

Amazon

Company Analysis



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Introduction

Advertising

E-Commerce

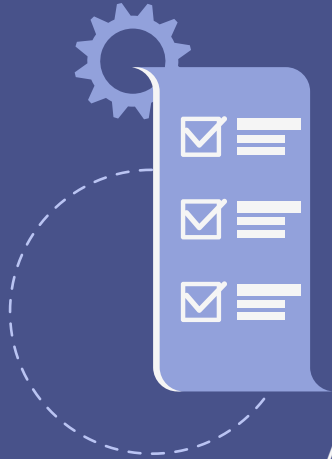
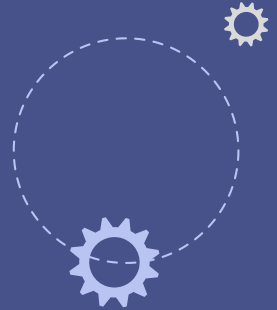
Amazon Prime

amazon

Amazon Web Service

Cloud Computing

Innovation



Balance Sheet:

Current Assets:

2022: 31.73% of Total Assets

2023: 32.65% of Total Assets

(indicating slight improvement in liquidity)

Property & Equipment:

2022: 40.36% of Total Assets

2023: 38.68% of Total Assets

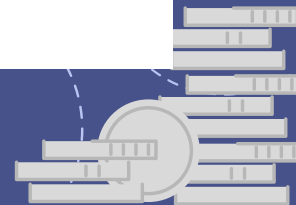
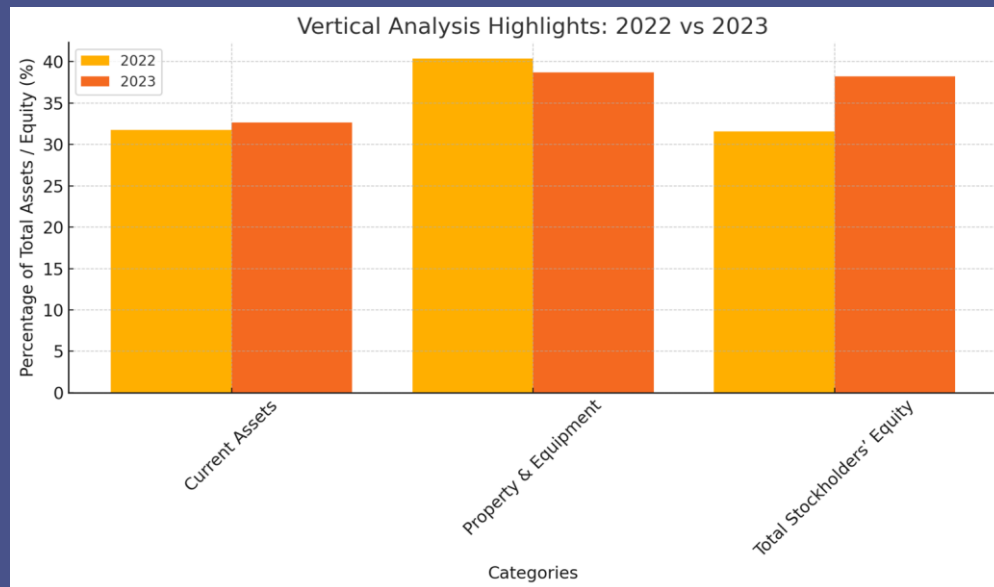
(showing optimization in fixed assets)

Total Stockholders' Equity:

2022: 31.56%

2023: 38.24%

(highlighting growth in retained earnings).



Balance Sheet:

Total Assets:

Decreased by 12.35%

(reflecting strategic asset adjustment or devaluation).

Current Liabilities:

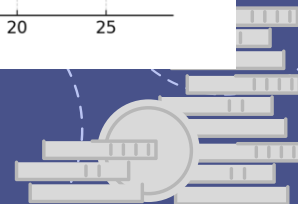
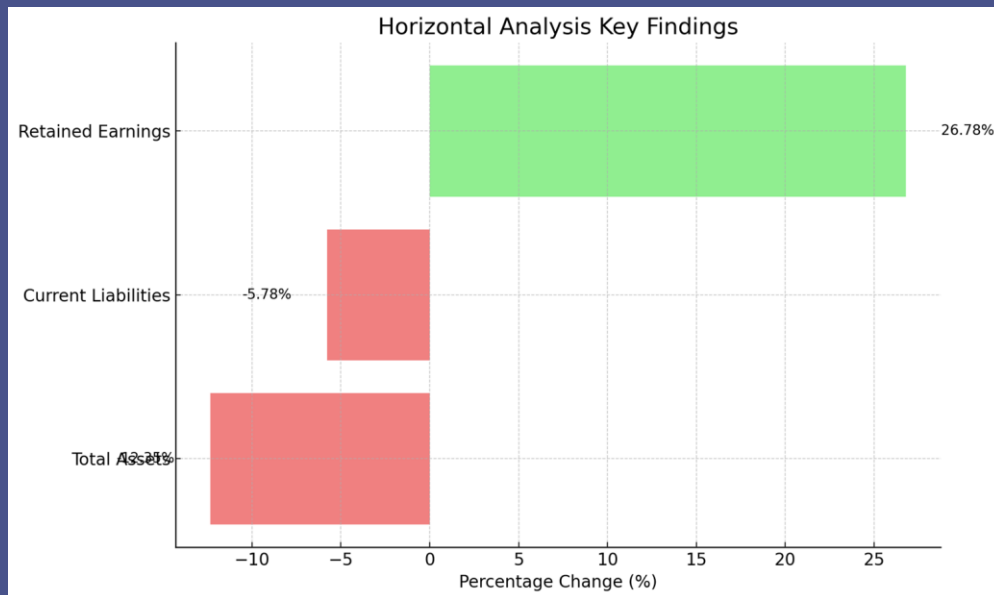
Reduced by 5.78%

(indicating better short-term liability management).

Retained Earnings:

Increased by 26.78%,

(showcasing net profitability reinvestment).



Balance Sheet Analysis:



Net Accounts Receivable

Increased from **9.16%** to **9.90%**, reflecting higher credit sales.



Inventory Levels

Decreased from \$34,405M to \$33,318M, showing improved management.



Days Sales Outstanding

Rose from **30.08** to **33.99 days**, indicating slower collections.



Days Inventory Outstanding

Improved from 43.48 to 39.91 days, indicating faster turnover.



Balance Sheet Analysis:



Days Payables Outstanding

DPO increased from 100.59 to 101.79 days, optimizing cash flow while managing supplier relationships.



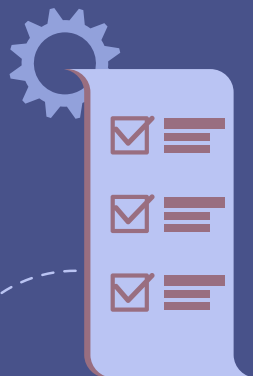
Stock Metrics

Amazon's focus on common stock issuance and no dividends emphasizes reinvestment for growth and equity financing.



Contingencies

\$5.2 billion in tax-related contingencies demonstrate Amazon's proactive risk management and financial transparency.



Balance Sheet Analysis:



Retained Earnings

Retained earnings grew by 26.78%, signaling a reinvestment strategy to fuel long-term growth.



Treasury Stock

\$7.837 billion in treasury stock shows Amazon's prioritization of liquidity and shareholder value optimization.



Income Sheet – Vertical analysis

Cost of Sales

- Declined from **57.96% in 2021** to **53.02% in 2023**, indicating better cost management, likely from optimized logistics and supply chains.

Fulfillment:

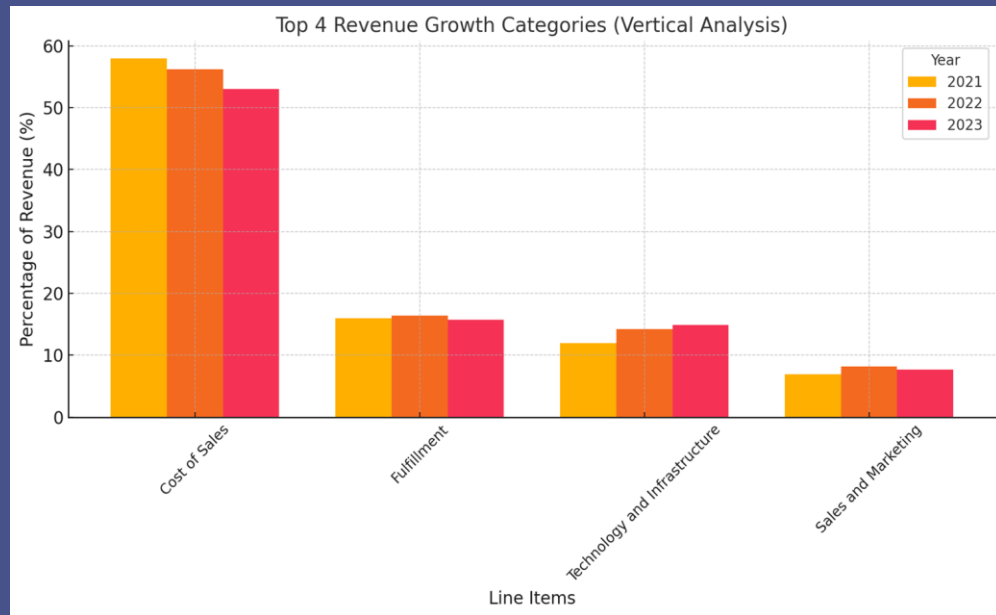
- Increased from **15.98% (2021)** to **16.40% (2022)** but slightly dropped to **15.77% (2023)**.

Technology and Infrastructure:

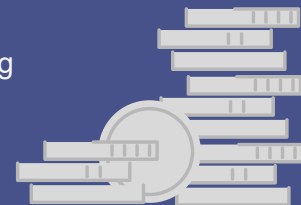
- Steady growth from **11.93% (2021)** to **14.89% (2023)**.

Sales and Marketing:

- Increased from **6.93% (2021)** to **8.22% (2022)** but declined to **7.72% (2023)**.



Shows Amazon is **reducing its reliance on low-margin e-commerce sales** and strategically investing in **high-margin areas like AWS and advertising**, which consume smaller percentages of revenue.



Income Sheet - Horizontal analysis



Revenues (Total Net Sales):

- Growth accelerated from **9.40% (2021-2022)** to **11.83% (2022-2023)**.

Cost of Sales:

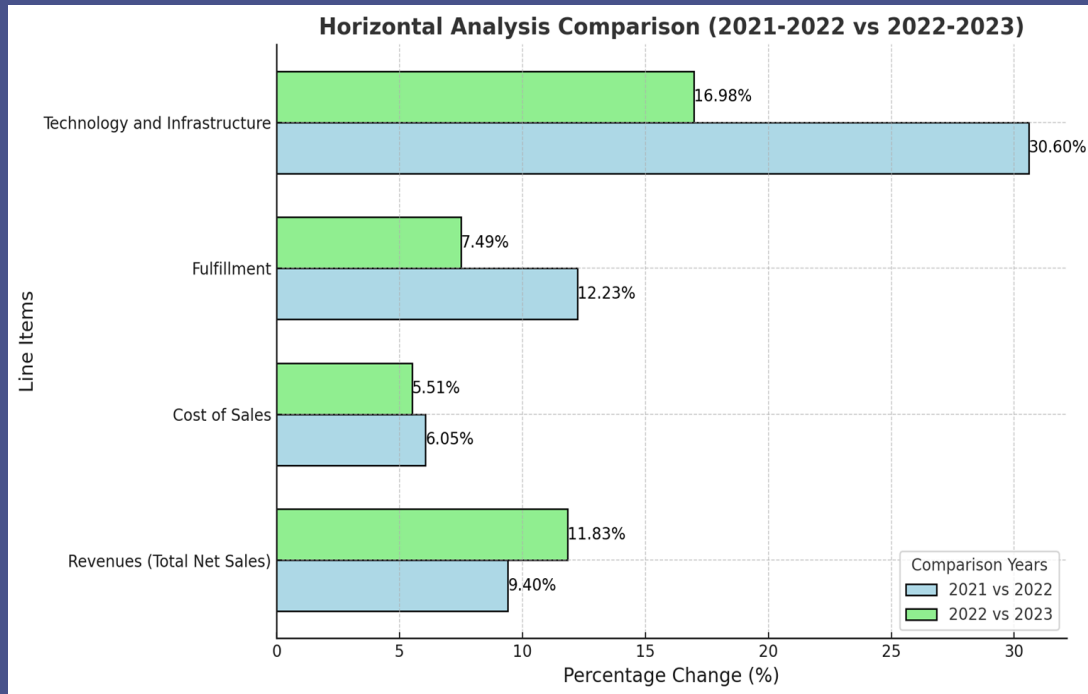
- Growth slowed from **6.05% (2021-2022)** to **5.51% (2022-2023)**.

Fulfillment:

- Slower growth in **2022-2023 (7.49%)** compared to **2021-2022 (12.23%)**.

Technology and Infrastructure:

- Significant investment with **30.60% growth (2021-2022)** and **16.98% growth (2022-2023)**.



Horizontal analysis highlights Amazon's ability to **accelerate revenue growth** while **slowing expense growth**, leading to improved profitability.

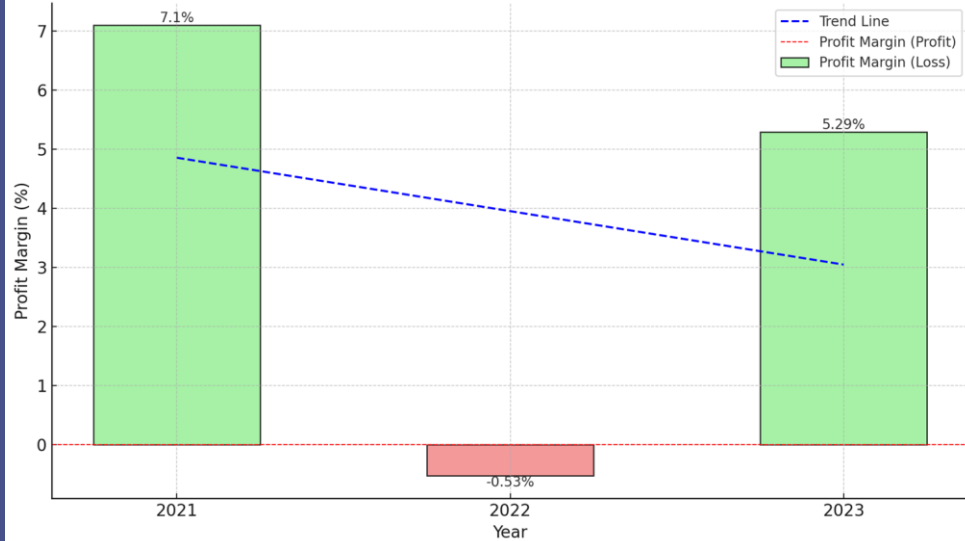


Amazon's Gross Profit Ratio / Profit Margin Analysis

Gross Profit Ratio Improvement:

- 2022: **43.78%**
- 2023: **46.98%**
- **Change:** 3.20% increase year-over-year.

Amazon Profit Margin Ratio Trend (2021-2023)



Profit Margin Trend:

- 2021: **7.10%** (Strong profitability during the pandemic-driven e-commerce boom).
- 2022: **-0.53%** (Loss due to higher costs, investment losses, and slower demand).
- 2023: **5.29%** (Recovery driven by AWS, advertising, and cost control).
- **Trend Line:** Shows recovery in profitability after a dip in 2022.

Key Drivers of Change:

- Growth in high-margin services (AWS, advertising).
- Improved cost efficiency in logistics and operations.
- Reduced reliance on low-margin e-commerce sales.

Company Ratio Analysis:

Return on Assets (ROA)

- **ROA improved** by 7.01%, rising from -0.57% in 2022 to 6.44% in 2023
- Improvement due to higher net income and effective use of assets.
- Competitive with industry average (5-10%) and slightly better than Walmart (5-6%).



Debt to Equity



- **Decreased from** 2.07 to 1.61 indicating reduced reliance on debt, signaling improved financial stability

Cash conversion Cycle(CCC)

- Negative CCC highlights efficient cash flow management, outperforming most competitors with positive CCCs.



Insights and Market Performance:



Market Trend

- Retail and e-commerce sectors are facing tighter margins and increasing competition.
- Amazon's strong ROA (6.44%) and negative CCC show it is navigating these challenges effectively.



Operational Edge

- Amazon's negative CCC highlights its **ability to generate cash quickly**, maintaining a competitive advantage over peers like Walmart.



Amazon is outperforming industry trends with efficient cash flow and profitability while balancing growth-focused investments.

Cash Flow Analysis

Cash Inflow

- Major cash inflow is from Operating activities
- Increased by \$38.1 billion from 2022 to 2023
- This indicates both Effective cost management and better working capital efficiency by Amazon

Cash Outflow

- Major cash outflow is from Investing activities
- This decreased when compared to previous year
- After heavy investment in the previous year, Amazon is more measured approach.



Key Cash Flow Indicators

Operating cash flow to current liabilities

- 2022- 30.09%
- 2023-51.08%
- Increased



Free Cash Flow

- 2022- -\$11.57 billion
- 2023-\$36.81 billion
- Increased

Operating cash flow to CAPEX

- 2022-80.16%
- 2023-176.48%
- Increased



Conclusion: Investing is recommended over lending



Market Leadership:

Higher ROA and a negative cash conversion cycle, showcases superior efficiency



Strong Profitability Growth:

*Revenue growth outpaced costs, with an **11.83% increase in 2023**.*



Operational Efficiency:

Negative cash conversion cycle and streamlined processes, positions it as a leader in the e-commerce industry

Why Invest in Amazon?



Strategic Technology

Investments:

***High-margin services** like AWS and advertising*



High-Margin Business Expansion:

*Gross Profit Ratio improved from **43.78% (2022)** to **46.98% (2023)**.*



Strong Cash Flow:

Improved Cash ratios underline Amazon's financial discipline and adaptability in a competitive market.

%



Thank You!