Amazon's liquidity ratios, a key indicator of the company's ability to meet short-term obligations, have shown a concerning trend over the given period. The current ratio, which dropped from 1.14 in 2021 to 0.94 in 2022, moving below the benchmark of 1.0, suggests that current liabilities exceed current assets. Similarly, the quick ratio, which excludes inventories from current assets, also reflects a similar trend. These trends raise concerns about the company’s liquidity without the reliance on inventory liquidation. However, the defensive interval ratio, which measures how many days the company can operate using its liquid assets without additional cash inflow, remains relatively high, indicating that Amazon has a buffer to handle immediate financial demands.

Amazon's profitability assessment reveals a complex picture. While the gross margin has improved marginally, indicating slightly better cost management or sales efficiency, the EBIT and net margins have notably declined. The EBIT margin nearly halved, pointing to increasing operational costs that could include rising expenses in areas such as logistics, administrative operations, or technology development, which are outpacing sales growth. The net margin's sharp drop underscores broader financial stress, likely from a combination of operational challenges and other factors such as financing costs or tax adjustments. This reduction encompasses all of Amazon's expenses and income adjustments, showing decreased overall profitability. The contrast between the slight gross margin increases and the substantial reductions in EBIT and net margins indicates that Amazon's cost-related challenges are more pronounced in the operational domain rather than the direct costs of goods sold. Addressing these operational cost pressures is crucial for improving Amazon's profitability and maintaining its financial health.

Amazon's solvency metrics shift toward a stronger equity position, with the debt-to-equity ratio declining. This suggests a conscious effort to temper debt financing, potentially lowering financial risk and improving resilience against market volatility. The long-term debt-to-capital ratio has also decreased, yet it indicates that debt remains a substantial component of Amazon's capital structure, reflecting the company’s considerable capital requirements to fuel its expansive operations and investments. However, the substantial decrease in the time's interest earned ratio over the same period raises some flags about Amazon's earnings sufficiency to cover interest expenses. Although the current level suggests Amazon can still manage its interest obligations, the sharp drop emphasizes the need for vigilance regarding operational profitability and the management of debt costs.

Analysing Amazon’s asset utilization over the last three years shows that while the company has been generating more sales from its total assets, as evidenced by an increase in the total asset turnover from 1.11 in 2020 to 1.46 in 2022, some areas raise concerns. This improvement indicates that Amazon is leveraging its asset base more effectively to increase sales, which is a positive sign of operational leverage and growth management. Equally, Amazon’s inventory turnover has decreased, suggesting potential issues with inventory management. 2022 the inventory turnover ratio was 8.62, down from 9.41 in 2021. A lower turnover rate can indicate overstocking or less efficient sales, leading to increased holding costs and the risk of inventory obsolescence. For a company like Amazon, with a significant scale of operations, this could represent a notable operational and financial challenge. The fixed asset turnover experienced a peak in 2021 but has seen a decrease in 2022. While still above the 2020 level, this reduction could signal that recent capital investments in fixed assets are yet to fully contribute to sales output or, alternatively, a modest downturn in the efficiency of utilizing these fixed assets to generate revenue. A significant point of concern is the negative return on assets (ROA) in 2022. This marks a decline from a positive 6.64% in 2020 to -0.59% in 2022, indicating that the company's assets are not currently generating net income effectively. This can be particularly worrying to investors as it suggests a diminishing yield on the capital invested in Amazon's assets, and it calls for introspection into the company's cost structure and asset strategy.

Amazon's financial indicators for 2022 show mixed reactions from investors. The negative EPS of -0.27 suggests that Amazon is facing some short-term profitability issues, which could affect how shareholders see the company and may make it less attractive as an investment. This metric could be due to extraordinary costs or investments that have not yet yielded results.

The reduction of the price-to-book value (PBV) ratio from 29.75 to 22.62 indicates that investors may question the efficiency and profitability of Amazon's assets in the future. This shift in PBV may be due to concerns about how well Amazon's assets can generate earnings or adapt to changes in the market.

Despite these concerns, the enterprise value to EBITDA (EV/EBITDA) ratio remains high at 31.21. This suggests that the investor community is still optimistic about Amazon's long-term growth potential and dominant market position. The high EV shows that investors trust Amazon's strategic direction and its ability to generate future revenue and earnings growth.

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