**Analysis of Amazon’s financial health**

Starting with liquidity ratio analysis, certain ratios such as the current ratio and quick ratio, have decreased over the course of 2021 to 2022, indicating a weakened ability to cover short-term obligations, however the cash ratio has improved, reflecting a stronger cash position.

The decrease in liquidity ratios could be a result of the company's investment in growth initiatives, such as expanding its product offerings, investing in infrastructure, or acquiring new businesses. Amazon's business model, which involves maintaining vast inventories and offering fast shipping services, could be the reason of the stability of inventory days. However, the increase in receivable days suggests a slower collection of payments, which may be influenced by factors like changing customer payment preferences.

The current ratio fell just below this value in 2022, still sitting on a non-concerning 0.94, with the fall 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.

In terms of profitability, Amazon demonstrated an improvement in gross margin, suggesting effective cost management and pricing strategies, other profitability measures such as EBITDA margin, EBIT margin, EBIT, and net margin experienced declines. These declines in profitability may be because of factors within Amazon's business. For instance, the increased operating expenses associated with the company's ongoing investments in expanding its product offerings and exploring new business opportunities such as more of its planned expansion in Europe. Amazon should focus on optimizing its cost structure, finding the right balance between growth investments and profitability, for sustainable profitability in the long run.

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.

As for solvency and debt management ratio analysis, the company's debt ratios have increased slightly, indicating a higher level of debt financing, Amazon continues to generate positive free cash flow, although with a slight decrease from 2021 to 2022. However, the negative times interest earned ratio and debt coverage ratio suggest a potential strain on the company's ability to cover its interest expenses and debt obligations. Managing its debt levels and interest expenses will be crucial to maintain financial stability and preserve the company's creditworthiness

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.

The asset utilization ratio analysis for Amazon indicates a slight decrease in total asset turnover and fixed asset turnover, suggesting a slightly less efficient utilization of assets to generate sales and profitability. Activities such as investment, expansion and acquisition of new businesses may have resulted in a temporary decrease in asset efficiency. However, Amazon showcased improved inventory turnover, indicating effective management of inventory levels. As an e-commerce company with a vast product range and global customer base, optimizing inventory turnover is crucial to minimize holding costs and maximize sales. Furthermore, the decrease in return on assets implies a decline in profitability generated from Amazon's assets.

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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.

The market ratio analysis for Amazon reveals significant changes in investor perceptions and expectations. An increase in the P/E ratio indicates that investors are willing to pay a higher price, reflecting optimism about the company's future earnings potential. However, the decline in EPS suggests lower profitability on a per-share basis. The decrease in the PBV ratio indicates a decreased market valuation relative to the book value of the company, possibly due to changes in market sentiment or shifts in investor preferences. Furthermore, the lack of dividends, along with the decline in ROE and ROCE, suggests a decrease in profitability and efficiency in utilizing shareholder equity and capital investments

ROE, ROA and ROCE all are within the health territory, however, have declined 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

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