

## When the Market Fears Capex, We Buy Moats

- Amazon is currently a mispriced AI laggard, offering a rare entry point.
- The \$200B CAPEX is not a cost drag but a high-confidence demand signal.
- The strategic partnership with Anthropic effectively converts balance sheet cash into guaranteed cloud revenue.

### Deja Vu 2014: Buying the "Capex Shock"

Amazon (AMZN80) currently stands as the conspicuous underperformer of the "Magnificent Seven," creating a rare divergence between sentiment and fundamentals. While the market has punished shares due to "Capex Shock" and tariff fears, we see a setup reminiscent of 2014—where heavy investment masked a massive inflection in earnings power. Investors are fleeing the short-term cost (\$200B in spend); we are buying the long-term moat. We believe this is the most attractive risk/reward setup in large-cap tech.

### AWS Re-Acceleration: Funding the Jump to 38% Growth

The primary overhang on the stock is the unprecedented \$200b FY2026 CAPEX guidance. While the market views this as a drag on near-term free cash flow, we interpret it as a high-confidence signal of overwhelming demand. This spend is directly tethered to a re-acceleration in Amazon Web Services (AWS), where the backlog surged by \$57b in Q4 alone. Our analysis suggests that as this capacity comes online, AWS revenue growth will fundamentally shift, doubling from ~19% in 2025 to 38% in 2026E. The "cost" is temporary; the revenue pipe is already filled.

### The Anthropic Engine: Converting Cash to Compute

A critical portion of this infrastructure risk is mitigated by Amazon's \$8b strategic partnership with Anthropic. This deal effectively creates a "circular economy" where Amazon's balance sheet investment returns to the income statement as high-margin cloud revenue—Anthropic has reportedly spent ~\$2.7b on AWS compute in just the first nine months of 2025. Furthermore, Anthropic's commitment to use Amazon's proprietary Trainium chips validates the hardware stack, proving to the broader enterprise market that AWS can deliver frontier-model performance without paying the "NVIDIA tax," thereby preserving long-term cloud margins.

### Efficiency Trumps Macro

While investors fret over potential tariffs and consumer weakness, Amazon's North American retail business is delivering structural margin expansion via its "Regionalization" strategy. The spread between unit growth and shipping cost growth has widened favorably by ~200 basis points, confirming that the cost to serve is declining even as volumes rise. This operational leverage, combined with the rapid scaling of high-margin advertising revenue (now an \$85b run-rate business), provides a formidable profit buffer against any macro headwinds.

### Initiated with BUY and a TP of THB2.32

We initiate coverage on the AMZN80 with a TP of THB 2.32. This target is derived from our Sum-of-the-Parts (SOTP) valuation of \$300 for the underlying equity, applied to a conservative USD/THB exchange rate of 31.0. Our math highlights a glaring anomaly: at the current price of ~\$200, the market is effectively valuing AWS and Advertising at peer multiples while pricing the massive global retail business at zero.

#### Analyst

Suwat Sinsadok, CFA, FRM, ERP  
 suwat.s@globlex.co.th,  
 +662 687 7026

#### Assistant Analyst

Peerayu Sirivorawong

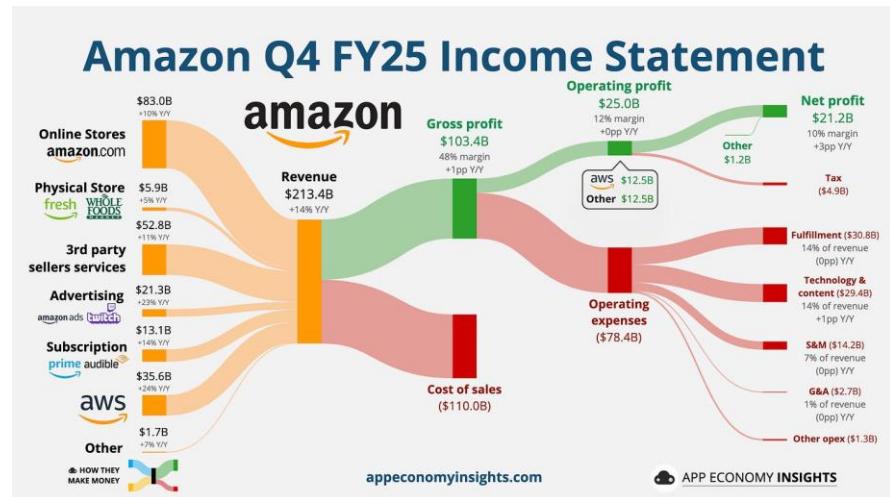
## When the Market Fears Capex, We Buy Moats

Before we start, let's discuss how Amazon makes money:

Revenue has 7 main components:

- **Online stores (39% of overall revenue):** Amazon.com +10% y-y.
- **Physical store (3%):** Primarily Whole Foods Market +5% y-y.
- **3rd party (25%):** Commissions, fulfillment, shipping +11% y-y.
- **Advertising (10%):** Ad services to sellers, Twitch +23% y-y.
- **Subscription (6%):** Amazon Prime, Audible +14% y-y.
- **AWS (17%):** Compute, storage, database, & other +24% y-y.
- **Other (1%):** Various offerings, small individually +7% y-y.

Exhibit 1: AMZN 4Q25 Income Statement

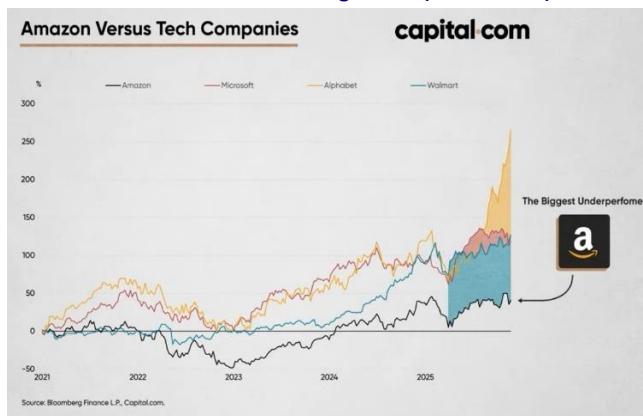


Sources: App Economy Insights

**A Rare Divergence.** This may be one of the most compelling entry points to initiate coverage on Amazon (AMZN80). Within the "Mag 7" universe, Amazon has been a relative laggard (see Exhibit 2), recently underperforming even Walmart—a striking reversal from the 2014–2017 cycle, when the company delivered >500% total returns while outpacing most mega-cap technology peers. In our view, the gap between share-price performance and underlying business quality has widened meaningfully, creating an opportunity to revisit the investment case from first principles.

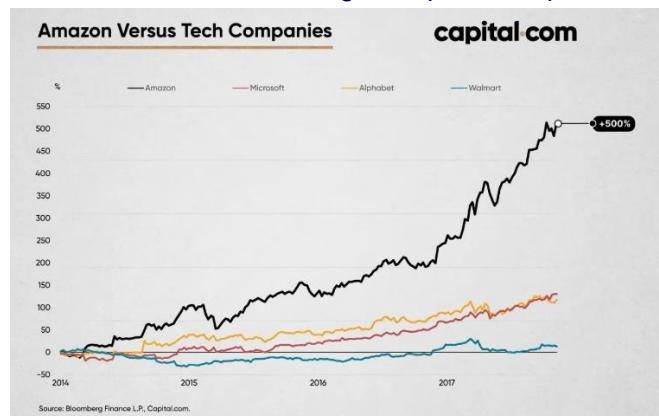
**The "Wall of Worry": Tariffs & Capex** The market's hesitation is driven less by operating execution and more by headline-led concerns—most notably tariff risk and the recent "Capex Shock." Unlike its software-heavy peers, Amazon carries direct sensitivity to global goods flows and consumer demand narratives. This anxiety intensified after 4Q25: despite an operationally healthy quarter, a sharp upward reset in capital expenditure expectations shocked investors, driving a ~10% drawdown. The market views this spending as a drag on free cash flow; we view it as a leading indicator of demand.

### Exhibit 2: AMZN vs Other Big Tech (2021-2025)



Sources: capital.com

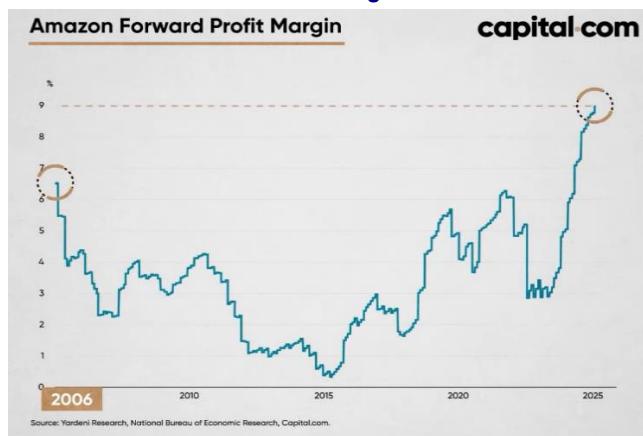
### Exhibit 3: AMZN vs Other Big Tech (2014-2017)



Sources: capital.com

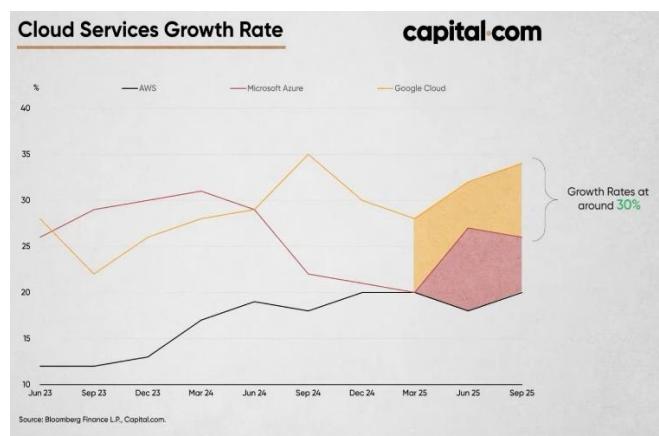
**The Reality: Margin Expansion & AI Acceleration** Crucially, the numbers do not validate the market's fear. Profitability and margin structure are moving in the right direction, supported by a structural mix shift toward high-margin pools (Advertising and Subscriptions) and ongoing fulfillment productivity in the retail network.

### Exhibit 4: AMZN Net Profit Margin



Sources: capital.com

### Exhibit 5: Cloud Services Growth Rate



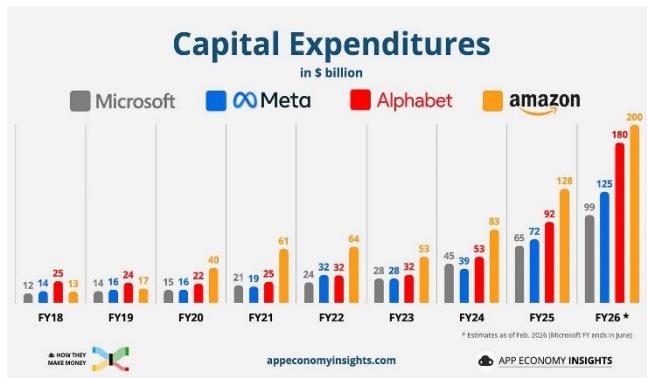
Sources: capital.com

Simultaneously, the AI debate is shifting from "who has the best model" to "who controls the cost-efficient infrastructure." While Microsoft Azure and Google Cloud have recently grown faster off smaller bases, Amazon Web Services (AWS) remains the undisputed volume leader. The key question is not whether AWS is relevant, but whether Amazon can convert the current AI demand wave—evidenced by the massive Capex commitment—into a multi-year re-acceleration of AWS growth. We believe the current valuation de-rating offers a compelling window to accumulate a quality compounder mispriced by temporary macro and capital cycle anxiety.

## Why \$200b in CAPEX Spending Signals Dominance

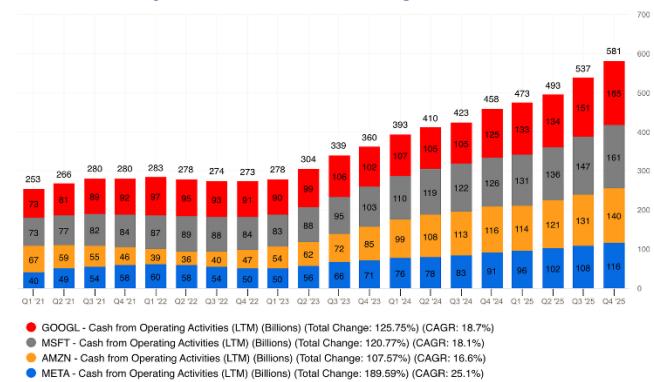
The central pillar of our bullish stance on Amazon is the market's misunderstanding of the company's capital intensity. While the headline guidance of ~\$200b in FY2026 capital expenditure shocked the street—coming in roughly \$50b above consensus estimates—we view this figure not as a drag on free cash flow, but as a leading indicator of overwhelming demand.

**Exhibit 6: Hyperscalers' CAPEX**



Sources: App Economy Insights

**Exhibit 7: Hyperscalers' Operating Cash Flow (\$ billion)**



Sources: App Economy Insights

**1) AWS Growth Re-Acceleration (From 19% to 38%).** The narrative that AWS is a "slowing incumbent" is rapidly becoming obsolete. Our analysis suggests that the massive infrastructure buildout is being deployed into a supply-constrained environment. Specifically, we project AWS revenue growth to fundamentally re-accelerate, doubling from **19% in 2025 to ~38% in 2026E**. This projection is underpinned by a massive **\$57b** sequential increase in backlog during Q4 alone, signaling that the "revenue pipe" is already filled and simply waiting for capacity to come online. If this level of capital intensity holds, we believe the segment revenue and operating profit could essentially double within two years.

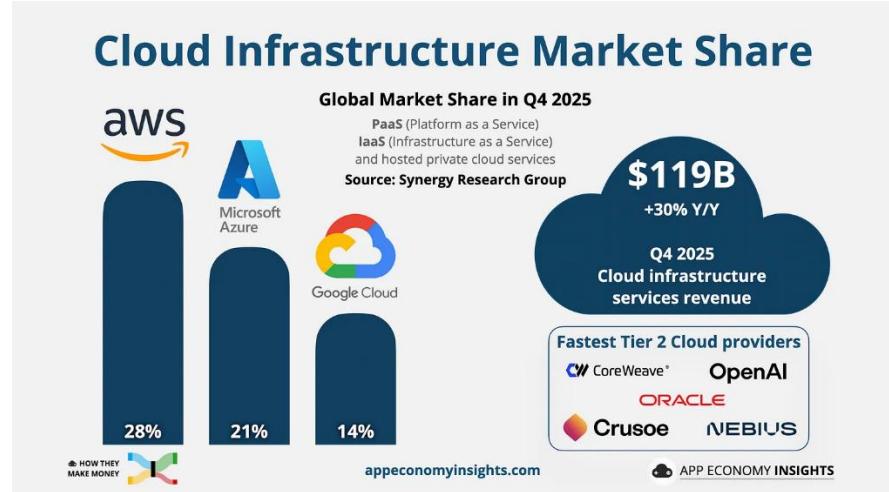
**2) The Silicon Advantage: Breaking the Nvidia Dependency** Unlike Microsoft Azure, which remain heavily reliant on third-party GPUs, Amazon has successfully operationalized its proprietary silicon strategy. The demand for Amazon's custom AI chips is outpacing supply, validating the vertical integration thesis.

- **Trainium 2** is already fully subscribed, with **~1.4m chips deployed**.
- **Trainium 3** is seeing such strong early demand that all capacity is expected to be fully committed by mid-2026.
- **Trainium 4** is already on the roadmap for a 2027 launch

This "Chip Edge" provides AWS with a dual advantage: it lowers the cost of compute for customers (preventing churn to cheaper rivals) and improves Amazon's own gross margins by reducing the "tax" paid to external hardware providers.

**3) Conclusion on Capacity** We believe the market is penalizing Amazon for building the "factory" of the AI era. With a total backlog ramping toward **~\$400b** by year-end 2026, the **\$200b Capex bill** is not speculative spending—it is the necessary fuel for a pre-booked revenue acceleration that will drive the stock's next leg higher

### Exhibit 8: Cloud Infrastructure Market Share



Sources: App Economy Insights

### Retail Resilience – Efficiency Trumps Headwinds

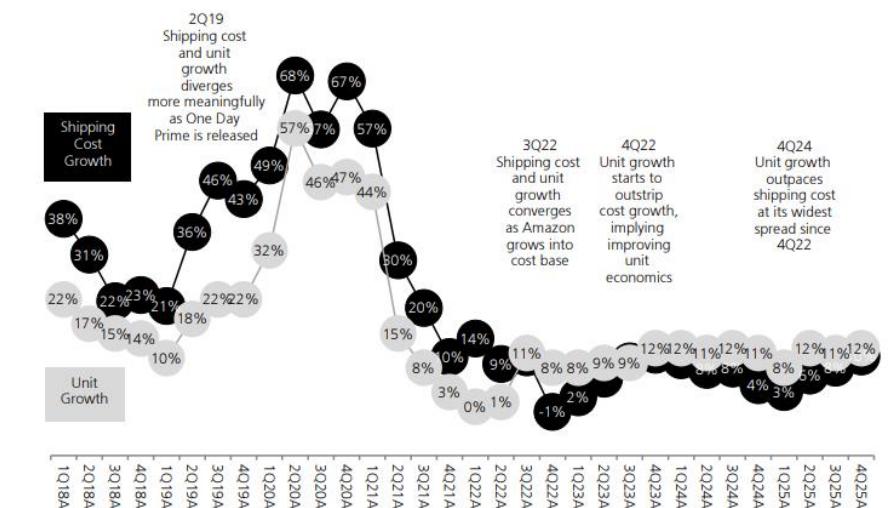
While the market remains fixated on external risks such as potential tariffs and consumer spending fatigue, we believe the structural improvements within Amazon's North American fulfillment network are creating a margin buffer that is being overlooked.

**1. The "Regionalization Dividend"** The post-pandemic overhaul of the U.S. fulfillment network—shifting from a national model to a regionalized one—has permanently lowered the cost to serve. The most critical metric to watch is the spread between **Unit Growth** and **Shipping Cost Growth**.

In Q4 2025, unit growth continued to outpace shipping cost growth by **~200 basis points**. This "positive jaw" indicates that Amazon is becoming more efficient with every package it ships, driving operating leverage even if top-line demand softens.

**Why It Matters:** This efficiency is not a one-time event but a structural change. By placing inventory closer to the end consumer, Amazon reduces "touch points" and miles driven, effectively insulating its margins from inflationary pressures like fuel or labor costs.

### Exhibit 9: AMZN's Retail - Unit Growth vs Shipping Cost Growth (2018-2025)



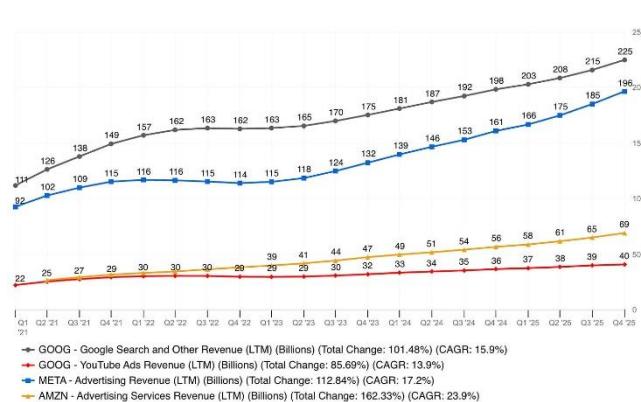
Sources: UBS

**2. Advertising: The High-Margin Subsidy** The retail business is no longer just about selling goods at thin margins; it is a vehicle for selling high-margin advertising.

**Ad Revenue Growth:** Advertising revenue grew **23% y-y** in Q4, reaching an annualized run-rate of over **\$85b**.

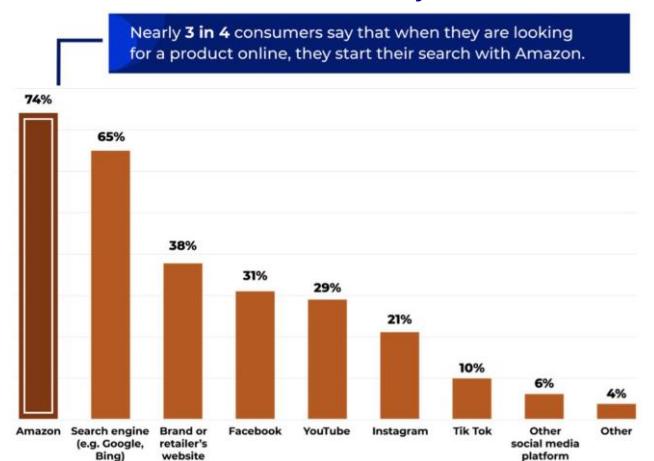
**Prime Video Monetization:** The recent introduction of ads into Prime Video has opened a new, high-margin revenue stream that flows almost entirely to the bottom line. This "ad subsidy" allows Amazon to remain price-competitive on retail goods (defending market share against low-cost rivals like Temu or Shein) while still expanding overall operating margins

**Exhibit 10: Big Tech's Advertising Revenue (\$ billion)**



Sources: Fiscal.ai

**Exhibit 11: Consumer Trends Study**



Sources: Jungle Scout

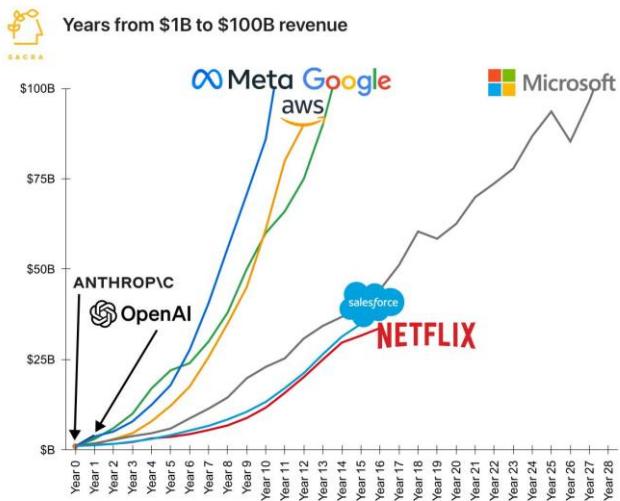
**Conclusion on Retail** We view the Commerce segment not as a liability exposed to tariffs, but as a cash-generating engine that is largely self-funding the company's AI ambitions. With North American operating margins expanding and "Cost to Serve" declining, the retail business provides a stable floor to the stock's valuation.

## How Anthropic Secures Amazon's AI Throne

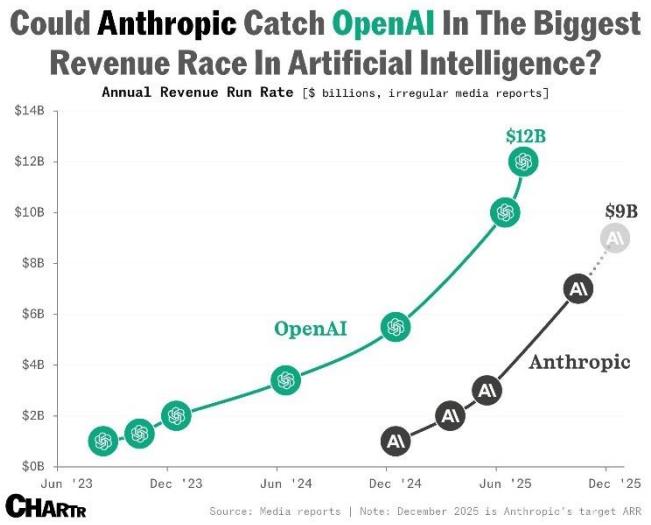
While Microsoft's relationship with OpenAI has dominated the early AI narrative, Amazon has quietly executed a massive counter-offensive. As of November 2024, Amazon doubled its financial commitment to Anthropic, bringing its total investment to **\$8 billion**. Importantly, despite this scale, Amazon maintains a minority stake and no board seat—a deliberate structure designed to sidestep the antitrust scrutiny currently plaguing its peers.

We view this not as "venture capital" seeking a financial exit, but as the most critical infrastructure deal in the company's recent history. By securing Anthropic as its "Anchor Tenant," Amazon has effectively answered the two biggest questions facing its AI strategy: *"Where are the models?"* and *"Who will use the chips?"*

Amazon's investment is best viewed as a strategic extension of the AWS AI thesis. In the current cycle, the hyperscaler winners will be those that **1) secure scarce compute, 2) deliver superior price/performance, and 3) attract "must-have" model ecosystems.**

**Exhibit 12: Years from \$1b to \$100b Revenue**


Sources: Sacra

**Exhibit 13: Anthropic's Revenue vs OpenAI**


Sources: Sherwood News

Here is how the investment fundamentally alters the AWS outlook.

### 1. The "Circular Economy" (Revenue Round-Tripping)

The most immediate impact is financial: Amazon is effectively converting balance sheet cash (investment) into high-margin AWS operating income (revenue).

Financial details suggest a highly efficient capital cycle. Reports indicate that Anthropic spent approximately \$2.66b on AWS compute in the 9M25 alone.

Anthropic's growth translates directly into AWS consumption. This "round-tripping" of capital boosts AWS revenue growth rates during a critical period of competition with Azure, effectively subsidizing the startup's growth in exchange for locking in guaranteed compute volume for the next decade.

### 2. The "Silicon Validator" (De-Risking Trainium)

Perhaps the most valuable aspect of the deal is Anthropic's commitment to use Amazon's proprietary chips (Trainium and Inferentia) for its future foundation models.

Unlike Microsoft, which relies heavily on low-margin NVIDIA GPUs for OpenAI, Amazon is moving its largest AI customer onto its own hardware.

By securing a top-tier AI lab to optimize for Trainium, Amazon proves to the broader enterprise market that its custom silicon is production-ready. If Trainium is powerful enough to train Claude (a frontier model), it is powerful enough for the Fortune 500. This validation is key to breaking the "NVIDIA tax" and preserving long-term cloud margins.

### 3. Workload Pull-Through (The "Attach Rate")

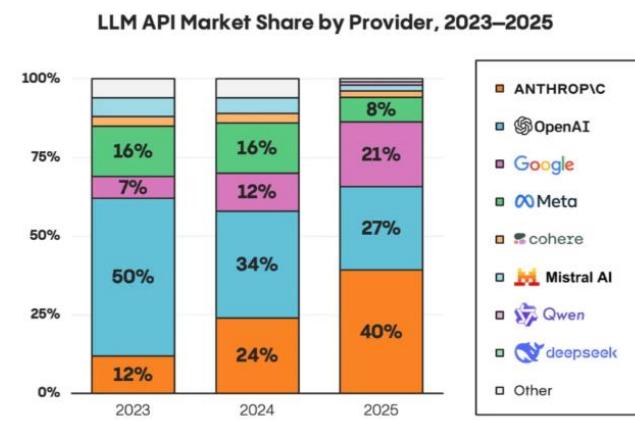
If customers standardize on Claude for enterprise use cases, AWS benefits from a recurring "attach rate" of traditional infrastructure.

Enterprise AI is not just about the model; it requires vector databases, security pipelines, and data storage. Anthropic acts as the "hook" that pulls these sticky, high-margin workloads onto AWS. Practically, this helps AWS defend market share even if competitors market their own first-party models (like Gemini) more aggressively.

#### 4. Differentiation Without "Single-Model Risk"

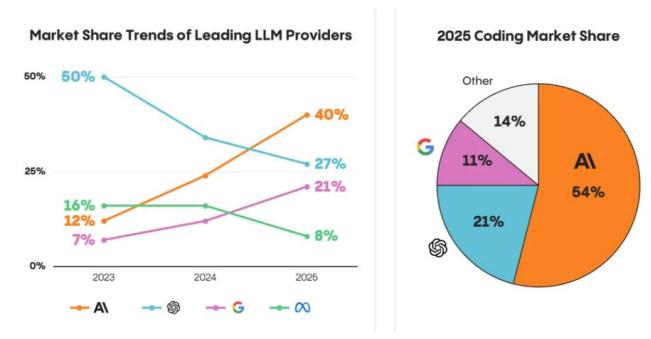
Customers can choose which models to run, while AWS competes on economics, reliability, and governance. Anthropic gives AWS a credible "frontier model partner" that improves catalog strength without forcing Amazon into a winner-take-all bet on a single internal model family. This fits the enterprise preference for flexibility and mitigates the reputational risk of being tied to a single model roadmap.

**Exhibit 14: Enterprise LLM Market Share 2023-2025**



Sources: Menlo Ventures

**Exhibit 15: Market Share Trend & Coding Market Share**



Sources: Menlo Ventures

## Unlocking the Conglomerate Discount

We value Amazon using a **Sum-of-the-Parts (SOTP)** methodology. We believe this is the most appropriate framework to capture the divergence between the hyper-growth, high-margin engines (AWS, Advertising) and the mature, capital-intensive Retail business.

The market currently assigns Amazon a blended multiple that heavily discounts its cloud and advertising assets. By applying pure-play peer multiples to each segment, we derive a fair value of **\$300 per share**, implying **~50% upside** from current levels.

**Exhibit 16: Segment Forecasts & Valuation Multiples (FY2026E)**

Segment	2026E Revenue (\$B)	Operating Margin	2026E Op. Income (\$B)	Applied Multiple (EV/Sales)	Implied Value (\$B)
AWS (Cloud + AI)	\$160.00	38.00%	\$60.80	10.0x	\$1,600
Advertising	\$85.00	55.00%*	\$46.80	7.0x	\$595
Retail (North America)	\$410.00	6.50%	\$26.70	1.0x	\$410
Retail (International)	\$165.00	2.50%	\$4.10	1.0x	\$165
Subscription / Other	\$70.00	N/A	Included above	1.0x	Included above
<b>TOTAL</b>	<b>\$890.00</b>	<b>~15.5%</b>	<b>~\$138.4</b>	<b>~3.1x (Blended)</b>	<b>~\$2,770</b>

Sources: Globlex Research

### Exhibit 17: The Sum-of-the-Parts (Target Price Calculation)

Component	Valuation (\$B)	Per Share Contribution
AWS (Cloud + AI)	\$1,600	\$148
Advertising	\$595	\$55
Global Retail	\$575	\$53
Strategic Cash / Inv.	\$120	\$11
Anthropic Stake (Est.)	\$20	\$2
(-) Net Debt / Corp Adjs.	(\$150)	(\$14)
Total Equity Value	\$2,760	\$255
+ Conglomerate Premium	15%	The "Flywheel" Synergy
<b>TARGET PRICE</b>	<b>~\$3,200</b>	<b>~\$300.00</b>

Sources: Globlex Research

At **\$300**, Amazon would trade at roughly **25x FY2027E Free Cash Flow**, a reasonable level for a company growing top-line revenue at double digits with expanding margins. The current price of ~\$200 implies that investors are effectively getting the Retail business **for free**, paying only for AWS and Advertising. We view this dislocation as transient.

### Initiated with BUY and a TP of THB2.32

We view the current skepticism around Amazon's capital cycle as a mirror image of 2014—a "capex shock" that precedes a massive earnings breakout. To capture this inflection, we initiate **AMZN80** with a **BUY** rating and a target price (TP) of **THB 2.32** (derived from a US\$300 target and 31.00 USD/THB). This target implies significant upside, rewarding investors who look past the headline spending to see the structural re-acceleration of AWS and the efficiency gains in Retail.

### Exhibit 18: AMZN80's Conversion Ratio

$$\text{AMZN80 Price (THB)} = \frac{\text{AMZN US Price (USD)} \times \text{USD/THB Rate}}{4,000}$$

Sources: Globlex Research; SET

### Exhibit 19: AMZN's 5 Years Stock Price Chart

Market Summary > Amazon.com Inc



Sources: Google

### Exhibit 20: AMZN's 5 Years Stock Price Chart

Market Summary > Amazon.com Inc



Sources: Google

## GENERAL DISCLAIMER

### Analyst Certification

Suwat Sinsadok, Register No. 020799, Globlex Securities Public Company Limited

The opinions and information presented in this report are those of the Globlex Securities Co. Ltd. Research Department. No representation or warranty in any form regarding the accuracy, completeness, correctness or fairness of opinions and information of this report is offered by Globlex Securities Co. Ltd. Globlex Securities Co. Ltd. Accepts no liability whatsoever for any loss arising from the use of this report or its contents. This report (in whole or in part) may not be reproduced or published without the express permission of Globlex Securities Co. Ltd.

## RECOMMENDATION STRUCTURE

### Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

**BUY:** Expected return of 10% or more over the next 12 months.

**HOLD:** Expected return between -10% and 10% over the next 12 months.

**REDUCE:** Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Sector Recommendations

**Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.

**Neutral:** The industry is expected to perform in line with the relevant primary market index over the next 12 months.

**Underweight:** The industry is expected to underperform the relevant primary market index over the next 12 months.

### Country (Strategy) Recommendations

**Overweight:** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral:** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight:** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.