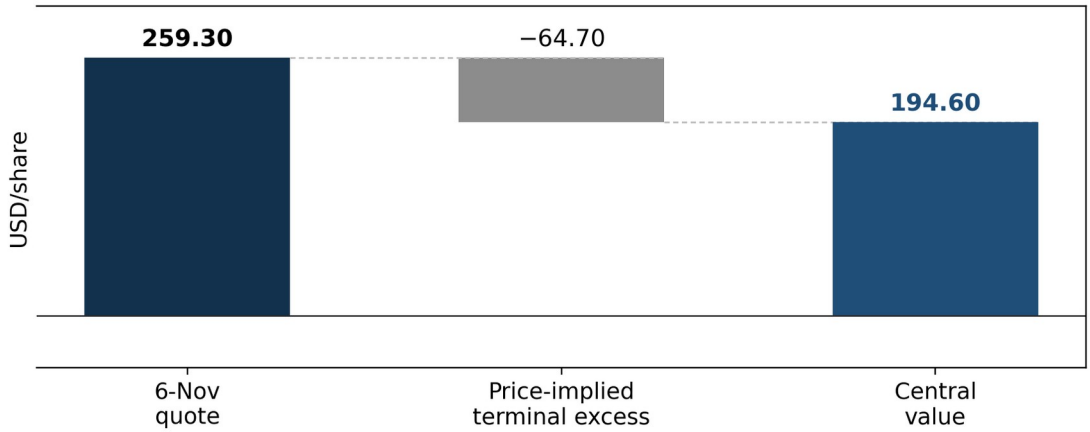
Faster growth is the first route. Adding 8.10pp to every annual AWS growth input means 48.10% in 2027–2028 and 14.10% in 2036 instead of 6%. Management's guidance above 40% does not establish that extra decade of growth. The financial signal moves from SELL to HOLD at a 5.64pp uplift; BUY requires more than 10.22pp, with other assumptions fixed. Quality and issuance conditions remain separate.

Higher retained margin is the second route. Adding 9.26pp gives approximately 46.76% in 2027 and 39.26% in 2036, rather than the fading central path. Hardware, software and operating savings must accrue sufficiently to AWS after pricing and replacement for this to happen. The current 38.65% quarter shows operating strength, not proof of the future trajectory. The chosen central path continues to fade; the reverse is a different operating alternative.

Better capital efficiency is the third route. Reducing the entire intensity path by 0.80 times brings the 2027 requirement to 1.20 times and the 2036 requirement to 0.80 times. That requires materially more revenue from each dollar of net plant than the central estimate. Faster monetization, useful utilization and more efficient systems could help; a lower chip or token price alone does not establish the required capital productivity.

Figure 5 keeps nearer cash flows and the net non-operating bridge fixed. Under that conditional inverse, $259.30 implies $211.48 per share from cash after 2036, versus $146.78 centrally. The $64.70 gap is a residual of this exercise, not measured investor beliefs. Terminal value is 81.18% of operating enterprise value, so long-run economics matter more than a precise near-term multiple.

Figure 5: Holding nearer cash fixed leaves a $64.70 gap to the $259.30 price. The terminal component is conditional, not an observed market forecast; adding 8.10pp to AWS annual growth closes the same gap in a separate full inverse.

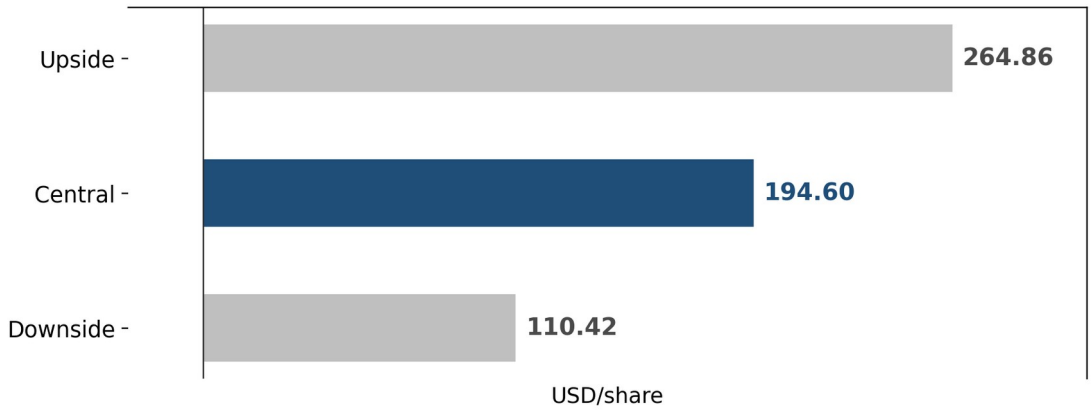


Source: Complete 6 November 2026 Amazon DCF. Current price less fixed nonterminal and non-operating value gives the price-implied terminal residual.

The strongest bullish alternative is internally coherent. Trainium and software improvements reduce the cost of useful computation; demand responds strongly; capacity fills faster; customers retain enough benefit to grow while Amazon retains enough to lift margins. Retail efficiency and the shopping assistant defend conversion and

ad yield. The joint upside in Figure 6 adds three points to AWS annual growth, three points to its margin, half a point to commerce margin and reduces AWS capital intensity by 0.20 times. It produces $264.86 current value and $291.67 at the twelve-month horizon, a +12.49% total return. This falls in the financial HOLD band at the $259.30 entry price and challenges the central SELL without establishing the business-quality or issuance conditions.

Figure 6: The current operating outcomes span $110.42 to $264.86 per share around $194.60 centrally. Scenario span is not construction error; no probabilities are assigned.



Source: Full separate model reruns. Downside and upside are defined joint input changes, not confidence limits.

The joint downside combines five points less AWS growth, five points less AWS margin, one point less commerce margin, 0.25 times more AWS capital intensity and a 50% after-tax private-portfolio haircut. Current value is $110.42, the twelve-month value $121.60 and total return -53.11%. These outcomes have no assigned probabilities and are not confidence bounds; neither a weak outcome nor a strong alternative establishes that it will occur.

Full revaluation as the entry price changes puts the financial BUY boundary at $183.75 and the SELL boundary at $217.08; equality is HOLD. A lower price alone would not complete the quality tests. The conditional three-year calculation gives $252.96 on 6 November 2029 and -0.82% annual return from $259.30, with no cash distributions. Estimated pre-growth owner income rises 38.89% per year, while the multiple effect contributes -39.71pp including compounding. The available owner yield of 3.41% is fully retained and is not added as a paid cash return. The three-year and twelve-month signals use different horizons, but neither central outcome clears the equity hurdle.

7 Which observations would change the investment conclusion

The conclusion changes when operating evidence supports a better cash outcome, not when the share price rises. The near-term task is to distinguish the start of a mechanism from its independent confirmation and eventual cash receipt. Capacity announcements and model usage are early facts; matched utilization, pricing and counterparty cash evidence are stronger confirmation; sustained after-investment cash per share is the lagging result. Table 4 identifies the next disclosures and the conditions they can test.

Table 4: Next disclosures can test the isolated 1.20x AWS capital-intensity requirement for 2027. Other central inputs stay fixed in that alternative; publication windows are expected observations rather than confirmed results dates.

Mechanism	Current evidence	Next useful observation	Condition changing the view
AWS capacity earns its cost	Q3 growth 39.3%; net PP&E revenue 1.94 times	FY2026 and H1 2027 paid use, asset additions and revenue	Sustainable capital productivity closer to the 1.20 times 2027 reverse requirement
Trainium gains reach owners	Product available; software integration in beta	Matched production workloads during 2027	Positive cash advantage after migration and replacement, with retained margin
Client commitments become independent cash demand	Anthropic minimum contract; Amazon funding	FY2026 filings and subsequent client financial disclosures	Payments and useful end-demand cover commitments without dependence on repeated Amazon funding
Retail AI preserves monetization	Shopping assistant available; units and ads still growing	Comparable cohorts through 2027	Added conversion and ad contribution exceed displaced legacy contribution and inference cost
Replacement stays within the budget	Estimated central coverage; physical ages unreported	FY2026 asset-life and 2027 investment disclosures	Actual replacement demand no greater than the useful capacity budget

Source: Amazon and counterparty disclosures identified in sections 2–4; analyst conditions. None of these conditions is declared satisfied by a product announcement.

We are wrong on the central cash constraint if AWS sustains materially better capital productivity and retained margin together while commerce keeps improving. With other inputs fixed, the uniform AWS growth uplift for leaving financial SELL is 5.64pp; price parity requires 8.10pp. These are path-wide decision conditions, not minimum results for one quarterly release. A new cash-flow evidence set requires revised forecasts and a complete valuation.

The adverse triggers are equally concrete. Replacement exceeding the total budget at unchanged useful output, weaker client payments, or a lasting decline in commerce contribution would reduce value. A record backlog would not negate those risks without its funding and consumption bridge. Q1–Q2 2027 are useful windows for checking Alibaba's planned chip production and new regions, while spring 2027 is the stated CMA review window. Neither announced future capacity nor a pending remedy is entered as an already realized loss.

8 What can cause permanent loss and who can own the shares

Permanent loss would arise if Amazon commits capital that cannot earn its cost before it becomes obsolete, or if a valuable customer relationship ceases to produce owner cash. That is different from a temporary fall in the valuation multiple. The important downside sequence is investment ahead of demand, weak utilization or price retention, early replacement, then additional borrowing or dilution to maintain service. A parallel fall in the value of financed AI clients can reduce the asset cushion at the same time.

The risks have measured prices where a defined test exists. Five points less AWS margin costs $34.92 per share; 0.25 times extra asset intensity costs $20.11; the exact replacement-cost shortfall stress costs $16.87; an incremental stock compensation burden of 1% of sales costs $16.16; and the after-tax private portfolio haircut costs $11.16. These values are separate full reruns, not additive predictions. Their combined effects can interact, as the joint cases show.

Full loss of the remaining $15.0bn Anthropic facility would cost $1.37 per share, while a full $10.9bn Globalstar value loss costs $1.00 in separate tests. They do not justify a second deduction of the same cash from future operating flows.

9 Sources and definitions

The financial base comprises Amazon's FY2023 and FY2025 annual reports and Q3 2026 release/10-Q dated 29 October. Historical numbers are disclosed; ratios and contribution changes are calculated. Q4 revenue of $243.5bn is the midpoint of the $240.0bn–$247.0bn company range; segment allocation and later trajectories are estimates. The financial valuation uses 6 November market inputs and the dated funding estimates; the disclosures retain their stated observation periods.

Primary financial documents: Amazon annual reports, Q3 results, Q3 10-Q. External evidence is linked at its point of use. Vendor performance claims and management guidance are identified as such. The beta uses 260 weekly adjusted-price returns against the Nasdaq-100; the independent exchange tape is unverified.

Current intrinsic value means value at 6 November 2026. The twelve-month value carries that equity value to 6 November 2027 at the required equity return, with zero forecast dividends. TSR is target plus dividends divided by the 6 November reference price, less one. Operating margin is segment operating income divided by corresponding revenue; PP&E means net property and equipment unless stated. Sensitivity amounts are USD per share from complete separate recalculations.

Valuation bridge at 6 November 2026

Report dated 7 November; valuation at the 6 November regular-session close. The financial signal follows the stated return rule and is separate from active recommendation status. The valuation date drives all stub, annual and terminal discounting and the estimated funding bridge.

Paired calculation: Amazon (AMZN) — модель.xlsx

Calculation provenance: source 6 November formula graph SHA-256 9a1a8f91130d26e73dc90e2e50d1b5037b43347049758be7d29ea5c4f4d880b7. The paired current workbook and exact file fingerprint are listed in the delivery manifest.

The bridge and operating sensitivities below use complete dependency calculations at the valuation date. The three-year exit value is rolled from 31 December to 6 November 2029 on the same assumptions.

SELL is the conditional central financial signal: −17.35% total return from the $259.30 reference price. The 10.125% equity hurdle gives SELL below 0.125% and BUY above 20.125%; equality belongs to HOLD. Business quality and recommendation activation remain separate; no scenario probabilities are added.

Table 5: Explicit 2027–2036 cash flows contribute $375.4bn of present value. USD bn.

Calendar period	Valuation cash flow	Present value
Q4 2026 remaining	-3.6	-3.6
2027	-60.6	-54.5
2028	-76.9	-63.0
2029	-16.4	-12.3
2030	48.0	32.7
2031	63.1	39.1
2032	100.2	56.6
2033	154.1	79.3
2034	193.7	90.9
2035	235.7	100.7
2036	271.8	105.8

Source: Paired workbook, Capital and Valuation. Cash flow is after stock-compensation expense, cash PP&E payments, finance-lease asset additions and operating working-capital investment; it differs from the reported-basis FCF proxy in Table 2.

The valuation date is 6 November 2026. The remaining uniform-accrual Q4 stub is 55/92 of the full quarter's cash flow, discounted for 55/365 years; each later year-end cash flow uses its exact ACT/365F distance. WACC is 9.7285% and terminal growth 3.0%. Terminal cash flow of $277.2bn includes net PP&E, working capital and the stated capital-payable treatment. Terminal present value is 81.18% of enterprise value.

Table 6: The full 6 November cash and claim bridge gives $194.60 per share. USD bn except shares and per-share values.

Component	Value
PV remaining stub plus 2027–2036 cash flows	371.8
PV terminal cash flows	1,604.1
Enterprise value 6 November	1,976.0
Net non-operating/funding bridge	150.8
Equity value 6 November	2,126.8
Diluted shares bn	10.9290
Dated equity value / shares	$194.60
V0 → TP12; D12	$194.60 → $214.30; $0.00
TSR from $259.30; Ke	-17.35%; 10.125%

Source: Complete dated calculation, Valuation. The $150.8bn net bridge includes $114.2bn September cash/securities, $243.9bn net private investments, $204.6bn financial claims and the estimated September-to-6 November net-funding movement. No additional one-month carry is applied to a value already discounted to 6 November. TP12 = V0 × 1.10125.

Capital-payable settlement already enters future cash investment. The $48.5bn estimated September stock is not deducted again as an equity claim. Operating-lease costs stay in earnings, so the bridge excludes a second operating-lease debt deduction. Private investment realization and tax estimates remain distinct from operating cash flow.

Rounding: amounts in USD billions are displayed to one decimal. Percentages, ratios and per-share values are calculated before rounding; totals may differ from the sum of displayed rows.

Sensitivity on the 6 November valuation

The matrices use the stated operating boundaries and the 6 November quote, macro inputs, cash-flow dates and funding bridge. Every cell is a complete calculation at that valuation date.

Figure 7: The joint retained stress reduces V_0 from $194.60 to $155.28.

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AWS growth shift	AWS PP&E/revenue shift 0.00x	+0.25x
0 pp	194.60	174.49
−5 pp	169.41	155.28

Base V0194.60; retained stress endpoints only.

Source: Complete 6 November Amazon formula graph; quote $259.30, Rf 4.86%, ERP 4.50%, target horizon 6 November 2027. Clean full dependency replays at retained operating boundaries.

Figure 8: Separate operating boundaries change V_0 by $-25.19 / $-20.11.

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One factor at a time	V_0 and change from base Base	Boundary
AWS growth −5pp/year	194.60 Δ +0.0	169.41 Δ −25.2
AWS PP&E/revenue +0.25x	194.60 Δ +0.0	174.49 Δ −20.1

Base V0194.60; retained stress endpoints only.

Source: Complete 6 November Amazon formula graph; quote $259.30, Rf 4.86%, ERP 4.50%, target horizon 6 November 2027. Clean full dependency replays at retained operating boundaries.

Two retained endpoints per factor; the remaining inputs and claim definitions stay fixed. No unsupported interior or opposite boundary is added. Every cell is a complete current-date run. Native Excel and independent financial acceptance are reported separately in the delivery evidence; a matrix does not activate a recommendation.

Cross checks sources and material limitations

With other inputs fixed, supporting $259.30 requires either +8.10pp in every AWS growth rate, +9.26pp along the margin path, or a 0.80x reduction in AWS net PP&E/revenue throughout the path. The latter means 1.20x in 2027 versus 2.00x centrally and the observed September ratio of 1.94x. These are alternative routes rather than improvements assumed together.

The joint upside is worth $264.86 with +12.49% total return, a financial HOLD at the current entry price; the downside is $110.42. This challenges the central SELL without turning an operating scenario into independent valuation corroboration. Advertising is already included in full commerce value. Direct analyst consensus and an independent comparable valuation remain unverified; no mechanical extra method weight is introduced.

Table 7: Cash investment and asset intensity determine whether operating success reaches owners.

Input and period	How obtained and source	Material boundary
2025 actuals and September 2026 results	Disclosed; Amazon FY2025 10-K and Q3 2026 10-Q/release dated 29 October	Reported CFO and cash capex differ from valuation FCFF
2026 capex $220.0bn; AWS 2027–2028 growth 40%	Capex is the disclosed spending plan; growth path is an estimate informed by management outlook	Later capex follows estimated useful asset intensity and payment timing
Ke 10.125%; WACC 9.7285%; g 3%	Rf 4.86% observed 6 November; retained source beta 1.17 and ERP4.50%; debt cost5.5% and tax23% estimated	Market-value equity and gross financial debt/lease weights; beta tape independently unverified
Private investments and replacement norm	September carrying values disclosed; taxes realization asset mix and ages estimated	Marks are not exit proceeds; cohort ages and actual maintenance are unreported

Source: Paired workbook, Actuals, Assumptions, Capital and Valuation. Conditional price-implied paths are derived rather than observed investor forecasts.

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Table 8: Missing physical and counterparty evidence has specific cash exposures.

Unresolved item	Exposure or measured alternative	Next observation and owner
AWS useful capacity and replacement cohorts	Capital intensity +0.25x costs $20.11/share; replacement cost +50% costs $16.87	Analyst: FY2026 and 2027 asset additions utilisation and replacement disclosures; actual ages unreported
Client cash and private asset realization	After-tax portfolio haircut costs $11.16/share; full remaining Anthropic-facility loss costs $1.37	Analyst: FY2026 filings and subsequent counterparty cash evidence; combined effect requires a joint rerun
Physical receipt/payment reconciliation	9M2026 residual is −$351mn; valuation uses disclosed cash capex plus lease assets, without an unidentified cash claim	Analyst: FY2026 PP&E/payables reconciliation; economic price of missing allocation unmeasured
External price evidence and business quality	Independent exchange tape/comparable valuation unverified; four-test quality evidence incomplete	Research owner: establish source and full-cycle evidence before future issuance; no active recommendation assigned

Source: Existing separately rerun sensitivities and explicit workbook checks. No sensitivity is assigned zero merely because the missing evidence is not measured.

Reporting segment results at the retained disclosure

Two full financial years and the latest disclosed comparable period are shown on the stated source basis. Revenue growth compares 9M2026 with 9M2025; operating profit and margin refer to 9M2026. USD bn, except percentages.

Table 9: Reported businesses reconcile to consolidated revenue and operating profit.

Reporting segment	FY2024 revenue	FY2025 revenue	9M2026 revenue	Revenue YoY	9M2026 op. profit	Op. margin
North America	387.5	426.3	333.2	11.3%	26.1	7.8%
International	142.9	161.9	125.1	12.5%	4.7	3.8%
AWS	107.6	128.7	125.8	35.1%	48.6	38.6%
Consolidated Amazon	**638.0**	**716.9**	**584.1**	**16.0%**	**79.4**	**13.6%**

Operating segments differ from product revenue categories such as advertising and seller services. Do not add those categories to North America, International and AWS.

“—” means not applicable or not separately reported; it is not a zero estimate. Revenue growth and operating margins are calculated from the disclosed amounts before rounding. Operating profit is the issuer’s segment measure, reconciled through the central row where applicable.

Source: Issuer Form 10-K (FY2024 and FY2025) and Form 10-Q (9M2026); reporting-segment notes. Annual and interim periods retain their distinct horizons.

Amazon annual report — FY2025

Amazon interim report — 9M2026