

Amazon v Google (Alphabet): Who would you invest \$100,000 in?

This chart shows the share price movement of Amazon & Google over the last five years & the latest share price as at 24 May 2021, namely Amazon \$3,203 & Google \$2,345.

Chart 1: Share price over the last five years (Google & Amazon)



The following table has the market value (or capitalisation), the number of employees & the Price to Earnings ratio for both companies.

The higher the P/E ratio then it means that those who invest in stocks & shares have a greater desire to buy shares in your company, so they think your company will perform better in the future.

	Amazon	Google (owned by Alphabet)
Market value or capitalisation, i.e. price per share * number of shares	\$1,615,000m	\$1,554,000m
Number of employees	1,300,000	136,000
Price/Earnings ratio (P/E ratio)	61	31

This table has some financial results for both companies over the last six years:

		31 Dec 2014	31 Dec 2015	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019	31 Dec 2020
Amazon	Sales Revenue	89	107	136	178	233	281	386
	Operating Profit	-0.2	0.6	2.4	3.0	10	12	21
	Capital Employed	26	31	40	73	94	137	195
Google	Sales Revenue	66	75	90	111	137	162	183
	Operating Profit	14	16	20	13	31	34	40
	Capital Employed	112	128	151	173	198	231	263

1. Looking at the above data identify some strengths and weaknesses of both Amazon & Google.
2. Assume you have just inherited \$100,000. Now decide which of these two companies you wish to invest your inheritance on. Most importantly explain why you are investing in such a way.