Amazon.com

AWS Margins Are the Next Area of Focus

Equities

Americas

Internet Services

12-month rating **Buy**

12m price target	**US$348.00**
	Prior : US$318.00
Price (23 Oct 2026)	**US$248.00**

RIC: AMZN.O **BBG:** AMZN US

Trading data and key metrics

52-wk range	US$284.02-198.79
Market cap.	US$2,604b
Shares o/s	10,500m (COM)
Free float	80%
Avg. daily volume ('000)	38,906
Avg. daily value (m)	US$10,006.4
Common s/h equity (12/26E)	US$602b
P/BV (12/26E)	4.5x
Net debt to EBITDA (12/26E)	1.2x

EPS (UBS, diluted) (USD)

	12/26E			
	From	To	% ch	Cons.
Q1	3.20	3.20	0	2.78
Q2	6.31	6.31	0	5.75
Q3E	2.33	2.42	4	1.96
Q4E	3.05	3.00	-1	2.46
12/26E	14.88	14.93	0	12.81
12/27E	17.08	15.63	-9	10.62
12/28E	25.58	21.07	-18	14.26

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Key takeaways

We preview Amazon's 3Q26 results, which it will report on Oct 29. We raise our price target to $348 from $318 as we make numerous changes to our estimates - including higher CapEx for 2027 and beyond. The #1 question we receive on AMZN shares is the lack of follow-through post 2Q26 results. We think this is due to investors pricing in higher CapEx estimates for 2027 (from ~$250B prev. to $300B+) to arrive at zero or negative FCF. While investor expectations for AWS revenue YOY growth have now caught up to where we are, where we still diverge vs consensus most meaningfully is segment operating margin: 46% vs 38% for 2027. The pushback that our margin forecast is too high is straightforward: AI workloads are lower margin. Our answer is equally as straightforward: they cannot spend the revenue dollars fast enough. AWS is set to add an incremental ~$80B of revenue and ~$20B in D&A expenses - hence in order for margin to remain at 2Q26's ~39%, Amazon has to incur ~$29B in incremental SG&A expenses. While this is possible, we argue that it will need to spend at 3x the velocity of what it is set to spend in 2026 on personnel or other items.

We therefore believe that investors will be forced to raise margin forecasts as Amazon reports each successive quarter, driving what should be higher EPS and FCF forecasts for 2027 and beyond. And at 18x our updated 2027E EPS, there is still significant room for the stock to outperform, as we do not believe a premium asset such as this should be at a discount to the market multiple.

We maintain our Buy rating with our thesis centered on the following:

- Ongoing prospects for AWS growth acceleration in 2026 and into 2027 as the company brings on incremental capacity
- Potentially faster GMV growth and share gains due to greater service levels, namely expansion of Same-Day delivery and intensifying efforts into groceries
- Faster margin expansion in e-commerce due to improving unit economics as units growth continues to outpace cost
- Higher-margin revenue potential from Prime Video with ads catalyzed by its rolodex of partnerships alongside live sports as the service continues to scale globally

Valuation:

We raise our price target to $348 (from $318) on a 20x Price to Earnings multiple (from 30x P/FCF prior which implied ~15x P/E) as we now apply a 20x multiple on our 4Q27E-3Q28E estimate of $17.39.

Highlights (US$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenues	574,785	637,959	716,924	824,420	963,456	1,132,223	1,319,512	1,518,025
EBIT (UBS)	60,875	90,604	99,442	129,473	200,062	273,196	357,726	445,767
Net earnings (UBS)	55,227	82,123	102,330	162,902	171,951	233,729	308,914	390,355
EPS (UBS, diluted) (US$)	5.26	7.66	9.45	14.93	15.63	21.07	27.62	34.58
DPS (net) (US$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	(135,611)	(130,900)	(152,987)	(258,454)	(255,306)	(250,933)	(255,422)	(253,382)
Profitability/valuation	**12/23**	**12/24**	**12/25**	**12/26E**	**12/27E**	**12/28E**	**12/29E**	**12/30E**
EBIT (UBS) margin %	10.6	14.2	13.9	15.7	20.8	24.1	27.1	29.4
ROIC (EBIT) %	19.5	24.0	20.3	18.2	21.0	23.3	24.4	24.2
EV/EBITDA (UBS core) x	12.6	14.2	14.4	13.2	9.2	6.9	5.3	4.3
P/E (UBS, diluted) x	23.1	24.1	23.0	16.6	15.9	11.8	9.0	7.2
Equity FCF (UBS) yield %	3.0	2.0	0.6	(0.1)	0.0	2.0	5.5	9.9
Dividend yield (net) %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$ 248.00 on 23-Oct-2026

This report has been prepared by UBS Securities LLC. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 16.**

Investment Case: AWS Margins Are the Next Area of Focus

We preview Amazon's 3Q26 results, which it will report on October 29. We have made a significant number of updates to our model, including its capital structure. Our price target moves to $348 from $318 as we move our valuation methodology to Price to Earnings from Price to Free Cash Flow prior. We maintain our Buy rating.

Where We Still Diverge versus Consensus and Investor Expectations: AWS Margins

When we originally published our expectations for +38% YOY growth for AWS earlier this year, the investor feedback (sometimes vehement) was that it is decidedly nonconsensus. That said, given the ramp in revenue backlog that we have all observed over the 1Q26 and 2Q26 results, investors now widely expect a near 40% 2026-exiting growth rate. In other words, the market has already priced in the revenue generation potential.

That said, where we still diverge versus investor expectations are for AWS operating margin - which in our updated forecast stands at 46% for 2027 versus the ~39% in 3Q26. The pushback that our margin forecast is too high is straightforward: AI workloads are lower margin. Our answer is equally as straightforward: they cannot spend the revenue dollars fast enough. AWS is set to add ~$80B of incremental revenue in 2027, and incremental D&A expenses are $20B (with our updated CapEx estimate standing at $312B for 2027) - hence in order for incremental margin to even remain at ~39%, Amazon has to incur some ~$29B in incremental SG&A expenses. While this is certainly possible, we would argue that it will have to figure out a way to spend at 3x the velocity of what they are set to spent in 2026 (AWS is set to add ~$9B in 2026) - in personnel or other expenses. We therefore believe that investors will be forced to raise margin forecast as Amazon reports each successive quarter, driving what should be higher EPS and FCF forecasts for 2027 and beyond.

Switching over to our estimates, we have added incremental granularity to our backlog stacking analysis (originally published in May and refined since then) as new contract agreements have become public. We are modeling 40% YOY growth for AWS in 3Q26 and 40.6% in 4Q26. We should see incremental acceleration heading into 1Q27 as some of the backlog that was contingent on Trainium usage start to convert to revenue. And against a backdrop of rising memory and component pricing alongside demand, we have once again raised our Capital Expenditures forecasts by 17.8% in 2027 and 23.1% in 2028 respectively as we have already done for the other Internet megacap names.

We once again remind investors that there may be some variability in any given quarter regarding revenue growth and margin expansion but we believe that the ultimate direction of incremental acceleration for the balance of the year and into 2027 remains valid.

Factoring in Rates and Other Potential E-Commerce Headwinds into 2027 and 2028

In the near term, feedback from our checks (particular our ad expert calls) suggests to us that there has not been a material shift in consumer spend intent heading into the Holidays. That said, we also want to be respectful of higher interest rates and gas prices - hence for the time being we think it is prudent to assume what may be more linear growth in GMV (both 1P and 3P) dollars for 2027 and into 2028 - in other words, no incremental benefit from faster delivery.

We further assume elevated shipping and fulfillment costs within the COGS and Fulfillment Expense lines given the headwinds from the Middle East / Iran War conflict have lingered and then deteriorated further through 3Q26.

Ad Dollars Ramp Driven by Strength in CTV and DSP

As we note in our latest ad expert compilation note (US Internet "3Q26 Online Advertising Expert Calls Compilation: Beat and Raise Despite Pockets of Weak Demand" published October 5, 2026), we caught up with 7 experts who have visibility into $9B+ in digital advertising spend. As a reminder, our experts are heavily skewed towards the US market with comparatively larger advertisers which could result in some distorted views. We present simple averages (not weighted) from their 3Q26 spend as well as initial projections for 4Q26 and updated forecasts for FY26.

Note that the averages have been adjusted in the event that an expert did not provide historical values which may cause some disconnect with previously published figures. Please reach out to the US Internet team if you would like a copy of the consolidated data set.

Figure 1: Amazon.com, Inc. - 3Q26, 4Q26, and 2026 YOY Ad Budget Growth Estimates from Ad Expert Checks

	3Q26E	3Q26A	Δ bps	3Q26A	4Q26E	Δ bps	Old 2026E	2026E	Δ bps
Total Digital	**12.3%**	**13.0%**	**70**	**13.0%**	**12.8%**	**-19**	**12.8%**	**13.1%**	**28**
AMZN	**18.0%**	**18.8%**	**84**	**18.8%**	**17.9%**	**-88**	**18.6%**	**18.7%**	**5**
Sponsored Ads	17.4%	17.8%	43	17.8%	18.1%	22	17.3%	17.8%	48
CTV & DSP	22.8%	24.6%	180	24.6%	22.8%	-185	22.2%	22.8%	63

Source: UBS estimates; Note: The number of experts contributing to each data point might differ and aggregates views are not statistically significant.

Overall Amazon once again outperformed vs expectations in the quarter. The beat was driven by CTV and its DSP which came in 180bps higher while Sponsored Ads 43bps above the forecast. On the former, its DSP and CTV continues to benefit from the size and reach of Prime Video as advertisers leverage its 1P shopping data alongside increased availability of external inventory. Favorable platform fees also makes it easier for advertisers to justify the rotation of budgets from other platforms, namely the The Trade Desk, which continues to cede share to Amazon. And despite the uncertain backdrop alongside pull forward of spend around the June Prime Day, the more modest beat in Sponsored Ads was driven by resilient strength in commerce.

Shifting to the final months of the year, its October Prime Day was cited as a source of incremental spending with one expert noting that it was a sufficient to raise his FY26 outlook. Multiple experts noted that e-commerce budgets remain robust supported by performance-oriented spend alongside promotional activity. In the most recent quarter, Sponsored Products held up butter than expected partly due to minimal impact from agentic shopping and we do not see signs for this to change relative to Amazon in the near-term.

Initial Amazon Leo Service Moved into 4Q26

On our prior preview note, we reported that Amazon had deployed 396 satellites as of early July 2026. That said, we do not find any datapoints to suggest that it has deployed additional satellites since then as such the aforementioned balance is unchanged. Amazon also announced that it had ordered six additional Ariane 64 launches bringing the total to 24 from 18 with 3 already completed as of September 2026. The new flights are expected to begin in 2029 which is in-line with our earlier expectation for when the entire constellation is expected to be fully deployed.

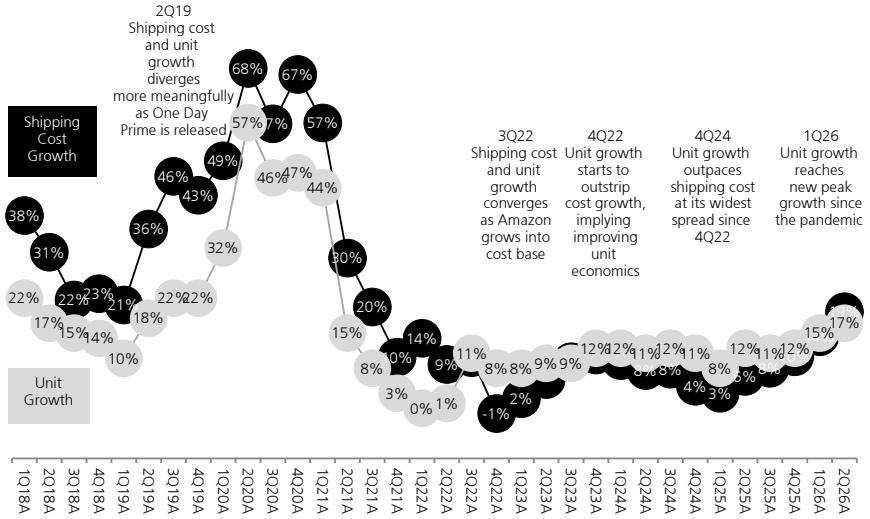
We recalibrate our assumptions around the pace of upcoming launches in the quarter and beyond. We also raise our cost per launch assumptions as the company disclosed that its next missions with ULA will be deployed on its Vulcan rockets which carry larger payloads of ~40-45 satellites while Ariane 64 carry 32 satellites and larger than the Atlas V at 29. The net impact is that this could accelerate deployment rates substantially compared to what we have seen thus far.

We note that the material step down in our Other revenue estimates in 3Q26 is due to the shift of Amazon Leo's initial service being moved into 4Q26. As a reminder, its existing constellation in orbit is sufficient for it to come online before the year end, hence we adjust accordingly.

E-commerce Unit Economics Dragged by Higher Costs from Faster Delivery Service and Oil Prices

The most consequential takeaway from Amazon's latest disclosure is that shipping cost growth exceeded units growth for the first time since the pandemic and more specifically 2Q22. That said we do not find this surprising as the spread has begun to narrow over the last couple quarters driven by Amazon's ongoing push into scaling its faster delivery service in an environment of higher shipping costs / oil prices. Notably, the company expanded its ultra-fast / 30 minute delivery service into 80 new markets in the United States and other major cities in Egypt in 2Q26. As we continue to trace e-commerce unit economics / margins as measured by the two metrics, we anticipate the potential for continued margin compression in the near-term as oil prices moved higher in the latest quarter vs the prior alongside major shopping events in 2H.

Figure 2: Amazon.com, Inc. - Quarterly Shipping Cost versus Unit Growth (1Q18-2Q26)



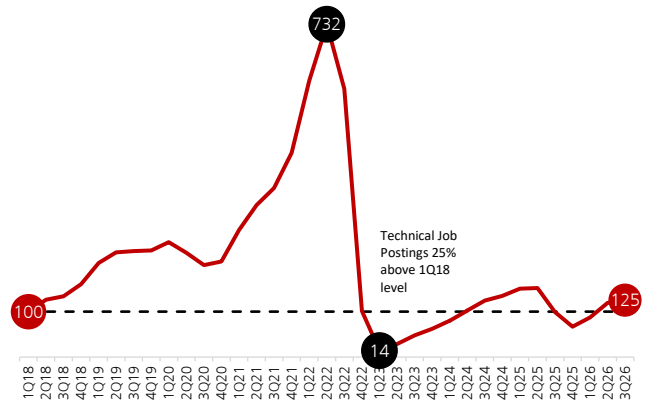
Source: UBS, Company data

Job Postings Data Suggests Non-Technical Hiring Remains Priority in 2H26 and into FY27

Latest UBS Evidence Lab data once again suggests that Amazon continues to hire across the business but the mix continues to skew higher towards non-technical roles. We believe that this is primarily driven by higher demand within its retail segment given major shopping and holiday events. The company announced post-quarter close that it intends to hire over 300,000 people for seasonal, part-time, full-time roles across its core operations and a notable step up from the ~250,000 seasonal hires from the prior three years. As we look beyond December, we believe that demand for labor could remain elevated as we enter the new year given the pull forwards of its U.S. Prime Day into June which could become the new norm for the business. And while we occasionally see headlines about headcount cuts in the hundreds across the business, our Evidence Lab data does not suggest that a major reduction in force, similar to the ~30K positions eliminated over the last year, is imminent.

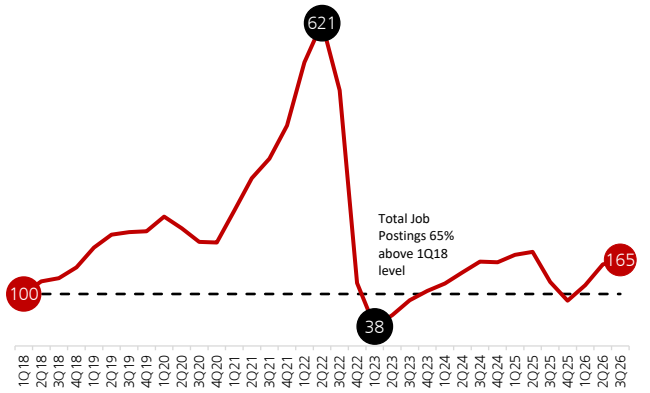
Technical positions are tracking 25% above our 1Q18 base case while total jobs are 65% above over the same period. In comparison to its megacap peers, Amazon's technical pace of hiring seems more modest compared to Google's +92% and Meta -24% along the same base level. Otherwise it appears that the company is taking a more controlled approach in terms of its hiring intensity following the aforementioned RIF. We remind our readers that the data set serves as a 6-9 month leading indicator.

Figure 3: Amazon.com, Inc. - Technical Job Postings Indexed to 100 in 1Q18



Source: UBS Evidence Lab, (> Access Dataset) (based on Computer & Mathematical Jobs)

Figure 4: Amazon.com, Inc. - Total Job Postings Indexed to 100 in 1Q18



Source: UBS Evidence Lab, (> Access Dataset)

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Changes to Estimates

We summarize changes to our estimates for 3Q26, 2026, 2027, and 2028 in the table below. As is our usual practice, we isolate currency-driven changes from the fundamentals.

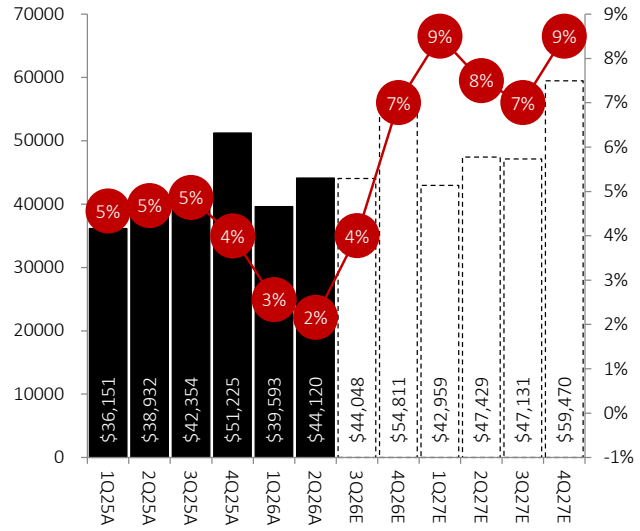
Figure 7: Amazon.com, Inc. - UBS Estimate Revisions

$M unless otherwise stated	3Q26 Prior	3Q26 FX Only	% Δ	3Q26 Current	% Δ	2026 Prior	2026 FX Only	% Δ	2026 Current	% Δ	2027 Prior	2027 FX Only	% Δ	2027 Current	% Δ	2028 Prior	2028 FX Only	% Δ	2028 Current	% Δ
Gross Merchandise Value	209093.4	209726.2	0.3%	212969.1	1.9%	888925.7	889108.7	0.0%	887476.4	-0.2%	973796.8	972128.8	-0.2%	964695.0	-0.9%	1078249.5	1076380.1	-0.2%	1059562.6	-1.7%
Physical Stores	5876.6	5876.6	0.0%	5876.6	0.0%	23624.0	23624.0	0.0%	23624.0	0.0%	24281.8	24281.8	0.0%	24178.8	-0.4%	24122.3	24122.3	0.0%	24020.0	-0.4%
Online Stores	66404.2	66571.0	0.3%	67160.5	1.1%	286099.9	286136.7	0.0%	286024.3	0.0%	301238.9	300780.7	-0.2%	300761.7	-0.2%	327160.1	326652.7	-0.2%	326810.0	-0.1%
Retail Third-Party Seller Services	45455.9	45605.2	0.3%	46541.1	2.4%	193956.3	193999.1	0.0%	193616.1	-0.2%	219508.7	219089.9	-0.2%	216638.7	-1.3%	251244.7	250771.7	-0.2%	245128.9	-2.4%
Retail Subscription Services	13940.5	13941.8	0.0%	13915.8	-0.2%	55439.3	55441.2	0.0%	55455.6	0.0%	61494.7	61487.7	0.0%	61565.5	0.1%	68160.7	68149.9	0.0%	68346.4	0.3%
AWS	45859.0	45859.0	0.0%	46196.3	0.7%	175200.0	175200.0	0.0%	176053.1	0.5%	258845.0	258845.0	0.0%	255992.5	-1.1%	377739.5	377739.5	0.0%	348084.6	-7.9%
Advertising	20475.7	20533.9	0.3%	20878.6	2.0%	82767.2	82785.7	0.0%	82665.4	-0.1%	93928.5	93780.3	-0.2%	94076.0	0.2%	107348.5	107178.9	-0.2%	106294.0	-1.0%
Other	2090.3	2090.3	0.0%	1493.7	-28.5%	7771.4	7771.4	0.0%	6981.6	-10.2%	10226.4	10226.4	0.0%	10242.7	0.2%	12105.3	12105.3	0.0%	13539.5	11.8%
Net Revenue	**200102.2**	**200477.9**	**0.2%**	**202062.7**	**1.0%**	**824858.2**	**824958.2**	**0.0%**	**824420.1**	**-0.1%**	**969524.0**	**968491.8**	**-0.1%**	**963456.2**	**-0.6%**	**1167881.1**	**1166720.2**	**-0.1%**	**1132223.4**	**-3.1%**
Cost of Revenue	94620.4	94847.4	0.2%	95710.2	1.2%	397893.5	397941.6	0.0%	397543.4	-0.1%	403628.9	403049.8	-0.1%	414289.4	2.6%	432738.9	432106.7	-0.1%	443622.1	2.5%
Gross Profit	105481.9	105630.5	0.1%	106352.5	0.8%	426964.6	427016.6	0.0%	426876.7	0.0%	565895.1	565442.0	-0.1%	549166.8	-3.0%	735142.2	734613.5	-0.1%	688601.3	-6.3%
Operating Income	**23951.0**	**24081.1**	**0.5%**	**25136.6**	**5.0%**	**108829.7**	**108907.2**	**0.1%**	**109546.6**	**0.7%**	**196381.7**	**196121.2**	**-0.1%**	**178723.0**	**-9.0%**	**303559.5**	**303225.5**	**-0.1%**	**250506.8**	**-17.5%**
Adjusted EBITDA	50630.2	50769.7	0.3%	51515.1	1.7%	212960.7	213035.8	0.0%	212922.0	0.0%	329330.6	329015.1	-0.1%	310445.6	-5.7%	467823.7	467419.4	-0.1%	417225.0	-10.8%

Source: UBS estimates

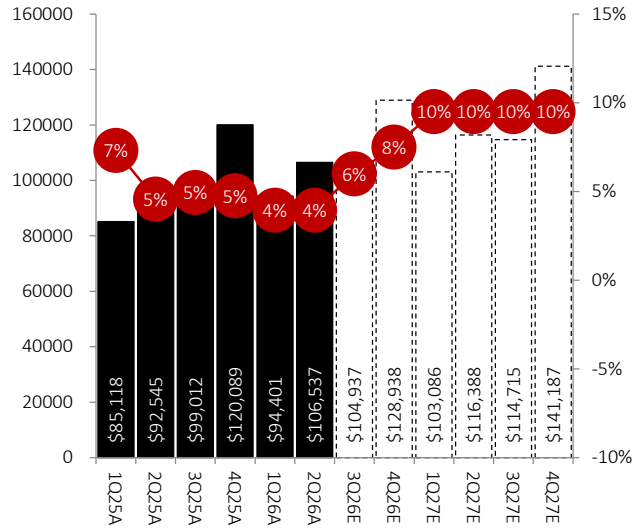
With greater granularity in disclosure, we have for some time driven our e-commerce estimates (denominated in millions) based on North America 1P GMV, North America 3P GMV, International 1P GMV, International 3P GMV, which we show below:

Figure 8: Amazon.com, Inc. - Quarterly North America 1P GMV and YOY Growth



Source: UBS estimates, Company data

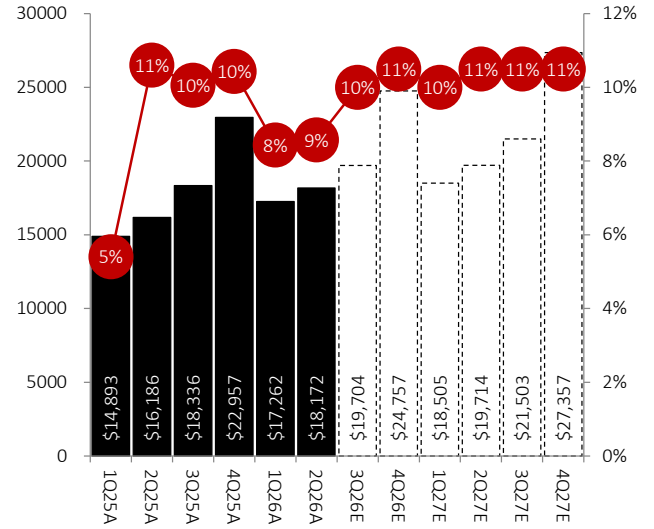
Figure 9: Amazon.com, Inc. - Quarterly North America 3P GMV and YOY Growth



Source: UBS estimates, Company data

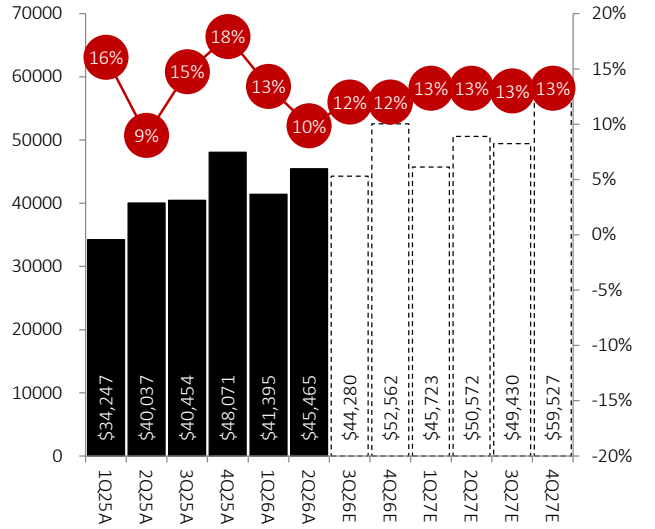
We are forecasting North America 1P GMV to increase 4% year-over-year to reach $44.0 billion in 3Q26 versus the 2% increase in 2Q26 and 5% in 3Q25. Our projection for North America 3P GMV is $104.9 billion or an increase of 6% vs the 4% in 2Q26 and 5% in 3Q25.

Figure 10: Amazon.com, Inc. - Quarterly International 1P GMV and (FXN) YOY Growth



Source: UBS estimates, Company data

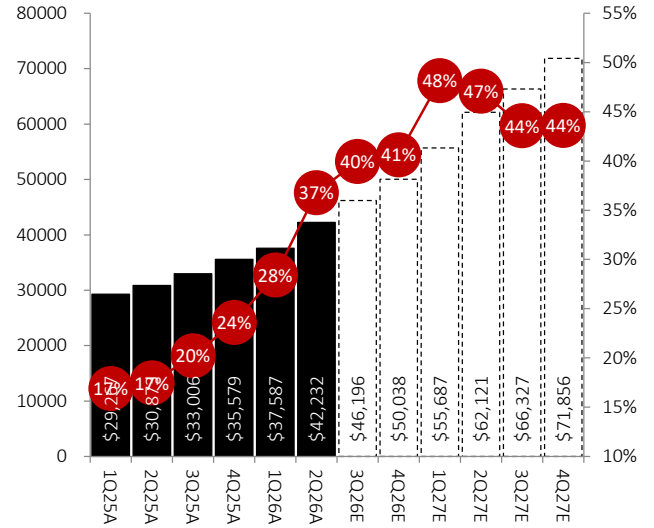
Figure 11: Amazon.com, Inc. - Quarterly International 3P GMV and (FXN) YOY Growth



Source: UBS estimates, Company data

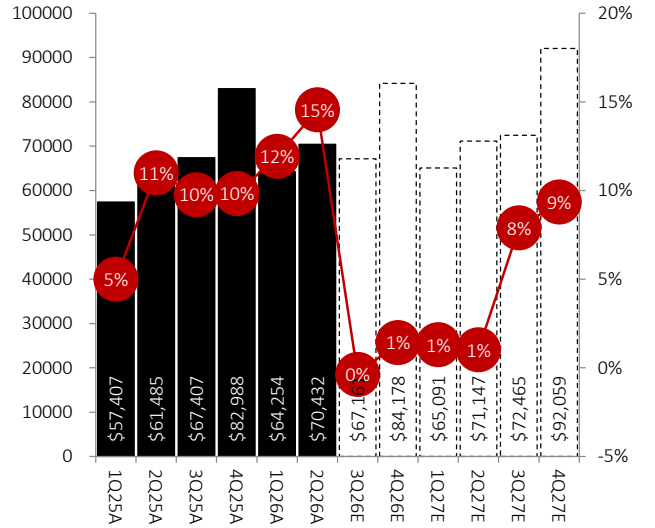
We are forecasting International 1P GMV to increase 10% FX-neutral year-over-year to reach $19.7 billion in 3Q26 - this is versus the 9% FX-neutral increase in 2Q26 and 10% a year ago. Our projection for International 3P GMV is $44.3 billion in 3Q26 which reflects a 12% FX-neutral growth rate compared to 10% for 2Q26 and 15% a year ago.

Figure 12: Amazon.com, Inc. - Quarterly AWS Revenue YOY Growth



Source: UBS estimates, Company data

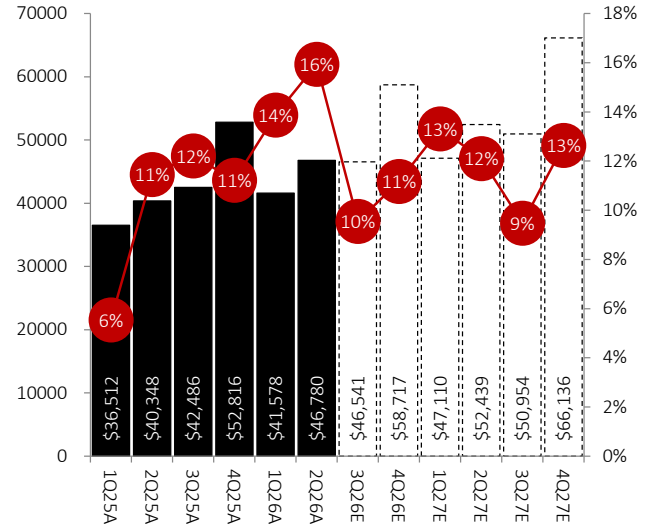
Figure 13: Amazon.com, Inc. - Quarterly Retail Revenue YOY Growth



Source: UBS estimates, Company data

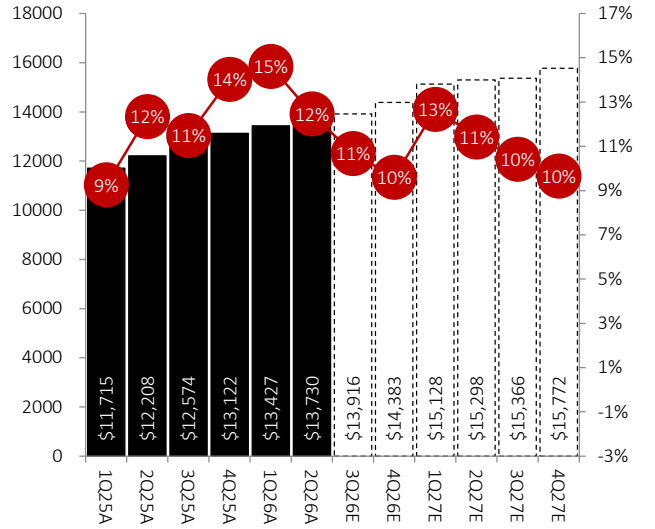
For AWS, we are forecasting revenue to grow 40% to reach $46.2 billion in 3Q26 - this is versus the 37% growth for 2Q26 and 20% a year ago. Our Retail revenue forecast for 3Q26 stands at $67.2 billion reflecting flat growth - this is versus 15% in 2Q26 and 10% a year ago.

Figure 14: Amazon.com, Inc. - Quarterly Retail Third-Party Seller Services Revenue and YOY Growth



Source: UBS estimates, Company data

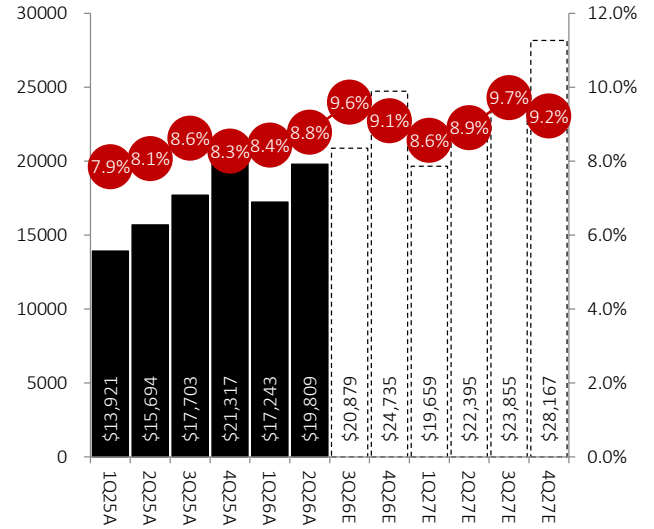
Figure 15: Amazon.com, Inc. - Quarterly Retail Subscription Revenue and YOY Growth



Source: UBS estimates, Company data

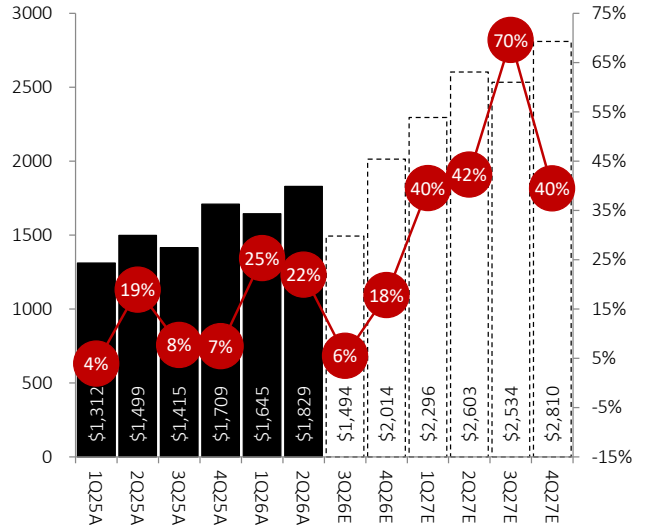
We are forecasting Retail Third-Party Seller Services Revenue growth to be up 10% in 3Q26 to reach $46.5 billion - this is versus 16% in 2Q26 and 11% in the year prior. Our projection for Retail Subscription Services Revenue is $14.0 billion in 3Q26 reflecting 11% growth versus 12% in 2Q26 and 11% in the year prior.

Figure 16: Amazon.com, Inc. - Quarterly Advertising Revenue and Percentage of GMV



Source: UBS estimates, Company data

Figure 17: Amazon.com, Inc. - Quarterly Other Revenue and YOY Growth



Source: UBS estimates, Company data

We are forecasting Advertising Revenue growth to reach $20.9 billion in 3Q26 or 9.6% of GMV compared to 8.8% in 2Q26 and 8.6% in 3Q25. Our projection for Other Revenue is $1.5 billion in 3Q26 reflecting 6% growth versus 22% in 2Q26 and 8% in 3Q25.

Valuation

We raise our price target to $348 from $318 derived on a price to earnings methodology (vs 30x multiple on a price to free cash flow prior and implied a ~15x P/E multiple) as we apply a 20x multiple on our 4Q27E-3Q28E estimate of $17.39.

Our justification for moving our valuation methodology to price to GAAP EPS basis from a price to free cash flow are the following: 1) consistency with the rest of our megacap Internet coverage - we use P/E multiples for both GOOGL and META (alongside BKNG as well), and 2) while historically Amazon had been valued on FCF it is now at a place where it generates a higher level of GAAP EPS as to make P/E based valuation more rational. On the former point, its megacap Internet peers have also seen their FCF generation in 2027 and beyond be negatively impacted by the rise in CapEx. Yet they have either sustained or seen multiple expansion as revenue generation (and ROIC) on the other side of all this investment become more clear. We think it is only fair to treat AMZN in the same way - particularly as its AWS revenue backlog has significantly ramped over the last two quarters.

We believe that the 20x multiple is appropriate (arguably conservative) for now as it contemplates that the higher cost environment lingers into 2027 with no clear indication of when it could subside. We note that the stock is trading in the low-20s range and has directionally derated through FY26 before reaching a historical low of 21x in July. While we would argue longer-term historical comparisons for its P/E multiple makes less sense given its relentless focus on FCF maximization, the 20x multiple we propose is not that far from the aforementioned historical lows. Further - by comparison, GOOGL shares are currently showing at 21x GAAP EPS with an anticipated growth profile of 19% 2028 over 2027 (on consensus estimates), while META is trading at 19x with EPS growth at 18% 2028 over 2027 (also on consensus estimates). We note that our estimates for AMZN contemplate 39% for EPS 2028 over 2027 while consensus is lower at 33%. We would hence argue that AMZN shares perhaps warrants a premium but for the time being, we elect to use a conservative 20x. Our applied multiple also remains a discount to the 26x multiple we apply for GOOGL and 29x for META to derive their respective valuations.

Figure 18: Amazon.com, Inc. - Valuation

Amazon.com, Inc. - Valuation Worksheet (In Billions, unless otherwise noted)												
Current Valuation	**1Q26A**	**2Q26A**	**3Q26E**	**4Q26E**	**1Q27E**	**2Q27E**	**3Q27E**	**4Q27E**	**1Q28E**	**2Q28E**	**3Q28E**	**4Q28E**
Current EV Calculation												
Current Share Price											$248.0	10/23/2026
(x) Diluted Share Count											11	as of 2Q26
(=) Market Cap											2704	
(-) Cash & Equivalents											(123)	as of 2Q26
(+) Debt											129	as of 2Q26
(+) Lease Liabilites											13	as of 2Q26
(=) Enterprise value											2723	
EV to Retail GMV	3.3x	3.2x	3.1x	3.1x	3.0x	3.0x	2.9x	2.8x	2.8x	2.7x	2.6x	2.6x
EV to Total Net Sales	3.7x	3.5x	3.4x	3.3x	3.2x	3.1x	3.0x	2.8x	2.7x	2.6x	2.5x	2.4x
Total EV to AWS Revenue	19.9x	18.4x	16.9x	15.5x	14.0x	12.7x	11.6x	10.6x	9.8x	9.1x	8.4x	7.8x
EV to GAAP EBIT	31.9x	29.1x	26.8x	24.9x	22.1x	19.9x	17.4x	15.2x	13.9x	12.8x	11.8x	10.9x
EV to Adj. EBITDA	15.5x	14.5x	13.6x	12.8x	11.7x	10.8x	9.7x	8.8x	8.1x	7.5x	7.0x	6.5x
Price to Earnings (Adjusted)	23.2x	16.9x	17.2x	16.6x	16.5x	19.9x	17.8x	15.9x	14.7x	13.7x	12.7x	11.8x
Price to Free Cash Flow (Fully Loaded)	NM	NM	NM	NM	NM	NM	NM	NM	NM	356.0x	115.6x	53.0x
FCF Yield (Fully loaded)	(0.06)%	(0.37)%	(0.43)%	(0.13)%	(0.99)%	(0.64)%	(0.54)%	(0.00)%	(0.17)%	0.28%	0.88%	1.93%
GAAP Price to Earnings												
GAAP EPS (Diluted)	$2.78	$5.75	$1.94	$2.55	$2.89	$3.13	$3.38	$4.18	$4.11	$4.37	$4.72	$5.73
(x) Target multiple	20x	20x	20x	20x	20x	20x	20x	20x	20x	20x	20x	20x
(=) Price per Share	55.6	114.9	38.7	51.0	57.9	62.7	67.7	83.7	82.3	87.4	94.4	114.6
Price Target											$348	
										Current price	$248	
										Potential Upside/downside	40%	

Source: UBS estimates, Company data

Upside / Downside Scenarios

For Amazon, our upside / downside scenarios imply a skew of 3.7x.

Upside Case ($468): Our upside scenario assumes a 2.25-YR Net Sales CAGR of 18% and operating income margin of 22% as we apply a 25x multiple on our 4Q27-3Q28 earnings per share estimate of $468.

Base Case ($348): Our base case assumes a 2.25-YR Net Sales CAGR of 16% and operating income margin of 21% as we apply a 20x multiple on our 4Q27-3Q28 earnings per share estimate of $348.

Downside Case ($188): Our downside scenario assumes a 2.25-YR Net Sales CAGR of 13% and operating income margin of 20% as we apply a 13x multiple on our 4Q27-3Q28 earnings per share estimate of $188.

Figure 19: Amazon.com, Inc. - Upside/Downside Skew



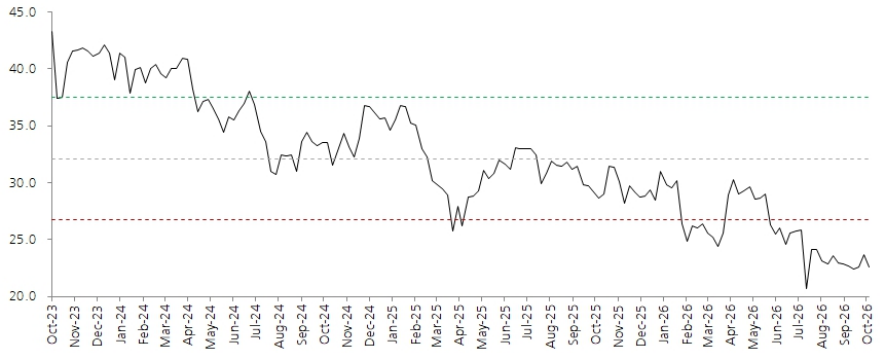
Source: UBS estimates

Figure 20: Amazon.com, Inc. - Scenario Analysis' Key Assumptions

$B except per share	Implied Valuation	Revenue CAGR 2.25-YR	Revenue (4Q27E-3Q28E)	Operating Income Margin	EPS (4Q27E-3Q28E)	Applied Multiple
Upside	$468	18.0%	$1,125.7	21.8%	$18.7	25x
Base	$348	16.1%	$1,084.4	21.2%	$17.4	20x
Downside	$188	13.0%	$1,021.2	20.0%	$15.1	13x

Source: UBS estimates

Figure 5: Amazon.com, Inc. - Historical P/E Multiple (NTM)



Source: FactSet, UBS

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Amazon.com (AMZN.O)

Income Statement (US$m)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Revenues	**574,785**	**637,959**	**716,924**	**824,420**	*15.0*	**963,456**	*16.9*	**1,132,223**	**1,319,512**	**1,518,025**
Gross profit	270,046	311,671	360,510	426,877	*18.4*	549,167	*28.6*	688,601	844,975	1,007,482
EBITDA (UBS)	**109,538**	**143,379**	**165,198**	**212,922**	*28.9*	**310,446**	*45.8*	**417,225**	**538,680**	**665,666**
Depreciation & amortisation	(48,663)	(52,775)	(65,756)	(83,449)	*-26.9*	(110,384)	*-32.3*	(144,029)	(180,954)	(219,898)
EBIT (UBS)	**60,875**	**90,604**	**99,442**	**129,473**	*30.2*	**200,062**	*54.5*	**273,196**	**357,726**	**445,767**
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	938	(2,250)	15,229	69,062	*353.5*	0	-	0	0	0
Net interest	(233)	2,271	2,107	(195)	-	(2,684)	*NM*	(3,376)	115	7,486
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Pre-tax profit	**61,580**	**90,625**	**116,778**	**198,340**	*69.8*	**197,378**	*-0.5*	**269,820**	**357,842**	**453,254**
Tax	(7,120)	(9,265)	(19,087)	(36,417)	*-90.8*	(26,406)	*27.5*	(37,070)	(49,906)	(63,877)
Profit after tax	**54,460**	**81,360**	**97,691**	**161,923**	*65.7*	**170,972**	*5.6*	**232,750**	**307,935**	**389,376**
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(12)	(101)	(554)	(30)	*94.6*	0	-	0	0	0
Extraordinary items	(24,023)	(22,011)	(19,467)	(19,926)	*-2.4*	(21,339)	*-7.1*	(22,689)	(25,133)	(27,405)
Net earnings (local GAAP)	**30,425**	**59,248**	**77,670**	**141,967**	*82.8*	**149,633**	*5.4*	**210,061**	**282,802**	**361,972**
Net earnings (UBS)	**55,227**	**82,123**	**102,330**	**162,902**	*59.2*	**171,951**	*5.6*	**233,729**	**308,914**	**390,355**
Tax rate (%)	11.6	10.2	16.3	18.4	*12.3*	13.4	*-27.1*	13.7	13.9	14.1

Per Share (US$)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
EPS (UBS, diluted)	5.26	7.66	9.45	14.93	*57.9*	15.63	*4.7*	21.07	27.62	34.58
EPS (local GAAP, diluted)	2.90	5.53	7.17	13.01	*81.3*	13.60	*4.6*	18.94	25.28	32.07
EPS (UBS, basic)	5.36	7.84	9.60	15.11	*57.4*	15.82	*4.7*	21.34	27.96	35.01
DPS (net) (US$)	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Cash EPS (UBS, diluted) [1]	9.90	12.58	15.53	22.57	*45.4*	25.66	*13.7*	34.06	43.79	54.06
Book value per share	19.64	27.82	39.99	55.70	*39.3*	72.54	*30.2*	95.51	123.87	161.03
Average shares (diluted)	10,491	10,721	10,827	10,914	*0.8*	11,002	*0.8*	11,091	11,186	11,288

Balance Sheet (US$m)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Cash and equivalents	73,387	78,779	86,810	129,657	*49.4*	64,771	*-50.0*	106,453	233,173	486,488
Other current assets	98,964	112,088	142,273	163,586	*15.0*	169,542	*3.6*	178,895	193,047	207,854
Total current assets	**172,351**	**190,867**	**229,083**	**293,243**	*28.0*	**234,313**	*-20.1*	**285,348**	**426,220**	**694,343**
Net tangible fixed assets	204,177	252,665	357,025	521,256	*46.0*	749,385	*43.8*	996,023	1,228,178	1,443,672
Net intangible fixed assets	22,789	23,074	23,273	23,504	*1.0*	23,504	*0.0*	23,504	23,504	23,504
Investments / other assets	128,537	158,288	208,661	384,967	*84.5*	448,667	*16.5*	462,602	478,031	495,039
Total assets	**527,854**	**624,894**	**818,042**	**1,222,970**	*49.5*	**1,455,869**	*19.0*	**1,767,477**	**2,155,933**	**2,656,557**
Trade payables & other ST liabilities	164,917	179,431	218,005	282,547	*29.6*	330,195	*16.9*	387,211	447,488	521,447
Short term debt	0	0	0	0	-	0	-	0	0	0
Total current liabilities	**164,917**	**179,431**	**218,005**	**282,547**	*29.6*	**330,195**	*16.9*	**387,211**	**447,488**	**521,447**
Long term debt	135,611	130,900	152,987	258,454	*68.9*	255,306	*-1.2*	250,933	255,422	253,382
Other long term liabilities	25,451	28,593	35,985	79,563	*121.1*	79,563	*0.0*	79,563	79,563	79,563
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	**325,979**	**338,924**	**406,977**	**620,565**	*52.5*	**665,064**	*7.2*	**717,707**	**782,473**	**854,393**
Common s/h equity	**201,875**	**285,970**	**411,065**	**602,406**	*46.5*	**790,805**	*31.3*	**1,049,769**	**1,373,460**	**1,802,165**
Minority interests	0	0	0	0	-	0	-	0	0	0
Total liabilities & equity	**527,854**	**624,894**	**818,042**	**1,222,970**	*49.5*	**1,455,869**	*19.0*	**1,767,477**	**2,155,933**	**2,656,557**

Cash Flow (US$m)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Net income (before pref divs)	30,425	59,248	77,670	141,967	*82.8*	149,633	*5.4*	210,061	282,802	361,972
Depreciation & amortisation	48,663	52,775	65,756	83,449	*26.9*	110,384	*32.3*	144,029	180,954	219,898
Net change in working capital	(11,541)	(15,541)	(18,369)	11,746	-	30,702	*161.4*	37,150	35,555	48,480
Other operating	17,399	19,375	16,057	(18,598)	-	21,339	-	22,689	25,133	27,405
Operating cash flow	**84,946**	**115,857**	**141,114**	**218,564**	*54.9*	**312,058**	*42.8*	**413,929**	**524,444**	**657,755**
Tangible capital expenditure	(48,133)	(77,658)	(128,320)	(219,942)	*-71.4*	(312,162)	*-41.9*	(361,644)	(380,524)	(399,320)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) & disposals	(5,839)	(7,082)	(3,841)	(39,767)	*NM*	0	-	0	0	0
Other investing	4,139	(9,602)	(10,384)	(7,380)	*28.9*	(55,000)	*NM*	0	0	0
Investing cash flow	**(49,833)**	**(94,342)**	**(142,545)**	**(267,089)**	*-87.4*	**(367,162)**	*-37.5*	**(361,644)**	**(380,524)**	**(399,320)**
Equity dividends paid	0	0	0	0	-	0	-	0	0	0
Share issues / (buybacks)	0	0	0	0	-	0	-	0	0	0
Other financing	(4,655)	(2,712)	(1,885)	(3,103)	*-64.6*	(1,033)	*66.7*	(971)	(916)	(865)
Change in debt & pref shares	(11,224)	(9,100)	11,546	91,234	*NM*	(8,750)	-	(9,632)	(16,284)	(4,255)
Financing cash flow	**(15,879)**	**(11,812)**	**9,661**	**88,131**	*NM*	**(9,783)**	-	**(10,603)**	**(17,200)**	**(5,119)**
Cash flow inc/(dec) in cash	**19,234**	**9,703**	**8,230**	**39,605**	*381.2*	**(64,886)**	-	**41,682**	**126,720**	**253,316**
FX / non cash items	265	(4,311)	(199)	3,242	-	0	*-100.0*	0	0	0
Balance sheet inc/(dec) in cash	**19,499**	**5,392**	**8,031**	**42,847**	*NM*	**(64,886)**	-	**41,682**	**126,720**	**253,316**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1] Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Amazon.com (AMZN.O)

Valuation (x)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
P/E (local GAAP, diluted)	41.9	33.4	30.3	19.1	18.2	13.1	9.8	7.7
P/E (UBS, diluted)	23.1	24.1	23.0	16.6	15.9	11.8	9.0	7.2
P/CEPS	12.0	14.3	13.8	10.9	9.5	7.2	5.6	4.5
Equity FCF (UBS) yield %	3.0	2.0	0.6	(0.1)	0.0	2.0	5.5	9.9
Dividend yield (net) %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
P/BV	6.2	6.6	5.4	4.5	3.4	2.6	2.0	1.5
EV/revenues (core)	2.4	3.2	3.3	3.4	3.0	2.5	2.2	1.9
EV/EBITDA (UBS core)	12.6	14.2	14.4	13.2	9.2	6.9	5.3	4.3
EV/EBIT (core)	22.8	22.4	23.9	21.7	14.3	10.5	8.0	6.4
EV/OpFCF (core)	24.4	33.6	71.3	NM	NM	51.5	18.1	10.7
EV/op. invested capital	4.4	5.4	4.9	3.9	3.0	2.4	2.0	1.6

Enterprise value (US$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Market cap.	1,247,712	1,897,997	2,237,676	2,604,000	2,604,000	2,604,000	2,604,000	2,604,000
Net debt (cash)	137,865	133,256	141,944	205,721	256,880	256,880	253,178	254,402
Buy out of minorities	0	0	0	0	0	0	0	0
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**1,385,577**	**2,031,252**	**2,379,620**	**2,809,721**	**2,860,880**	**2,860,880**	**2,857,178**	**2,858,402**
Non core assets	0	0	0	0	0	0	0	0
Core enterprise value	**1,385,577**	**2,031,252**	**2,379,620**	**2,809,721**	**2,860,880**	**2,860,880**	**2,857,178**	**2,858,402**

Growth (%)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenue	11.8	11.0	12.4	15.0	16.9	17.5	16.5	15.0
EBITDA (UBS)	49.4	30.9	15.2	28.9	45.8	34.4	29.1	23.6
EBIT (UBS)	91.0	48.8	9.8	30.2	54.5	36.6	30.9	24.6
EPS (UBS, diluted)	68.1	45.5	23.4	57.9	4.7	34.8	31.0	25.2
Net DPS	-	-	-	-	-	-	-	-

Margins & Profitability (%)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Gross profit margin	47.0	48.9	50.3	51.8	57.0	60.8	64.0	66.4
EBITDA margin	19.1	22.5	23.0	25.8	32.2	36.9	40.8	43.9
EBIT (UBS) margin	10.6	14.2	13.9	15.7	20.8	24.1	27.1	29.4
Net earnings (UBS) margin	9.6	12.9	14.3	19.8	17.8	20.6	23.4	25.7
ROIC (EBIT)	19.5	24.0	20.3	18.2	21.0	23.3	24.4	24.2
ROIC post tax	17.3	21.6	17.0	14.8	18.2	20.1	21.0	20.8
ROE (UBS)	31.7	33.7	29.4	32.1	24.7	25.4	25.5	24.6

Capital structure & Coverage (x)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Net debt / EBITDA	1.2	0.9	0.9	1.2	0.8	0.6	0.5	0.4
Net debt / total equity %	67.2	45.8	37.2	42.9	32.3	23.9	18.6	14.1
Net debt / (net debt + total equity) %	40.2	31.4	27.1	30.0	24.4	19.3	15.7	12.3
Net debt/EV %	9.9	6.6	6.0	7.3	9.0	8.8	8.9	8.9
Capex / depreciation %	98.9	147.1	195.1	NM	NM	NM	NM	181.6
Capex / revenue %	8.4	12.2	17.9	26.7	NM	NM	28.8	26.3
EBIT / net interest	NM	-	-	NM	74.5	NM	-	-
Dividend cover (UBS)	-	-	-	-	-	-	-	-
Div. payout ratio (UBS) %	-	-	-	-	-	-	-	-

Revenues by division (US$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Others	574,785	637,959	716,924	824,420	963,456	1,132,223	1,319,512	1,518,025
Total	**574,785**	**637,959**	**716,924**	**824,420**	**963,456**	**1,132,223**	**1,319,512**	**1,518,025**

EBIT (UBS) by division (US$m)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Others	60,875	90,604	99,442	129,473	200,062	273,196	357,726	445,767
Total	**60,875**	**90,604**	**99,442**	**129,473**	**200,062**	**273,196**	**357,726**	**445,767**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	40.3%
Forecast dividend yield	0.0%
Forecast stock return	40.3%
Market return assumption	9.7%
Forecast excess return	30.6%

Company Description

Amazon.com, Inc. is a customer-centric company providing for three customer sets: consumers, sellers, and enterprises. It operates a range of businesses including e-commerce/ retail, AWS/cloud services, TV streaming, digital advertising, and financial services.

Valuation Method and Risk Statement

Risks to our valuation includes: 1) rise in competitive intensity from any number of Amazon's online e-commerce and offline retail competitors, 2) deterioration in consumer sentiment, which could impact transaction volume velocity, 3) higher-than-expected capital intensity for either the e-commerce platform or AWS, which could weigh on our free cash flow projections.
We value AMZN shares on a price to free cash flow basis as the company has always centered discussions with investors around free cash flow generation.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

Amazon.com

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	N/A
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	N/A
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	N/A
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	N/A
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	N/A
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	No Catalyst
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	N/A
11. What is the catalyst?	