Amazon Inc.

Financial Health Analysis Report

Executive Summary

This report provides an analysis of the financial health of Amazon Inc based on the financial statements for the fiscal year ending 2022. The analysis covers key financial metrics and provides insights into the company’s performance and sustainability.

Financial Overview

Amazon Inc. reported total revenues of $513,983 million for the fiscal year ending 2022 representing a revenue growth of $44161 million (9.38%) compared to the previous year. Net income stood at $-2722 million, with a net profit margin of -0.53%. This indicates the company incurred expenses that exceeded its total revenue resulting in a loss.

Liquidity Analysis

The liquidity ratios (current, quick and cash) decreased from 2021 to 2022, indicating a potential challenge in covering short- term obligations.

Profitability Analysis

The gross profit margin was similar, however net profit margin declined from 7.1% to -0.53% in 2022 , indicating a sharp recession in profitability from 2021 to 2022. Amazon reported a net loss in 2022, a clear contrast to the significant profit generated in 2021. This is a cause for concern and requires further investigation.

Debt Analysis

The debt-to-equity ratio is 0.45976, reflecting an increase of 30.4% from the previous year’s 0.352591. Amazons’ debt-related metrics increased generally in 2022. The higher leverage suggests that the company on more debt financing, likely to ease the worsening financial conditions or for strategic investing.

Market Valuation

As shown by the P/E ratio of -606.4, saw a significant decrease from 2021 to 2022, and this can be attributed to the decline in profitability, a negative EPS, and the general uncertainty regarding Amazon’s financial performance.

Operating Efficiency

Amazon’s asset utilization ratios, such as total asset turnover, remained relatively stable from 2021 to 2022, alluding to the stability of the company’s operating efficiency in 2022. The company has not faced issues with efficiently generating sales from its assets.

Free Cash Flow Improvement

Despite the challenges, Amazon managed to improve its free cash flow share, suggesting that the company continued to generate positive cash flow from its operations and capital investments.

In conclusion, Amazon Inc. faced a challenging financial year in 2022, marked by a net loss and decrease in profitability. While the company maintained strong liquidity and cash flow, the market’s response, as reflected in the P/E ratio, suggests that investors are closely watching Amazon’s financial performance.