The financial health of Amazon has varied over the three-year period with some aspects performing better than others.

Firstly. looking at Amazons Liquidity ratios the current ratio increased from 1.040 for 2017 to the peak of 1.098 for 2018 and then a small drop to 1.097. However, this drop does not occur when looking at the quick ratio. This ratio Increases from 2018’s 0.847 to 0.864 in 2019. The divergence indicates that amazon has increased its inventory on the balance sheet. The result can be seen in the Inventory day’s increasing from 2018’s 45.047 to 45.195 in 2019. Both are an improvement from 2017’s 52.326, the 18/19 increase hints a minor increase in inefficiency.

If we look at the profitability of Amazon, the gross margin peaked in 2019 whereas the EBIT/DA and Net Margins peaked in 2018. The year-on-year decline in margins beside gross indicate that the operating expenses have increase more proportionately than the cost of goods. However, This continue the trend shown in Amazons Liquidity ratios between 2017/18 where this a sizable improvement in the margins with EBIT/ Net more than doubling to 5.2 and 0.0433 respectively. The Gross margin had the smallest change proportionately in the time frame.

Taking a look at section 3, this gives us a better picture of Amazon’s Financial Health. In 2017 the debt to equity was 3.739 reducing to 2.513 and then 1.988. The debt to assets and Long-term debt to capital also reduced by 0.241 and 1.0765 respectively. This underscores why despite the gross margin increase the EBIT and Net rate decreased in the years 2018/19. This is why the current and quick ratios increased due to Amazon reducing their debt.

The total Asset turnover decreased over the years as dropping 0.0003 from 2017 to 2019 despite an increase in 2018. Fixed Asset turnover also followed in the same vain with a rise in 2018 and a fall below 2017’s number in 2019. However, there was a significant increase on the RoA more than doubling to 0.0514. Although the Inventory turnover decreased from -2.6034 to – 4.2083 implying delays in delivery and therefore stock will be held longer than normal. Though this is unlikely to be a long-term problem as Amazon was able to half 2018’s inventory turnover number.

Finally, all of these occurrences are manageable to Amazon, the return on equity increased roughly 80% from 2017 -19 while Enterprise value to EBITDA increase by about 2/3rds in the same period. The dividend yield has fallen, despite amazon having never paid any dividends. The book value per share more than doubled from 2017 to 2019, which is neasrly the same change as the average stock price vale.

Amazon over the period sought to reduce its liabilities proportionally to it’s assets has made the company leaner as a result. This has lead to a near doubling of the share value, an almost 4times rise in net income.