**Ratio Analysis – Amazon.com, Inc.**

This report provides an analysis of Amazon's liquidity, profitability, leverage, and efficiency ratios.

**Liquidity**

Although Amazon's cash ratio improved in 2022, both its current and quick ratios deteriorated. Additionally, its current assets dropped below its current liabilities. The reduction in the defensive interval suggests that the company has fewer days to operate solely on its liquid assets to cover operating expenses. The net trading cycle remains negative even though the increasing trend is observed, highlighting the company's ability to convert inventory into cash.

**Profitability**

Although Amazon's gross margin has improved since 2022, its EBITDA, EBIT, and net margins have all deteriorated. A closer analysis of its selling, general, and administrative expenses, as well as depreciation, amortization, interest, and tax costs, is necessary.

**Leverage**

Although Amazon’s debt-to-equity, debt-to-total-assets, and long-term debt-to-capital ratios remained relatively stable, its debt coverage and times interest earned declined. Additionally, its free cash flow turned negative in 2021 and 2022, raising a red flag.

**Efficiency**

Amazon’s total asset turnover, fixed asset turnover, and inventory turnover all declined slightly. The return on capital employed also deteriorated, raising concerns about its efficiency. Both return on assets and return on equity were negative, driven by negative net income in 2022.