**Report on Apple FY’s ’20, ’21 and ‘22**

**The Best is Yet to Come**

Between FY’s ‘20 and ’22, Apple’s revenue has continued to increase. However, the rate at which it has grown has slowed down to +8% down from +33% in 2021. This is supported by a change in its negative net trading cycles which became positive in 2022, which often reflects a slowdown in growth of revenue or a fall in revenue.

Whilst the rate in the increase of gross profits has slowed down, the gross margins have steadily increased at a consistent rate of 3 percentage points in FY 21 and just under 2 percentage points in FY 22. This shows Apple’s ability to offset its rising costs, despite persistent and higher inflation starting during the pandemic, which is reflected in a steep rise in Apple’s cost of products. It is a positive sign of significant growth to come because if Apple can achieve these results in difficult and unprecedented times, then we can expect exponential growth during times where there are fewer obstacles. With Apple’s loyal customer base, it has been able to pass on such costs to the customers, ensuring their goods and services remain affordable.

Apple’s rising R&D costs should not be seen as a sign of Apple struggling to control these costs but rather Apple’s ability to invest further in enhancing and upgrading its products and services. This was partly demonstrated by Apple increasing its investment in PPE by 51.67% in 2021. Therefore, investors have many reasons to be optimistic with Apple pushing towards further innovation and starting where it left off pre-pandemic.

Net profit margins have remained strong increasing by 5 percentage points in 2021 and Apple has maintained its 25% profit margin in 2022. Apple has managed to control its overall costs and maintain high margins. Its ability to grow without adversely affecting its profitability can be demonstrated by its rapid year-on-year rise in ROCE. Apple has judiciously used its capital in increasing its profitability.

Whilst Apple’s Debt Coverage has fallen and the Debt/Equity ratio has risen, its EBITDA has grown steadily each year, which suggests Apple is further improving its ability to continue servicing its debt.

With its return on assets increasing each year, Apple has efficiently utilised its assets in generating greater profits.

Apple’s P/E has fallen from 35 in 2020 to 22.61 in 2022.

This indicates Apple’s share price is undervalued given its net profit margin has remained at 25% in 2022 with its net profit increasing by 5.4% between years ‘21 and ‘22. This reinforces my buy recommendation. Its growth in EPS each year indicates there is greater value, pointing towards higher demand for the shares and willingness for investors to pay a higher price for the shares. With its return on equity more than doubling by 2.24 times, investors will be optimistic that the growing profits Apple continues to generate will be used to fund future growth.

Apple’s defensive interval has fallen by 23% between 2020 and 2022, indicating Apple has become slightly more dependent on external finance or its non-current assets.

Free Cash Flow Per Share has risen each year and has enabled Apple to steadily increase its dividend payout each year.