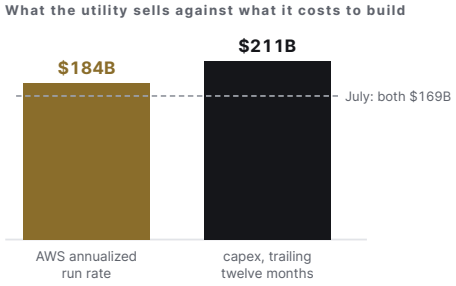
EQUITY VALUATION · TECHNOLOGY · AMZN · 29 OCTOBER 2026

Amazon (AMZN) — Forty Percent, Paid in Advance

AWS grew 39.3% in the third quarter, its sixth straight acceleration, and management projects more than 40% in each of 2027 and 2028 on capacity that customers reserve in advance. The same quarter spent $75.9 billion on capital, trailing free cash flow fell to −$42.4 billion, and 2027 spending will be "meaningfully more" than 2026's $220 billion. We value Amazon at $175.67, from $142 in July, against $243.79 at the close before the release. Holding our other inputs, the price takes $1.77 of revenue per dollar of new plant, against the $1.06 to $1.23 the prior year's plant has earned, a cost of equity about 1.5 points below ours, or revenue growth about 2.0 times our base case; our bull case clears it at 1.2, on faster growth and wider margins.

TON618 CAPITAL RESEARCH · AS OF 29 OCTOBER 2026



The utility ran faster. The invoice ran further.

AWS grew 39.3%, its fastest in nearly five years, and management projects more than 40% in 2027 and 2028. Trailing free cash flow fell to −$42.4 billion.

Capex funds all of Amazon, not AWS alone: the two bars are a scale, not a margin.

THE PRINT · THE UTILITY · THE INVOICE · THE STAKE · THE VALUE · THE RECEIPT · THE TRIPWIRES

Our July note described Amazon as two machines sharing one invoice: a store that keeps about 6 cents of each sales dollar and a utility, AWS, that keeps about 37. In the June filings, AWS's annualized revenue and Amazon's trailing twelve-month capital spending were both $169 billion. Three months later the run rate is $184 billion and the spending is $210.7 billion. Customers are reserving the utility's capacity before it is built, and every added point of growth is paid for in advance with capital. This note asks what the faster utility is worth once the invoice is counted.

THE QUESTIONS

What this note answers

1. What did Amazon earn once its investment gains are set aside, and what was the earnings miss made of?
2. What does the projection of AWS growth above 40% rest on, and what is it worth?
3. What did the build cost, and what does 2027 add?
4. What is the Anthropic stake worth, and which mark does our fair value use?
5. What is Amazon worth now, what moved our number from $142, and what does $243.79 require?
6. What would change our view?

$176

FAIR VALUE A SHARE · BEAR $74 / BASE $173 / BULL $282 AT 25 / 50 / 25

The view. We value Amazon at **$175.67** a share, from $142 in July. The $243.79 close of 29 October, before the release, is 39% above that; the after-hours print of $223.78 is 27% above. The quarter's data alone lift value +$23.27, to $165.10, mostly because AWS is growing faster than July assumed; a rebuilt model, a re-argued cost of equity, our own mark on the Anthropic stake and a weight we no longer give to segment multiples add a net $10.56 (Exhibit 5). The faster AWS is worth real money, but it has to be built first. Holding everything else, any one of three things reaches the price: $1.77 of added revenue per dollar of added plant from 2028, against our 1.0, a level Amazon last reached in 2023; a cost of equity about 1.5 points below ours; or revenue growing about 2.0 times as fast as our base case. Combinations also get there: the bull case, at 1.2 with faster growth and wider margins, is worth $282.02, the only scenario above the price. The Fund holds no position.

+39.3%
AWS revenue, $46.0B, at a 38.7% operating margin; management projects growth above 40% in 2027 and 2028

−$42.4B
trailing twelve-month free cash flow (−$7.6B in June; +$14.8B a year ago), on $210.7 billion of capex

$1.94
diluted EPS excluding non-operating gains and losses, against $1.22 a year earlier; $1.89 as reported

2.62×
trailing capex per dollar of ex-gain net income (July: 2.34×)

Terms used throughout, defined once. AWS: Amazon Web Services, the cloud segment; **retail** means the North America and International segments together, advertising included. **Capex:** purchases of property and equipment net of proceeds from sales and incentives, the "cash capex" Amazon guides. **Free cash flow:** operating cash flow less capex, Amazon's own definition. **Ex-gain:** a figure with the cash-flow statement's "non-operating expense (income)" line removed at the 21% statutory tax rate; most of that line is marks on the Anthropic investment. **Backlog:** revenue under contracts of more than a year not yet recognized, primarily AWS (accountants call it remaining performance obligations). **Free cash flow to equity (FCFE):** net income plus depreciation of property and equipment, less capex, plus net new borrowing; stock compensation stays an expense. **SOTP:** sum of the parts, here AWS and retail valued separately on 2027 after-tax operating profit at peer multiples. **Re-mark:** our July estimate of earnings with servers depreciated over three years. **Sales-to-capital:** added revenue per dollar of added net property and equipment, the measure of how much plant growth requires. **ROIC:** after-tax operating income over invested capital (equity plus debt less cash), against the weighted average cost of capital (**WACC**). **Terminal growth:** the rate the business grows at forever after the forecast ends, set here from long-run GDP projections.

THE CASE FOR THE PRICE

The case for the price, in the company's terms

By the company's own measures the quarter set a record margin. Operating income was $28.1 billion and the operating margin 13.9%, which the release calls Amazon's highest ever. AWS grew 39.3% on a $184 billion run rate, its sixth straight quarter of acceleration and its fastest growth in nearly five years. Chief executive Andy Jassy said the backlog is $578 billion, "growing triple digits year-over-year and well diversified." Large blocks of capacity, "hundreds of megawatts or sometimes up to 1 gigawatt," are "reserved well in advance," so Amazon has "very good visibility into '27 and '28 and some of '29 too." On that basis he projected growth "north of 40% in each of 2027 and in 2028" and an AWS of $1 trillion of revenue "in the next 5 to 10 years." AWS's margin was 38.7% while it built at record pace, which management attributes to custom chips, custom networking and efficiency work; Jassy said revenue commitments for Graviton and Trainium each rose more than 20 times, and Amazon will start selling Trainium outside AWS in late 2027.

The store improved too. North America's margin was 7.7% and its trailing margin 8.2%, against 6.6% a year earlier; units grew 12% in a quarter that lost Prime Day to the second quarter. Excluding non-operating gains, earnings per share rose 60% to $1.94. Return on invested capital is 16.0%, above the 10.85% cost of capital. On this view our cash-flow model charges the build to shareholders before the build earns, and the price is the market paying now for an AWS that is twice today's size by the end of the decade. Management's answer to the capital question is that efficiency returns as the build bills: Jassy said "We continue to accelerate our CapEx payback," and that the breakeven on infrastructure keeps moving earlier: "we're continuing to move that left." He put the larger argument directly: "would it be more convenient if this type of acceleration and opportunity happened over 25 years … yes …

But that's not the world that we live in," and "we can fund this plan." The stake in Anthropic adds a second asset. On Amazon's books it is $239 billion before tax, and Anthropic's registration for a public listing puts a market price on it within months.

This note tests five of these claims: earnings once the marks are set aside, the basis of the 40% projection, the capital it requires and whether its efficiency returns, the value of the stake, and what the price requires. It cannot test, inside a seven-year model, whether AWS reaches $1 trillion of revenue: our base case reaches about $717 billion by 2033 and the bull about $847 billion, and reaching $1 trillion by 2033 would take AWS growth of about 28% a year from 2026. Nor can it value an external Trainium business that has no revenue until late 2027, or the Leo satellite and Zoox robotaxi businesses, whose costs sit in retail's margins in our model while their value is carried at zero; leaving them out cuts against the company. We carry the AWS path as a tripwire, not a verdict.

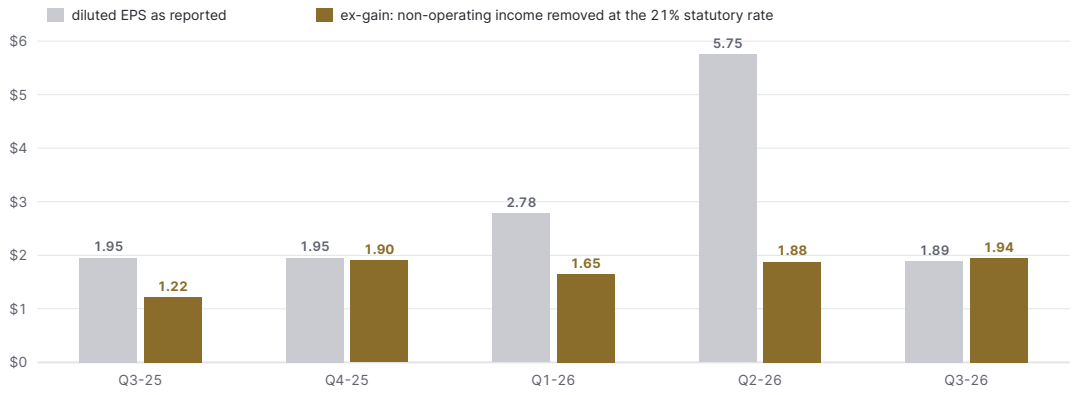
THE PRINT

What the quarter earned, and what the miss was made of

Net sales were $201.9 billion, up 12% (13% excluding currency); the release says the move of Prime Day into the second quarter cost about 400 basis points of growth. North America rose 6% to $112.9 billion, International 5% to $43.1 billion (8% excluding currency) and AWS 39% to $46.0 billion. Advertising grew 11% to $19.6 billion (12% excluding currency), held back, Jassy said, by an 850-basis-point Prime Day effect; the release expects high-teens growth in the fourth quarter. Operating income rose 61% to $28.08 billion, but that rate flatters the quarter: a year earlier "other operating expense" was $2.9 billion, against $0.1 billion now. Without that line operating income rose about 39%. North America earned $8.7 billion against $4.8 billion, International $1.6 billion against $1.2 billion, AWS $17.8 billion against $11.4 billion.

The miss, in two parts. Diluted EPS was $1.89, against $1.95 a year earlier and a consensus of $1.97 in our brokerage feed. The year-on-year fall is the investment line. A year ago the release booked $9.5 billion of pre-tax gains on Anthropic in non-operating income; this quarter "other income (expense)" was a loss of $703 million. Removing the non-operating line at 21%, EPS was $1.94 against $1.22, up 60%. Against the consensus the marks explain about 5 cents of the 8-cent gap, if analysts modeled none; the compilation does not say. Exhibit 1 shows why the reported line misleads in both directions: ex-gain EPS has run between $1.65 and $1.94 for four quarters, while reported EPS ran between $1.89 and $5.75.

EXHIBIT 1 — EARNINGS PER SHARE AS REPORTED AND EXCLUDING NON-OPERATING GAINS



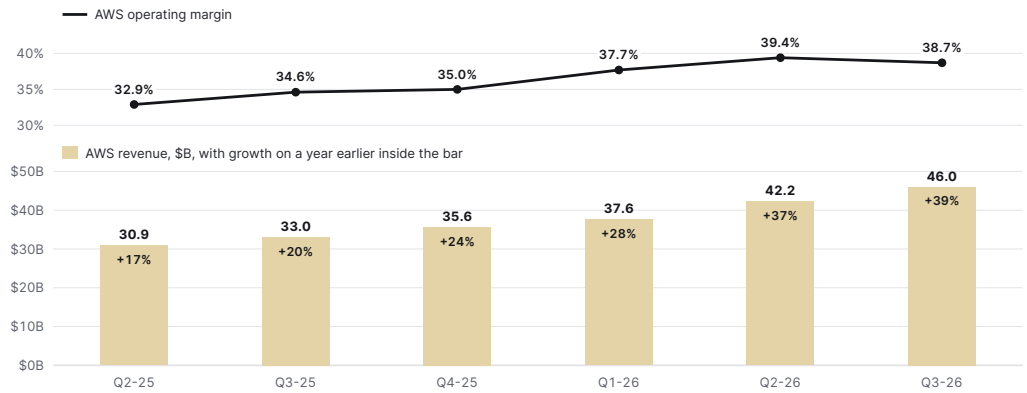
How to read it. Dollars per diluted share, by quarter from Q3 2025 to Q3 2026. Grey is EPS as reported; gold removes the cash-flow statement's non-operating line at the 21% statutory rate, the July note's convention. Compare the two bars within each quarter. The one thing it shows: the reported fall in the third quarter is the absence of last year's Anthropic gain; excluding non-operating items, earnings rose by about three-fifths on the year.

THE UTILITY

The utility: what the 40% rests on

AWS revenue was $45.98 billion, up 39.3%, and $3.8 billion more than in the second quarter (Exhibit 2). Its operating margin was 38.7%, against 39.4% in the second quarter and 34.6% a year earlier. Management's projection of growth above 40% in 2027 and 2028 is not guidance, and chief financial officer Brian Olsavsky said Amazon is "not guiding at all on our margin for AWS." The call gave three supports for it. The backlog: $578 billion at 30 September, against $496 billion at 30 June, with a weighted-average remaining life of 6.1 years, from 6.4, in the 10-Q. The reservations: the largest blocks of capacity are reserved well before delivery, so management can see "'27 and '28 and some of '29." The plan: capacity planned "over the next, call it, 8 quarters or so, which is about as far out as we get 8 to 10 quarters."

EXHIBIT 2 — AWS REVENUE, GROWTH AND OPERATING MARGIN, BY QUARTER



How to read it. Two panels on one time axis, Q2 2025 to Q3 2026. The line above is the segment's operating margin in percent; the bars below are AWS revenue in billions of dollars, with the growth on a year earlier printed inside each bar. Read the bars for size and the line for profitability. The one thing it shows: growth has accelerated for six quarters while the margin rose from 33% to the high 30s.

The backlog is large, but it does not set the growth rate. Spread over its 6.1-year life, $578 billion is about $95 billion of revenue a year, about half of AWS's current run rate. Capacity carries the projection. Revenue in a capacity-constrained cloud is capacity delivered times use, and Jassy said customers take capacity "almost as fast as we install" it. So growth in 2027 and 2028 is mainly a statement about how much capacity Amazon will deliver, and that is the bill in §3.

What we carry. Our base case takes AWS growth at 40% in 2027, inside the eight-to-ten-quarter horizon the plan covers, and 36% in 2028, at its edge, where some of the year rests on reservations not yet made. The bull carries 44% and 42%; the bear 30% and 22%, a case in which capacity arrives late or inference prices fall faster than use grows. July carried 30% in 2027 and then the consolidated growth rate; on July's method the faster path is worth +$18.11 a share. The extra revenue earns a 35% operating margin in the base case, below the quarter's 38.7%, because Olsavsky said the "outsized growth of AI puts margin pressure on the business as a whole" and named component prices as a further headwind; AWS also carries its own depreciation, 20% of its revenue in the first nine months. Retail grows 9% in 2027 and 8% in 2028 in the base case, below its trailing 11.7%, at a 7% operating margin (bull 11% and 10%, bear 6% and 5%). Taking management's projection literally, 40% in both years, moves fair value only to $183.16: in our model the growth arrives with the capital that builds it.

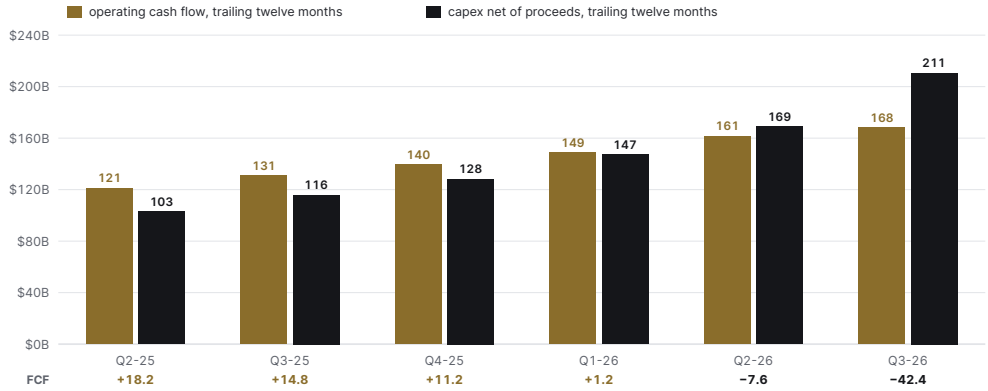
THE INVOICE

The invoice

Capex was $75.9 billion in the third quarter, 37.6% of revenue, against $34.2 billion a year earlier. Operating cash flow was $42.4 billion, so the quarter's free cash flow was −$33.5 billion. Over twelve months, operating cash flow rose 29% to $168.3 billion and capex rose 82% to $210.7 billion, so trailing free cash flow fell from −$7.6 billion in June to −$42.4 billion (Exhibit 3). The release attributes the increase "primarily" to "investments in artificial intelligence." Trailing capex

per dollar of ex-gain net income rose from 2.34 times in July to 2.62 times: Amazon now spends $2.62 on capital for every dollar it earns.

EXHIBIT 3 — THE INVOICE: TRAILING OPERATING CASH FLOW AGAINST TRAILING CAPEX



How to read it. Billions of dollars over trailing twelve months, at each quarter end from June 2025 to September 2026. Gold is operating cash flow; black is capex net of proceeds; the figure beneath each pair is free cash flow, the gap between them. The one thing it shows: operating cash flow kept growing, but capex grew faster and crossed it in the second quarter of 2026; the gap widened by $34.8 billion in one quarter.

The 2026 guide leaves an odd fourth quarter. The release repeats "approximately $220 billion" of 2026 cash capex. Nine months have spent $172.2 billion, which leaves $47.8 billion for the fourth quarter, about 37% less than the third. Either spending falls sharply for one quarter or 2026 ends above $220 billion; the call did not say which. Jassy said Amazon expects "to spend meaningfully more in 2027." He gave no figure. We carry $280 billion in the base case, about 27% above 2026 and below the $304 billion annual pace of the third quarter; the bear carries $310 billion, the bull $265 billion, because in the bull more revenue arrives for the same build. On July's method the 2027 figure costs $8.29 a share.

The funding. Long-term debt is $173.1 billion, from $128.9 billion at June and $65.6 billion at the start of the year, after $48.1 billion of new notes in the quarter. Interest expense was $1.69 billion, from $0.54 billion. Net of cash and marketable securities, Amazon now owes $58.9 billion. Property and equipment, net, rose $62.8 billion in a quarter to $508.9 billion. Depreciation of that base is the invoice's second payment: depreciation of property and equipment was $15.1 billion in the quarter, 39% above a year earlier, and AWS's allocated share $9.2 billion. The 10-Q discloses no change in useful lives.

THE STAKE

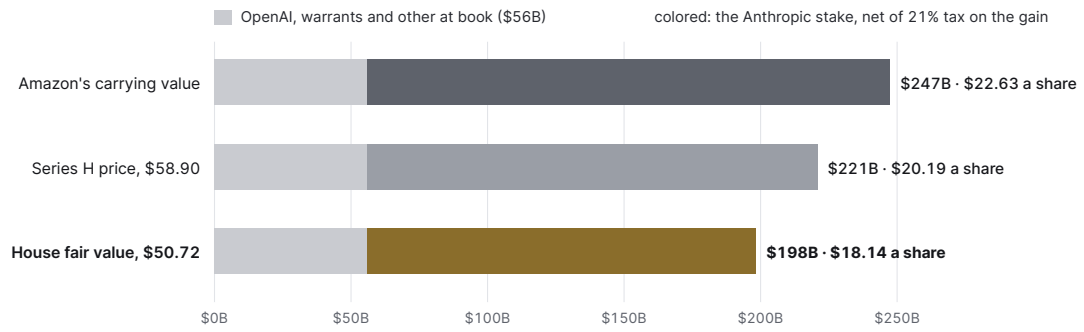
The stake

Amazon holds two kinds of Anthropic securities: nonvoting preferred stock, carried at the last observable price adjusted for its rights and a discount for lack of marketability, and convertible notes, carried at fair value with the gains in other comprehensive income. At 30 June the preferred was carried at $92.5 billion and the notes at $97.9 billion. In the third quarter Amazon's unrealized gain on its available-for-sale debt securities rose by $48.2 billion before tax; the 10-Q puts the notes at $146.2 billion and the preferred at $92.5 billion at 30 September. Amazon's cost for all of it is about $18 billion. Beside it sit $50 billion of OpenAI preferred stock and smaller warrants and stakes.

Our July model valued the investment book once, as an asset, at Amazon's carrying value net of the tax the gains would bear. Anthropic filed to list its shares on 26 October, and on 27 October we published our own valuation: $50.72 a share, 14% below the Series H price of $58.90. The 10-Q gives the count for the first time: 164 million preferred shares, and about 184 million more from the notes, each convertible into ten nonvoting common shares, so 3,480 million common-equivalent shares, subject to Amazon's 12% ownership cap on the notes; the S-1's 1,840 million Class N shares for the notes match. That is roughly 21% of Anthropic's 16,427 million economic shares. On that count Amazon's books carry

Anthropic at about $68.59 a share (the notes at $79.46, the preferred at $56.40), 35% above our fair value and 16% above the last private round (Exhibit 4).

EXHIBIT 4 — THE INVESTMENT BOOK UNDER THREE MARKS FOR ANTHROPIC



How to read it. Billions of dollars, net of a 21% tax on the gain over Amazon's cost, with the value per Amazon share at the end of each bar. Grey is the rest of the book (OpenAI, warrants and other stakes) at Amazon's carrying value, the same in every row; the colored part is the Anthropic stake at Amazon's own mark, at the Series H price of $58.90, and at the house's fair value of $50.72. The one thing it shows: the choice of mark moves Amazon's value by a few dollars a share, not tens.

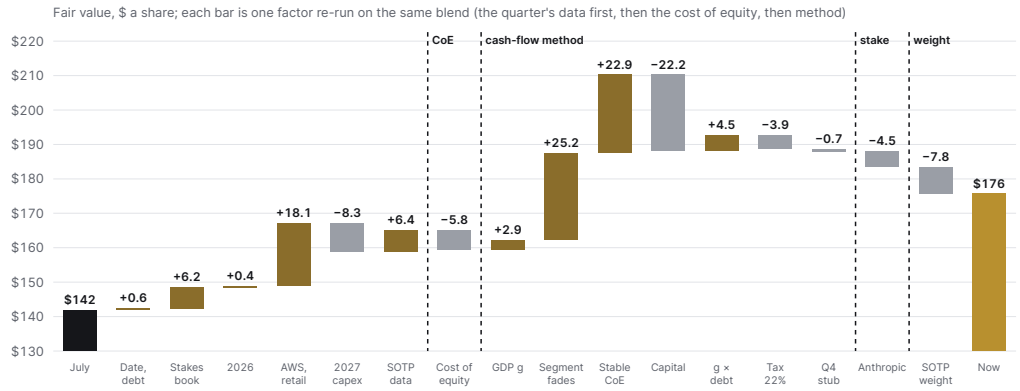
Which mark the fair value uses, and why. We use our published fair value. Amazon's mark would import a price 35% above that view into this one, and the Series H price is a private round that predates the registration, the S-1's financial statements and our model of them. This changes July's method, at −$4.50 a share. At Amazon's carrying value fair value would be $180.16; at the Series H price, $177.73; with the stake at zero, $162.65. The listing does not change the rule. Amazon expects a customary lock-up, and the 12% cap could leave part of the notes unconverted, so a first-day price is a data point for the next update and not a mark (tripwire 6).

THE VALUE

What Amazon is worth after the print, and why the number moved

The model. Free cash flow to equity in three scenarios weighted 25/50/25, stock compensation expensed, a depreciation add-back limited to property and equipment, borrowing modeled and its interest charged, and the investment book added once. Every input and method below was set as the most defensible choice on today's evidence. To show what moved, we first re-ran July's configuration, which reproduces its fair value, $141.84 (published as $142): free cash flow to equity $117.70, the re-marked sum of the parts $178.05, blended 60/40. Each factor in Exhibit 5, and in the attribution table later in this section, re-runs that blend with one more change, so the factors sum to the move.

EXHIBIT 5 — FROM JULY'S $142 TO $175.67, ONE FACTOR AT A TIME



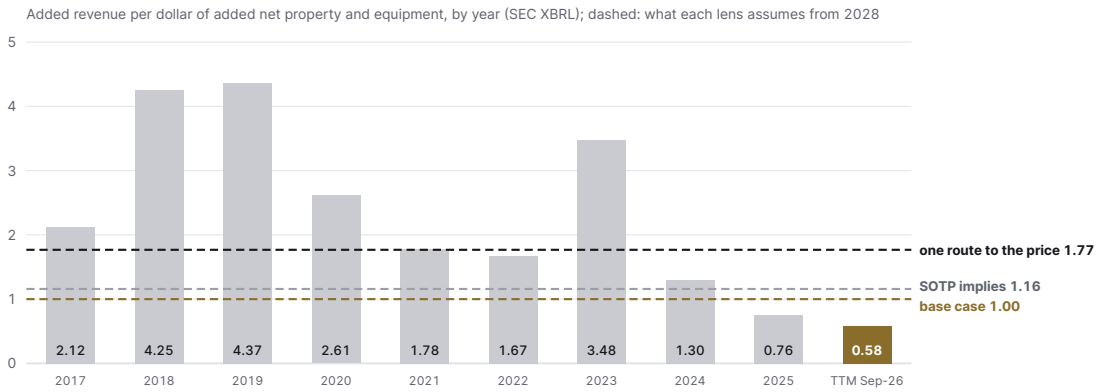
How to read it. Fair value in dollars a share. The first black bar is July's value; each bar after it is one factor applied to the same blend, gold for a rise and grey for a fall, labeled with its effect in dollars; the gold bar at the end is today's value. The dashed lines separate the quarter's data, the cost of equity, the six cash-flow changes, the stake and the weights. The one thing it shows: the quarter's data alone raised value by about $23; the segment fades and the capital tied to them nearly offset; and the weight we stopped giving the sum of the parts takes back about a third of the data's gain.

The quarter's data, on July's method: $165.10. Rolling the valuation date to 29 October, with the borrowing already done, adds +$0.55. The investment book at its 30 September carrying value adds +$6.16. Booking nine months of results with the fourth-quarter guide midpoint adds +$0.37: revenue of $827.6 billion and operating income of $110.4 billion for 2026. AWS and retail as their own lines add +$18.11 (§2). The 2027 capex figure takes −$8.29 (§3). Updating the sum of the parts for this quarter, and scaling the depreciation re-mark to the capex now planned, adds +$6.37.

The growth gets its own runway: +$25.23. July faded one consolidated rate and ended in 2032 at 7.0% growth against a 3.5% terminal; a single rate fading in a straight line to terminal growth would have cut AWS from 36% in 2028 to about 13% in 2029. AWS now falls in a straight line from its 2028 rate to terminal growth by 2033, one more forecast year, and retail from its own 2028 rate; margins blend by the resulting mix, so AWS reaches 42% of revenue by 2033.

And then pays for its plant: −$22.22. From 2028, capex replaces what depreciates and adds plant at one dollar of revenue per dollar of new net property and equipment in the base and bear cases, 1.2 in the bull. Amazon's own record brackets that level (Exhibit 6). The 2025–26 readings (0.76 and $0.58) understate it because plant is built before it bills: the revenue added in 2026 (the fourth quarter at the guide midpoint) is $1.06 per dollar of plant added in 2025, and on a trailing basis the plant added in the year to September 2025 earned $1.23 on the following year's revenue. That lagged reading is about to fall: 2026 adds 1.8 times 2025's plant, and the base case's 2027 revenue gain is $0.70 per dollar of it. The 2017–24 readings (1.3 to 4.4) overstate it for what comes next, because they came from retail-led growth, and AWS carries about $1.94 of net plant per dollar of trailing revenue, including plant not yet billing, against retail's $0.29 (10-Q segment property and equipment). The base takes 1.0, just under the lagged $1.06 to $1.23 and above the $0.70 the 2026 build earns in 2027. The bull takes 1.2 for Trainium's cost advantage and a faster payback; the bear keeps 1.0 because it is a demand case, not a capital-efficiency case. Depreciation runs on the rolled-forward plant at a rate that rises from 2026's 13.0% to 16%, close to the 17% Amazon ran in 2020–21, and the terminal takes the plant per dollar of revenue the path actually lands ($0.87 in the base case) instead of July's outside $0.55. That leaves a terminal return on capital of 15.6% in the base, 22.5% in the bull and 9.6% in the bear, about the 9.9% stable cost of equity: a bear in which growth no longer creates value.

EXHIBIT 6 — REVENUE PER DOLLAR OF NEW PLANT: WHAT AMAZON HAS EARNED, AND WHAT EACH LENS ASSUMES



How to read it. Bars are Amazon's added revenue in each year divided by the increase in its net property and equipment that year (sales-to-capital), 2017 to 2025, and the twelve months to September 2026; higher means less plant per dollar of growth. The dashed lines are what each lens assumes from 2028: our base case, the sum of the parts' implied level and one route to the $243.79 price. The one thing it shows: every year from 2017 to 2024 sits above the base case's line, the AI-era readings below it; holding our other inputs, this route to the price takes a capital efficiency Amazon last reached in 2023, while the sum of the parts needs only a modest gain on the base case.

Four smaller changes to how the model ends. Terminal growth is set from long-run nominal GDP: the Federal Reserve's projections of 16 September 2026 give 2.0% real growth and 2.0% inflation in the longer run, so 4.0% in the base and bull cases and 3.0% in the bear, against July's 3.5%, 3.5% and 3.0%: +$2.87. The terminal adds the debt that grows with the business, rather than holding it flat forever: +$4.53. It is taxed at 22%, the trailing effective rate, while the forecast years keep 19%, the cash rate while full expensing of new equipment shelters income: −$3.94. The 2026 stub counts only fourth-quarter flows, not a share of a year whose borrowing already sits in cash: −$0.69. With the runway and the plant, these six changes add +$5.77 net.

The cost of equity: 11.3% for the forecast years (−$5.77), 9.9% for the terminal (+$22.87). We argue the rate for the company and show the standard reads beside it. The starting point is the 10-year Treasury, 5.05% on 28 October against 4.67% on 29 July, plus a beta times a 4.5% equity risk premium. For 2027–28 we use a beta of 1.38: Amazon's own 60-month beta against the S&P 500, 1.43, blended slightly toward the 1.09 median of Microsoft, Alphabet and Walmart in proportion to its noise. The estimate is precise (standard error 0.20) and stable (the 36-month beta is 1.46), so the data give no reason to pull it toward 1.0, as the Blume adjustment would (10.9%, worth $178.09), and a build financed partly with new debt argues against a lower read. Relevering the beta for that debt (the Hamada adjustment) would add about 0.2 points by 2033, inside one standard error of the beta, about 0.9 points either way, so we show it ($174.55) rather than add it. The rate goes from July's 10.84% to 11.3%. The terminal value describes a mature company, so we discount it at 9.9%, reached in a straight line over 2029–33 as growth fades. AWS is about 65% of segment value in the sum of the parts on 2027 profit. Weighting the average beta of Microsoft and Alphabet, 1.14, by that share, with retail at the market's 1.0, gives 1.09, within 0.1 point of the 9.9% we use. That rate sits between two bounds: Walmart's beta for all of retail gives 9.3% ($193.70) and Alphabet's beta for the whole company, a cloud-only terminal, gives 10.4% ($163.20). One rate throughout, 11.3% with no stable rate, would give $145.03.

What changed in the weights, and why (−$7.82). July weighted free cash flow to equity at 60% and the re-marked sum of the parts at 40%. We now carry the sum of the parts as an unweighted cross-check, a separate judgment from the changes above, for two reasons. First, conversion: it prices 2027 segment profit at peer multiples, AWS at 22 to 30 times and retail at 14 to 20, and that profit is not reaching shareholders as cash. Trailing free cash flow is −53% of ex-gain net income, against −11% when July set the weights; we stopped weighting Meta's earnings multiple in our Meta update published on 26 October, when free cash flow was 21% of nine-month net income. Second, the sum of the parts was where July valued AWS separately, and AWS is now its own line in the cash-flow model. The two lenses now differ by one lever: the re-marked sum of the parts, $195.21 a share, is our cash-flow model at about $1.16 of added revenue per dollar of added plant from 2028, against 1.0 in our base case, the lagged $1.06 to $1.23 it sits just under, and $0.58 and 0.76 unlagged (Exhibit 6). On the lagged readings the gap is small, so the weight rests on conversion and on AWS now being its own line, not on that lever. It returns when the observable shows it (tripwire 5). At July's 60/40, fair value would be $183.48; at 20%, $179.58. The reported-schedule sum of the parts is $246.47; the $51 between it and the re-marked figure is the three-year depreciation re-mark.

	BEAR (25%)	BASE (50%)	BULL (25%)
AWS growth 2027 / 2028	30% / 22%	40% / 36%	44% / 42%
Revenue growth 2027 / 2028	11.1% / 9.2%	15.6% / 15.2%	18.0% / 18.3%
AWS revenue 2033 (share of revenue)	$459B (34%)	$717B (42%)	$847B (44%)
Revenue 2033	$1,333B	$1,724B	$1,932B
Capex 2027 (share of revenue)	$310B (34%)	$280B (29%)	$265B (27%)
Retail growth 2027 / 2028	6% / 5%	9% / 8%	11% / 10%
Sales-to-capital from 2028	1.0	1.0	1.2
Net PP&E per $ of revenue, 2033	0.88	0.87	0.79
Terminal capex / depreciation, % of revenue	16.6% / 13.9%	17.2% / 13.7%	15.5% / 12.3%
Terminal return on capital	9.6%	15.6%	22.5%
Terminal operating margin	10.9%	17.4%	22.7%
Terminal growth	3.0%	4.0%	4.0%
First year of positive FCFE before borrowing	2029	2030	2028
FCFE value a share (incl. investments)	**$73.75**	**$173.45**	**$282.02**
SOTP cross-check, re-marked (unweighted)	$130.54	$195.52	$259.26

FACTOR	KIND	$ A SHARE	FAIR VALUE AFTER
Valuation date 29 Oct (two months of 2026 left, from five); diluted shares 10,929M (from 10,903M); 2026 borrowing $107.5bn already raised (July modeled $70bn); cash and securities $114.2bn	data	+0.55	142.39
Investments at 30 Sep carrying value, net of deferred tax: $247bn (July $180bn): Anthropic $238.7bn, OpenAI $50.0bn, other $5.9bn; band +/-$30bn as July	data	+6.16	148.55
FY2026 base year: nine months filed + Q4 guide midpoint: revenue $827.6bn, operating income $110.4bn (July $822.8bn / $106.5bn); capex $220bn (July $218bn); PP&E depreciation $58.2bn (July $57.5bn)	data	+0.37	148.93
AWS and retail as their own lines: AWS 2026E $175.8bn (Q4 at Q3's +8.9% q/q), +40% in 2027 and +36% in 2028 base (management projects 'north of 40%' both years; July carried +30% then the consolidated rate), the added revenue at a 35% AWS margin and AWS's own 20% depreciation load; retail +9% / +8% (July's single rate implied +6.7% then +10.5%) at a 7% margin; mix held from 2028 as July did	data	+18.11	167.03
2027 capex $280bn base (bear $310bn, bull $265bn): 'meaningfully more in 2027' than ~$220bn, with Q3 at a $304bn annual pace; July's glide shape from there	data	-8.29	158.74
SOTP on the quarter: AWS 2026E $175.8bn, 2027 at the scenario growth and margins above; retail 2027 margin 7.0% base (TTM 6.8%; July 6.3%); re-mark scaled to the capex now planned ($21.3bn at $200bn a year → $26.6bn)	data	+6.37	165.10
Cost of equity, argued for Amazon: 10.84% → 11.3% for the explicit years (10-year 4.67% → 5.05% on 2026-10-28; beta 1.37 (July, unadjusted) → 1.384, the 60-month raw 1.434 (SE 0.205) shrunk toward the peer median 1.086, weight 86% own; ERP 4.5%)	cost-of-equity	-5.77	159.34
Terminal growth from long-run nominal GDP: Fed SEP 16 Sep 2026, 2.0% real + 2.0% PCE = 4.0% base and bull, bear 3.0% (July 3.5% / 3.5% / 3.0%); terminal capex moves with it through the same identity July used	dcf-method	+2.87	162.20
Fades land on terminal, by segment: one more explicit year (2033); AWS falls in a straight line from its 2028 growth to terminal g by 2033 and retail from its own 2028 rate, with margins blended by the resulting share (July faded one consolidated rate and ended at 7.0% base growth against 3.5% terminal)	dcf-method	+25.23	187.43
Stable-growth cost of equity 9.9% for the terminal (beta 1.086, the peer median in the 0.8-1.2 stable range), reached by a straight-line convergence from 11.3% over 2029-33, the same stage over which growth fades to terminal	cost-of-equity	+22.87	210.30
Capital tied to the model's own path: from 2028 capex = depreciation + added revenue / sales-to-capital (1.0 base, 1.0 bear, 1.2 bull; Amazon ran 1.3-3.5 in 2020-24 and 0.76 in 2025); depreciation on rolled-forward net PP&E ramping from 2026's 13.0% to 16% by 2033; terminal capex and depreciation from the PP&E per dollar of revenue the path lands (July carried 0.55 of revenue from outside the path)	dcf-method	-22.22	188.08
Terminal free cash flow to equity adds the debt that grows with the business (g x debt), instead of holding debt flat forever	dcf-method	+4.53	192.61
Terminal tax 22% (trailing effective rate 22.3%); explicit years keep 19%, the cash rate during the build while full expensing of qualified property shelters income (10-Q tax discussion)	dcf-method	-3.94	188.67
Stub on fourth-quarter flows only (FCFE $-6.8bn: guide-midpoint operating income, Q4 depreciation, the $47.8bn of capex the 2026 guide leaves); the rest-of-year fraction of full-year FCFE counted debt already raised and sitting in cash	dcf-method	-0.69	187.98
Anthropic stake at the house fair value $50.72 a share (published 27 Oct) instead of Amazon's carrying value: 3,480M shares (notes 1,840M per the S-1 + preferred 1,640M) → $198bn net (carrying basis $247bn)	investments-method	-4.50	183.48
Weighting: SOTP 40% → unweighted cross-check (FCFE 100%): its multiples price earnings not reaching shareholders as cash (trailing free cash flow -53% of ex-gain net income), and AWS is now its own line in the cash-flow model (argued in §5)	weighting	-7.82	175.67
Fair value 141.84 → 175.67		**+33.83**	**175.67**

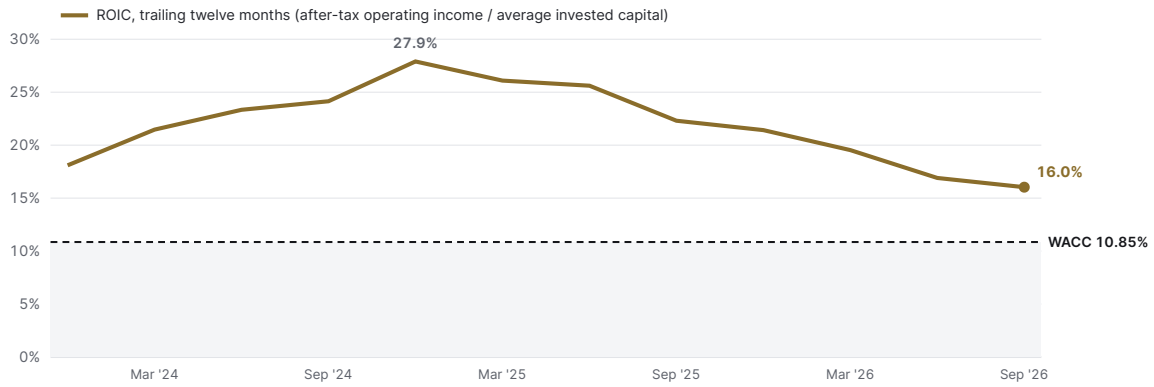
Each row re-runs the same blend (July's FCFE 60% / re-marked SOTP 40% until the weighting row) with one more factor at today's value, in the order shown; each row's FCFE and SOTP values and its source are in the model workbook's Attribution sheet. The July configuration reproduces its 141.84 (published as $142) before any change. Kinds: data (the quarter's filed figures and what they imply), cost-of-equity (argued for Amazon), dcf-method (how the cash-flow model ends), investments-method (the mark on the Anthropic stake), weighting (the SOTP weight).

How long each part of the business grows faster than normal. Each stage's length comes from what drives it, not from a default.

BUSINESS	STAGE	YEARS	WHAT DRIVES IT	WHAT SETS THE LENGTH
AWS	Reserved-capacity stage	2	Revenue = capacity delivered x utilization: large blocks ('hundreds of megawatts or sometimes up to 1 gigawatt') are reserved before they are built, so 2027-28 revenue is set by capacity already contracted and under construction	Two years, 2027-28: management's capacity plan runs 'about as far out as we get 8 to 10 quarters' and gives 'very good visibility into '27 and '28 and some of '29'; the stage ends where that visibility ends. Base takes 2027 at +40% (inside the horizon) and 2028 at +36% (its edge)
AWS	Convergence	5	Once reserved capacity is recognized, growth is set by new commitments and AI price deflation ('we have to keep working on taking the cost of inference down'); the 85% of IT spend still on premises keeps it above GDP for the stage	Five years, 2029-33, straight line to terminal g: no commitment or capacity plan is disclosed past 2029, and base rates argue against assuming more persistence (in US data 1951-98, 6.3% of surviving firms grew sales above the median five years running, about twice chance; for income, no more than chance: Chan, Karceski and Lakonishok 2003)
Retail (North America + International, incl. advertising)	Share-gain stage	2	Units and grocery: units +12% in Q3 (year-to-date nearly 15%), everyday essentials 'about 3x faster than the rest of our store'; ads high teens in Q4	Two years at +9% and +8% in the base case, below the trailing +11.7%: the grocery and same-day build-out is dated 'over the next couple of years' on the call; nothing longer is dated
Retail (North America + International, incl. advertising)	Convergence	5	Growth toward nominal consumption growth as e-commerce share matures	Five years, 2029-33, straight line from its own 2028 rate to terminal g, the same window as AWS; each segment fades on its own path
Capital build	Build stage	1	Capacity for AWS's reserved demand: 2026 ~$220bn, 2027 'meaningfully more'	One year at the higher level in dollars: the only dated statement covers 2027, and it carries no figure
Capital build	Capacity-for-growth stage	6	From 2028 capex replaces what depreciates and adds net PP&E in proportion to added revenue (sales-to-capital 1.0 base); depreciation on the rolled-forward base ramps to a 16% steady state	Six years, 2028-33, the explicit forecast after the only dated capex statement: capex is set by the revenue path each year, not by a fixed glide, and the terminal takes the PP&E per dollar of revenue the path lands

Return on capital. Trailing return on invested capital is 16.0% against a 10.85% WACC, and the regime is fading: the spread fell 6.3 points in four quarters, and the return is down from a 27.9% peak in Dec ’24 (Exhibit 7). Operating income rose 37% on the year; average invested capital rose faster, because the build is debt-funded and because the investment marks sit in equity while earning nothing in operating income; without the investment book the return is about 25%. The 2026–27 build has not yet reached the numerator. Which arrives first, its depreciation or its revenue, sets the next turn.

EXHIBIT 7 — RETURN ON INVESTED CAPITAL AGAINST ITS COST, TWELVE QUARTERS



How to read it. Trailing-twelve-month return on invested capital, December 2023 to September 2026, as a percent; the dashed line and shaded band mark the 10.85% weighted average cost of capital. Distance above the band is the spread the business earns over its cost of capital. The one thing it shows: the return is still above its cost but has fallen by more than two-fifths from its 2024 peak, as invested capital grew faster than profit; without the investment book, which earns nothing in operating income, the latest return is about 25%, a house estimate.

What the price requires. Holding every other base input, the base case reaches $243.79 with costs of equity of 9.8% for the forecast years and 8.4% for the terminal, each about 1.5 points below the rates we use; or with $1.77 of added

revenue per dollar of added plant from 2028, against 1.0 in the base case, about the 1.8 Amazon averaged over 2021–24 (2.0 over 2020–24) and well above the $0.58 of the last twelve months; or with revenue growing about 2.0 times faster than the base case in every year to 2032, a compound rate of 24% against 12%. Terminal value is 89% of the base case's operating value (85% in the bull, 89% in the bear), so these long-run inputs carry most of the number. Of the three scenarios, only the bull, $282.02, is above the price.

THE RECEIPT

The receipt: nine earlier tests, scored

Our July note set five tests, and our October note on Amazon's $8 billion chip leaseback set four. The print test fired: trailing free cash flow deepened, while AWS beat its comparison. Four are pending to the fourth-quarter call, the 10-K or a 2027 date. The capex concession is not passing, the price test was not tripped, and the leaseback has not appeared in the release, the call or the 10-Q.

fired against the company, or not passing pending, not fired or not tripped

FIRED

Q3 print: AWS growth vs +37%, trailing free cash flow vs −$7.6bn, depreciation run rate vs ~$31bn for H2, a first 2027 capex frame

AWS grew 39.3% against the +37% comparison, the sixth straight acceleration. Trailing free cash flow deepened to −$42.4bn from −$7.6bn, the leg that fires the test, on trailing capex of $210.7bn (+82%). Total PP&E depreciation (the measure July's ~$31bn second-half estimate was built on) was $15.1bn in Q3, a $30.3bn second-half pace at a flat Q4 against July's ~$30.8bn; AWS's allocated share was $9.2bn. The 2027 frame came without a number: 'expect to spend meaningfully more in 2027' (Jassy, both transcriptions).

PENDING **FY2027 capex guide at or below ~$220bn with a glide path (due with FY2026 results, ~4 Feb 2027)**

No figure. 'Meaningfully more in 2027' than ~$220bn already points away from the condition. Q3 cash capex was $75.9bn, a $304bn annual pace, while the unchanged ~$220bn guide leaves $47.8bn for Q4. Our base carries $280bn for 2027 (bear $310bn, bull $265bn); the test reads the guide.

PENDING **FY2026 10-K useful-life note: a second cut or a re-extension (~10 Feb 2027)**

Q3 10-Q: no change in estimate disclosed. On the call Jassy said AWS has been 'pretty good at … finding ways to extend useful lives and to make the breakeven sooner,' and that chips used inside the cloud can be used 'over 5 to 6 years'. That is a direction, not a disclosed change; the 10-K settles it.

NOT PASSING **Concession: FY2027 capex guided below 20% of revenue with a glide path, AWS at 30%+**

The AWS leg passes (39.3%). The capex leg does not: capex is 26.6% of 2026 revenue on the guide, 37.6% in Q3, and our base for 2027 is 29.3% with 'meaningfully more' dollars guided. The new concession is under What would change our view.

NOT TRIPPED **Revisit under $107**

Settled close $243.79 on 29 Oct; $223.78 after hours. Superseded by this note's fair value; §7 sets the new price test.

NOT FIRED **Leaseback terms disclosed (term, buyback, residual guarantee, consolidation)**

No disclosure in the release (Ex-99.1, 99.2) or on the call (both transcriptions); the 10-Q is silent. With no disclosure, the read moves to the 10-K.

NOT FIRED **Q3 release, 10-Q or call mentions the vehicle**

Release and call: no reference to a leaseback, special-purpose vehicle or equipment sale. 10-Q: the main document is silent; 'leaseback' appears only in a definition in the 27 October credit agreements filed as Exhibits 10.1-10.3. Q3 proceeds from property sales and incentives were $1.38bn, far short of an $8bn sale.

PENDING **FY2026 10-K settles sale vs loan (~5 Feb 2027)**

Q3 reading for the record: proceeds $1.38bn (9M $3.48bn), principal repayments of financing obligations $0.11bn (Q3); financing obligations $9.7bn at 30 Sep (from $8.2bn at year-end), all fulfillment and data-center facilities with a 14.5-year weighted term; no new financing inflow beyond $48.1bn of long-term notes. The settling document is the 10-K.

PENDING **B200 rent at or above $6.25 on 3 Oct 2027**

Not due. Reading for the record: the Ornn B200 index was $9.83 on 2026-10-29, from $7.81 at the leaseback note (3 Oct), 26% higher; the scarcity input is running above the 20%-a-year path, not below it.

THE TRIPWIRES

What carries the story to the next update

$280 billion the 2027 capex the base case carries — the first test, on the fourth-quarter call, is whether the company's number is above or below it

Each tripwire has its reading rule set now, so the next update scores it rather than reinterprets it. Effects are on fair value at today's other inputs.

1. **Fourth-quarter capex (Q4 release, about 4 February 2027).** The guide implies $47.8 billion. At or below that, the build is pacing to the guide and the base 2027 figure moves halfway toward the bull's $265 billion. Between that and $60 billion, the base holds. Above $60 billion, 2026 ended at least $12 billion above the guide and the 2027 build has started early; the base 2027 figure moves halfway toward the bear's $310 billion.
2. **The 2027 capex guide (same call).** At or below $250 billion, every scenario is re-run at $250 billion, fair value about $184. Between $250 billion and $310 billion, the base holds. At or above $320 billion, about $167. No number on the call: the base holds, and the next update says so.
3. **AWS growth in 2027 (FY2027 release, February 2028; waypoints every quarter).** The base carries 40%. Below 32% for the year, the bear's pace becomes the base, about $147. At or above 42%, the bull's pace, about $191. The fourth-quarter house figure is $50.0 billion; each quarter's growth and the backlog are recorded against the path.
4. **AWS margin through the build (Q4-26 and Q1-27).** Both quarters below 33%: the incremental AWS margin moves to the bear's 31% in every scenario, about $162. Both at or above 38.7%: the Q3 margin in every scenario, about $185.
5. **The sum-of-the-parts weight (each quarter's 8-K, read from the 2028 releases).** The observable is trailing sales-to-capital on the model's same-year definition: the change in twelve-month revenue over the change in net property and equipment across the same four quarters, $0.58 at September (lagged one year, $1.23). It is read from 2028, the year the model's 1.0 applies; until the 2026–27 build bills, the same-year reading is depressed by construction and the lagged one flattered by it. At or above 1.0 for two consecutive quarters, the sum of the parts returns at 20% (about $179.58 today). At or above 1.2 for two consecutive quarters, about the level at which the sum of the parts and the cash-flow model agree, with trailing free cash flow positive, it returns at July's 40% (about $183.48). Either reading also re-sets the base case's sales-to-capital to the observed level; at 1.2 in every scenario fair value is about $192, at 0.8 about $130.
6. **Anthropic prices and lists.** The stake stays at the house fair value until the house updates it, with the first-day close and Amazon's next carrying value recorded beside it. A change in the house value flows through at about $0.25 a share of Amazon per dollar of Anthropic.
7. **Price.** A close at or below $175.67 resolves the gap. $132 is a 25% margin of safety to fair value. Replaces July's $107.

What would change our view

We concede the valuation case if the evidence tracks the whole bull path: AWS growth of 44% in 2027 and 42% in 2028, 2027 capex guided at or below $265 billion, AWS operating margin at or above 38% in each quarter of 2027, and trailing sales-to-capital, on the model's same-year definition, at or above 1.2 in two consecutive quarters of 2028, the first year the model applies it. That path is worth $282.02, above today's price, and conceding means the bull's inputs become the base case in the next update. The two observables alone, in the base case, lift value to about $193; sales-to-capital at 1.5 from 2028, near the lower end of Amazon's 2020–24 range (1.3 to 3.5), moves it

> to about $217 on that input alone. The case hardens the other way on the mirror: AWS growth of 30% and 22%, 2027 capex at or above $310 billion, AWS operating margin at or below 31% in each quarter of 2027, and that 2028 reading at or below 0.8 in two consecutive quarters, the bear's path, worth $73.75; on that path the bear's inputs become the base case in the next update. The two observables alone take value to about $143.

THE CALL

The call

We value Amazon at $175.67 a share, from $142. The utility ran faster than July assumed, and that alone would have lifted value by about $23. The invoice ran further: trailing free cash flow is −$42.4 billion, the company is borrowing to build, and 2027 will cost more. A model in which the plant grows with the revenue it serves gives the faster AWS real value, but not the price. Holding our other inputs, the price takes $1.77 of revenue per dollar of new plant, a capital efficiency Amazon last reached in 2023 (its 2022–25 aggregate is 1.3), costs of equity about 1.5 points below ours, or revenue growth about 2.0 times our base case; our bull case clears the price at 1.2, on faster growth and wider margins. The fourth-quarter call, with the 2027 capex number, is the next test. The Fund holds no position in AMZN.

SOURCES

Sources & Method

Filings. Amazon Form 8-K Exhibits 99.1 and 99.2 for Q3 2026 (acc. 0001018724-26-000038, filed 29 October 2026): income statement, segment results, balance sheet, cash-flow statement, comprehensive income, supplemental metrics and the free-cash-flow definition. Q2 2026 8-K (0001018724-26-000024) and Form 10-Q (0001018724-26-000026) for the 30 June investment carrying values, remaining performance obligations and segment depreciation. Q3 2026 Form 10-Q (acc. 0001018724-26-000040, filed 30 October 2026): investments note, segment depreciation, remaining performance obligations, useful-life policy and the leaseback search. Every figure is asserted against the filed text by `data/release_facts.py` and `data/tenq_facts.py`.

The call. 29 October 2026, 5:00 PM ET. Amazon publishes the webcast but no written transcript, so quotes are taken word for word from two independent transcriptions, TradingKey and Gloom, and each quoted sentence appears in both (archived in `data/tells/transcript.md`). No 2027 capex figure was given.

Anthropic. House note *What the S-1 Says a Dollar of Claude Is Worth* (published 27 October 2026), on Anthropic's Form S-1 (CIK 2130357, acc. 0001628280-26-067168): fair value $50.72 a share, Series H $58.90, 16,427 million economic shares, the Amazon notes' conversion into 1,840 million Class N shares and the 12% cap.

Market data. AMZN settled close 29 October 2026 ($243.79) and the after-hours print ($223.78 at 9:08 PM ET) from the brokerage feed; the after-hours price is reported, not an input. Consensus EPS ($1.97) from the same feed. FRED DGS10 (5.05% on 28 October, the last print on or before the price date; 4.67% on 29 July). Month-end closes for AMZN, SPY, MSFT, GOOGL and WMT, August 2021 to September 2026, split-adjusted, from the brokerage feed, for the betas. Ornn B200 rental index for the leaseback test.

Macro. Federal Reserve Summary of Economic Projections, 16 September 2026, Table 1: longer-run real GDP 2.0% (central tendency 2.0–2.2%), PCE inflation 2.0%.

Method. Free cash flow to equity in three scenarios weighted 25/50/25, mid-year from 29 October, with fourth-quarter 2026 flows as a stub. Discount rates: 11.3% for 2027–28 (10-year 5.05%; beta 1.38; equity risk premium 4.5%), converging in a straight line to 9.9% over 2029–33 (a beta of 1.09: the peer median, and within 0.01 of the value-weighted cloud and retail blend), with reference reads from research/scripts/capm.py; terminal value by the Gordon growth formula at the stable rate. Stock compensation is expensed and the diluted count held at 10,929 million. Depreciation added back is property and equipment only; content and lease amortization recur inside operating income. Capex is in dollars for 2026–27; from 2028 it is depreciation plus added revenue divided by sales-to-capital, with depreciation on rolled-forward net property and equipment (from $540.3 billion at the end of 2026); terminal capex equals depreciation plus terminal growth times the plant per dollar of revenue the path lands. The sales-to-capital history is Amazon's annual revenue and net property and equipment from SEC XBRL (`data/s2c_history.py`). The investment book is added once, net of 21% tax on gains over cost. The sum of the parts (July's multiples on 2027 segment operating profit, AWS re-marked for the depreciation the current schedule defers, scaled to planned capex) is shown unweighted. ROIC uses SEC XBRL data through September 2026. The model, stages, attribution, investment marks and ROIC series are in the downloadable workbook.

Limitations. Fourth-quarter 2026 figures are the guide midpoint and house estimates. AWS growth, AWS margins, 2027 capex and the terminal ratios are house assumptions, set out with their effects above. One sales-to-capital ratio serves both segments; AWS needs more plant per dollar than retail, so a faster AWS mix would need more capital than the base case charges. Amazon's Anthropic stake is valued on the 10-Q's share counts and the house fair value; the 12% cap may leave part of the notes unconverted at a listing. The re-mark is scaled linearly to planned capex rather than re-run.

Disclosures

Information only. TON618 Capital. This report is for information purposes only. Nothing here is an offer to sell or a solicitation of an offer to buy any security, fund interest, or digital asset, and nothing here is personalized investment advice or a recommendation regarding any instrument.

Publisher's exclusion. All research is published solely as general, impersonal information of regular circulation. It is not tailored to the objectives or circumstances of any individual and is not issued in connection with compensation from any client. The Fund has no clients and distributes all research free of charge. On that basis it publishes in reliance on the publisher's exclusion from the definition of "investment adviser" under the Investment Advisers Act of 1940 (§202(a)(11)(D); cf. *Lowe v. SEC*, 472 U.S. 181 (1985)).

Registration & conflicts. TON618 Capital is not registered as an investment adviser or broker-dealer in any capacity. The Fund is a Bitcoin fund and may hold or transact in the securities or digital assets it discusses; material conflicts are disclosed where they exist. *Ownership:* the Fund holds no position in AMZN as of the report date, and it is not a Fund holding or a BTC-correlated instrument. *Compensation:* the Fund received no compensation from any party in connection with this report and charges nothing for it.

Use of AI. Artificial intelligence is used in the creation of this research. All methodology and data integrity are reviewed and approved before publication by TON618 Capital's Chief Investment Officer, **Keyth Beck**; errors may nonetheless occur, and readers should verify independently.

CFA. This report was prepared to align with CFA Institute analytical standards (methodology only). CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute. That reference describes the analytical framework applied; it does **not** imply the report was prepared, reviewed, or authored by a CFA charterholder, and the report is **not** issued, reviewed, endorsed, certified, or approved by — nor affiliated with — CFA Institute.

Risk & feedback. Past performance is not indicative of future results. Digital assets and equities are volatile and may result in total loss of capital. Corrections and feedback are welcome — please direct them to CIO **Keyth Beck** at **keyth@ton618capital.com**. **Version** 1.0.