Amazon.com

2012

Financial Analysis Report

Prepared for

Finance Community

6/1/2012

Consulting Bureau for Studies and Financial Analyzing

CBSFA

In 2011, CBSFA was established to help its clients make strong financial decisions. Since then, we have helped national and international clients with intelligent financial solutions. Today, our primary goal is to resolve financial issues that affect the financial world.

We provide an extensive financial analysis to identify their financially weak areas, and to provide with solutions that are practical to apply. We are now offering your company an opportunity to strengthen their capacity.

Sincerely,

Ikbal Abduljabbar
Founder/CEO
Consulting Bureau for Studies and Financial Analyzing (CBSFA)

Consulting Bureau for Studies and Financial Analyzing

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Business Description

Amazon.com, Inc. was founded Jeffrey P. Bezos in 1994 and headquartered in Seattle, Washington. It operates in field online retail in North America and also in international side. The company as Amazon.com, Amazon .co.uk and Amazon.ca serves consumers through its retail websites. It also offers programs that enable sellers to sell their products on company's websites, and their own branded websites. Besides, it offers their sellers a program to sell their downloadable products "including kindle eBooks". In addition, the company serves developers and enterprises through Amazon Web Services, which provides access to technology infrastructure that developers can use to enable virtually various type of business. Amazon established long-term relationships with many important strategic partners, including America Online, Yahoo!, Excite, Netscape, GeoCities, AltaVista, @Home, and Prodigy. Market share has expanded according to distribution center capacity which it grew from 50,000 to 285,000 square feet, including a 70% expansion of our Seattle facilities and the launch of our second distribution center in Delaware. Inventories rose to over 200,000 titles at year-end, enabling us to improve availability for our customers. Additionally, Amazon produces and sells the Kindle e-reader. Finally, the company provides fulfillment services; miscellaneous marketing and promotional agreements, such as online advertising and co-branded credit cards.

Please Note, This report is analytical it focuses on weakness and strength points of a company's performance and explains them. It gives the investors and analysts a strong supplementary source to take their decisions about the subject business. It doesn't consult if the target business investable or not.

Information Sources (Data provided)

The following sources of information were used in preparing the report

1. This included data compilation from Standard and poor's, Yahoo finance data source, and annual repot of Amazon for 2011, 2010, 2009, and 2008

2. Business financial statements and tax records of the subject business over the most recent 4 years have been analyzed to estimate the business current performance and outlook for continued income generation.

In the next pages we demonstrate the financial statements of Amazon (cash flow statement, income statement, and balance sheet).

AMAZON.COM, INC. CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands, except per share data)			
	31 December		
	31-Dec-11	**31-Dec-10**	**31-Dec-09**
Net Sales	48,077,000	34,204,000	24,509,000
Cost of sales	37,288,000	26,561,000	18,978,000
Gross Profit	**10,789,000**	**7,643,000**	**5,531,000**
Fulfillment	4,576,000	2,898,000	2,052,000
Marketing	1,630,000	1,029,000	680,000
Technology and content	2,909,000	1,734,000	1,240,000
General and administrative	658,000	470,000	328,000
Other operating expense (income), net	154,000	106,000	102,000
Total Operating Expenses	**9,927,000**	**6,237,000**	**4,402,000**
Operating Profit	**862,000**	**1,406,000**	**1,129,000**
Interest income	61,000	51,000	37,000
Interest expense	-65,000	-39,000	-34,000
Other income (expense), net	76,000	79,000	29,000
Provision for income taxes	-291,000	-352,000	-253,000
Equity-method investment activity, net of tax	-12,000	7,000	-6,000
Total	-231,000	-254,000	-227,000
Net Income Applicable To Common Shares	**631,000**	**1,152,000**	**902,000**
Basic earnings per share	1.39	2.58	2.08
Diluted earnings per share	1.37	2.53	2.04

AMAZON.COM, INC. CONSOLIDATED BALANCE SHEETS (in thousands)			
	Year ending 31 December		
	30-Dec-11	30-Dec-10	30-Dec-09
	$		$
Assets			
Current Assets			
Cash and cash equivalents	5,269,000	3,777,000	3,444,000
Marketable securities	4,307,000	4,985,000	2,922,000
Inventories	4,992,000	3,202,000	2,171,000
Accounts receivable, net and other	2,571,000	1,587,000	988,000
Deferred tax assets	351,000	196,000	272,000
Total Current Assets	**17,490,000**	**13,747,000**	**9,797,000**
Fixed assets, net	4,417,000	2,414,000	1,290,000
Deferred tax assets	28,000	22,000	18,000
Goodwill	1,955,000	1,349,000	1,234,000
Other assets	1,388,000	1,265,000	1,474,000
Total Assets	**25,278,000**	**18,797,000**	**13,813,000**
Liabilities			
Current liabilities:			
Accounts payable	11,145,000	8,051,000	5,605,000
Accrued expenses and other	3,751,000	2,321,000	1,759,000
Total Current Liabilities	**14,896,000**	**10,372,000**	**7,364,000**
Long-term liabilities	2,625,000	1,561,000	1,192,000
Total Liabilities	**17,521,000**	**11,933,000**	**8,556,000**
Preferred stock, $0.01 par value Authorized shares— 500 Issued and outstanding shares — none	0	0	0
Common stock, $0.01 par value: Authorized shares — 5,000 Issued shares — 473 and 468 Outstanding shares — 455 and 451	5,000	5,000	5,000
Treasury stock, at cost	-877,000	-600,000	-600,000
Additional paid-in capital	6,990,000	6,325,000	5,736,000
Accumulated other comprehensive loss	-316,000	-190,000	-56,000
Retained earnings	1,955,000	1,324,000	172,000
Total stockholders' equity	**7,757,000**	**6,864,000**	**5,257,000**

AMAZON.COM, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)			
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,777,000	3,444,000	2,769,000
Period Ending	**30-Dec-11**	**30-Dec-10**	**30-Dec-09**
Net Income	**631,000**	**1,152,000**	**902,000**
Adjustments to reconcile net income to net cash from operating activities			
Depreciation of fixed assets, including internal-use software and website			
development, and other amortization	1,083,000	568,000	378,000
Stock-based compensation	557,000	424,000	341,000
Other operating expense (income), net	154,000	106,000	103,000
Losses (gains) on sales of marketable securities, net	-4,000	-2,000	-4,000
Other expense (income), net	-56,000	-79,000	-15,000
Deferred income taxes	136,000	4,000	81,000
Excess tax benefits from stock-based compensation	-62,000	-259,000	-105,000
Changes in operating assets and liabilities:			
Inventories	-1,777,000	-1,019,000	-531,000
Accounts receivable, net and other	-866,000	-295,000	-481,000
Accounts payable	2,997,000	2,373,000	1,859,000
Accrued expenses and other	1,067,000	740,000	300,000
Additions to unearned revenue	1,064,000	687,000	1,054,000
Amortization of previously unearned revenue	-1,021,000	-905,000	-589,000
Total Cash Flow From Operating Activities	**3,903,000**	**3,495,000**	**3,293,000**
Purchases of fixed assets, including internal-use software and website dev	-1,811,000	-979,000	-373,000
Sales and maturities of marketable securities and other investments	6,843,000	4,250,000	1,966,000
Acquisitions, net of cash acquired, and other	-705,000	-352,000	-40,000
Purchases of marketable securities and other investments	-6,257,000	-6,279,000	-3,890,000
Total Cash Flows From Investing Activities	**-1,930,000**	**-3,360,000**	**-2,337,000**
Financing Activities, Cash Flows Provided By or Used In			
Excess tax benefits from stock-based compensation	62,000	259,000	105,000
Common stock repurchased	-277,000	-	-
Repayments of long-term debt, capital lease, and finance lease obligations	-444,000	-221,000	-472,000
Proceeds from long-term debt and other	177,000	143,000	87,000
Total Cash Flows From Financing Activities	**-482,000**	**181,000**	**-280,000**
Effect Of Exchange Rate Changes	1,000	17,000	-1,000
Change In Cash and Cash Equivalents	**1,492,000**	**333,000**	**675,000**

Methodology

This analysis is external. Practically, we study and treat the data horizontally and vertically. Further, we compare in horizontal analysis the financial data for three years taking in concern comparative statements and Trend percentages analysis as dynamic method. In vertical analysis we study the relationship of the various items in the financial statements in one accounting period taking in concern financial ratios as Static method. Finally we end the report with financial keys analysis of competitors like Apple Inc. and Barnes & Noble, Inc. in Catalog & Mail Order Houses industry

Analysis

Description and Analysis

In this part we are going to compare 2011 with 2009 and 2010 to extract the performance of each activity. We start with **Dynamic Method- Comparative Statements then trend analysis**.

Cash Flow Statement

The cash and cash equivalents have increased in 2011 about 348% from the previous year and 121% compared to base year 2009. This action was concerning to the various performance of both operation and investing activities (See table1). Specifically, total cash flow from operation activities has about 12% more than previous year and 73% more than base year 2009. Furthermore, the advanced performance of the operation activities comes from the consolidation of all outflow funds and from increasing the inflow fund. Precisely, Depreciation, Deferred income taxes, and unearned revenue have contributed to push the cash flow higher. However, inventories and Accounts receivable look more negative this year so they retained 74% and 194% from cash respectively comparing to 2010. Accounts payable didn’t change significantly on the cash flow table. Note that full compare to the base year will come in trend analysis part. Further, Sales and maturities of marketable securities have jumped about 61% compared to 2010 and about 248% compared the base year. Financing activities look different comparing to the previous (2010) years; the company repurchased common stocks from the market and increased with it the treasury stock cost account by 46 %. This could obviously be seen from chart one and two below.

Chart 1

Chart 2

These charts illustrate the changing of all major activities and Cash and Cash Equivalents between the studied years which are 2009 as base year, 2010 and 2011. So, the cash has increased affected by Operating Activities, but investing activities have a negative effect on the cash in period 2010-2009 (chart1). The financing activities look worse because of increasing in treasury stock cost. This can be seen similar when we look at the comparing period 2011-2009 in chart 2. As conclusion, Amazon has more cash than before because of sales action and delayed payments, but on the other hand it has recorded more retained cash in inventories and accounts receivable.

Table 1

Comparative Cash Flow Statement for the year ended 31st Dec. 2009-2011, All numbers in thousands						
	Increase/ Decrease	Increase/ Decrease	Increase/ Decrease	Increase/ Decrease	Increase/ Decrease	Increase/ Decrease
	(Amounts)	(Percentages)	(Amounts)	(Percentages)	(Amounts)	(Percentages)
	2010-2009	2010-2009	2011-2010	2011-2010	2011-2009	2011-2009
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**675,000**	**24%**	**333,000**	**10%**	**1,008,000**	**36%**
Period Ending						
Adjustments to reconcile net income to net cash from operating activities						
Depreciation of fixed assets, including internal-use software and website development, and other amortization	190,000	50%	515,000	91%	705,000	187%
Stock-based compensation	83,000	24%	133,000	31%	216,000	63%
Other operating expense (income), net	3,000	3%	48,000	45%	51,000	50%
Losses (gains) on sales of marketable securities, net	2,000	-50%	-2,000	100%	0	0%
Other expense (income), net	(64,000)	427%	23,000	-29%	-41,000	273%
Deferred income taxes	(77,000)	-95%	132,000	3300%	55,000	68%
Excess tax benefits from stock-based compensation	(154,000)	147%	197,000	-76%	43,000	-41%
Changes in operating assets and liabilities:						
Inventories	(488,000)	92%	-758,000	74%	-1,246,000	235%
Accounts receivable, net and other	186,000	-39%	-571,000	194%	-385,000	80%
Accounts payable	514,000	28%	624,000	26%	1,138,000	61%
Accrued expenses and other	440,000	147%	327,000	44%	767,000	256%
Additions to unearned revenue	(367,000)	-35%	377,000	55%	10,000	1%
Amortization of previously unearned revenue	(316,000)	54%	-116,000	13%	-432,000	73%
Total Cash Flow From Operating Activities	**202,000**	**6%**	**408,000**	**12%**	**610,000**	**19%**
Purchases of fixed assets, including internal-use software and website development	(606,000)	162%	-832,000	85%	-1,438,000	386%
Sales and maturities of marketable securities and other investments	2,284,000	116%	2,593,000	61%	4,877,000	248%
Acquisitions, net of cash acquired, and other	(312,000)	780%	-353,000	100%	-665,000	1663%
Purchases of marketable securities and other investments	(2,389,000)	61%	22,000	0%	-2,367,000	61%
Total Cash Flows From Investing Activities	**(1,023,000)**	**44%**	**1,430,000**	**-43%**	**407,000**	**61%**
Financing Activities, Cash Flows Provided By or Used In						
Excess tax benefits from stock-based compensation	154,000	147%	-197,000	-76%	-43,000	-41%
Common stock repurchased	-	-	-	-		
Repayments of long-term debt, capital lease, and finance lease obligations	251,000	-53%	-223,000	101%	28,000	-6%
Proceeds from long-term debt and other	56,000	64%	34,000	24%	90,000	103%
Total Cash Flows From Financing Activities	**461,000**	**-165%**	**-663,000**	**-366%**	**-202,000**	**72%**
Effect Of Exchange Rate Changes						
Change In Cash and Cash Equivalents	**(342,000)**	**-51%**	**1,159,000**	**348%**	**817,000**	**121%**

Income or Operation Statement

The gross profit seems better in 2011 than 2010 and 2009. Further, the change in gross profit (41%) between 2011-2010 is much higher than its changing (38%) between 2010-2009. Continually, the changing in gross profit according to the base year is 96% (2011-2009). This refers to the high sales of Amazon products, but we shouldn't miss out of the eye the high sales costs too, which they increase 40 % annually (See table2.)

The operation expenses have increased in all contents as marketing 58%, and fulfillment 58% (operating, staffing, customer service, and warehousing inventories costs). Moreover, the technology and development costs were much higher than previous year (2010) with 68% because of costs that associated with the compute, storage and telecommunications infrastructure used internally and supporting AWS. Even the general and administrative (payroll and others) expenses were higher by 45%. Obviously, this changing in general and administrative cost has jumped significantly compared to the prior year which was 4% (2010-2009) see table 2. On the other side, interest expenses increased compared to the previous year by 67%. However, Amazon pressed the taxes compared to 2010 about 17% less. This gives it an advantage to compensate the high operation costs. Well, the net income in 2011 was lesser than 2010 and 2009. Further, it recorded down 45% and 30% regarding to period 2010 and 2009 respectively (See table2).

Table 2

Comparative Income Statement
for the year ended 31st Dec. 2009-2011, (in thousands, except per share data)

	Increase/ Decrease (Amounts) 2010-2009	Increase/ Decrease (Percentages) 2010-2009	Increase/ Decrease (Amounts) 2011-2010	Increase/ Decrease (Percentages) 2011-2010	Increase/ Decrease (Amounts) 2011-2009	Increase/ Decrease (Percentages) 2011-2009
Net Sales	9,695,000	40%	13,873,000	41%	23,568,000	96%
Cost of sales	7,583,000	40%	10,727,000	40%	18,310,000	96%
Gross Profit	**2,112,000**	**38%**	**3,146,000**	**41%**	**5,258,000**	**95%**
Fulfillment	846,000	41%	1,678,000	58%	2,524,000	123%
Marketing	349,000	51%	601,000	58%	950,000	140%
Technology and content	494,000	40%	1,175,000	68%	1,669,000	135%
General and administrative	142,000	43%	188,000	40%	330,000	101%
Other operating expense (income), net	4,000	4%	48,000	45%	52,000	51%
Total Operating Expenses	1,835,000	42%	3,690,000	59%	5,525,000	126%
Operating Profit	**277,000**	**25%**	**-544,000**	**-39%**	**-267,000**	**-24%**
Interest income	14,000	38%	10,000	20%	24,000	65%
Interest expense	-5,000	15%	-26,000	67%	-31,000	91%
Other income (expense), net	50,000	172%	-3,000	-4%	47,000	162%
Provision for income taxes	-99,000	39%	61,000	-17%	-38,000	15%
Equity-method investment activity, net of tax	13,000	-217%	-19,000	-271%	-6,000	100%
Total	-27,000	12%	23,000	-9%	-4,000	2%
Net Income Applicable To Common Shares	**250,000**	**28%**	**-521,000**	**-45%**	**-271,000**	**-30%**
Basic earnings per share	0.50	24%	-1.19	-46%	-0.69	-33%
Diluted earnings per share	0.49	24%	-1.16	-46%	-0.67	-33%

The following chats summarized the income statement performance. Further, chart 3 and 4 indicate the main effect on the net income comes from operation expenses, especially in 2011. The rest charts (5 and 6) illustrate the development of the sales with cast of sales and total operation expenses

Chart 3

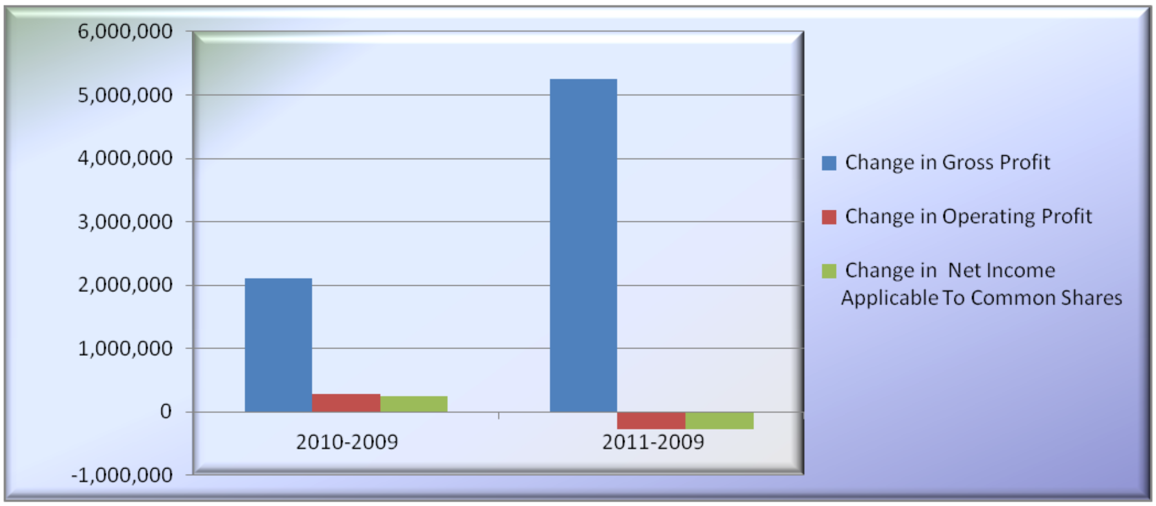
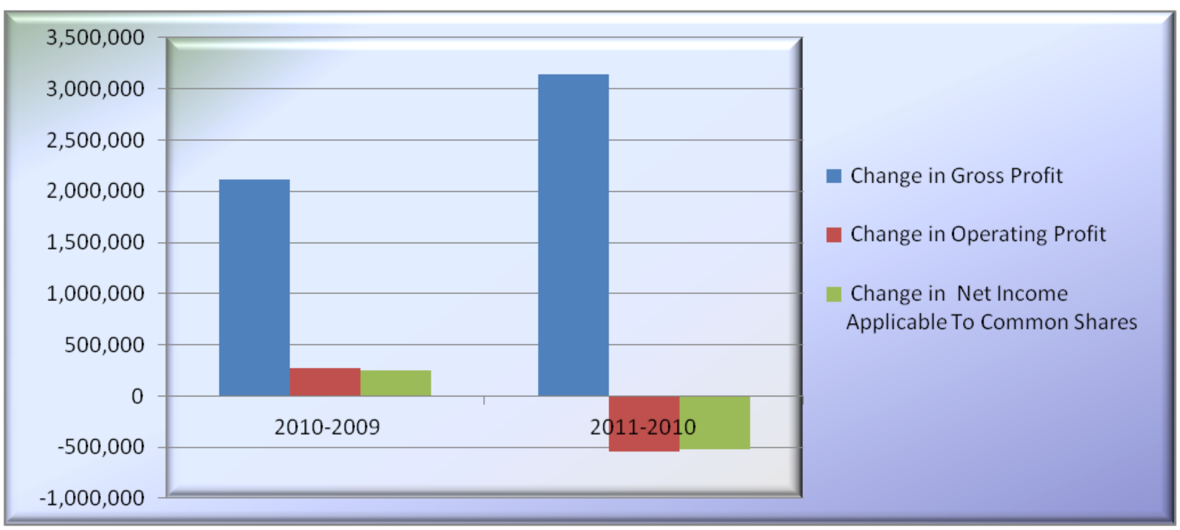


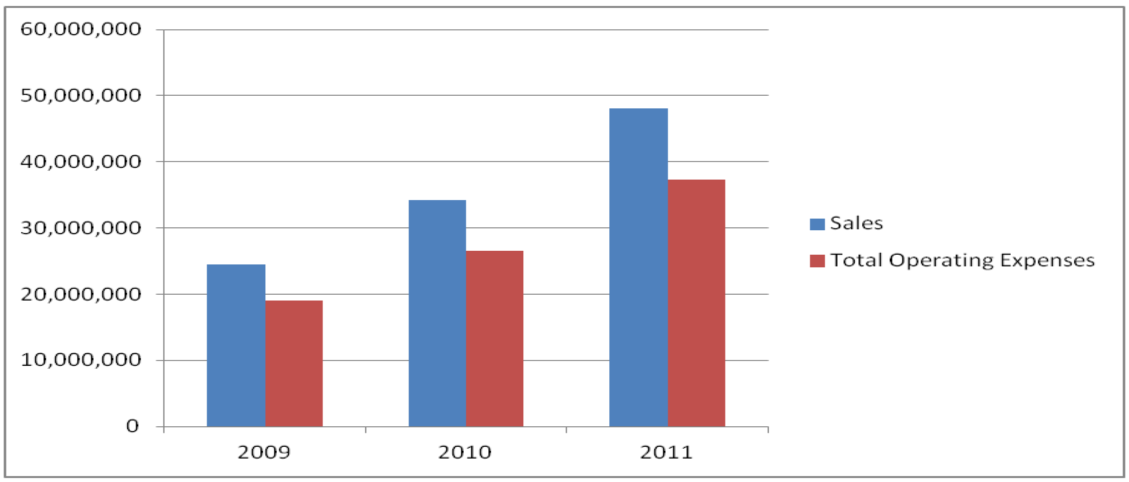
Chart 4



The rest charts (5 and 6) illustrate the development of the sales with cast of sales and total operation expenses

Chart 5

Chart 6



Balance Sheet

The reading from Amazon balance sheet shows that the current asset is at the highest level since 2009 affected by increasing in cash 40%, accounts receivable 62%, and inventories 56%. Fixed assets have increased steadily since 2009 by in average 85% (see table3). Furthermore, the change in total asset (2011-2010) has declined 2% compared to (2010-2009) affected by slowing of growth of fixed asset and Marketable securities.

On the other hand, the increasing in accounts payable has secured cash for the company and contributed to push the current liabilities higher by 44% compared to 2010 and has decreased the working capital (see table 3 and Charts 6 ,7 to full comparison with the base year).

Table 3

Comparative Balance Sheet of a Company for the year ending December 31, 2009 and 2011, All numbers in thousands	Increase/ Decrease (Amounts) 2010-2009	Increase/ Decrease (Percentages) 2010-2009	Increase/ Decrease (Amounts) 2011-2010	Increase/ Decrease (Percentages) 2011-2010	Increase/ Decrease (Amounts) 2011-2009	Increase/ Decrease (Percentages) 2011-2009
Assets						
Current Assets						
Cash and cash equivalents	333,000	10%	1,492,000	40%	1,825,000	53%
Marketable securities	2,063,000	71%	-678,000	-14%	1,385,000	47%
Inventories	1,031,000	47%	1,790,000	56%	2,821,000	130%
Accounts receivable, net and other	599,000	61%	984,000	62%	1,583,000	160%
Deferred tax assets	-76,000	-28%	155,000	79%	79,000	29%
Total Current Assets	**3,950,000**	**40%**	**3,743,000**	**27%**	**7,693,000**	**79%**
Fixed assets, net	1,124,000	87%	2,003,000	83%	3,127,000	242%
Deferred tax assets	4,000	22%	6,000	27%	10,000	56%
Goodwill	115,000	9%	606,000	45%	721,000	58%
Other assets	-209,000	-14%	123,000	10%	-86,000	-6%
Total Assets	**4,984,000**	**36%**	**6,481,000**	**34%**	**11,465,000**	**83%**
Liabilities						
Current liabilities:						
Accounts payable	2,446,000	44%	3,094,000	38%	5,540,000	99%
Accrued expenses and other	562,000	32%	1,430,000	62%	1,992,000	113%
Total Current Liabilities	**3,008,000**	**41%**	**4,524,000**	**44%**	**7,532,000**	**102%**
Long-term liabilities	369,000	31%	1,064,000	68%	1,433,000	120%
Total Liabilities	**3,377,000**	**39%**	**5,588,000**	**47%**	**8,965,000**	**105%**
Preferred stock, $0.01 par value						
Authorized shares— 500						
Issued and outstanding shares — none	0	0	0	0	0	0
Common stock, $0.01 par value:						
Authorized shares — 5,000						
Issued shares — 473 and 468						
Outstanding shares — 455 and 451	0	0%	0			
Treasury stock, at cost	0	0%	-277,000	46%	-277,000	46%
Additional paid-in capital	589,000	10%	665,000	11%	1,254,000	22%
Accumulated other comprehensive loss	-134,000	239%	-126,000	66%	-260,000	464%
Retained earnings	1,152,000	670%	631,000	48%	1,783,000	1037%
Total stockholders' equity	**1,607,000**	**31%**	**893,000**	**13%**	**2,500,000**	**48%**

Furthermore, long term liabilities jumped about 47% compared to 2010 pushing the total liabilities higher by 47% compared to 2010 and 120% compared to base year. Regarding to the decrease in changing total assets and increase in changing total liabilities, it indicates slowing in capital expenditure (this will be explained precisely later).

Chart 7

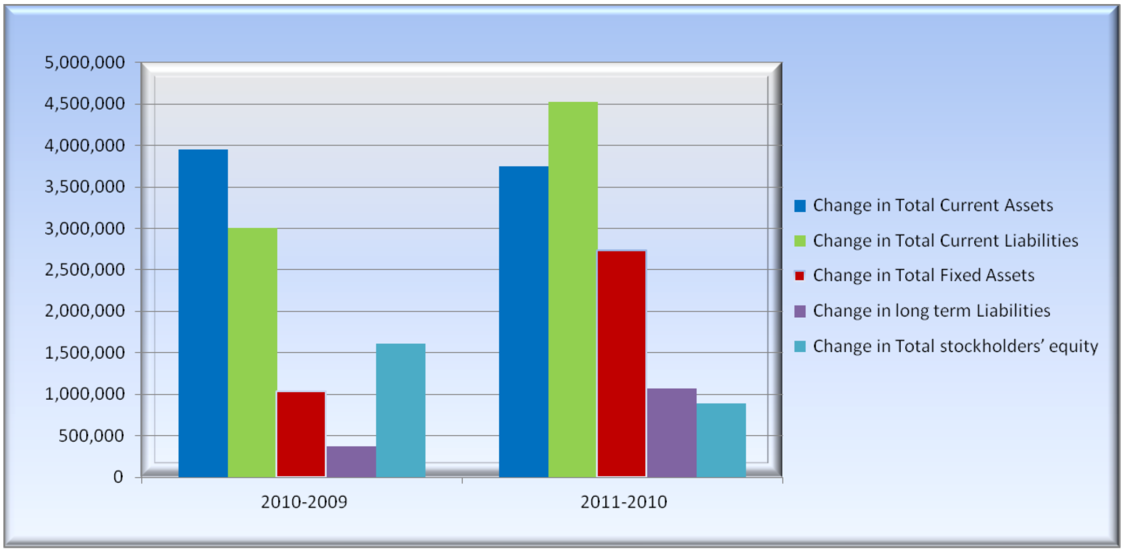
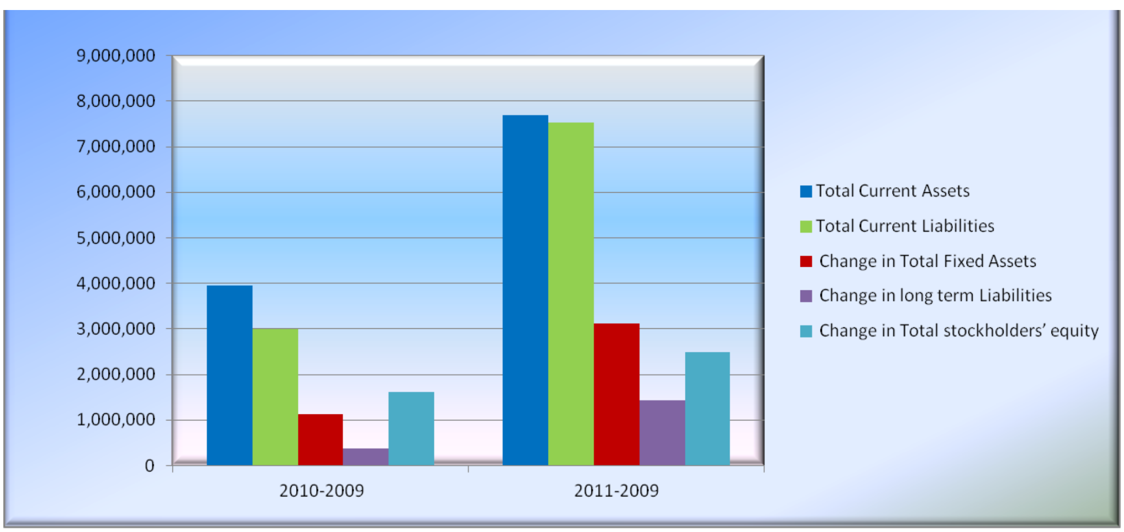


Chart 8



Total stockholders' equity

The slowing growth in stockholders' equity 13% in 2011 compared to 2010 (31% for 2010-2009) backs to the increasing growth in both current and total liabilities. Note that there is no loss in income that calls us to deduct it from stockholders' equity account.

Working Capital Analysis

The working capital of Amazon in compared period (2011-2010) looks discouraged compared to (2010-2009), it plunged 23% which were 39% up in comparison period 2010-2009. Furthermore, it is affected by decreasing in stock in trade -17%. On the other hand, the lightly increase in account payable contributed into decreasing the working capital. The decrease in working capital means worsen in the current financial position of the business and also an increase in inventory 47% may increase working capital of the business but will not be good for the business. See table 4 and the chart 9.

Table 4

Satement of Changes in Working Capital				2010-2009	2011-2010
Particulars	2011	2010	2009	Effect on WC	Effect on WC
				Increase/Decrease	
Current Assets :					
Cash	5,269,000	3,777,000	3,444,000	10%	40%
A/c's Receivable	2,922,000	1,783,000	1,260,000	42%	64%
Stock-in-Trade	4,307,000	4,985,000	2,922,000	71%	-14%
Inventories	4,992,000	3,202,000	2,171,000	47%	56%
Total C.A.	17,490,000	13,747,000	9,797,000	40%	27%
Current Liabilities					
A/c's Payable	14,896,000	10,372,000	7,364,000	41%	44%
Divident Payable	-	-	-		
Tax Payable	-	-	-		
Interest Payable	-	-	-		
Total C.L.	14,896,000	10,372,000	7,364,000	41%	44%
Working Capital	2,594,000	3,375,000	2,433,000	39%	-23%

However, forecasting the working may maintain this negative outlook If the investing activities still at the lowest level and the current liabilities trending to be high. Further, using the exponential equation and regression line to estimate value could state the following values, see the table 5 and the chart 9.

Chart 9

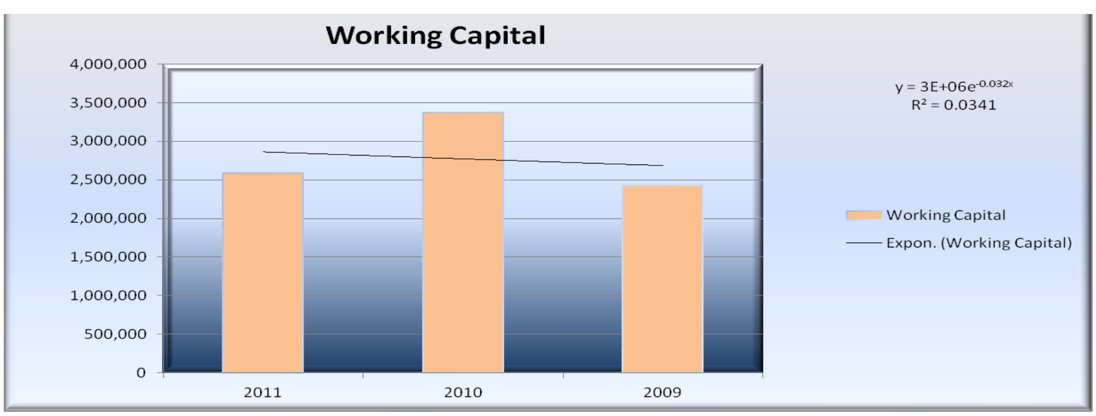


Table 5

	Number Of Years	Estimated WC	Percentage Of Est.
2009	1	2,433,000	
2010	2	3,375,000	38.72%
2011	3	2,594,000	-23.14%
2012	4	2,436,621	-6.07%
2013	5	2,313,155	-5.07%
2014	6	2,195,945	-5.07%
2015	7	2,084,674	-5.07%
2016	8	1,979,041	-5.07%

Capital Expenditure Analysis

Capital Expenditure has a similar situation as in working capital. The slowing in capital expenditure growth returns to increasing in total liabilities growth and decreasing in total asset growth. This can clearly be seen from the following table (6). The decreasing in capital expenditure will affect the growth opportunities of Amazon because it is going to decline the used funds in order to upgrade the company's asset.

Table 6

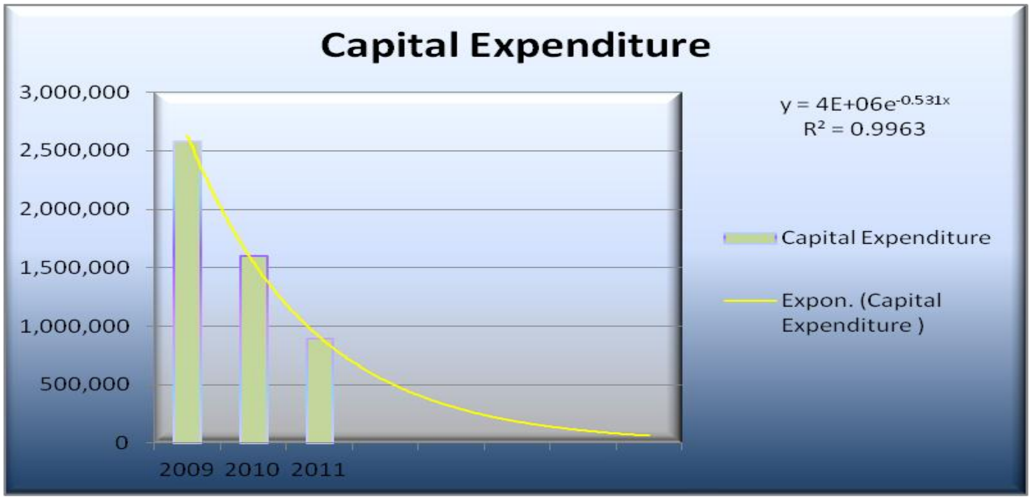
	2009	2010	2011
Capital Expenditure	2,585,000	1,607,000	893,000
Increase/ Decrease (Percentages)	97%	31%	13%

Furthermore, if the contents of capital expenditure are still recording the same trends the capital expenditure will draw negative outlook with average 41.93% decline. See table7 and chart 10.

Table 7

	Number Of Years	Estimated CE	Percentage Of Est.
2009	1	2,585,000	
2010	2	1,607,000	-37.83%
2011	3	893,000	-44.43%
2012	4	478,210	-46.45%
2013	5	281,195	-41.20%
2014	6	165,348	-41.20%
2015	7	97,227	-41.20%
2016	8	57,171	-41.20%

Chart 10



Trend Analysis

In this analysis we choose year 2009 as base year. Furthermore, sales, stocks, and Profit before tax are selected to be studied and estimated. Sales has grown rapidly, this gives the investors a good sign to Amazon. See table 8,

Table 8

Year	Sales		Stock		Profit before Tax	
	Amount	Trend Percentage	Amount	Trend Percentage	Amount	Trend Percentage
2009	24,509,000	100%	5,000	100%	902,000	100%
2010	34,204,000	140%	5,000	100%	1,152,000	128%
2011	48,077,000	141%	5,000	100%	631,000	55%

The estimated sales have 42.92% an average growth. Moreover, the high administration expenses and sales cost have affected the Amazon profits. In line with the prior explanation, profit before tax (PBT) decreases with time passes affected by high costs. The negative growth value of PBT would reach in average -15.09%. Common Stock trade activities recoded no changes in their account. See the table 9 and chart 11, 12 below,

Table 9

	Number Of Years	Estimated Sales	Percentage Of Est.	Estimated PBT	Percentage Of Est.
2009	1	24,509,000		902,000	
2010	2	34,204,000	39.56%	1,152,000	28%
2011	3	48,077,000	40.56%	631,000	-45%
2012	4	76,963,576	60.08%	488,703.16	-23%
2013	5	107,795,108	40.06%	408,607.60	-16%
2014	6	150,977,720	40.06%	341,639.22	-16%
2015	7	211,459,243	40.06%	285,646.57	-16%
2016	8	296,169,603	40.06%	238,830.78	-16%

Chart 11

Chart 12

Static Method- Financial Ratio Analysis

To check the results please see table10 and group chart A at the end of financial ratio analysis section.

Liquidity Ratios

Liquidity ratios provide information about a firm's ability to meet its short-term financial obligations

1. *Current Ratio (or working capital ratio),* it means short-term creditors prefer a high current ratio since it reduces their risk. So, we have a relative high current ratio (1.17) but we should note that the current ratio in 2010 and 2009 were higher. This means that the risk for creditors became higher.
2. *Quick Ratio*, it Includes inventory that may contain many items that are difficult to liquidate quickly or have uncertain liquidation values. In our case, the quick ratio is 0.84 smaller than one; this gives the impression that the inventory makes it a little bit difficult to meet a quick liquidation. Note that this ratio has plunged compared with the last two years.
3. *Cash Ratio*, This ratio excludes all current assets except the most liquid like cash and marketable securities. The cash ratio indicates the firm's ability to meet its current liabilities if for some reason immediate payment were demanded. However, Amazon has a low cash ratio 0.35 compared to 2010 and 2009 despite those years have also smaller than one cash ratio 0.84, 0.86. Seetable10 and group chart A at the end of financial ratio analysis part.

Financial Leverage Ratios

These ratios provide an indication of the long-term solvency of the firm. They measure the extent to which the firm is using long term debt.

1. *Debt Ratio* has started to increase in 2010 and jumped to 0.69. This gives the impression of how much contributes the borrowing in capital structure and funded the asset from foreign money. However, Amazon has a relative high leverage level. This could be bad for Amazon if it couldn’t meet the obligation on the long run.

2. *Debt-to-Equity Ratio*, it is similar to debt ratio the debt to equity ratio gives the indication of how much the foreign fund contribute in the shareholder's equity. This ratio reaches the highest level since 2009 to 2.25 in 2011.
3. *Interest Coverage,* it indicates how well the Amazon's earnings can cover the interest payments on its debt. Currently, Amazon has a high leverage level so it should pay interest more than previous years. Further, this ratio reached the lowest level since 2009 13.26 see the table and the chart. This means that the capability Amazon's earning decreased to cover the interest payments

Asset Turnover Ratios

This ratio reflects how efficiently the firm operations or activities managed its assets.

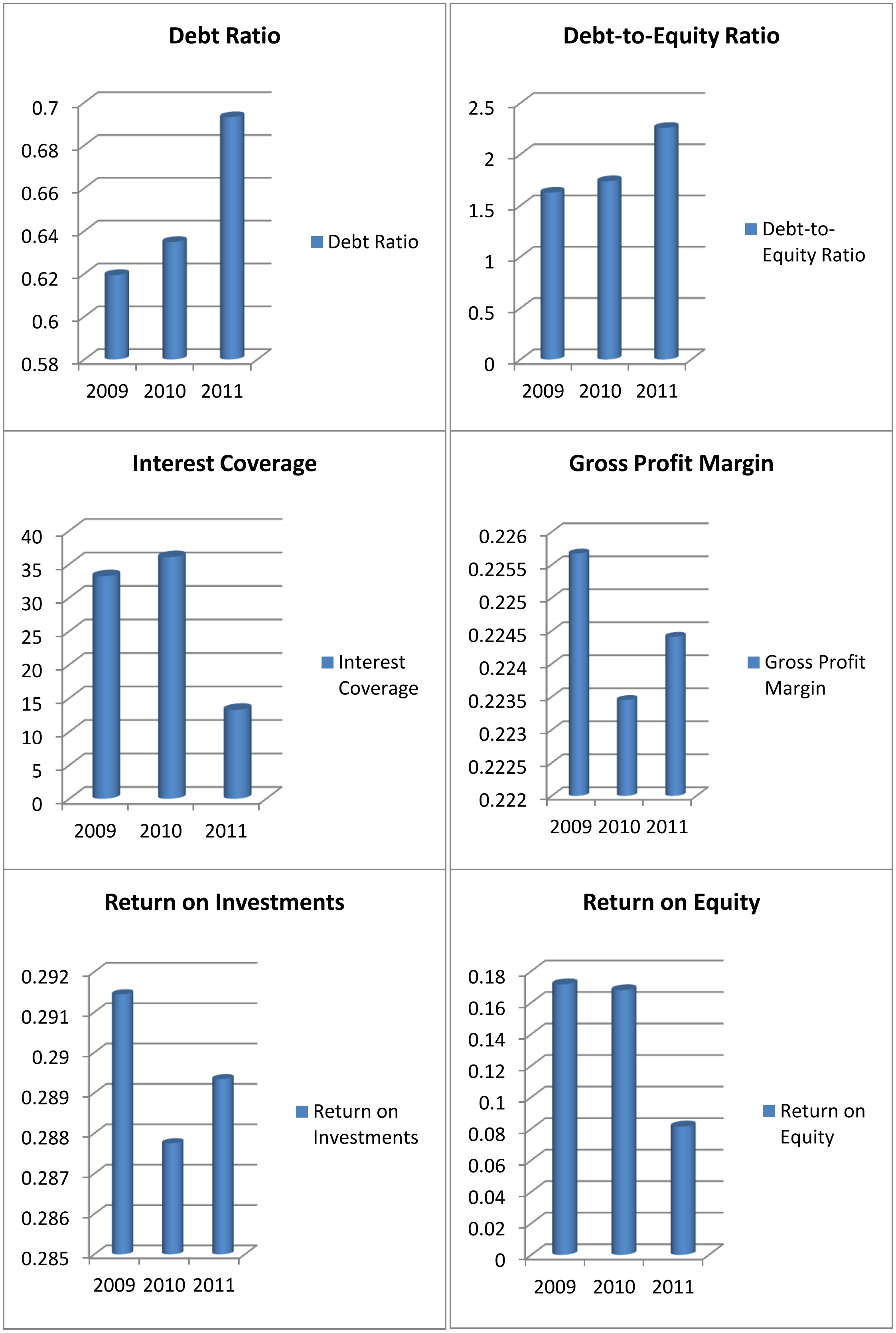
1. *Receivables Turnover,* it gives us the percentage of the relationship between uncollected money and firm's operation. So, if the ratio is higher comparing to previous year then indicates that the amount of uncollected money from its operations is going to be lower. On contrary, if the ratio is lower comparing to previous year then indicates that the amount of uncollected money (cash) from its operations is going to be higher. However, Amazon has in 2011 bigger amount cash inflow awaiting from its credits sales because of lower receivable turnover ratio 4.33% than past years.
2. *Average Collection Period*, it gives the number of days that it takes to receive payments owed by the clients. In our case, Amazon has a lower Receivables Turnover This means it takes much more time to collect its payments. Furthermore, the average collection period for 2011 is 84.5 days more than the previous years.
3. *Inventory Turnover*, it means how well a firm manages their inventory to turn it into sales. In our case the inventory turnover ratio for 2011 is 7.5 lower than 2009 and 2010. So, the company may look at their inventory to appropriate cost cutting for enhance sales.
4. *Inventory Period*, it gives us the number of days or other words how many days would stay the firm's inventory in the warehouse till it is turned into sales. The Amazon inventory period in 2011 is 49 days which is much higher than the past years. Looking back to 2009 and 2010 we noticed that the inventory period was surging with time

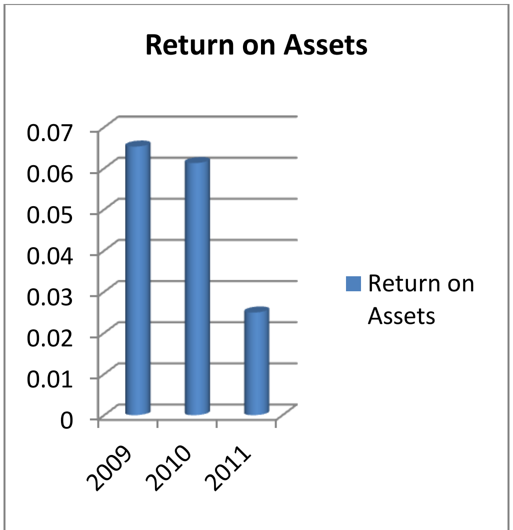
passed. This might be a serious worry to Amazon because of high receivable account and high inventory should decrease the sales the ability to score more profits.

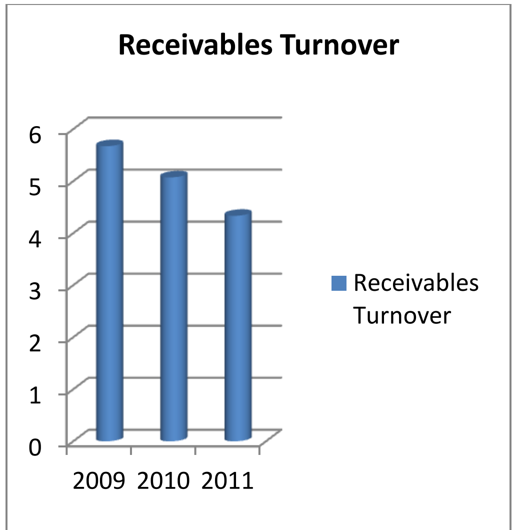
Profitability Ratios

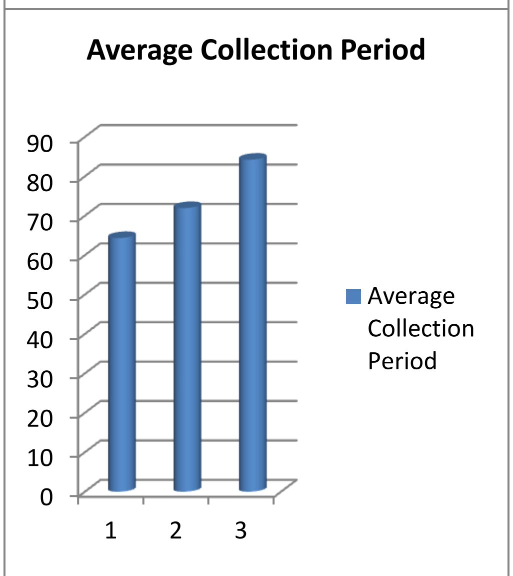
1. *Gross Profit Margin,* it is a measure of the gross profit earned on sales. it considers the firm's cost of goods sold, but does not include other costs. Further, the more higher the gross profit margin the better reflects the firm’s Profitability. Amazon has in 2011 22% gross profit margin. Comparing to past years the ratio is a little bit lower than before, but this reflects in average a stable profit status for Amazon.
2. *Return on Assets (ROA)*, it is the ability of a company to use its assets to gain a net profit. The higher The ROA the better the company investing its asset to generate net profits. In 2009 and 2010 the ROA is around 6.5%, but in 2011 is 2.4% lesser than before. This gives us the impression that Amazon doesn’t utilize its asset good enough to push up the net profit higher.
3. *Return on Investment (ROI*), it measures the percentage of return on a particular investment. Amazon maintains its ROI around 28-29% for three years. Further, Amazon has in 2011 ROI at 28.9% higher than 2010 (28.7%) but lower than 2009 (29.1%). Amazon should appreciate cutting its cost in order to expand the return on investment.
4. *Return on Equity (ROE),* it measures how much profits earned for each dollar invested in the firm's stock. Further, the higher is the ROE the better is company status. Also, Amazon has 8% ROE in 2011. So, comparing to 2010 and 2009 ROE plunged to a very low level which was 16.7% and 17.15% respectively. However, the low ROE backs to increasing in liabilities that causes decreasing in shareholder’s equity.

Group Chart A

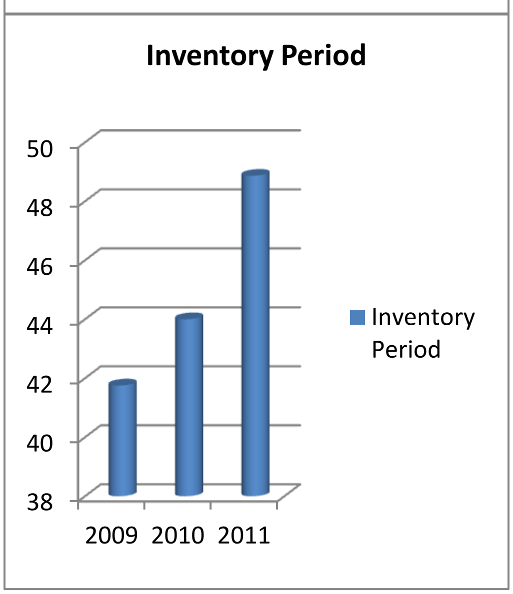


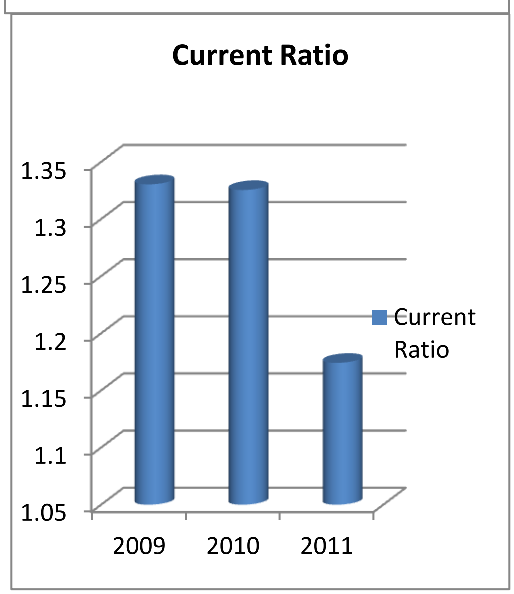

Return on Assets
0.07
0.06
0.05
0.04
0.03
0.02
0.01
0
2009
2010
2011
Return on Assets

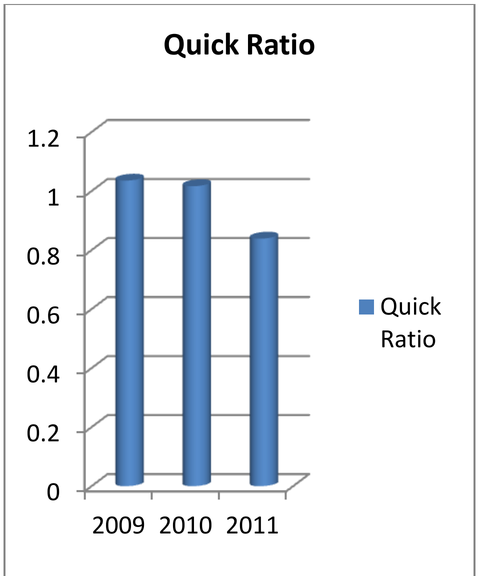

Receivables Turnover
6
5
4
3
2
1
0
2009 2010 2011
Receivables Turnover

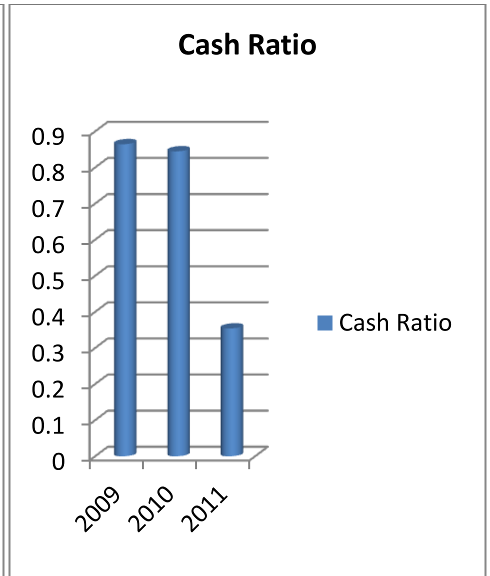

Average Collection Period
90
80
70
60
50
40
30
20
10
0
1 2 3
Average Collection Period


Inventory Turnover
9
8.5
8
7.5
7
6.5
2009 2010 2011
Inventory Turnover


Inventory Period
50
48
46
44
42
40
38
2009 2010 2011
Inventory Period


Current Ratio
1.35
1.3
1.25
1.2
1.15
1.1
1.05
2009 2010 2011
Current Ratio


Quick Ratio
1.2
1
0.8
0.6
0.4
0.2
0
2009 2010 2011
Quick Ratio


Cash Ratio
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
2009
2010
2011
Cash Ratio

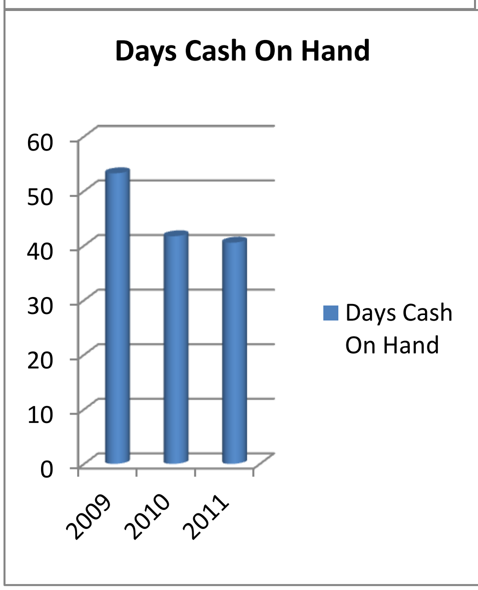

Days Cash On Hand
60
50
40
30
20
10
0
2009
2010
2011
Days Cash On Hand

Table 10

Financial Ratios	2009	2010	2011
Current Ratio	1.330391092	1.325395295	1.174140709
Quick Ratio	1.03557849	1.016679522	0.839017186
Cash Ratio	0.864475828	0.844774393	0.35405478
Days Cash On Hand	53.24945991	41.71018395	40.53418623
Debt Ratio	0.619416492	0.634835346	0.693132368
Debt-to-Equity Ratio	1.627544227	1.738490676	2.258734047
Interest Coverage	33.20588235	36.05128205	13.26153846
Gross Profit Margin	0.225672202	0.223453397	0.224410841
Return on Assets	0.065300804	0.061286375	0.024962418
Return on Equity	0.171580749	0.167832168	0.081345881
Return on Investments	0.291442723	0.28775272	0.289342416
Receivables Turnover	5.673076923	5.073093888	4.334889148
Average Collection Period	64.33898305	71.94820519	84.20053836
Inventory Turnover	8.741593736	8.295128045	7.469551282
Inventory Period	41.75439983	44.00173186	48.86505042

Financial Keys Analysis

Comparing to the market competitors (Bames & Noble and Apple) on the same industry (Catalog & Mail Order Houses), Amazon still has a middle price. The highest share outstanding amount belongs to Apple then goes to Amazon then goes to Bames & Noble. Furthermore, Apple repurchased no common stock from the market (see the float at the table) because Apple's price is high and the retained profits unitized in investment. Amazon bought some common stock from the market in order to invest some cash (Treasury Stock) or to support market price. Moreover, the main competitor to Amazon is Apple because it has the highest trading volume, employees, and market Cap. (See table 11). However, Amazon looks less risk than Apple (look at beta at table). In addition, Apple has a low P/E compared to Amazon because of high price high and EPS, this gives Apple more opportunities to growth than Amazon because of very high return growth and no dividends payout policy. This comparison excludes Bames & Noble from investment decision point of view because its losses combined with beta risk -factor (see table 11).

Table 11: data were taken on 31th May 2012

Barnes & Noble, Inc.		Amazon		Apple Inc	
Prev Close:	17.23	Prev Close:	212.89	Prev Close:	562.29
Beta:	0.91	Beta:	0.64	Beta:	0.94
Employees:	35835	Employees:	56200	Employees:	60400
Shares Outstanding	58.12M	Shares Outstanding	450.52M	Shares Outstanding	935.06M
Float	19.41M	Float:	361.91M	Float	934.44M
Volume:	340720	Volume:	1408757	Volume:	7377362
Market Cap:	982.99M	Market Cap:	96.62B	Market Cap:	532.26B
P/E (ttm):	N/A	P/E (ttm):	177.09	P/E (ttm):	13.87
EPS (ttm):	-1.37	EPS (ttm):	1.21	EPS (ttm):	41.04

Amazon price movement fluctuated around 20% along six months. This combined with harsh volatility fluctuation. Note that volatility up May started to surge indicating price slow down. See chart 13,

Chart 13

Conclusion

Amazon has increased and varied its production. It has over 200,000 titles available for customers. The professional client's satisfaction through expanding its product policy has increased the sales rapidly to generate the required cash, which it grows every year, to cover the technology and development costs that associated with the compute, storage and telecommunications infrastructure used internally and supporting AWS. Increasing the cost of sales 40 % annually and general and administrative expenses (payroll and others) shrink the net income. This has affected the ability of Amazon to meet its obligation toward creditors.

However, high payroll expenses (more employees), high sales (more cash) and cost of sales (more products and marketing) is a good sign on the long run because it refers to business expand strategy and long stability, but it should appropriate cost cutting to lower inventory period and enhance sales.

Anyway, high costs and expenses affect cash inflow. So, this can be clearly seen from profitability ratios, which gross profit margin, ROE, ROI, and ROA have declined over the last three years. This indicates that Amazon doesn't utilize its asset good enough to push up the net profit higher. Further, the plunging ROE and other return ratios to a low level backs to increasing in liabilities that causes sequently decreasing in shareholder's equity, this had engaged too with decreasing in both capital expenditure and working capital. Further, the decreasing in capital expenditure will affect the growth opportunities of Amazon because it is going to decline the used funds in order to upgrade the company's asset.

Finally, the high leverage level affords Amazon to cover the interest rate, but gives it an advantage to expand because the higher the leverage, the higher the expected return on equity (positive leverage effect), this requires substantial strategic flexibility.

Statement of Limiting Conditions

This Consultation relies upon the following contingent and limiting conditions:

I. We assume no responsibility for the legal matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed good and marketable.

II. The business interest and subject business assets have been analyzed free and clear of any liens or encumbrances unless stated otherwise. No hidden or apparent conditions regarding the subject business assets or their ownership are assumed to exit.

III. All information provided by the client and others is thought to be accurate. However, we offer no assurance as to its accuracy.

IV. Absent a statement to the contrary, we have assumed that no hazardous conditions or materials exist which could affect the subject business or its assets. However, we are not qualified to establish the absence of such conditions or materials, nor do we assume the responsibility for discovering the same.

V. Per agreement with the client, this analysis and advisory report is limited scope.

VI. The analysis and consultation of business presented in the report are for the purpose of this engagement only and are not to be used for any other reason, any other context or by any other person except the client to whom the report is addressed.

VII. The opinion of analysis and consultation expressed in this report does not obligate us to render a comprehensive business appraisal report, to give testimony, or attend court proceedings with regard to the subject business assets, properties or business interests, unless such arrangements have been made previously.

VIII. Possession of this report does not imply a permission to publish the same or any part thereof. No part of this report is to be communicated to the public by means of advertising, news releases, sales and promotions or any other media without a prior written consent and approval by us.

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