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Internet | North America

$1.4trln of Capex, 4X in Compute Capacity, and AI Revenue Streams to Watch into '28

Updated bottom up cost per GW and rising forward capacity expectations cause us to raise hyperscaler capex to $1.4t in '28 painting a path to 120 GW (from 30 in '25). META top pick with 5 under-appreciated call options, and AMZN and GOOGL hyperscale revs set to accelerate with strong profitability

The Ecosystem Remains Compute-Constrained And Urgency to Spend Remains High…We have written extensively about the rising value, strategic importance and monetization optionality associated with access to compute (see here and here). In effect, limitations on chips/racks, powered shells (see our thematic teams' work here, led by Stephen Byrd) and other bottlenecks are stretching timelines from breaking ground to opening data centers to as much as 3 years. Furthermore, we also believe growing social backlash to data center development and political uncertainty into the '28 presidential election are causing hyperscalers to start building sooner to emphasize job creation. This adds even further to inflationary pressures. As such, **we expect capex spend to continue to head higher** (now expected to reach to $1.2tr/$1.4tr across the five primary companies we track) and **are laser focused on companies' ability to bring on capacity to drive and benefit from incremental AI-enabled revenue** (from bare metal compute to fuller stack first/third party software and services).

…As We Now See Hyperscaler Capex Reaching ~$1.2tr/$1.4tr in '27/'28… As detailed here, we continue to utilize a bottom-up model around required capex for compute capacity coming online. We have estimates for IT hardware costs (server racks with chips, memory, CPU, networking, etc.) and costs outside of the racks (building materials, electrical and mechanical systems) to arrive at the estimated cost to build each GW of capacity…by chip type (across 10 different chips). Please see Exhibit 10 for our latest estimates on cost per GW…which are going up by ~20% (for GPUs) due to further inflationary pressure on memory and powered shell-related costs. We then apply these building costs to the estimated GPU/ASIC supply allocations by hyperscaler to arrive at forward capex.

We raised our GOOGL forward capex substantially in Alphabet Inc.: Diving into '28 Compute Capacity, TPU Sales and Revenue to Come (29 Jun 2026). **Today we are raising our META and AMZN (AWS) capex,** as we raise our META '27/'28 capex by 29%/22%, reaching $225bn/$250bn…and our AMZN company-wide capex by 15%/29%, reaching $308bn/$318bn.

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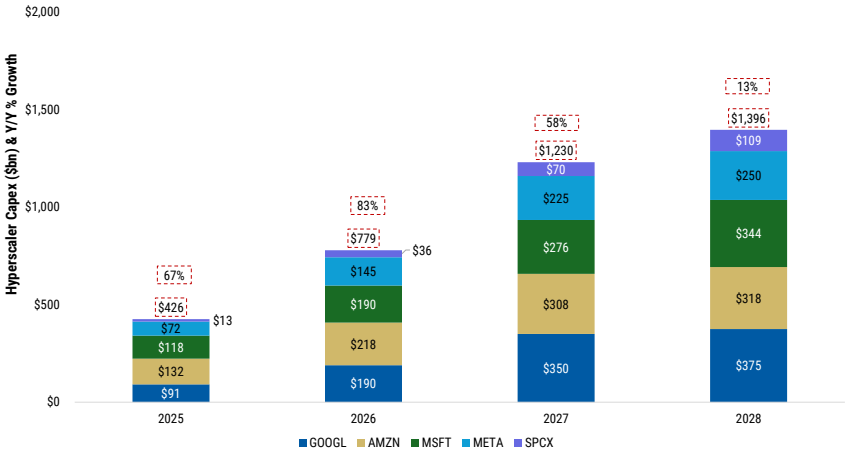
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Please let us know if interested in our updated bottom-up cost per GW, GW capacity, or new Meta API monetization models to flex, adjust and utilize.

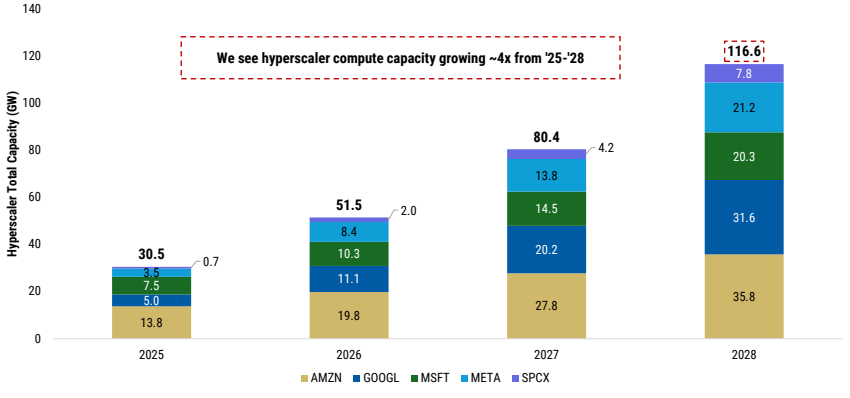
Exhibit 1: We are raising '27/'28 total hyperscaler capex (ex-SPCX, included for first time) by 9%/10%, now modeling ~$1.2tr/$1.4tr of '27/'28 capex:



Source: Company data, Morgan Stanley Research Estimates, Note: AMZN represents total company capex, SPCX represents terrestrial compute capex. Note: MSFT capex estimates are calendar year.

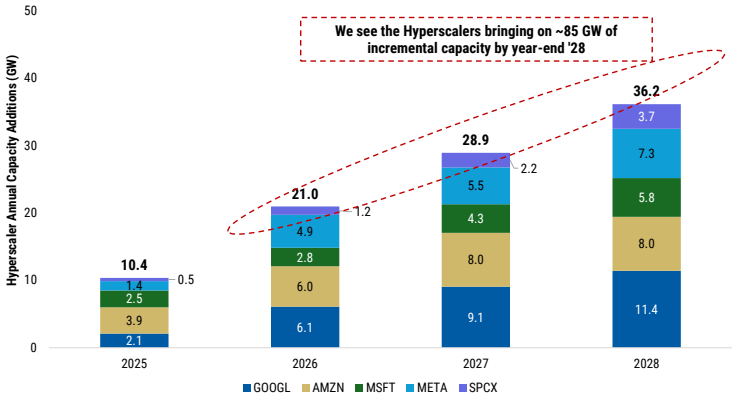
...**Which We See Leading to a 4x Lift in Available Compute Capacity by '28**: But we see this spend leading to more compute capacity...with total hyperscaler available compute expected to approach 120GW by '28, up from ~30 in '25. While GOOGL is expected to add the most compute capacity (9 GW/11 GW in '27/'28) we see AWS having the most available compute in '28 (at 35 GW vs GOOGL at 31 GW). We see META reaching 14/21 total GW of capacity by '27/'28, up from ~3.5 GW at YE25. Note that this compares to a recent press article that spoke to the company having ~14 GW by YE27. For META, we see 55%/90% of additions in '26/'27 being first party, with 45%/10% coming from third party relationships.

Exhibit 2: Our bottom-up work shows how total hyperscaler compute capacity is set to reach ~120 GW by '28...up from ~30 GW in '25:



Source: Company data, Morgan Stanley Research Estimates, Note: SPCX represents terrestrial compute capacity. Note: GOOGL capacity represents additions for both internal GOOGL and Google Cloud, and we expect ~1/2 of capacity additions to go towards each. Note: MSFT capacity estimates represent fiscal year estimates. Note: META capacity estimates include both internally owned and externally leased capacity.

Exhibit 3: ...with GOOGL expected to add the most capacity, followed by AMZN and META.



Source: Company data, Morgan Stanley Research Estimates, Note: SPCX represents terrestrial compute capacity. Note: GOOGL capacity represents additions for both internal GOOGL and Google Cloud, and we expect ~1/2 of capacity additions to go towards each. Note: MSFT capacity estimates represent fiscal year estimates. Note: META capacity estimates include both internally owned and externally leased capacity.

Which Revenue Streams and Factors Matter Most To META, AMZN and GOOGL to Justify the Spend and Drive Outperformance? AMZN, GOOGL, META are currently trading at 16X-20X '28 EPS. Given the still rising spend, we expect investors to remain hyper focused on signal of materially incremental, durable, and profitable revenue growth. **So how do we think about each of these in 2H and into '27?**

Exhibit 4: AMZN, GOOGL, META are currently trading at 16X-20X '28 EPS:

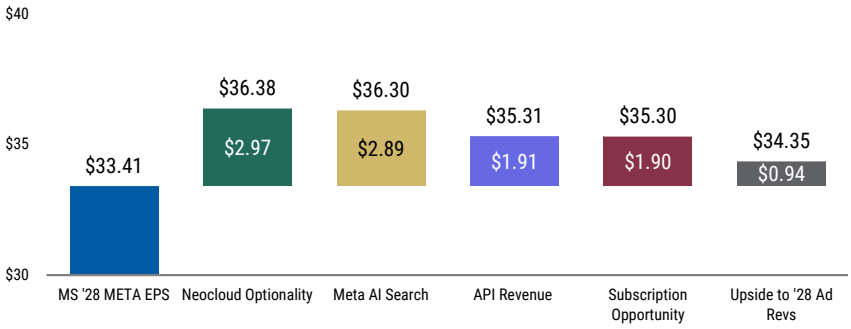
Peer Set	Current Price	Price Target	% Upside	'28 EPS	'28 P/E (Current)	'28 P/E (PT)	'26-'28 EPS CAGR	'28 PEG (Current)	'28 PEG (PT)
AMZN	$246	$330	34%	$15	16x	22x	25%	0.6x	0.9x
GOOGL	$357	$415	16%	$19	19x	22x	14%	1.4x	1.6x
META	$666	$775	16%	$33	20x	23x	1%	14.3x	16.6x

Source: Company Data, Morgan Stanley Research Estimates

META: 5 Under-appreciated Call Options and EPS Drivers...Remains Top Pick. $775 PT has 15% Upside, But There Could Be More. As shown below, and detailed in Meta Platforms Inc: 4 Products to Turn Meta Back into an "AI Winner" (2 Jun 2026) we now see 5 META call options for higher earnings power beyond our base case ~$33 of '28 EPS that are not priced. **We recognize the risk of these and that the company needs to deliver these products to drive higher earnings power and multiple expansion...but META still has the most call optionality, where the market is penalizing them for the spend and not giving them credit for potential revenue from the spend.**

In aggregate these could represent as much as ~$10 of EPS (or ~30% upside to our estimates)...meaning META could be trading at ~15X '28 EPS right now if all these went right. You don't need them all, but you just need META to successfully ship and scale these products for the market to feel more confident in the ROIC on this spend.

Exhibit 5: Wee see multiple under-appreciated $1-3 EPS call options at META...giving us many paths to $38-$40 of '28 EPS.



Source: Company data, Morgan Stanley Research Estimates

Sizing the API Revenue Opportunity from Supply and Demand Side While we have previously sized the neocloud, search, and subscription opportunities, the launch and pricing of Muse Spark 1.1 to third parties is notable as it is priced anywhere from 30%-85% below private company offerings.

Exhibit 6: Muse Spark 1.1 is priced meaningfully below its peers on the frontier.

Model	Input $/1M Tokens	Output $/1M Tokens	Input Pricing vs Muse Spark	Output Pricing vs Muse Spark
Muse Spark 1.1	$1.25	$4.25	Baseline	Baseline
Frontier Model A	$2.00	$6.00	(38%)	(29%)
Frontier Model B	$5.00	$30.00	(75%)	(86%)
Frontier Model C	$5.00	$25.00	(75%)	(83%)
Frontier Model D	$2.00	$10.00	(38%)	(58%)
Frontier Model E	$2.00	$12.00	(38%)	(65%)

Source: Company data, Morgan Stanley Research Estimates

As a result, we aim to size META's API revenue opportunity in the context of the advertisers/companies most likely to use it. But it all starts with capacity allocation, and in our methodology we bridge to API revenue from GPUs required for a given amount of capacity, and what we know from public benchmarks on tokens/GPUs as well as Muse Spark 1.1's API pricing. Using this, we estimate that **every 100 MW of compute allocated toward Meta's API could generate as much as $8bn of revenue and ~$2 of '28 EPS.** With Meta expected to add ~10 GW of compute across '26/'27, clearly they will have capacity if demand is there.

But the demand from companies and advertisers will be key to driving adoption (with tools like business agents, coding assistants, ad campaign management, and a model harness expected to be developed). If the tools drive ROI, we would expect adoption...so tools Meta develops will be important. Other LLMs currently charge $200-$300 per month for their premium tiers of products. **In our base case, we assume that 25%, or ~4mn of Meta's 15mn advertisers pay it ~$200/month for its products,** which again yields $8bn of revenue and ~$2 of '28 EPS.

To be clear, this new business does come with higher execution risk, but we are hopeful/confident that Meta's existing advertiser/business relationships (and aggressive pricing) should give it a head start in building out a business here. To facilitate the API business, we estimate META would only need to allocate ~100MW of GB300 capacity, as shown below, and could easily serve additional API demand with its ~21GW capacity base by YE28, yielding further upside to revenue and EPS.

Please let us know if interested in our META API revenue model.

Exhibit 7: From a capacity perspective, we estimate that every 100 MW of GB300 capacity deployed toward the API for Muse Spark 1.1 could create as much as ~6% upside to our '28 EPS...

META API Revenue Based on GB300 Capacity Deployed to API	
Capacity Deployed Towards API (MW)	100
(/) KW Per Rack	135
(=) Racks Deployed Towards API	741
(X) GPUs Per Rack	72
(=) GPUs Deployed Towards API	53,333
(X) Tokens/Second/GPU	4,300
(X) Seconds per Year	31,536,000
(X) GPU Utilization	75%
(=) Tokens per Year (tn)	**5,424**
(X) Blended Token Pricing	$1.58
(=) API Revenue ($mn)	**$8,588**
% Upside to '28 Revenue	*2%*
API Revenue	**$8,588**
(X) Gross Margin	75%
(=) Gross Profit	$6,441
(X) GP Flow Through	100%
(=) Incremental EBIT	$6,441
(X) Marginal Tax Rate	21%
(=) Net Income	$5,089
(/) Shares Outstanding	2,669
(=) EPS Upside	**$1.91**
% Upside to '28 EPS	*6%*

Source: Company data, Morgan Stanley Research Estimates

Exhibit 8: In our base case, we assume that 25%, or ~4mn of Meta's 15mn advertisers pay ~$200/month for its products, which yields ~$8bn of revenue and ~$2 of EPS.

Base Case

Advertisers (mn)	15	15	15	15	15
(X) Advertiser Penetration of API	15%	25%	35%	45%	55%
(=) Advertisers Using API (mn)	2.3	3.8	5.3	6.8	8.3
API Revenue ($mn)	$8,588	$8,588	$8,588	$8,588	$8,588
(/) Advertisers Using API (mn)	2.3	3.8	5.3	6.8	8.3
(=) Annual Spend Per Customer	$3,817	$2,290	$1,636	$1,272	$1,041
(/) Months in Year	12	12	12	12	12
(=) Monthly Spend per Customer	**$318**	**$191**	**$136**	**$106**	**$87**

Source: Company data, Morgan Stanley Research

AMZN: Strong AWS Revenue, Profitability and Backlog Ahead. $330 PT has ~35% Upside.

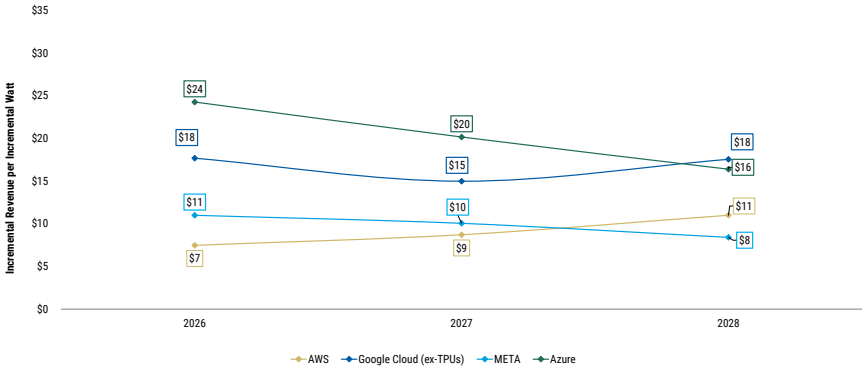
First, AMZN compute capacity is scaling nicely and likely set to drive better than expected (and priced) AWS revenue growth. Indeed, even our 35%/40% '26/'27 AWS revenue growth is arguably conservative given it only implies $7/$9 of incremental revenue/incremental watt. For more on this please see Internet: GOOGL's $50/Watt Deal and What It Signals for GOOGL, AMZN, META and GenAI ROIC (17 Jun 2026).

We also expect **AWS backlog** to rise substantially, up $110bn Q/Q in 2Q, reaching ~ $475bn due to private lab deals. This should give the market more confidence in multi-year growth durability. **We also think AWS's access to almost all of the leading models, small/medium and customized models position it as a winner in a world where optimizing token cost per task is the key.** Bedrock is a winner here. Lastly, remember that if META does indeed scale its agentic offerings, it is likely to run partially on Graviton (see here), further supporting AWS's strong AI positioning.

Please let us know if interested in our updated AWS model and backlog files.

Second, AMZN's Retail business remains (our view) an under-appreciated GenAI winner with improving algorithmic matching, a stronger ad business, and a call option for even stronger long-term unit economics with robotics (see here).

Exhibit 9: We see upward bias to forward hyperscaler revenue estimates as implied incremental revenue per incremental watt looks conservative...most notably at AWS:



Source: Company data, Morgan Stanley Research Estimates

GOOGL: Leading Full Stack AI Winner with Accelerating Cloud Business and Improving '28 Visibility...But Tactical Risk on Capacity. $415 PT has ~20% Upside: We detailed our views about GOOGL's on-prem cloud and third party TPU opportunity in Alphabet Inc.: Diving into '28 Compute Capacity, TPU Sales and Revenue to Come (29 Jun 2026). This, in our view is the key thesis driver as we model 77%/78% Google Cloud growth in 2Q:26/'26. But we also expect continued strong Search Growth (17.5%/16% growth in 2Q:26/'26)...and 11%/8% growth in '27/'28 as GOOGL continues to ship more engagement and monetization drivers.

Lastly, while Gemini 3.5 is delayed per GOOGL's timeline set at I/O, we also look for further model and productization of Gemini models in 2H to give the market further confidence in GOOGL's tech leadership and monetization positioning ahead. **One tactical risk we flag on GOOGL is we believe they are compute constrained** (see its latest rental deal with SPCX). As such, the extent to which compute constraints hold back revenue growth or the pace of product launches could be headwinds to near-term numbers and/or multiple. This seems to be less of a risk at META and AMZN.

SPCX is covered by Adam Jonas

Changes to Our Estimates

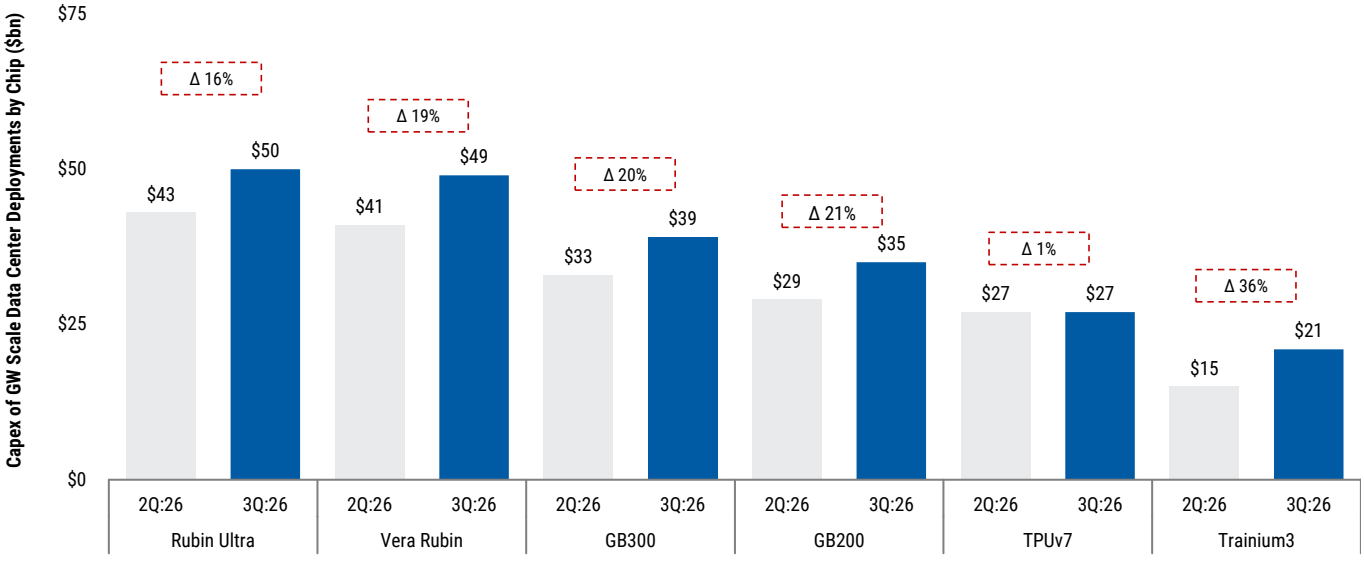
We are updating our bottom-up cost per GW framework for further inflationary pressures...which translate into a ~20% increase in GPU costs

1. Increasing Rack Costs: In Greater China Technology Hardware: Analysis of Rubin rack BOM, component content, and ODM value-added (20 May 2026), our colleagues in Asia published updated Rubin/Blackwell BOMs. Notably, due to recent price increases, memory moves from a LSD% to HSD% of our Blackwell (GB300, GB200) rack estimates and from a HSD% to ~25% of our Vera Rubin rack estimates.

2. Increasing Outside the Rack Costs: Extended lead times for electrical/mechanical equipment, building materials, limited availability of skilled labor, and moving to behind the meter power solutions are resulting in rising powered shell development costs. Leveraging industry data sources (see here, here, here and here), we now model ~$11-13mn/MW of outside the rack costs for GB200, TPU and Trainium and we estimate this moves notably higher into the ~$16-19mn/MW for next gen GB300, Vera Rubin and Rubin Ultra. Admittedly, we were too low on our prior outside the rack estimates (~$10mn/MW and lower for hyperscalers with AMZN with scale, standardized designs on conventional data centers).

Together, these changes **increase our estimated cost per GW to ~$35bn for GB200, ~$39bn for GB300, and ~$49bn for Vera Rubin**, while our custom ASIC estimates move to **~$27bn for TPUv7 and ~$20bn for Trainium3.** Please see Exhibit 10 for the changes to our cost estimates of GPU/ASIC gigawatt scale data center deployments.

Exhibit 10: We update our cost per GW across rack architectures, adjusting for increasing costs both in and outside of the rack:



Source: Company data, Morgan Stanley Research Estimates

META Model Update: Raise '27/'28 Capex by 29%/22%...As Higher Depreciation Pushes '27/'28 EPS Down 3%/7%, Maintain $775 PT, Remain OW: Flowing through our increased capex estimates ($225bn/$250bn in '27/'28), our EPS comes down by 3%/7% in '27/'28. Note we are also laying in $40bn of new debt issuance into our model to cover the capex. With that said, we are also raising our '28 revenue modestly (by 1%) given increasing confidence in more monetization of the core (engagement and monetization strong) and further next generation monetization call options (Meta AI, diffusion models, subscription revenue, neocloud, an API or compute business and more). Additionally, we roll our valuation forward to the mid-year, and applying a 23X P/E multiple on the average of our '27/'28 EPS, we maintain our $775 PT, implying ~15% upside from current levels.

Exhibit 11: META Model Estimate Changes

	2026 Prior	2027 Prior	2028 Prior	2026 Current	2027 Current	2028 Current	2026 Revision	2027 Revision	2028 Revision
Total revenue	**256,708.4**	**310,030.1**	**367,221.8**	**254,652.9**	**309,659.1**	**371,363.2**	**-0.8%**	**-0.1%**	**1.1%**
Advertising revenue	**250,261.7**	**301,728.7**	**356,890.4**	**248,206.2**	**301,357.7**	**361,031.8**	**-0.8%**	**-0.1%**	**1.2%**
Payments/other revenue	**6,446.7**	**8,301.4**	**10,331.4**	**6,446.7**	**8,301.4**	**10,331.4**	**0.0%**	**0.0%**	**0.0%**
Mobile as a % of total advertising revenue	98.3%	98.5%	98.6%	98.3%	98.5%	98.6%	(0) bp	(0) bp	(0) bp
Mobile ad revenue	245,934.3	297,115.2	351,879.5	243,913.4	296,749.5	355,962.4	-0.8%	-0.1%	1.2%
% change Y/Y							--	--	--
Cost of revenue (ex-SBC)	66,804.8	90,645.7	116,915.0	66,212.4	94,088.4	124,720.6	-0.9%	3.8%	6.7%
Gross profit	**189,903.6**	**219,384.4**	**250,306.9**	**188,440.4**	**215,570.6**	**246,642.7**	**-0.8%**	**-1.7%**	**-1.5%**
Gross margin	74.0%	70.8%	68.2%	74.0%	69.6%	66.4%	2 bp	(115) bp	(175) bp
Total operating expenses (GAAP)	**96,959.8**	**115,141.5**	**141,666.8**	**96,224.7**	**113,822.4**	**141,802.1**	**-1%**	**-1%**	**0%**
Sales and marketing (ex-SBC)	10,296.1	11,119.3	12,986.9	10,218.5	10,524.2	12,621.3	-1%	-5%	-3%
Research and development (ex-SBC)	52,610.3	67,360.7	87,131.3	52,211.5	66,680.5	87,394.8	-1%	-1%	0%
General and administrative (ex-SBC)	10,137.3	11,278.0	13,587.2	10,058.6	11,264.7	13,509.3	-1%	0%	-1%
Stock-based compensation	23,916.0	25,383.5	27,961.4	23,736.1	25,353.1	28,276.7	-1%	0%	1%
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0	NA	NA	NA
Depreciation and amortization (included in expense lines)	32,082.1	55,900.4	90,052.6	32,082.3	60,689.6	103,819.2	0%	9%	15%
Total operating expenses % of Rev									
Sales and Marketing (ex-SBC)	4.0%	3.6%	3.5%	4.0%	3.4%	3.4%	0bp	-19bp	-14bp
Research and development (ex-SBC)	20.5%	21.7%	23.7%	20.5%	21.5%	23.5%	1bp	-19bp	-19bp
General and administrative (ex-SBC)	3.9%	3.6%	3.7%	3.9%	3.6%	3.6%	0bp	0bp	-6bp
Stock-based compensation	9.3%	8.2%	7.6%	9.3%	8.2%	7.6%	0bp	0bp	0bp
Non-recurring items	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0bp	0bp	0bp
Depreciation and amortization (included in expense lines)	12.5%	18.0%	24.5%	12.6%	19.6%	28.0%	10bp	157bp	343bp
Total costs and operating expenses (GAAP) Y/Y % Change	39.2%	25.7%	25.7%	38.0%	28.0%	28.2%	(113) bp	233 bp	254 bp
Total costs and operating expenses (non-GAAP)	43.8%	29.1%	27.8%	41.8%	32.4%	30.5%	(204) bp	332 bp	267 bp
GAAP Operating Income	**92,943.8**	**104,243.0**	**108,640.1**	**92,215.7**	**101,748.3**	**104,840.6**	**-0.8%**	**-2.4%**	**-3.5%**
Margin	36%	34%	30%	36%	33%	28%			
EBITDA (adjusted)	**148,942.0**	**185,526.9**	**226,654.1**	**148,034.1**	**187,790.9**	**236,936.5**	**-0.6%**	**1.2%**	**4.5%**
EBITDA margin (adjusted)	**58.0%**	**59.8%**	**61.7%**	**58.1%**	**60.6%**	**63.8%**	11 bp	80 bp	208 bp
Incremental EBITDA margin	47.8%	68.6%	71.9%	47.9%	72.3%	79.6%	14 bp	367 bp	774 bp
EPS (GAAP)	**$32.83**	**$34.16**	**$35.79**	**$32.49**	**$32.99**	**$33.41**	**-1.0%**	**-3.4%**	**-6.7%**
Average basic shares	2,566.3	2,584.4	2,604.9	2,574.0	2,610.4	2,637.6	0%	1%	1%
Average diluted shares	2,596.7	2,614.9	2,635.7	2,604.4	2,641.3	2,668.9	0%	1%	1%
Capex	144,981.4	174,549.4	205,549.4	144,988.0	225,488.0	250,488.0	0%	29%	22%
Free Cash Flow	13,160.0	15,692.3	30,784.1	11,922.4	(29,762.2)	(2,686.0)	-9%	-290%	-109%
Free Cash Flow per Share	**$5.07**	**$6.00**	**$11.68**	**$4.58**	**-$11.27**	**-$1.01**	**-10%**	**-288%**	**-109%**

Source: Company data, Morgan Stanley Research Estimates

Exhibit 12: Rolling our Meta model forward to mid-year, we apply a 23X multiple on the average of our '27/'28 EPS to arrive at our $775 PT.

META Valuation			
	Bear	**Base**	**Bull**
'27/'28 Avg. EPS	$29.09	$33.20	$34.86
(X) P/E	15X	23X	29X
(=) Price Per Share	**$450**	**$775**	**$1,000**
% upside/(downside)	(25%)	29%	66%
Implied P/E on '26 EPS	14X	24X	31X
Implied P/E on '27 EPS	14X	23X	30X

Source: Company data, Morgan Stanley Research

AMZN Model Update: **Raise '27/'28 Capex by 15%/29%...Raise AWS '27/'28 Revenue 3%/7%...Raise '27/'28 EPS 2%/3%...Maintain $330 PT (~35% upside), Remain OW:** We

raise '27/'28 total capex to $308bn/$318bn (+15%/+29% vs. prior), driven by increased capacity estimates and increased costs of said capacity. Note, we also raise '27/'28 AWS Revenue 3%/7% vs. prior and now model 40%/36% y/y growth in '27/'28. These higher AWS revenue estimates are partially offset by higher depreciation in '27/'28 (from increasing capex), but our '27/'28 EPS still rises 2%/3% vs. prior to ~$12/$15. We maintain our $330 PT (~35% upside) and remain OW as we roll our model to mid-year. Our PT is now based on a ~25X multiple of an average of ~$13 '27/'28 EPS, which implies ~29X '27 and ~22X '28, and a ~1.4X PEG...a ~30% discount vs. peers (see Exhibit 14 & Exhibit 15).

Exhibit 13: AMZN Model Estimate Changes:

Amazon
Prior vs Current Estimates (in millions)

in millions (ex EPS) **Income Statement**	2026 Prior	2027 Prior	2028 Prior	2026 Current	2027 Current	2028 Current	2026 Revision	2027 Revision	2028 Revision
North America	467,378	510,478	554,133	469,762	514,336	560,795	1%	1%	1%
International	184,886	203,999	224,021	182,592	199,746	216,758	-1%	-2%	-3%
AWS	173,356	236,606	309,985	173,656	243,494	331,626	0%	3%	7%
Total Net Sales	**825,620**	**951,082**	**1,088,139**	**826,010**	**957,576**	**1,109,179**	**0%**	**1%**	**2%**
Y/Y % Change	15%	15%	14%	15%	16%	16%	5	73	142
Cost of Sales	399,235	435,268	474,440	397,131	433,109	470,236	-1%	0%	-1%
Gross Profit	**426,385**	**515,815**	**613,700**	**428,879**	**524,467**	**638,944**	**1%**	**2%**	**4%**
Gross Margin %	52%	54%	56%	52%	55%	58%	28	54	121
Shipping Costs	118,016	129,799	144,910	116,475	128,440	140,528	-1%	-1%	-3%
Shipping Cost per fulfilled unit	$3.75	$3.70	$3.74	$3.70	$3.70	$3.70	-1%	0%	-1%
Operating Expenses									
Fulfilment (Ex SBC)	118,914	131,948	145,447	119,671	131,773	144,175	1%	0%	-1%
Marketing (Ex SBC)	44,354	46,854	49,854	44,354	47,104	50,354	0%	1%	1%
Technology & Content (Ex SBC)	118,987	147,289	178,930	118,899	148,812	186,233	0%	1%	4%
General & Administrative (Ex SBC)	9,604	9,992	10,461	9,254	9,654	10,350	-4%	-3%	-1%
Other Operating Expenses (Ex SBC)	1,622	1,622	1,622	1,261	962	764	NM	NM	NM
Stock-Based Comp	21,060	22,310	23,560	21,060	23,560	24,810	0%	6%	5%
Total Operating Expenses	**314,541**	**360,014**	**409,875**	**314,499**	**361,865**	**416,686**	**0%**	**1%**	**2%**
Operating Income (GAAP)	**111,844**	**155,801**	**203,824**	**114,379**	**162,602**	**222,258**	**2%**	**4%**	**9%**
Operating Margin %	13.5%	16.4%	18.7%	13.8%	17.0%	20.0%	30	60	131
Depreciation and Amortization	86,573	113,708	137,026	86,660	114,842	144,847	0%	1%	6%
Total Non-Operating Income (Expense)	15,891	(1,763)	(2,363)	14,569	(5,501)	(8,760)	-8%	212%	271%
Income Before Taxes	127,735	154,038	201,462	128,949	157,100	213,498	1%	2%	6%
Income Taxes	24,151	29,125	38,092	24,353	29,849	44,835	1%	2%	18%
Net Income (GAAP)	**103,564**	**124,894**	**163,351**	**104,576**	**127,251**	**168,663**	**1%**	**2%**	**3%**
Wtd Average Diluted Shares Outstanding	10,901	11,032	11,161	10,901	11,032	11,211	0%	0%	0%
Diluted EPS (GAAP)	**$9.50**	**$11.32**	**$14.64**	**$9.59**	**$11.53**	**$15.05**	**1%**	**2%**	**3%**
Cash Capex	**208,319**	**264,040**	**244,387**	**214,831**	**304,957**	**314,831**	**3%**	**15%**	**29%**
Free Cash Flow	**(11,933)**	**(12,543)**	**58,584**	**(11,569)**	**(43,911)**	**2,877**	**3%**	**-71%**	**-95%**
Free Cash Flow per Share	**($1.09)**	**($1.14)**	**$5.25**	**($1.06)**	**($3.98)**	**$0.26**	**3%**	**-71%**	**-95%**

Source: Company data, Morgan Stanley Research Estimates

Exhibit 14: Our PT is now based on a ~25X multiple of an average of ~$13 '27/'28 EPS, which implies ~29X '27 and ~22X '28...

AMZN Valuation			
	Bear	**Base**	**Bull**
'27/'28 EPS	$12	$13	$15
(X) P/E	17x	25x	27x
Price Per Share	**$210**	**$330**	**$400**
% Upside	*-14%*	*35%*	*63%*
Implied P/E on '27 EPS	**20x**	**29x**	**32x**
Implied P/E on '28 EPS	**15x**	**22x**	**24x**

Source: Company data, Morgan Stanley Research Estimates

Exhibit 15: ...and a ~1.4X PEG, a ~30% discount vs. peers:

Peer Set	Share Price	'27 EPS	'27 EPS Growth	'27 P/E	'27 PEG
AAPL	$315	$10	18%	30x	1.7x
MSFT	$385	$22	21%	18x	0.9x
GOOGL	$356	$16	10%	22x	2.2x
META	$669	$33	2%	20x	13.1x
COST	$915	$22	9%	41x	4.4x
NFLX	$73	$5	28%	16x	0.6x
WMT	$114	$3	8%	40x	5.3x
Peer Median			**10%**	**22x**	**2.2x**
Hyperscaler Median			**10%**	**20x**	**2.0x**
AMZN @ Current Share Price	**Share Price**	**'27 EPS**	**'27 EPS Growth**	**'27 P/E**	**'27 PEG**
AMZN	**$246**	**$11.5**	**20%**	**21x**	**1.1x**
Premium/(Discount) vs. Hyper Median				**(2%)**	**(47%)**
AMZN @ $330 PT	**Share Price**	**'27 EPS**	**'27 EPS Growth**	**'27 P/E**	**'27 PEG**
AMZN	**$330**	**$11.5**	**20%**	**29x**	**1.4x**
Premium/(Discount) vs. Hyper Median				**31%**	**(29%)**

Source: Company data, Morgan Stanley Research Estimates

Financials

Exhibit 16: AMZN Income Statement

Morgan Stanley | Amazon.com model (USD millions)	2025	2026E	2027E	2028E	'25-'28 CAGR
Income Statement					
North America	426,305	469,762	514,336	560,795	10%
International	161,894	182,592	199,746	216,758	10%
AWS	128,725	173,656	243,494	331,626	37%
Total Net Sales	**716,924**	**826,010**	**957,576**	**1,109,179**	**16%**
% change Y/Y	12.4%	15.2%	15.9%	15.8%	
Two-Year Growth	23.4%	27.6%	31.1%	31.8%	
Cost of Sales (ex SBC)	355,637	397,131	433,109	470,236	10%
Gross Profit	**361,287**	**428,879**	**524,467**	**638,944**	21%
Gross Margin %	50.4%	51.9%	54.8%	57.6%	
change Y/Y in bp	141 bp	153 bp	285 bp	283 bp	
Abs change Y/Y	48,778	67,592	95,588	114,477	
Gross Profit % change Y/Y	15.6%	18.7%	22.3%	21.8%	
Two-Year Gross Profit % change Y/Y	31.0%	34.3%	41.0%	44.1%	
Operating Expenses					
Fulfilment (Ex SBC)	106,371	119,671	131,773	144,175	11%
Marketing (Ex SBC)	43,684	44,354	47,104	50,354	5%
Technology & Content (Ex SBC)	97,650	118,899	148,812	186,233	24%
General & Administrative (Ex SBC)	9,501	9,254	9,654	10,350	3%
Restructuring	7810	0	0	0	
Other Operating Expenses (Ex SBC)	4639	1261	962	764	
Stock-Based Comp	19,467	21,060	23,560	24,810	8%
Total Operating Expenses	**281,312**	**314,499**	**361,865**	**416,686**	**14%**
Operating Income (GAAP)	**79,975**	**114,379**	**162,602**	**222,258**	**41%**
Operating Margin %	11.2%	13.8%	17.0%	20.0%	
Incremental Margin Y/Y	14.4%	31.5%	36.7%	39.4%	
Total Non-Operating Income (Expense)	**17,336**	**14,569**	**-5,501**	**-8,760**	
Income Before Taxes (GAAP)	97,311	128,949	157,100	213,498	
Income Taxes (GAAP)	(19,087)	(24,353)	(29,849)	(44,835)	
Tax Rate	19.6%	18.9%	19.0%	21.0%	
Equity Income, net	-554	-19	0	0	
Net Income (GAAP)	**77,670**	**104,576**	**127,251**	**168,663**	**29%**
Wtd Average Basic Shares Outstanding	10,827	10,901	10,899	11,211	
Wtd Average Diluted Shares Outstanding	10,827	10,901	11,032	11,211	
Fully Diluted EPS (GAAP)	**$7.17**	**$9.59**	**$11.53**	**$15.05**	**28%**
% change Y/Y	30%	34%	20%	30%	

Source: Company data, Morgan Stanley Research Estimates

Exhibit 17: AMZN Balance Sheet

Balance Sheet | Amazon.com model				
(USD millions)	2025	2026E	2027E	2028E
BALANCE SHEET				
ASSETS				
Cash & Cash Equivalents	86,810	130,278	126,739	129,616
Marketable Securities	36,219	41,273	41,273	41,273
Inventories	38,325	39,709	44,175	45,537
Net Accounts Receivable & Other	67,729	89,540	118,784	145,909
Deferred Tax Assets	0	0	0	0
Total Current Assets	**229,083**	**300,800**	**330,971**	**362,335**
Fixed Assets. Gross	620,152	0	0	0
Accumulated D&A	177,073	0	0	0
Fixed Assets, Net	**443,079**	**590,081**	**780,197**	**950,181**
Deferred Tax Assets	0	0	0	0
Goodwill	23,273	23,449	23,449	23,449
Other Assets	122,607	146,282	191,850	191,850
Total Assets	**818,042**	**1,060,612**	**1,326,466**	**1,527,815**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Accounts Payable	121,909	144,206	160,423	169,472
Accrued Expenses & Other	75,520	70,178	69,591	69,004
Unearned Revenue	20,576	20,887	20,887	20,887
Interest Payable	0	0	0	0
Other Liabilities & Accrued Expenses	0	0	0	0
Current Portion of Long-Term Debt	0	0	0	0
Total Current Liabilities	**218,005**	**235,271**	**250,901**	**259,363**
	0	0	0	0
	0	0	0	0
Long-term Debt	65,648	154,133	254,133	254,133
Other Long-Term Liabilities	123,324	138,886	138,886	138,886
Total Liabilities	**406,977**	**528,291**	**643,920**	**652,383**
	0	0	0	0
STOCKHOLDERS' EQUITY	0	0	0	0
Preferred Stock	0	0	0	0
Common stock	112	113	113	113
Treasury Stock	(7,837)	(7,837)	(7,837)	(7,837)
Additional paid-in capital	140,024	143,979	143,979	143,979
Accum Other Comprehensive Inc	28,230	24,868	24,868	24,868
Retained Earnings	250,536	371,198	521,423	714,309
Total Shareholders' Equity	**411,065**	**532,321**	**682,546**	**875,432**
	0	0	0	0
Total Liabilities + Stockholders' equity	**818,042**	**1,060,612**	**1,326,466**	**1,527,815**

Source: Company data, Morgan Stanley Research Estimates

Exhibit 18: AMZN Cash Flow Statement

Cash Flow Statement | Amazon.com model				
(USD millions)	2025	2026E	2027E	2028E
Cash Flow Statement				
Operating Cash Flow				
Net Income	77,670	104,576	127,251	168,663
Adjustments:				
Depreciation and Amortization	65,756	86,660	114,842	144,847
Stock-Based Compensation	19,467	21,060	23,560	24,810
Other Operating Expense (income), net	0	0	0	0
Losses (gains) on sales of marketable securities, net	0	0	0	0
Other expense (income), net	(14,880)	(15,632)	0	0
Deferred income taxes	11,470	23,343	14,060	0
Excess tax benefit of SBC	0	0	0	0
Changes in Working Capital				
Inventories	(3,002)	(1,553)	(4,466)	(1,363)
Accounts Receivable and Other	(22,965)	(23,569)	(29,244)	(27,125)
Accounts Payable	11,231	10,720	16,217	9,049
Accrued Expenses and Other	(5,019)	(8,987)	(587)	(587)
Additions to Unearned Revenue	(214)	(587)	(587)	(587)
Amortization of Previously Unearned Revenue	0	0	0	0
Other	0	0	0	0
Total Changes in Working Capital	**(19,969)**	**(23,976)**	**(18,667)**	**(20,612)**
Total Cash Flow from Operations	**139,514**	**196,031**	**261,046**	**317,708**
Cash Flow from Investing				
Purchases of Property and Equipment, net	(128,320)	(214,831)	(304,957)	(314,831)
Acquisitions, net of cash acquired	(3,841)	(20,408)	(59,628)	0
Sales and maturities of mkrtable securites and other investments	44,386	17,686	0	0
Purchases of marketable securities and other investments	(54,770)	(23,256)	0	0
Total Cash Flow from Investing	**(142,545)**	**(240,809)**	**(364,585)**	**(314,831)**
Cash Flow from Financing				
Excess tax benefit from SBC	0	0	0	0
Proceeds from exercise of common stock	0	0	0	0
Proceeds from exercise of stock options	0	0	0	0
Repurchases of common stock, net	0	0	0	0
Proceeds from Long-term Debt and Other	24,247	53,441	0	0
Repayments of Long-term Debt and Other	(14,586)	34,385	100,000	0
Total Cash Flow from Financing	**9,661**	**87,826**	**100,000**	**0**
FX Impact on Cash	1,401	419	0	0
Net Increase/(Decrease) in Cash Flow	**8,031**	**43,468**	**(3,539)**	**2,877**
Cash at Beg of Period	78,779	86,810	130,278	126,739
Cash at End of Period	86,810	130,278	126,739	129,616

Source: Company data, Morgan Stanley Research Estimates

Exhibit 19: META Income Statement

Income Statement	2025	2026E	2027E	2028E	25-'28 CAGR
Advertising revenue	$196,174.0	$248,206.2	$301,357.7	$361,031.8	22.5%
Payments/other revenue	4,791.0	6,446.7	8,301.4	10,331.4	29.2%
Total net revenue	**$200,965**	**$254,653**	**$309,659**	**$371,363**	22.7%
Cost of revenue (ex-SBC)	35,067.7	66,212.4	94,088.4	124,720.6	52.6%
Gross profit	**$165,897**	**$188,440**	**$215,571**	**$246,643**	14.1%
Gross margin	82.6%	74.0%	69.6%	66.4%	
Sales and marketing (ex-SBC)	$10,528.2	$10,218.5	$10,524.2	$12,621.3	6.2%
Research and development (ex-SBC)	40,904.9	52,211.5	66,680.5	87,394.8	28.8%
General and administrative (ex-SBC)	10,762.2	10,058.6	11,264.7	13,509.3	7.9%
Stock-based compensation	20,426.0	23,736.1	25,353.1	28,276.7	11.5%
Non-recurring items	0.0	0.0	0.0	0.0	
Depreciation and amortization (included in expense lines)	18,616.0	32,082.3	60,689.6	103,819.2	77.3%
Total operating expenses (GAAP)	82,621.3	96,224.7	113,822.4	141,802.1	19.7%
Operating income (GAAP)	**$83,276**	**$92,216**	**$101,748**	**$104,841**	8.0%
GAAP operating margin	41.4%	36.2%	32.9%	28.2%	
Adjusted EBITDA	**$122,318**	**$148,034**	**$187,791**	**$236,936**	24.7%
Adj. EBITDA margin	60.9%	58.1%	60.6%	63.8%	
Incremental adj. EBITDA margin	56.6%	47.9%	72.3%	79.6%	
EBITDA	**$101,892**	**$124,298**	**$162,438**	**$208,660**	27.0%
EBITDA margin	50.7%	48.8%	52.5%	56.2%	
Incremental EBITDA margin	46.7%	41.7%	69.3%	74.9%	
Interest & other income/(expense), net (GAAP)	2,657.0	(3,970.5)	(1,580.0)	(2,358.4)	
Pre-tax income (GAAP)	**85,933.0**	**88,245.2**	**100,168.2**	**102,482.2**	6.0%
Income tax provision/(benefit) (GAAP)	25,475.0	3,623.1	13,021.9	13,322.7	(19.4%)
Tax rate (GAAP)	29.6%	4.1%	13.0%	13.0%	
Net income (GAAP)	**$60,458**	**$84,622**	**$87,146**	**$89,159**	13.8%
EPS (GAAP)	**$23.49**	**$32.49**	**$32.99**	**$33.41**	12.5%

Source: Company data, Morgan Stanley Research Estimates

Exhibit 20: META Balance Sheet

Meta | Balance sheet (USD millions)	2025	2026E	2027E	2028E
Balance Sheet				
Assets:				
Cash & cash equivalents	35,873.0	43,887.4	18,643.4	20,418.4
Marketable securities	45,719.0	57,754.0	57,754.0	57,754.0
Accounts receivable, net	19,769.0	24,689.7	29,457.6	34,819.1
Prepaid expenses and other current assets	7,361.0	15,845.3	18,656.7	22,919.2
Total Current Assets	**108,722.0**	**142,176.5**	**124,511.7**	**135,910.7**
Property and equipment, net	176,400.0	291,161.9	451,536.9	594,291.3
Goodwill & other intangible assets, net	25,334.0	25,479.8	25,455.8	25,431.8
Other assets	55,565.0	65,161.0	65,161.0	65,161.0
Total Assets	**366,021.0**	**523,979.1**	**666,665.4**	**820,794.7**
Liabilities:				
Accounts payable	8,894.0	29,194.2	37,494.1	49,700.9
Platform partners payable	0.0	0.0	0.0	0.0
Accrued expenses and other current liabilities	30,729.0	41,122.3	52,614.2	68,070.5
Deferred revenue & deposits	0.0	1,520.5	1,844.7	2,212.3
Capital lease obligations, current portion	2,213.0	2,414.0	2,414.0	2,414.0
Total Current Liabilities	**41,836.0**	**74,251.0**	**94,367.0**	**122,397.7**
Capital lease obligations, less current portion	22,940.0	22,859.9	18,412.6	14,474.1
Long-term debt	58,744.0	83,748.0	103,748.0	123,748.0
Other liabilities	25,258.0	20,461.0	20,461.0	20,461.0
Total Liabilities	**148,778.0**	**201,319.9**	**236,988.6**	**281,080.7**
Shareholders' Equity:				
Preferred equity	0.0	0.0	0.0	0.0
Common equity	0.0	0.0	0.0	0.0
Additional paid-in capital	95,793.0	124,541.1	149,894.1	176,310.8
Accumulated other comprehensive income	271.0	(303.0)	(303.0)	(303.0)
Retained Earnings	121,179.0	198,421.1	280,085.7	363,706.2
Total Shareholders' Equity	**217,243.0**	**322,659.2**	**429,676.9**	**539,714.0**
Total Liabilities & Shareholders' Equity	**366,021.0**	**523,979.1**	**666,665.4**	**820,794.7**

Source: Company data, Morgan Stanley Research Estimates

Exhibit 21: META Cash Flow Statement

Meta | Cash flow statement

(USD millions)	2025	2026E	2027E	2028E
Cash Flow Statement				
Operating Cash Flow:				
Net income	60,458.0	84,622.1	87,146.4	89,159.5
Depreciation & amortization	18,616.0	32,082.3	60,689.6	103,819.2
Stock-based compensation	20,426.0	23,736.1	25,353.1	28,276.7
Deferred income taxes	18,738.0	123.0	0.0	0.0
Tax benefit from stock-based compensation	0.0	0.0	0.0	0.0
Excess tax benefit from stock-based compensation	0.0	0.0	0.0	0.0
Other	(1,553.0)	8,558.0	10,000.0	8,140.0
Funds from operations	**116,685.0**	**149,121.5**	**183,189.0**	**229,395.3**
	0.0	0.0	0.0	0.0
Changes in Working Capital:				
Accounts receivable				
Prepaid expenses & other current assets	(88.0)	(7,154.3)	(2,811.4)	(4,262.5)
Other assets	(481.0)	(1,082.0)	0.0	0.0
Accounts payable	(14.0)	14,931.2	8,299.9	12,206.9
Platform partners payable	0.0	0.0	0.0	0.0
Accrued expenses & other current liabilities	1,077.0	9,838.3	11,491.9	15,456.2
Deferred revenue & deposits	0.0	1,520.5	324.2	367.6
Other liabilities	437.0	(5,173.0)	0.0	0.0
Changes in Working Capital	**(885.0)**	**7,788.9**	**12,536.8**	**18,406.6**
Operating Cash Flow	**115,800.0**	**156,910.4**	**195,725.8**	**247,802.0**
	0.0	0.0	0.0	0.0
Investing Cash Flow:				
Purchases of PP&E (Capex)				
Purchase of marketable securities	(36,929.0)	(38,978.0)	(8,000.0)	(8,000.0)
Maturities and sales of marketable securities	26,874.0	25,176.0	8,000.0	8,000.0
Investments in non-marketable equity securities	(21,206.0)	(544.0)	0.0	0.0
Acquisitions, net of cash, & purchases of intangible and other assets	(1,051.0)	(335.0)	0.0	0.0
Change in restricted cash & deposits	0.0	0.0	0.0	0.0
Investing Cash Flow	**(102,003.0)**	**(156,078.9)**	**(221,040.6)**	**(246,549.5)**
	0.0	0.0	0.0	0.0
Financing Cash Flow:				
Net proceeds from issuance of common stock				
Net proceeds from issuance of preferred stock	0.0	0.0	0.0	0.0
Proceeds from exercise of stock options	0.0	0.0	0.0	0.0
Proceeds from / (repayments of) long-term debt	29,906.0	25,000.0	20,000.0	20,000.0
Proceeds from sale & lease-back transactions	0.0	0.0	0.0	0.0
Cash dividends paid	(5,324.0)	(5,421.0)	(5,481.8)	(5,539.0)
Principal payments on capital lease obligations	(2,524.0)	(3,590.1)	(4,447.4)	(3,938.5)
Excess tax benefit from stock-based award activities	(24,028.0)	59.0	(10,000.0)	(10,000.0)
Other	(18,400.0)	(4,423.0)	0.0	0.0
Financing Cash Flow	**(20,370.0)**	**11,625.0**	**70.9**	**522.5**
Effects of FX	235.0	7.0	0.0	0.0
Beginning Cash	43,889.0	35,873.0	43,887.4	18,643.4
(+/-) Net changes in cash	(6,338.0)	12,463.4	(25,244.0)	1,775.0
(+/-) Restatements / adjustments	(1,678.0)	(4,449.0)	0.0	0.0
Ending Cash	**35,873.0**	**43,887.4**	**18,643.4**	**20,418.4**

Source: Company data, Morgan Stanley Research Estimates

Risk Reward – Space Exploration Technologies Corp. (SPCX.O)

AI's Final Frontier

PRICE TARGET $300.00

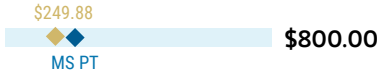
Sum-of-the-Parts by Segment: Space, Connectivity, AI (Divided into X & Grok and Enterprise AI)

- $300 Price Target = sum of Space ($8), Connectivity ($128), X & Grok ($12), Enterprise AI ($152)

2040 ending forecast period
6/30/2027 valuation date
11.1% WACC; 11.9% Cost of Equity
50% Enterprise AI valuation discount for execution risk
TGR of: 4.0% Space, 4.5% connectivity, 3.0% X & Grok, 5.0% Enterprise AI

Equates to 0.41 EV/EBIT/Growth

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

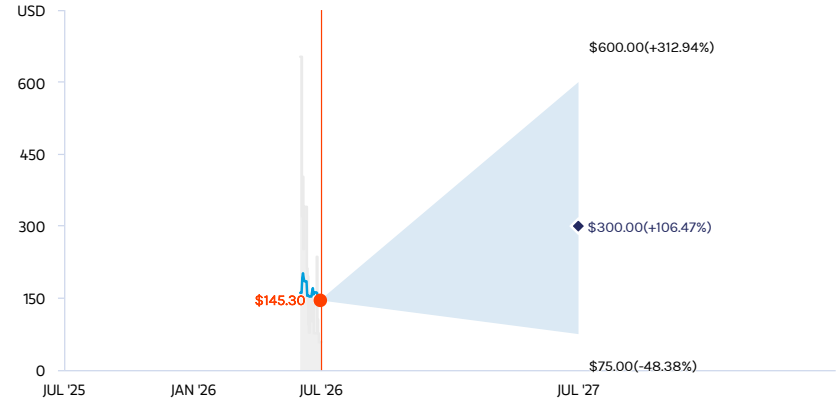
OVERWEIGHT THESIS

■ **End-to-End Infrastructure of the Future.** Positioning across AI infrastructure, global connectivity, launch cost leadership, and vertical integration can create a self-reinforcing flywheel across massive TAMs.

■ **Unlocking Leading Cost/Watt and Time-to-Power.** We believe SpaceXAI's vertical integration can drive lower cost per watt and faster deployment than traditional AI infrastructure peers, potentially driving higher revenue/watt.

■ **High Execution Risk, Massive TAM Creation.** Execution risk is among the highest versus other megacap AI enablers, but SpaceX has a path to create, penetrate, and become a leader in large new markets overlapping AI, connectivity, and space.

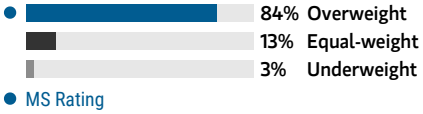
RISK REWARD CHART



Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Disruption:	*Positive*
Secular Growth:	*Positive*
Technology Diffusion:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $600.00

Infrastructure Flywheel Accelerates

Faster execution across Starship, orbital compute, and Terafab, with AI representing more than 60% of valuation. We assume Starship becomes operational in 4Q26, compute deployed rises at a 46% CAGR through 2040, and volume growth more than offsets enterprise revenue per watt declines due to compute becoming more abundant.

BASE CASE $300.00

Risk-Adjusted Scaling

Our base case gives SpaceX credit for a steep but risk-adjusted path to scale, with roughly half of valuation from Space and Connectivity and roughly half from consolidated AI. We assume Starship becomes operational in 4Q26, compute deployed rises at a 42% CAGR through 2040, and orbital compute becomes the bulk of capacity by 2032.

BEAR CASE $75.00

Space and Connectivity Downside Support

Starship delays compress the story and AI monetization and deployment speed meaningfully underperform expectations, leaving Space and Connectivity at over 90% of overall valuation. Starship does not become operational until 2029, limiting Connectivity penetration and sharply reducing the probability of scaled orbital compute (not assumed in any material quantity throughout forecast).

Risk Reward – Space Exploration Technologies Corp. (SPCX.O)

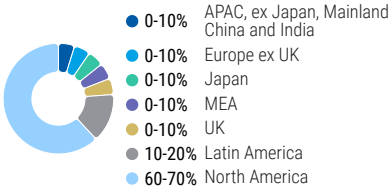
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Consumer/Business Broadband Subscribers (000s)	8,900.0	16,839.0	28,773.0	42,189.0
Total Nameplate Compute Capacity (MW)	738.0	1,980.0	4,150.0	7,960.0
Total Launches	170.0	174.0	91.0	132.0
Variable Launch Costs per kg ($)	1,044	1,060	855	837

INVESTMENT DRIVERS

- Cost / Watt of Compute
- Revenue / Watt of Compute
- Cost / kg of Mass to Orbit
- # of Starlink Subscribers

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

RISKS TO PT/RATING

RISKS TO UPSIDE

- Faster Starship reuse progress
- Faster Starlink capacity growth
- Stronger DTC / enterprise adoption
- More neocloud wins
- Cursor ARR acceleration
- Lower AI infrastructure time to power and cost

RISKS TO DOWNSIDE

- Slower Starship reuse cadence
- Slower Starlink subscriber growth
- Weaker enterprise AI monetization
- Higher capex / cost per watt of compute
- Longer time-to-power
- Greater funding needs / dilution
- Regulatory delays

OWNERSHIP POSITIONING

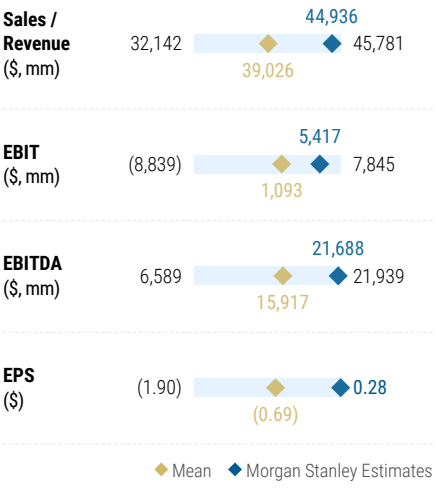
HF Sector Long/Short Ratio	2.6%
HF Sector Net Exposure	12.3x



Source: Morgan Stanley Prime Brokerage. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Source: Refinitiv, Morgan Stanley Research

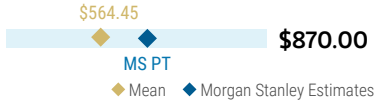
Risk Reward – Microsoft (MSFT.O)

Durability of Earnings Growth & AI Leadership Not Priced-In

PRICE TARGET $650.00

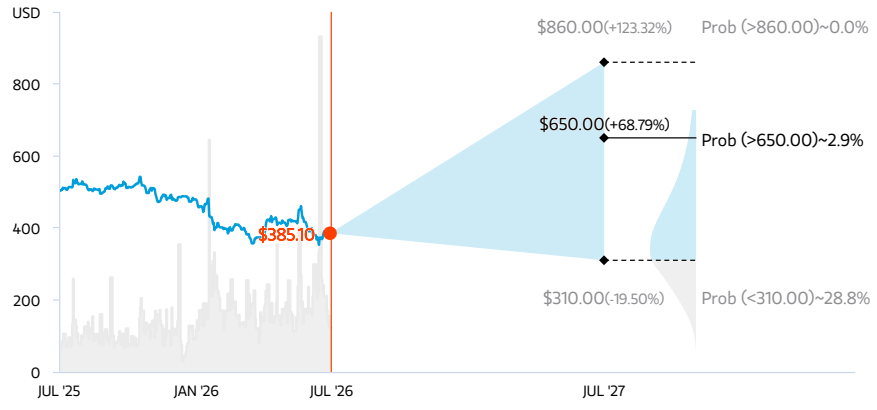
30x Base Case CY27e EPS of $21.76. 30x PE is a slight premium to large cap software peers, 1.5x PEG is relatively in line with MSFT historical PEG while a premium to peers, justified by Microsoft's strong positioning and strong execution.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



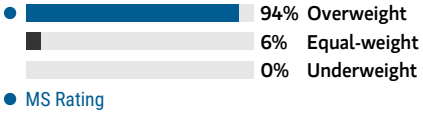
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 10 Jul 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

- Strong positioning for public cloud adoption & AI, large distribution channels and installed customer base, and expanding margins supports EPS growth. Weaker cyclical environment improves as cloud optimizations complete - LT trends remain durable.
- Teens revenue growth, opex discipline and strong capital return lead to durable mid- to high-teens total return profile long term.
- At ~30x CY27e GAAP EPS, the durability of Microsoft's earnings growth and the company's premium return profile remains underpriced. Multiple expansion and positive estimate revisions will come from greater than expected strength in commercial businesses including Azure.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era:	*Positive*
Pricing Power:	*Positive*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $860.00

~35x Bull Case CY27e EPS: $24.42

Azure, O365 & Robust Contribution from AI Drive Top-Line Growth. Acceleration in Azure growth, adoption of higher priced M365 Commercial SKUs and continued seat growth, and robust adoption of Azure AI services and Microsoft AI Copilots across business lines drive mid-teens revenue CAGR in the coming years. Operating margins expand to ~49.3% by CY27 and CY27e EPS is $24.42. ~35x PE represents a premium to large cap software peers, but roughly inline with Hist Avg PEG at ~1.4x given >20% EPS CAGR.

BASE CASE $650.00

~30x Base Case CY27e EPS of $21.76

Azure, M365 & Ramping Contribution from AI Drive Top-Line Growth. Durability of Azure growth, adoption of higher priced M365 Commercial SKUs and continued seat growth, and ramping adoption of Azure AI services & Microsoft AI Copilots across business lines drive low-teens rev CAGR ahead. Operating margins expand beyond ~47.3% by CY27 and CY27e EPS is $21.76. 30x PE is a premium to large cap software peers, given strong positioning and execution. 1.5x PEG is inline with MSFT historical PEG.

BEAR CASE $310.00

~16x Bear Case CY27e EPS: $19.70

Macro, Scale & Limited AI Adoption Drives Top-Line Growth Deceleration. Azure growth continues deceleration given scale, while M365 reaches penetration and adoption of Azure AI services & Microsoft AI Copilots across business lines remains limited. This drives low double-digit rev CAGR. Operating margins only expand to ~45.3% by CY27 from gross margin pressure and CY27e EPS is $19.70. ~16x PE is a discount to large cap software peers and a discount on a PEG.

Risk Reward – Microsoft (MSFT.O)

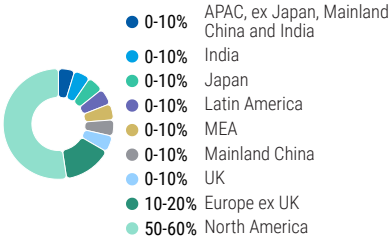
KEY EARNINGS INPUTS

Drivers	Jun 2025	Jun 2026e	Jun 2027e	Jun 2028e
Azure Revenue Growth (%)	29.7	30.2	26.4	22.4
Server Products On-Prem Growth (%)	(2.0)	(1.0)	(1.0)	(1.0)
Gross Margins (%)	68.8	67.7	66.2	65.7
Operating Margins (%)	45.6	46.6	46.9	47.7
GAAP EPS Growth (%)	15.6	27.2	13.6	22.0

INVESTMENT DRIVERS

- Sustainability of commercial growth, cloud momentum, improving cloud margins
- Improving PC data points

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

3/5 BEST	24 Month Horizon	1/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Cloud adoption accelerates, with Azure as convincing winner
- AI leadership results in substantial revenue contribution over-time
- Operational efficiencies leading to greater than anticipated economies of scale and margin expansion

RISKS TO DOWNSIDE

- Weak macro impacting IT spending
- On-premises cannibalization by Cloud
- Increased investments hurt margin expansion
- AI adoption proves limited

OWNERSHIP POSITIONING

Inst. Owners, % Active	52.5%
HF Sector Long/Short Ratio	2.1x
HF Sector Net Exposure	29.5%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Jun 2026e

Sales / Revenue ($, mm)
◆ 329,533
Note: There are not sufficient brokers supplying consensus data for this metric

EBITDA ($, mm)
◆ 196,656
Note: There are not sufficient brokers supplying consensus data for this metric

Net income ($, mm)
◆ 129,248
Note: There are not sufficient brokers supplying consensus data for this metric

EPS ($)
◆ 17.35
Note: There are not sufficient brokers supplying consensus data for this metric

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

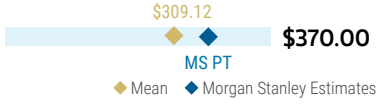
Risk Reward – Amazon.com Inc (AMZN.O)

AMZN Risk Reward

PRICE TARGET $330.00

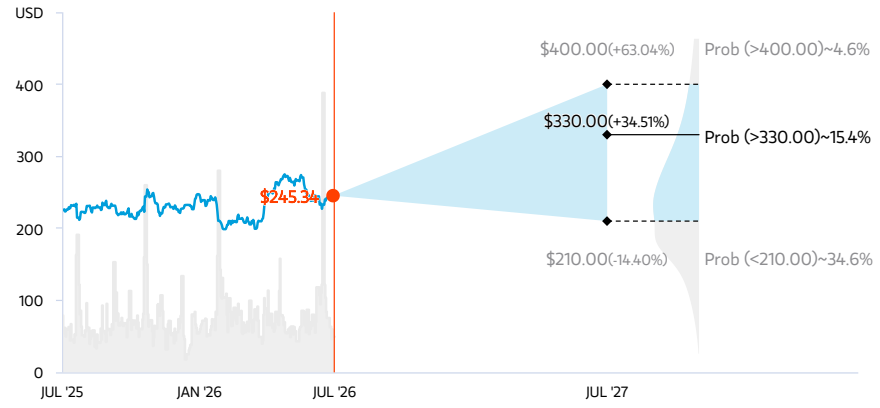
Our $330 PT is based on applying a ~25X P/E multiple to an average of our $13 of '27/'28 EPS (roll to mid-year), which implies ~29X '27 EPS and ~22X '28 EPS.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



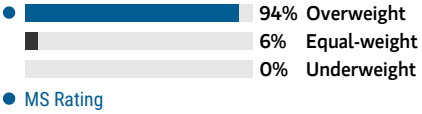
Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 10 Jul 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

- Amazon's high-margin businesses continue to allow Amazon to drive greater profitability while still continuing to invest (last mile delivery, fulfillment, Prime Now, Fresh, Prime digital content, Alexa/Echo, India, AWS, etc).
- Amazon Prime membership growth drives recurring revenue and positive mix shift.
- Cloud adoption hitting an inflection point.
- Advertising serves as a key area for both further growth potential and profitability flow-through.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth:	*Positive*
New Data Era:	*Positive*
Technology Diffusion:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $400.00

~27X an average of $15 of bull '27/'28 EPS

Our Bull case is derived from higher Revenue and EBIT margin assumptions than in our base case

BASE CASE $330.00

~25X an average of $13 of base '27/'28 EPS

Our $330 PT is based on applying a ~25X P/E multiple to an average of our $13 of '27/'28 EPS (roll to mid-year), which implies ~29X '27 EPS and ~22X '28 EPS.

BEAR CASE $210.00

~17X an average of $12 of bear '27/'28 EPS

Our Bear case is derived from lower Revenue and EBIT margin assumptions than in our base case

Risk Reward – Amazon.com Inc (AMZN.O)

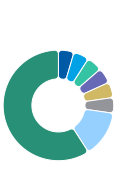
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Revenue ($, mm)	716,924	826,010	957,576	1,109,179
Gross Profit ($, mm)	361,287	428,879	524,467	638,944
GAAP EBIT ($, mm)	79,975	114,379	162,602	222,258
Paid Unit Growth (y/y) (%)	10.8	11.8	9.6	9.1
AWS Revenue Growth (%)	19.7	34.9	40.2	36.2

INVESTMENT DRIVERS

- Amazon's high-margin businesses continue to allow Amazon to drive greater profitability while still continuing to invest
- Cloud is in a multi-decade secular adoption cycle
- Amazon is gaining share in eCommerce/retail and share of consumers' wallets

GLOBAL REVENUE EXPOSURE



0-10% APAC, ex Japan, Mainland China and India
0-10% India
0-10% Japan
0-10% Latin America
0-10% Mainland China
0-10% UK
10-20% Europe ex UK
60-70% North America

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

3/5 BEST	24 Month Horizon	2/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

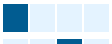
RISKS TO UPSIDE

- Faster than expected AWS rev growth and stable margin expansion
- Faster than expected Retail rev growth, stable to expanding 1P Merch Margins
- Greater than expected shipping and fulfillment leverage

RISKS TO DOWNSIDE

- Investments step up and continue for longer than expected
- Merch margins worse than expected
- AWS revenue decelerates and /or margins decline

OWNERSHIP POSITIONING

Inst. Owners, % Active	55.3%	
HF Sector Long/Short Ratio	1.7x	
HF Sector Net Exposure	11.1%	

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue ($, mm)
◆ 826,010
Note: There are not sufficient brokers supplying consensus data for this metric

EBITDA ($, mm)
◆ 223,360
Note: There are not sufficient brokers supplying consensus data for this metric

Net income ($, mm)
◆ 104,576
Note: There are not sufficient brokers supplying consensus data for this metric

EPS ($)
◆ 9.59
Note: There are not sufficient brokers supplying consensus data for this metric

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

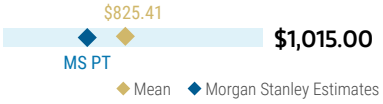
Risk Reward – Meta Platforms Inc (META.O) Top Pick

The Age of Efficiency

PRICE TARGET $775.00

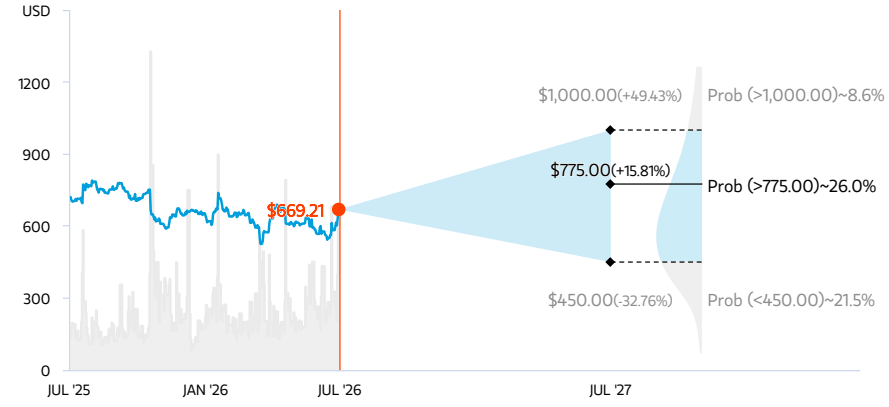
Our price target is determined using a discounted cash flow/long-term EBITDA multiple. It implies a ~23x '27 P/E Multiple. Our DCF uses an ~8% WACC and a ~3% terminal growth rate

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



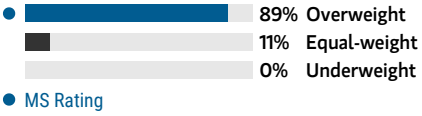
Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 10 Jul 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

- **A Structural Pivot to Focus on Multi-Year Efficiency, Productivity and Leaner Operations...** We think META's "year of efficiency" is more than just a 365 day change...but rather a structural and cultural pivot to operate leaner and with a greater focus on investor returns...even through investment.
- **Importantly, Revenue and Engagement Trends Are Also Improving Across META's Platform...** our industry and company conversations speak to progress driving incremental Reels engagement and monetization...and traction improving ad measurement/attribution in the post IDFA world.
- **3 Underappreciated "Call Options"** including 1) further AI driven upside, 2) subscription adoption and 3) click-to-message.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era:	*Positive*
Self-help:	*Positive*
Technology Diffusion:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $1,000.00

Implied ~29x blended '27/'28 P/E

AI investments drive increased engagement and lead to new products/services, which supports outsized ad monetization and revenue growth. Execution on newer offerings (like click to message) could also contribute to higher than expected growth. META could also drive further efficiency gains and be more successful in closing the Reels monetization gap.

BASE CASE $775.00

Implied ~23X base case blended '27/'28 P/E

Ad revenue grows ~27% in '26 as META's AI investments drive incremental Reels engagement/monetization and support improved performance and ad measurement/attribution across the Family of Apps. We also see META continuing to focus on efficiency and explore new ways to monetize META's extensive data center capacity.

BEAR CASE $450.00

Implied ~15x blended '27/'28 P/E

Declines in engagement and/or evidence of Reels monetization ramping more slowly than expected could lead to lower growth and greater uncertainty. We also watch for any macro uncertainty, regulation that limits META's ability to target ads, Higher capital intensity from mis-execution around the data center build widens losses with minimal ROIC. Any additional opex and capex could weigh on operating income growth and FCF.

Risk Reward – Meta Platforms Inc (META.O)

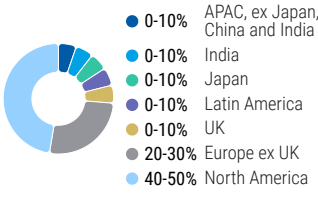
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Constant Currency % Growth (%)	22.5	26.0	22.0	19.8
Operating income (GAAP) ($, mm)	83,276	92,216	101,748	104,841
Consolidated Total Daily Active Users (mm)	2,239.9	2,294.5	2,344.5	2,389.2

INVESTMENT DRIVERS

- We are positive on META's structural pivot towards efficiency and improving revenue, engagement and Reels. We continue to monitor META's progress on call options (AI, subscriptions, click-to-message) and further investment in AI/data centers.

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

3/5 **BEST**	24 Month Horizon	2/5 **MOST**	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Faster than expected Reels monetization & higher engagement growth
- Increased benefit from AI investment
- Revenue driven by subscriptions and/or click-to-message ads
- Further efficiency improvements drive outsized FCF growth

RISKS TO DOWNSIDE

- Macro pressures/weaker consumer spend
- Regulation impacts ability to target ads
- Reality labs losses widen further
- Mis-execution risk could result in higher LT capital intensity

OWNERSHIP POSITIONING

Inst. Owners, % Active	55.5%
HF Sector Long/Short Ratio	2.6x
HF Sector Net Exposure	12.3%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue ($, mm)	237,140	254,653 / 252,713	258,240
EBITDA ($, mm)	114,318	148,034 / 142,226	170,068
Net income ($, mm)	71,171	84,622 / 83,937	93,618
EPS ($)	28.74	32.49 / 32.91	38.62

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

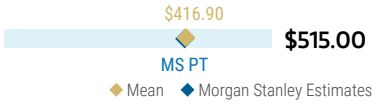
Risk Reward – Alphabet Inc. (GOOGL.O)

Alphabet Inc.

PRICE TARGET $415.00

Our $415 PT is based on applying a ~23X P/E multiple to the average of our $16/$19 EPS in '27/'28, and implies paying ~1.4X PEG, a ~25% premium to GOOGL's peer median.

Consensus Price Target Distribution

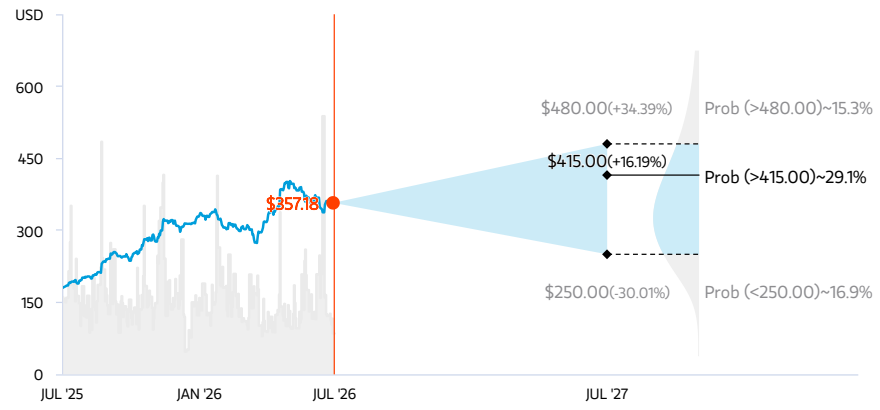


Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

- Continued AI-driven platform-level innovation on Search, YouTube, Cloud, and with other offerings improve confidence in the durability of long term growth.
- Continued expense discipline leads to operating leverage and upward revisions on EPS and FCF estimates.

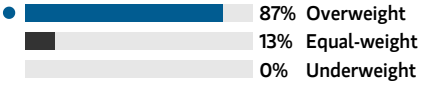
RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 10 Jul 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth:	*Positive*
New Data Era:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $480.00

~26X Avg. '27/'28 Bull Case EPS of ~$17/~$20

Faster innovation and Search/GCP acceleration lead to multiple expansion and higher earnings power. Search revenue accelerates as AI-driven innovation delivers meaningful upside to engagement. New AI offerings prove incremental to the top and bottom line and don't cannibalize core Search. YouTube and Cloud become even bigger contributors to top-line growth, and operate at a higher margin than in our base case.

BASE CASE $415.00

~23X Avg. '27/'28 Base Case EPS of ~$16/~$19

Assumes pragmatic search revenue growth in '26, continued incremental platform monetization and Google Cloud acceleration in '26. As GOOGL continues platform-level innovation on Search and other categories, we assume pragmatic revenue/EBITDA growth. GOOGL introduces new AI offerings which increase confidence in the durability of long term growth and calm fears around competition. Google Cloud accelerates driven by new partnerships and growing backlog.

BEAR CASE $250.00

~15X Avg. '27/'28 Bear Case EPS of ~$15/~$17

Global ad growth slows further and margins face pressure. Assumes slower search advertising growth, and that ad spending slows further. Expense discipline fails to materialize leading to lower than expected margin expansion and adj. EBITDA. New AI products create greater than expected margin pressure due to lower monetization rates and increased compute intensity.

Risk Reward – Alphabet Inc. (GOOGL.O)

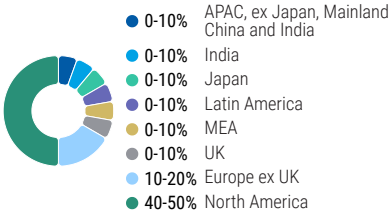
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Total operating income (GAAP) ($, mm)	129,039	180,661	241,916	289,181
GAAP Operating Income (Loss) ($, mm)	137,054	188,136	249,116	295,731

INVESTMENT DRIVERS

- Search advertising spend continues to gain share of global advertising budgets.
- Mobile search advertising continues to take share of online budgets.
- Investments in video driving longer-term monetization at YouTube.
- Moderation of expense growth.

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

4/5 BEST	24 Month Horizon	3/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- New products generate higher than expected top line contribution.
- Capital returns through greater share buybacks.
- Hiring and/or spend per headcount is lower than expected.

RISKS TO DOWNSIDE

- High exposure to SMB and travel could pressure ad revenue in a recession
- Improved disclosure around the Google and Other Alphabet segments may not decrease the overall investment activity of the business.

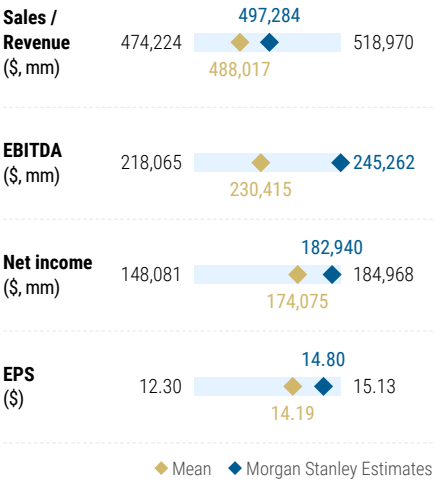
OWNERSHIP POSITIONING

Inst. Owners, % Active	55.9%
HF Sector Long/Short Ratio	2.6x
HF Sector Net Exposure	12.3%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Source: Refinitiv, Morgan Stanley Research



Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

Disclosure Section

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For valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 800 303-2495; Hong Kong +852 2848-5999; Latin America +1 718 754-5444 (U.S.); London +44 (0)20-7425-8169; Singapore +65 6834-6860; Sydney +61 (0)2-9770-1505; Tokyo +81 (0)3-6836-9000. Alternatively you may contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY 10036 USA.

Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Brian Nowak, CFA.

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As of June 30, 2026, Morgan Stanley beneficially owned 1% or more of a class of common equity securities of the following companies covered in Morgan Stanley Research: Airbnb Inc, Alphabet Inc., Amazon.com Inc, AppLovin Corp, Booking Holdings Inc, Chewy Inc, Criteo SA, DoorDash Inc, DoubleVerify Holdings Inc, Duolingo Inc, eBay Inc, Electronic Arts Inc, Etsy Inc, Expedia Inc., Grindr Inc., Instacart, Lyft Inc, Match Group Inc, Meta Platforms Inc, Microsoft, MNTN Inc, Opendoor Technologies Inc, Peloton Interactive, Inc., Pinterest Inc, Reddit Inc, Roblox Corporation, Shutterstock Inc, Take-Two Interactive Software, Trade Desk Inc, Uber Technologies Inc, Unity Software Inc, Webtoon Entertainment Inc, Yelp Inc, Zillow Group Inc.

Within the last 12 months, Morgan Stanley managed or co-managed a public offering (or 144A offering) of securities of Airbnb Inc, Alphabet Inc., Amazon.com Inc, Compass, Inc., eBay Inc, Liftoff Mobile Inc., Match Group Inc, Meta Platforms Inc, Space Exploration Technologies Corp., Uber Technologies Inc.

Within the last 12 months, Morgan Stanley has received compensation for investment banking services from Airbnb Inc, Alphabet Inc., Amazon.com Inc, Chewy Inc, DoorDash Inc, eBay Inc, Instacart, Liftoff Mobile Inc., Match Group Inc, Meta Platforms Inc, Microsoft, Space Exploration Technologies Corp., Uber Technologies Inc.

In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from Airbnb Inc, Alphabet Inc., Amazon.com Inc, AppLovin Corp, Booking Holdings Inc, Bumble Inc., Chewy Inc, Criteo SA, DoorDash Inc, DoubleVerify Holdings Inc, Duolingo Inc, eBay Inc, Electronic Arts Inc, Etsy Inc, Expedia Inc., FIGS, Inc., Instacart, Liftoff Mobile Inc., Lyft Inc, Match Group Inc, Meta Platforms Inc, Microsoft, MNTN Inc, Opendoor Technologies Inc, Peloton Interactive, Inc., Pinterest Inc, Playtika Holding Corp, Reddit Inc, Revolve Group Inc, Roblox Corporation, Shutterstock Inc, Snap Inc., Space Exploration Technologies Corp., Take-Two Interactive Software, Trade Desk Inc, Uber Technologies Inc, Unity Software Inc, Webtoon Entertainment Inc, Yelp Inc, Zillow Group Inc.

Within the last 12 months, Morgan Stanley has received compensation for products and services other than investment banking services from Airbnb Inc, Alphabet Inc., Amazon.com Inc, AppLovin Corp, Booking Holdings Inc, Chewy Inc, DoorDash Inc, eBay Inc, Electronic Arts Inc, Expedia Inc., Instacart, Liftoff Mobile Inc., Match Group Inc, Meta Platforms Inc, Microsoft, Peloton Interactive, Inc., Pinterest Inc, Playtika Holding Corp, Reddit Inc, Revolve Group Inc, Snap Inc., Space Exploration Technologies Corp., Take-Two Interactive Software, Uber Technologies Inc, Unity Software Inc, WW International Inc, Zillow Group Inc.

Within the last 12 months, Morgan Stanley has provided or is providing investment banking services to, or has an investment banking client relationship with, the following company: Airbnb Inc, Alphabet Inc., Amazon.com Inc, AppLovin Corp, Booking Holdings Inc, Bumble Inc., Chewy Inc, Compass, Inc., Criteo SA, DoorDash Inc, DoubleVerify Holdings Inc, Duolingo Inc, eBay Inc, Electronic Arts Inc, Etsy Inc, Expedia Inc., FIGS, Inc., Instacart, Liftoff Mobile Inc., Lyft Inc, Match Group Inc, Meta Platforms Inc, Microsoft, MNTN Inc, Opendoor Technologies Inc, Peloton Interactive, Inc., Pinterest Inc, Playtika Holding Corp, Reddit Inc, Revolve Group Inc, Roblox Corporation, Shutterstock Inc, Snap Inc., Space Exploration Technologies Corp., Take-Two Interactive Software, Trade Desk Inc, Uber Technologies Inc, Unity Software Inc, Webtoon Entertainment Inc, Yelp Inc, Zillow Group Inc.

Within the last 12 months, Morgan Stanley has either provided or is providing non-investment banking, securities-related services to and/or in the past has entered into an agreement to provide services or has a client relationship with the following company: Airbnb Inc, Alphabet Inc., Amazon.com Inc, AppLovin Corp, Booking Holdings Inc, Chewy Inc, DoorDash Inc, eBay Inc, Electronic Arts Inc, Etsy Inc, Expedia Inc., Instacart, Liftoff Mobile Inc., Lyft Inc, Match Group Inc, Meta Platforms Inc, Microsoft, Opendoor Technologies Inc, Peloton Interactive, Inc., Pinterest Inc, Playtika Holding Corp, Reddit Inc, Revolve Group Inc, Snap Inc., Space Exploration Technologies Corp., Take-Two Interactive Software, Uber Technologies Inc, Unity Software Inc, WW International Inc, Zillow Group Inc.

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Morgan Stanley & Co. LLC makes a market in the securities of Bumble Inc., Criteo SA, DoubleVerify Holdings Inc, Expedia Inc., FIGS, Inc., Grindr Inc., Playtika Holding Corp, Revolve Group Inc, Shutterstock Inc, Space Exploration Technologies Corp., Webtoon Entertainment Inc, Yelp Inc, Zillow Group Inc.

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Morgan Stanley uses a relative rating system using terms such as Overweight, Equal-weight, Not-Rated or Underweight (see definitions below). Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold and sell. Investors should carefully read the definitions of all ratings used in Morgan Stanley Research. In addition, since Morgan Stanley Research contains more complete information concerning the analyst's views, investors should carefully read Morgan Stanley Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

Global Stock Ratings Distribution

(as of June 30, 2026)

The Stock Ratings described below apply to Morgan Stanley's Fundamental Equity Research and do not apply to Debt Research produced by the Firm.

For disclosure purposes only (in accordance with FINRA requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1544	42%	453	49%	29%	757	44%
Equal-weight/Hold	1577	43%	390	42%	25%	769	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	544	15%	89	10%	16%	204	12%
Total	3,668		933			1731	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

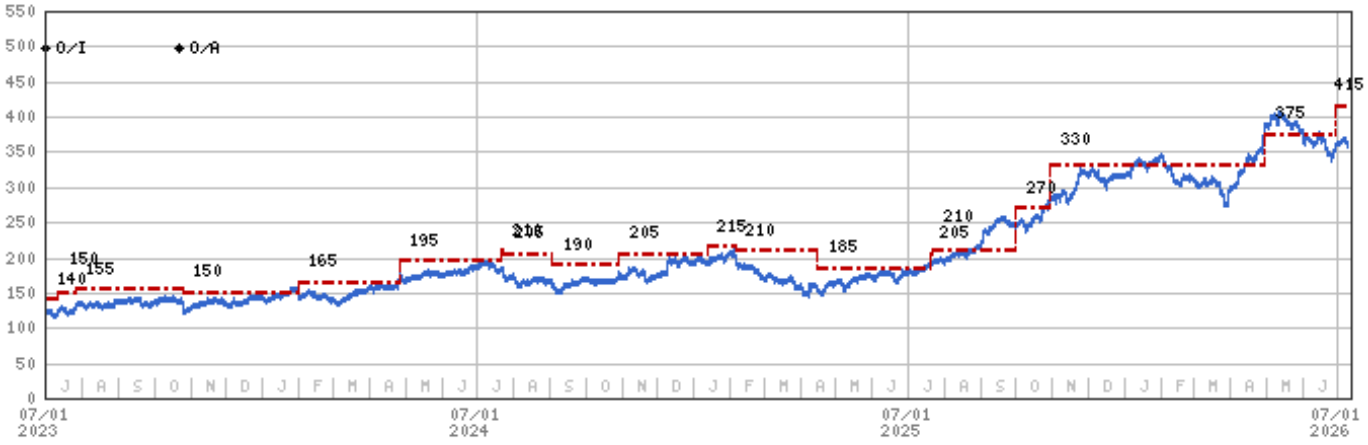
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Stock Price, Price Target and Rating History (See Rating Definitions)

Alphabet Inc. (GOOGL.O) - As of 07/12/26 GMT in USD
Industry : Internet



Stock Rating History: 7/1/21 : O/I; 10/22/23 : O/A

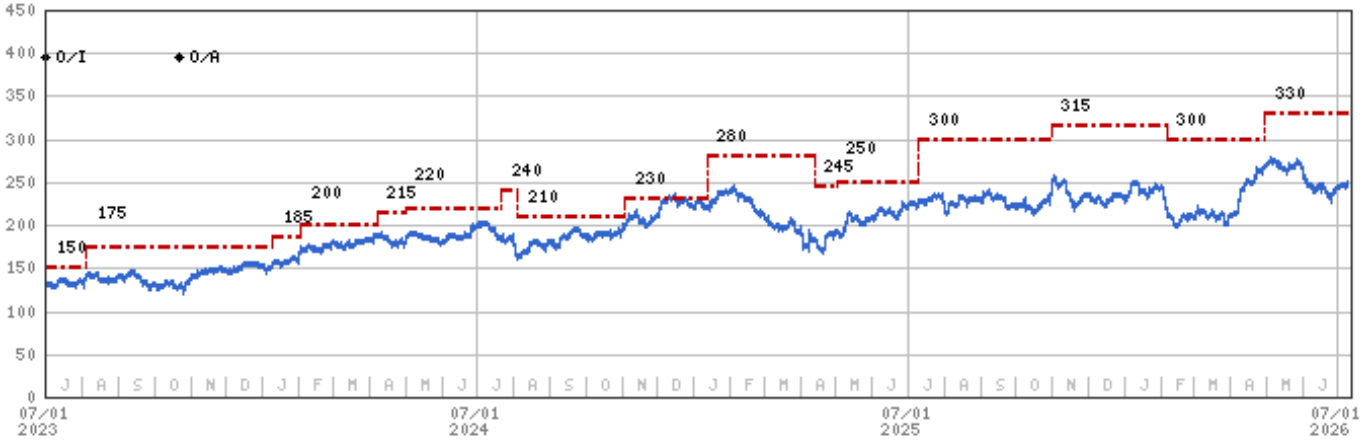
Price Target History: 4/28/21 : 128.75; 7/27/21 : 150; 11/1/21 : 160; 1/19/22 : 171.5; 2/2/22 : 172.5; 4/27/22 : 163.5; 5/31/22 : 150; 7/18/22 : 140; 7/27/22 : 145; 10/9/22 : 135; 10/26/22 : 125; 11/14/22 : 120; 1/17/23 : 125; 2/3/23 : 135; 4/25/23 : 140; 7/12/23 : 150; 7/26/23 : 155; 10/25/23 : 150; 1/31/24 : 165; 4/26/24 : 195; 7/22/24 : 210; 7/24/24 : 205; 9/2/24 : 190; 10/30/24 : 205; 1/12/25 : 215; 2/5/25 : 210; 4/16/25 : 185; 7/20/25 : 205; 7/23/25 : 210; 10/1/25 : 270; 10/30/25 : 330; 4/30/26 : 375; 6/29/26 : 415

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Amazon.com Inc (AMZN.O) - As of 07/12/26 GMT in USD
Industry : Internet



Stock Rating History: 7/1/21 : O/I; 10/22/23 : O/A

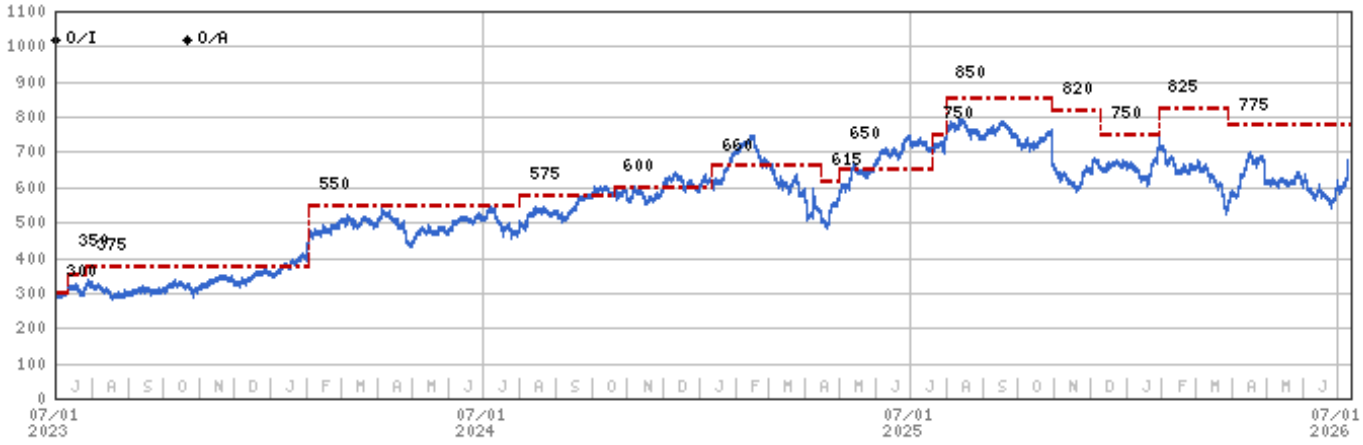
Price Target History: 4/30/21 : 225; 7/30/21 : 215; 9/26/21 : 205; 10/29/21 : 200; 1/10/22 : 210; 4/29/22 : 190; 5/31/22 : 175; 10/28/22 : 140; 2/3/23 : 150; 8/4/23 : 175; 1/10/24 : 185; 2/2/24 : 200; 4/7/24 : 215; 5/1/24 : 220; 7/22/24 : 240; 8/5/24 : 210; 11/3/24 : 230; 1/12/25 : 280; 4/13/25 : 245; 5/2/25 : 250; 7/10/25 : 300; 10/31/25 : 315; 2/6/26 : 300; 4/30/26 : 330

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Meta Platforms Inc (META.O) - As of 07/12/26 GMT in USD
Industry : Internet



Stock Rating History: 7/1/21 : O/I; 10/27/22 : E/I; 3/20/23 : O/I; 10/22/23 : O/A

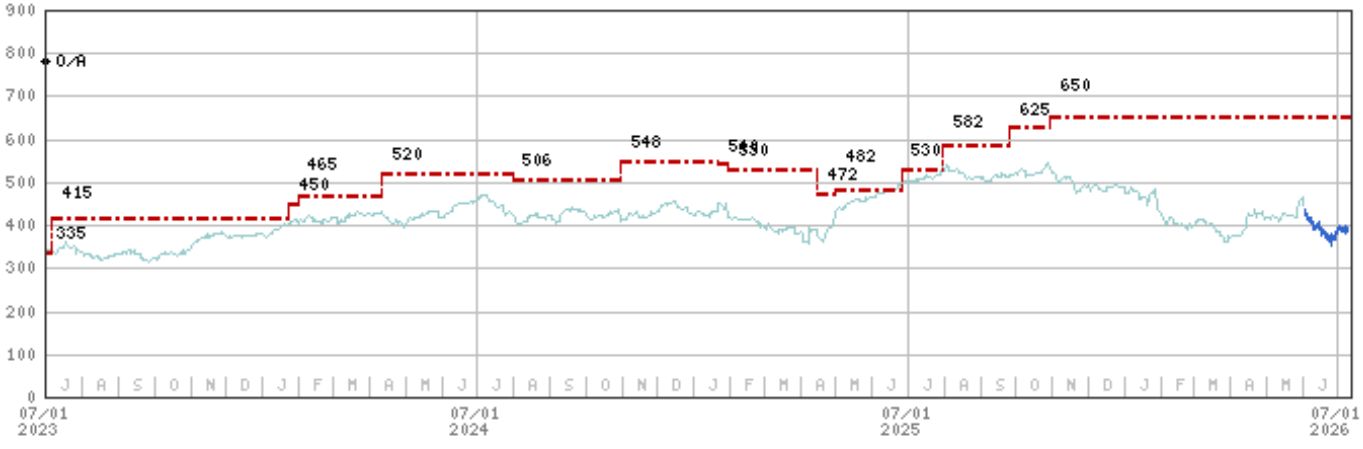
Price Target History: 4/29/21 : 375; 7/28/21 : 400; 10/26/21 : 365; 1/19/22 : 395; 2/3/22 : 360; 3/2/22 : 325; 4/28/22 : 330; 5/31/22 : 300; 7/18/22 : 280; 8/18/22 : 225; 10/9/22 : 205; 10/27/22 : 105; 11/14/22 : 100; 1/17/23 : 130; 2/2/23 : 190; 3/20/23 : 250; 4/26/23 : 300; 7/12/23 : 350; 7/27/23 : 375; 2/2/24 : 550; 7/31/24 : 575; 10/20/24 : 600; 1/12/25 : 660; 4/16/25 : 615; 5/1/25 : 650; 7/20/25 : 750; 7/31/25 : 850; 10/30/25 : 820; 12/10/25 : 750; 1/29/26 : 825; 3/29/26 : 775

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -·- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ▬
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Microsoft (MSFT.O) - As of 07/12/26 GMT in USD
Industry : Software



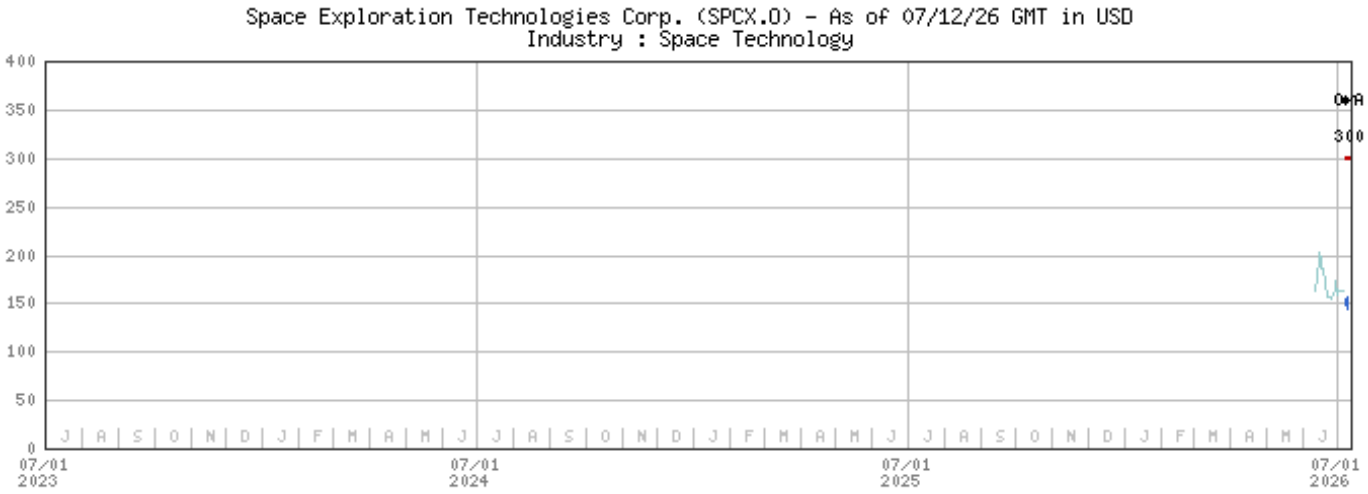
Stock Rating History: 7/1/21 : O/A

Price Target History: 4/28/21 : 300; 7/28/21 : 305; 9/14/21 : 331; 10/27/21 : 364; 1/26/22 : 372; 7/12/22 : 354; 10/14/22 : 325; 10/26/22 : 307; 4/26/23 : 335; 7/6/23 : 415; 1/23/24 : 450; 1/31/24 : 465; 4/11/24 : 520; 7/31/24 : 506; 10/31/24 : 548; 1/22/25 : 540; 1/30/25 : 530; 4/15/25 : 472; 5/1/25 : 482; 6/26/25 : 530; 7/31/25 : 582; 9/26/25 : 625; 10/30/25 : 650

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -·- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ▬
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.



Stock Rating History: 7/7/26 : O/A

Price Target History: 7/7/26 : 300

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)

Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)

Stock and Industry Ratings (abbreviations below) appear as • Stock Rating/Industry View

Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)

Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: Internet

COMPANY (TICKER)	RATING (AS OF)	PRICE* (07/10/2026)
Brian Nowak, CFA		
Airbnb Inc (ABNB.O)	U (12/06/2022)	$148.62
Alphabet Inc. (GOOGL.O)	O (08/11/2015)	$357.18
Amazon.com Inc (AMZN.O)	O (04/24/2015)	$245.34
Booking Holdings Inc (BKNG.O)	O (02/23/2026)	$178.39
DoorDash Inc (DASH.O)	O (02/21/2024)	$191.82
Expedia Inc. (EXPE.O)	E (01/09/2019)	$270.83
Instacart (CART.O)	E (01/29/2024)	$48.39
Lyft Inc (LYFT.O)	E (10/24/2019)	$15.61
Meta Platforms Inc (META.O)	O (03/20/2023)	$669.21
Pinterest Inc (PINS.N)	O (07/20/2025)	$22.52
Reddit Inc (RDDT.N)	O (12/08/2024)	$195.34
Snap Inc. (SNAP.N)	E (07/22/2024)	$4.68
Uber Technologies Inc (UBER.N)	O (06/04/2019)	$74.54
Matthew Cost		
AppLovin Corp (APP.O)	O (04/10/2025)	$506.98
Compass, Inc. (COMP.N)	E (01/12/2026)	$11.72
Criteo SA (CRTO.O)	E (01/26/2016)	$22.88
DoubleVerify Holdings Inc (DV.N)	E (06/25/2024)	$11.67
Electronic Arts Inc (EA.O)	E (08/04/2021)	$206.41
Liftoff Mobile Inc. (LFTO.O)	E (06/29/2026)	$24.83
MNTN Inc (MNTN.N)	E (06/16/2025)	$10.50
Opendoor Technologies Inc (OPEN.O)	E (07/24/2023)	$4.77
Playtika Holding Corp (PLTK.O)	E (11/27/2022)	$3.83
Roblox Corporation (RBLX.N)	O (11/04/2024)	$55.35
Shutterstock Inc (SSTK.N)	E (07/28/2022)	$8.49
Take-Two Interactive Software (TTWO.O)	O (02/01/2018)	$243.20
Trade Desk Inc (TTD.O)	E (09/10/2025)	$19.53
Unity Software Inc (U.N)	O (09/02/2024)	$30.89
Webtoon Entertainment Inc (WBTN.O)	E (07/22/2024)	$11.54
Yelp Inc (YELP.N)	U (01/10/2019)	$25.81

Zillow Group Inc (Z.O)	E (04/18/2018)	$32.19
Nathan Feather		
Bumble Inc. (BMBL.O)	E (03/08/2021)	$3.03
Chewy Inc (CHWY.N)	O (10/31/2023)	$20.88
Duolingo Inc (DUOL.O)	E (02/27/2026)	$124.76
eBay Inc (EBAY.O)	O (04/18/2024)	$117.20
Etsy Inc (ETSY.N)	E (07/20/2025)	$81.05
FIGS, Inc. (FIGS.N)	E (02/29/2024)	$10.04
Grindr Inc. (GRND.N)	O (07/01/2026)	$15.69
Match Group Inc (MTCH.O)	E (04/18/2024)	$38.85
Peloton Interactive, Inc. (PTON.O)	E (03/14/2022)	$5.86
Revolve Group Inc (RVLV.N)	E (10/20/2024)	$23.93
WW International Inc (WW.O)	E (08/01/2025)	$15.40

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