

# Amazon's historical Financial Statement Analysis

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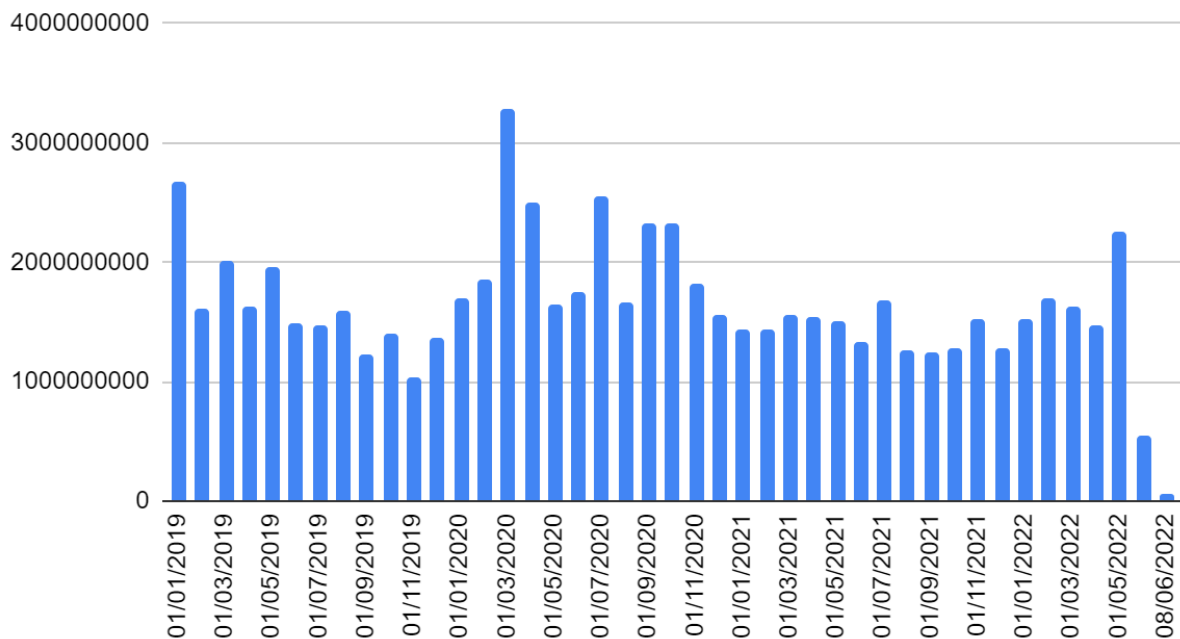
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## Portfolio Project Milestone (Amazon)

Amazon.com has come a long way in the last 28 years. From what started as an online bookstore, they quickly grew to become the digital retailer of choice for consumers in the U.S. and beyond. Amazon has completely transformed the retail business, allowing customers to get exactly what they want in a fraction of the time of walking to their local mall or department store (Amazon, 2022). Fortune 500 merchants had to overhaul their entire strategy and develop their online platforms to keep pace. We will calculate Amazon's current ratio, quick ratio, return on equity, present value, and net present value (The Information, 2022).

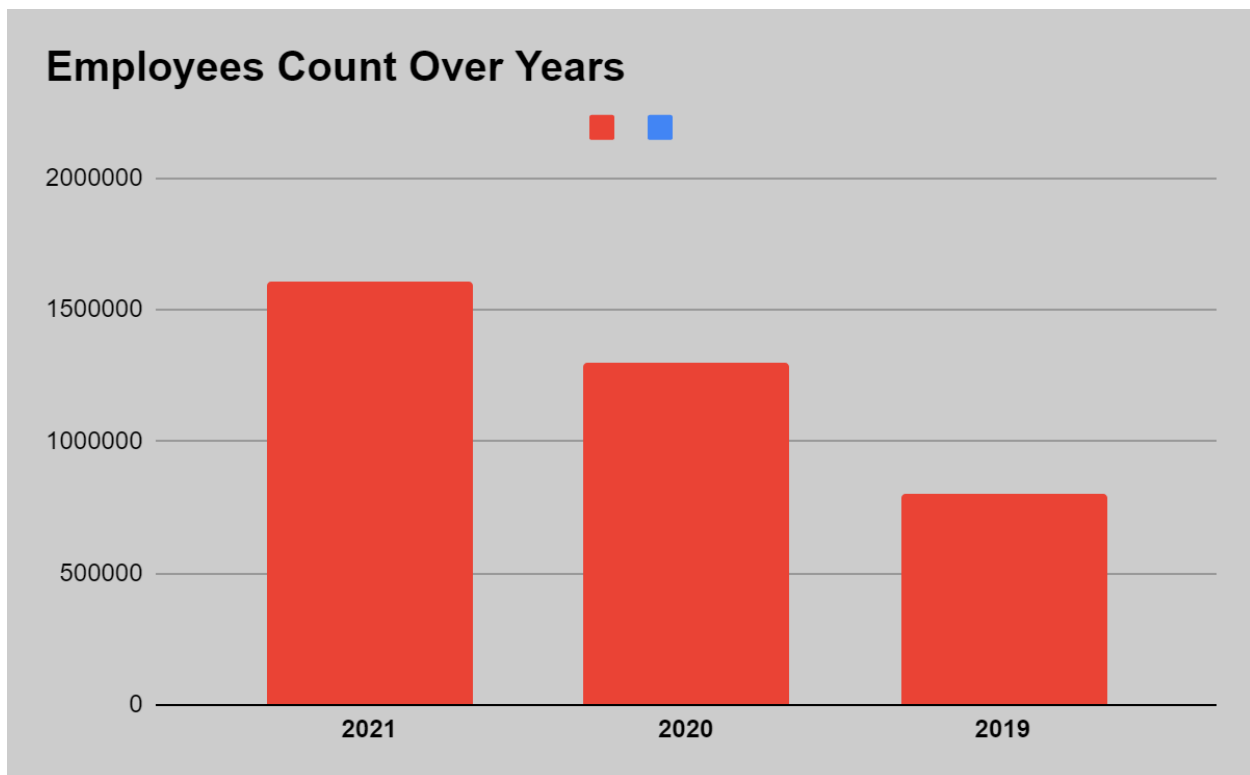
## Trading Volume

Volume vs. Date



The above graph shows the trading volumes of amazon over the years. Trading volume measures the number of shares traded at a specific time. On 1 Jan 2019, the volume was nearly 270 million. Then decrease over the year. The volume sold in January 2019 was the highest in the year 2019. The transaction volume in January 2020 was close to 273 million. The peak transaction volume in March 2020 was nearly 325 million. Moreover, the year, the company saw a decline in its trading volume. In January 2021, the volume was 140 million of the company, which remained nearly the same in the year. In January 2022, the trading volume did increase to 150 million as compared with December 2021. In the following years, the volume rose until May 2022 to 214 million, but it didn't sustain much, and in the next month, the volume dropped sharply to only 64 million on 6 June 2022. The only reason behind the sharp drop was the quick split of 2021. (Yahoo, 2022).

### Employees Count Over Years



Source: (Trends, Macro, 2022)

The table above shows the number of employees over the years. In 2019, the company had 798,000 employees, and the following year increased to 1.298 million employees in 2020. The number of employees had increased by 62.66%. However, in 2020 Covid 19 has swept the world, and most companies are laying off staff. But Amazon still employs workers, which leads to a workforce of nearly 1.608 million in 2021—a 23.88% increase from the previous year (Forbes, 2022).

## Share Price

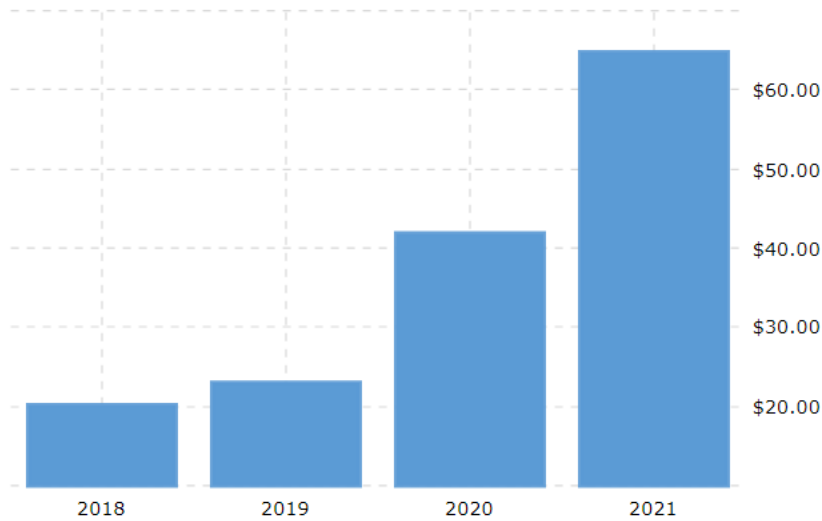


Source: (AmzScout, 2022)

The table above shows the share price of Amazon over the months. Starting from 2019, the share price in January was \$81, which over the year rose to \$96 in January 2020. In 2020, the cost stock price had crossed \$150; by the year-end or January 2021, the share price was \$163. In July 2021, the stock's price reached its highest of \$181. While in the following years, the price dropped consistently. The low on June 9, 2022, was \$104 (Nasdaq, 2022).

## Earnings Per Share

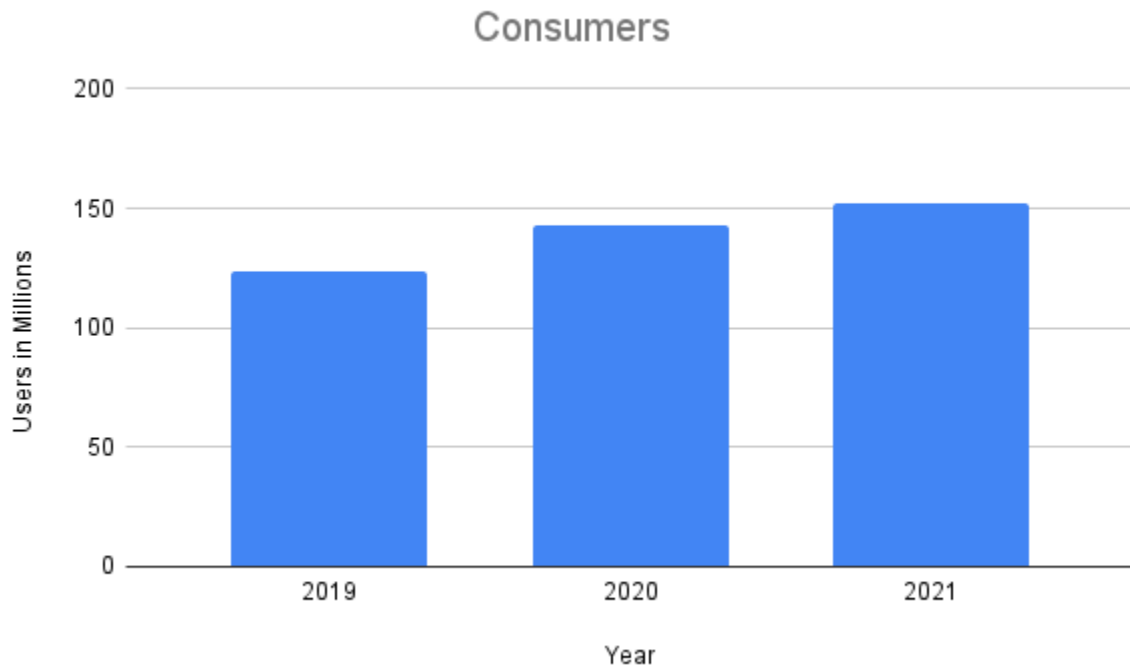
**AMZN - EPS - Earnings per Share**  
Annual Values (US \$)



Source: (AmzScout, 2022)

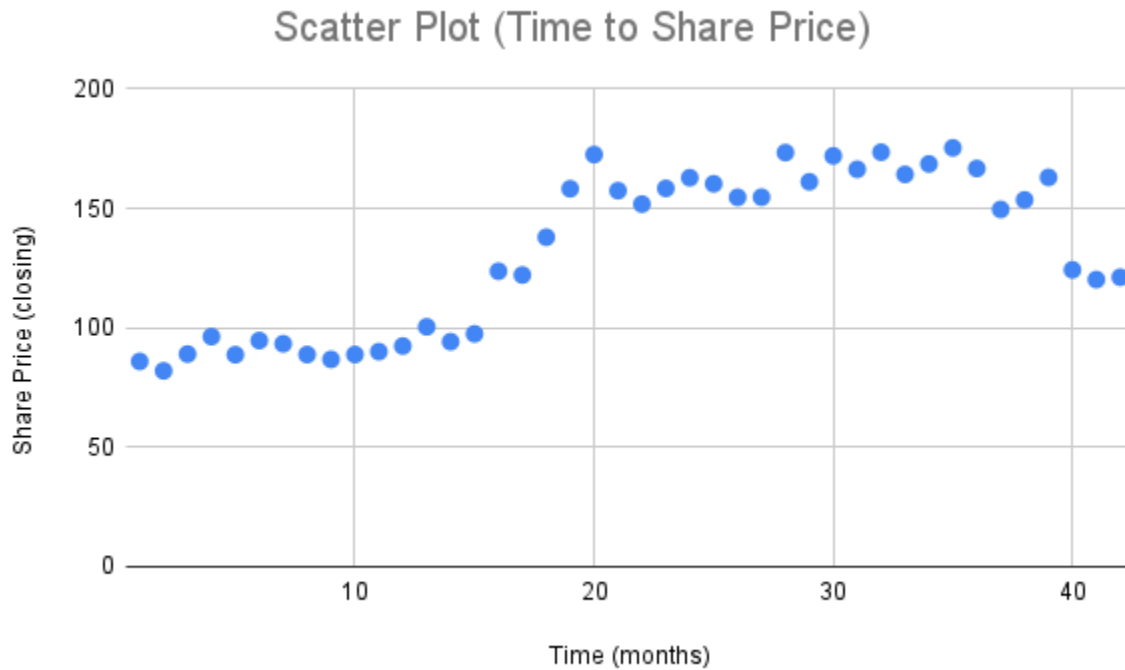
The table shows the earning per share ratio of the company. The EPS ratio of Amazon is calculated by dividing the income(earnings) by the number of Amazon shares (Trends, Macro, 2022). This ratio is beneficial for the investors in assessing the company's performance and profitability before investing in Amazon. The EPS of Amazon in 2019 was \$23.01, which in the following year, 2020, increased to \$41.93. The increase was due to the company's earnings rise (BBC, 2022). A sharp increase in the company's profits increases the EPS ratio. Moreover, in 2021, the earnings increased, causing the EPS ratio to jump to \$64.81. (Trends, Macro, 2022)

## Consumers



The graph above shows the number of consumers over the years. In 2019, the company had 124 million users. The number increased by 14.9% in 2020 and rose to 142.5 million in 2020. The following year, the number of users will increase to 151.9 million in 2021(Backlinko, 2022).

## Scatter Plot



The scatter plot graph shows that initially, the stock price had remained nearly at \$85 for the first 12 months, after which we can see an upward trend in the stock price. The price began to increase until 20 months, after which the stock price declined. The 20<sup>th</sup> period is the month of August 2020. After this period, the stock price reduced to nearly 150 in period 22, and we can view that the stock price had been consistently trying to break its resistance but was unable to do so. The movement remained merely changing until period 39 (March 2022), after which we can view a sharp decline in price from nearly \$160 to \$125 in period 40. The stock price fell by 22% in period 40. After that, it continued to maintain its price over.



## Financial Ratios of Amazon

Period Ending:	12/31/2021	12/31/2020	12/31/2019
<b>Liquidity Ratios</b>			
Current Ratio	114%	105%	110%
Quick Ratio	91%	86%	86%
Cash Ratio	68%	67%	63%
<b>Profitability Ratios</b>			
Gross Margin	42%	40%	41%
Operating Margin	5%	6%	5%
Pre-Tax Margin	8%	6%	5%
Profit Margin	7%	6%	4%
Pre-Tax ROE	28%	26%	23%
After Tax ROE	24%	23%	19%

**Current Ratio:** The current ratio provides the ratio/percentage of existing assets to current liabilities. In 2019, Amazon's current ratio was 110%. This means that the current assets of the company are 1.1 times the liabilities of the company. Or as compared with the liabilities, the company had more current assets than current liabilities.

Further, in 2020, the company's current ratio reduced to 105%. We looked at the balance sheet of Amazon for the year 2020 and compared the amount of the existing assets and current

liabilities with the year 2019. We can conclude that in 2020 there was an increment in the value of current assets and liabilities. But the reason behind the reduction of the current ratio in 2020 was that the increase in the number of existing assets was comparatively less than the increase in the number of liabilities in percentage terms. Thus, the ratio was reduced.

For 2021, the current ratio is 114%. In 2021 there had been an increase in the current ratio. The reason behind the change was that in 2021 the company had bought more current assets and had relied less on the liabilities comparatively. Thus, a more significant percentage shows an increase in the amount of the existing assets compared with the current liabilities, which led to the rise in the company's current ratio in 2021.

**Quick Ratio:** The company's Quick Ratio measures the number of quick assets to the current liabilities. Quick Assets include all the existing assets except the inventory. The short ratio in 2019 is 86%. A quick ratio of less than 1 means that the company's non-current assets are at risk in case of any uncertain needs. Or for every \$1 of the current liability, the company has only \$.86 of investment to cover those liable. In 2020, the ratio remained at 86%, and in 2021 it rose to 91%.

**Cash Ratio:** This ratio shows the amount of cash to the current liabilities of Amazon. The Cash Ratio of Amazon was 63% in 2019, which further rose to 68% in 2021.

**Gross Margin:** Gross Margin Ratio is evaluated by dividing the amount of Gross Profit by the Revenue of Amazon. The Gross Profit Margin explains the amount of Gross Profit (Sales-Cost of Sales) the company had made. It is necessary to identify the percentage of the cost of sales for the year. In 2019, a GP margin of 41% indicated that of sales, 41% is Gross Profit, or in other words, the cost of sales is 59%.

**Operating Profit Margin:** This ratio measures the amount of operating profit to the sales. The operating profit is computed by (Gross Profit- Operating Expenses). Thus, the operating profit margin for 2019 is 5%. Operating Profit is 5% of sales. The value of operating expenses can be calculated by subtracting the Gross Profit Margin from Operating Margin and then computing it as a percentage of sales.

**Pre-Tax Margin and Profit Margin:** Pretax Margin is the earning before tax over the company's sales. Which is 8% in 2021, and Profit Margin is the number of net earnings of the company to the sales.

**Pre-Tax ROE & After-Tax ROE:** Pre-Tax return on equity in measuring the company's earnings before paying the taxes by the common equity. This ratio provides us with knowledge about the percentage the company can earn using its equity. And for After-Tax ROE, the earnings after Tax are taken.

### **Organization Scope**

Keeping in view the financial ratios of the company and the profit the company has gained over the years, Amazon is predestined to progress over the years. As Amazon is an eCommerce business, the e-commerce industry Worldwide is moving extensively. If we only have a look at the EPS of Amazon, Amazon's EPS is inevitably rising. Moreover, the company's profitability has also increased over the years. Following is the income statement of amazon (Fortune, 2022).

### **Income Statement**

<b>Period Ending:</b>	<b>12/31/2021</b>	<b>12/31/2020</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
Total Revenue	\$469,822,000	\$386,064,000	\$280,522,000	\$232,887,000
Cost of Revenue	\$272,344,000	\$233,307,000	\$165,536,000	\$139,156,000
<b>Gross Profit</b>	<b>\$197,478,000</b>	<b>\$152,757,000</b>	<b>\$114,986,000</b>	<b>\$93,731,000</b>
<b>Operating Expenses</b>				
Research and Development	--	--	--	--
Sales, General and Admin.	\$172,599,000	\$129,858,000	\$100,445,000	\$81,310,000
Non-Recurring Items	--	--	--	--
Other Operating Items	--	--	--	--
<b>Operating Income</b>	<b>\$24,879,000</b>	<b>\$22,899,000</b>	<b>\$14,541,000</b>	<b>\$12,421,000</b>
Add'l income/expense items	\$15,081,000	\$2,926,000	\$1,035,000	\$257,000
Earnings Before Interest and Tax	\$39,960,000	\$25,825,000	\$15,576,000	\$12,678,000
Interest Expense	\$1,809,000	\$1,647,000	\$1,600,000	\$1,417,000
Earnings Before Tax	\$38,151,000	\$24,178,000	\$13,976,000	\$11,261,000
Income Tax	\$4,791,000	\$2,863,000	\$2,374,000	\$1,197,000
Minority Interest	\$4,000	\$16,000	-\$14,000	\$9,000
Equity Earnings/Loss Unconsolidated Subsidiary	--	--	--	--
Net Income-Cont. Operations	\$33,364,000	\$21,331,000	\$11,588,000	\$10,073,000
<b>Net Income</b>	<b>\$33,364,000</b>	<b>\$21,331,000</b>	<b>\$11,588,000</b>	<b>\$10,073,000</b>
<b>Net Income Applicable to Common Shareholders</b>	<b>\$33,364,000</b>	<b>\$21,331,000</b>	<b>\$11,588,000</b>	<b>\$10,073,000</b>

Analysis: The table shows the Income Statement information for the previous four years of Amazon. The Revenue of the company was 232 million in 2018. In the following year, the company's revenue increased to 280 million—the revenue raised by nearly 21% in 2019. For the next year, 2020, Amazon earned 386 million dollars. The company's income increased by 38% in 2020 compared with 2019. While in 2021, the company revenue increased 22% to 469 million dollars in monetary terms. The consistent increase in the amount of income over the years of Amazon depicts that the company is having success, and it shows the company's consistency and is flourishing in the following years. Additionally, Amazon's gross profit in 2019 was \$114 million. At the same time, the cost of sales was 165 million. In 2020, the gross profit rose to 152 million and 197 million in 2021. Then comes the operating expenses of the company. Operating costs constitute selling, general and administrative expenses. These expenses also rose over the years. In 2019, the company's operating expense was 100 million, which grew the following

year and rose to 172 million in 2021. At the same time, the company's operating income was 14.5 million in 2019. Operating income also increased over the years to 24.8 million in 2021. Farther, the taxes and the interest are adjusted from the operating income incorporated by the company. Then comes the net income of the company. This net income amounted to 11.5 million in 2019, and the amount of income earned by the company in 2020 nearly doubled. The company had 21.1 million as its net income. And in the following year, 2021, the company had 33.3 million as net income, indicating a nearly 57% increase in the value of net income.

## Cash-Flow Statement

Period Ending:	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Net Income	\$33,364,000	\$21,331,000	\$11,588,000	\$10,073,000
<b>Cash Flows-Operating Activities</b>				
Depreciation	\$34,296,000	\$25,251,000	\$21,789,000	\$15,341,000
Net Income Adjustments	-\$1,722,000	\$6,001,000	\$7,575,000	\$6,352,000
<b>Changes in Operating Activities</b>				
Accounts Receivable	-\$18,163,000	-\$8,169,000	-\$7,681,000	-\$4,615,000
Changes in Inventories	-\$9,487,000	-\$2,849,000	-\$3,278,000	-\$1,314,000
Other Operating Activities	--	--	--	--
Liabilities	\$8,039,000	\$24,499,000	\$8,521,000	\$4,886,000
Net Cash Flow-Operating	\$46,327,000	\$66,064,000	\$38,514,000	\$30,723,000
<b>Cash Flows-Investing Activities</b>				
Capital Expenditures	-\$61,053,000	-\$40,140,000	-\$16,861,000	-\$13,427,000
Investments	-\$773,000	-\$22,242,000	-\$9,131,000	\$1,140,000
Other Investing Activities	\$3,672,000	\$2,771,000	\$1,711,000	-\$82,000
Net Cash Flows-Investing	-\$58,154,000	-\$59,611,000	-\$24,281,000	-\$12,369,000
<b>Cash Flows-Financing Activities</b>				
Sale and Purchase of Stock	--	--	--	--
Net Borrowings	\$6,291,000	-\$1,104,000	-\$10,066,000	-\$7,686,000
Other Financing Activities	--	--	--	--
Net Cash Flows-Financing	\$6,291,000	-\$1,104,000	-\$10,066,000	-\$7,686,000
Effect of Exchange Rate	-\$364,000	\$618,000	\$70,000	-\$351,000
Net Cash Flow	-\$5,900,000	\$5,967,000	\$4,237,000	\$10,317,000

Analysis: The table above shows the cash-flow statement of Amazon. The information ensures the amount of cash the business holds by the end of the current fiscal year. Amazon's cash-flow report shows us the operating, investing, and Financing activities. The cash-flow statement value is the net of the cash flowing in less the money flowing out of business. The company had a positive cash flow from the operating activity over the years. For 2019, the net operating cash flow accounted for 38.5 million. This also meant that the inflows of the business were 38.5 million more than the cash outflow through the operational activities. The cash flow rose to 66 million in 2020 and reduced to 46 million the following year. The company had less cash inflow in the year 2021. This was because the company's liabilities in 2021 declined more minor than the increase in the liabilities in 2020. Then comes the cash flow from the company's investing activity (Nasdaq, 2022). Company cash flows had been negative through the years, indicating that there had been cash outflow. In 2019 the discharge was 24.2 million, which then rose to 59.6 million in 2020, and in the following year, the flow dropped to 58.1 million dollars. Then we have the financing activities of the business. The company's financing activities had caused more outflows than inflows; thus, the net of financing activities is negative for all years except for the year 2021. In which the cash flow is positive. As the company had more inflows than outflows. Moreover, by adjusting all the business activities from the net income, we get the company's net cash flow. Surprisingly the cash flow was negative only in 2021. Except for the other years (Comission, US Securities and Exchange, 2022)

### Price/Earnings Ratio (forecasted)

#### Price/Earnings Ratio

2021 Actual	<b>37.4</b>
2022 Estimates	<b>98.52</b>
2023 Estimates	<b>51.13</b>
2024 Estimates	<b>30.68</b>

Analysis: The table above shows the forecasted price-earnings ratios of Amazon. This ratio tells the investors the worth of the company to the investors. The price earning for the year 2021 was 37.4. For the year 2022, the forecasted value is more than the current year—the value indicated at 98.52. The price-earnings ratio shows what the market is ready to pay for a stock based on its previous or projected earnings. A high P/E ratio indicates that a stock's price is high compared to its earnings and may be overvalued. A low P/E, on the other hand, may imply that the current stock price is low in comparison to revenues. Thus, we can conclude the ratio accordingly for the other years. As in 2023, the investors would be willing to pay 51.13 for the share. And in the following year, the investors are eager to pay only 30.68. However, these are the forecasted values only. The predicted values would be different from the actual values. As in the forecast, we cannot assume the situation facing the company for the year the value is forecasted for.

















### Price/Earnings Growth Rate Ratio (forecasted)

#### Forecast P/E Growth Rates

Growth 2022	<b>-62.1</b>
Growth 2023	<b>92.95</b>
P/E Ratios 2022	<b>98.52</b>
P/E Ratios 2023	<b>51.13</b>

Analysis: The price-earnings growth is computed by the stock's price-to-earnings ratio divided by its earnings growth rate for a specified time. For the year 2022, P/E growth is negative. As growth rate for the current year, 2022, is forecasted to be negative. And for the year 2023, the growth rate is 92.95. Compared to companies with a lower P/E, a high P/E indicates that investors predict more profit growth in the future. A low P/E ratio can imply that a firm is currently undervalued or performing exceptionally well compared to its historical patterns. A negative P/E ratio means the company has a loss.

## Ratios

Annual Data		2021-12-31	2020-12-31	2019-12-31
Current Ratio		1.1358	1.0502	1.097
Long-term Debt / Capital		0.2607	0.2541	0.2739
Debt/Equity Ratio		0.3526	0.3406	0.3773
Gross Margin		42.0325	39.5678	40.99
Operating Margin		5.2954	5.9314	5.1836
EBIT Margin		5.2954	5.9314	5.1836
EBITDA Margin		12.5952	12.472	12.9509
Pre-Tax Profit Margin		8.1203	6.2627	4.9821
Net Profit Margin		7.1014	5.5252	4.1309
Asset Turnover		1.1172	1.202	1.2454
Inventory Turnover Ratio		8.3439	9.8049	8.0761
Receiveable Turnover		14.2842	15.7308	13.4763
Days Sales In Receivables		25.5527	23.203	27.0847
ROE - Return On Equity		24.134	22.8374	18.6723
Return On Tangible Equity		27.153	27.2124	24.4958
ROA - Return On Assets		7.9334	6.6411	5.1446
ROI - Return On Investment		17.8428	17.0348	13.5573
Book Value Per Share		271.6012	185.6938	124.6185
Operating Cash Flow Per Share		-39.582	53.1206	14.9707
Free Cash Flow Per Share		-78.4332	9.5834	12.4401

Source: (Nasdaq, 2022)

Analysis: The table above shows the other important ratio for the company for the fiscal year 2019-2021. Long term Debt to Capital ratio shows the company's long-term liabilities to the capital/ amount invested. A percentage of less than 1 indicates that the company has less amount of long-term liabilities than the value of the capital. Considering the fiscal year, the ratio remained nearly the same. The highest ratio was in 2019 at .27. This means for every \$1 in the capital of Amazon, Amazon had \$.27 in long-term debt. Thus, it is good as the company has more money than liabilities. It is further coming to the debt-to-equity ratio. The total amount of liabilities evaluates the ratio to the company's capital. The debt to equity ratio of Amazon remained within the bandwidth of .34 to .37. Then comes the return on equity ratio. The ratio tells the returns the company is generating from the investment of the company. The company



made the highest return on equity in 2021 which was 24% on the equity value. Then comes the return on assets ratio. This ratio shows how efficiently the company has been utilizing its assets of the company—and generating returns on them. Thus, the ratio was 5.1% in 2019. And it rose to 7.9 in 2021, indicating that of the value of the total assets, the 7.9% were the company earnings or the company successfully generated a return of 7.9 of the value of the assets. Then comes the return-on-investment ratio of the company. The company ratio was 13.55% in 2019; the return rose to 17.8% in 2021. Then comes the stated/book value per share of Amazon. Book value per share Amazon is increasing over the years, indicating the company I am doing great as the equity of the company is rising over the years. Then comes the operating cash flows per share and the Free cash flow of Amazon. The company's ratio is positive in 2019 and 2020 but negative in 2021. The reason behind that is the negative cash flows in the year 2021. A higher ratio would be essential for the company as this ratio shows the amount.

(Trends, Macro, 2022)

## Conclusion

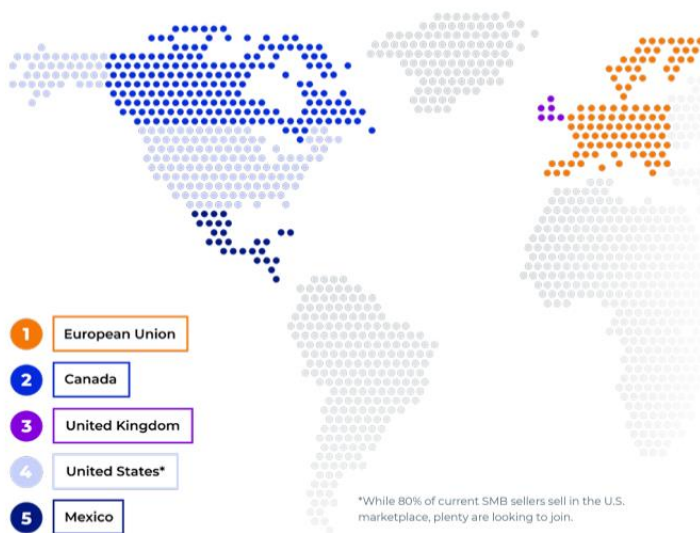
They are extensively looking over the company's financials like the income statements, cash-flow statements, balance sheets, financial ratios, and expected or forecasted ratios. It is conclusive that the company is a success and will be operating for the years approaching. Moreover, considering E-commerce is the future, we cannot say that Amazon would be failing in the coming years. Further, an annual report by jungle scout, an essential tool for Amazon sellers, shows that many markets are emerging as competitors of Amazon. E-commerce is expanding worldwide. And Amazon is also expanding its marketplaces. Thus, more customers of Amazon would, in turn mean more returns to the company.

Amazon would be a success in the years ahead. Until and unless any competitor of the company can take it over.

## Ecommerce Expansion

As ecommerce continues to evolve, Amazon sellers are diversifying by joining new platforms and geographic markets. Currently, 58% of Amazon sellers also list products on at least one additional ecommerce platform — and many plan to expand to other platforms this year.

### Top Global Marketplaces Where Amazon Sellers Plan to Expand



### Top Alternative Ecommerce Platforms for Amazon Sellers (Currently)

1. eBay - 28% of Amazon sellers also sell here
2. Shopify - 15%
3. Etsy - 13%
4. Facebook Marketplace - 12%
5. Walmart.com - 12%

### Top Alternative Ecommerce Platforms Sellers Plan to Join in 2022:

1. Walmart.com
2. Shopify
3. eBay
4. Facebook
5. Etsy

**18%**

of Amazon sellers also sell products in brick-and-mortar stores, and another 28% would consider doing so in the future.

### Source:

(Scout, Jungle, 2022)

(News, ABC, 2022)

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