



The Next AI Giant



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By Ian King, Editor, *Strategic Fortunes*

If you think you're missing out on the AI revolution ... think again.
That's because, like any tech trend, it takes years to unfold.
And the trend can ebb and flow...

AI technologies have actually been around for some time. It's only now that we're seeing the impact of the rapid integration of generative AI into everyday life.

But believe it or not, you've interacted with artificial intelligence tools for years. For instance, smart speakers like Apple's Siri and Amazon's Alexa are very early, basic forms of artificial intelligence.

These speakers act as digital assistants, adding information to your phone, setting up appointments and updating your calendar or allowing you to obtain information from voice commands.

Today, they've even migrated from standalone software to your phone.

But have you ever tried to use one of them when your smartphone has a weak cell signal or limited Wi-Fi access?

They're pretty much useless. Why? Because Siri and Alexa aren't actually on your smartphone...

They're AI that runs far away on Apple, Google and Amazon Web Services (AWS) servers. Your phone merely sends your voice instructions over the cloud to the AI ... which then processes it and sends its responses back to your phone.

When you lose your signal, the AI brain loses its connection with your phone ... its nervous system has been temporarily severed.

So you see, cloud computing isn't just important for AI; it's *vital*.

And one company has secured a massive chokehold on one of AI's biggest cloud-computing systems on the planet.

Its massive cloud network could soon bring AI to more than 240 countries around the world...

That means, as the use of AI skyrockets, this company can't help but skyrocket right along with it.

And you have the chance to profit from it every step of the way.

AI's Early Innings: Building the Infrastructure

The past year has been significant for artificial intelligence, with generative AI leading the charge.

In fact, generative AI has seen some of the fastest adoption rates of any new technology in human history.

It's growing faster than the internet. Faster than cryptocurrency adoption (though that is gaining rapid momentum as well). It's also faster than social media networks. Faster than the development of popular apps like Uber and Airbnb.

The rise of AI services, such as ChatGPT and Gemini, has driven investments in chip stocks like Nvidia.

In 2023, the AI technologies market was worth roughly \$200 billion and is expected to explode to over **\$1.8 trillion by 2030**.

Since it's still the early days in this market, when investors look to capitalize on this growth, much of the focus is still on the microchips that power these AI models.

However, the ultimate goal of these chips is to create software services that function like ChatGPT for various applications.

In this race, the companies that are in the most beneficial position are the companies that provide most of the background data services for most enterprises and individuals.

These are today's cloud service providers, such as Google, Microsoft and IBM.

Most people expect these companies to come out with AI services since most of their businesses are technology and software-oriented, and this is the next logical step.

However, there's one underrated company in this group: **Amazon (Nasdaq: AMZN)**.

Amazon: The Next AI Giant

Amazon is mainly known for being an e-commerce giant and online retailer.

Starting as a marketplace for new and used books in 1995, Amazon founder Jeff Bezos embraced a business model he called "get big quickly."

That's why the company expanded what it offered for sale, quickly adding CDs and DVDs, and gradually becoming the "general store" during the internet's Wild West days.

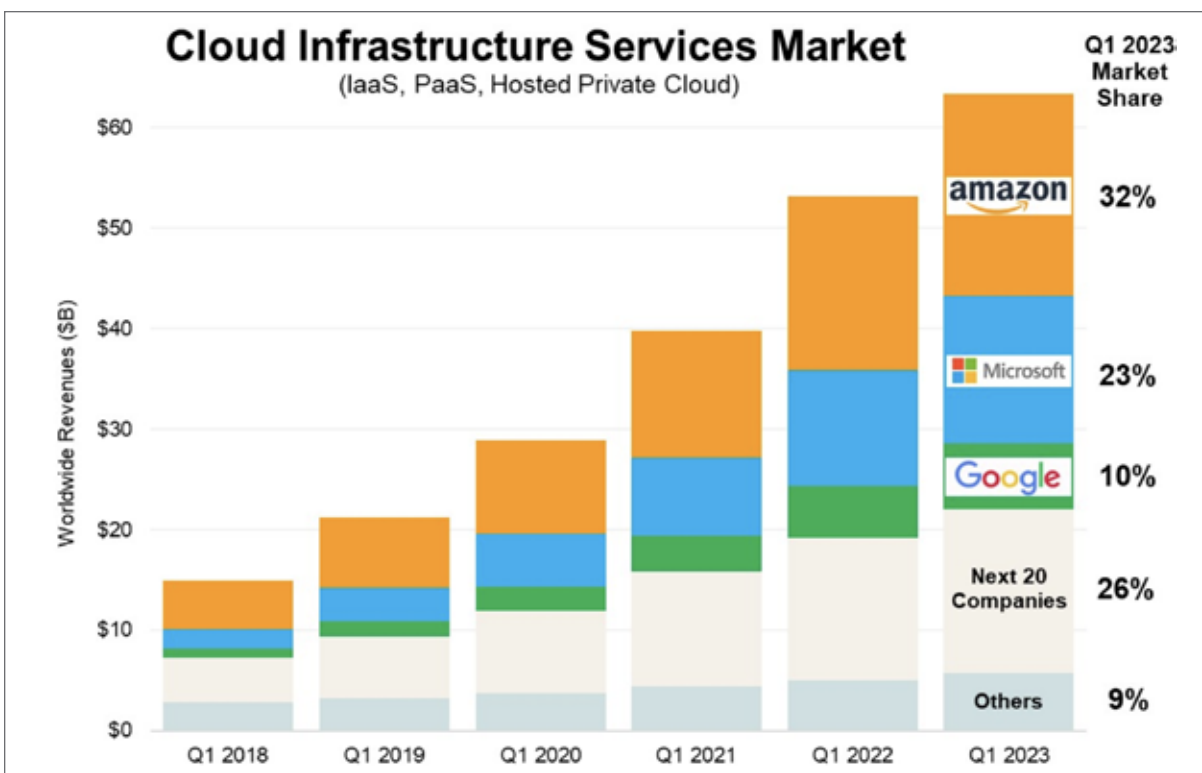
Brick-and-mortar retailers were late to the digital land grab. Now, Amazon is the go-to place, offering shoppers nearly everything they could want with just a few clicks of a button.

However, Amazon doesn't rest strictly on its retail operations. In fact, in the most recent quarter, this segment of the business in the U.S. and globally made up 86% of its total revenues.

However, the most innovative and fast-growing side of the business made up the other 14%.

This is Amazon Web Services. Although it is only a tiny part of Amazon's total revenues, it was the largest provider of cloud services in the world at the end of 2023, with **31%** of the global market share.

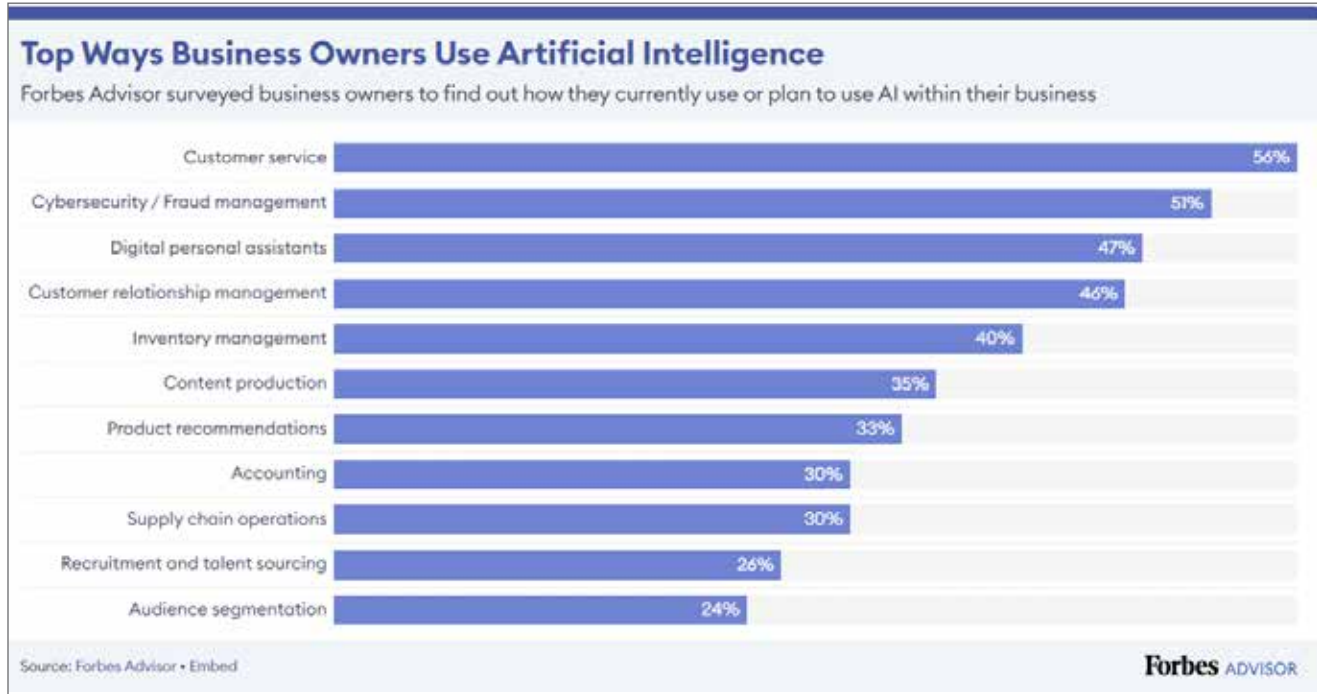
That's nearly *one-third* of the market share. The next leader is Microsoft's Azure, which accounts for about 23% of the market, while Google Cloud makes up about 10% of the market.



This dominance in the cloud is what will allow it to be the next big AI stock — because it already has a target customer base that will demand an increasing amount of AI services in the future.

One benefit of AWS is that it has a wide array of offerings that often make it the go-to solution for its customers, such as Netflix, Airbnb and Coca-Cola.

Businesses at large and across several industries are already using AI for a variety of purposes.



You're likely most familiar with AI's use as a customer service tool. While it can be frustrating to reach a human being quickly when dealing with a company, AI chatbots can now assist with most major customer service issues without needing one.

As the technology improves, the time and frustration involved will lessen.

But that's just scratching the surface of one industry. AI tools can also be used to scan networks quickly for signs of malicious activity.

And just as with home AI tools like smart speaker Alexa, AI can automate many tasks that once took an assistant to do.

As the AI revolution unfolds, companies will use these tools more efficiently, and better versions of AI software will roll out, too.

Amazon is at the forefront of that rollout. They're already adding to these offerings a set of AI tools:

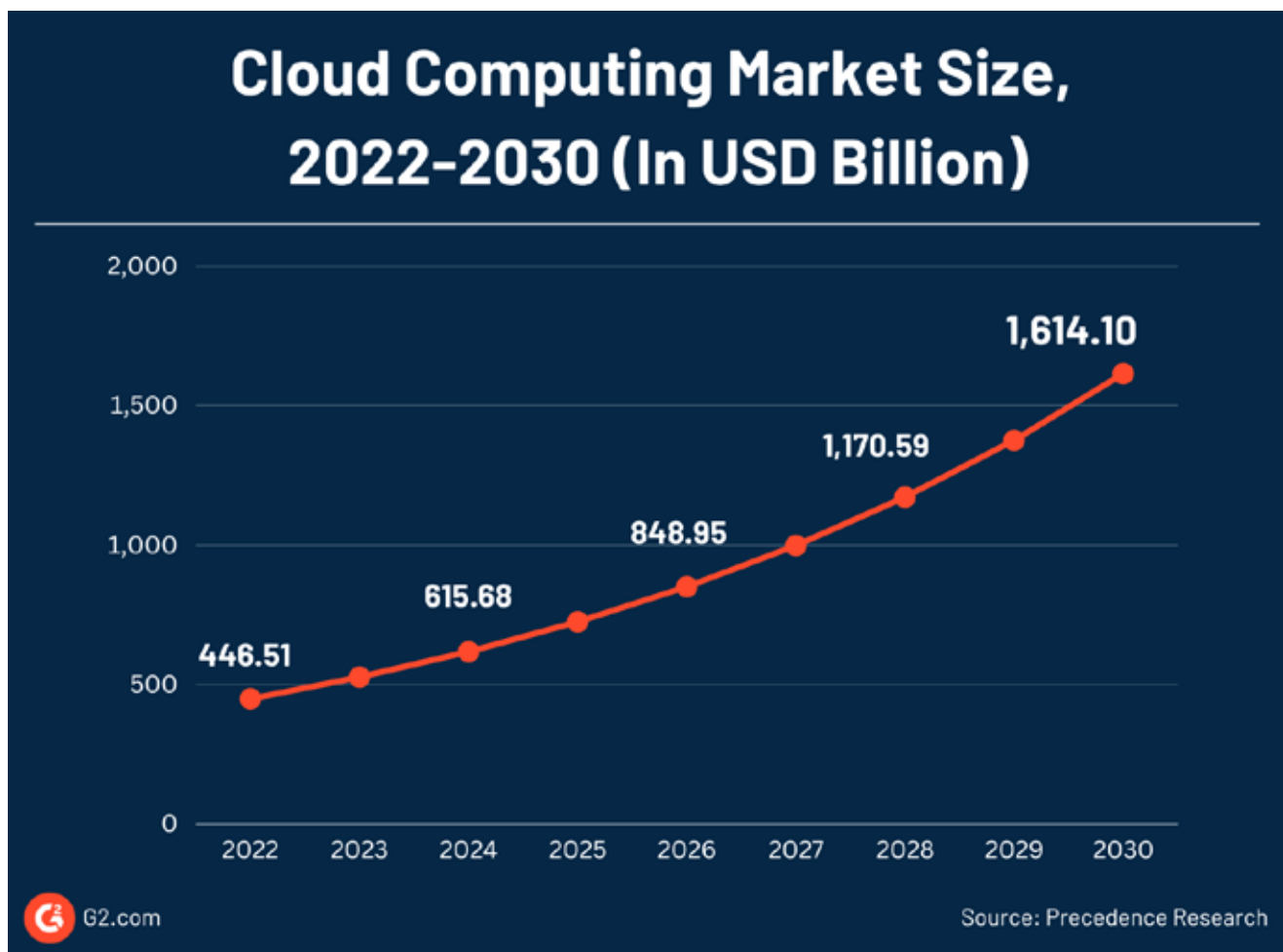
- **Amazon Bedrock:** A service that allows developers to build customized generative AI applications on Amazon's cloud that are suited for specific use cases.
- **Amazon Q:** A generative AI chatbot for businesses that can be trained on a business's specific operations and protocols so that it can summarize data or troubleshoot issues to accelerate decision-making.
- **Amazon CodeWhisperer:** An AI-powered tool that acts as a copilot and can generate code suggestions as a developer writes code to build software, thereby making the process much faster.

But Amazon isn't just confining its AI tools to the AWS side of the business. It's also bringing these tools to the e-commerce side, with offerings such as:

- **Rufus:** An AI-powered shopping assistant that is trained on Amazon’s product catalog, customer reviews, community Q&As, and information from across the web to help customers make better shopping decisions.
- **Amazon Ad Console:** An AI image generator that has been trained on various advertising images so that sellers can just input images of their products and receive customized ads for those products to help promote them.
- **Amazon Alexa:** The company’s famous voice assistant is getting an upgrade through the same large language models used to develop chatbots like ChatGPT, making conversations and shopping decisions with Alexa easier.

Amazon’s AWS system gives customers plenty of new reasons to stay with its service.

That will allow them to retain market share as overall cloud service spending is on track to more than double by the end of the decade, as shown in the chart below:



Strategic Partnerships to Deepen Amazon’s AI Advantage

Amazon is also looking outside of its own company and services for an edge in AI. Back in September of 2023, Amazon announced that it is investing \$4 billion in Anthropic.

Anthropic is an artificial intelligence startup — and the major rival to OpenAI. In addition to building and operating a ChatGPT alternative called “Claude,” Anthropic also develops various general-purpose AI systems and models.

In exchange for the investment, Anthropic will train its AI models using Amazon’s cloud infrastructure and provide Anthropic’s models and data, so that AWS can keep innovating and improving its AI offerings.

So, while Amazon may not yet be a leading AI company, it has enough projects in the works to ensure that it one day will be.

Amazon’s Revenue and AI Potential

Based on Wall Street consensus, Amazon’s revenues are expected to grow at around 11% to 12% per year over the next *five* years.

However, this doesn’t fully capture the growth in the AWS segment, which we could see once Amazon really starts to grow its AI offerings and generate serious revenue from it.

According to analysts at Raymond James, generative AI-based software revenue could hit \$100 billion in the next couple of years, and potentially hit \$300 billion in the next five years.

Although it will take a while for Amazon to ramp up its AI offerings, Raymond James expects this growth in the AI software market to eventually contribute \$10 billion of annual recurring revenue in the years ahead.

To put that into perspective, AI software revenues alone could add another 10% annually to the company’s revenues from the lucrative AWS segment over the next few years.

With the AWS segment still growing, Amazon’s overall returns look massive in that time.

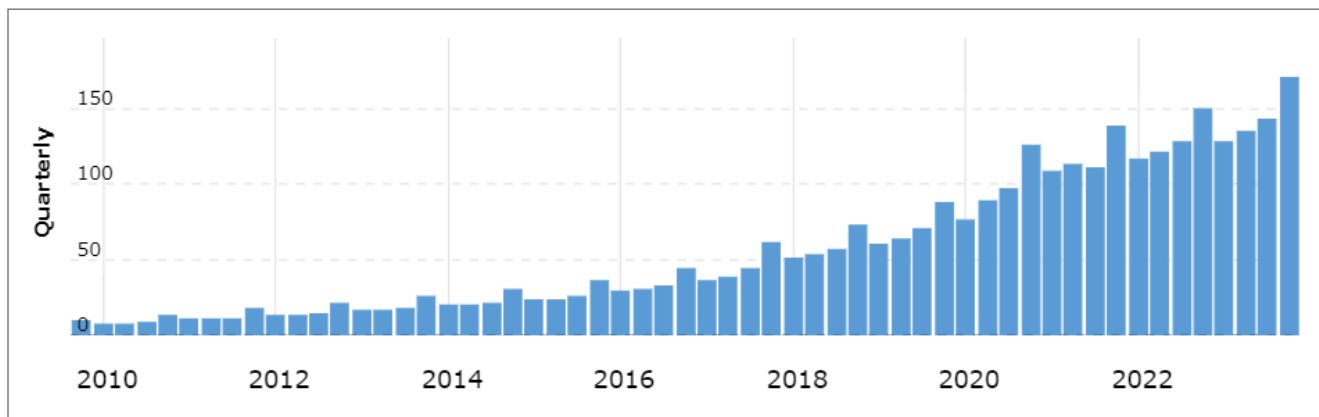
Even though Amazon is already a giant company, it will likely become even larger as it becomes an AI giant.

But how do you value Amazon? That’s a tricky question.

The company’s “get big quickly” model never had anything to do with turning a profit, at least until recent years.

However, Amazon has been focused on consistently growing its revenues. Shifting from retail operations to adding on AWS with its cloud services field has had massive growth over the past decade.

That’s allowed the company’s quarterly income to soar from \$5 billion to over **\$150 billion** by the end of 2023.



And with additional cloud demand and new AI tools, Amazon will likely continue to grow revenues higher.

Since AI services offer higher profit margins than the company’s retail operations, profitability should increase at a faster pace than earnings. That will increase the multiple that investors are willing to pay for shares.

On top of the growth that Raymond James sees for revenues, shares could continue to be one of the top stocks for investors in the decade ahead.

Invest In the Next AI Giant

The AI trend isn't just here to stay...

It's in its early innings.

And that means there are still some massive opportunities ahead. You haven't missed out on the most significant moves yet. That's because, like other technologies, AI will take years to play out.

As it does, some companies will fare better than others. Amazon has already positioned itself as the next AI giant.


Their lead position in cloud services and cutting-edge AI tools will ensure they keep their market share and increase their revenues by billions of dollars annually in the coming years.

With new partnerships in the AI space, Amazon will likely surprise most investors for the better in the years ahead.

Higher revenues, higher profitability and a commanding lead in AI endeavors make Amazon the next AI giant.

Action to take: Buy shares of Amazon (Nasdaq: AMZN).

Regards,



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