**Investment Report AMZN**

A company following the principle of being the most customer-centric on Earth, implementing various approached such as commitment to operational excellence, long term thinking, passion for invention/innovation, customer obsession rather than competitor focus, serving the internation marketing and offering services (AWS) besides its core physical business. Predominantly selling its products online but also via physical stores. Exposed to various risks and facing intense competition across various geographies. Potential risks include FX fluctuations, exposure to vulnerability by being invested in other companies via Acquisitions, political/macro-economic risks associated with international presence, Inventory risk through its Fulfilment Solutions, IT / Cybersecurity risks. Below is an analysis of 5 key metrics and the company’s functions, such as Liquidity, Profitability, Solvency, Asset Utilization and Investment.

1. **Liquidity**

A pattern observed regarding the company’s liquidity is its improvement since 2022. It suffered a deterioration after 2021, it improved significantly in 2023, however not exceeding levels of 2021. This is observed by most ratios and its Working Capital itself. A positive inventory management has been applied during these 3-year period which contributed to reduction of the days the company needed to sell its goods and services. On the other hand, attention needs to be given to the company’s ability to collect its invoices and the period it needs to pay its suppliers. Both “Receivables Days” and “Payable Days” ratios have been moving towards the opposite direction.

*Chart 1. An indicator of the company’s Liquidity capabilities. Ideally, the company would want the Inventory days to be higher, and the receivable days to be lower, in order to enhance its cash flow. Both have been moving on the opposite direction from 2022, 2021*.

*Chart 2. A comparison between Current, Quick and Cash ratios, which are important in helping the company managing its short-term obligations. They follow the same pattern since 2021 – deterioration but improvement since last year. A positive sign is that the recent Current ratio, exceeded the value of 1, providing lots of optimism for the company’s covering of short-term obligations.*

1. **Profitability**

Despite the challenges regarding its ability in handling Liquidity, the company managed to make a better progress with its Profitability measures since 2021. The Gross Margin has improved significantly. The EBITDA metric follows a similar path. The EBIT metric on the other hand, although it has been a similar trajectory in terms of face value, it is remaining in a negative territory, due to very high expenses incurred predominantly by higher Amortization & Depreciation expenses. The 2023 Net Margin metric improved significantly from 2022 but failed to match the 2021’s performance.

*Chart 3. Profitability measures such as Net Margin, EBITDA and Gross Margin. The Gross margin follows a very positive trajectory with more than 10% increase since 2021. Similarly, the EBITDA has been improved since 2021 although it was challenged significantly in 2022. Very importantly, the company’s Net Margin came into positive territory compared to 2022, not being able however to reach the level of 2021.*

1. **Solvency / Debt Management**

A mixed picture regarding its Solvency. Significant improvement on D/E ratio since 2021. Similar performance over the last years regarding its Debt performance relatively to its total assets. The Debt coverage still remains at low levels, although improved.

*Chart 4. Here the situation seems more balanced- in a sense that the company has decreased its leverage and debt exposure since 2021, compared to its equity. However, when it comes to managing debt accrued by interest obligation, as the Debt coverage depicts, the company seems more exposed than in previous years.*

1. **Asset Utilization**

Besides the Inventory turnover which has been improving since 2021, and it helps the company managing its overall cashflow, the overall picture is that the company has been struggling to reach the 2021 performance levels in Asset utilization, among other metrics. However, a very positive indicator is that the company significantly improve its ROA since 2022.

*Chart 5. Similarly to previous ratios’ patterns, the situation deteriorated significantly in 2022 and then improved in 2023, not being able to reach 2021 level. The ROA which measures the company’s ability to generate income based on how efficiently it uses its assets, demonstrates exceptional Asset Utilization skills from the company, comparing to 2022 -0,06% ROA.*

1. **Investor / Market ratios**

Similarly, when it comes Investor and Market ratios, after 2021 the company’s performance has been deteriorating. There are some instances where the company improved its position since 2022, such as in the ROE and BVPS which has been increasing although the company’s share price has been reduced dramatically.

Chart 6. Company’s share price as of January 2021, 2022, 2023.

A serious-dramatic deterioration from previous years’ highs, considering however the company’s positive improvement in many rations, this could indicate that its stock is undervalued.

*Chart 7. The company’s BV ration has been increasing steadily, another indication on why the company’s share price might be considered as undervalued.*

The company is in a completely different macroeconomic environment than it was in 2021, especially because there was a surge in online shopping during the pandemic from which the company was significantly benefited. As physical shopping returned, this has an impact on the company’s performance. The interest rates back then were at historic low levels, meaning that with Fed’s rate reduction and Government’s support e.g., shopping vouchers, the was a significant boost in demand. When inflation started to cause damage on purchasing power, the Fed started lifting rates for the ultimate purpose of lowering inflation by lowering the demand. This in turn affected the performance of the company can explain to a large extent the deterioration of its ratios/metrics since 2021.