



# AMAZON.COM, INC. Q1 2026

## Earnings Report Update

**PREPARED BY:  
SAVEST RESEARCH**

## Company Overview

Amazon.com, Inc. operates a diversified business spanning e-commerce, cloud computing, and digital services. It runs a global online marketplace, offering consumer products through its own retail operations and third-party seller platforms.

Beyond retail, Amazon's Amazon Web Services (AWS) provides cloud infrastructure, including compute, storage, database, and artificial intelligence solutions to enterprises and developers.

The company also generates revenue from digital advertising, subscription services such as Amazon Prime, and content production, alongside manufacturing smart devices like Kindle, Echo, and Fire TV.

“ The company projects strong second-quarter 2026 performance, with net sales expected between \$194.0 billion and \$199.0 billion, representing 16%–19% year-on-year growth. Operating income is forecast at \$20.0 billion to \$24.0 billion, indicating improved profitability. The outlook assumes normal business conditions, including the timing of Prime Day within the quarter, with no major acquisitions, restructurings, or legal settlements anticipated.

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## Outlook

## Expectation Analysis

USD (\$)	Q1 2026	ESTIMATE	BEAT/MISS
REVENUE	182B	177B	2.5%
EBITDA	47.3B	45.4B	4.1%
EBIT	23.9B	20.7B	15.2%
EPS (adjusted)	2.78	1.64	69.0%

Source: Quartr

## Revenue by Geographic and Segment

Billion USD	Q1 2025	Q1 2026	YOY
North America	92.89	104.14	12.12%
International	33.51	39.79	18.73%
AWS	29.27	37.59	28.43%

Source: Company's Q1 Financial Statement

Amazon's revenue remains diversified but anchored in North America, which contributed 57% of total revenue and \$8.3 billion in operating income, supported by strong e-commerce growth, faster delivery, and expanding advertising & marketplace activity. International operations generated 22% of revenue and \$1.4 billion in operating income, reflecting improving cost structures and FX tailwinds, though margins remain structurally lower due to higher expansion costs.

In contrast, AWS continues to dominate profitability, delivering 21% of revenue but approximately 60% of total operating income at \$14.2 billion. Growth was driven by rising demand for cloud and AI infrastructure, enterprise migration, and strategic partnerships, with strong margins reinforcing AWS as the company's primary earnings engine.

## Financial Summary

Billion USD	Q1 2025	Q4 2025	Q1 2026	YOY
Total net sales	155.67	213.39	181.52	16.61%
Operating expense	137.26	188.41	157.67	14.87%
Operating income	18.41	24.98	23.85	29.60%
Non-operating income	3.27	1.63	15.98	388.15%
Pre-tax income	21.68	26.61	39.83	83.74%
Net income	17.13	21.19	30.26	76.65%
EPS	1.59	1.95	2.78	74.84%
Total assets	643.26	818.04	916.63	42.49%
Total liabilities	337.39	532.07	474.72	40.70%
Net cash from operations	17.02	54.46	26.03	52.99%
Net cash from investing	-29.80	-47.25	-64.21	-115.45%
Net cash from financing	-0.47	12.29	52.77	1123.70X

Source: Company's Q1 Financial Statement

# Performance Highlights

- Amazon delivered a strong top-line performance, with net sales rising 17% year-on-year or 15% excluding foreign exchange effects. Growth was underpinned by continued momentum in AWS, expansion in advertising and other service-based revenues, and resilient consumer demand across its retail platforms. Notably, the revenue mix is increasingly shifting toward services, which have demonstrated higher-margin and enhance the overall earnings quality.
- Profitability expanded meaningfully during the period, with operating income increasing 30% year-on-year, translating to an operating margin of 13.1%, up from approximately 11.8% in the prior year. This improvement reflects the sustained strength of AWS margins, operating leverage within the retail segment as scale efficiencies improve, and disciplined cost management relative to revenue growth. The combination of these factors highlights a more efficient operating structure.
- At the bottom line, net income surged 77% however, this was significantly influenced by a \$16.8 billion pre-tax gain from Amazon's investment in Anthropic. This gain is non-recurring in nature, implying that headline earnings overstate the company's underlying operating performance. Adjusting for this effect would present a more moderate, though still solid, earnings trajectory.
- From a cash flow perspective, operating cash flow remained robust, rising 30% on a trailing twelve-month basis, supported by strong earnings generation and working capital efficiency. However, free cash flow declined sharply to \$1.2 billion from \$25.9 billion, primarily due to a substantial increase in capital expenditure, particularly in artificial intelligence infrastructure.
- This significant ramp-up in investment, estimated at approximately \$59 billion year-on-year, signals that Amazon is in an intensive reinvestment phase, prioritizing long-term growth in cloud computing and AI capabilities over near-term cash flow generation. While this pressures short-term free cash flow, it positions the company to strengthen its competitive advantage in high-growth, high-margin technology segments.

## Concerns Raised

- A key concern is the sharp compression in free cash flow, which has declined significantly due to aggressive capital expenditure on AI infrastructure and data centers. While strategically important, this raises concerns about delayed returns on capital and reduced near-term shareholder value.
- Earnings quality presents a risk, as headline net income was significantly boosted by non-recurring gains. This distorts the underlying profitability trend, meaning core earnings growth is materially weaker than reported figures suggest.
- Cost pressures are building across the business, particularly in technology, infrastructure, and fulfillment. These expenses are rising alongside expansion efforts, increasing the risk of margin compression if revenue growth moderates or operational efficiencies weaken.
- The company is also undergoing a structural shift toward higher capital intensity, driven by sustained investments in AI capabilities, cloud infrastructure, and proprietary chips. While this positions Amazon for long-term growth, it introduces execution risk, particularly if monetization of these investments lags expectations.
- Finally, the international segment continues to dilute overall margins, operating at relatively low profitability levels. Although it offers long-term growth potential, achieving meaningful scale and efficiency remains critical to justifying continued investment in these markets.

### OUR INSIGHT

“ Amazon’s Q1 2026 performance reinforces its transition into a dual-engine model: high-volume retail + high-margin cloud/AI infrastructure. Revenue growth remains robust and increasingly driven by structurally superior segments such as AWS, advertising, and subscriptions, supporting margin expansion and earnings durability. However, the sharp divergence between operating strength and free cash flow highlights a deliberate shift toward aggressive capital deployment in artificial intelligence.

From an investment standpoint, Amazon retains strong long-term positioning as a global digital infrastructure leader, but the current phase reflects a reinvestment cycle rather than cash harvest phase. Valuation sustainability will depend on successful AI monetization, normalization of capital intensity, and preservation of AWS dominance. Key watchpoints include free cash flow recovery, quality of earnings excluding one-offs, cost discipline in retail operations, and the scalability of AI-driven revenue streams.

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