

## Amazon.com

Prime Deep Dive Suggests 10x Value Potential for Members, 370M+ Subs Ending 2026, & Agentic Advantages; Prime Day Shifts ~\$7B-\$8B Incremental Revenue Into 2Q26

Following up on last week's Retail vs. AMZN Episode 14: Retail vs. AMZN in an Agentic World ([report](#), [slides](#), [video replay](#)) published w/JPM Retail analyst Chris Horvers, this section provides a deep dive on Amazon Prime. Our analysis suggests potential value to members of more than 10x the annual \$139 cost in the US, possible price increases 2026 into 2027, 370M+ Prime subs ending 2026, & \$7B-\$8B of incremental revenue shifting into 2Q26. **Amazon remains a Best Idea & on the JPM Analyst Focus List. Our December 2026 PT of \$330 is based on ~32x our 2027E GAAP EPS of \$10.38.**

- Prime Thrives in an Agentic World & Worth an Estimated ~\$1,440 Annual Value.** Our Prime deep dive suggests that unbundling all of Prime's components reveals a package of offerings worth an estimated ~\$1,440/year, ~10x the \$139 annual Prime cost in the U.S. [US Prime members](#) saved ~\$550 average delivery fees in 2025, up from [\\$500+ in 2024](#), & AMZN delivered \$105B delivery fee savings globally for Prime members. [AMZN delivered 13B+ items SD1D globally in 2025](#), including 8B+ for US Prime members (30%+ Y/Y). AMZN operates 85+ SSD FCs that carry the top 90k SKUs and AMZN has delivered 500M+ SD units YTD in 2026. The number of items delivered in the US same-day in 2025 grew ~70% Y/Y across AMZN's ~100M SD customers as it [expanded SD1D delivery](#) to 4k+ smaller cities, towns, & rural communities. The average number of monthly customers receiving SD delivery in rural areas increased ~2x Y/Y in 2025 and [AMZN plans to invest \\$4B to expand its rural delivery network](#). AMZN also introduced [ultrafast delivery](#) with 1-hour & 3-hour options for 90k+ products across select US cities & towns, & continues to invest in [Amazon Now](#) & quick commerce across [select US areas](#) & int'l markets. AMZN also [added perishables to SD delivery](#) across 2.3k+ US cities & towns and parts of London, & [has expanded fresh grocery selection for SD delivery by 30%+ since August](#). **Given Amazon's leading selection, competitive pricing, and record delivery speed—led by Prime—we believe Amazon is well-positioned in an agentic commerce landscape where agents constantly evaluate performance thresholds to drive visibility in AI/LLM queries.**
- 4-Day Prime Event Shifts ~\$7B-\$8B Incremental Revenue into 2Q.** Amazon will kick off its [12<sup>th</sup> annual Prime Day](#) on June 23-26 in 23 countries, w/Australia, Brazil, India, and Japan deals coming later this summer. Prime Day will once again run for 4 days—in-line with 2025—with millions of deals across 35+ categories. This year marks the 1<sup>st</sup> Prime Day in 2Q since 2021, & we believe the [earlier timing likely helps Amazon generate more demand](#) while better navigating the FIFA World Cup & the 250<sup>th</sup> anniversary of US independence. [During the 4-day event, we expect Y/Y growth/day of ~6% in 3P sales & ~7% in 1P sales, & we estimate that Prime Day could shift ~\\$7B-\\$8B incremental global revenue into 2Q, as reflected in AMZN's \\$194B-\\$199B guidance.](#) Our projected growth rate does not include potential incremental revenue from Advertising, Subscription/Prime member



### Overweight

AMZN, AMZN US  
Price (22 Jun 26):\$232.79  
Price Target (Dec-26):\$330.00

#### Internet - Large Cap / Mid & Small Cap

**Doug Anmuth** <sup>AC</sup>  
(1-212) 622-6571  
douglas.anmuth@jpmorgan.com

**Bryan M. Smilek**  
(1-212) 622-8886  
bryan.smilek@jpmorgan.com  
J.P. Morgan Securities LLC

#### Quarterly Forecasts (FYE Dec)

Adj. EPS (\$)	2025A	2026E	2027E
Q1	1.96	3.20A	
Q2	2.31	2.40	
Q3	2.67	2.45	
Q4	2.51	2.85	
FY	9.45	10.89	12.50

#### Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value	80	81	84	88	83
Growth	78	70	58	74	61
Momentum	47	36	45	28	85
Quality	11	17	8	37	22
Low Vol	12	17	15	43	3
ESGQ	93	98	89	88	74

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

See page 14 for analyst certification and important disclosures.

J.P. Morgan

### Price Performance



	YTD	1m	3m	12m
Abs	0.8%	-12.6%	13.4%	11.0%
Rel	-8.4%	-12.6%	-1.5%	-13.0%

### Company Data

Shares O/S (mn)	10,874
52-week range (\$)	278.56-196.00
Market cap (\$ mn)	2,531,358.00
Exchange rate	1.00
Free float (%)	91.8%
3M ADV (mn)	45.00
3M ADV (\$ mn)	11,062.8
Volatility (90 Day)	31
Index	S&P 500
BBG ANR (Buy   Hold   Sell)	80 4 0

### Key Metrics (FYE Dec)

\$ in millions	FY25A	FY26E	FY27E
<b>Financial Estimates</b>			
Revenue	716,924	823,986	934,188
Adj. EBITDA	169,837	222,220	289,765
Adj. EBIT	104,081	125,980	158,519
Adj. net income	102,330	118,470	136,064
Adj. EPS	9.45	10.89	12.50
BBG EPS	8.76	10.31	11.60
Cashflow from operations	139,514	169,701	255,005
FCFF	9,420	(34,742)	(36,239)
<b>Margins and Growth</b>			
Revenue Growth Y/Y (%)	12.4%	14.9%	13.4%
Gross margin	50.4%	52.0%	54.1%
EBITDA margin	23.7%	27.0%	31.0%
EBIT margin	14.5%	15.3%	17.0%
Adj. EPS growth	23.4%	15.2%	14.8%
<b>Ratios</b>			
Adj. tax rate	15.8%	16.5%	14.5%
Interest cover	NM	NM	NM
Net debt/Equity	NM	NM	0.0
Net debt/EBITDA	NM	NM	0.1
ROCE	21.5%	19.5%	20.0%
ROE	29.4%	26.2%	23.6%
<b>Valuation</b>			
FCFF yield	0.4%	(1.4%)	(1.4%)
Dividend yield	-	-	-
EV/Revenue	4.0	3.6	3.2
EV/EBITDA	17.0	13.2	10.2
Adj. P/E	24.6	21.4	18.6

### Summary Investment Thesis and Valuation

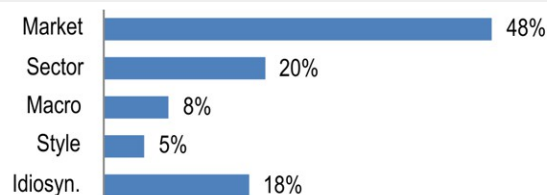
#### Investment Thesis

We believe Amazon is well positioned as the market leader in both e-commerce public cloud, and the secular shifts in each have meaningful headroom as US e-comm represents <25% of adjusted retail sales and we estimate <20% of IT spend is in the cloud. We believe Amazon's flexibility across first party vs. third-party inventory, and the Prime membership serve as major advantages in its Stores business, and its multi-year head start in the cloud has led to ~30% AWS market share in '26e. We believe AMZN is on track for multi-year margin expansion led by N.America operating efficiencies. High-growth AWS and Advertising revenue streams are AMZN's most profitable businesses, further supporting margin expansion.

#### Valuation

Our December 2026 PT of \$330 is based on ~32x our 2027E GAAP EPS of \$10.38. This is a premium to GOOGL & META trading at ~25.5x & ~17x given AMZN's faster bottom-line growth profile.

### Performance Drivers



Factors	6M Corr	1Y Corr
<b>Market: MSCI US</b>	0.56	0.75
<b>Sect: Cons Discretionary</b>	0.76	0.67
<b>Ind: Retailing</b>	0.96	0.93
<b>Macro:</b>		
Non-Energy Commodity	0.02	0.12
US Dollar	0.23	0.08
Credit Spread	0.06	0.08
<b>Quant Styles:</b>		
Growth	0.56	0.41
DivYld	-0.49	-0.35
Value	-0.48	-0.31

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

acquisition, or other parts of the Prime ecosystem, but we believe Prime Day's financial benefits extend well beyond the 4-day event period. SD delivery, everyday essentials strength, 3P growth & the expansion of the Prime ecosystem have increased purchase consideration & frequency. Cost to serve reductions position Amazon to better handle the elevated demand of Prime Day, while also rationalizing inventory levels ahead of the busy 2H shopping period. Our growth embeds some ongoing pressure from a volatile macro environment & softer consumer sentiment, though Prime Day's expansive discounts and duration should support demand trends as consumers increasingly hunt for deals. There is also an increased focus on agentic shopping during Prime Day, w/Alexa for Shopping offering features such as personalized deals guides, deal & pricing alerts, auto-buys, price history analysis, & other offerings.

- **Prime Members at ~370M+ in 2026; Int'l still represents strong growth opportunity.** We project Prime will have 370M+ subscribers by the end of 2026, comprised of ~139M US Members & ~231M Int'l Members — including Prime Business accounts — strengthening Prime's positioning as one of the most scaled & fastest growing global subscription offerings. We estimate that Prime Member Net Adds will modestly decline Y/Y in 2026 to 23M (vs. 25M in 2025). Prime is available in 27 int'l markets, which we estimate combined represent a TAM of 1.1M *online* households. We estimate Prime is ~19% penetrated within its existing international markets (27 markets), or ~33% excluding China, w/potential expansion to more countries over time. We estimate that increasing Prime's penetration in existing Int'l markets (ex-China) from ~33% to ~45% would imply ~75M new Prime Members.
- **We Anticipated a Prime Price Increase in 2026, But Now More Likely in 2027.** We believe war, geopolitical conflict, and higher gas prices may have pushed a Prime price increase into 2027. 2026 would be consistent w/Amazon's recent cadence of raising price every ~4 years, & whenever it happens, we do not expect significant churn or impact to Gross Adds. We estimate a \$20 US Prime price increase could drive ~\$3B incremental annualized Net Sales, with further upside from int'l price raises. However, we believe an increase is more likely in 2027 given recent pressure on consumer sentiment driven by macro uncertainty & higher gas prices.

## Unpacking Amazon Prime: ~\$1,440/Year in Customer Value & 370M Global Subs Position AMZN to Monetize Agentic Commerce

We take another in-depth look at Amazon Prime in this section, including a deep dive into each Prime component, to build-up to ~370M Prime global subs in 2026 (JPMe). The estimated value of Prime subscription has increased every year since we've been running our analysis, going from \$544 in 2016 to ~\$1,430 in 2025. This year, we believe unbundling all of the Prime components reveals offerings worth ~\$1,440/year, ~10x the actual annual Prime subscription cost, flattish from our estimated value of ~\$1,430 in 2025 & almost triple our estimated ~\$544/year value in 2016. With all the added benefits over the years, we believe Prime remains the best deal in shopping. **We believe Amazon could increase the price of Prime in 2026/2027, consistent with its recent cadence of raising price every ~4 years, & we do not expect significant churn or impact to Gross Adds, similar to the 2022 price increase. We estimate a \$20 US Prime price increase could drive ~\$3B incremental annualized Net Sales, with further upside from int'l price raises.** Longer-term, we believe Amazon should maintain pricing power considering ongoing improvements to the Prime bundle, Prime's unmatched scale, & increasingly faster delivery offerings. Amazon last disclosed its Prime member count in its [2020 letter to shareholders](#), when Prime members surpassed 200M. Despite Prime's significant scale, we believe there is plenty of runway for continued Prime sub growth, and we estimate global Prime members will approach ~370M in 2026, implying 23M Y/Y Net Adds. We estimate Amazon is only 19-33% penetrated of broadband households within its existing Int'l Prime footprint (27 countries), with potential for expansion to additional countries over time. **Considering Prime's leading scale, loyalty, value, and high satisfaction rates, we believe Amazon more broadly is well-positioned in an agentic commerce environment, where agents utilize performance thresholds including delivery speeds, loyalty & membership benefits, satisfaction price, availability, and promotions, among other criteria, to drive visibility in AI/LLM queries.**

Figure 1: We Believe the Value of Prime Has Almost Tripled From ~\$544 in 2016 to ~\$1,440 Today



Source: J.P. Morgan estimates.

Figure 2: Prime Annual US Pricing History

Year	Annual Price	% Change
2005	\$79	NM
2014	\$99	25%
2018	\$119	20%
2022	\$139	17%

Source: Company reports.

Amazon initially unveiled Prime in 2005, offering unlimited two-day shipping on ~1 million items for \$79/year. Following more than a decade of significant investments and innovations, Prime has expanded well beyond two-day shipping and into an all-you-can-eat physical retail/digital media hybrid program. [US Prime members](#) saved ~\$550 average delivery fees in 2025, up from [\\$500+ in 2024](#), & AMZN delivered \$105B delivery fee savings globally for Prime members. Prime continues creating value in other verticals, w/AMZN operating a streaming video service rivaling Netflix, Disney+, and Hulu, a streaming music service rivaling Spotify and Apple Music, a gaming & cloud-based gaming platform, & photo storage rivaling iCloud and Google One, among other offerings. Unlimited, fast, free shipping remains the key driver of growth, but we believe Prime’s digital services help drive adoption & improve retention. AMZN continues adding to the value of Prime Video & boasts the largest ad-supported video streaming platform. We estimate Amazon Music has ~117M global subscribers, or ~14% share of the ~837M global music subscribers. Whether users join Prime for free

shipping, to watch an Amazon original series, or to listen to an expansive music catalog, Prime is a key driver of the Amazon flywheel and helps Amazon build a loyal customer base.

Regarding competition: **1)** Walmart (covered by JPM analyst Chris Horvers) continues to scale Walmart+ (\$98/yr or \$12.95/mo), which offers unlimited free same-day, next-day, & two-day shipping with no order minimum (except for same-day delivery & delivery/pickup from store which requires \$35 minimum AOV), though at much lesser scale vs. Prime; **2)** Costco's (covered by JPM analyst Chris Horvers) annual membership (\$65/yr-\$130/yr) also remains a key competitive offering; & **3)** AAPL (covered by JPM analyst Samik Chatterjee) launched its Prime comparable, Apple One Bundle (\$19.95/yr-\$37.95/yr), in late 2020, which offers access to Apple Music, Apple TV+, Apple Arcade, iCloud+, Apple News+ & Apple Fitness+. However, we believe Prime provides a higher value offering relative to competition, which drives pricing power going forward.

### Prime Sub Build-Up and Estimates

**Amazon last disclosed its Prime member count in its [2020 letter to shareholders](#), when Prime members surpassed 200M.** We estimate below Prime's build-up to ~371M members in 2026, including the US & Int'l split since 2015. Key takeaways include: **1)** Amazon should have ~370M Prime Members by the end of 2026; **2)** We estimate that Prime Member Net Adds will modestly decline Y/Y in 2026; **3)** We estimate Prime Members remain split ~40%/~60% between the US and Int'l; & **4)** We believe Int'l Members should grow modestly faster than US Members. We believe Prime has meaningful growth ahead, especially in int'l markets, as Amazon scales the offering & adds value to Prime Members. Our ~371M Prime Member estimate by the end of 2026 includes ~139M US Members & ~231M Int'l Members — including Prime Business accounts — strengthening Prime's positioning as one of the most scaled & fastest growing global subscription offerings. **We believe Prime is underpenetrated in Int'l markets today, which represents a significant growth opportunity.** Prime is available in 27 int'l markets, which we estimate combined represent a TAM of 1.1M *online* households. Based on our estimate of 216M Int'l Members in 2025, **we estimate Prime is ~19% penetrated within its existing international markets, or ~33% excluding China.** We estimate that increasing Prime's penetration in existing Int'l markets (ex-China) from ~33% to ~45% would imply ~75M new Prime Members.

Figure 3: Amazon's Prime Member Disclosures

Year	Disclosure
2013	Tens of Millions of Subs
2014	+54% Y/Y Growth
2015	+51% Y/Y Growth
2016	Tens of Millions of New Subs
2017	More New Subs than Any Prior Year, Both Global & US
4/18/2018	Exceeded 100M Paid Subs Globally
1/30/2020	Exceeded 150M Paid Subs Globally
4/15/2021	Exceeded 200M Paid Subs Globally

Source: Company reports.

Figure 4: JPM Prime Member Estimates, 2016-2026

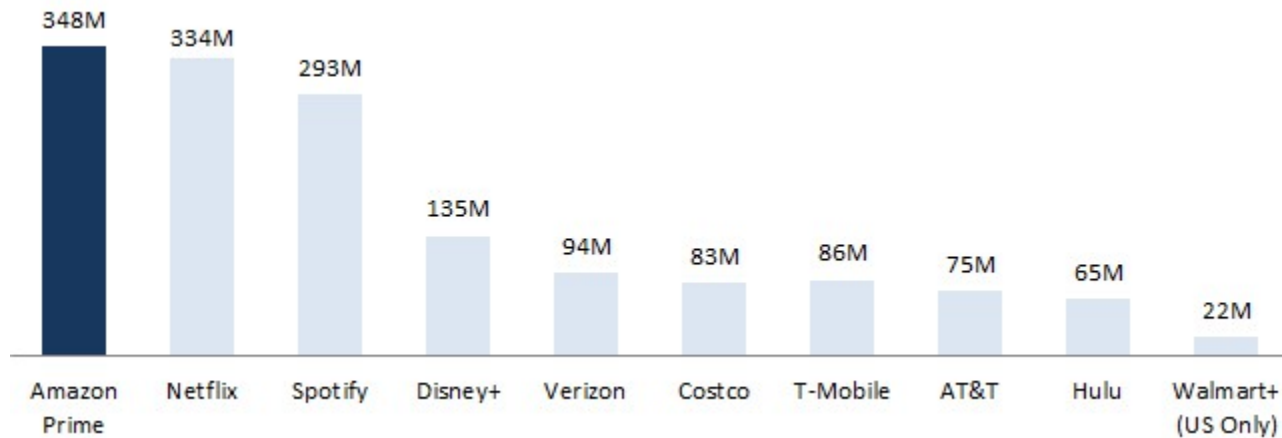
In Millions

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>US Prime Members</b>	<b>39,300</b>	<b>49,125</b>	<b>58,459</b>	<b>67,228</b>	<b>81,345</b>	<b>93,547</b>	<b>102,902</b>	<b>113,192</b>	<b>123,379</b>	<b>131,399</b>	<b>139,283</b>
Y/Y growth	31%	25%	19%	15%	21%	15%	10%	10%	9%	7%	6%
New US Subs	9,300	9,825	9,334	8,769	14,118	12,202	9,355	10,290	10,187	8,020	7,884
<b>International Prime Members</b>	<b>31,700</b>	<b>45,875</b>	<b>62,541</b>	<b>81,772</b>	<b>118,655</b>	<b>146,453</b>	<b>162,098</b>	<b>181,808</b>	<b>199,121</b>	<b>216,101</b>	<b>231,217</b>
Y/Y growth	59%	45%	36%	31%	45%	23%	11%	12%	10%	9%	7%
New Int'l Subs	11,700	14,175	16,666	19,231	36,882	27,798	15,645	19,710	17,313	16,980	15,116
<b>Global Prime Members</b>	<b>71,000</b>	<b>95,000</b>	<b>121,000</b>	<b>149,000</b>	<b>200,000</b>	<b>240,000</b>	<b>265,000</b>	<b>295,000</b>	<b>322,500</b>	<b>347,500</b>	<b>370,500</b>
Y/Y growth	42%	34%	27%	23%	34%	20%	10%	11%	9%	8%	7%
New Global Subs	21,000	24,000	26,000	28,000	51,000	40,000	25,000	30,000	27,500	25,000	23,000

Source: JPMe & Company filings. Note: Includes Business Prime accounts.

Figure 5: Comparison of Select Global Subscription Offerings, Most Recently Disclosed Members

In Millions



Source: Company filings & JPMe. Notes: Includes paid subs only, where available; Hulu includes SVOD & Live TV subscribers; T-Mobile, Verizon, & AT&T represent postpaid phone subscribers & include Business accounts. Spotify subs reflects subscription-based users rather than households. Walmart + was only available domestically in 2025.

Figure 6: Breakdown of Prime's Int'l Opportunity & Penetration

Households in Millions

Country	Prime Launch	Annual Membership Cost		Country Demographics		Estimated Households Online
		Local	USD	Households	% Population Online	
United Kingdom	2007	£95	\$128	29	95%	27
Germany	2007	€ 90	\$105	41	93%	38
Japan	2007	¥5,900	\$37	59	86%	51
France	2008	€ 70	\$82	32	89%	28
Italy	2011	€ 50	\$58	29	89%	25
Spain	2011	€ 50	\$58	19	96%	18
Canada	2013	CAD 99	\$72	16	94%	15
Austria	2014	€ 90	\$105	4	92%	4
India	2016	INR 1,499	\$16	315	70%	221
China	2016	CNY 388	\$57	516	92%	475
Belgium	2016	€ 25	\$29	5	96%	5
Mexico	2017	MXN 899	\$52	37	83%	30
Netherlands	2017	€ 50	\$58	9	97%	9
Luxembourg	2017	€ 49	\$57	0	99%	0
Singapore	2017	SGD 50	\$39	2	94%	1
Australia	2018	AUD 79	\$57	11	96%	11
United Arab Emirate:	2019	AED 140	\$38	4	99%	4
Brazil	2019	BRL 167	\$34	85	84%	71
Turkey	2020	TRY 600	\$13	25	90%	23
Saudi Arabia	2021	SAR 140	\$37	9	99%	8
Portugal	2021	€ 50	\$58	4	88%	4
Sweden	2021	649 kr	\$70	5	96%	5
Poland	2021	PLN 69	\$19	15	89%	13
Egypt	2022	EGP 249	\$5	27	75%	20
Ireland	2025	€ 70	\$82	2	97%	2
South Africa	2026	R399.00	\$24	18	78%	14
<b>Total - Int'l</b>				<b>1,316</b>	<b>83%</b>	<b>1,122</b>
<b>Total - Int'l ex-China</b>				<b>800</b>	<b>78%</b>	<b>647</b>

Source: Company data, United States Census Bureau, European Commission Eurostat, HelgiLibrary, IBIS World, Australian Bureau of Statistics, Statistics Austria, Statistics Netherlands, Department of Statistics Singapore, The World Bank & JPME. Notes: \* USD price is based on FX rates.

## The Best Deal in Shopping

When unbundling all of the Prime components, we estimate the package of offerings is worth ~\$1,440/year, ~10x the \$139 annual Prime subscription cost & flattish from our estimated value of ~\$1,430 in 2025. We believe Prime delivers unparalleled scale & features that would be very difficult for any company to replicate and compete against, and Amazon continues to increase Prime's value by adding benefits & scaling existing offerings. [US Prime members](#) saved ~\$550 average delivery fees in 2025, up from [\\$500+ in 2024](#), & AMZN delivered \$105B delivery fee savings globally for Prime members. [AMZN delivered 13B+ items SD1D globally in 2025](#), including 8B+ for US Prime members (30%+ Y/Y), & AMZN operates 85+ SSD FCs that carry AMZN's top 90k SKUs and AMZN has delivered 500M+ SD units YTD in 2026. The number of items delivered in the US same day grew ~70% Y/Y across AMZN's ~100M SD customers as it [expanded SD1D delivery](#) to 4k+ smaller cities, towns, & rural communities. AMZN also offers millions of items for SD delivery across 35+ categories, which is up to 40x greater selection across SD delivery vs. the selection of a typical big box retail store. The average number of monthly customers receiving SD delivery in rural areas ~2x Y/Y in 2025 and [AMZN plans to invest \\$4B to expand its rural delivery network](#), which will enable AMZN to deliver 1B+ more packages each year to customers living in 13k+ zip codes spanning 1.2M miles, grow AMZN's network to 200+ delivery stations, & triple the company's rural delivery network. AMZN also introduced [ultrafast delivery](#) with 1-hour & 3-hour options across 90k+ products across select US cities & towns & continues to invest in [Amazon Now](#) & quick commerce across [select US areas](#) & int'l markets ([UK](#), India, UAE). AMZN also [added perishables to SD delivery](#) across 2.3k+ US cities & towns and parts of London & [has grown selection by 30%+ since August](#). **We believe Amazon could increase the price of Prime in 2026/2027, consistent with its recent cadence of raising price every ~4 years, & we do not expect significant churn or impact to Gross Adds, similar to the 2022 price increase. We estimate a \$20 price raise could drive ~\$3B incremental annualized revenue.** Longer-term, we believe Amazon should maintain pricing power considering ongoing improvements to the Prime bundle, Prime's unmatched scale, & increasingly faster delivery offerings.



Figure 7: Unpacking the Value of Amazon Prime

Amazon Prime Component	Service	Select Competitive Offerings Price	Estimated Prime Value		Change in Value from 2025	Notes/Assumptions
			Annual	Monthly		
1 Prime Delivery: 2-Day, 1-Day, & Same Day Free Shipping	Walmart+ Target Circle 360 Shipt	\$98/year, \$12.95/month \$99/year, \$10.99/month \$99/year, \$10.99/month	\$550	\$45.83	↑	Premium to competitive services given greater selection, SD delivery; US Prime members saved \$550 delivery fees in 2025
2 Amazon Grocery	Instacart+	\$99.99/year, \$9.99/month	\$120	\$9.99	↔	Value in-line w/instacart+
3 Restaurant Delivery	Uber One Grubhub+ DashPass	\$96/year, \$9.99/month \$9.99/month \$96/year, \$9.99/month	\$120	\$10.00	↔	Ascribe annual Grubhub+ value
4 Prime Video	Netflix Hulu HBO Max Disney+ Apple TV+ Peacock	\$8.99 (ads) - \$26.99/month \$11.99/month (ads), \$18.99/month (no ads) \$10.99/month (ads) - \$22.99/month \$11.99/month (ads), \$18.99 (no ads) \$12.99/month \$7.99/month (ads) - \$16.99/month (no ads)	\$228	\$18.99	↑	Modest discount to NFLX given less content depth and ads default
5 Prime Music	Spotify Premium Apple Music YouTube Music Pandora Premium Deezer Amazon Music Unlimited	\$12.99/month \$10.99/month \$11.99/month \$10.99/month \$11.99/month \$12.99/month (non-Prime members)	\$120	\$9.99	↑	Modest discount to other music streamers given less Audio offerings, ubiquity, personalization
6 Prime Photos	1) iCloud+ 2) Google One 3) Amazon Photos 4) Dropbox 5) Flickr	1) Free up to 5GB; \$0.99/month for 50GB, \$2.99/month for 200GB; \$9.99/month for 2TB 2) Free up to 15GB; \$1.99/month for 100GB, \$9.99/month for 2TB 3) \$1.99/mo for 100GB, \$6.99/mo for 1TB, \$11.99/mo for 2TB 4) Free up to 2GB. Plus for 2TB \$11.99/month or \$119.88/year 5) Free up to 1k photos/videos; Pro \$11.00/month, \$82.00/year, \$148.00/2 years	\$24	\$1.99	↔	In-line with Amazon Photos value
7 Amazon First Reads & Prime Reading	Kindle Unlimited Scribd	\$11.99/month \$11.99/month	\$120	\$9.99	↔	Modest discount to Kindle Unlimited & Scribd
8 Prime Gaming	Twitch Turbo Luna+	\$11.99/month \$9.99/month	\$156	\$12.99	↔	Modest premium to Twitch Turbo
<b>Estimated Value of Prime</b>			<b>\$1,437</b>	<b>\$120</b>		
<b>Actual Prime Cost</b>			<b>\$139</b>	<b>\$14.99</b>		
<b>Multiple of Prime Value</b>			<b>10.3x</b>	<b>8.0x</b>		

Source: JPMe & company websites. Notes: 1) Red numbers indicate the estimated value driver; 2) Select Prime benefits are limited to members in certain geographies.

## Investment Thesis, Valuation and Risks

### **Amazon.com** (Overweight; Price Target: \$330.00)

#### **Investment Thesis**

We believe Amazon is well positioned as the market leader in both e-commerce public cloud, and the secular shifts in each have meaningful headroom as US e-comm represents <25% of adjusted retail sales and we estimate <20% of IT spend is in the cloud. We believe Amazon's flexibility across first party vs. third-party inventory, and the Prime membership serve as major advantages in its Stores business, and its multi-year head start in the cloud has led to ~30% AWS market share in '26e. We believe AMZN is on track for multi-year margin expansion led by N.America operating efficiencies. High-growth AWS and Advertising revenue streams are AMZN's most profitable businesses, further supporting margin expansion.

#### **Valuation**

Our December 2026 PT of \$330 is based on ~32x our 2027E GAAP EPS of \$10.38. This is a premium to GOOGL & META trading at ~25.5x & ~17x given AMZN's faster bottom-line growth profile.

#### **Risks to Rating and Price Target**

**Downside risks include:** **1)** Pace of AWS reacceleration & normalized growth trajectory; **2)** State of US consumer, with macro pressures impacting spending levels; **3)** AMZN's margin path is not always linear, with AMZN historically investing in growth; **4)** GenAI monetization is early & visibility is limited; **5)** Heavy competition across Stores & Cloud; **6)** Increased regulatory scrutiny could become a multi-year overhang; & **7)** Less traditional valuation support vs mega-cap peers.

## Amazon.com: Summary of Financials

Income Statement - Annual					Income Statement - Quarterly				
	FY24A	FY25A	FY26E	FY27E		1Q26A	2Q26E	3Q26E	4Q26E
Revenue	637,959	716,924	823,986	934,188	Revenue	181,519A	198,638	200,081	243,748
COGS	(325,450)	(355,637)	(395,640)	(429,208)	COGS	(87,292)A	(93,534)	(95,441)	(119,373)
Gross profit	312,509	361,287	428,346	504,980	Gross profit	94,227A	105,103	104,641	124,375
SG&A	(49,216)	(51,320)	(55,303)	(59,198)	SG&A	(11,927)A	(13,852)	(12,195)	(17,330)
Adj. EBITDA	144,162	169,837	222,220	289,765	Adj. EBITDA	47,276A	53,348	56,221	65,376
D&A	(53,558)	(70,395)	(97,487)	(132,556)	D&A	(19,392)A	(23,368)	(25,505)	(29,222)
Adj. EBIT	91,367	104,081	125,980	158,519	Adj. EBIT	28,331A	30,270	31,021	36,358
Net Interest	2,271	2,107	264	685	Net Interest	335A	(151)	15	65
Adj. PBT	91,287	120,863	141,872	159,204	Adj. PBT	44,294A	30,119	31,036	36,423
Tax	(9,265)	(19,087)	(23,421)	(23,140)	Tax	(9,560)A	(4,043)	(4,402)	(5,417)
Minority Interest	-	-	-	-	Minority Interest	-	-	-	-
Adj. Net Income	82,123	102,330	118,470	136,064	Adj. Net Income	34,753A	26,076	26,634	31,006
Reported EPS	5.53	7.17	9.00	10.38	Reported EPS	2.78A	1.81	1.98	2.43
Adj. EPS	7.66	9.45	10.89	12.50	Adj. EPS	3.20A	2.40	2.45	2.85
DPS	-	-	-	-	DPS	-	-	-	-
Payout ratio	-	-	-	-	Payout ratio	-	-	-	-
Shares outstanding	10,721	10,827	10,877	10,884	Shares outstanding	10,874A	10,876	10,878	10,880
Balance Sheet & Cash Flow Statement					Ratio Analysis				
	FY24A	FY25A	FY26E	FY27E		FY24A	FY25A	FY26E	FY27E
Cash and cash equivalents	101,202	123,029	118,381	74,638	Gross margin	49.0%	50.4%	52.0%	54.1%
Accounts receivable	55,451	67,729	86,035	128,918	EBITDA margin	22.6%	23.7%	27.0%	31.0%
Inventories	34,214	38,325	44,018	46,709	EBIT margin	14.3%	14.5%	15.3%	17.0%
Other current assets	0	0	0	0	Net profit margin	12.9%	14.3%	14.4%	14.6%
Current assets	190,867	229,083	248,433	250,265	ROE	33.7%	29.4%	26.2%	23.6%
PP&E	252,665	357,025	452,845	653,497	ROA	14.2%	14.2%	13.3%	12.8%
LT investments	0	0	0	0	ROCE	27.4%	21.5%	19.5%	20.0%
Other non current assets	181,362	231,934	264,017	264,017	SG&A/Sales	7.7%	7.2%	6.7%	6.3%
Total assets	624,894	818,042	965,296	1,167,779	Net debt/equity	NM	NM	NM	0.0
Short term borrowings	0	0	8,750	12,260	P/E (x)	30.4	24.6	21.4	18.6
Payables	94,363	121,909	130,053	168,154	P/BV (x)	8.5	6.0	5.1	3.8
Other short term liabilities	85,068	96,096	84,124	84,625	EV/EBITDA (x)	20.1	17.0	13.2	10.2
Current liabilities	179,431	218,005	222,927	265,039	Dividend Yield	-	-	-	-
Long-term debt	52,623	65,648	107,574	95,314	Sales/Assets (x)	1.1	1.0	0.9	0.9
Other long term liabilities	106,870	123,324	140,766	147,841	Interest cover (x)	NM	NM	NM	NM
Total liabilities	338,924	406,977	471,267	508,194	Operating leverage	438.7%	112.4%	140.9%	193.1%
Shareholders' equity	285,970	411,065	494,029	659,585	Revenue y/y Growth	11.0%	12.4%	14.9%	13.4%
Minority interests	-	-	-	-	EBITDA y/y Growth	30.7%	17.8%	30.8%	30.4%
Total liabilities & equity	624,894	818,042	965,296	1,167,779	Tax rate	10.1%	15.8%	16.5%	14.5%
BVPS	27.31	38.58	45.97	61.34	Adj. Net Income y/y Growth	48.7%	24.6%	15.8%	14.9%
y/y Growth	39.4%	41.3%	19.2%	33.4%	EPS y/y Growth	45.5%	23.4%	15.2%	14.8%
Net debt/(cash)	(48,579)	(57,381)	(10,807)	20,676	DPS y/y Growth	-	-	-	-
Cash flow from operating activities	115,877	139,514	169,701	255,005					
o/w Depreciation & amortization	52,795	65,756	96,240	131,246					
o/w Changes in working capital	(15,541)	(19,969)	(40,909)	(10,996)					
Cash flow from investing activities	(94,342)	(142,545)	(225,201)	(290,659)					
o/w Capital expenditure	(77,658)	(128,320)	(204,223)	(290,659)					
as % of sales	12.2%	17.9%	24.8%	31.1%					
Cash flow from financing activities	(11,812)	9,661	48,454	(11,164)					
o/w Dividends paid	-	-	-	-					
o/w Net debt issued/(repaid)	(9,100)	11,546	50,600	(8,750)					
Net change in cash	8,422	7,794	(7,047)	(46,818)					
Adj. Free cash flow to firm	36,178	9,420	(34,742)	(36,239)					
y/y Growth	(2.3%)	(74.0%)	(468.8%)	4.3%					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec. o/w - out of which