

UPDATE

THE AI MONEY-GO-ROUND · POST-EARNINGS

The Money Keeps **Spinning**

Amazon's \$578 billion backlog and the \$42 billion cash flow question

| BY ALAN SHIMEL

\$578B

AWS backlog, up roughly \$82B in a single quarter

-\$42.4B

Amazon trailing-12-month free cash flow, from +\$14.8B a year earlier

+39.3%

AWS revenue growth, its fastest in nearly five years

ADDENDUM · ONE DAY AFTER THE CUTOFF

The Money Keeps Spinning

New earnings from Amazon and Intel strengthen the case for AI infrastructure demand while raising additional questions about capital spending, financial interdependence and the ultimate returns on the buildout.

THE INK WAS barely dry on our Techstrong Special Report, *The AI Money-Go-Round*, when Amazon reported its third-quarter earnings on October 29. The numbers provided another remarkable example of the financial dynamics we had just spent 35 pages examining. AWS revenue accelerated, operating profits increased and contractual backlog reached extraordinary levels. At the same time, Amazon's infrastructure investments contributed to a dramatic deterioration in free cash flow.

Amazon's results don't undermine the growth story. They reinforce it. AWS generated approximately \$46 billion in quarterly revenue, up 39.3% year over year, its fastest growth in nearly five years. Operating income reached \$17.8 billion, reflecting a business that is both growing rapidly and generating substantial operating profits. For the broader company, operating income increased to \$28.1 billion, producing Amazon's highest operating margin on record.¹

Management was understandably enthusiastic. CEO Andy Jassy said the company expects AWS revenue growth to exceed 40% in both 2027 and 2028. Amazon also reported that AWS backlog had reached \$578 billion, an increase of roughly \$82 billion from the previous quarter.^{1,2} Those commitments provide significant visibility into future business, although their ultimate financial contribution will depend on how reliably and profitably they convert into delivered services and collected cash.

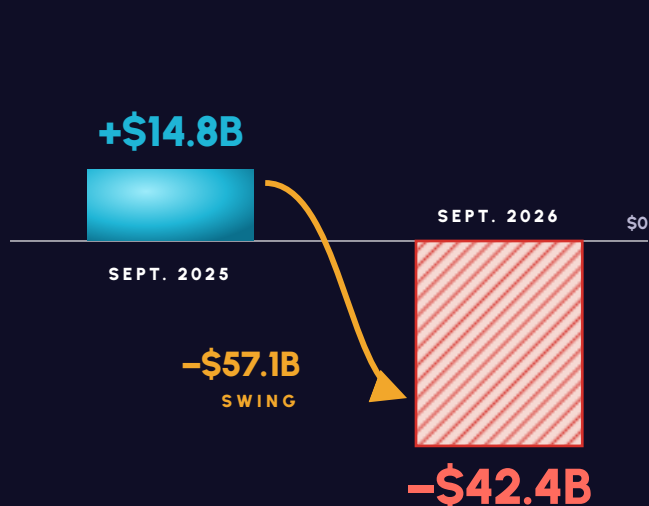
ADDENDUM EXHIBIT A Amazon's growth and cash flow divergence



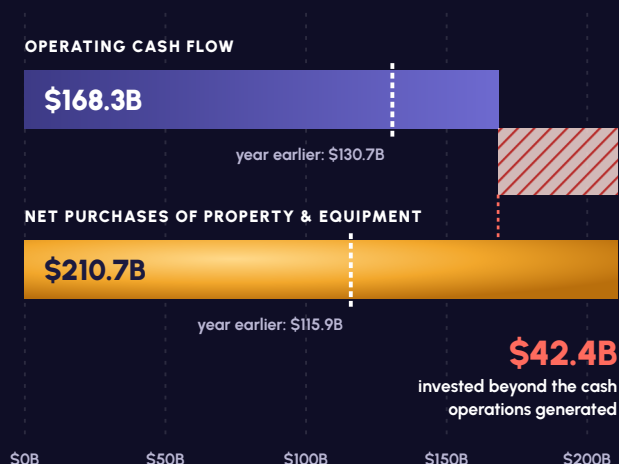
Source: Amazon Q3 2026 earnings release and October 29 earnings call. Notes 1, 2. Quarterly income, trailing-12-month cash flows, future commitments and annual capex guidance are different financial measures; color bands mark each basis.

ADDENDUM EXHIBIT B The cash flow reversal

TRAILING-12-MONTH FREE CASH FLOW



WHERE THE CASH WENT · TTM ENDED SEPT. 30, 2026



$$\text{FREE CASH FLOW} = \text{OPERATING CASH FLOW} - \text{NET PURCHASES OF PROPERTY \& EQUIPMENT}$$

Amazon is not operating at a loss: Q3 operating income was \$28.1B. The reversal shows investment outrunning internally generated cash.

Source: Amazon Q3 2026 earnings release, trailing twelve months ended September 30. Note 1. Net purchases of property and equipment are net of proceeds from sales and incentives. The comparison shows the scale of infrastructure investment relative to internally generated cash.

By almost any conventional measure, AWS is performing exceptionally well. The financial picture becomes more complicated when we examine what Amazon is spending to support that performance.

The \$42 Billion Cash Flow Question

Amazon reported \$168.3 billion in operating cash flow over the trailing 12 months, a 29% increase from the comparable period a year earlier. Yet free cash flow moved from positive \$14.8 billion to negative \$42.4 billion over that same period. Purchases of property and equipment, net of proceeds and incentives, increased approximately \$94.8 billion year over year, with Amazon attributing the increase primarily to AI investment.¹

That represents a \$57.1 billion deterioration in trailing-12-month free cash flow, even as the business generated more operating cash. Amazon expects approximately \$220 billion in cash capital expenditures during 2026, with the majority supporting AWS.

There is no contradiction in a profitable business investing more cash than its operations currently generate. Infrastructure companies regularly make large capital commitments against future demand, and Amazon has considerable experience turning long-term investments into profitable businesses. Its existing AWS operations provide tangible evidence that cloud infrastructure can generate attractive returns.

Nevertheless, the figures demonstrate the scale of the financial bet now being made. Amazon is deploying enormous amounts of capital today based on expectations of future computing

demand, favorable utilization and continued growth in cloud services. The company may be correct in those expectations. Its operating results provide substantial evidence supporting management's confidence.

The unanswered question is how much additional infrastructure the market can absorb, at what prices and over what period. As we noted in the original report, technological success does not automatically guarantee that every investment made to support it will produce an attractive financial return.⁴

Amazon's latest results make that issue considerably more immediate.

Another \$578 Billion in Backlog

The extraordinary expansion of contractual commitments across the AI ecosystem was a central theme of our

original investigation. Microsoft's commercial remaining performance obligations stood at \$677 billion, while Oracle and specialized AI infrastructure providers reported enormous future customer commitments.⁴

Amazon's \$578 billion AWS backlog adds another substantial figure to the discussion. However, readers should resist the temptation to add Amazon's backlog to Microsoft's remaining performance obligations and declare more than \$1.2 trillion in new AI demand.

The reporting measures are not identical, the commitments extend over different periods and some of the underlying business involves conventional cloud services rather than AI. There is also the possibility that contractual activity at different companies represents separate stages of the same infrastructure supply chain.

Amazon's backlog is meaningful, particularly given AWS's existing scale and profitability. But it is still a measure

of future business commitments rather than cash already collected or earnings already realized. Evaluating its economic value requires understanding customer concentration, payment schedules, delivery obligations and the infrastructure investment needed to fulfill those agreements.

The new figure reinforces one of our report's central conclusions: The size of the industry's commitments is becoming easier to measure than the ultimate economic demand supporting them.

The Financial Relationships Continue to Expand

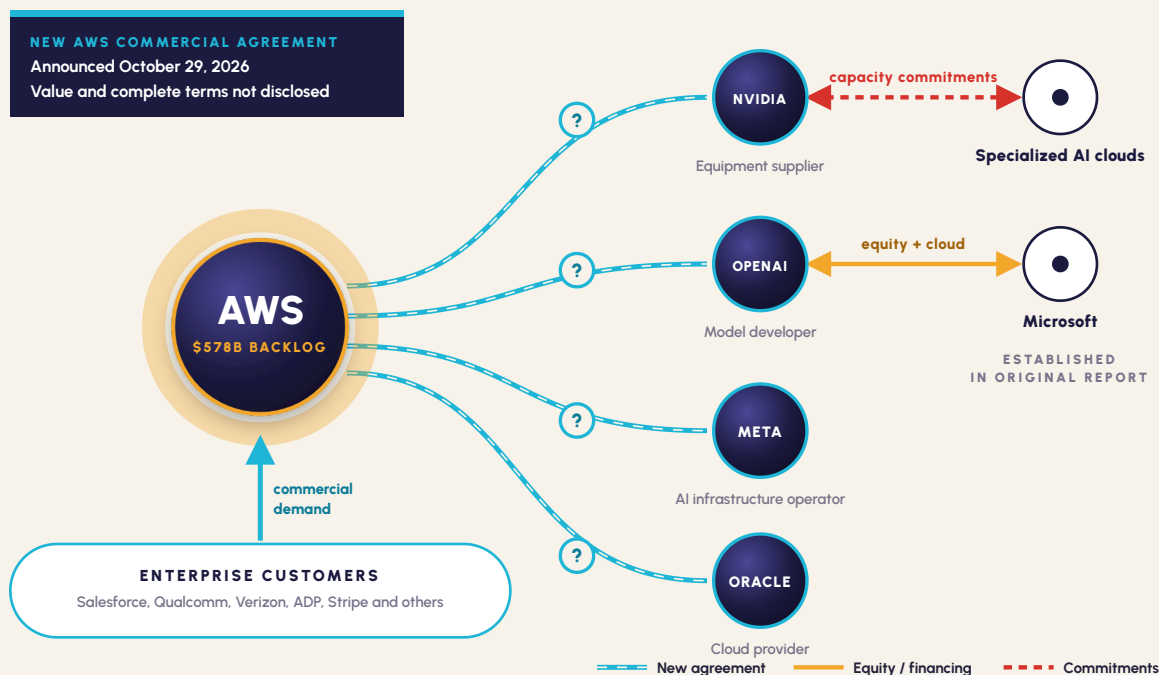
Amazon's earnings announcement included another development worth examining. The company identified new AWS agreements involving NVIDIA, OpenAI, Meta and Oracle, alongside customers including Salesforce, Qualcomm, Verizon, ADP, Stripe and others.¹

Several of these companies occupy multiple positions within the AI ecosystem. NVIDIA supplies equipment and networking systems to infrastructure operators while maintaining its own extensive cloud-service commitments. OpenAI is a major model developer and computing customer with significant strategic financial relationships. Meta operates substantial AI infrastructure of its own, while Oracle is both a cloud provider and an important participant in the wider infrastructure expansion.

Amazon's announcement does not disclose the financial value or complete terms of these individual agreements. It would therefore be inappropriate to characterize them automatically as circular financing arrangements. The contracts may involve entirely legitimate infrastructure demand, conventional cloud services or workloads that extend beyond AI.

What the announcement does establish is that the commercial network

ADDENDUM EXHIBIT C New connections in the AI money map



Sources: Amazon Q3 2026 earnings release (note 1); established relationships from the original report (note 4). New AWS agreements are shown separately from verified equity investments, supplier financing, reciprocal purchasing commitments and guarantees. An AWS agreement alone does not establish that a circular financing arrangement exists.

connecting the industry's largest participants continues to expand. Companies that compete in one part of the market may be customers or suppliers in another, and some also maintain important investment and financing relationships.

These connections can improve efficiency, accelerate infrastructure deployment and make advanced AI services more widely available. They can also complicate the analysis of demand, particularly when analysts attempt to combine investments, hardware sales, cloud agreements and future commitments into a single estimate of market activity.

The industry's financial relationships deserve the same attention as its revenue growth.

The Enterprise Customer Is Showing Up

The latest AWS results also provide evidence supporting the optimistic side of the argument. Amazon reported that Fortune 500 customer spending on its Bedrock inference service grew nearly sevenfold year over year, while token volume increased nearly seventeenfold. The company also said tens of thousands of customers use Bedrock

AgentCore, with deployments of agents during the third quarter exceeding twice the total of the preceding three quarters combined.¹

These are significant indicators of adoption. Enterprises are moving beyond experimentation into applications requiring production infrastructure, operational controls and recurring inference capacity. The breadth of AWS's announced customer relationships also demonstrates demand extending beyond the small group of companies financing frontier AI development.

There are limits to what these disclosures establish. Spending growth rates do not reveal the absolute revenue base, and token consumption is not equivalent to revenue or customer return on investment. The difference between sevenfold spending growth and seventeenfold token growth may reflect changes in pricing, usage patterns, customer mix or other factors that cannot be isolated from the disclosed information.

The results nevertheless reinforce our view that independent commercial demand is real and expanding. They provide an important counterweight to concerns that infrastructure demand is sustained entirely by transactions among technology companies.

The challenge remains connecting that downstream demand with the enormous upstream commitments being made to supply it.

A Broader Infrastructure Expansion

Intel's October 29 results provide another piece of supporting evidence. The company reported quarterly revenue of \$16.5 billion, up 21%, with its Data Center and AI business generating approximately \$7.3 billion, an increase of 78% year over year. Intel also described its strongest data-center revenue growth in 15 years and strong demand for Xeon processors.³

The significance extends beyond Intel's financial performance. AI infrastructure requires considerably more than GPUs. CPUs, networking systems, memory, storage, cooling and power infrastructure all contribute to the operation of modern AI factories. Growth in these adjacent markets supports the conclusion that the infrastructure build-out is broad and creating substantial commercial opportunities across the technology supply chain.

It also creates additional categories of supplier revenue and infrastructure investment that must be interpreted

AT A GLANCE · THE ENTERPRISE SIGNAL

Adoption is accelerating — the revenue base is undisclosed

7×

Fortune 500 spending on Amazon Bedrock inference, year over year

17×

Total Bedrock token volume, year over year

2×

Agents deployed on AgentCore in Q3 vs. the prior three quarters combined

Source: Amazon Q3 2026 earnings release (note 1). Growth multiples, not revenue. Token consumption is not equivalent to revenue or customer return on investment.

carefully when assessing the size of the overall AI economy.

What Has Changed Since October 28?

The new earnings have strengthened the evidence on both sides of our investigation. Amazon's results demonstrate substantial cloud demand, strong operating profitability and increasing enterprise adoption. They also reveal the extraordinary amount of capital required to maintain the pace of expansion, with free cash flow deteriorating even as operating cash generation improves.

The newly announced AWS agreements add relationships to an already interconnected financial ecosystem. Intel's results suggest that the infrastruc-

ture expansion continues to create demand throughout the broader computing stack.

None of these developments establishes that reported AI demand is artificial, and none permits us to calculate how much capital is being recycled among the industry's major participants. Those conclusions would require transaction-level financial disclosures that remain unavailable.

What has become more apparent is the scale of the investment required to support the growth being reported. Amazon is demonstrating that a cloud business can generate enormous profits while its parent company commits substantially more cash to infrastructure than it currently produces through operations.

The outcome may be highly successful. Continued enterprise adoption, expanding inference workloads and improving efficiency could eventually justify today's investment levels. But achieving that outcome will require the industry's infrastructure commitments to translate into sustained demand, profitable utilization and adequate returns over the economic lives of the assets.

Our original report concluded that the earnings releases tell us how quickly the money is moving, while understanding its origins and financial relationships reveals more about the industry's future.

One day after the report's research cutoff, Amazon gave us considerably more money to follow.



The size of the industry's commitments is becoming easier to measure than the ultimate economic demand supporting them.

SOURCE NOTES AND METHODOLOGY

Research cutoff: October 30, 2026. This document supplements the original October 28 Techstrong Special Report and does not alter its earlier research cutoff.

This addendum distinguishes recognized revenue, operating income, cash flow, capital expenditures, future commitments and financing arrangements. AWS backlog is not directly comparable with Microsoft commercial RPO. Amazon's trailing-12-month free cash flow is not directly comparable with quarterly free cash flow reported by other hyperscalers.

Company statements about expected future revenue, capacity demand and investment returns are identified as management expectations rather than realized results. New AWS customer agreements are not classified as reciprocal financing without supporting contractual evidence.

The primary figures and disclosures in this addendum were checked against Amazon's October 29 earnings release and call, and Intel's earnings announcement.

PRIMARY SOURCES

1. Amazon, Third Quarter 2026 Financial Results, October 29, 2026. **Amazon.com.**
<https://ir.aboutamazon.com/news-release/news-release-details/2026/Amazon-com-Announces-Third-Quarter-Results/default.aspx>
2. Amazon, Third Quarter 2026 Earnings Call, October 29, 2026. Backlog, management outlook and infrastructure utilization commentary. **Call transcript.**
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3. Intel, Third-Quarter 2026 Financial Results, October 29, 2026. **Intel.**
<https://www.intc.com/news-events/press-releases/detail/1786/intel-reports-third-quarter-2026-financial-results>
4. Techstrong, *The AI Money-Go-Round: Behind the Record Earnings, Who Is Really Paying for the AI Boom?*, October 2026, original report and methodology.

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