Amazon.com, Inc.

Financial Statements Analysis Report.

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Amazon.com Inc,

Company Background

Amazon.com, Inc. (simply Amazon) is an American multinational technology and retail company known for its vast online marketplace, cloud computing, digital services, and more. It's widely recognized as one of the biggest companies globally and a key player in Big Tech.

What Amazon Does

1. Online Retails & Marketplace
2. Amazon Web Services (AWS)
3. Subscription Services.
4. Advertising services.
5. Logistics & Fulfilment (FBA)
6. Digital Media & Entertainment
7. Consumer Devices & Smart Technology

Amazon has recently been in the news for major developments, in late 2025, Amazon is in talks to invest over **$10 billion** in OpenAI, potentially expanding AI collaborations. It's expanding fast delivery options, including one-hour pickup services from physical stores. Amazon also recently announced job cuts as it accelerates investment in AI and automation.

Markets Served:

Amazon operates in both domestic and international markets. The United States is its main market, contributing the largest share of revenue through e-commerce, Amazon Web Services (AWS), advertising, and subscription services. Internationally, Amazon serves customers in regions such as Europe, Asia-Pacific, and other emerging markets through its online retail and cloud computing services. These global operations provide significant opportunities for long-term growth.

Amazon operates in a highly competitive and technology-intensive business environment.

Major Competitors.

1. Walmart Inc.
2. Target Corporation
3. Alibaba Group
4. eBay
5. Microsoft (Azure – cloud)
6. Google (Cloud & Advertising)

I choose **Walmart Inc,** as the closest competitor. Because Walmart Inc. competes directly with Amazon in large-scale retail, e-commerce, logistics, pricing and Omnichannel distribution across domestic and international markets.

Business Strategy

Amazon's mission is to be **the world's most customer-centric company**, where customers can find and discover anything they want to buy online. Amazon's business strategy focuses on customer obsession, scale, and long-term growth. The company prioritizes low prices, wide selection, and fast delivery while reinvesting heavily in technology and logistics. It balances low-margin retail operations with high-margin businesses such as AWS and advertising to strengthen profitability and maintain a sustainable competitive advantage.

Auditor & Auditors Opinion

Auditing Firm: Ernst & Young LLP

The consolidated financial reporting of Amazon.com, Inc. is audited by Ernst and Young Company which has been the auditor of the company since 1996. The auditor has issued an **unqualified opinion** (clean opinion) indicating that Amazon financial statements reflect the financial position, the results of operations and the cash flows of the company fairly and in all material aspects in compliance with PCAOB standards and U.S. GAAP. Ernst and Young also reported an unqualified opinion, which is an opinion on the effectiveness of Amazon internal control over financial reporting, referencing to COSO 2013 framework. Uncertain tax positions were found to be a critical audit matter identified by the audit because of the large degree of judgment, but this did not influence the overall opinion of the audit.

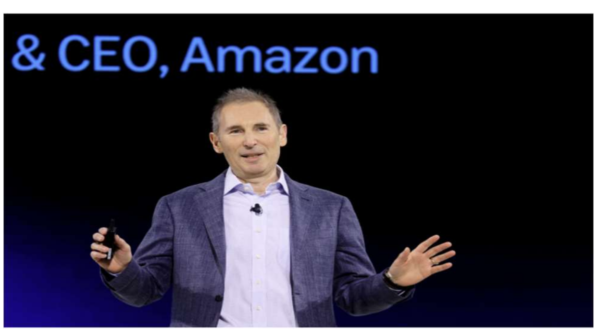
Management Report

Amazon's management, including the CEO and CFO, states that they are responsible for preparing the company's financial statements and maintaining effective disclosure controls and internal control over financial reporting. They certify that, based on their evaluation, the financial statements fairly present in all material respects the company's financial condition, results of operations, and cash flows for the periods presented in conformity with U.S. GAAP. Management also affirms that they have designed and maintained internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements

<u>Company's Management</u>

CEO and CFO (Amazon.com, Inc.):

Chief Executive Officer (CEO): **Andrew R. Jassy** -- has served as CEO since July 2021



Founder and former CEO of Amazon Web Services (AWS), the company's most profitable segment. Known for a long-term, innovation-driven leadership style, emphasizing customer obsession and operational discipline

Chief Financial Officer (CFO): **Brian Olsavsky** -- has served as CFO since June 2015.

Carnegie Mellon alum and current Amazon CFO Brian Olsavsky at Amazon's newest office in downtown Seattle.

Key architect of Amazon's long-term investment-focused financial strategy, balancing growth with cost control. Recognized for managing Amazon's finances through periods of heavy reinvestment, margin pressure, and global expansion.

Key Elements of Amazon's Fiscal Year 2024 Compensation Program:

Amazon's executive compensation program for fiscal year 2024 is structured to align executive incentives with long-term shareholder value creation rather than short-term performance. The program emphasizes long-term equity-based compensation that vests over multiple years, while base salary represents a relatively small portion of total pay. For 2024, the Compensation Committee did not grant new equity awards to the CEO, and compensation primarily reflects previously awarded long-term incentives. The program also includes limited other compensation, such as security-related benefits, and is overseen by the Leadership Development and Compensation Committee, which considers company performance, shareholder feedback, and market practices.

CEO – Andrew R. Jassy (FY 2024)

- **Base Salary:** $365,000
- **Annual Cash Incentive / Bonus:** Not applicable (no annual incentive plan)
- **Stock Awards:** None granted in FY 2024
- **Stock Options:** None
- **Other Compensation:** ~ $1.23 million (primarily security-related costs)

- **Payout Structure**: Compensation is not tied to annual payout percentages, instead, it relies on previously granted long-term equity awards that vest over multiple years.

CFO – Brian Olsavsky (FY 2024)

- **Base Salary:** Fixed cash salary (modest relative to total compensation)
- **Annual Cash Incentive / Bonus:** Not applicable
- **Stock Awards:** Compensation primarily reflects vesting of long-term equity awards granted in prior years
- **Stock Options:** None
- **Payout Structure:** Similar to the CEO, the CFO's compensation is heavily weighted toward long-term, at-risk equity compensation, with no short-term incentive payout percentages disclosed.

Key Ratio's of Amazon & Walmart

1) Return On Equity:

ROE measures how effectively a company uses equity to generate profits.

ROE = Net Income / Average Stockholders' Equity

Year	Amazon	Walmart
2022	-1.91%	13.30%
2023	17.49%	17.82%
2024	24.29%	20.70%

2)Return On Asset:

ROA indicates how efficiently a firm uses its assets to generate net income.

ROA = Net Income / Average Total Assets

Year	Amazon	Walmart
2022	-0.62%	4.79%
2023	6.14%	6.26%
2024	10.28%	7.57%

3) Return on Net Operating Asset (RNOA):

Evaluates operating performance by isolating operating profit from financing effects.

RNOA = Net Operating Profit After Tax / Net Operating Assets

Year	Amazon	Walmart
2022	4.81%	6.19%
2023	9.58%	14.59%
2024	16.75%	17.09%

4) Inventory Turnover Ratio:

Measures how efficiently a company sells and replaces its inventory during a period.

Inventory Turnover = Cost of Goods Sold (COGS) ÷ Average Inventory

Year	Amazon	Walmart
2022	8.09	8.01
2023	8.35	8.58
2024	8.98	8.96

5) Account Receivable Turnover ratio:

Shows how quickly a company collects payments from credit sales.

Account Receivable turnover = Sales / Average Account Receivable

Year	Amazon	Walmart
2022	16.77	75.06
2023	14.7	77.20
2024	13.26	72.56

6) Account Payable Turnover Ratio:

Measures how quickly a company pays off its suppliers.

Account Payable turnover = Sales / Average Account Payable

Year	Amazon	Walmart
2022	3.34	8.31
2023	3.34	8.65
2024	3.28	8.64

7) Property, Plant and Equipment Turnover ratio:

Assesses how effectively a company uses its fixed assets to generate sales.

Property, Plant and Equipment Turnover = Sales / Average PPE Asset.

Year	Amazon	Walmart
2022	2.19	5.25
2023	2.17	5.18
2024	2.11	5.04

8) Times Interest Earned ratio:

Reflects a firm's ability to meet interest obligations from operating income.

Times Interest Earned = Earnings Before Interest And Tax / Interest

Year	Amazon	Walmart
2022	5.45	10.24
2023	11.6	9.21
2024	28.86	10.82

9) EBITDA Coverage Ratio:

EBITDA Coverage Ratio = EBIT + Depreciation + Amortization / Interest Expense

Year	Amazon	Walmart
2022	16.24	15.38
2023	21.32	13.63
2024	42.15	15.57

10) Operating Cashflow to Debt Ratio:

Shows how well a company can cover its debt using operating cash flow.

Operating Cashflow to Debt Ratio = Cashflow from Operating Activity / Total Debt.

Year	Amazon	Walmart
2022	0.70	0.38
2023	0.92	0.89
2024	1.35	0.88

11) Free Cashflow to Debt

Indicates the ability to pay off debt using free cash flow.

Free Cashflow to Debt = (Cash from Operation – Capex) / Total debt

Year	Amazon	Walmart
2022	-0.252	0.159
2023	0.348	0.377
2024	0.382	0.307

12)Current Ratio

Measures a company's ability to pay short-term obligations with current assets.

Current Ratio = Current Asset / Current Liabilities

Year	Amazon	Walmart
2022	0.945	0.821
2023	1.045	0.832
2024	1.064	0.823

13) Quick Ratio

Evaluates liquidity by excluding inventory from current assets.

Quick Ratio = (Cash + Marketable Securities + Account Receivable) /Current Liabilities.

Year	Amazon	Walmart
2022	0.70	0.38
2023	0.92	0.89
2024	1.35	0.88

14)Liabilities to Equity Ratio

Compares total liabilities to shareholder equity to assess financial leverage.

Liabilities to Equity Ratio = Total Liabilities / Stockholder's Equity

Year	Amazon	Walmart
2022	2.168	1.904
2023	1.615	1.794
2024	1.185	1.677

15) Total Debt to Equity Ratio

Analyse a company’s debt level relative to shareholder equity.

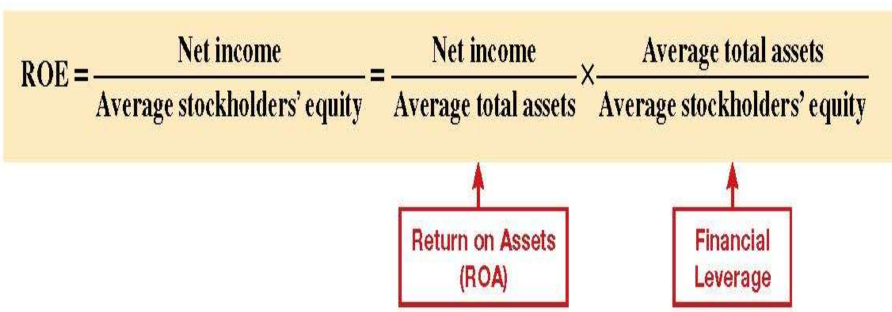
Total Debt to Equity Ratio = Total Debt / Total Equity.

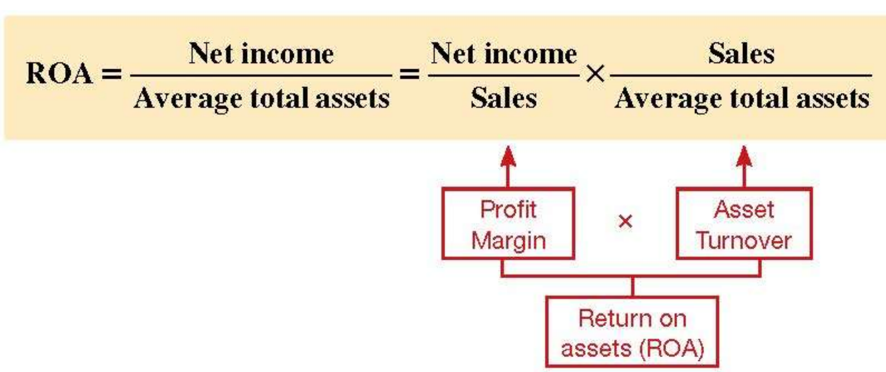
Year	Amazon	Walmart
2022	0.458	0.900
2023	0.459	0.444
2024	0.301	0.423

Profitability Ratio Analysis

Traditional Dupont Disaggregation

The traditional DuPont model decomposes Return on Equity (ROE) into three components: profit margin, asset turnover, and financial leverage.





ROE = Profit Margin × Asset Turnover × Financial Leverage.

The DuPont model breaks down ROE into profit margin, asset turnover and financial leverage.

Amazon: ROE increased significantly as it was -1.91% (2022) and 17.49% (2023), 24.29% (2024). This is mainly enhanced by a huge growth in profit margin (-0.53% in 2022 to 9.29% in 2024) and backed by a moderate turnover of assets. The financial leverage has decreased by 3.11 to 2.36 and it means that the growth in ROE of Amazon is not a leverage-influenced growth but a profitability-influenced growth.

Walmart: ROE grew at a slower rate between 13.30% (2022) to 20.70% (2024). The profit margin at Walmart was lower but consistent (1.92-2.85) and since the ROE is mainly based on high turnover of assets and constant leverage (FL = 2.7-2.8).

Amazon's ROE recovery is **margin-led**, while Walmart's ROE is **volume- and efficiency-led**

RNOA Disaggregation (NOPM × NOAT)

RNOA is broken down into Net Operating Profit Margin (NOPM) and Net Operating Asset Turnover (NOAT).

Amazon: The RNOA has grown significantly, as it was 4.81% (2022) and 16.75% (2024). This growth is largely due to a high increase in NOPM of 2.41 percent to 9.43 percent whereas the increase in NOAT was small of 1.99 to 1.78 meaning that profitability per dollar of operating assets improved greatly even though it was heavily invested.

Walmart: NOAT is also very high (2.37 to 5.12), which led to an increase in RNOA (6.19% in 2022 to 17.09% in 2024), but NOPM is rather low (2.61% to 3.34%).

Amazon's operating profitability is **margin-driven**, whereas Walmart's operating profitability is **asset-turnover-driven**.

Overall Profitability Assessment and Comparison:

The profitability of Amazon has significantly increased over the last few years, and it has shifted negative values of ROE and ROA in 2022 to positive double-digit ROE (24.29%) and ROA (10.28). Walmart shares are characterized by steady and consistent profitability, though Amazon has already reached greater potential of profitability, particularly in the operating level, because of an improved margin growth. Whereas Walmart is efficient and resilient, Amazon is higher in terms of earnings scalability.

Factors Distinguishing Operating Performance

Amazon's superior profitability improvement is driven by:

- A business mix that is diversified, where high-margin business units like AWS and advertising are balanced with low-margin retail.
- Large growth in gross margin (Amazon GPM increased by 48.65 percent to 53.88 percent, versus 26 percent at Walmart).

- Partly, better operating expense efficiency, as the operating margin at Amazon has increased to 10.88%.

By contrast, Walmart is a mature low-margin retail industry, where the leadership is based on costs, scales, and efficiency of assets, which is why its NOAT is high but the margin growth is low.

Productivity Ratios Analysis							
		Amazon			Walmart		
Particulars		2022	2023	2024	2022	2023	2024
Traditional Dupont Disaggregation							
Return On Earning		-1.91%	17.49%	24.29%	13.30%	17.82%	20.70%
Return on Asset		-0.62%	6.14%	10.28%	4.79%	6.26%	7.57%
Financial leverage		3.11	2.85	2.36	2.78	2.85	2.73
RNOA Disaggregation by NOPM And NOAT							
NOPM		2.41%	5.21%	9.43%	2.61%	2.87%	3.34%
NOAT		1.99	1.84	1.78	2.37	5.08	5.12
RNOA		4.81%	9.58%	16.75%	6.19%	14.59%	17.09%
Operating Efficiency							
Gross Profit Margin		48.65%	52.24%	53.88%	25.59%	25.93%	26.76%
Operating Expenses Margin		2.51%	6.42%	10.88%	3.58%	3.83%	4.33%
Profit Margin		-0.53%	5.29%	9.29%	1.92%	2.40%	2.85%

Productivity Ratio Analysis

Operating Efficiency of Amazon (Recent Trends)

The operating Efficiency of Amazon have improved consistently in the inventory and the consistent use of assets, though making significant investments. The inventory turnover rate improved within two years, as it was 8.09 (2022) and 8.98 (2024), which shows higher rate of movement and efficiency of the supply chain. Nevertheless, ART had a decrease of 16.77 to 13.26, which is an indication that

Amazon was collecting slower as the ART increased credit exposure, especially to third-party sellers and enterprise customers. PPE turnover decreased slightly by 2.19 to 2.11 indicating high capital expenditure in fulfilment-centers, data centers, and logistic infrastructure that will lead to temporary decreases in asset efficiency, but facilitates asset growth in the long-run.

Overall Assessment: The productivity of Amazon is characterized by an efficiency trade-off that is focused on growth, i.e., short-term asset turnover under the pressure of long-term scalability.

Comparison with Walmart and Distinguishing Factors

Relative to Amazon, Walmart exhibits greater efficiency in all productivity ratios. Walmart's inventory turnover ratio has maintained its strong position (8.01 to 8.96), par with that of Amazon, but the accounts receivable turnover of Walmart is much greater (~75 vs 13 for Amazon), thereby indicating a cash-based business. The accounts payable turnover of Walmart has also greatly surpassed that of Amazon (~8.6 vs 3.3). The PPE turnover of Walmart (~5.0) has also surpassed that of Amazon (~2.1).

The point of differentiation rests in their business models: whereas Amazon invests in technology and their platform, which currently lowers their productivity ratio, this improves their scalability and finally leverage, whereas Walmart maximizes their efficient usage of assets and cash conversion cycle, which works best in mature industries like retail.

Cash Conversion Cycle for Amazon

Ratio	Formulae	2022	2023	2024
Days Sales outstanding	360*(Average Account Receivable/Sales)	21.47	25.59	27.14
Days Inventories Outstanding	360*(Average Inventory/Sales)	22.84	20.60	18.49
Days Payable Outstanding	360*(Average Account Payable/Sales)	55.43	51.54	50.60
Cash Conversion Cycle		99.73	97.73	96.24

Cash Conversion Cycle for Walmart

Ratio	Formulae	2022	2023	2024
Days Sales outstanding	360*(Average Account Receivable/Sales)	54.19	55.48	52.25
Days Inventories Outstanding	360*(Average Inventory/Sales)	0	0	0
Days Payable Outstanding	360*(Average Account Payable/Sales)	13.49	12.62	11.27
Cash Conversion Cycle		67.68	68.10	63.51

Coverage Ratio Analysis:

Coverage Ratios of Amazon (Recent Trends)

The coverage ratios of Amazon have indicated considerable improvements during the last three years, which is encouraging for Amazon to pay off its debts as well as its interest expenses. The Time Interest Earned ratio indicated a considerable increase, which was 5.45 in 2022 but increased to 11.60 in 2023 and then to 28.86 in 2024, which indicates that there has been rapid growth in the earnings of Amazon vis-à-vis its interest expense. The EBITDA Coverage Ratio also indicated considerable improvement and increased from 16.24 to 42.15, which denotes that there has been considerable growth within Amazon's ability to meet its debt repayment. The Operating Cash Flow/Debt ratio also indicated improvement and increased from 0.70 to 1.35, and the Free Cash Flow/Debt ratio also indicated considerable growth and increased from -0.25 to 0.38, which indicates that Amazon was unable to meet its free cash flow requirement in 2022 but was able to meet the same in 2024.

Conclusion: The coverage ratio values for Amazon illustrate strong rises with the increase in the profitability ratio and the cash flow ratio.

Comparison with Walmart and Contributing Factors

In comparison to Amazon, the coverage ratios of Walmart are more stable but less dynamic. TIE ratios of Walmart were comparatively stable (10.24 to 10.82), and EBITDA coverage ratios moved within a narrower range (13.63 to 15.57), indicating stable and limited earnings expansion. Although the improvement of the operating cash flow to debt of Walmart is noted from 0.38 to 0.88, it is lower than that of Amazon in 2024. Although the free cash flow coverage of Walmart is positive, the drastic improvement of Amazon is noteworthy here for greater earnings dynamism.

The main reasons contributing to this disparity include Amazon's pronounced improvement in operating profit margins, especially from high-margin businesses like AWS and advertising, and the reduction in relative interest costs. Walmart, on the other hand, has to operate in a mature industry with low margins. Stability in earnings allows for consistent portfolio holding, though sharp upgrades are restricted. Amazon's reduction in leverage and improvement in cash flow generation quickened Amazon's debt repayment capacity compared to Walmart's.

Particulars	Amazon			Walmart		
	2022	2023	2024	2022	2023	2024
Times Interest Earned	5.45	11.6	28.86	10.24	9.21	10.82
EBITDA Coverage Ratio	16.24	21.32	42.15	15.38	13.63	15.57
Operating Cashflow to Debt	0.7	0.92	1.35	0.38	0.89	0.88
Free Cash Flow to Debt	--0.252	0.348	0.382	0.159	0.377	0.307

Liquidity and Solvency Ratio Analysis

Liquidity and Solvency of Amazon (Recent Trends)

The liquidity situation of Amazon has shown some modest improvement over the years but still is rather tight. The current ratio is seen to rise from 0.95 in 2022 to 1.06 in 2024. This indicates that there is some improvement taking place. Nonetheless, this is still at the minimal requirement threshold. The quick ratio is also shown to improve from 0.68 to 0.84.

In regards to solvency, it is clear that there is a reduction in the financial risk faced by Amazon. The liabilities to equity ratio have reduced from 2.17 to 1.19, and the total debt to equity ratio is also down from 0.46 to 0.30. Furthermore, the financial leverage ratio is down from 3.11 to 2.36, showing a strong capital base.

Overall assessment: There is an improvement in the solvency and gradually improving liquidity of Amazon, facilitated by increased profitability.

Comparison with Walmart and Contributing Factors

Compared to Amazon, Walmart has weak liquidity, though it has strong solvency. The current ratio for Walmart continued to remain below 1, that is, approximately 0.82-0.83, and its Quick Ratio also remain low, that is, approximately 0.18-0.20, indicating that it heavily depends on its inventory turnover and cash flow conversion. On the other hand, Amazon has strong liquidity, particularly Quick Ratio.

On the solvency position, both companies have been improving, though Amazon has been reducing its leverage faster. While Walmart's liabilities/equity ratio improved from 1.90 to 1.68, with the debt/equity ratio improving from 0.90 to 0.42, Amazon's faster improvement in both ratios highlights better growth in equity and earnings.

The differences in their liquidity/solvency positions are largely attributed to their business models. Amazon keeps a higher cash balance to invest in technology and risk mitigation, as opposed to Walmart, whose working capital management is based on fast inventory turnover. Amazon's diverse revenue streams, coupled with an improvement in its margins, are also factors in its relative improvement in solvency over Walmart.

Credit Rating for Amazon -Z -Score				
Particular		**Ratio**	**weight**	**Total**
Working Capital	11,436.00			
Total Asset	6,24,894.00	0.018	1.2	0.021960845
Retained Earning	1,72,832.00			
Total Asset	6,24,894.00	0.276578108	1.4	0.387209351

Earning Before Income and Tax	69,438.00			
Total Asset	6,24,894.00	0.111119646	3.3	0.366694831
Market Value of Equity	23,90,000.00			
Total Liabilities	3,38,924.00	7.051728411	0.6	4.231037047
Sales	6,37,959.00			
Total Asset	6,24,894.00	1.020907546	0.99	1.01069847
				6.017600544

Amazon Firm Valuation

Assumptions:

Period = 2025,2026,2027

Sales Growth rate = 2.5%

Terminal growth rate after 2027= 3%

Cost of Capital (WACC)= 9.8%

Net-Operating Profit After Tax and Net-Operating Asset for horizon period and terminal Period is just Assumption.

Estimation of equity Value for Amazon.Com Inc. (DCF method) (all Figures in Million)

Valuation As per Discounted Cashflow Method(DCF)					
Sales	6,37,959.00	6,53,907.98	6,70,255.67	6,87,012.07	7,04,187.37
Net-Operating Profit After Tax	60,171.95	54,379.00	59,863.00	63,458.00	65,362.00
Net-Operating Asset	3,87,589.00	4,22,472.01	4,30,921.45	4,39,539.88	4,48,330.68
Increase in NOA		34,883.01	8,449.44	8,618.43	8,790.80
Free Cashflow		19,495.99	51,413.56	54,839.57	56,571.20

Present Value of Horizon Free cashflow		17,755.91	42,645.48	41,427.34	
Cumulative Present Value of Horizon Free Cashflow	1,01,828.73				
Present Value of Terminal Free cash flow	6,47,316.54				
Total Firm Value	7,49,145.26				
Net non-operating Obligation	53,952.00				
Firm Equity Value	6,95,193.26				
Share Outstanding	10,900.00				
Stock Price Per Share	63.78				

Using a discounted cash flow (DCF) model with a WACC of 9.8% and a terminal growth rate of 3%, Amazon's intrinsic equity value is estimated at approximately **$63.78 per share**.

As of December 31, 2024, Amazon's market value of equity was approximately **$2.39 trillion**, based on a stock price of **$219.39**. In contrast, the discounted cash flow (DCF) model estimates an intrinsic equity value of approximately **$695 billion**, or **$63.78 per share**. This represents a valuation gap of roughly **$1.7 trillion**, indicating that the market price exceeds the intrinsic value by approximately **71%**. The valuation gap suggests that Amazon's stock is **overvalued**, driven largely by optimistic expectations regarding long-term growth and profitability. Therefore, under the assumptions used in this analysis, a **HOLD to SELL recommendation** is appropriate.