**Financial Report for Apple Inc. (2020-2022)**

**Executive Summary**

This financial report shows a comprehensive analysis of Apple Inc.’s performance from 2020 to 2022. It analyses key financial indicators, including liquidity, profitability, solvency, asset utilisation, and investor/market ratios, to assess the company’s financial well-being and operational effectiveness. The findings indicate that Apple remains financially strong with sustained market confidence, though there are concerns regarding rising debt levels and a decline in free cash flow per share in 2022.

The analysis will be of particular interest to investors, analysts, and stakeholders assessing Apple’s financial health and long-term investment potential. Given the company’s market strength, the results suggest that while Apple remains a fundamentally strong company, its increasing reliance on debt and cash flow challenges in 2022 necessitate a cautious outlook.

1. **Liquidity Ratios**

|  |  |  |  |
| --- | --- | --- | --- |
| **Ratio** | **2020** | **2021** | **2022** |
| **Current ratio** | 1.363604448 | 1.07455312 | 0.87935603 |
| **Quick Ratio** | 323887.9615 | 351001.9476 | 2.25876401 |
| **Cash Ratio** | 0.377533399 | 0.286330201 | 0.16220727 |
| **Defensive Interval** | 105.939726 | 120.2383562 | 140.671233 |

According to the liquidity ratios’ table, Apple's financial ratios show mixed trends over the period from 2020 to 2022. The current ratio declined from 1.36 in 2020 to 0.88 in 2022, indicating a reduced ability to meet short-term obligations, although Apple remains financially robust compared to other tech companies. The quick ratio saw an unusual spike in 2021 but stayed generally strong, showing Apple’s solid liquidity in spite of some fluctuations. The cash ratio has decreased over three years, signalling that Apple has been more actively using its cash reserves. Meanwhile, the rising defensive interval suggests that Apple is increasingly capable of operating without relying on incoming sales, which is a positive indicator of its financial stability.

1. **Profitability**

|  |  |  |  |
| --- | --- | --- | --- |
| **Ratio** | **2020** | **2021** | **2022** |
| **Gross margin** | 104956.0 | 152836.0 | 170782.0 |
| **EBITDA margin** | 0.241473144 | 0.297823775 | 0.30288744 |
| **Net Margin** | 0.209136113 | 0.258817934 | 0.25309641 |

Apple's profitability metrics show positive trends, with the gross margin consistently improving, highlighting the company's strong production and pricing efficiency. The EBITDA margin also increased, indicating better operational profitability before factoring in non-operating expenses. While the net margin slightly decreased in 2022, it remained high. This means that Apple's continued ability to generate strong profits.

1. **Solvency and Debt Management**

|  |  |  |  |
| --- | --- | --- | --- |
| **Ratio** | **2020** | **2021** | **2022** |
| **Debt to Equity (D/E)** | 1.72 | 1.97 | 2.37 |
| **Debt to Total Assets** | 0.35 | 0.36 | 0.34 |
| **Free Cash Flow per Share (FCFE)** | 4.44 | 2.25 | 0.002 |

Apple’s financial structure shows notable trends in its debt management. The increasing debt-to-equity ratio indicates a shift toward leveraging debt for financing operations, which could suggest a rise in financial risk. Moreover, the debt-to-assets ratio remained stable. It reflects that the company has kept its debt level consistent relative to its total assets. However, the significant decline in free cash flow per share in 2022 raises potential concerns about liquidity, despite the company's strong profitability.

1. **Asset Utilisation**

|  |  |  |  |
| --- | --- | --- | --- |
| **Ratio** | **2020** | **2021** | **2022** |
| **Total Asset Turnover** | 0.85 | 1.12 | 1.12 |
| **Fixed Asset Turnover** | 7.85 | 9.73 | 9.36 |
| **Return on Assets (ROA)** | 0.27 | 0.27 | 0.29 |

Apple’s asset utilization metrics demonstrates positive trends. The total asset turnover has increased over the years, reflecting improvement in efficiency in generating revenue from its total assets. Similarly, the fixed asset turnover has steadily risen, indicating that Apple is making better use of its physical assets. The slight improvement in return on assets (ROA) further highlights that Apple is generating higher returns from its assets.

1. **Investor and Market Ratios**

|  |  |  |  |
| --- | --- | --- | --- |
| **Ratio** | **2020** | **2021** | **2022** |
| **Price to Earning (P/E)** | 38.77 | 35.79 | 60.42 |
| **Price Book Value (PBV)** | 10.93 | 8.56 | 9.81 |
| **Enterprise Value (EV)** | 392859506 | 368584797 | 357878773 |

Apple's market ratios reveal strong investor confidence, though with some mixed signals. The significant rise in the Price-to-Earnings (P/E) ratio from 35.79 in 2021 to 60.42 in 2022 suggests heightened investor expectations for future earnings growth. While this increase may point to potential overvaluation, it also underscores confidence in Apple’s continued expansion. The slight increase in Price-to-Book Value (PBV) indicates that the market is willing to pay a premium for Apple’s tangible assets, further reflecting strong investor confidence. However, the decline in Enterprise Value (EV) over the three-year period suggests a slight decrease in Apple's overall market valuation, although its EV remains remarkably high, signalling its sustained dominance in the tech industry.

**Conclusion**

Apple Inc. continues to be a highly profitable and financially strong company, marked by solid liquidity, operational efficiency, and a substantial market valuation. Nonetheless, some concerns have emerged, especially regarding its growing debt, decreasing free cash flow per share, and significantly rising P/E ratio.

Although Apple’s financial performance remains excellent and it maintains its status as an industry leader, potential investors should proceed with caution. The increase in debt and fluctuations in free cash flow suggest a need for careful observation. It is recommended that stakeholders monitor closely on these factors, particularly Apple’s cash flow and debt management strategies, to determine any potential impact on the company's future stability.