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IDEA

October 30, 2026 03:45 AM GMT

Amazon.com Inc | North America

Tricky Today But Trillions of Treats on the Way

WHAT'S CHANGED

Amazon.com Inc (AMZN.O)	From	To
Price Target	$350.00	**$335.00**

AWS tactical expectations may have gotten too high into the print. But we detail 6 reasons we remain bullish AWS growth going forward and 3 important signals about Retail. While '28 EPS falls ~5% to ~$15.8, we remain OW with $335 PT having 45% upside. AMZN remains Top Pick.

6 AWS Reasons to Buy Amazon for '27: AWS's 39% y/y 3Q growth was disappointing vs expectations (we modeled 42% y/y), but this seems mostly an expectations miss as $3.8bn added q/q was the second highest Q/Q $'s added in AWS history and it does not change AWS's potential for further acceleration and its long-term opportunity. 6 factors leave us optimistic on forward growth. **1)** By our math, the high end of the 4Q company-wide revenue guide implies low-to-mid 40s% y/y AWS growth in 4Q (in-line with our estimates). **2)** AMZN's $77bn 3Q capex (vs our $60bn estimate and prior two quarter average of ~$50bn) is bullish tactically, as this level of capex spend should signal chip/rack delivery and new data center openings, which means more Revenue is set to flow through with full utilization in 4Q. **3)** AMZN management gave more forward color than usual, saying the company expects AWS revenue growth to exceed 40% in '27/'28 (we were previously modeling 47%/42%) **4)** AMZN management also gave more color on the timing for AWS to reach $1trln in revenue (within the next 5-10 years) from current $184bn annual run-rate levels. As detailed in Amazon.com Inc: AWS's Path to $1 Trln of Revenue and How AMZN Shares Can Double (16 Aug 2026), we continue to think AWS's ability to reach $1trln in revenue and $500bn in EBIT is not priced in at current levels. **5)** AWS's $578bn backlog (up $82bn q/q vs our estimate of $17bn q/q) speaks to the strong multi-year demand AWS is building. **6)** AMZN's confirmation that it will sell Trainium to third party data centers in '27 comes sooner than expected and (as we have seen with GOOGL) is another potential driver of profitable growth. This may not help AMZN's multiple, but it is likely to put higher floors in earnings power going forward.

3 Factors Stand Out on Retail As Well:

1) Cost to Serve Continues to Improve: AMZN lowered overall cost to serve in 3Q through better inventory placement, shorter shipping distances, and package consolidation, despite a ~$880mn headwind to shipping costs from fuel inflation and higher linehaul rates. Notably, shipping costs grew slower than unit growth even inclusive of fuel/linehaul headwinds (11% shipping cost growth vs 12% unit growth). In all, fulfillment and shipping cost per unit were 3%/2% lower than

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Amazon.com Inc (AMZN.O, AMZN US)
Top Pick

Internet | United States of America

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	**$335.00**
Shr price, close (Oct 29, 2026)	$243.79
Mkt cap, curr (mm)	$2,696,955
52-Week Range	$287.20-196.00

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expected and fell 3%/1% y/y. We see further cost-to-serve improvement ahead as AMZN continues to improve its fulfillment efficiency...and even larger improvements ahead as it pushes more on its robotics lead. For more on AMZN's robotics efforts, pelase see Amazon.com Inc: Robotics: Retail Advantages Widening and the Path to $10bn+ of Annual Efficiencies (2 Feb 2025).

2) Agentic Shopping Adoption is Accelerating: AMZN disclosed that 400mn+ customers used Alexa for Shopping over the past year, up 60% y/y vs last year. Engagement and monetization signals are encouraging as well, with customer interactions growing 570% y/y and US customers using the feature spending 50% more than non-users on average. This progress gives us incremental confidence in AMZN's agentic positioning as the company continues to leverage its leading e-commerce infrastructure and loyal user base as it continues to monetize. We detailed AMZN's strong agentic position in Internet: Agentic Shoppers Are Coming… Who Could Win or Lose? (17 Nov 2025) (inventory, innovation and infrastructure) and while they may be in negotiation with Meta Muse, we thought it was also notable that AMZN talked to how it expects Alexa for Shopping to be the primary agent customers user to shop Amazon.

3) Overall Retail Profitability Strong Despite Incremental Leo and Linehaul Headwinds: AMZN now expects to begin capitalizing Leo in 1Q27 (vs 4Q26 prior), resulting in Leo costs continuing to impact N. America Retail EBIT margins in 4Q26. We estimate this creates an incremental ~$200mn Q/Q headwind to N. America EBIT in 4Q (and about ~$1bn vs. our prior est.). Despite higher fuel/linehaul and Leo headwinds, we model a N. America EBIT margin of ~10%.

Lower '28 EPS by -5%, PT to $335 (~45% Upside): We lower our AWS '27/'28 revenue by -3%/-3% to 44%/42% y/y growth (vs. 47%/42% prior). Please let us know if interested in our AWS model (includes revenue/watt, AI vs non AI revenue, and backlog). We model AWS margins of ~40%/~41% in '27/'28, as AWS generates $100bn+ of EBIT and makes up ~60% of company-wide EBIT. In all, our new $335 PT implies paying ~21X '28 EPS and still implies an 50% discount to its peers on a PEG basis. We remain OW.

Exhibit 1: Our AMZN Top Pick Catalyst Checklist:

	Catalyst	Timing
☐	**Continued Outsized AWS Growth...**	Forward AMZN Earnings
☐	**...as AWS Margin and Profit Beats Surprise Too**	Forward AMZN Earnings
☐	**Showcase Bedrock's Importance and Strategic Value**	Forward AMZN Earnings
☐	**Prove Amazon is an Agentic Winner**	TBD, But Watch Holiday Season
☐	**Robots are Coming as Amazon Retail is a Physical AI Winner Too**	2027

Source: Company data, Morgan Stanley Research

Exhibit 2: We estimate AWS EBIT margins reach 40%/41% despite stable to accelerating non-D&A opex from 18% in '26 to 21%/20% in '27/'28

($mn)	2024	2025	2026	2027	2028
Total AWS Revenue	**$107,556**	**$128,725**	**$176,432**	**$254,261**	**$360,814**
Y/Y Growth (%)	19%	20%	37%	44%	42%
Y/Y Growth ($)	16,799	$21,169	$47,707	$77,829	$106,554
Depreciation & Amortization	**13,320**	**21,450**	**35,949**	**64,565**	**107,065**
% of Revenue	12%	17%	20%	25%	30%
Y/Y Growth (%)	6%	61%	68%	80%	66%
Y/Y Growth ($)	789	8,130	14,499	28,616	42,500
Non-D&A Opex (ex D&A)	**54,402**	**61,669**	**72,844**	**88,251**	**105,917**
% of Revenue	51%	48%	41%	35%	29%
Y/Y Growth (%)	2%	13%	18%	21%	20%
Y/Y Growth ($)	807	7,267	11,175	15,407	17,666
EBIT	**39,834**	**45,606**	**67,639**	**101,445**	**147,832**
Margins (%)	37%	35%	38%	40%	41%
Y/Y bp change	990	(161)	291	156	107
Incremental Margins	90%	27%	46%	43%	44%

Source: Company data, Morgan Stanley Research

Exhibit 3: We estimate Non-AI revenue within AWS accelerated in 3Q26:

AI vs. Non AI Revenue ($bn)	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27
Total AWS	**$33**	**$36**	**$38**	**$42**	**$46**	**$51**	**$55**	**$60**	**$66**	**$72**
Y/Y Growth					39%	42%	47%	43%	44%	43%
Q/Q Growth (%)		8%	6%	12%	9%	10%	9%	9%	10%	9%
Q/Q Growth ($)		$3	$2	$5	$4	$5	$5	$5	$6	$6
AI	**$2**	**$3**	**$4**	**$6**	**$8**	**$10**	**$13**	**$15**	**$18**	**$22**
Y/Y Growth			300%	325%	315%	280%	233%	140%	142%	119%
% of AWS Revenue	5%	7%	10%	15%	16%	20%	23%	25%	27%	30%
Implied ARR	$7	$11	$15	$25	$30	$40	$50	$60	$73	$88
Non-AI	**$31**	**$33**	**$34**	**$36**	**$38**	**$41**	**$43**	**$45**	**$48**	**$51**
Y/Y Growth			19%	22%	23%	23%	26%	26%	25%	24%
% of AWS Revenue	95%	93%	90%	85%	84%	80%	77%	75%	73%	70%

Source: Company data, Morgan Stanley Research Estimates

Exhibit 4: AWS and Google Cloud added ~$3.8bn/$5.9bn q/q each in revenue, while AWS/Google Cloud EBIT margins reached 39%/36% in 3Q

Hyperscaler Revenue Comp ($mn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26
AWS	**$29,267**	**$30,873**	**$33,006**	**$35,579**	**$37,587**	**$42,232**	**$45,984**
Y/Y Growth	16.9%	17.5%	20.2%	23.6%	28.4%	36.8%	39.3%
Y/Y $ Added	$4,230	$4,592	$5,554	$6,793	$8,320	$11,359	$12,978
Q/Q $ Added	$481	$1,606	$2,133	$2,573	$2,008	$4,645	$3,752
relative % share	48.7%	47.3%	46.8%	46.0%	44.9%	43.8%	41.9%
Azure	**$18,540**	**$20,712**	**$22,384**	**$24,129**	**$26,008**	**$29,417**	**$33,165**
Y/Y Growth			39.7%	39.2%	40.3%	42.0%	48.2%
Y/Y $ Added			$6,363	$6,792	$7,468	$8,705	$10,781
Q/Q $ Added		$2,172	$1,672	$1,745	$1,879	$3,409	$3,748
relative % share	30.9%	31.8%	31.7%	31.2%	31.1%	30.5%	30.2%
Google Cloud	**$12,260**	**$13,624**	**$15,157**	**$17,664**	**$20,028**	**$24,768**	**$30,709**
Y/Y Growth	28.1%	31.7%	33.5%	47.8%	63.4%	81.8%	102.6%
Y/Y $ Added	$2,686	$3,277	$3,804	$5,709	$7,768	$11,144	$15,552
Q/Q $ Added	$305	$1,364	$1,533	$2,507	$2,364	$4,740	$5,941
relative % share	20.4%	20.9%	21.5%	22.8%	24.0%	25.7%	28.0%
Total	**$60,067**	**$65,209**	**$70,547**	**$77,372**	**$83,623**	**$96,417**	**$109,858**
Y/Y Growth			28.7%	33.2%	39.2%	47.9%	55.7%
Y/Y $ Added			$15,721	$19,294	$23,556	$31,208	$39,311

Hyperscaler EBIT Comp ($mn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26
AWS	**$11,547**	**$10,160**	**$11,434**	**$12,465**	**$14,161**	**$16,621**	**$17,773**
Y/Y Growth	22.6%	8.8%	9.4%	17.2%	22.6%	63.6%	55.4%
Y/Y $ Added	$2,126	$826	$987	$1,833	$2,614	$6,461	$6,339
% EBIT Margin	39.5%	32.9%	34.6%	35.0%	37.7%	39.4%	38.7%
% Incremental Margin	50.3%	18.0%	17.8%	27.0%	31.4%	56.9%	48.8%
Google Cloud	**$2,177**	**$2,826**	**$3,594**	**$5,313**	**$6,598**	**$8,814**	**$11,121**
Y/Y Growth	141.9%	141.1%	84.6%	153.8%	203.1%	211.9%	209.4%
Y/Y $ Added	$1,277	$1,654	$1,647	$3,220	$4,421	$5,988	$7,527
% EBIT Margin	17.8%	20.7%	23.7%	30.1%	32.9%	35.6%	36.2%
% Incremental Margin	47.5%	50.5%	43.3%	56.4%	56.9%	53.7%	48.4%

Source: Company data, Morgan Stanley Research Estimates, Note: AWS 2Q26 margins include a 1x $600mn benefit from energy derivative contracts. Excluding this 2Q26 AWS margins/incremental margins would have been 38%/52%.

Exhibit 5: Our updated Amazon Leo model, with capitalization now expected in 1Q27, allocates higher manufacturing and launch costs in 4Q26 given the delay, leading to a ~$1bn y/y headwind in the quarter

Kuiper Cost Model *figures in $M unless otherwise stated* Year	1Q25	2Q25	3Q25	4Q25	2025	1Q26	2Q26	3Q26	4Q26	2026
Kuiper Satellite Constellation										
# of Satellites Launched										
Total # of Satellites Launched	-	54	75	51	180	32	155	29	100	316
Cumulative # of Satellites Launched	-	54	129	180	180	212	367	396	496	496
Total # of Launches	-	2	3	2	7	1	5	1	3	10
Cumulative # of Satellites Launched	-	2	5	7	7	8	13	14	17	17
Total Launch Opex	**$0**	**$306**	**$257**	**$220**	**$783**	**$90**	**$639**	**$153**	**$272**	**$1,154**
Opex										
Launch Costs (Expensed)	$0	$306	$257	$220	$783	$90	$639	$153	$272	$1,154
(+) Satellite Manufacturing Costs (Expensed)	$90	$91	$92	$92	$365	$360	$569	$667	$667	$2,263
(=) Total Operating Expense	**$90**	**$397**	**$349**	**$312**	**$1,148**	**$450**	**$1,208**	**$820**	**$939**	**$3,417**
(+) Depreciation and Amortization	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
(=) Opex Incl. D&A	**$90**	**$397**	**$349**	**$312**	**$1,148**	**$450**	**$1,208**	**$820**	**$939**	**$3,417**
Kuiper EBIT										
EBIT ($mn)	**($90)**	**($397)**	**($349)**	**($312)**	**($1,148)**	**($550)**	**($1,208)**	**($820)**	**($939)**	**($3,517)**

Source: Company data, Morgan Stanley Research Estimates

Exhibit 6: Our base case '28 EPS falls by 5% (vs. prior), and we lower our PT ~5% to $335 (~50% upside potential); our PT is based on applying a ~21X P/E multiple to our ~$16 '28 EPS estimate

AMZN Valuation			
	Bear	**Base**	**Bull**
'28 EPS	$14	$16	$17
(X) P/E	15x	21x	24x
Price Per Share	**$210**	**$335**	**$400**
% Upside	*-7%*	*48%*	*77%*
Implied P/E on '27 EPS	**20x**	**29x**	**32x**

Source: Company data, Morgan Stanley Research estimates

Exhibit 7: Our $335 PT also implies a ~0.5X PEG, an ~40% discount to AMZN's hyperscaler peer median PEG of ~0.8X. Note, at current levels, AMZN is trading at an ~60% discount to its peer median PEG:

Peer Set	Share Price	'28 EPS	'28 EPS Growth	'28 P/E	'28 PEG
AAPL	$349	$11	5%	33x	5.9x
MSFT	$530	$27	25%	19x	0.8x
GOOGL	$284	$18	21%	16x	0.7x
META	$625	$37	7%	17x	2.4x
COST	$996	$25	12%	40x	3.4x
NFLX	$62	$4	20%	14x	0.7x
WMT	$121	$3	9%	39x	4.4x
Peer Median			**12%**	**19x**	**1.7x**
Hyperscaler Median			**21%**	**17x**	**0.8x**

AMZN @ Current Share Price	Share Price	'28 EPS	'28 EPS Growth	'28 P/E	'28 PEG
AMZN	**$226**	**$15.30**	**27%**	**15x**	**0.3x**
Premium/(Discount) vs. Hyper Median				**(13%)**	**(58%)**

AMZN @ $335 PT	Share Price	'28 EPS	'28 EPS Growth	'28 P/E	'28 PEG
AMZN	**$335**	**$15.3**	**27%**	**22x**	**0.5x**
Premium/(Discount) vs. Hyper Median				**28%**	**(38%)**

Source: Company data, Morgan Stanley Research estimates

Exhibits

Exhibit 8: Actuals vs. estimates

	Actual vs. Estimate		
	3Q2026		
in millions (ex EPS)	Actual	Estimate	Act. %/bp
Income Statement			
Total Net Sales	**201,944**	**204,962**	**-1%**
Y/Y % Growth	12.1%	13.8%	-168 bp
Y/Y % Growth ex-FX	13.0%	14.5%	-152 bp
Cost of Sales (Non GAAP)	94,403	96,662	-2%
Shipping Costs	28,295	28,379	0%
Gross profit	**107,541**	**108,300**	**-1%**
Gross margin	53.3%	52.8%	41 bp
Operating Expenses			
Fulfillment Expenses	29,341	29,735	-1%
Marketing Expenses	10,887	11,253	-3%
Technology & Content Expenses	31,405	32,173	-2%
General & Administrative Expenses	2,292	2,293	0%
Other operating expense (income), net	134	271	NA
Stock-based Compensation	5,406	5,247	3%
Operating Expenses (GAAP)	**79,465**	**80,973**	**-1.9%**
GAAP Income from Operations*	**28,076**	**27,328**	**3%**
GAAP Operating Margin	13.9%	13.3%	57 bp
Depreciation & Amortization	**20,949**	**22,028**	**-4.9%**
Net income (GAAP)	**20,685**	**22,350**	**-7%**
Diluted shares	10,929	10,924	0%
EPS (GAAP)	**$1.89**	**$2.05**	**-7%**
Cash Capex	**75,878**	**59,361**	**28%**
Free Cash Flow	**(33,456)**	**(11,219)**	**NA**

Source: Company data, Morgan Stanley Research estimates

Exhibit 9: Changes to our estimates:

in millions (ex EPS) **Income Statement**	**2027** Prior	**2028** Prior	**2027** Current	**2028** Current	**2027** Revision	**2028** Revision
North America	521,037	571,192	516,428	563,162	**-1%**	**-1%**
International	201,991	219,534	205,801	227,676	**2%**	**4%**
AWS	262,302	373,568	254,261	360,814	**-3%**	**-3%**
Total Net Sales	**985,330**	**1,164,294**	**976,490**	**1,151,653**	**-1%**	**-1%**
Shipping Costs	131,342	143,999	126,555	139,210	-4%	-3%
Shipping Cost per fulfilled unit	$3.74	$3.73	$3.52	$3.48	-6%	-7%
Operating Expenses						
Fulfilment (Ex SBC)	132,416	145,176	131,497	145,384	-1%	0%
Marketing (Ex SBC)	49,512	53,764	49,048	51,548	-1%	-4%
Technology & Content (Ex SBC)	160,338	201,042	161,659	209,014	1%	4%
General & Administrative (Ex SBC)	9,522	10,542	9,018	9,952	-5%	-6%
Other Operating Expenses (Ex SBC)	962	764	962	764	NM	NM
Stock-Based Comp	22,964	25,964	23,623	26,623	3%	3%
Total Operating Expenses	**375,714**	**437,253**	**375,807**	**443,285**	**0%**	**1%**
Operating Income (GAAP)	**167,200**	**245,761**	**164,989**	**234,937**	**-1%**	**-4%**
Operating Margin %	17.0%	21.1%	16.9%	20.4%		
Depreciation and Amortization	120,976	170,535	119,450	168,724	-1%	-1%
Total Non-Operating Income (Expense)	(6,121)	(10,431)	(5,173)	(11,221)	-15%	8%
Income Before Taxes	161,078	235,331	159,816	223,716	-1%	-5%
Income Taxes	30,605	49,419	30,365	46,980	-1%	-5%
Net Income (GAAP)	**130,474**	**185,911**	**129,451**	**176,736**	**-1%**	**-5%**
Wtd Average Diluted Shares Outstanding	11,050	11,229	11,035	11,214	0%	0%
Diluted EPS (GAAP)	**$11.80**	**$16.56**	**$11.73**	**$15.76**	**-1%**	**-5%**
Cash Capex	**352,320**	**362,028**	**350,187**	**360,428**	**-1%**	**0%**
Free Cash Flow	**(89,409)**	**(19,383)**	**(81,411)**	**(14,958)**	**10%**	**30%**
Free Cash Flow per Share	**($8.09)**	**($1.73)**	**($7.38)**	**($1.33)**	**10%**	**29%**

Source: Company data, Morgan Stanley Research estimates



Financials

Exhibit 10: AMZN income statement:

Morgan Stanley | Amazon.com model (USD millions)	2025	2026E	2027E	2028E	'25-'28 CAGR
Income Statement					
North America	426,305	473,218	516,428	563,162	10%
International	161,894	181,374	205,801	227,676	12%
AWS	128,725	176,432	254,261	360,814	41%
Total Net Sales	**716,924**	**831,024**	**976,490**	**1,151,653**	**17%**
% change Y/Y	12.4%	15.9%	17.5%	17.9%	
Two-Year Growth	23.4%	28.3%	33.4%	35.4%	
Cost of Sales (ex SBC)	355,637	399,348	435,694	473,431	10%
Gross Profit	**361,287**	**431,677**	**540,796**	**678,222**	23%
Gross Margin %	50.4%	51.9%	55.4%	58.9%	
change Y/Y in bp	141 bp	155 bp	344 bp	351 bp	
Abs change Y/Y	48,778	70,390	109,119	137,426	
Gross Profit % change Y/Y	15.6%	19.5%	25.3%	25.4%	
Two-Year Gross Profit % change Y/Y	31.0%	35.1%	44.8%	50.7%	
Operating Expenses					
Fulfilment (Ex SBC)	106,371	118,640	131,497	145,384	11%
Marketing (Ex SBC)	43,684	45,278	49,048	51,548	6%
Technology & Content (Ex SBC)	97,650	122,263	161,659	209,014	29%
General & Administrative (Ex SBC)	9,501	9,028	9,018	9,952	2%
Restructuring	7810	0	0	0	
Other Operating Expenses (Ex SBC)	4639	942	962	764	
Stock-Based Comp	19,467	20,623	23,623	26,623	11%
Total Operating Expenses	**281,312**	**316,774**	**375,807**	**443,285**	**16%**
Operating Income (GAAP)	**79,975**	**114,902**	**164,989**	**234,937**	**43%**
Operating Margin %	11.2%	13.8%	16.9%	20.4%	
Incremental Margin Y/Y	14.4%	30.6%	34.4%	39.9%	
Total Non-Operating Income (Expense)	**17,336**	**67,678**	**-5,173**	**-11,221**	
Income Before Taxes (GAAP)	97,311	182,580	159,816	223,716	
Income Taxes (GAAP)	(19,087)	(39,752)	(30,365)	(46,980)	
Tax Rate	19.6%	21.8%	19.0%	21.0%	
Equity Income, net	-554	-34	0	0	
Net Income (GAAP)	**77,670**	**142,794**	**129,451**	**176,736**	**32%**
Wtd Average Basic Shares Outstanding	10,827	10,914	10,901	11,214	
Wtd Average Diluted Shares Outstanding	10,827	10,914	11,035	11,214	
Fully Diluted EPS (GAAP)	**$7.17**	**$13.08**	**$11.73**	**$15.76**	**30%**
% change Y/Y	30%	82%	(10%)	34%	

Source: Company data, Morgan Stanley Research estimates, Note 2026 YTD GAAP EPS includes includes non-operating pre-tax other income ~$5, excluding this we estimate 2026 EPS at ~$8.

Exhibit 11: AMZN balance sheet

Balance Sheet | Amazon.com model (USD millions)	2025	2026E	2027E	2028E
BALANCE SHEET				
ASSETS				
Cash & Cash Equivalents	86,810	79,031	62,993	73,034
Marketable Securities	36,219	58,443	58,443	58,443
Inventories	38,325	40,694	54,176	57,841
Net Accounts Receivable & Other	67,729	78,384	106,507	137,128
Deferred Tax Assets	0	0	0	0
Total Current Assets	**229,083**	**256,553**	**282,118**	**326,447**
Fixed Assets. Gross	620,152	0	0	0
Accumulated D&A	177,073	0	0	0
Fixed Assets, Net	**443,079**	**626,978**	**857,715**	**1,049,419**
Deferred Tax Assets	0	0	0	0
Goodwill	23,273	23,743	23,743	23,743
Other Assets	122,607	365,260	355,828	355,828
Total Assets	**818,042**	**1,272,534**	**1,519,404**	**1,755,436**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Accounts Payable	121,909	153,887	171,355	172,701
Accrued Expenses & Other	75,520	77,368	80,532	83,696
Unearned Revenue	20,576	21,708	21,708	21,708
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**	**252,963**	**273,595**	**278,105**
Long-term Debt	65,648	173,125	243,125	268,125
Other Long-Term Liabilities	123,324	198,682	198,682	198,682
Total Liabilities	**406,977**	**624,770**	**715,402**	**744,912**
STOCKHOLDERS' EQUITY				
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	154,924	154,924	154,924
Accum Other Comprehensive Inc	28,230	102,278	102,278	102,278
Retained Earnings	250,536	398,286	554,524	761,047
Total Shareholders' Equity	**411,065**	**647,764**	**804,002**	**1,010,525**
Total Liabilities + Stockholders' equity	**818,042**	**1,272,534**	**1,519,404**	**1,755,436**

Source: Company data, Morgan Stanley Research estimates

Exhibit 12: 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	142,794	129,451	176,736
Adjustments:				
Depreciation and Amortization	65,756	84,916	119,450	168,724
Stock-Based Compensation	19,467	20,623	23,623	26,623
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)	(68,319)	0	0
Deferred income taxes	11,470	39,037	14,060	0
Excess tax benefit of SBC	0	0	0	0
Changes in Working Capital				
Inventories	(3,002)	(2,774)	(13,482)	(3,665)
Accounts Receivable and Other	(22,965)	(9,388)	(28,123)	(30,622)
Accounts Payable	11,231	(2,621)	17,468	1,346
Accrued Expenses and Other	(5,019)	(14,102)	3,164	3,164
Additions to Unearned Revenue	(214)	3,164	3,164	3,164
Amortization of Previously Unearned Revenue	0	0	0	0
Other	0	0	0	0
Total Changes in Working Capital	**(19,969)**	**(25,721)**	**(17,809)**	**(26,613)**
Total Cash Flow from Operations	**139,514**	**193,329**	**268,776**	**345,470**
Cash Flow from Investing				
Purchases of Property and Equipment, net	(128,320)	(218,428)	(350,187)	(360,428)
Acquisitions, net of cash acquired	(3,841)	(73,753)	(4,628)	0
Sales and maturities of mkrtable securites and other investments	44,386	65,559	0	0
Purchases of marketable securities and other investments	(54,770)	(86,717)	0	0
Total Cash Flow from Investing	**(142,545)**	**(313,339)**	**(354,815)**	**(360,428)**
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	129,775	0	0
Repayments of Long-term Debt and Other	(14,586)	(17,927)	70,000	25,000
Total Cash Flow from Financing	**9,661**	**111,848**	**70,000**	**25,000**
FX Impact on Cash	1,401	383	0	0
Net Increase/(Decrease) in Cash Flow	**8,031**	**(7,779)**	**(16,039)**	**10,042**
Cash at Beg of Period	78,779	86,810	79,031	62,993
Cash at End of Period	86,810	79,031	62,993	73,034

Source: Company data, Morgan Stanley Research estimates. Note: $70bn/$25bn of '27/'28 financing cash flow represents proceeds from debt raises.

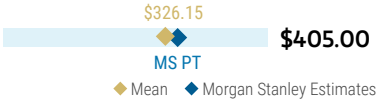
Risk Reward – Amazon.com Inc (AMZN.O) Top Pick

AMZN Risk Reward

PRICE TARGET $335.00

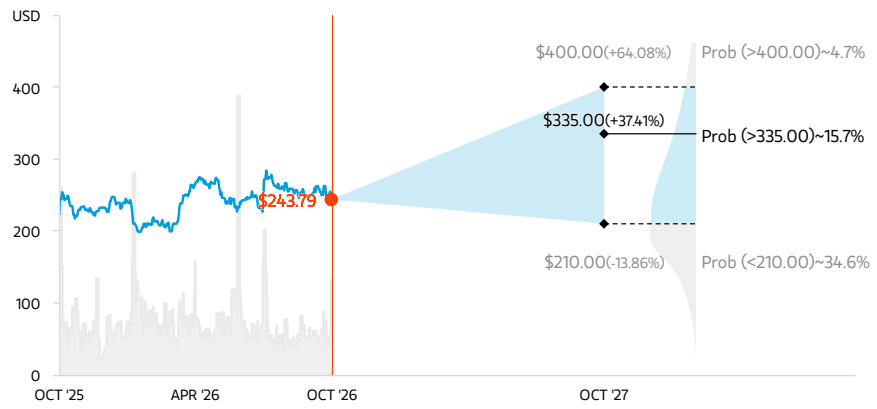
Our $335 PT is based on ~21X our $16 '28E EPS. We sense check our PT & target multiple on a growth-adjusted basis. Our PT implies AMZN re-rates to ~0.5X PEG, reflecting a ~40% discount to its hyperscaler peer median PEG of ~0.8X (closer to its short-term historical 40-50% discount to peers on a growth-adjusted basis), given AWS's bigger topline & margin trajectory, further visibility into Bedrock, retail agentic importance, robotics optionality.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



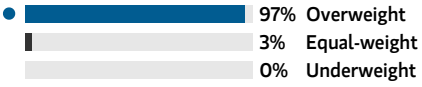
Key: Historical Stock Performance Current Stock Price Price Target

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 29 Oct 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



MS Rating

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

~24X $17 of bull '28 EPS

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

BASE CASE $335.00

~21X $16 of base '28 EPS

Our $335 PT is based on applying a ~21X P/E multiple to our $16 of '28 EPS.

BEAR CASE $210.00

~15X $14 of bear '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 ($, mm)	716,924	831,024	976,490	1,151,653
Gross Profit ($, mm)	361,287	431,677	540,796	678,222
GAAP EBIT ($, mm)	79,975	114,902	164,989	234,937
Paid Unit Growth (y/y) (%)	10.8	14.0	11.0	10.7
AWS Revenue Growth (%)	19.7	37.1	44.1	41.9

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	55.8%
HF Sector Long/Short Ratio	1.8x
HF Sector Net Exposure	11.3%

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 ($, mm)	815,866	831,024 / 830,558	929,221
EBITDA ($, mm)	197,862	221,383 / 216,941	235,567
Net income ($, mm)	96,033	142,794 / 138,855	162,902
EPS ($)	8.69	13.08 / 12.82	13.70

◆ Mean ◆ Morgan Stanley Estimates

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

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Global Stock Ratings Distribution

(as of September 30, 2026)

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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	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

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

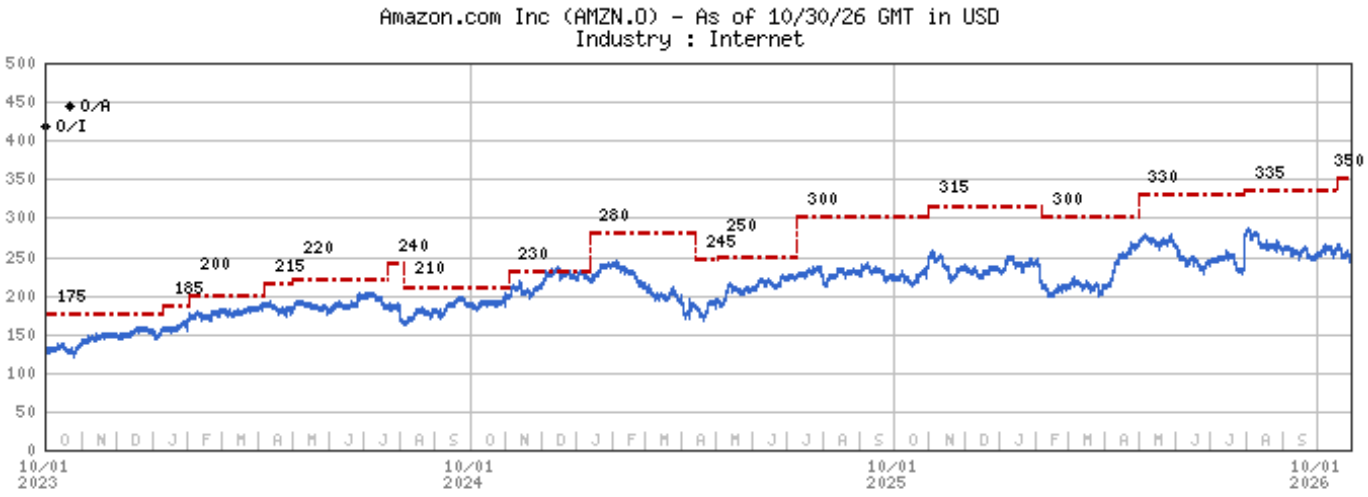
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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)



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

Price Target History: 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; 7/31/26 : 335; 10/18/26 : 350

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* (10/29/2026)
Brian Nowak, CFA		
Alphabet Inc. (GOOGL.O)	O (08/11/2015)	$283.82
Amazon.com Inc (AMZN.O)	O (04/24/2015)	$243.79
DoorDash Inc (DASH.O)	O (02/21/2024)	$179.00
Instacart (CART.O)	E (01/29/2024)	$57.11
Lyft Inc (LYFT.O)	E (10/24/2019)	$16.41
Meta Platforms Inc (META.O)	O (03/20/2023)	$624.52
Pinterest Inc (PINS.N)	O (07/20/2025)	$19.92
Reddit Inc (RDDT.N)	O (12/08/2024)	$129.60
Snap Inc. (SNAP.N)	E (07/22/2024)	$5.68
Uber Technologies Inc (UBER.N)	++	$65.74
Matthew Cost		
Airbnb Inc (ABNB.O)	E (09/16/2026)	$166.45
AppLovin Corp (APP.O)	O (04/10/2025)	$254.91
Booking Holdings Inc (BKNG.O)	O (02/23/2026)	$150.43
Compass, Inc. (COMP.N)	E (01/12/2026)	$9.39
Criteo SA (CRTO.O)	E (01/26/2016)	$14.89
DoubleVerify Holdings Inc (DV.N)	E (06/25/2024)	$13.57
Expedia Inc. (EXPE.O)	U (09/16/2026)	$282.73
Liftoff Mobile Inc. (LFTO.O)	E (06/29/2026)	$15.99
MNTN Inc (MNTN.N)	E (06/16/2025)	$9.84
Opendoor Technologies Inc (OPEN.O)	E (07/24/2023)	$1.90
Playtika Holding Corp (PLTK.O)	E (11/27/2022)	$1.97
Roblox Corporation (RBLX.N)	O (11/04/2024)	$52.46
Take-Two Interactive Software (TTWO.O)	O (02/01/2018)	$193.39
Trade Desk Inc (TTD.O)	E (09/10/2025)	$13.06

Unity Software Inc (U.N)	O (09/02/2024)	$39.27
Webtoon Entertainment Inc (WBTN.O)	E (07/22/2024)	$9.53
Yelp Inc (YELP.N)	U (01/10/2019)	$18.96
Zillow Group Inc (Z.O)	E (04/18/2018)	$30.99
Nathan Feather		
Bumble Inc. (BMBL.O)	++	$5.98
Chewy Inc (CHWY.N)	O (10/31/2023)	$20.83
Duolingo Inc (DUOL.O)	E (02/27/2026)	$136.39
eBay Inc (EBAY.O)	O (04/18/2024)	$121.19
Etsy Inc (ETSY.N)	E (07/20/2025)	$91.59
FIGS, Inc. (FIGS.N)	E (02/29/2024)	$21.56
Grindr Inc. (GRND.N)	O (07/01/2026)	$12.90
Match Group Inc (MTCH.O)	E (04/18/2024)	$42.65
Peloton Interactive, Inc. (PTON.O)	U (09/08/2026)	$5.28
Revolve Group Inc (RVLV.N)	E (10/20/2024)	$23.09
WW International Inc (WW.O)	E (08/01/2025)	$15.05

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