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GREATEST COMPANIES · RESEARCH SHEET · Part I · Scale & Cost

Amazon

The 94% Crash and the Cost of Being Right

NASDAQ: AMZN · E-Commerce & Cloud Computing · Founded 1994 · Seattle, Washington, USA

Public · v1.0 · July 2026

In the spring of 2001, Jeff Bezos opened his shareholder letter with a single word: Ouch. Amazon's stock had fallen roughly 94% from its 1999 peak, from about $107 to about $6, and Barron's had already pronounced it a bomb. He told shareholders to ignore the vote and wait for the weigh-in. He was right, and it took a decade. The gap between being right and surviving being right is the whole story.

Key Facts

Founder	Jeff Bezos — former Wall Street analyst who ran a “regret-minimization framework”
Sector	E-commerce and cloud computing (AWS)
Moat	Scale & Cost flywheel, layered with Prime lock-in and AWS dominance
Founder Archetype	Long-term visionary — willing to be misunderstood for years
The Setup	A store with infinite shelves that deliberately takes almost no profit, reinvesting every dollar into price, selection and speed
The Save	A ~$1.25B convertible bond raised at the top in Jan 1999 (CFO Joy Covey), weeks before the crash
Status	Public (NASDAQ: AMZN)

By the Numbers

Peak $106.69 (Dec 1999) to trough ~$6 (late 2001) — a ~94% drawdown

~10 years to recover the 1999 high, not reached again until late 2009

~$1.25 billion convertible bond raised Jan 1999, closed weeks before the bubble burst

From ~$30 billion to roughly $2.2 trillion by early 2026

AWS (launched 2006): ~a sixth of revenue but the majority of operating profit

Prime (2005) and Kindle (2007): the second act launched while the stock was still underwater

The Moat

Scale, Deliberately Weaponized

Amazon's moat is scale itself, turned into a flywheel: lower prices bring more customers, who bring more sellers and selection, which justifies more warehouses and delivery, which lowers cost per unit, which funds still lower prices. Each turn makes the next easier, and makes it harder for any smaller rival to match Amazon's prices without losing money. On top of that base sit two more moats: Prime's ecosystem lock-in, and AWS, the largest and most entrenched cloud infrastructure on Earth. Scale and cost at the base, lock-in above. It may be the most complete moat in the series.

The Near-Death & The Inflection

“Amazon.Bomb” and Ten Months of Cash

By spring 2000, Barron's reported Amazon had about ten months of cash left and was burning fast, having never made a profit, while its dot-com peers, Pets.com, Webvan, Kozmo, collapsed one by one. What saved it was a balance-sheet decision made at the top of the market: CFO Joy Covey's ~$1.25 billion convertible bond, closed weeks before the bubble burst. That runway carried Amazon through the dark years. The recovery itself came not from the bookstore but from a refusal to stay one: Prime in 2005, AWS in 2006 and the Kindle in 2007, all launched while the stock was still deep underwater.

> ***“ Being right about the company was the easy part. Surviving being right too early was the part almost no one managed. ”***

The Legendary Scorecard

Category	Score	Notes
Founder Vision	10	Saw infinite shelves and a long-term weighing machine
Innovation	10	Reinvented retail, then invented the cloud-computing market
Execution	10	Three decades of compounding the flywheel
Moat	10	Scale-and-cost flywheel + Prime lock-in + AWS dominance
Capital Allocation	10	Raised at the top in 1999; reinvested relentlessly for decades
Wealth Creation	10	From ~$30B to ~$2.2T
Durability	9	Deeply entrenched; faces cloud competition and regulatory scrutiny
Historical Importance	10	Reshaped retail and built the backbone of the internet
Overall Legendary	**9.8 / 10**	**The definitive proof that being right is not enough**

Scores are an editorial verdict on the standard eight-category Greatest Companies scale. The overall is a judgment, not a weighted average.

Timeline

1994	Founded by Jeff Bezos in Seattle

1995	Amazon.com opens, selling books
1997	IPO
Jan 1999	CFO Joy Covey leads a ~$1.25B convertible bond raise
Dec 1999	Stock peaks near $106.69; ~$30B valuation, still no profit
Spring 2000	Barron's "Burning Up" warns of ~10 months of cash
Late 2001	Stock bottoms near $6, a ~94% drawdown
2003	First full-year net profit
2005	Amazon Prime launches
2006	AWS launches
2007	Kindle launches
2009	Stock finally regains its 1999 high
2026	~$2.2T market cap, among the most valuable companies on Earth

Lessons — What This Means for You

THE MOVE · Build a flywheel, not a product
Bezos did not chase one good idea; he built a self-reinforcing system where each advantage funded the next. The trader's analogue is a process that compounds its own edges rather than a single setup that works until it stops.

THE MONEY · Raise capital when you can, not when you must
Amazon lived because of money raised at the top, weeks before the crash. Position and reserve so that being early, which feels exactly like being wrong, never forces you to sell at the bottom.

THE MIND · The stock price is not the company
Holding Amazon meant ignoring a screen that called you a fool for ten straight years while the business thrived. That is the discipline to separate the noise of price from the signal of the thesis, and keep faith with the second when the first is unbearable.

Related Reading

Same moat, different industry: Costco: The Company That Refuses to Make Money
The mania behind the crash: Market Mayhem · The Dot-Com Bubble
Explore every company: The Greatest Companies series

Read the Full Story

Read the full company story: Amazon: The 94% Crash and the Cost of Being Right

Sources & Further Reading

Amazon shareholder letters, 1997–2001 (Jeff Bezos)
Amazon.com, Inc. annual reports and SEC filings
Greatest Companies (Amazon chapter), The Complete Trader's Edge

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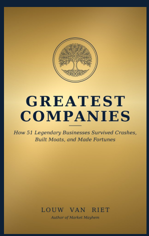

FROM THE BOOK

This company is one of **51** in **Greatest Companies** — every legendary business read through one lens: **Moat, Meltdown, Machine**. Eight kinds of moat, from Standard Oil to SpaceX.

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