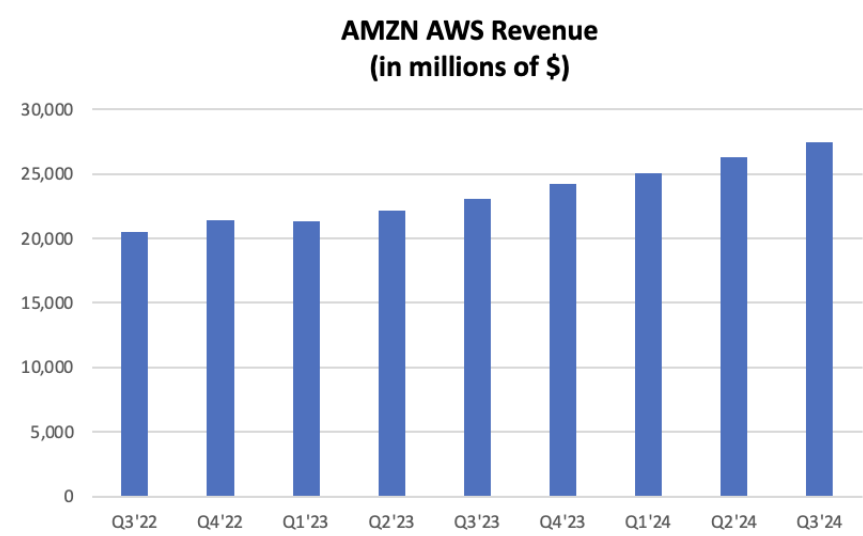


Unboxing Success: How Amazon continues to deliver market success

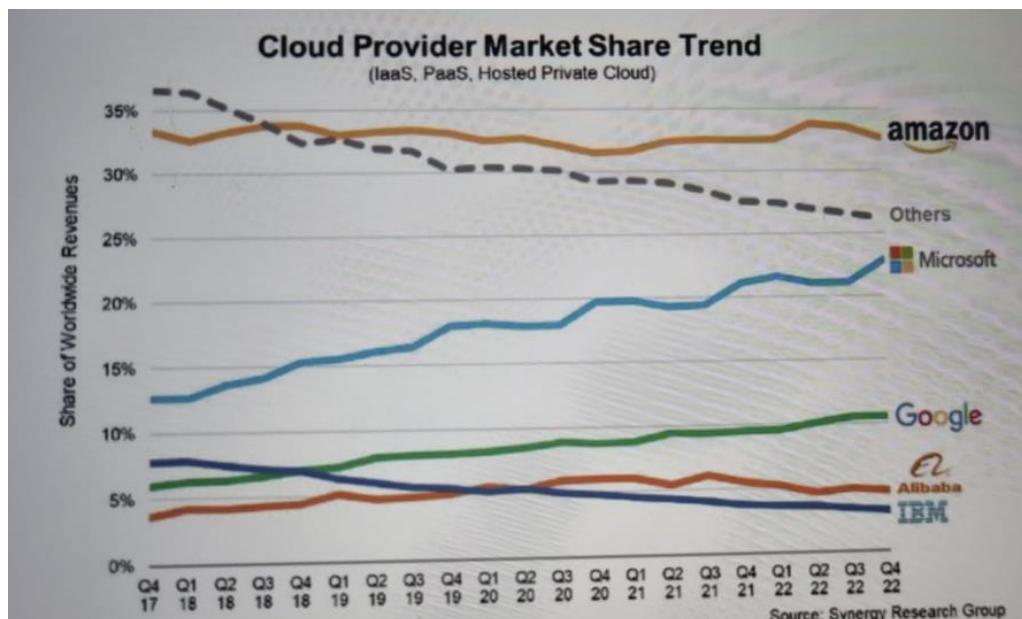
Amazon's transformation from an online bookstore to a global tech giant has redefined e-commerce and digital innovation, becoming a powerhouse across multiple industries. Its remarkable success stems from visionary strategy, relentless innovation, and an unwavering focus on customer satisfaction. By leveraging cutting-edge technologies, particularly AI, Amazon has solidified its competitive edge, positioning itself ahead of industry rivals. Today, Amazon is more than an online retailer—it's a diversified business with thriving segments in cloud computing, advertising, and subscription services. This analysis explores Amazon's fundamental strengths and technical performance, revealing how its strong financials, continuous innovation, and robust stock trajectory enable it to deliver unparalleled results and shape the future of technology and retail.

Amazon's AWS Cloud

The majority of Amazon's success stems from its highly instrumental Amazon Web Service (AWS). AWS being the most significant cloud service globally, helps expand Amazon's revenue thus, reasserting its dominance.



The sales generated from AWS have surged to \$27.5B, increasing 19% YoY. With a potential to generate revenue of around \$125B, with substantial growth ahead. Amazon's AWS provides users with a platform to scale the next wave of innovation by leveraging more than 25 years of pioneering AI experience. Through its instrumental AWS cloud Amazon has been able to provide users with comprehensive generative AI, AI services, machine learning, AI infrastructure, a data foundation for AI, and more. Over 100,000 customers have chosen AWS for AI to improve customer service, optimize business growth, and create better consumer experience. With consistent growth in Amazon's AI advantage, there is potential to enable more market share, sales, and profitability gains.



Based on the market dynamic presented here, Amazon's market-leading cloud service has remained around 32-33% market share for years. Amazon has the top global cloud service, with roughly 33% global share, putting it ahead of major market giants like Google and Microsoft. With a potential more advancements in AI AWS's market share have an opportunity to surge beyond its current value, cementing its spot as the top cloud service globally.

However, despite the strong figures, I do believe the market still continues to underestimate the scope of potential growth in this segment. The cloud market is expected to expand to about \$1.27T by 2028, illustrating a healthy CAGR of approximately 15%. This essentially implies that AWS can continue to expand even if it maintains its current market share of 30-35%. If Amazon manages to increase its market shares, its revenue can expand substantially allowing it to generate record profits

However, with everything that revolves around the world of technology and economics, there will be certain challenges that Amazon will need to navigate. The AWS could experience slower-than-expected growth and worse-than-anticipated profitability due to advancing competition and general growth issues. Furthermore, if rates remain high, Amazon's profitability growth could be slower than expected. Regardless, if Amazon does manage to overcome any potential hurdles down the road, we will be seeing a boom period for Amazon as a company and a stock.

Fundamental Analysis of Amazon

From a financial perspective, Amazon is essentially considered a haven for investors investing in the stock market. This is mainly due to the strong growth in finances with no signs of stopping any time soon. **Net sales increased by 11%** in the third quarter, to \$158.9B. Subsequently, **operating revenue increased to \$17.4B** in the third quarter, which is growth of approximately 55.4% YoY. Amazon has also seen substantial growth in net income (**up by 54.5% YoY**) operating cash flow (**up by 57.7% YoY**), and free cash flow (**up by 119.6% YoY**).

Amazon expects these strong performances to continue heading into the 4th quarter due to the holiday season being a historically boosted period for e-commerce sales.

Amazon continues to show substantial growth, with CAPEX doubling year-over-year, a trend common among mega-tech companies investing in AI, technology, and cloud computing. While AWS remains Amazon's primary revenue driver, other segments like advertising (19% YoY growth) and subscription services (11% YoY) are also expanding significantly, reflecting Amazon's diverse revenue streams. Notably, third-party seller services now generate 50% more revenue than AWS, highlighting Amazon's evolution beyond e-commerce and cloud. Investors view Amazon as a multi-faceted growth engine, with the potential for profit growth outpacing revenue due to rising margins, especially through AWS. Despite AWS facing competition from Google and Microsoft, its scale still solidifies Amazon's long-term growth outlook.

Technical Analysis of Amazon

Based on the strong financial performances, dominance of AWS, and future growth outlook investors do consider Amazon to be undervalued essentially making it the most attractive of the Magnificent Seven stocks.



Due to the strong earnings report the Amazon stock managed to break its previous resistance of approximately \$200 indicating that investors are indeed bullish about Amazon as a stock. The breakout volume was high as well which strengthens the confidence that investors have on Amazon.



Since January 2023, Amazon's weekly chart has shown a strong uptrend, consistently trading above the 50-week (yellow), 100-week (orange), and 200-week (red) moving averages in a bullish alignment. This configuration, supported by higher volumes, reflects sustained buying momentum and a stable bullish outlook for Amazon's growth trajectory. Subsequently, Amazon has managed to outperform the earnings predicted by Wall Street analysts seven times in a row thus, highlighting how it's exceeding expectations on a regular.

Conclusion

Amazon's third-quarter earnings are a clear indication of the strong sentiment that the markets have toward Amazon. The trajectory in operating profit growth is extremely compelling for anyone looking to invest or double their stake in Amazon. While arguments could be made regarding the fact the stock is over-extended mainly due to the market's currently over-valued nature, many investors do believe Amazon still has legs to continue to grow further primarily due to its diverse range of services and dominance in the AI and cloud computing industry through the AWS platform.