**Introduction**

Amazon.com, often simply referred to as Amazon, is one of the world's largest and most prominent e-commerce and technology companies. Founded in 1994 by Jeff Bezos in Seattle, Washington, Amazon started as an online bookstore. However, it quickly diversified its offerings and became a global retail and technology giant.

Amazon's primary focus is on providing consumers with a vast and diverse range of products through its e-commerce platform. It offers everything from books, electronics, and apparel to home goods, groceries, and digital content. Amazon's commitment to customer convenience and satisfaction has led to the development of services like Amazon Prime, which provides fast shipping and exclusive access to streaming content, among other benefits.

**Revenue**

The revenue of Amazon increased each year from 2010, when it recorded an income of $34,204 million, to 2022, when it reached $513,983 million.

**Liquidity**

Liquidity ratios provide insight into a company's ability to pay its short-term financial commitments. Amazon's current ratios for the years 2020 to 2022 were 1.05, 1.14, and 0.94, respectively. A current ratio below one typically suggests that a company may struggle to meet its short-term obligations. However, in the case of the e-commerce industry, the 2022 current ratio of 1.04 indicates that the company is not facing significant challenges in meeting its financial obligations. This is because e-commerce companies often have substantial working capital invested in inventories. Also, the cash ratios of 0.33, 0.25 and 0.35 from 2020, 2021 and 2022 suggest that the company have cash and cash equivalents that can cover 35% of the current liabilities. In addition, Amazon's diverse inventory, ranging from everyday items like toilet paper and napkins to electronic gadgets, implies that the company is less exposed to significant inventory risks related to obsolete items or going out of fashion.

The Inventory days, Receivables days, and Payables days of 43.5, 30.08, and 56.53 suggest that Amazon takes an average of 17.5 days (Net Trading Cycle) to convert inventory into cash. Furthermore, because Amazon collects its sales revenue in 30.08 days and pays its suppliers in 56.63 days, it indicates that the company has a well-structured cash flow management system in place. This allows Amazon to convert inventory into cash efficiently and manage its working capital effectively. Such efficiency can significantly contribute to the company's ability to meet its financial obligations and invest in growth opportunities.

**Profitability**

Amazon experienced revenue growth in 2021 and 2022, with a significant increase of 21.70% in 2021 and 9.40% in 2022. The slower growth in 2022 can be attributed to the pandemic settling, which led people to return to their physical offices and favour traditional in-store shopping over online purchases.

However, it's worth noting that despite these changes, Amazon managed to continue increasing its revenue in 2022. Additionally, the company's gross profit margin improved, indicating that it became more efficient in managing its costs related to goods and services.

On the flip side, the operating profit margin and EBITA margin decreased in 2022. The operating profit margin decreased from 5.40% to 2.47%, suggesting that the cost of sales and operating expenses represented 97% of the revenue.

The EBITA margin of 10.63% indicates that the company made nearly 11% cash profit from its revenue, which suggests that it has funds available for investment and debt repayment.

The decrease in the EBITA margin and operating margin can be attributed to a significant increase in costs related to technology and content, sales and marketing, and fulfilment. In 2022, technology and content expenses accounted for 25.39% of revenue, with almost 5% more than technology expenses from 2021 (20.38%). According to their 2022 financial report, this increase in technology expenses stems from research and development efforts to improve new and existing products and services.

Even though the company recorded a loss of 2,272 million in 2022, Amazon has the ability to generate substantial profits, as demonstrated by its 33,364 million in 2021, primarily due to its investments. The company anticipates returns from ventures like Amazon Pharmacy and Kuiper in the coming years.

**Solvency**

In 2021 and 2022, Amazon's debt-to-equity ratios stood at 0.84 and 0.96, indicating that for every $1 of equity, the company have $0.96 in debt. This increase in the debt-to-equity ratio suggests that Amazon took on additional debt in 2022 for various purposes. In their financial reports, Amazon disclosed that they issued more long-term debt and leases in 2022 because they are investing in new emerging markets such as China, Brazil, and Europe.

The long-term debt to capital employed ratio in 2022, which was 48.96%, implies that nearly 50% of the company's assets are funded by debt. This suggests that Amazon may be leveraging debt to fuel its growth, but it also means that the company will need a high-profit margin and revenue in the coming years to manage this level of debt.

The times interest earned ratio and debt coverage ratio, which were 0.7 and 0.20, respectively, indicate that Amazon faces the risk of not being able to meet its long-term obligations if its future profits do not increase.

Overall, the Amazon company has to improve its operational cost to meet its long-term obligations in the next years.

**Efficiency**

In 2022, the company generated $1.10 in revenue for each dollar invested. However, the Return on Assets (ROA) indicates that the company is only earning 2.73% in net operating profit from the total amount invested in assets. The decline in ROA from 5.92% in 2021 to 2.73% in 2022 suggests that the company did not manage its expenses properly in 2022. However, the relatively small ROA ratio is primarily due to the large amount of assets owned by the company, as it operates globally, and some of the new markets are not yet as profitable

**Market ratios**

Amazon does not pay dividends. This suggests that the company has room to grow and has positive NPV projects to invest in. However, the P/E ratio of -505.70 in 2022 indicates that the company recorded a loss in 2022. The P/E ratio of 37.42 in 2021 is relatively low, which indicates that investors are confident in Amazon's future.

The ROCE ratios have decreased every year. It decreased in 2021 from 12.88 to 9.77 and in 2022 from 9.77 to 4.44. These metrics indicate that the company is moderately profitable because it generated a profit of just $4.44 from every $100 of capital employed. Additionally, the ROCE ratio in 2022 is lower than the industry average ROCE of 6.8%.

The company's Enterprise Value (EV) increased by 32.03% in 2021 and by 6.78% in 2022. This increase in EV is due to the new debt issued by the company to invest in new emerging markets like Brazil and India and in projects like Kiuper.

The low EV/EBITA ratios of 4.17 and 4.84 in 2021 and 2022 indicate that the company is undervalued or that there are concerns about its future earnings potential.

**Conclusion**

Overall, the company has a strong EV and is capable of meeting its obligations to pay its short-term debts. However, the Return on Investment is smaller than the industry average because they invested £61,053 million in 2021 and $63,645 million in 2022 in creating infrastructure in new emerging markets. These investments indicate that the company is in the growth stage. The major risk the company is facing is that it may not be able to meet its long-term obligations if it does not generate higher revenues and high-profit margins.

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