Company selection and financial Date

## Section 1: Apple financial statements

**2023**

* Income statement:

Revenue – 383.29B

Net income – 97.00B

Operating income - 114,301,000

* Balance sheet:

Current assets – 143,566,000

Current liabilities – 145,308,000

Total assets – 352.58B

Total liabilities – 290.44B

Total equity – 62.15B

* Cash flow statement:

Operating cash flow statement – 110.54B

**2022**

* Income statement:

Revenue – 394.33B

Net income – 99.80B

Operating income – 119,437,000

* Balance sheet:

Current assets – 135,405,000

Current liabilities – 153,982,000

Total assets – 352.76B

Total liabilities – 302.08B

Total equity – 50.67B

* Cash flow statement:

Operating cash flow statement – 122.15B

**2024**

* Income statement:

Revenue – 391.04B

Net income – 93.74B

Operating income – 123,216,000

* Balance sheet:

Current assets – 152,987,000

Current liabilities – 176,392,000

Total assets – 364.98B

Total liabilities – 308.03B

Total equity – 56.95B

* Cash flow statement:

Operating cash flow – 118.25B

## Section 1: Amazon financial statements

**2023**

* Income statement:

Revenue – 574.79B

Net income – 30.43B

Operating income – 36,852,000

* Balance sheet:

Current assets – 172,351,000

Current liabilities – 164,917,000

Total assets – 527.85B

Total liabilities – 325.98B

Total equity – 201.88B

* Cash flow statement:

Operating cash flow – 84.95B

**2022**

* Income statement:

Revenue – 513.98B

Net income – -2.72B

Operating income – 12,248,000

* Balance sheet:

Current assets – 146,791,000

Current liabilities – 155,393,000

Total assets – 462.68B

Total liabilities – 316.63B

Total equity – 146.04B

* Cash flow statement:

Operating cash flow – 46.75B

**2024**

* Income statement:

Revenue – 637.96B

Net income – 59.25B

Operating income – 68,593,000

* Balance sheet:

Current assets – 190,867,000

Current liabilities – 179,431,000

Total assets – 624.89B

Total liabilities – 338.92B

Total equity – 285.97B

* Cash flow statement:

Operating cash flow – 115.88B

Ratio calculations

**2022**:

**Liquidity ratios** - Current assets/current liabilities = 0.94

**Profitability ratio** - Net income/revenue = -0.53%

Return on assets – Net income/total assets = 0.59%

Return on equity – Net income/total equity =1.86%

**Efficiency ratios** – Revenue/total assets = 1.11

**Solvency ratios** – (equity ratio) Total liabilities/Total equity = 2.17

(Debt ratio) Total liabilities/Total assets = 0.68

**2023**:

Liquidity ratios – 1:05

Profitability ratios – 5.29%, (ROA) 5.77%, (ROE) 15.08%

Efficiency ratios – 1.09

Solvency ratios – 1.61

(Debt ratio) - 0.62

**2024**:

Liquidity ratios – 1.06

Profitability ratios – 9.29%, (ROA) 9.48%, (ROE) 20.72%

Efficiency ratios – 1.02

Solvency ratios – 1.19

(Debt ratio) – 0.54

**2022**:

**Liquidity ratios** - Current assets/current liabilities = 0.88

**Profitability ratio** - Net income/revenue = 25.31%

Return on assets – Net income/total assets = 28.30%

Return on equity – Net income/total equity = 197.00%

**Efficiency ratios** – Revenue/total assets = 1.12

**Solvency ratios** – (equity ratio) Total liabilities/Total equity = 5.96

(Debt ratio) Total liabilities/Total assets = 0.86

**2023**:

Liquidity ratios – 0.99

Profitability ratios – 25.3, (ROA) 27.5%, (ROE) 156.1%

Efficiency ratios – 1.09

Solvency ratios – 4.67

(Debt ratio) - 0.82

**2024**:

Liquidity ratios – 0.87

Profitability ratios – 23.97%, (ROA)25.69%, (ROE) 164.58%

Efficiency ratios – 1.0714

Solvency ratios – 5.41

(Debt ratio) – 84.39%

Financial Ratio and Statement Analysis Report

# Comparative Financial Analysis: Amazon vs Apple (2022–2024)

## Section 1: Financial Ratios Overview

### Amazon Financial Ratios

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year | Liquidity | Net Profit Margin | ROA | ROE | Efficiency | Equity Ratio | Debt Ratio |
| 2022 | 0.94 | -0.53% | 0.59% | 1.86% | 1.11 | 2.17 | 0.68 |
| 2023 | 1.05 | 5.29% | 5.77% | 15.08% | 1.09 | 1.61 | 0.62 |
| 2024 | 1.06 | 9.29% | 9.48% | 20.72% | 1.02 | 1.19 | 0.54 |

### Apple Financial Ratios

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year | Liquidity | Net Profit Margin | ROA | ROE | Efficiency | Equity Ratio | Debt Ratio |
| 2022 | 0.88 | 25.31% | 28.30% | 197.00% | 1.12 | 5.96 | 0.86 |
| 2023 | 0.99 | 25.30% | 27.50% | 156.10% | 1.09 | 4.67 | 0.82 |
| 2024 | 0.87 | 23.97% | 25.69% | 164.58% | 1.07 | 5.41 | 0.84 |

Liquidity:

**Amazon**

* **Strength**: Steady improvement in liquidity each year, rising above 1.0 from 2023 onward suggesting a stronger ability to meet short-term obligations.
* **Weakness**: Initial liquidity in 2022 was slightly under the safe benchmark of 1.0, indicating some early-year pressure on current assets.

**Apple**

* **Strength**: Slight improvement in 2023.
* **Weakness**: Consistently below 1.0 in all three years, which could signal a more aggressive use of current liabilities or tighter short-term cash management that might pose risks under economic pressure.

Profitability:

**Amazon**

* **Strength**: Significant improvement across all profitability metrics; turned a negative profit margin in 2022 into a healthy 9.29% by 2024. ROA and ROE followed similar positive trends.
* **Weakness**: Still far below Apple's consistently strong profitability; margin and return levels suggest room for growth and optimization.

**Apple**

* **Strength**: Exceptional and consistent profitability across all years. Extremely high ROE, reflecting strong returns for shareholders.
* **Weakness**: Slight decline over time in profit margin and returns, which could indicate maturing growth or rising costs.

Efficiency:

**Amazon**

* **Strength**: Maintains relatively efficient use of assets.
* **Weakness**: Slight downward trend in efficiency, indicating potential over-investment or under-utilization of assets.

**Apple**

* **Strength**: Maintains strong and stable asset efficiency; slight improvements in 2024.
* **Weakness**: Minimal fluctuation—though this isn't necessarily a weakness, it may suggest a plateau in asset utilization gains.

Solvency:

**Amazon**

* **Strength**: Shows a clear improvement in solvency each year—both the equity ratio and debt ratio are decreasing, meaning less reliance on debt financing and stronger financial stability.
* **Weakness**: Still moderately leveraged, though trending in a positive direction.

**Apple**

* **Strength**: High use of financial leverage appears to be supporting high returns (especially ROE), which can be an efficient strategy in a stable economic environment.
* **Weakness**: Very high equity and debt ratios—Apple is heavily leveraged. While this has supported strong profitability, it increases financial risk, especially if earnings falter or interest rates rise.

Overall, Amazon has shown a strong recovery and upward trend across all metrics, suggesting solid strategic and operational improvements. But Apple remains a market leader in profitability and efficiency, but its high leverage presents potential long-term risk if external conditions change.

Industry-specific financial trends and explanations: Apple vs Amazon

Profitability trends:

| **Year** | **Net Profit Margin** | **Apple** | **Amazon** |
| --- | --- | --- | --- |
| 2022 |  | 25.31% | -0.53% |
| 2023 |  | 25.30% | 5.29% |
| 2024 |  | 23.97% | 9.29% |

**Why These Differences Exist**

* **Industry Norms**:  
  Tech companies like Apple typically enjoy higher profit margins due to:
  + Intellectual property and premium products.
  + Ecosystem lock-in (e.g., iOS, App Store).
  + Low marginal costs on digital services.

In contrast, Amazon's core e-commerce business traditionally operates on low margins due to:

* + Competitive pricing.
  + High logistics and fulfilment costs.
  + Inventory turnover dependency.
* **Business Model Impact**:
  + Apple focuses on high-margin, premium products with tight cost control and efficient production.
  + Amazon focuses on scale and volume, accepting thin margins in retail while depending on AWS (Amazon Web Services) for profit generation.

Liquidity trends

| **Year** | **Current Ratio** | **Apple** | **Amazon** |
| --- | --- | --- | --- |
| 2022 |  | 0.88 | 0.94 |
| 2023 |  | 0.99 | 1.05 |
| 2024 |  | 0.87 | 1.06 |

**Industry Norms**:

* Retailers like Amazon tend to maintain higher liquidity due to fluctuating working capital needs (inventory purchases, seasonal demand).
* Tech firms like Apple often run leaner current ratios since they can rely on predictable cash flows and have less exposure to inventory risks.

**Financial Strategy**:

* Apple intentionally runs lower liquidity ratios to deploy cash into dividends, buybacks, or R&D rather than idle current assets.
* Amazon ensures adequate liquidity to maintain operations across multiple segments, especially logistics-heavy e-commerce.

Efficiency trends

| **Year** | **Asset Turnover** | **Apple** | **Amazon** |
| --- | --- | --- | --- |
| 2022 |  | 1.12 | 1.11 |
| 2023 |  | 1.09 | 1.09 |
| 2024 |  | 1.07 | 1.02 |
|  |  |  |  |

* **Industry Norms**:
  + Retailers like Amazon rely on efficient asset turnover to stay profitable in a low-margin business.
  + Tech companies like Apple usually show lower turnover due to high-value intangible assets and longer product cycles.
* **Strategic Differences**:
  + Apple’s efficiency is unusually high for a tech company, likely due to its high-volume sales and lean operations.
  + Amazon’s declining turnover may reflect increased capital investment in fulfilment infrastructure and cloud infrastructure (long-term returns).

Solvency and leverage trends:

| **Year** | **Company** | **Equity Ratio (Liabilities/Equity)** | **Debt Ratio (Liabilities/Assets)** |
| --- | --- | --- | --- |
| 2022 | Apple | 5.96 | 0.86 |
|  | Amazon | 2.17 | 0.68 |
| 2023 | Apple | 4.67 | 0.82 |
|  | Amazon | 1.61 | 0.62 |
| 2024 | Apple | 5.41 | 0.84 |
|  | Amazon | 1.19 | 0.54 |

**Apple**:

* High equity ratios across all year’s show greater use of financial leverage, a common trait among large tech firms with strong, stable cash flows.
* Despite a slight dip in 2023, Apple continues to operate with high debt compared to equity, likely to support capital returns to shareholders (e.g., buybacks) and low-cost borrowing.
* Its debt ratio hovers above 0.80, indicating a large portion of its assets are financed through liabilities.

**Amazon**:

* Steady decrease in both equity and debt ratios from 2022 to 2024 points to a deleveraging strategy — Amazon is reducing its financial risk exposure.
* The 2023 numbers show a transition year, where solvency improved significantly, likely due to stronger net income and more conservative balance sheet management.
* By 2024, Amazon’s debt ratio is down to 0.54, much lower than Apple’s, reflecting a more risk-averse approach in capital structure.