Amazon, the world’s biggest internet retailer and one of the only 4 companies to boast a market cap surpassing the trillion dollars mark (with the other ones being Apple, Microsoft and Alphabet), surely wasn’t immune to the turbulent and challenging macroeconomic storm that has characterised 2022. In the wake of some feeble optimism that followed the end of the global pandemic, while many people still heavily relied on the company services, 2021 saw almost all of the Seattleite company growth indicators hit double digits, although with the looming fears of a global recession, never-ending interest rate hikes and increasing political tension and instability both on national and international scale, a similar performance was very hard to replicate in 2022 and in fact, Amazon performance wasn’t at all encouraging.

Many investors’ concerns were reflected in the share price: if at the end of 2021 one share was being exchanged for $178, a year later the price was down 27% to only $129 per share, a price even lower than the one recorded in 2020. Was this fall justified? Has Amazon really performed so poorly its share has to be valued less than it was during the pandemic?

It’s difficult to compare Amazon to any other company; some place them in the *Internet Retail* industry but it’s difficult to find real peers for this titan, until the likes of eBay and Alibaba will upscale internationally as Amazon did, while also providing streaming services, producing their own shows, buying sporting events rights and offer on-demand cloud computing and APIs. So, to evaluate progress, we can only compare Amazon to its recent history and performances.

One thing is for sure: the people at Amazon know what they are doing. All liquidity ratios shrank by two digits, all but one, the **cash ratio**. While it’s surely concerning seeing the company’s assets to go down so sensibly, Amazon sold many of their *marketable securities* and increased their *cash* reserves; a sensible and cautious manoeuvre often implemented by many investors the likes of Mr Buffett in times of dire economic uncertainty, although it can’t be at all encouraging to see both net income and working capital being surrounded by brackets.

In terms of profitability, however, there is some optimism. While expenses are growing, so is the company revenue, both at a very similar rate. Gross, EBITDA and EBIT margins all grew almost perfectly in line with the previous two years. Nevertheless, Amazon ended the fiscal year with a net loss. How come? Digging into the company report, the loss experienced by Amazon is mostly due to marketable securities (and in particular a bad investment in the EV manufacturer, Rivian); sure, this was a big loss, but 2022 has been a very challenging year for the economy and it’d be pretty naïve to imagine that a company that has to mobilize such a vast capital wouldn’t experience sensible losses. As long as the company’s gross margin is on the rise, there shouldn’t be major concerns.

Regarding debt management, despite a slight worsening of solvency indicators, Amazon still appears quite solid. The D/E ratio (one of those ones that fall in the category “*the lower the better*”) went up 30%, but it’s still considerably below 0.5, showing how Amazon won’t have a hard time covering their liabilities. It’s worth noting, however, that the actual debt grew only 37% in 2022, compared to a 53% growth in 2021, meaning this worsening is mostly due to a reduced growth in the stockholders’ equity. TIE had the most dramatic fall, shrinking as much as two thirds, while the debt coverage shrank just above the 50%, but both went down for the (much) lower EBIT rather than increased debt/interest expenses. As stated in the company’s annual report the lower income has to be attributed to a widespread increase in costs, from wages to inflation-related price hikes. On a much brighter note, FCFE rose sensibly all the while the company hasn’t cut on purchases and acquisitions and it is similar to the value hit in 2020. This leads to think there might be space for growth should 2023 offer a more fertile and sustainable environment to the global economy.

Nothing much has changed in terms of asset utilization, with ratios being essentially interchangeable for 2020, 2021 and 2022; of course, the ROA is negative for the most recent year, but that had to be expected since Amazon wasn’t profitable in 2022.

As predictable, the missed profit had a big influence on all the investor ratios too, with indicators shrinking on all fronts (some quite dramatically due to negative EPS as well) after the remarkable growth of 2021.

In conclusion there is plenty of room for optimism, feeling also shared by the CEO in his letter to shareholders. Yes, Amazon had a negative year indeed, but they are hardly to blame (exception made for the Rivian investment) as most of their losses are imputable to a very harsh macroeconomic environment which is affecting investors, companies and countries worldwide; Amazon are now in a moment of transformation and redistributing their assets to bounce back at their best once the looming recession will finally be over.

This might be a very good moment in time to invest in Amazon, taking advantage of the lower share price.