**Financial Performance Analysis Report**

**Company Name:** Amazon Inc.

**Period covered:** 2017 to 2019

1. **Liquidity**

Amazon Inc.’s liquidity ratios demonstrate its ability to meet short-term obligations, improving over the three-year period. The **Current Ratio** has risen from 1.040 in 2017 to 1.300 in 2019, indicating better coverage of liabilities by current assets. The **Quick Ratio,** which does not include the inventories, increased from 0.763 in 2017 to 1.101 in 2019, suggesting that Amazon Inc has adequate liquid assets to cover short-term liabilities. However, the **Cash Ratio**, which only includes cash and equivalents, slightly decreased from 0.464 in 2018 to 0.352 in 2019, implying a modest decline in cash reserves.







The **Net Trading Cycle** remains negative, which suggests that Amazon Inc. collects receivables and turns inventory into cash quicker than it pays its suppliers. **Inventory Days** and **Payable Days** remain stable with minor fluctuations, signalling efficient inventory and payment cycles.







Finally, the significant drop in the **Defensive Interval** from 2017 to 2018 suggests that Amazon Inc. had to rely heavily on revenue generation to cover operating expenses during this period. However, the improvement from 1,702.23 days in 2018 to 2,734.50 days in 2019 suggests that Amazon Inc. regained some stability in its ability to sustain operations without external cash inflows, reflecting a stronger liquidity management and an improvement in its liquid asset base. The **Working Capital as a % of Sales** also improved significantly from 1.30% in 2017 to 12.79% in 2019. This suggests that Amazon Inc. has improved its liquidity position and has more flexibility to manage its short-term obligations.





1. **Profitability ratios**

Amazon Inc’s profitability has steadily improved. The **Gross Margin** increased from 37.07% in 2017 to 40.99% in 2019, indicating improved efficiency in production and cost management. The **EBITDA Margin** also increased from 11.13% to 15.40% during this period, suggesting stronger earnings before interest tax, depreciation, and amortisation, driven by operational efficiencies and revenue growth.





However, the **Net Margin** remains negative, though slightly improving from -4.33% in 2018 to -4.13% in 2019. This negative net margin indicates that Amazon Inc. is still posting net losses, likely due to heavy reinvestment in growth initiatives, technology logistics, and expansion.



1. **Solvency/Debt Management**

Amazon Inc.’s **Debt-to-Equity Ratio** increased significantlyfrom 2.19 in 2018 to 3.05 in 2019, indicating that the company has increased its reliance on debt financing relative to equity. The **Debt-to-Asset Ratio** still shows a relatively high level of debt financing even though it improved slightly from 0.79 in 2017 to 0.55 in 2019.





Although **Debt Coverage** improved to 1.36 in 2019, reflecting better ability to service interest payments from earnings, the high debt ratios suggest potential risk if earnings were to falter, despite currently manageable interest payments.

1. **Asset utilisation**

Asset utilisation efficiency has declined over the three years. **Total Asset Turnover,** which measures how effectively the company uses its assets to generate revenue, dropped from 1.355 in 2017 to 0.816 in 2019. Similarly, **Fixed Asset Turnover** decreased from 3.64 in 2017 to 2.48 in 2019, indicating that Amazon Inc may be facing diminishing returns on its asset base, potentially due to expanding logistics networks and technology investments.





**Return on Assets (ROA)** remained negative,though improving from -0.062% in 2018 to -0.034% in 2019, suggesting that despite large scale investments, the returns from these assets are yet to completely materialise.



1. **Investor/Market Ratios**

Amazon Inc’s **Price-to-Earnings (P/E) Ratio** has risen from 0.122 in 2017 to 0.198 in 2019, suggesting increased investor confidence in future earnings growth despite the current losses. **Earnings per Share (EPS)** have shown significant growth from $12.47 in 2017 to $46.47 in 2019, driven by operational improvements and revenue growth, the increase in **Book Value per Share** from $58 to $126 in the same period further reflects growing equity and retained earnings.





The company’s **Dividend Payout Ratio** is still low, consistent with its strategy of reinvesting profits back into the business rather than distributing them to shareholders.



In conclusion, Amazon Inc. has demonstrated strong improvements in its profitability and liquidity, driven by an increased operational efficiency and revenue growth. However, Amazon Inc. faces challenges in asset utilisation, with declining turnover ratios, and remains reliant on debt financing.