BOCCONI STUDENTS FOR COMMERCIAL AND INVESTMENT BANKING

EQUITY RESEARCH
NORTH AMERICA

AMAZON (AMZN)

Company Report

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1. Executive Summary

Amazon.com, Inc. (NASDAQ: AMZN), initially an online bookstore company founded by Jeff Bezos in 1994, is now one of the largest American multinational companies operating a global e-commerce marketplace, a powerful cloud-computing platform (Amazon Web Services), a fast-growing digital advertising business, and a subscription-based ecosystem (Amazon Prime). With operations spanning more than 20 countries, Amazon has transformed from an online bookstore into a diversified technology leader with multiple high-margin growth engines.

We initiate coverage on Amazon.com, Inc. (NASDAQ: AMZN) with a BUY recommendation and a 12-month target price of US$252.4 per share, implying approximately 12.5% upside from the current share price of US$224.3. Our valuation is based on a blended approach using both Discounted Cash Flow analysis and relative valuation multiples. Amazon stands to benefit from its multi-year infrastructure agreement with OpenAI, giving the company a front-row seat to the AI boom. This partnership with one of the industry's leaders will give Amazon a recurring revenue stream over the next few years and increased visibility as enterprises follow OpenAI's lead, making it an essential factor for the company's future growth.

Our primary valuation tool is a 10-year Discounted Cash Flow model based on Free Cash Flow to the Firm. We project top-line growth normalising from low double-digit levels towards high single digits over the forecast horizon, with gradual operating margin exposure driven by AWS and advertising. Using a Weighted Average Cost of Capital of ~8.0% and a terminal growth rate of ~2.9% the model yields the enterprise value of approximately US$2.8 trillion and an equity value of around US$2.7 trillion, or US$252.4$ per share. A cross-check against current trading multiples of 3.7x EV/Sales and ~19x EV/EBITDA on 2024 figures suggests that our DCF assumptions are broadly in line, but slightly more optimistic than the markets imply, supporting an upside case.

Despite high competition in the growing AI market, we believe Amazon's reputation will enable it to maintain a substantial market share. However, it is important to consider that competitive pressure in cloud computing and e-commerce remains intense, keeping retail margins thin and forcing the company to invest heavily to defend its lead. Furthermore, macroeconomic uncertainty should also be considered, including interest rates, currency fluctuations, and consumer spending trends. In addition, Amazon is also facing heavy regulatory scrutiny in both the U.S and Europe. All these factors affect the company's short-term volatility as it pursues its long-term targets.

Despite these sources of short-term volatility, Amazon's long-term outlook remains strong. The company's strategic positioning following the deal with OpenAI, its steady revenues from e-commerce and digital advertising, and its global scale will support long-term value creation.

2. Company Overview

Amazon.com, Inc. (NASDAQ: AMZN) is a U.S.-based multinational technology and retail company whose operations span e-commerce, cloud computing, advertising, subscriptions and logistics. It is headquartered in Seattle, Washington. As of November 2025, Amazon carries a market capitalisation of approximately US$2.5 trillion. The share price is in the high-US$230s as of mid November 2025.

In recent stock performance terms, the equity has delivered modest gains over the last year (around 10-12%) while its market-cap has increased around 20–25% accordingly. Despite being considered one of the largest and most influential technology companies globally, it faces heightened investor scrutiny around growth rates, margins and heavy capital expenditure for AI and infrastructure.

Amazon’s business model can be characterised as highly diversified. It leverages a retail engine for scale, a marketplace for third-party sellers, a subscription membership base, an advertising platform and a high-margin cloud-infrastructure business.

Key segments include:

- Online Stores: Amazon sells directly to consumers across many product categories (electronics, household goods, apparel, etc.).

- Third-Party Seller Services (Marketplace): Amazon provides platform infrastructure, fulfilment and logistics services for independent sellers who list on its marketplace. The company earns fees, fulfilment margins and shares in growth of these sellers.

- Amazon Web Services (AWS): This is its cloud-computing arm, offering infrastructure-as-a-service (IaaS), platform-as-a-service (PaaS), storage, databases, content delivery and more. This segment, although smaller in absolute revenue than retail, delivers a disproportionate share of profits.

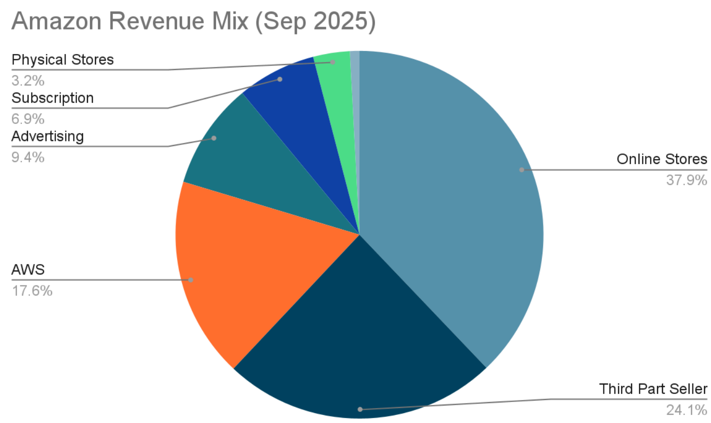
- Advertising Services: Amazon monetises its platform audience by allowing advertisers to promote products, display ads, and integrate video/streaming advertising. This has emerged as a meaningful growth driver.

- Subscription Services & Physical Stores: Through Amazon Prime memberships (fast shipping, streaming, etc.), digital content platforms, Kindle/Echo devices and its physical retail operations (Whole Foods, Amazon Fresh), Amazon further creates recurring-revenue streams and bridges online/offline.

The strength of this model lies in the connection between each of their segments: the retail platform drives traffic and scale, the marketplace adds margin expansion potential, subscriptions lock in customer lifetime value, advertising leverages data and attention, while AWS supplies high-margin growth and technological moat.

Recent data shows Amazon's revenue by segment (TTM) roughly as follows:

- Online Stores: ~US$260 billion
- Third-Party Seller Services: ~US$166 billion
- AWS (Infrastructure Services): ~US$122 billion
- Advertising: ~US$65 billion
- Subscription Services: ~US$48 billion
- Physical Stores & Other: ~US$22 billion + ~US$6 billion



What stands out: while the online-retail and marketplace segments remain huge in absolute terms, the fastest growth rates and highest margins are in AWS and Advertising. Retail remains competitive and margin-constrained (due to fulfilment/logistics cost pressure), while cloud and ads are higher-margin growth engines.

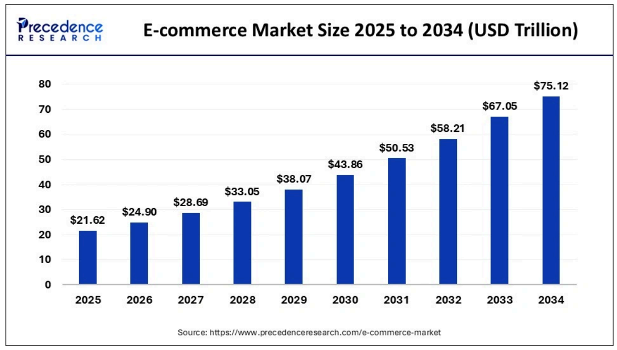
In geographic terms, the U.S./North America remains the largest region (≈ 59 % of total revenue) with international markets being smaller but they're still constantly growing.

- Launch of AWS in ~2006 led to Amazon's pivot from pure retail to major cloud-player.
- Acquisition of Whole Foods in 2017 (~US$13.4 billion) marked a significant push into physical retail.
- Rapid growth of Amazon Prime (global paid membership), integration of streaming devices (Echo/Kindle) and logistics enhancements (same-day, fulfillment networks).
- Expansion of Advertising business to monetise third-party seller ecosystem and platform audience.

- Global logistics & infrastructure: Amazon operates in many markets (U.S., Europe, Asia) with marketplace operations, fulfilment centres, cloud-data-centres and devices.

3. Industry Analysis

Amazon operates at the intersection of two of the world's most transformative industries: e-commerce and cloud computing, with an increasingly significant presence in digital advertising. These three segments are strategically interconnected. The scale and data generated by e-commerce and the marketplace feed Amazon's advertising business, while the cloud infrastructure (AWS) underpins the company's technological and operational advantages.



The global e-commerce market surpassed US$5 trillion in 2024, and is projected to continue growing up until $7.5 trillion in 2034. In the United States, e-commerce accounts for roughly 16 % of total retail sales, a share that continues to rise each quarter as consumer behavior shifts online.

The cloud computing industry has also expanded rapidly, reaching approximately US$172 billion in 2024. Amazon Web Services (AWS) remains the global leader with an estimated 30% market share, followed by Microsoft Azure (~20%) and Google Cloud (~12%). Analysts expect the broader cloud infrastructure market to maintain annual growth above 20% as enterprises increasingly adopt AI-driven workloads and data-intensive applications.

A third, emerging profit pool is retail media advertising. Amazon now captures a dominant share of this market, estimated at over 75 % of U.S. retail-media ad spending. As brands shift budgets toward platforms with measurable purchase intent, retail media has become one of the fastest-growing advertising verticals globally.

- E-commerce: Amazon faces strong competition from Walmart, which has leveraged its physical store network and logistics capabilities to expand its online presence, and from Target and Alibaba, which compete in retail and international markets respectively.

- Cloud computing: AWS competes primarily with Microsoft Azure and Google Cloud, both of which are gaining share through AI-focused infrastructure and enterprise partnerships.

- Digital advertising: Amazon's advertising division competes with Google, Meta, and emerging retail-media platforms like Walmart Connect. Its integration of Prime Video ads and connected TV advertising significantly strengthens its position in this field.

Key Industry Trends:

- Artificial Intelligence and Cloud Infrastructure: The AI boom is fueling massive demand for compute capacity. AWS's investment in custom silicon (e.g., Trainium and Inferentia chips) is designed to lower costs and retain competitive advantage in AI workloads.

- Automation and Logistics Efficiency: Amazon continues to expand its use of robotics in fulfilment centers—over one million robots deployed—to shorten delivery times and reduce unit fulfilment costs.

- Retail Media Growth: Advertisers increasingly prioritize platforms where consumers are ready to purchase. Amazon's combination of shopping intent data, streaming content, and advertising capabilities creates a self-reinforcing ecosystem.

- Omnichannel and Last-Mile Logistics: The rise of same-day delivery and curbside pickup is blurring the line between online and offline retail. Competitors with dense logistics networks, such as Walmart, pose growing challenges.

- Global Expansion and Regulation: Growth outside the U.S. (notably in India and Europe) remains a priority, though Amazon faces rising regulatory scrutiny and competition from local players in each market.

Porter's Five Forces Summary:

- Threat of New Entrants: Low, given the massive capital requirements for logistics and cloud infrastructure.

- Supplier Power: Moderate. AWS depends on hardware suppliers (notably NVIDIA for GPUs), but Amazon mitigates this risk with in-house chip design.

- Buyer Power: Moderate to high. Consumers have many retail options, and enterprise cloud customers are increasingly multi-cloud.

- Threat of Substitutes: Moderate. In retail, traditional stores and social commerce platforms compete for spending; in cloud, specialized AI providers such as CoreWeave are emerging.

- Rivalry Among Existing Competitors: High. In both retail and cloud, the primary players are large, well-capitalized firms competing on price, scale, and innovation.

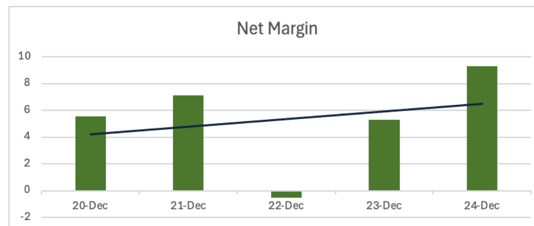
4. Financial Performance

Share price performance

Quarterly EPS	Q1	Q2	Q3	Q4
2024A	1.26	1.43	1.43	1.86
2025E	1.59	1.68	1.95	1.95
2026E	1.72	1.84	1.96	2.33

Financial and Valuation metrics

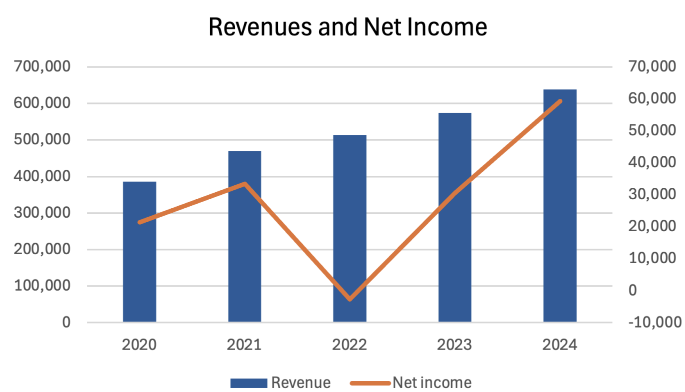
Year	24-Dec	25-Dec	26-Dec	27-Dec
EPS	5.66	7.07	7.83	9.58
P/E	39.7	35.2	31.8	26.0
Revenue (US$ 1000m)	637.95	713.65	793.21	880.33
EBITDA (US$ 1000m)	143.4	166.43	199.71	241.27
Net income (US$ 1000m)	59.25	75.99	85.57	105.99
Net debt (US$ 1000m)	-11.81	-4.91	-30.19	-71.87
N° of share (1000m)	10.71	Price/sale (x)	3.6	
BV/share	27	P/TBV	9	
Dividend yield	-	Divident ($)	-	
N° of Stores	645	ROE	24.29	



Income Statement summary

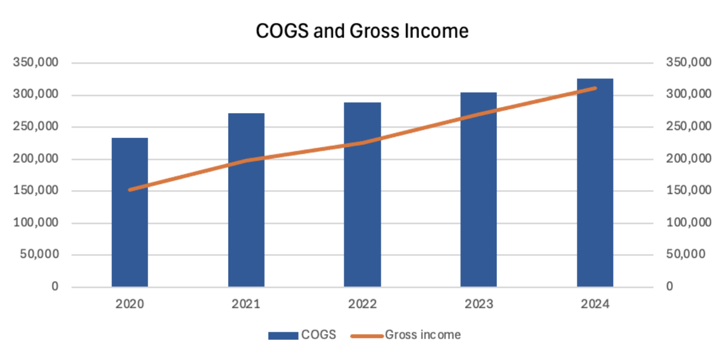
Amazon has experienced constant growth for the past several years, this was due to an increase in consumer spending, increase in investment toward new technologies (such as AI) and a geographic expansion toward emerging markets.

The company presents steady sales which have been growing for the past 5 years at a 11.3% CAGR rate.

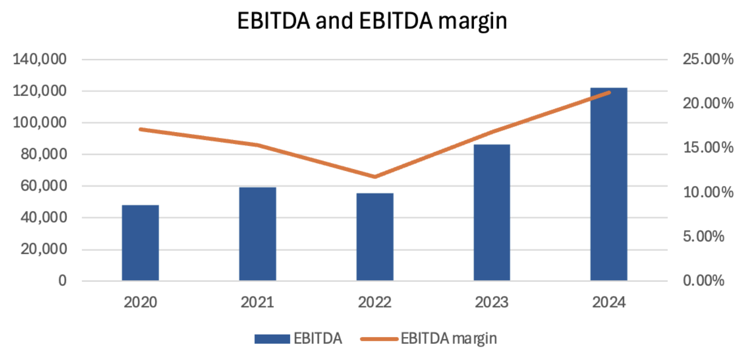


As it is noticeable from the graph on the left Amazon suffered a particular decline in net income with negative results in 2022, this was due to macroeconomic challenges including rise in interest rate, spike in inflation and slowing of sales.

However broadly Amazon has been able to maintain its role as a key player in the retail industry. The COGS has also been increasing due to inflation however this has not affected the cost structure of the company which has been able to deliver solid gross income year over year.



EBITDA has risen steadily since 2020, reflecting efficiency gains and margin recovery after a temporary compression in 2022. This is most likely due the increase of capex utilization toward AI and the process of becoming an economy of scale.



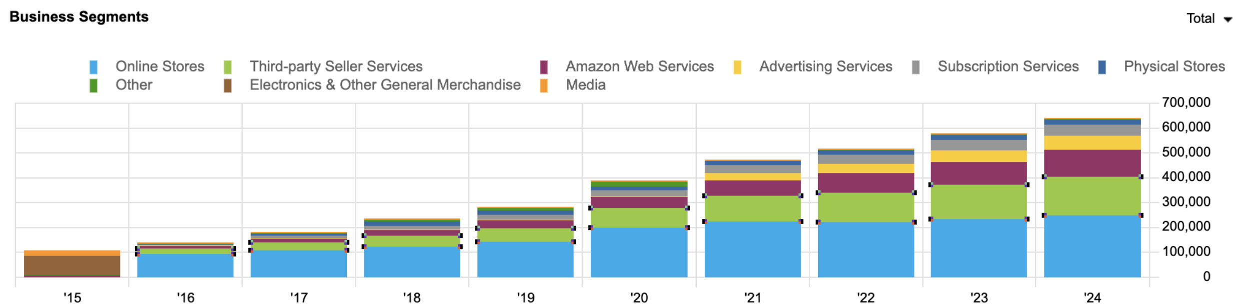
While the EBITDA margin over 5 years had a particular trend, in the first 3 year has been steadily decline, due to the compression of margin since Amazon was not able to scale properly, once this changed the ebitda margin started to increase rapidly from a 11.8% in 2022 to a 21.3% in 2025.

EBIT has increased particularly in 2024 with a major growth of 84% respect the precedent year. This was possible due to an increase in sales followed by a low increase in COGS and SG&A and a stable D&A.

Balance Sheet and Ratio highlights

Amazon's balance sheet is efficient for several reasons: the company is able to collect payment instantly for first party retail (hence goods produced by amazon) and has to pay suppliers much later on. As a matter of fact in 2024 the operating cycle of amazon was 67.4 days, quite long, however if we look at the net operating cycle, thus taking into account also the days of payable (100 days), we have that it is -32.6 days. This leads to a massive advantage for amazon which can utilize supplier credit for 32 days before paying them back.
Another fundamental aspect is the amount of inventory Amazon has which is consistent yet not as big as retail stores (i.e Costco, Walmart and Target), the company is used also as a market place by third parties, this can be seen when looking at current and quick ratio. The former being greater than 1 thus implicating the ability to pay its current liability with its current short term assets, but when we subtract the inventory from the current assets we have a quick ratio of 0.87.
Moving on Amazon is highly reliant on debt rather than equity this can be seen in metrics such as total debt/equity of 0.52 expressing the high utilization of debt, however the company has no problem refinancing it. As a matter of fact we can observe that total debt over EBITDA or the interest cover ratio are both healthy and showing no problem for the company to meet its financial obligation thus indicating that the high level of debt is well handled.

Segment profitability



In the past 10 years Amazon has been evolving from an online store to other segmentation as well, although online stores and third-party sales still account for the highest revenues it is noticeable the increase in amazon web service (AWS) which is the broadest cloud in the world.

The shift from a retail online company toward a tech company makes Amazon grow fast, for the last 2-3 years the highest growing sector was AWS with growth average 25.5%. Moreover in 2024 the company AWS was able to grow 18.5% far greater than any other sector.

Reason for Growth

The progressive shift of Amazon from an online retail shop toward a tech company with focus on AI has led the company to a constant growth over time. The main difference between Amazon and other physical stores is the flexibility of the company to utilize new technology and therefore sustain a high level of growth. Moreover the implementation of AI could be beneficial for the company which would become much more efficient with an expansion of margins. Moreover the cost structure of amazon, which is mainly focused on the utilization of debt is a double blade, if on one side the company is able to utilize debt, which is less expensive than equity, to fund its activity on the other side it has to pay attention to remain solvent. For the past years Amazon has proven to be able to repay its debt without any problem however in a context with increase of interest rate, as we have seen in 2022, the company might suffer and margin might compress.

5. Valuation (DCF Analysis)

1. Assumptions

1.1 Forecast Horizon

We use a 10-year explicit forecast horizon (2025–2034), followed by a terminal period. A longer horizon is appropriate for Amazon given its exposure to multiple secular growth engines. First, global e-commerce is expected to grow at a mid-teens CAGR through 2034, providing a long runway for both first-party and marketplace activities. Second, Amazon Web Services (AWS) continues to scale within cloud infrastructure, where it remains the largest player globally with roughly 30% market share and clear leadership over Microsoft Azure and Google Cloud. Third, Amazon is increasingly levered to digital advertising, a category forecast to grow at around 15% per annum into the 2030s. Taken together, these factors justify a longer explicit forecast period to properly capture the compounding of these growth vectors before fading to a stable terminal regime.

1.2 Revenue Growth per Segment

We apply differentiated growth assumptions by segment to reflect the distinct underlying drivers. In e-commerce (Online Stores and Third-Party Seller Services), we model near-term revenue growth in the mid- to high-single digits, broadly in line with Amazon's recent ~10–11% sales growth over 2024–2025. Over the medium term, we assume growth gradually decelerates towards high-single digits as penetration in developed markets matures, partially offset by continued expansion in emerging markets and ongoing logistics innovation that improves the value proposition for both buyers and sellers.

For AWS, we assume a structurally higher growth profile. In the near term, we forecast high-teens to low-20s revenue growth, consistent with recent ~20% YoY performance and broadly in line with overall cloud infrastructure market growth, which is being driven by AI workloads, data-intensive applications and ongoing enterprise migration. Over the medium term, we model a gradual slowdown, although AWS growth remains comfortably above the group average, supported by AI/ML, data analytics and the deepening of multi-year enterprise commitments.

Advertising and other high-margin services are modeled as another key growth pillar. Here we assume mid-teens growth in the near term, broadly consistent with global digital advertising growth forecasts of roughly 15% CAGR over 2025–2030. As Amazon scales its on-platform ad offering and deepens monetization across its ecosystem, this segment is expected to outgrow the core retail business and steadily increase its contribution to group revenues and profits.

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Sales	386	470	514	575	638	727	799	885	976	1,064	1,145	1,220	1,292	1,359	1,403
Growth		22%	9%	12%	11%	14%	10%	11%	10%	9%	8%	7%	6%	5%	3%
E-Com	319	374	392	432	469	530	564	605	645	683	719	758	799	842	867
Growth		17%	5%	10%	8%	13%	6.4%	7.3%	6.5%	5.8%	5.4%	5%	5%	5%	3%
Structure					73%										
Market (Statista)	2,229.30	2,725.40	2,747.00	2,869.70	3,235.00	3,660.00	3,893.20	4,178.20	4,451.40	4,711.40	4,964.80				
Growth		22.3%	0.8%	4.5%	12.7%	13.1%	6.4%	7.3%	6.5%	5.8%	5.4%				
AWS	45	62	80	91	108	128	154	185	223	260	291	316	337	354	366
Growth		37%	29%	13%	19%	19.2%	19.8%	20.3%	20.8%	16.3%	12.2%	8.6%	6.6%	4.9%	3.4%
Structure					17%										
Market (Marketline)	90	105	121	136	150	167	185	207	232						
Growth		16.9%	14.7%	12.0%	10.7%	11.0%	11.3%	11.6%	11.9%	9.9%	7.9%	5.9%	4.9%	3.9%	3.0%
Advertising	0	31	38	47	56	68	81	94	108	122	134	146	155	163	170
Growth			21%	24%	20%	21%	19%	17%	15%	13%	10%	8%	7%	5%	4%
Structure					9%										
Market (Statista)	412.62	538.06	579.31	637.87	703.41	766.62	828.74	889.55	947.94	1002.78					
Growth		30%	8%	10%	10%	9%	8%	7%	7%	6%	5%	5%	4%	4%	3%

1.3 Operating Margin Assumptions

We model a progressive improvement in consolidated EBIT margin driven by both business mix and operational efficiency. In Retail and Marketplace, we start from low single-digit operating margins, reflecting the structural narrowness of e-commerce unit economics. Over time, we assume gradual margin expansion as fulfillment and transportation networks become more automated, last-mile density improves with higher order frequency and geographic coverage, and advertising increasingly subsidizes retail economics by monetizing traffic and intent.

AWS is modeled to maintain high-teens to low-20s EBIT margins, broadly consistent with hyperscaler peers. We acknowledge some compression risk from elevated AI-related capex requirements, but this is assumed to be offset by strong pricing power, rising utilization, and the benefits of scale. Advertising and other services are treated as structurally high-margin revenue streams; as they scale, they lift the blended group margin. Global digital ad peers provide a useful benchmark, suggesting ample headroom for profitability as Amazon's ad business matures. At the consolidated level, these dynamics translate into a starting EBIT margin in the mid-single digits, with a steady trajectory of improvement over the forecast horizon.

EBIT (Operated Income)	**23**	**25**	**14**	**38**	**69**	**80**	**102**	**125**	**147**	**169**	**189**	**206**	**221**	**235**	**245**
E-com+ Adv				**12**	**29**	**33**	**37**	**42**	**47**	**52**	**57**	**63**	**69**	**75**	**80**
Margin				*3%*	*5%*	*5%*	*6%*	*6%*	*6%*	*6%*	*7%*	*7%*	*7%*	*7%*	*8%*
AWS				**25**	**40**	**47**	**65**	**83**	**101**	**117**	**131**	**143**	**152**	**159**	**165**
Margin				*27%*	*37%*	*37%*	*42%*	*45%*	*45%*	*45%*	*45%*	*45%*	*45%*	*45%*	*45%*

1.4 Reinvestment and CapEx

Reinvestment is modeled primarily through capital expenditures and working capital. The CapEx-to-sales ratio remains elevated in the near term, reflecting continued investment in data centres and specialized AI infrastructure to support AWS, as well as additional fulfilment centres, robotics, transportation assets and logistics technology to enhance the efficiency and reach of the retail network. We also incorporate ongoing investment in advertising technology and measurement capabilities to support the growth of the ads business. This profile is consistent with management commentary around sustained, albeit moderating, capex following a period of heavy build-out. Working capital requirements are modest relative to revenues, in line with Amazon's historically efficient working capital model, but we allow for incremental investments as the business scales. Overall, the reinvestment framework supports above-market growth while remaining consistent with a path towards improving free cash flow generation.

2. WACC Calculation

2.1 Cost of Equity (CAPM)

We estimate Amazon's cost of equity using the Capital Asset Pricing Model. The risk-free rate is anchored to the yield on long-dated U.S. Treasuries, reflecting the current level of real rates and inflation expectations. On top of this, we apply an equity risk premium broadly in line with long-run empirical evidence for U.S. equities. The beta input is derived from a peer-based approach: we start from observed betas for a group of large-cap technology, cloud and digital commerce companies.

2.2 Cost of Debt

The cost of debt is based on Amazon's current and prospective funding conditions in the investment-grade credit market. We look at the yield to maturity on outstanding Amazon bonds and at indicative spreads for similarly rated high-grade U.S. corporates of comparable tenor. This suggests a pre-tax cost of debt in the mid-single digits

2.3 Capital Structure and WACC

For the purpose of the WACC, we assume a target capital structure in line with Amazon's current balance sheet, with equity representing the majority of total capital and a moderate, but not excessive, level of financial leverage. The resulting WACC sits in the high single digits and serves as the discount rate for our DCF.

Rf	4.14%
Beta	1.23
ERM	5.00%
Re	10.27%
Rd (AA-)	4.55%
E/A	0.649
D/E	0.54
Tax	19%
WACC	7.96%

3. DCF Valuation

3.1 Free Cash Flows

The resulting FCFF profile reflects the interplay between revenue growth, margin expansion and reinvestment. In the early years, free cash flow growth is somewhat muted by elevated capex and continued investment in logistics, data centres and AI infrastructure. As the mix shifts towards higher-margin businesses such as AWS and advertising, operating leverage improves and capex intensity gradually normalizes, allowing FCFF to grow faster than revenues. Over the forecast period, this produces a steadily rising free cash flow stream, with margins converging towards levels more typical of mature, high-quality technology and platform companies.

3.2 Terminal Value

Our primary approach is the Gordon Growth method, which assumes free cash flows grow in perpetuity at a constant rate. The terminal growth rate is set slightly above long-term inflation but below nominal global GDP growth, reflecting Amazon's expected transition from a high-growth to a more mature phase while still benefiting from its scale and entrenched competitive advantages. The final terminal value – 1,864 bln USD.

3.3 Present Value and Target Price per Share

PV Terminal Value	1,864
Enterprise Value	2,802
Net Debt	105
Equity Value	2,697
NOSH	10,687
Share Price	252.35
Current Share Price	$224.33
BUY/SELL	Buy

4. Relative Valuation

4.1 Peer Group

To cross-check our DCF, we benchmark Amazon against a diversified set of large-cap technology, software, payments and platform companies: Microsoft, Costco, Oracle, NVIDIA, Salesforce, Uber, Snowflake, Visa and Cisco. This group captures the main dimensions of Amazon's business model – cloud infrastructure, enterprise software, payments and data-rich consumer platforms – and provides a relevant reference range for valuation multiples. Within this universe, market capitalisation ranges from roughly $86bn to $4.5tn, with a median of about $0.4tn and an average of $1.2tn, placing Amazon's current market value of ~$2.5tn clearly towards the upper end of the size spectrum.

4.2 Multiples Comparison (P/E and EV/EBIT)

On a price/earnings basis, the peer set trades between 11.8x and 53.2x, with a median P/E of 35.3x and an average of 37.3x. Amazon's current P/E of 32.9x screens at a modest discount to both the median and the average, despite its superior scale, diversified revenue base and exposure to several secular growth verticals. This suggests that, relative to the broader high-quality tech and platform universe, the market is still assigning a slight valuation discount to Amazon, likely reflecting the capital-intensive nature of the retail business and ongoing investment requirements. A similar picture emerges on an EV/EBIT basis. Peer EV/EBIT multiples range from 23.6x to 46.8x, with a median of 33.6x and an average of 33.8x. Amazon trades on 32.5x EV/EBIT, again just below the peer median and average.

Applying peer multiples to Amazon's fundamentals yields additional upside versus the current market capitalisation. Using the peer median P/E, we derive an implied equity value of approximately $2.7tn, while the peer average P/E points to around $2.9tn. On an EV/EBIT basis, the peer median and average imply equity values of roughly $2.7tn as well.

Entity Name	Market Capitalization ($M)	Price/ EPS	EV/ Total Revenue	EV/ EBITDA	EV/ EBIT
Microsoft Corporation	3,771,857	36.1	12.9	22.5	28.8
Costco Wholesale Corporation	404,441	50.1	1.5	30.1	38.4
Oracle Corporation	626,775	50.9	12.3	27.6	39.2
NVIDIA Corporation	4,534,380	53.2	27.2	45.5	46.8
Salesforce, Inc.	225,653	34.4	5.6	18.4	26.5
Uber Technologies, Inc.	191,389	11.8	3.8	34.1	42.3
Snowflake Inc.	85,636	NM	20.3	NM	NM
Visa Inc.	623,516	31.9	15.8	22.4	23.6
Cisco Systems, Inc.	306,510	30.0	5.5	20.3	24.5
Minimum	85,636	11.8	1.5	18.4	23.6
Median	404,441	35.3	12.3	25.1	33.6
Average	1,196,684	37.3	11.7	27.6	33.8
Maximum	4,534,380	53.2	27.2	45.5	46.8
Amazon.com, Inc. (NASDAQGS:AMZN)	2,489,431	32.9	3.7	16.4	32.5
Median		2,698	8,527	3,550	2,681
Average		2,854	8,063	3,913	2,693

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Sales	**386**	**470**	**514**	**575**	**638**	727	799	885	976	1,064	1,145	1,220	1,292	1,359	1,403
E-Com						530	564	605	645	683	719	758	799	842	867
AWS						128	154	185	223	260	291	316	337	354	366
Advertising						68	81	94	108	122	134	146	155	163	170
EBIT	**23**	**25**	**14**	**37**	**69**	**80**	**102**	**125**	**147**	**169**	**189**	**206**	**221**	**235**	**245**
E-Com+Advert.				12	29	33	37	42	47	52	57	63	69	75	80
AWS				25	40	47	65	83	101	117	131	143	152	159	165
Margin				6.4%	10.8%	11.0%	12.7%	14.1%	15.1%	15.9%	16.5%	16.8%	17.1%	17.3%	17.5%
(Taxes)						15	19	24	28	32	36	39	42	45	47
NOPAT				37	69	65	82	101	119	137	153	167	179	190	198
Depreciation				49	53	63	72	82	94	108	123	140	160	183	183
Gross Cash Flows				86	121	128	154	184	214	244	276	307	339	373	382
Change in WC				-3	8	-4	0	1	1	1	1	0	0	0	0
CAPEX				- 25	- 53	- 48	- 55	- 63	- 72	- 82	- 93	- 107	- 122	- 139	- 183
FCFF				57	77	76	100	122	143	163	183	201	218	234	199
year						1	2	3	4	5	6	7	8	9	10
Discount Factor						0.93	0.86	0.79	0.74	0.68	0.63	0.59	0.54	0.50	0.47
PV FCFF						71	86	97	105	111	115	117	118	118	92
PV Terminal Value															1,864
Enterprise Value															2,802
Net Debt															105
Equity Value															2,697
NOSH															10,687
Share Price															252.35
Current Share Price															$224.33
BUY/SELL															**Buy**

6. Investment Thesis:

Amazon has evolved beyond its origins as an online retailer and has now become a diversified global technology leader with exposure in various areas, such as cloud computing, artificial intelligence, digital advertising, and subscription services. These segments provide long-term earnings potential and form the core of our investment thesis.

Amazon Web Services (AWS) has now become the company's most important profit driver and an essential factor we are considering when discussing future value creation. AWS will benefit from the rising demand for cloud adoption coming from a growing number of enterprises that rely on AWS's infrastructure. The multi-year agreement with OpenAI will strengthen AWS's position and make it more appealing to other companies. As generative AI adoption increases globally, we believe that AWS is strategically positioned to benefit and capture a substantial share due to its scale, reputation, and innovation.

Amazon's retail and logistics are also entering a new phase, following years of heavy investment, automation, and complex optimisation processes, which have contributed to meaningful EBITDA margin growth from 11.8% to 21.3% in 2025. Amazon's advertising segment represents another powerful growth engine we are considering. Having high margins and strong demand across sponsored products, streaming, and Prime Video, advertising is now one of Amazon's most profitable businesses.

Financially, Amazon's performance reinforces the strengths of its long-term outlook. Sales have grown at an 11,3% CAGR over the past 5 years, despite a temporary setback in 2022 driven by inflation and rising interest rates, which pushed net income into negative values. Profitability has improved as we have mentioned, with EBITDA margins expanding, supported by cost management and the growing contribution of AWS. EBIT also increased sharply, rising 84% in 2024 as sales grew while COGS and SG&A rose at a slower pace.

Amazon's working capital efficiency remains a key strength of the company, which shows the efficiency of the management, having a negative net operating cycle of -32.6 days, resulting from the 100 days of payables versus 67.4 days of receivables. Liquidity is solid, with a current ratio above 1 and a quick ration of 0.87, and while the company relies heavily on debt having a debt-to-equity ratio of 52, strong EBITDA indicates no financial distress, AWS is driving Amazon's growth expanding its margins 25.5% over the past years and 18.5% in 2024, strengthening its position and being Amazon's most profitable business with strategic importance when it comes to future growth.

From a valuation perspective, our 10-year DCF model captures the transition of Amazon's earnings mix toward higher-margin businesses. We assume revenue growth decelerates from roughly 10% per annum in the near term to high single digits over the outer years, while operating margins expand as AWS, advertising and subscriptions grow faster than the low-margin retail segment. The resulting Free Cash Flow to the Firm is discounted at a WACC of about 8.0%, and we apply a conservative terminal growth rate of ~2.9%, broadly aligned with long-term nominal GDP. This yields an enterprise value of approximately US$2.8 trillion and an equity value of US$2.7 trillion, implying a fair value of US$252.4 per share.

At the time of our analysis, Amazon's share price of roughly US$224.3 reflects an enterprise value of about US$2.5 trillion, implying that the market is discounting a more cautious trajectory for growth and margin expansion. Our target price therefore represents ~12.5% upside versus the current level. When cross-checked with relative valuation, Amazon trades at ~3.7x EV/Sales and ~19x EV/EBITDA on 2024 numbers, which is a reasonable premium to broad retail and in line to slightly below many large-cap technology peers, given its superior ROIC and optionality in AI. Taken together, the DCF and multiples suggest an attractive risk–reward profile that supports our BUY recommendation.

Therefore, based on our valuation, financial analysis, and long-term industry positioning, acknowledging the existing risks, we initiate coverage on Amazon.com, Inc. (AMZN) with a BUY rating. We believe that the company's expanding segments: AWS, advertising, and subscriptions combined with the improving retail, will drive the company’s earnings. In our view, the current share price does not fully reflect these factors, thus creating an opportunity for capital appreciation.

7. Risks

In this section we will discuss the primary risks to the investment thesis; including market, industry, and company-specific risks.

***Macro headwinds**:*

In a rising interest rate environment, Amazon’s capital structure being heavily debt-financed would be directly affected, as higher borrowing costs would make its debt more expensive and increase the difficulty of meeting financial obligations. Moreover as interest rates increase net income will be affected hard. While if the job market continues to lose its momentum, this could lead to a slow in consuming spending therefore a lower influx of revenues for amazon and a general slow down of growth. Lastly, under the scenario of an appreciation of the USD, which we won't see most likely trough-out the whole 2026, amazon revenue will decline as foreign currency will strengthen thus revenues from abroad will be lower in USD terms.

Regulatory headwinds:

Amazon faces antitrust issues both in the USA and Europe, where commission have pursued action alleging Amazon for using seller data to favor its own product. Moreover the company is facing a rising pressure to separate AWS from retail, the idea could reshape Amazon’s structure if it ever gains traction.

AI investments:

Amazon has started to expand horizontally toward the implementation of AI with deals worth billions (e.g OpenAI worth 38 Billion Usd), however there are several factors that pose a huge risk. First of all the use of AI could make the company much more efficient but yet it is impossible to estimate where all the capital will be justified. Further on, the company has not been able to yet deliver any result or improvements form the implementation of this technology, therefore for now these investments are not justified. Lastly, in order to fulfill the mission toward a more efficient company with the use of AI; Amazon will have to shape its labour forces with possible cuts (such as the one recently happened of 14,000 workers being fired), yet the public opinion will play a key role in assessing the ESG policies of the company.

Geopolitical supply chain risks:

Although Amazon sales are prevalent in the USA, circa 70%, that does not mean the company avoids geographical risks. As seen at the start of the year Trump tariffs made the stock plummet almost 35%. Another aspect to consider is that Data localization rules in Europe, India, and elsewhere create operational friction for AWS, which must maintain separate regional infrastructure to comply with sovereignty requirements. Amazon faces brutal price competition in e-commerce from Walmart, Temu, and Shein, while AWS is locked in a high-stakes cloud race with Microsoft Azure and Google Cloud. In retail, price transparency and fast shipping mean margins remain razor-thin. In cloud, hyperscalers are engaging in price wars on storage and compute capacity, forcing AWS to keep lowering prices and invest in differentiation (AI, security, custom chips).

8. Conclusion

Our analysis indicates that Amazon has successfully repositioned itself from a low-margin online retailer into a diversified technology platform with multiple profit engines. AWS, digital advertising and subscription services drive profitability, while the core retail and logistics network provides scale, data and customer access that reinforce Amazon's ecosystem and competitive advantage. Financially, the company has delivered an 11.3% sales CAGR over the past five years, a strong recovery in profitability after the 2022 downturn, and a meaningful expansion in EBITDA margins, underpinned by operating leverage and a more disciplined capital allocation framework. Working capital efficiency and robust coverage ratios further support balance-sheet resilience, despite a relatively high reliance on debt financing.

Our DCF-based valuation, using a WACC of approximately 8.0% and a terminal growth rate of 2.9%, yields an intrinsic value of US$252.35 per share, representing an estimated 12.5% upside from the current market price of US$224.4 per share. In our view the current market price does not fully reflect the earnings power of the company's higher margin segments and its position in AI, cloud infrastructure and retail media, offering investors an attractive opportunity for medium to long-term capital appreciation.

9. Sources

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