AMAZON.COM · Q3 FISCAL 2026

Amazon’s profit engine accelerated, but its investment surge swallowed the cash

Operating income jumped 61% as AWS grew rapidly and retail became more profitable. Yet the cash left after investment fell to a $42.4 billion outflow over the past 12 months.

Analysis based on Amazon’s Q3 2026 Earnings Release, 8-K Exhibit 99.2, and SEC XBRL company facts · Notes at the end

Amazon’s third quarter was much stronger inside the business than the bottom line suggests. Sales reached $201.9 billion and operating income rose to $28.1 billion, as AWS accelerated and retail margins improved. Net income nevertheless slipped to $20.7 billion because last year’s comparison included a large gain on Amazon’s investment in Anthropic. The harder trade-off is in cash: Amazon is investing so heavily in infrastructure that the money left after investment has turned sharply negative.[1]

THE BASICS

Amazon combines a vast retail and logistics network with a marketplace for independent sellers, subscriptions, advertising and cloud computing. Retail brings scale and customer traffic. Advertising and seller services earn money around that traffic. AWS rents computing power and software to organizations. It is smaller than retail by sales, but far more profitable for each dollar of business.

THE CALENDAR MADE SALES LOOK SLOWER

The quarter’s sales growth looked ordinary partly because the comparison was unusually harsh. Reported revenue rose 12.1%, or 13% without the effect of exchange rates. Amazon estimates growth would have been about four percentage points higher if Prime Day had fallen in the same quarter in both years. The event was entirely in the third quarter of 2025 but mainly in the second quarter of 2026.[2]

The useful reading is not that Amazon secretly reported a much higher growth rate. It is that the apparent slowdown was partly a matter of timing. Prime Day pulled sales into the previous quarter, while exchange rates provided another, smaller headwind. Both effects make the reported increase a conservative picture of the business momentum during the period.[2]

AWS IS BECOMING A LARGER AMAZON

AWS supplied the quarter’s clearest acceleration and is taking up more space inside the company. Its sales grew 39% from a year earlier. AWS represented 23% of Amazon’s sales, up from 18% in the comparable quarter. That shift matters because cloud computing earns much more on each dollar of sales than Amazon’s retail operations.[3]

AWS also became more profitable while expanding rapidly. It kept 38.7 cents of operating profit from each sales dollar, compared with 34.6 cents a year earlier. The margin eased slightly from the previous quarter, but the combination of faster

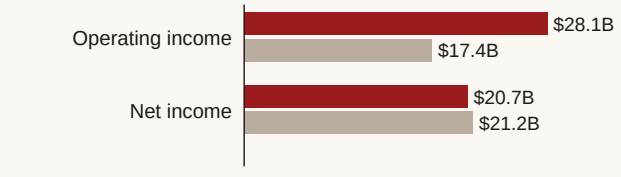
NET INCOME OBSCURED AN OPERATING LEAP

Amazon converted its growth into profit at a much better rate. Operating income jumped 61%, and the company kept 13.9 cents of operating profit from each dollar of sales, compared with 9.7 cents a year earlier. That improvement was broad enough to include both AWS and the North American retail business.[1]

Net income moved the other way, but it gives a misleading impression of the quarter. It edged down to $20.7 billion from $21.2 billion. The main reason was that the prior-year result included $9.5 billion of gains before tax on Amazon’s Anthropic investment. The operating business improved sharply; an investment gain outside day-to-day operations made the comparison look weaker.[2]

Why did operating strength barely reach net income?

Profit in the third quarter, US$ billions



The prior-year net result included $9.5 billion of pre-tax gains on Amazon’s Anthropic investment. Source: Amazon Q3 2026 Earnings Release and SEC XBRL company facts

growth and stronger year-over-year profitability explains much of Amazon’s operating leap.[3]

Amazon’s evidence for AI demand is strongest in usage rather than disclosed AI revenue. The company says Fortune 500 spending on its Bedrock service was nearly seven times higher than a year earlier, while Bedrock token volume was nearly 17 times higher. Those are narrow company-selected measures, but they show that AI workloads are moving beyond experimentation on Amazon’s cloud.[3]

RETAIL CONTRIBUTED, BUT ITS DEMAND SIGNAL IS MIXED

The profit improvement was not solely an AWS story. North American sales grew 6%, while the segment kept 7.7 cents of operating profit from each sales dollar, up from 4.5 cents a year earlier. Amazon therefore earned substantially more from its largest retail region despite much slower growth than in cloud computing.[3]

The underlying retail demand picture is less clean. Online-store revenue grew only 2%, while the number of paid units increased 12%; unit growth had been 17% in the previous quarter. Those measures capture different things, and the Prime Day shift complicates the comparison. Even so, the gap raises a useful question about how much future retail growth will come from selling more items rather than earning more from each transaction.[3]

THE INVESTMENT SURGE CONSUMED THE CASH

Amazon's operations are still producing more cash. The business generated $42.4 billion from operations during the quarter, up from $35.5 billion a year earlier. That is consistent with the improvement in operating profit and shows that the core business itself is not suffering a cash squeeze.[4]

The picture changes after Amazon pays for new infrastructure. Over the past 12 months, the cash left after investment was a $42.4 billion outflow, compared with a $14.8 billion inflow a year earlier. That is a $57.1 billion reversal. The company is earning more, but its construction and equipment program is absorbing even more cash.[4]

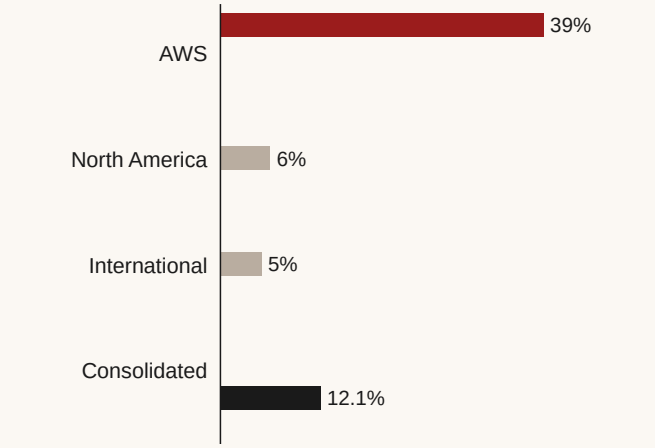
Amazon attributes that reversal primarily to a $94.8 billion year-over-year increase in purchases of property and equipment, after related proceeds and incentives. It still expects cash capital expenditures of about $220 billion for 2026. The spending is intended to create capacity for future demand, particularly around cloud infrastructure, but the quarter shows the immediate cost: stronger profits do not currently translate into cash left after investing.[4]

ONE KEY DISTINCTION

Amazon is not consuming cash in its everyday operations. The outflow appears after it pays for infrastructure. That makes the central question one of investment scale and payoff, rather than whether the existing business can generate cash.

Which business is setting Amazon's pace?

Year-over-year sales growth in Q3 2026, percent



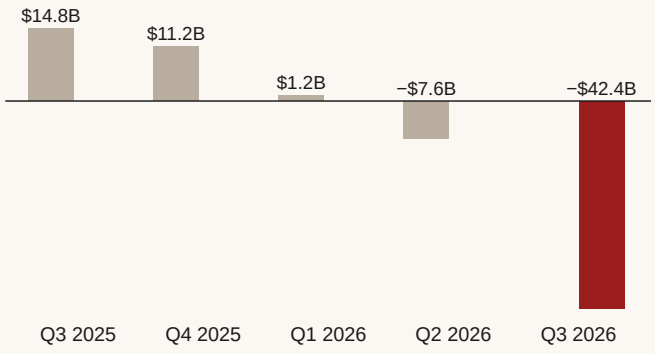
International growth is reported; without the effect of exchange rates it was 8%. Segment growth rates do not reflect their different sizes. Source: Amazon Q3 2026 Earnings Release and SEC XBRL company facts

THE FOURTH QUARTER SETS A TOUGHER TEST

Management expects the operating momentum to continue into the holiday quarter. Amazon forecasts sales growth of 12% to 16% and operating income of $28.5 billion to $33.5 billion, above $25.0 billion a year earlier. That outlook supports the idea that the profit improvement has not run its course. It does not resolve the cash tension, because the annual investment plan remains exceptionally large.[5]

What did the investment surge do to cash?

Cash left after investment for the trailing 12 months, US$ billions



Amazon defines this measure as operating cash flow less purchases of property and equipment, net of related proceeds and incentives. It is a non-GAAP measure. Source: Amazon Q3 2026 Earnings Release and 8-K Exhibit 99.2

WHAT IT ALL MEANS · EARNINGS EXPLAINED INTERPRETATION

The quarter was better than net income suggests, but more expensive than the operating-profit surge makes it look.

THE APPARENT SLOWDOWN WAS EXAGGERATED.
Prime Day moved into the previous quarter, while exchange rates also held back reported sales growth.

AWS IS CHANGING AMAZON'S SHAPE.

THE PROFIT IMPROVEMENT WAS REAL AND BROAD.
AWS accelerated, and North American retail earned much more from each dollar of sales.

CASH IS THE UNCOMFORTABLE COUNTERWEIGHT.

Cloud computing is becoming a larger part of the company while maintaining unusually high profitability.

The existing business is generating more cash, but infrastructure spending is consuming it faster than operations can replenish it.

Three questions for next quarter

1 Can AWS maintain rapid growth without giving back its recent margin gains?

That would show whether new cloud and AI capacity is turning into profitable customer demand at the same pace as Amazon builds it.

2 Does the cash left after investment begin to recover?

Operating cash is rising, but the infrastructure program has pushed the trailing 12-month measure deeply negative.

3 Does retail growth strengthen once the Prime Day comparison clears?

A cleaner calendar will help separate genuine demand from timing and show whether retail can preserve its improved profitability.

1 The SEC XBRL company facts report consolidated revenue, operating income and net income under US GAAP. Revenue growth of 12.1% and operating-income growth of 61.2% are calculated from the current and prior-year quarterly figures and rounded in the text.

2 Amazon's Q3 2026 Earnings Release estimates that the Prime Day shift reduced reported year-over-year growth by approximately four percentage points. The same release attributes the decline in net income primarily to $9.5 billion of pre-tax Anthropic investment gains recorded in Q3 2025.

3 Segment sales, sales mix, operating margins and operating indicators come from Amazon's Q3 2026 Earnings Release. Paid-unit figures exclude Whole Foods Market. Bedrock spending and token-volume growth are company-reported operating indicators, not disclosed revenue.

4 8-K Exhibit 99.2 defines free cash flow as operating cash flow less purchases of property and equipment, net of proceeds from sales and incentives. It is a non-GAAP measure and does not represent all cash available for discretionary use. The $57.1 billion reversal is the difference between the $14.8 billion inflow and the $42.4 billion outflow.

5 Fourth-quarter sales and operating-income ranges, and the 2026 cash capital-expenditure estimate, are management guidance in Amazon's Q3 2026 Earnings Release issued October 29, 2026.