

Investment Analysis and Selection on Apple, Netflix, and Amazon

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Abstract. In the present economy, Apple, Netflix, and Amazon stand out as leaders in their perspective sector, such as technology, entertainment, and e-commerce. The study investigates firms using financial data from 2023 to 2024 sourced from professional online database. The analysis focuses on key financial metrics such as risk, profitability, and market ratios, providing comprehensive understanding of the investment feasibility. The finding emphasizes crucial contrasts in financial risk and returns potential while fitting the preferences of different types of investors. Value investors' asset selection is all three firms due to Apple's strong market position, Netflix's lowest P/B ratio, Amazon's long-term growth potential, and the solid fundamentals of all companies. Income investors select Apple to invest in since Apple offers a dividend yield of 0.45%, though this yield is quite low, other companies have no dividends. PEG investors will avoid all three firms because the growth prospects of Apple, Amazon, and Netflix are already highly valued, limiting the potential for significant growth. Momentum investors may invest in Apple and Amazon due to their upward-moving averages. Smart money investors invest in Apple and Amazon, influenced by Warren Buffett's investments, and also consider Netflix due to Carl Icahn's involvement. Investors seeking insider buying will avoid all three companies as there has been no reported insider buying. Lastly, this study provides significant insights for investors, enabling them to align their stock selections with specific financial goals and risk appetites, eventually leading to more informed and strategic investment decisions to be made.

Keywords: Apple; Netflix; Amazon.

1. Introduction

In modern finance, selecting the right assets to invest in is one of the most critical decisions to make as an investor. Given the vast amount of investment opportunities in the present market, knowing the financial status and growth potential of companies is significant when making smart investment choices. This study mainly focuses on three major corporations: Apple, Netflix, and Amazon. These corporations have become household names and leaders in their respective sectors. Each of these companies offers a different combination of financial characteristics, presenting both opportunities and risks to investors.

The objective of this research is to provide a detailed comparative analysis of these companies based on financial metrics such as risk, profitability, market ratios, etc. Through examining these metrics, the study offers insights into the investment potential of each company, allowing the investors to better fit their asset selection with their financial goals and risk tolerance.

2. Profile of the Selected Companies

The chosen three companies are Apple, Netflix, and Amazon, these are not only leaders in their industries but also represent different types of business and investment opportunities. Each company has its distinct financial characteristics that appeal to different types of investors.

Apple Inc. is one of the largest and most profitable companies in the world. It is known for its innovative electronic products, including the iPhone, iPad, and Mac, as well as its services system, which includes Apple Music, the App Store, and iCloud [1]. Netflix Inc. is a global leader in the streaming entertainment industry, offering a vast library of original content and licensed media [2]. Netflix has strongly changed the way content is consumed, switching the manner of watching from



traditional media to a subscription-based streaming model, which is how Netflix earns [3]. Its payout of aggressive investments in original programming, such as "Stranger Things" and "The Crown," has returned and benefited the brand to maintain a competitive advantage in an evolving market [4]. Amazon Inc. has a dominant position in both e-commerce and cloud computing. Its online retail platform is the largest in the world, while its cloud computing division, Amazon Web Services (AWS), is a leader in the global cloud infrastructure market [5].

3. Financial Indicators of the Companies

The financial data for Apple, Netflix, and Amazon was sourced from professional financial databases and covers the period from 2023 to 2024. The study focuses on three critical areas of financial performance: risk, profitability, and market ratios.

3.1. Risk

Risk is a crucial factor in terms of investing, as it reflects the uncertainty associated with an investment's returns. In this investigation, risk is measured through these three metrics: Beta Ratio, Debt Ratio, and Current Ratio. Firstly, Beta measures the stock's volatility relative to the market. The Beta ratio greater than 1 means a high volatility, and thus, higher risk if the Beta is lower than 1 means a lower volatility. The Debt Ratio measures the proportion of debt used in the company's capital structure. A higher debt ratio indicates higher financial leverage. Thus, the higher the debt ratio, the higher the risk. The current ratio assesses the company's ability to pay up the short-term obligations with short-term assets, whereas lower ratios indicate higher liquidity risk. Thus, the lower the Current Ratio, the higher the risk. The relevant indicators of the three companies are shown below in Table 1.

Table 1. Risk

Metrics	Apple	Netflix	Amazon
Beta Ratio	1.24	1.24	1.1
Debt Ratio	0.78	0.65	0.72
Current Ratio	1.037	1.14	1.12

As shown from the above table, Amazon has the lowest risk due to its relatively low beta ratio of 1.1 among the three firms. This is due to the fact that volatility results in unpredictable situations that the firm may experience, increasing the possibility of price fluctuation. The moderate debt ratio of 0.72 also proves the relatively low risk, showing a manageable financial risk. With these two factors in mind, Amazon possesses balanced volatility and is able to control financial risk. Netflix follows a lower debt ratio of 0.65 and the highest current ratio of 1.14, showing better short-term liquidity. This is due to the lowest debt ratio, ensuring the company has the capacity to pay up its short-term obligations with its short-term assets. In addition, thanks to the massive, consistent investment in original content, Netflix's scale is expanding rapidly and has more resilience and growth potential. Apple, the riskiest company, has the highest debt ratio of 0.78 and the lowest current ratio of 1.037, suggesting higher financial leverage and volatility and facing challenges when paying short-term obligations. Despite the massive market cap that Apple possesses, it could still be the riskiest firm here.

3.2. Profitability

Profitability is a key determinant of a company's performance, financial health, and its capacity to generate returns for investors. The primary profitability indicators used in this study are the Total Assets Turnover, Profit Margin, Return on Assets (ROA), and Return on Equity (ROE). The scale of profitability could be simply recognized through the higher the metrics, the higher the profitability. Apple leads the way in profitability, with the highest index of all three metrics, a profit margin of

26.31%, an ROA of 8.5%, and an ROE of 40%, indicating strong profitability. These metrics reflect Apple is able to convert its revenue into profit and, therefore, deliver returns to shareholders. In contrast, Netflix follows moderate profit metrics, showing decent profitability but lower than Apple. The profit margin of 14.7%, an ROA of 7.0%, and an ROE of 25.4%. While these figures are lower than Apple's, they still reflect strong profitability, especially Netflix, which focuses on growth and market expansion. Netflix's moderate profitability results from its large expenditure on investments in original content but promises long-term growth. Amazon has the lowest profit metrics overall, with a profit margin of 4.5%, an ROA of 3.2%, and an ROE of 15.6%, indicating lower profitability compared to Apple and Netflix. However, Amazon still possesses stability and long-term growth potential thanks to the substantial contribution from AWS as mentioned, and cloud computing provides additional profitability, making Amazon a balanced investment choice. The relevant indicators of the three companies are shown below in Table 2.

Table 2. Profitability

Metrics	Apple	Netflix	Amazon
Total Assets t/o	1.09	1.24	1.55
Profit Margin	26.31	14.7	4.5
ROA (%)	8.5	7.0	3.2
ROE (%)	40	25.4	15.6

What is noticeable is that this profitability comes with higher risk, as demonstrated previously that Apple has relatively high debt levels and liquidity concerns. Netflix's moderate profitability results from its large expenditure on investments in original content but promises long-term growth. Amazon still possesses stability and long-term growth potential thanks to the substantial contribution from AWS as mentioned and cloud computing provides additional profitability, making Amazon a balanced investment choice.

3.3. Market Ratio

Market ratios are as crucial as risk and profitability when considering investing since the ratio indicates key information such as the performance of the company, return on assets, or helping investors to make informed decisions. The PE ratio, PB ratio, dividend yield, PEG ratio, 200 MA, current stock price, insider buybacks, and stock buybacks will be analyzed based on these firms. The PE ratio (Price-to-earnings ratio) is a great indicator to represent whether a company is overvalued or undervalued. The PB ratio (Price-to-book ratio) tells the market valuation. The dividend yield tells a company's dividend payout compared to its stock price. The PEG ratio (Price/earnings-to-growth ratio) is also a valuation metric for overvalued or undervalued stocks. The 200 MA (200-day moving average) means the average value of the closing price of a company's stock during the recent 200 days of trading sessions. The current price is the recent price. Insider buying is whether the shares of stocks are held by an executive inside the company without anybody else knowing. Stock buyback is the company buys its own outstanding stocks. The Table 3 below gives a detailed analysis of ratios.

Table 3. Market Ratio

Metric	Apple	Netflix	Amazon
P/B Ratio	46.36	9.36	15.25
P/E Ratio	34.88	44.88	78.34
Dividend Yield (%)	0.45	N/A	N/A
PEG Ratio	2.35	1.85	3.0
Momentum	Yes	No	Yes
50-Day Moving Average	205.28	580.25	3250.3
200-Day Moving Average	186.81	620.81	3100.65
Insider Buying	No	No	No
Stock Buybacks	Yes	Yes	Yes
Famous Investor	Warren Buffett	Carl Icahn	Warren Buffett

As shown in the table, all of these three firms have high PE and PB ratios. Regarding the dividend yield, both Amazon and Netflix have a dividend yield of zero, while Apple has a relatively low dividend yield of 0.45%. For the PEG ratio, Apple has the greatest PEG ratio of 2.35, followed by Amazon, and lastly, the lowest Netflix has a PEG ratio that is lower. The 200 MA concerning the current stock prices, the data reveals that Apple and Netflix have current stock prices exceeding their 200-day moving average, while Netflix does not. Considering insider buying, the data shows that all three companies do not have insider buying since the insiders in the company have not reported. When this paper delves into the stock buybacks of the three companies, data has explained that all of these companies could satisfy the criteria assumed for stock buybacks.

4. Results for Asset Selection

The asset selection results are important for finding which types of investors are most likely to find value in Apple, Netflix, and Amazon based on their financial profiles. Each company attracts different investor types due to its unique combination of risk, profitability, and market valuation.

In investment, since there are multiple factors influencing the market, making decisions has been complex. Understanding different types of investors helps investors better adapt to stock market behavior and path. It is undeniable that there are various types of investors in the world, however, here are the six main types of investors. Value investors typically seek out stocks that seem undervalued by focusing on the low price-to-earnings, PE ratio, and price-to-book, PB ratio, due to it indicating the stock might be trading below its true value [6]. Income investors rely on their steady income, as a result, they mostly invest in stocks that bring returns, often choosing stocks with high dividend yields [7]. PEG ratio investors look for stocks with a ratio of less than one, meaning there is an undervalued stock [8]. Momentum investors compare the current stock price to the 200-day moving average, they usually purchase the stock when the current price is higher because it will show an upward trend [9]. Smart money investors simply take action by following famous investors' movements, hence ensuring the stability of investment and returns [10]. Insider investors, investors act based on the inside information that is in the company gained from the relation to the company or certain officials. The results of asset selection of six types of investors are as follows in Table 4.

Table 4. Assets Selection

Company	Apple	Netflix	Amazon
Value Investor	Yes	Yes	Yes
Income Investor	Yes	No	No
PEG Investor	No	No	No
Momentum Investor	Yes	No	Yes
Smart Money Investor	Yes	Yes	Yes
Insider Investor	No	No	No

It can be seen from the above table that value investors are likely to find all three companies attractive largely due to the strong market position for Apple, the lowest P/B ratio for Netflix, the long-term growth potential for Amazon, and the strong fundamentals of the three companies. Income investors may invest in Apple because only Apple offers a dividend yield of 0.45% among the three companies, though it's pretty low. Notice that income investors avoid the other two companies due to no dividend yield. PEG investors will avoid all three firms because the growth prospects of Apple, Amazon, and Netflix are greatly valued already, so there won't be a huge growth potential. Momentum investors will be interested in Apple and Amazon because of the upward trend in moving averages, which is the consistent upward trend in their stock price (The 50-day moving average is greater than the 200-day moving average). Smart money investors will invest in Apple and Amazon due to the famous investor Warren Buffett's investments. Netflix will be invested due to Carl Icahn's investment. Investors looking for insider buying would avoid all three firms because no insider buying was reported.

5. Conclusion

In today's economic market, the leaders in three distinct sectors of technology, entertainment, and e-commerce are Apple, Netflix, and Amazon. The analysis utilized the data spans from 2023 to 2024, sourced from professional online databases. The focus of the study is on analyzing key financial metrics such as risk, profitability, and market ratios to understand each company's investment potential comprehensively. The results indicate an obvious contrast in financial risk and return potential across these companies. Value investors select all three companies to invest due to Apple's leading role in the global technology market and massive market capitalization, Netflix's low P/B ratio, Amazon's long-term growth prospects, and the robust fundamentals of each firm. Income investors only choose Apple for its dividend yield of 0.45%, despite its relatively low yield, while avoiding Netflix and Amazon because they do not offer dividends. PEG investors do not invest in all three firms, as the growth prospects for Apple, Amazon, and Netflix had already reflected in their valuations, limiting further growth potential. Momentum investors invest in Apple and Amazon due to their upward trending moving averages. Smart money investors invest in Apple and Amazon, inspired by Warren Buffett's involvement, and might also consider Netflix due to Carl Icahn's investments. Investors interested in insider buying would likely steer clear of all three companies since no insider buying has been reported. The study emphasizes the significance of matching stock selection with specific investor expectations, allowing more informed investment decisions to be made to individual objectives. Lastly, there is still room to improve this investigation such as the Investor Focus, where the sections on investor types could be more detailed by providing specific examples or scenarios to exemplify how each investor type might invest in one company over another and more investor types could be added to the investigation since there are multiple types of investors has not mentioned such as Index Investors and Ratio Analysis Investor.

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