Amazon

Investment Thesis 2026 02 11

Amazon has an exceptional track record of organically developing best-in-breed businesses. One of the core values of Amazon is to deliver exceptional customer experiences for every customer. The company meets the customer where the customer is and is focused on what the customer wants, not on what the company wants to sell to the customer. This is why their businesses and platforms are open, interoperable, and as technology-agnostic as possible.

- Amazon is the leading ecommerce company. This part of its business makes money by selling products directly to customers and by acting as a storefront for third-party sellers. Amazon's obsession with low customer prices and fast delivery keep the margins in this business low. AMZN was named lowest-priced U.S. retailer by Profitero for the nineth year in a row. The study found Amazon's online prices were an average of 14% less than other major U.S. retailers.
- Amazon Web Services (AWS) is the leading cloud computing services company. Key competitive advantages of AWS include its scale and the flexible and powerful compute options it provides.
    - The company is rapidly innovating AWS, particularly in the AI capabilities and offering (e.g., agents and interfaces with a broad set of technologies) available within AWS.
- Amazon has become a significant semiconductor designer. Trainium (Amazon's TPU) and Graviton (Amazon's GPU) now have a combined annual revenue run rate of over $10 billion, growing at a triple digit percentage year-over-year.
- Amazon is also a leading media streaming service and media content developer.
- Amazon is at the forefront of robotics development, logistics, and AI.
- Finally, Amazon has a growing advertising business that leverages its ecommerce platform and its media business.

The company projected capital expenditures of $200 billion in 2026. Most of this will go to AWS and the enhancement of AI. Another significant amount will go to satellite launches to expand global internet access and to enhance and buildout Amazon Leo (Amazon's internet access business). The $200 billion figure is weighing on the stock price, which fell below $200 a share. We added to our position on the drop.

Amazon's revenue in fiscal 2025 was up 12% to $717 billion. It's net earnings were up 31% to $78 billion. No other company on earth has anywhere near the sales that Amazon has.

Prospects over the next 9 to 12 months

The average price target of analysts' for AMZN is $285 to $296, with a high of $360 and a low of $175. The low of $175 is an outlier which comes from D.A. Davidson, which just lowered its target from $300 to $175. My fair value is $276.38. It is based on an EPS of $6.50, a growth rate of 16%, and a PE of 25.

AMAZON.COM, INC. (XNAS:AMZN)	$ 198.08	71.67%													
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	TTM	10 year	5 year	1 year	current trend
Revenue Mil	135,987	177,866	232,887	280,522	386,064	469,822	513,983	574,785	637,959	716,924	716,924	20%	11%	12%	0.00%
Net Income	2,371	3,033	10,073	11,588	21,331	33,364	-2,722	30,425	59,248	77,670	77,670	47%	24%	31%	0.00%
Earnings Per Share USD	0.25	0.31	1.01	1.15	2.09	3.24	-0.27	2.90	5.53	7.17	7.17	45%	22%	30%	0.00%
Operating Income	4,186	4,106	12,421	14,541	22,899	24,879	12,248	36,852	68,593	79,975	79,975	39%	34%	17%	0.00%
Operataring Income Per Share	0.43	0.42	1.24	1.44	2.25	2.42	1.20	3.51	6.40	7.39	7.39	37%	32%	15%	0.00%
Book Value Per Share USD	1.86	2.55	3.98	5.67	8.23	11.84	13.42	17.62	24.46	34.45	38.29	38%	31%	41%	11.15%
Free Cash Flow USD Mil	9,399	6,410	17,296	21,653	25,924	(14,726)	(16,893)	32,217	32,878	7,695	7,695	-2%	#NUM!	-77%	0.00%
Free Cash Flow Per Share	0.97	0.65	1.73	2.15	2.54	-1.43	-1.66	3.07	3.07	0.71	0.71	-3%	#NUM!	-77%	0.00%
Working Capital	1,965	2,314	6,710	8,522	6,348	19,314	-8,602	7,434	11,436		1,670	-100%	-100%	#NUM!	#NUM!
Return on Invested Income %	8.42	7.09	14.70	11.72	14.71	15.98	(0.60)	9.82	15.49	15.49	15.49	11.3	11.2	15.5	15.5
Return on Assets %	3.2	2.8	6.9	6.0	7.8	9.0	(0.6)	6.1	10.3	10.8	10.8	6.2	7.1	10.6	10.8
Return on Equity %	14.5	12.9	28.3	22.0	27.4	28.8	(1.9)	17.5	24.3	22.3	22.3	19.6	18.2	23.3	22.3
Operating Margin %	3.1	2.3	5.3	5.2	5.9	5.3	2.4	6.4	10.8	11.2	11.2	5.8	7.2	11.0	11.2
Shares	9,680	9,860	10,000	10,080	10,200	10,300	10,189	10,492	10,721	10,827	10,827	1%	1%	1%	0.00%

$28.67	Future EPS
$716.86	Future price
$276.38	Sticker price
$165.83	40% discount