1. Executive summary

Amazon has strengthened its profitability, driven by a profit mix shift toward higher-margin segments alongside historically unprofitable segments becoming profitable. Margins have expanded rapidly and the business is showing signs of maturing. While Amazon is financially well-positioned to initiate dividends, Amazon's management remains committed to reinvestment, with capital expenditures expected to grow substantially ($100Bn expected this year) to capture rapid growth in AI, factors which stifle the probability of dividend initiation. Amazon is compared to a sample dataset of 49 dividend initiating companies and two machine learning models, trained on 142 companies, are used to estimate a **26.25-36.25%** probability of Amazon initiating dividends by year end 2025. Additionally, assuming Amazon distributes dividends, the value is expected to be **44-56c/share** with an expected value of **48c/share** with a payout ratio of 7.7-9.3%.

2. Dividend probability framework

To estimate the probability that Amazon will initiate a dividend, it is helpful to understand the thought process of company directors when deciding whether or not to distribute dividends. Dividend distribution represents one of multiple methods of returning capital to equity holders. The key decision criteria for company directors to initiate dividends are as follows:

Strong Business Fundamentals and Cash Flow Stability

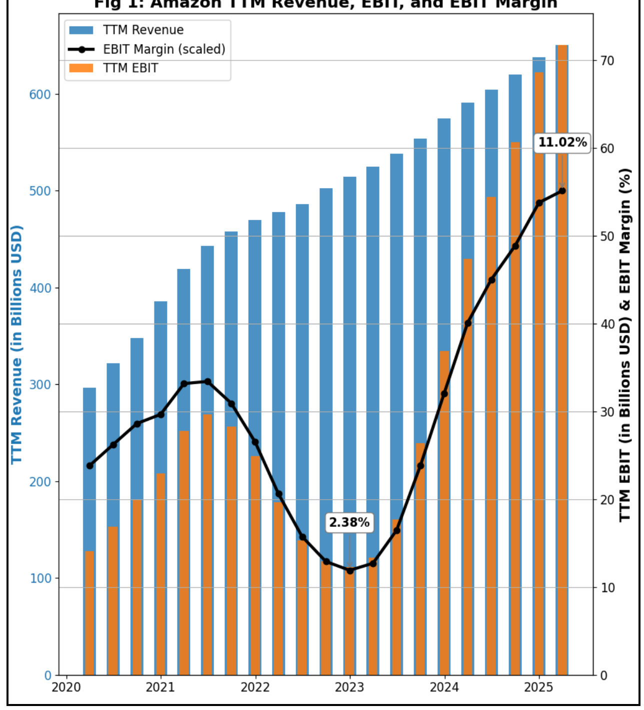


Fig 1: Amazon TTM Revenue, EBIT, and EBIT Margin

Amazon has significantly improved profitability, with consolidated EBIT margins rising from 2.38% in 4Q2022 to 11.02% in 1Q2025 (see fig 1), while EPS increased from $2.09 in 2020 to $6.14 in 1Q2025. Notable margin expansion has been driven by three key factors. First, AWS, a relatively high margin segment grew to 18.8% of total revenue (up from 17.5% in 2024). Second, retail operations (North America and International) have transitioned from historically loss-making to narrowly profitable margins due to increased automation and improved inventory management. (see fig 2) Thirdly, strong growth in advertising revenue, another high margin segment, was up 17.8% to $13.9B. Going forward, AWS remains the most significant profit driver, but retail sales is expected to become a key driver of growth. Expense discipline has kept Sales and Marketing expenses flat at $9.7B despite revenue growth, while workforce reductions have cut stock-based compensation by $1.3B year-over-year. Consequently, free cash flows rose significantly from $25.8B in 2019 to $38.2B in 2024.Compared to 49 publicly listed peers in the three quarters before initiating dividends (see fig 3), Amazon outperforms the median in gross margin, EBIT margin, and interest coverage ratio, and is comparable in net margin. Specifically, Amazon ranks in the 64th percentile for net margin and the 78th percentile for interest coverage ratio.

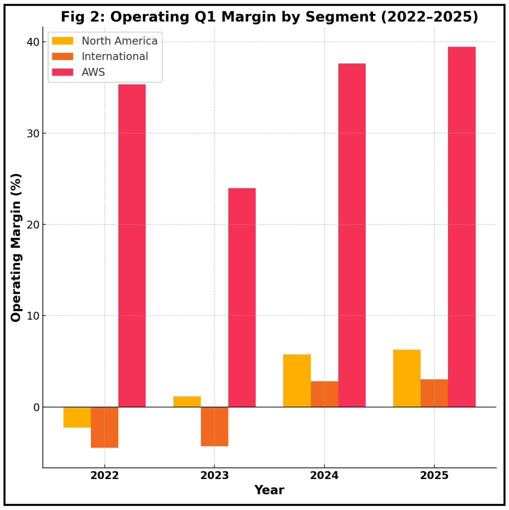


Fig 2: Operating Q1 Margin by Segment (2022–2025)

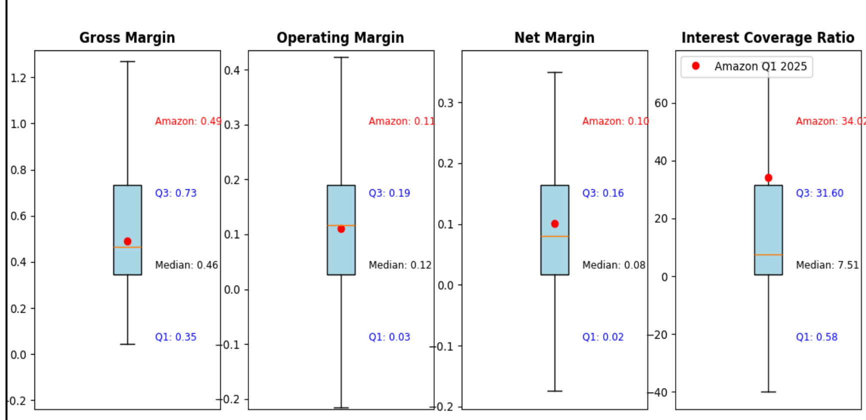


Fig 3: Amazon Q1 2025 vs Sample of Companies preparing to distribute dividends

Data sourced from SimFin and NASDAQ, see referenced GitHub page

Mature Growth Profile

Amazon's consolidated revenue grew by ~8.6% YoY from 1Q2025, modest compared to Microsoft's 13.2% and Alphabet's 12%. Despite moderating top-line growth, capital expenditures (24.2% CAGR) and R&D spending (19.4% CAGR) accelerated significantly from 2019 to 2025 (see fig 5). This growth can be attributed primarily to AI investments which seek to capture share in a market projected to grow to $1.3T by 2032 at a 32.5% CAGR (Bloomberg, 2023) (see fig 4). Amazon's forward P/E ratio of 31.9 indicates continued high market growth expectations relative to the S&P 500's 19. Amazon ranks in the 39th percentile for revenue growth and the 16th percentile for SG&A efficiency among recent dividend initiators, reflecting maturity and superior cost scaling. However, high R&D intensity at the 76th percentile suggests significant reinvestment opportunities remain, highlighting the high opportunity cost of initiating dividends at this time. (see fig 6)

Fig 4: Generative AI Revenue and Share of Total Technology Spend

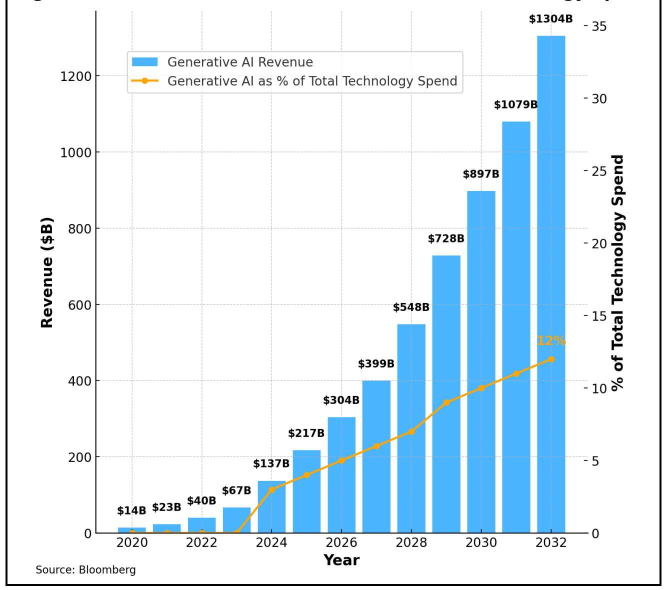


Fig 5: Amazon R&D Expense and Capex (2018–2025)

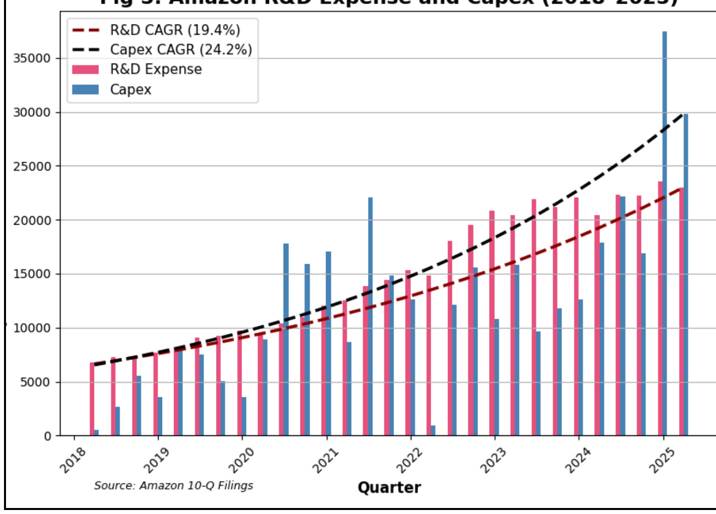
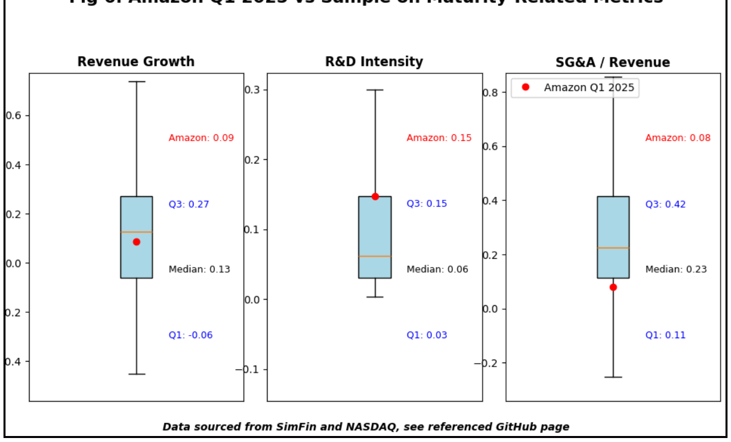


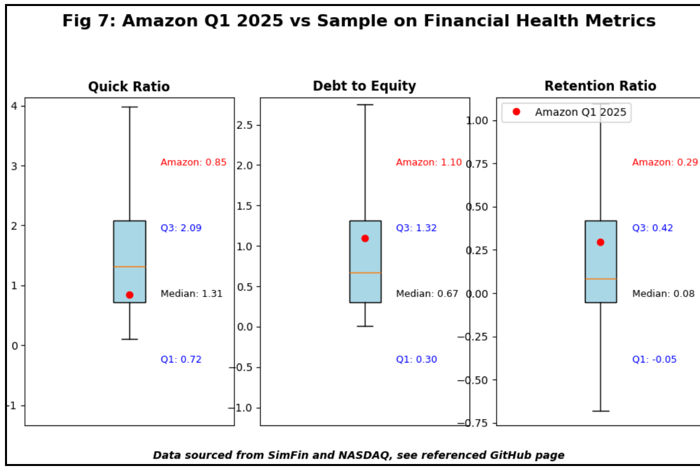
Fig 6: Amazon Q1 2025 vs Sample on Maturity-Related Metrics



Strong Balance sheet and High Liquidity

Amazon's balance sheet suggests a relatively strong financial position with strong growth in retained earnings. Amazon's 53% growth in retained earnings from $124B in 1Q2024 to $190B in 1Q2025 is a strong supporter of the case for future dividends, as a growing retained earnings balance will apply pressure on the Amazon board to distribute the excess capital via dividends or share repurchases. Amazon's debt to equity ratio remains at 1.10 , which is standard, and is gradually declining over time, indicating a moderating amount of leverage. Annual debt payments are approximately $10 Bn, and have consumed a significant portion of free cash flow. Amazon remains in a moderate liquidity position with a quick ratio of 0.85. This is less than the generally accepted healthy level of 1, however, large absolute liquidity and healthy cash flows suggest that there is no immediate operational risk.

Fig 7: Amazon Q1 2025 vs Sample on Financial Health Metrics



Grading Amazon Against the Criterion

To quantify the probability of Amazon initiating dividends by year end 2025, two machine learning models were trained on the dividend initiating company data used to create figures 3, 6 and 7 as well as additional data on non dividend paying companies. Model 1 (multivariate logistic regression model) had an accuracy of 57% and model 2 (random forest model) had an accuracy of 81%. Model 1 was deemed to be too inaccurate to have any useful predictive power. Model 2, however, was able to predict companies that initiated dividends 72% of the time and the model predicted that there was a 76.25% chance of Amazon initiating dividends within the next three quarters. This is marginally higher than the qualitative medium-high probability that was established through previous discussion (see fig. 8) and while the model accuracy is high, the predicted probability should be assessed cautiously.

Management commentary and signalling

Criteria	Grade	Rationale	Probability Adjustment
Strong Business Fundamentals and Cash flow Stability	High	**Strong margins, FCF**, and favourable comparison to peers support dividend capacity	
Mature Historical Growth Profile	Medium	Slowing revenue growth suggests maturing business, but **CapEx and R&D growth show high reinvestment**	
Strong Balance sheet and High Liquidity	Medium	Strong equity base and retained earnings; **moderate liquidity** but healthy cash flow	
Statistical Probability Baseline	**76.25% (includes above three criteria)**		
High Capex requirements for AI growth	Low	Expected $100Bn in Capex and further growth in AI investment suffocates dividend distribution capability	⬇15-20%
Management commentary	Low	CEO and CFO signal strong aversion to dividend distribution	⬇25-30%

Figure 8

One qualitative factor not yet considered is management's explicitly negative sentiment towards dividends. In the 1Q2024 earnings call, CFO Brian Olsavsky stated Amazon had "nothing to share" regarding dividends or buybacks, emphasising the priority to "invest…to support growth opportunities and long-term investments" and noting the company still has "many opportunities to put that capital to use" (Amazon 1Q2024 Earnings). CEO Andy Jassy reinforced this at the 2024 shareholder meeting: "We are convinced the best use of cash for customers and business and shareholders is investing in businesses in which we're pursuing" (Reuters, 2024). Given this strong and consistent messaging, a Bayesian-style adjustment integrating this new qualitative evidence with the model's initial probability (76.25%) is appropriate. Applying a subjective but reasoned 25-30% reduction, reflecting the credibility and strength of management signals, yields a revised probability of approximately 46.25 - 51.25%.

High Growth AI environment

For Amazon's management, the high capex requirements for capturing growth in AI is a key decision factor for paying out dividends. The trained ML models are based on historical data which is not always predictive of future events. Amazon's projected capex for 2025 is likely to exceed $100bn (Swinhoe, 2025) and may continue to grow for the next 3-5 years, making dividend distribution less likely. Given that these models have no power to account for rapid growth in capex, it is appropriate to adjust the dividend initiation probability down by 15-20% bringing the final probability to 26.25 to 36.25%.

26.25 - 36.25%

Predicted Probability that Amazon Initiates Dividends by Year End 2025

Expected dividend value

To estimate the potential dividend value, free cash flows to equity were projected to 2025. Three scenarios with different growth assumptions were formed (see appendix). The pessimistic (bear) scenario saw negative free cash flow to equity and thus a dividend was impossible. The base case implied a maximum possible dividend of 98 cents while the optimistic (bull) case implied a maximum dividend of $1.54c. The average payout ratio in the NASDAQ is ~33, while the Magnificent 7, as a group, opts to be more conservative. Apple and Microsoft pays out 16% and 25% of net income while Alphabet, Meta and Nvidia all pay less than 10% in a stable payout policy with opportunistic buybacks. Drawing from the other Magnificent 7, potential payout policies were drafted for each scenario and probabilities were assigned according to Amazon's management signalling and commentary (see appendix). When combining both scenarios, assuming Amazon initiates dividends, the expected dividend should be between 44c and 56c per share with an expected value of 48c/share. This gives a dividend yield of 0.24% which would amount to a payout ratio between 7.7-9.3%.

	Bear	Base	Bull
Maximum Possible Dividend/share	0c	98c	1.54c
Expected Dividend/share	0c	0.44c	56c
Scenario probability	0% (assuming Amazon initiates dividend)	70%	30%
%FCF distributed	0 (negative FCF)	45%	36%
Final expected dividend	**44-56c with an expected value of 48c/share**		

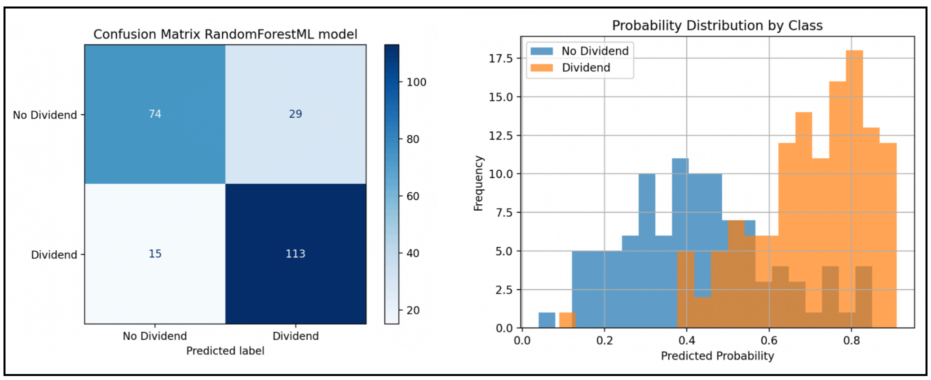
APPENDIX

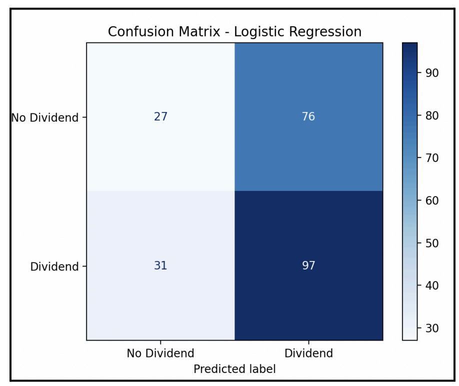
Please find source code for machine learning models and graphs [here](#).

Magnificent 7 and Nasdaq Payout comparables

Company / Index	Nasdaq Average	Apple	Microsoft	Amazon	Nvidia	Alphabet	Meta Platforms	Tesla
Ticker	N/A	AAPL	MSFT	AMZN	NVDA	GOOGL	META	TSLA
Payout Ratio (%)	~33.34%	15.6%	24.9%	0.0%	1.3%	8.9%	7.7%	0.0%
Notes	Average across Nasdaq-listed firms	Consistent dividend growth over 12 years	23 consecutive years of dividend increases	No dividends paid	Minimal dividend; focus on reinvestment	Recently initiated dividends	Began paying dividends in 2024	No dividends paid

ML model accuracy metrics:





Dividend value scenario analysis:

BASE Scenario

Net Income Calculation		FCF available for Equity Holders	Current Share Price
EBIT	83,445	10,641	204.07
Interest expense	- 3,126.06		
Tax Expense	- 17,523.46	Fully Diluted number of Shares	
Net Income	62,796	10,880	

	5% Payout	10% Payout	20% Payout	Stable @ 25c	Stable @ 50c	Stable @ 50c
Net Income	62,796	62,796	62,796			
Payout Ratio	5%	10%	15%			
Total Dividend	3,139.78	6,279.55	9,419.33			
Div/share	$ 0.29	$ 0.58	$ 0.87	$ 0.25	$ 0.50	$ 0.75
Div yield	0.14%	0.28%	0.42%	0.12%	0.25%	0.37%
Remaining FCF	7,501.42	4,361.64	1,221.87	7,921.20	5,201.20	2,481.20

BASE Scenario	Div Yield	Div/share	Probability
5% Payout	0.14%	$ 0.29	15%
10% Payout	0.28%	$ 0.58	10%
15% Payout	0.42%	$ 0.87	5%
Stable @ 25c	0.12%	$ 0.25	25%
stable @ $50c	0.25%	$ 0.50	40%
stable @ $75c	0.37%	$ 0.75	5%

Expected Value $ 0.44

BULL Scenario

Net Income Calculation		FCF available for Equity Holders	Current Share Price
EBIT	87,321	16,740	204.07
Interest expense	- 3,126.06		
Tax Expense	- 18,337.33	Fully Diluted number of Shares	
Net Income	65,857	10,880	

	5% Payout	10% Payout	20% Payout	Stable @ 25c	Stable @ 50c	Stable @ 50c
Net Income	65,857	65,857	65,857			
Payout Ratio	5%	10%	25%			
Total Dividend	3,292.86	6,585.72	16,464.31			
Div/share	$ 0.30	$ 0.61	$ 1.51	$ 0.30	$ 0.50	$ 1.00
Div yield	0.15%	0.30%	0.74%	0.15%	0.25%	0.49%
Remaining FCF	13,446.74	10,153.88	275.30	13,475.61	11,299.61	5,859.61

BULL Scenario	Div Yield	Div/share	Probability
5% Payout	0.15%	$ 0.30	15%
10% Payout	0.30%	$ 0.61	10%
25% Payout	0.74%	$ 1.51	2%
Stable @ 30c	0.15%	$ 0.30	15%
stable @ $50c	0.25%	$ 0.50	40%
stable @ $1	0.49%	$ 1.00	18%

Expected Value $ 0.56

DCF/FCF projection assumptions:

Assumptions

Switches		Bear Case		Base Case		Bull Case	
Revenue Growth	3	Revenue 2022	8.5%			Revenue 2022	9.5%
EBIT Margin	3	Revenue step	-1%	Revenue Step	0.75%	Revenue step	1%
CapEx	3	EBIT step	-0.5%	Change in NWC	0.3%	EBIT step	0.5%
		CapEx step	1.5%			Capex step	-0.5%
Valuation Assumptions							
Statutory Tax Rate	21%	**FCF adjustment assumptions**					
		Annual Principal Repayment	7.5%				
		Long term debt reduction	-2.0%				

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