**Apple Inc. Financial Ratio Analysis Report**

**Company Overview**

This report analyzes the financial health and performance of the company for the years ended September 2020, 2021, and 2022 based on various financial ratios.

**1. Liquidity Ratios**

These ratios measure the company’s ability to meet short-term obligations.

***Current Ratio***: The current ratio has declined from 1.36 in FY:2020 to 0.88 in FY:2022, indicating a potential decrease in liquidity and a reduced ability to cover short-term liabilities with current assets. We attribute this to the increase in current liabilities by 13.47% to $153.98bn in FY:2022 and a decrease in current assets by 1.97% to $135.41bn in FY:2022.

***Quick Ratio***: Similarly, the quick ratio dropped from 1.33 in 2020 to 0.85 in 2022, suggesting a decrease in liquid assets available to pay off current liabilities, potentially impacting financial flexibility.

***Cash Ratio***: This ratio has also declined from 0.86 in 2020 to 0.31 in 2022, showing a reduced cash position, which may be concerning for creditors.

***Defensive Interval***: The interval has decreased, indicating that the company’s liquid assets can sustain operations for fewer days compared to previous years, which could reflect a tighter cash flow position.

**2. Profitability Ratios**

These ratios assess the company’s ability to generate profits from its operations.

***Gross Margin***: Gross margin has improved slightly from 0.38 in FY:020 to 0.43 in FY:2022, indicating better control over cost of sale relative to revenue.

***EBITDA Margin***: The EBITDA margin has remained stable at 0.30 since year ended 2021, up from 0.24 in FY:2020, which reflects consistent operational efficiency.

***Net Margin***: Net margin improved from 20.91% in FY:2020 to 25.31% in FY: 2022, showing that the company has been increasingly successful in converting revenue into profit.

**3. Solvency/Debt Management Ratios**

These ratios provide insight into the company’s long-term financial stability and debt management.

***Debt to Equity (D/E):*** The D/E ratio has increased to 5.96 in FY:2022 from 3.96 that was reported in FY:2020, suggesting a rising reliance on debt financing, which may increase financial risk.

***Debt to Total Assets:*** This ratio has increased from 0.80 in FY:2020 to 0.86 in FY:2022, implying higher leverage and a significant portion of assets being financed by debt.

***Long-term Debt to Capital***: The increase from 2.34 in FY:2020 to FY: 2.92 in 2022 shows an increased reliance on long-term debt.

***Times Interest Earned:*** This ratio improved from 22.35 in FY:2020 to 41.57 in FY:2022, indicating better ability to cover interest expenses, which reflects stronger profitability despite higher debt levels.

***Debt Coverage:*** The debt coverage ratio has improved slightly, showing the company’s increased ability to meet debt obligations with its cash flows.

**4. Asset Utilization Ratios**

These ratios evaluate how efficiently the company uses its assets.

***Total Asset Turnover:*** The ratio increased from 0.85 in 2020 to 1.12 in 2022, indicating improved efficiency in using assets to generate revenue.

***Fixed Asset Turnover:*** This has also risen significantly, showing that fixed assets are being used more effectively to produce sales.

***Inventory Turnover****:* Inventory turnover slightly decreased, which may suggest slower inventory movement, though it’s still relatively stable.

***Return on Assets (ROA)***: ROA increased from 17.73% in FY:2020 to 28.29% in FY:2022, indicating a substantial improvement in the company’s ability to generate profits from its assets.

**5. Investor/Market Ratios**

These ratios provide insights into shareholder returns and market valuation.

***Price to Equity (P/E)***: The P/E ratio has remained very low, suggesting that the stock may be undervalued or that investors are cautious about growth prospects.

***Earnings per Share (EPS):*** EPS has nearly doubled from 3.31 in FY:2020 to 6.15 in FY:2022, reflecting strong profitability and value for shareholders.

***Price to Book Value (PBV):*** PBV has increased, indicating that the company’s market value relative to its book value has risen, which may reflect improved market confidence.

***Dividend Payout Ratio***: The ratio has decreased, suggesting a more conservative approach in retaining earnings rather than distributing dividends.

***Return on Equity (ROE):*** ROE has shown a remarkable increase, demonstrating high returns relative to shareholder equity, which could be attractive to investors.

***Enterprise Value to EBITDA (EV/EBITDA):*** The decrease in this ratio suggests that the company may be more attractively valued compared to EBITDA, making it potentially appealing to investors.

**Conclusion**

Overall, the financial ratios show mixed trends. The company has improved its profitability, asset utilization, and interest coverage, which are positive indicators of operational efficiency and profitability. However, the decreasing liquidity ratios and increased leverage signal potential concerns regarding financial flexibility and debt management.

In conclusion, while the company's profitability and asset utilization are strong, it would be prudent to monitor liquidity and solvency closely. The rising debt levels and declining current and quick ratios may need strategic adjustments to ensure long-term financial health.

