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Evaluating the Financial Performance of Amazon Inc.

Amazon Inc. is one of the world's largest companies by revenue and market capitalization, operating across e-commerce, cloud computing, digital advertising, and logistics. This essay evaluates Amazon's financial performance using its income statement, balance sheet, and cash flow statement, supplemented by key financial ratios. The analysis covers fiscal year 2022, a period in which the company navigated post-pandemic normalization, rising inflation, and significant investment in its logistics network.

Income Statement Analysis

Amazon generated net sales of \$513.98 billion in fiscal year 2022, representing a 9.4% increase from \$469.82 billion in 2021. However, the company reported a net loss of \$2.72 billion, a sharp reversal from net income of \$33.36 billion in the prior year. The loss was largely attributable to a \$12.7 billion pre-tax valuation loss on Amazon's equity investment in Rivian Automotive, whose share price declined significantly following its 2021 IPO.

Excluding the Rivian impact, Amazon's core operating income was \$12.25 billion, driven by strong growth in Amazon Web Services (AWS), which contributed \$22.84 billion in operating income on revenue of \$80.1 billion. AWS represented the primary source of profitability, offsetting losses in the North America and International retail segments, which were pressured by elevated fulfillment and transportation costs.

Balance Sheet Analysis

Amazon's balance sheet reflects a capital-intensive business model. Total assets reached \$462.68 billion at year-end 2022, up from \$420.55 billion in 2021. Property, plant, and equipment accounted for \$186.72 billion of total assets, reflecting continued investment in warehouses, data centers, and transportation infrastructure.

The company held \$53.89 billion in cash and cash equivalents and short-term investments, providing a strong liquidity buffer. Total liabilities stood at \$316.63 billion, giving Amazon a debt-to-equity ratio of approximately 2.17. While this level of leverage is elevated, it reflects Amazon's strategy of financing growth through debt at low cost rather than equity issuance. Long-term debt totaled \$67.15 billion, the majority of which carries fixed interest rates, reducing exposure to interest rate volatility.

Cash Flow Analysis

Despite the reported net loss, Amazon generated \$46.75 billion in operating cash flow in 2022. Free cash flow, however, was negative at \$11.57 billion after capital expenditures of \$58.32 billion, as the company continued investing heavily in fulfillment capacity and AWS infrastructure. This divergence between operating cash flow and free cash flow highlights the investment phase Amazon was navigating in 2022, with management signaling an expectation of improved capital efficiency in subsequent years.

Ratio Analysis

Amazon's current ratio of 0.94 indicates that current liabilities slightly exceeded current assets at year-end, which warrants monitoring but is not unusual for large retailers with rapid inventory turnover. The net profit margin of -0.53% reflects the Rivian-related loss rather than a structural deterioration in the business. Return on equity (ROE) was negative at -2.56% in 2022, again driven by the investment loss rather than core operational underperformance.

AWS's operating margin of 28.5% demonstrates the high profitability of the cloud segment, which continues to subsidize the lower-margin retail operations and fund long-term capital investment.

Conclusion

Amazon's 2022 financials present a nuanced picture. The headline net loss obscures strong operational performance in AWS and resilient revenue growth across the business. The company carries significant leverage and negative free cash flow, both of which reflect deliberate investment choices rather than financial distress. Investors and analysts evaluating Amazon's financial health must distinguish between one-time investment losses, capital expenditure cycles, and the underlying profitability of its core business segments.

