**Liquidity Ratios**

**Current Ratio:**

Current ratio of Apple Inc. is declining each year which is not a good indication. Ideal current ratio needs to over 1.0 mark, but we see this is declining each year and in current financial year (2022) it has dropped down to below 1 mark which is not a good sign. Apple Inc.’s Cash is decreasing each year and in parallel payables and other current liabilities are increasing each year.

**Quick Ratio:**

A company's quick ratio declining each year can indicate that its having difficulty covering its short-term debt obligations. The quick ratio, also known as the acid-test ratio, is a metric that measures a company's liquidity position by comparing its quick assets to its current liabilities. A quick ratio of less than 1.0 indicates that a company may have trouble paying its short-term obligations.

We are seeing the decline in Apple Inc.’s quick ratio from 2020 to 2022 and is now below 1.0 which is a real concern as it seems to be struggling to pay its suppliers due to decrease in cash and cash equivalents.

**Cash Ratio:**

A declining cash ratio can indicate that a business is having trouble paying off its short-term debts.

Cash ratio has dropped drastically in the last 3 year from 0.85 to 0.31 which is not a good indication for Apple Inc. Decrease in cash ratio is not helpful for Apple Inc. to pay off its short-term debts.

Apple Inc. can improve its cash ratio by borrowing long term loan to pay off its payables and short-term debts to overcome the crisis.

Healthy cash balance can help the Apple Inc. improve its liquidity position and better relations with suppliers.

Table/Chart view

**Inventory Days:**

lower inventory holding period indicates good efficiency since it indicates that less time is required for the stock to be realised as sales income

Inventory days of Apple Inc. are impressive as it is consistent throughout the last 3 years. Keeping inventory levels will have lower holding costs for Apple Inc.

**Payable Days:**

Accounts payable days, also known as days payable outstanding (DPO), is a financial ratio that shows how long it takes a company to pay its suppliers.

Apple Inc. payable days have increased in the last 3 years increasing from 91 days to 105 days in 2022, it is not good in terms of maintaining good relations with the suppliers and can lead to additional late payment fees. However, on the other hand Apple Inc. might want to delay payments to suppliers and want to use the available cash for short term investments or to increase working capital rather than having short term borrowings.

**Receivable Days:**

A low A/R days number is generally better, as it indicates that a company is collecting cash quickly. This can improve a company's liquidity and reduce the need for external financing.

Apple Inc. receivable days have increased from 21.4 days in 2020 to 26.2 days in 2022 and 26.1 days in 2022. Receivable days are consistent throughout 2021 and 2022

Apple Inc. collection days are within the 30 days standard collection period and is not a area of concern.

**Net Trading Cycle:**

A shorter net trade cycle is generally better, as it indicates that a company's cash is not tied up in inventory or accounts receivable for as long.

Apple Inc. net trading cycle has increased from -59.8 days in 2020 to -69.6 days in 2022 (change of 10 days).. In Apple Inc. net trading cycle is in negative days so it is better as When the net trade cycle is negative, the firm is being paid for the service or product before the firm pays its vendor AP.

**Working Capital as a % of Sales:**

Working capital turnover is a ratio that measures how efficiently a company is using its working capital to support sales and growth.

Apple Inc. working as % of sales and declined sharply from positive 13.96% in 2020 to negative 4.71%. This is because the company’s working capital have decreased to negative $18,577. This is the area of concern for Apple Inc. as it’s current liabilities have exceeded current assets since 2020 from $38,321 and would need to find additional funds to cover its liabilities.

Table/Chart view:

**Profitability Ratios**

**Gross Profit Margin:**

A company's gross profit margin (GP margin) is a profitability ratio that indicates how much profit a company makes after accounting for the direct costs of doing business.

A higher GP margin indicates that a company is more efficient at managing its production costs and generating profit.

Apple Inc. GP margin is increasing every year which is a good sign. Its gross profit margin has increased from 38.23% in 2020 to 43.31% in 2022. This is purely due to increase in sales and lower cost of goods sold.

**EBITDA Margin:**

EBITDA margin is a financial metric that shows how efficiently a company operates and how much profit it generates from its core operations.

A higher EBITDA margin is generally more favourable, indicating that a company is more efficient and profitable. A lower EBITDA margin could indicate that a company is less efficient and profitable.

Apple Inc. EBITDA margin has increased from 28.17% in 2020 to 33.10% in 2022.

Although there is an increase of 55% in operating income from 2020 to 2022, but the expenses have also increased.

Depreciation and Amortisation remained consistent around circa $11k throughout the last 3 years. Overall EBITDA margin for Apple Inc. is good and is increasing each year.

**EBIT Margin:**

A higher EBIT margin indicates a more profitable company, while a lower EBIT margin suggests less profitability.

Apple Inc. EBIT margin is good as it has increased from 24.15% in 2020 to 30.29% in 2022.

**Net Margin:**

Net margin, or net profit margin, is a financial metric that shows how much of a company's revenue is left over after all expenses are paid.

Net Margin of Apple Inc. has increased from 20.91% in 2020 to 25.31% in 2022.

This is due to increased sales and Net income. Although it’s a good increase from 2020 but if we compare 2021 with 2022 there is a small decrease in net margin for Apple Inc.

Table/Chart view:

**Asset Utilisation**

**Total Asset Turnover:**

The total asset turnover ratio is a measure of how efficiently a company uses its assets to generate revenue. A higher ratio is generally better, as it indicates that the company is using its assets more efficiently.

Apple Inc. asset turnover has increased from 0.85 in 2020 to 1.12 in 2022 which is a good sign as assets are generating more revenue for Apple Inc. Ratio over 1 is generally considered favourable and ratio from 2021 and 2022 are both over 1.

**Fixed Asset Turnover:**

Higher the fixed asset turnover it is generally the better-meaning company is using the fixed assets more efficiently and effectively to generate revenues.

Apple Inc. fixed asset turnover ratio is increasing each year from 2020 to 2022 making it in a favourable condition.

Ratio has reached 1.81 in 2022 touching to nearly 2 indicates the good sign for Apple Inc.

**Inventory turnover:**

A high inventory turnover ratio usually indicates that products are selling in a timely manner, and that sales are good in each period.

Apple Inc. inventory turnover has increased from 37.25 days in 2020 to 40.73 days in 2022.

Higher inventory turnover means that Apple Inc. will have reduced holding cost and less obsolete stocks. Overall higher inventory turnover is a positive indication of Apple Inc.

**Return on assets (ROA):**

As we have seen earlier in the other Asset turnover rations higher the turnover more effective. ROA indicates that a company is using its assets more efficiently to generate profit.

Apple Inc. ROA has increased from 0.18 in 2020 to 0.28 in 2022 which is good as the company is utilizing the assets in an efficient manner to have the profitable returns on the invested assets.

Table/Chart view:

**Solvency/ debt management or Gearing Ratios**

**Debt to Equity:**

Debt-to-equity (D/E) ratio is a financial metric that compares a company's total liabilities to its shareholder equity.

D/E ratio for Apple Inc. is increasing each year from 1.51 times in 2020 to 1.95 time in 2022.

Increase in ratio is not a good indicator as it seems Apple Inc. borrowing more capital from the market to fund its operations. Although term debt have decrease in the past years but alternatively shareholders equity has also dropped from 2020-2022.

Generally, a standard or good D/E ratio should ideally sit between 1-1.5 but with Apple Inc. this is increasing each year which would be risky in the coming years if the same pattern continues.

**Debt to total assets:**

The debt-to-total assets ratio, or debt ratio, is a financial metric that measures a company's leverage and solvency.

Apple Inc. Debt to total assets ratio have decreased from 0.47 in 2020 to 0.42 in 2022 which is a good sign as most of the lenders, investors, creditors and analysts used this ratio to evaluate company’s financial health.

The ratio is consistent throughout the last years and in general less risky for Apple Inc.

Apple Inc. assets over the years have increased and short-term debts decline thus making this ratio more favourable for the investors to invest in the company.

**Long-term debt to capital:**

Apple Inc.’s long term debt to capital ratio is consistent throughout the year with not many changes. Ratio from 2020 is 0.60 which has increased to 0.66 in 2022. This is not a risky sign or concern for Apple Inc.

Higher number indicates company is more inclined or dependant on debts rather than capital. However, In Apple Inc. the ratio is constant throughout the last 3 years with no risks or dependency on debts.

**Times interest earned:**

The times interest earned (TIE) ratio is a financial metric that measures a company's ability to pay its debts and interest.

Higher the times interest earned more financially stable the company is and in Apple Inc. case T/I earned ratio has increased from 22.08 in 2020 to 41.69 in 2022.

Apple Inc. increase in time interest ratio indicates that the company is in a strong position to pay off it debts and any interest borrowings.

**Debt coverage:**

The debt coverage ratio (DSCR) is a metric that shows a company's ability to cover its debt obligations with its income.

Apple Inc. debt coverage ratio have increased from 4.29 in 2020 to 9.60 in 2022 or we can say that it has doubled in the last couple of years. A healthy position for the company to have higher debt coverage ratio, where the income is 9 times higher than the debt. This strong ratio will help Apple Inc. with the borrowing as lenders can trust the company due it’s strong financial position.

**Free cash flow (FCFE) per share:**

A higher FCFE per share ratio indicates a healthier company that can better pay dividends, pay down debt, and contribute to growth. A low or negative FCFE per share ratio may indicate that a company needs to raise capital through costly.

Apple Inc. FCFE has increased from 3.47 in 2020 to 5.82 in 2022. Higher the FCFE better it is and is the case with Apple Inc. where FCFE is increasing each year thus making it less risky and more favourable to the investors to invest in the company.

Table/Chart View:

**Investor/market ratios**

**Price to equity (P/E):**

A high P/E ratio can mean that a stock's price is high relative to earnings and possibly overvalued. A low P/E ratio might indicate that the current stock price is low relative to earnings.

Apple Inc. P/E ratio is declining each year and has fallen from 34.37 in 2020 to 22.41 in 2022.

A good P/E ratio would ideally sit between 20-25 and Apple Inc. ratio is within standards, however, decrease in P/E ratio in last couple of years is a cause of concern and something which Apple Inc. needs to work on in the coming years. Any further decline in P/E ratio will ring the bells for investors and make things complicated for Apple Inc.

**PBV:**

A P/B ratio means the stock price is equal to the book value. A P/B ratio for Apple Inc. has increased from 30.5 in 2020 to 44.4 in 2022 which is a good a indicator.

**Dividend payout ratio:**

The dividend payout ratio (DPR) is a financial metric that shows the percentage of a company's net income that is paid out to shareholders as dividends.

Dividend payout ratio for Apple Inc. has fallen from 0.25 in 2020 to 0.15 in 2021 & 2022 respectively. This means investors will receive 0.15c dividend for every $100 invested.

**Dividend per share:**

Dividend per share (DPS) is a ratio that shows how much dividend an investor receives for each share of a company's stock.

Apple Inc. dividend per share has increased from 0.80 in 2020 to 0.91 in 2022.

Higher dividend per share increases confidence in the share holders and this is a positive sign for Apple Inc. as the dividend per share is increasing each year with increased profit sharing with the shareholders.

**Dividend yield:**

A dividend yield ratio is a financial ratio that indicates the percentage of a company's share price that is paid out to shareholders in dividends each year.

Dividend yield for Apple Inc. is consistent throughout the last 3 years standing at 0.1.

**Return on capital employed (ROCE):**

Return on capital employed (ROCE) is a financial ratio that measures how well a company generates profits from its capital. A higher ROCE is generally better, as it indicates that a company is using its capital efficiently and generating more profits per dollar of capital invested.

ROCE for Apple Inc. has nearly doubled in the last years with an increase from 38% in 2020 to 74% in 2022.

ROCE for Apple Inc. is extremely good compared to the standard of 20%. Apple Inc. can invest back profits into the company for better returns to the shareholders.

Table/Chart view: