

Amazon (AMZN US)

Solid AWS revenue growth and margin expansion

Amazon reported 2Q26 results on 31 July (BJT). Revenue of US\$200.6bn (+19.6% YoY, vs. +13.3% in 2Q25) came in 2% ahead of both our forecast and Visible Alpha (VA) consensus, driven by beats in North America (NA) and AWS. Reported operating profit (OP) rose 43% YoY to US\$27.5bn. Excluding two expense-related benefits totaling US\$1.2bn, OP of US\$26.3bn was up 37% YoY and still ahead of consensus (US\$23.7bn), driven primarily by AWS. AWS revenue growth accelerated to 37% YoY (1Q26: 28%; 2Q25: 18%), 4% ahead of consensus. Management guided 3Q26E revenue to be in the range of US\$197-202bn (+9-12% YoY) and OP to be US\$22.5-26.5bn (consensus: US\$25.4bn). We leave our 2026-2028E revenue forecasts broadly unchanged but raise OP by 7-10% to reflect stronger-than-expected AWS margin expansion. Our TP moves to US\$301 from US\$305, based on 17.2x EV/EBITDA (from 17.6x), in line with the three-year average trading range. Maintain BUY.

■ **AWS: both revenue growth and margin expansion better than expectation.** AWS revenue rose 37% YoY to US\$42.2bn, with OPM of 39.4%, up 6.5ppts YoY on: 1) efficiency gains; 2) capacity optimization; and 3) tight control of fixed costs. Excluding a US\$600mn benefit from the change in fair-value measurement of energy contracts subject to derivative accounting, OPM of 37.9% was still 4.2ppts ahead of consensus. Cash capex reached US\$53.1bn (+69% YoY, +23% QoQ), and management raised 2026E capex guidance to US\$220bn (from US\$200bn) on higher memory costs. Management defended the returns profile of the AWS build-out, noting that: 1) investment in servers and networking equipment takes slightly under three years on average to reach breakeven; and 2) servers now carry a useful life of at least five to six years, with most AI capacity contracted for terms of five years or longer. AWS backlog reached US\$496bn, up 36% QoQ, which we see as continued support for cloud revenue growth. Management reiterated that capacity remains insufficient to meet the demand in 2026, and expects the same dynamic to persist into 2027, adding that the level of demand that Amazon already have for 2028 is also striking.

■ **North America and international OP broadly in line.** NA revenue grew 16.1% YoY to US\$116.2bn (2Q25: +11.1%; 1Q26: +12.1%), 2% ahead of consensus, with OPM up 0.4ppts YoY to 7.9%. Excluding a US\$600mn tariff-related refund benefit, NA segment OP of US\$8.5bn was broadly in line with consensus. International revenue rose 14.8% YoY to US\$42.2bn, with OPM flat YoY at 4.1%; both were broadly in line with consensus.

■ **Update on AI and silicon initiatives.** In 2Q26: 1) Amazon's chip business (Graviton, Trainium and Nitro) reached a combined annual revenue run-rate of over US\$25bn (1Q26: US\$20bn), representing triple-digit YoY growth; and 2) AWS's AI business surpassed a US\$25bn annual revenue run-rate, also growing at a triple-digit YoY rate.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US\$ mn)	637,959	716,924	831,577	958,637	1,085,449
YoY growth (%)	11.0	12.4	16.0	15.3	13.2
Net profit (US\$ mn)	59,248.0	77,670.0	137,924.5	113,270.2	144,229.7
YoY growth (%)	94.7	31.1	77.6	(17.9)	27.3
EPS (Reported) (US\$)	5.61	7.28	12.82	10.44	13.19
P/E (x)	48.4	37.3	21.2	26.0	20.6
P/B (x)	10.3	7.2	4.9	4.0	3.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **US\$301.00**
 (Previous TP) US\$305.00
Up/Downside **10.8%**
Current Price **US\$271.58**

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Stock Data

Mkt Cap (US\$ mn)	2,988,471.1
Avg 3 mths t/o (US\$ mn)	6,070.9
52w High/Low (US\$)	274.99/198.79
Total Issued Shares (mn)	11004.0

Source: FactSet

Shareholding Structure

Jeffrey P. Bezos	8.2%
The Vanguard Group, Inc.	8.0%

Source: Nasdaq

Share Performance

	Absolute	Relative
1-mth	13.9%	17.7%
3-mth	2.5%	0.5%
6-mth	13.5%	4.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Key financials

Figure 1: Amazon quarterly results review and comparison with consensus

(USDbn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	2Q26 Consensus	Diff%
Online stores	57.4	61.5	67.4	83.0	64.3	70.4	69.3	1.6%
YoY Growth	5.0%	11.0%	9.8%	9.8%	11.9%	14.6%		
Third-party seller services	36.5	40.3	42.5	52.8	41.6	46.8	46.1	1.5%
YoY Growth	5.5%	11.5%	12.2%	11.2%	13.9%	15.9%		
AWS	29.3	30.9	33.0	35.6	37.6	42.2	40.5	4.3%
YoY Growth	16.9%	17.5%	20.2%	23.6%	28.4%	36.8%		
Subscription services	11.7	12.2	12.6	13.1	13.4	13.7	13.8	-0.4%
YoY Growth	9.3%	12.4%	11.5%	14.0%	14.6%	12.5%		
Advertising services	13.9	15.7	17.7	21.3	17.2	19.8	19.4	2.3%
YoY Growth	17.7%	22.9%	23.5%	23.3%	23.9%	26.2%		
Physical stores	5.5	5.6	5.6	5.9	5.8	5.8	5.9	-1.3%
YoY Growth	6.4%	7.5%	6.7%	4.9%	4.6%	3.6%		
Others	1.3	1.5	1.4	1.7	1.6	1.8	1.7	7.0%
YoY Growth	4.0%	19.0%	7.8%	7.5%	25.4%	22.0%		
Total revenue	155.7	167.7	180.2	213.4	181.5	200.6	196.6	2.0%
YoY Growth	8.6%	13.3%	13.4%	13.6%	16.6%	19.6%		
Gross profit	78.7	86.9	91.5	103.4	94.1	104.8	102.7	2.1%
Operating profit	18.4	19.2	17.4	25.0	23.9	27.5	23.7	15.8%
YoY Growth	20.2%	30.7%	0.1%	17.8%	29.6%	43.2%		
Net profit	17.1	18.2	21.2	21.2	30.3	62.6	21.7	188.7%
Revenue breakdown by segment								
North America	92.9	100.1	106.3	127.1	104.1	116.2	113.8	2.1%
YoY Growth	7.6%	11.1%	11.2%	9.9%	12.1%	16.1%		
% of total revenue	59.7%	59.7%	59.0%	59.6%	57.4%	57.9%		
International revenue	33.5	36.8	40.9	50.7	39.8	42.2	42.6	-1.0%
YoY Growth	4.9%	16.1%	14.0%	16.8%	18.7%	14.8%		
% of total revenue	21.5%	21.9%	22.7%	23.8%	21.9%	21.0%		
AWS	29.3	30.9	33.0	35.6	37.6	42.2	40.5	4.3%
YoY Growth	16.9%	17.5%	20.2%	23.6%	28.4%	36.8%		
% of total revenue	18.8%	18.4%	18.3%	16.7%	20.7%	21.1%		
OP breakdown by segment								
North America	5.8	7.5	4.8	11.5	8.3	9.1	8.6	6.6%
OPM	6.3%	7.5%	4.5%	9.0%	7.9%	7.9%	7.5%	0.3 ppt
International	1.0	1.5	1.2	1.0	1.4	1.7	1.8	-3.7%
OPM	3.0%	4.1%	2.9%	2.1%	3.6%	4.1%	4.2%	-0.1 ppt
AWS	11.5	10.2	11.4	12.5	14.2	16.6	13.7	21.5%
OPM	39.5%	32.9%	34.6%	35.0%	37.7%	39.4%	33.8%	5.6 ppt
YoY Growth	22.6%	8.8%	9.4%	17.2%	22.6%	63.6%		
Margins (%)								
GPM	50.6%	51.8%	50.8%	48.5%	51.8%	52.3%	52.2%	0.0 ppt
OPM	11.8%	11.4%	9.7%	11.7%	13.1%	13.7%	12.1%	1.6 ppt
NPM	11.0%	10.8%	11.8%	9.9%	16.7%	31.2%	11.0%	20.2 ppt

Source: Visible Alpha, CMBIGM

Changes in forecast and valuation

Figure 2: Amazon forecast revision

USD bn	Current			Previous			Change (%)		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	831.6	958.6	1,085.4	837.2	960.8	1,075.5	-0.7%	-0.2%	0.9%
Gross profit	425.9	495.9	567.0	428.9	497.1	561.8	-0.7%	-0.2%	0.9%
Operating profit	108.2	143.7	183.4	101.6	133.0	166.5	6.5%	8.1%	10.1%
Net profit	137.9	113.3	144.2	96.3	105.9	130.6	43.2%	7.0%	10.4%
GPM	51.2%	51.7%	52.2%	51.2%	51.7%	52.2%	0.0 ppt	0.0 ppt	0.0 ppt
OPM	13.0%	15.0%	16.9%	12.1%	13.8%	15.5%	0.9 ppt	1.1 ppt	1.4 ppt
NPM	16.6%	11.8%	13.3%	11.5%	11.0%	12.1%	5.1 ppt	0.8 ppt	1.1 ppt

Source: CMBIGM estimates

Figure 3: Amazon: CMBI forecast vs consensus

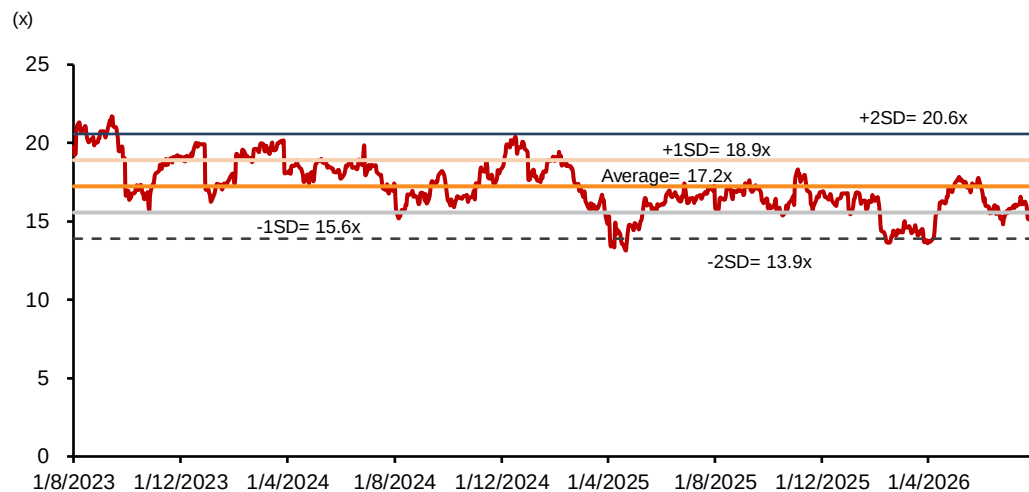
USD bn	Current			Consensus			Difference (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	831.6	958.6	1,085.4	824.7	935.3	1,061.5	0.8%	2.5%	2.3%
Gross profit	425.9	495.9	567.0	423.8	494.8	575.8	0.5%	0.2%	-1.5%
Operating profit	108.2	143.7	183.4	104.9	134.7	171.7	3.2%	6.7%	6.8%
Net profit	137.9	113.3	144.2	99.5	112.9	142.7	38.6%	0.3%	1.0%
GPM	51.2%	51.7%	52.2%	51.4%	52.9%	54.2%	-0.2 ppt	-1.2 ppt	-2.0 ppt
OPM	13.0%	15.0%	16.9%	12.7%	14.4%	16.2%	0.3 ppt	0.6 ppt	0.7 ppt
NPM	16.6%	11.8%	13.3%	12.1%	12.1%	13.4%	4.5 ppt	-0.3 ppt	-0.2 ppt

Source: VA, CMBIGM estimates

Figure 4: Amazon: target price of US\$301.0 based on 17.2x EV/EBITDA

(USDmn)	
GAAP EBITDA (2026E)	193,737
GAAP EBITDA Margin % (2026E)	23.3%
Target EV/EBITDA	17.2x
Enterprise Value	3,338,083
GAAP EBITDA CAGR (2025-2028E CAGR)	24%
Capital Structure Adjustments	
Adjusted Net Debt - 2026E	22,483
Shares Outstanding (mn) - 2026E	11,004
Valuation (USD per share)	301.0

Source: CMBIGM estimates

Figure 5: Amazon: historical EV/EBITDA over the past three years

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Revenue	574,785	637,959	716,924	831,577	958,637	1,085,449
Cost of goods sold	(304,739)	(326,288)	(356,414)	(405,670)	(462,757)	(518,444)
Gross profit	270,046	311,671	360,510	425,907	495,881	567,005
Operating expenses	(233,194)	(243,078)	(280,535)	(317,664)	(352,164)	(383,642)
Selling expense	(44,370)	(43,907)	(47,129)	(49,567)	(55,827)	(61,746)
Admin expense	(11,816)	(11,359)	(11,172)	(10,687)	(11,771)	(12,704)
R&D expense	(85,622)	(88,544)	(108,521)	(135,875)	(155,040)	(173,765)
Others	(91,386)	(99,268)	(113,713)	(121,536)	(129,526)	(135,427)
Operating profit	36,852	68,593	79,975	108,243	143,717	183,363
Interest income	2,949	4,677	4,381	4,415	3,398	5,961
Interest expense	(3,182)	(2,406)	(2,274)	(5,465)	(6,702)	(6,702)
Other income/expense	938	(2,250)	15,229	69,062	0	0
Pre-tax profit	37,557	68,614	97,311	176,255	140,412	182,622
Income tax	(7,120)	(9,265)	(19,087)	(37,761)	(25,274)	(36,524)
Others	(12)	(101)	(554)	(570)	(1,868)	(1,868)
After tax profit	30,425	59,248	77,670	137,925	113,270	144,230
Net profit	30,425	59,248	77,670	137,925	113,270	144,230

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Current assets	172,351	190,867	229,083	232,567	259,251	387,842
Cash & equivalents	73,387	78,779	86,810	57,622	59,618	165,954
Restricted cash	32,328	43,660	65,623	90,779	107,787	123,244
Account receivables	33,318	34,214	38,325	42,083	45,924	49,322
Inventories	33,318	34,214	38,325	42,083	45,924	49,322
Contract obtaining costs	355,503	434,027	588,959	926,204	1,072,736	1,154,924
PP&E	204,177	252,665	357,025	525,825	672,357	754,545
Deferred income tax	0	0	0	0	0	0
Goodwill	22,789	23,074	23,273	23,504	23,504	23,504
Other non-current assets	128,537	158,288	208,661	376,875	376,875	376,875
Total assets	527,854	624,894	818,042	1,158,770	1,331,988	1,542,766
Current liabilities	164,917	179,431	218,005	244,560	279,269	317,395
Account payables	84,981	94,363	121,909	135,751	156,262	176,768
Other current liabilities	15,227	18,103	20,576	23,844	27,165	30,430
Accrued expenses	64,709	66,965	75,520	84,965	95,842	110,197
Non-current liabilities	161,062	159,493	188,972	304,497	306,832	310,303
Long-term borrowings	58,314	52,623	65,648	128,894	128,894	128,894
Other non-current liabilities	102,748	106,870	123,324	175,603	177,938	181,409
Total liabilities	325,979	338,924	406,977	549,057	586,102	627,697
Share capital	109	111	112	113	113	113
Capital surplus	99,025	120,864	140,024	160,198	183,100	208,053
Retained earnings	113,618	172,866	250,536	388,461	501,731	645,960
Other reserves	(10,877)	(7,871)	20,393	60,942	60,942	60,942
Total shareholders equity	201,875	285,970	411,065	609,713	745,886	915,068
Total equity and liabilities	527,854	624,894	818,042	1,158,770	1,331,988	1,542,766

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	37,557	68,614	97,311	176,255	140,412	182,622
Depreciation & amortization	48,663	52,795	65,756	85,494	112,635	127,749
Tax paid	(7,120)	(9,265)	(19,087)	(37,761)	(25,274)	(36,524)
Change in working capital	(11,541)	(15,541)	(19,969)	(28,556)	19,158	26,721
Others	17,387	19,274	15,503	(18,445)	21,035	23,085
Net cash from operations	84,946	115,877	139,514	176,987	267,966	323,652
Investing						
Capital expenditure	(48,133)	(77,658)	(128,320)	(219,962)	(254,304)	(203,443)
Acquisition of subsidiaries/ investments	(5,839)	(7,082)	(3,841)	(39,767)	0	0
Others	4,139	(9,602)	(10,384)	(11,393)	(9,138)	(10,849)
Net cash from investing	(49,833)	(94,342)	(142,545)	(271,122)	(263,442)	(214,293)
Financing						
Net borrowings	(11,224)	(9,100)	11,546	63,950	0	0
Share repurchases	0	0	0	0	0	0
Others	(4,655)	(2,712)	(1,885)	(2,023)	(2,528)	(3,023)
Net cash from financing	(15,879)	(11,812)	9,661	61,927	(2,528)	(3,023)
Net change in cash						
Cash at the beginning of the year	54,253	73,890	82,312	90,106	57,844	59,840
Others	403	(1,301)	1,164	(54)	0	0
Cash at the end of the year	73,890	82,312	90,106	57,844	59,840	166,176

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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