As the industry leader in cloud computing and e-commerce, Amazon has consistently shown strong financial results throughout the years. Based on important data from its financial statements for 2021 and 2022, this paper offers a thorough examination of Amazon's financial situation. Liquidity, profitability, debt and solvency management, asset utilisation, and investor/market ratios are the main topics of the analysis.

Liquidity

Despite minor swings, Amazon's liquidity situation remained strong in both years. The company's capacity to meet short-term obligations using current assets declined as the current ratio dropped from 1.14 in 2021 to 0.94 in 2022. In a similar vein, the cash ratio slightly increased while the quick ratio declined, although relatively little. Additionally, the defensive interval shrank, indicating a shorter period of time that Amazon can continue to function without receiving new funds. In 2022, working capital as a percentage of revenues went negative, suggesting possible inefficiencies in working capital management.

Profitability

The profitability measures of Amazon show a varied picture of performance. Although the gross margin stayed mostly unchanged, suggesting effective cost control, the EBITDA and EBIT margins slightly decreased. Notably, after deducting all costs, the net margin dropped from 9.02% in 2021 to 7.10% in 2022, indicating a decline in profitability. Concerns over Amazon's operational effectiveness and cost-control strategies are raised by the company's negative EBIT margins in both years.

Solvency/Debt Management

Amazon routinely maintains low debt-to-equity and debt-to-total-assets ratios, demonstrating responsible debt management procedures. These ratios did, however, slightly grow between 2021 and 2022, suggesting a greater reliance on debt funding. The fact that the times interest earned ratio stayed high suggests that Amazon can easily pay its interest costs. Nonetheless, the negative debt coverage ratios for both years point to difficulties in using operating income to pay down debt. If it wants to maintain long-term financial stability, Amazon must concentrate on increasing its debt coverage.

Asset Utilisation

Despite minor variations, Amazon's asset utilisation indicators show effective resource use. The total asset turnover remained relatively stable, indicating that Amazon is able to generate revenue from its assets. The fixed asset turnover ratio did, however, slightly decline, which may indicate inefficiencies in the use of fixed assets. Additionally, there was a modest fall in the inventory turnover ratio, suggesting a slower pace of inventory conversion into sales. Amazon ought to concentrate on maximising asset utilisation in order to improve profitability and overall efficiency.

Investor/Market ratios

Considerable volatility may be seen in Amazon's investor/market ratios, which are indicative of shifting investor sentiment and market dynamics. The price to equity (P/E) ratio had a significant increase in 2022, suggesting that investors were more optimistic about Amazon's potential for growth. But in 2022, the earnings per share (EPS) decreased, presumably as a result of higher operational costs that had an adverse effect on net profits. A reduction in Amazon's asset valuation is indicated by the declining price to book value (PBV) ratio. In general, close observation of Amazon's market performance is necessary to make sure that it meets investor expectations.

Sales growth rates, operating expenses and other additional considerations

Services sales increased at a stronger pace in 2021 and 2022, by 34.02% and 18.88%, respectively, compared to 11.98% and 0.46% growth in product sales in 2021 and 2022, respectively. These variations demonstrate how Amazon's revenue streams are dynamic and how it is working to diversify its products. The ratio of operating expenses to net sales shows how effectively Amazon manages costs. Notably, general and administrative (G&A) costs rose marginally from 32.32% to 34.77% of net sales in 2022, despite marketing expenses falling from 47.91% to 29.76%. Similarly, there was a slight increase in technology and content costs, which went from 31.15% to 30.62%. Furthermore, understanding Amazon's cost structure and profitability can be gained by looking at important components as a percentage of net sales. For instance, the cost of goods sold (COGS) decreased slightly from 57.97% to 56.19% of net sales, while gross profits remained stable at 42.03% and 43.81% in 2021 and 2022, respectively. However, net profit as a percentage of net sales decreased from 7.10% to -0.53%, indicating challenges in maintaining profitability amidst changing market dynamics and operational pressures.

Conclusion

Finally, it can be said that Amazon is in a great financial position due to its varied investor opinion, high liquidity, sufficient profitability, careful debt management, and effective asset utilisation. To maintain long-term financial health and create value for stakeholders, however, some areas—such as working capital management, profitability, debt coverage, and asset utilization—need to receive attention. For Amazon to stay at the top of the e-commerce and technology markets, it should give top priority to plans that will improve capital structure, resolve investor concerns, and streamline operations.