Amazon Inc Financial report

Liquidity

This factor measures how quickly the company’s assets can be turned into cash without affecting its market price. A current ratio shows how quickly Amazon is able to meet its short-term obligations such as paying off debts. Under 2021 the current ratio stands at 1.14 indicating that the company is able to easily pay off their debts as they come. However aa the ratio in 2022 is under 1.00 at 0.97, it would show that the business is struggling to meet its short-term obligations. In addition, the same situation shows when it comes to its quick ratio. This is because in 2021 the ratio stood at 0.91 indicating that Amazon didn’t have enough liquid assets to pay off its short-term debts, yet in 2022 it still shows that the company was struggling. A similar case arises with its cash ratio. This is because a ratio of 1.00 or above would show investors that they have enough cash to pay of its short-term debts however both 2021 and 2022 totalled to 0.29 and 0.36. the defensive interval also shows the same thing. A sum of 105.77 days shows that the company could operate successfully without using their liquid assets for about 105 days, however that number fell to just 81.79 days which means that they would have to rely upon their liquid assets sooner than the previous year. On the other hand, Amazon shows a negative net trading cycle for both years meaning that they are able to outsell all their inventory before they have to pay their suppliers. This is a good sign for the company as it is the ideal situation for a business when it comes to its net trading cycle. The working capital against its sales shows how the company is handling its working capital when it comes to supporting its sales. In 2021, a percentage of 9.78% would show that Amazon is investing 9.78% of every sale they make into its working capital. This is a good sign as it means the company is balancing its liquidation and operational efficiency well. However in under 2022 the total is a negative percentage of -3.82% meaning that the business is relying upon short term liabilities rather than short term assets to fund its operations. This could be an upside or downside for Amazon depending on what decision the company is making. This would require further research.

Profitability

This financial metric measures a company’s profit in relation to its expenses. The gross margin for Amazon in 2021 was at $197,478 whereas the gross margin in 2022 had increased to $225152. This shows that the company had made more sales than it costs them to produce the products. Its EBITDA margin in 2021 shows a figure of 1.13 which is quite low compared to its 2022 figure of 4.64. This would indicate that the company had some financial trouble in 2021 however they have since recovered. Whereas, its ebit margin figures show the opposite. In 2021 a positive ebit margin figure of 8.12 shows that Amazon were making enough revenue in order to cover for its costs of goods and services. But in 2022 the figure was negative meaning that the business was not generating enough revenue to cover its costs.

Solvency/Debt management

These types of ratios would show us how well Amazon can manage its long-term debts. Through certain ratios the figures show that Amazon could take on more debt in the future. By comparing both years, the data shows that were managing their debt well, however in 2022 an increase in ratios such as D/E and debt to total assets, shows that the company had taken on more liabilities than assets. When looking into the times earned ratio. Both years shows negative meaning that they would have difficulty paying their long-term debts. This would explain the reason why they took on more debt in 2022 in comparison to 2021 because they would need to borrow more to cover their interest expense. This would also explain the reason why they had an increase in negative free cash flow for both years.

Asset utilization

This factor shows us how efficient Amazon is using their assets to make profits. The organisations asset utilization ratios show that in 2021 thy were performing well in the case of using their assets to make profits as all figure for this section shows high and positive. However, in comparison to 2022, all figures have decreased showing that the company is not generating enough revenue from their assets. In addition, a negative ratio of -0.01 in their ROA indicates that they need to produce more revenue in order to gain a return on assets.

Investor/market ratios

This financial metric shows how the company is performing in the market by analysing their stock price. The P/E ratio shows a negative figure compared to their previous year. This is due to Amazon losing money or having negative earnings reports. For a well-established company, it could indicate that the reason is due to factors out of their control. Bad earnings reports can also be reflected in their eps ratio as it has fallen into negative from 3.3 in 2021. Although the book value per share is positive, it still does not look good for the company as if the share price was beneath the book value, then a buying opportunity would arise for investors. Please note Amazon does not pay any dividends. Under 2021 investors would gain some return on equity, however that has changed in 2022. The ratios give a negative figure which meaning investors would actually be losing money. An EV/EBITDA ratio of less than 10 is considered healthy for a company. The 2022 figure of 8.93 shows that the business is overvalued as the market has high expectations for future growth. However, looking into the overall financial health of 2021 in comparison to 2022, investors might be concerned as to whether Amazon will be able to meet its future expectations and growth prospects. 2w