**Amazon Inc. Ratio Report**

From 2020, Amazon’s liquidity has seen a slight decline, likely due to COVID and the recovery from it. Current and cash ratios have respectively seen up and down ticks of roughly ~7% in 2021 but have since returned to prior levels, the quick ratio has seen a steady decline of over 20% over the 2-year period driven by a large decline in marketable securities. Defense interval has seen a decay of nearly a month over 2 years as a result of a doubling of non-cash expenses from 2021 to 2022, the same period in which working capital went negative for Amazon.

The Current ratio is greater than 1 indicating the short-term asset’s ability to meet short term liabilities. Quick and Cash ratios above 0.5 which also indicates that the company can meet more than 50% of its short-term liabilities with its cash in hand. The decline in current ratio was mainly to be attributed to a reduction of marketable securities (following the sale of the company’s stake in Rivian).

As an online marketplace where thousands of vendors are hosted on site, Amazon’s payable days is typically higher than other companies as it is part of its 90-day credit policy. As a result of Amazon’s nature of business, its payable balances are higher than its inventories and receivables where it holds inventory on behalf of its vendors. Therefore, working capital is negative and so is the trading cycle. On a year over year basis the number has worsened, but can be supported with the argument that Amazon has started its own fulfilment services and is a fast growing company.

Gross margins for Amazon have been steadily growing as operating margins as more than halved and net margins have gone negative in 2022. Their gross margins grow steadily as sales of services and growth in cost of sales slows. Depressed operating margins are a result of stagnant product sales growth for Amazon, with gains of less than 1% YoY from 2021. Net margins are negative due to a net loss being recognized from the company realizing an over $16B loss on equity securities and warrants.

It is notable that Amazon’s Technology & content and Sales & marketing have seen sharp increases, indicating the heavy spend on AWS and Prime Video content. While the e-commerce segment is seen to be normalizing post the Covid-19 boom, sales reflect the increasing global inflation levels.

The past few years have seen Amazon steadily take on more debt, roughly ~$7B of net debt each year from 2020 to 2022. Debt to equity jumped 10% in 2022 as retained earnings have stayed flat from the prior year. Debt to assets is a similar situation in which asset acquisition has slowed from $100B in 2021 to $60B in 2022. Debt coverage and interested earned ratios have decreased precipitously with increasing debt loads, as previously mentioned, in conjunction with a halving of operating income of $24.8B to $12.2B from fiscal years 2021 to 2022.

Amazon’s long-term liabilities have been increasing over the years as the company has increased its Financial lease commitments to facilitate the number of new fulfilment centres opened over the last year. Although the long-term debt remain rather steady, financial lease commitments have dramatically increased which has increased the debt service burden as well. However, the company has adequate levels of interest coverage and free cash flow indicating its financial health. However, the increase in the debt level would also mean that the company’s borrowing capacity in future is strained where it might have to pay higher interests to secure more debt.

Total asset turnover has stayed mostly flat from the 2020-2022 fiscal year period with fixed asset turnover taking a hit in 2022 as a result of just $16B of net plant, property, and equipment being added onto Amazon’s balance sheet compared to an addition of over $47B in 2021. Inventory turnover has stayed flat in 2022 from 2021 with inventory levels staying largely the same after the firm added ~$9B worth from 2020. ROA grew then fell sharply for the 2020 to 2022 period, driven by the previously mentioned net loss realized by the company in the most recent fiscal year.

Amazon has a large portion of goodwill in its asset base, where the Fixed asset turnover is almost three times higher than the total asset turnover. The goodwill and intangibles are manly as a result of acquisitions in addition to the increased R&D spending on AWS which we will have to closely watch for future profitability.

For the exception of 2022, growing net income has attributed to an increasing earnings per share from $2.09 to $3.24 per share in periods 2020 to 2021. Amazon’s price to book has been steadily decreasing as book value per share has been steadily increasing with most movement being attributed to a jump to retained earnings of over $30B in 2021. Although the company’s enterprise value has stayed constant at around ~$1.65B, their EV/EBITDA ratio fell over 17% due to Amazon taking on an additional $9B in depreciation and amortization expenses, later leveling off then staying the same through the 2022 fiscal year.

ROE, ROA and ROCE all are within the health territory, however, have declined slightly compared to previous year. Furthermore, given Amazon’s valuations, one would expect the ratios to be better as there are many other smaller companies with better returns than Amazon, however, it is notable that these valuations are backed by Amazon’s expansion.