Financial Performance Analysis Report

Company Name: Apple Inc.

Period covered: September 2020 – September 2022

Executive Summary

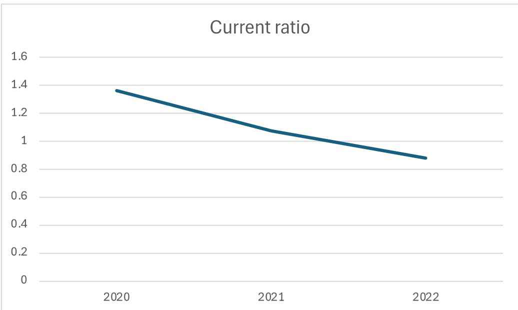
This report provides an in-depth analysis of the financial performance of Apple Inc. over the three fiscal years ending in September 2022, 2021, and 2020. The analysis is based on several financial ratios and metrics that assess profitability, efficiency, leverage, and liquidity. This analysis will help in understanding the company's overall financial health and performance trajectory.

Key Financial Ratios and Metrics

1. **Liquidity Analysis**

Current Ratio

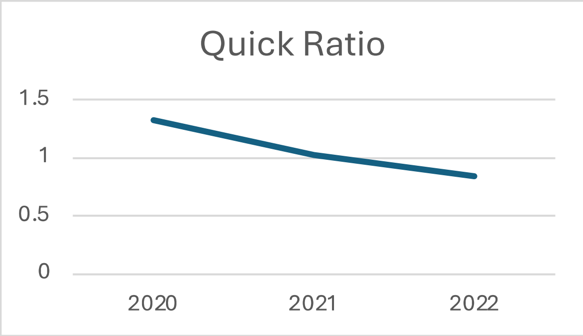
- 2022: 0.879
- 2021: 1.075
- 2020: 1.364



As illustrated in the line graph above, the current ratio has been declining over the three years, indicating a decrease in the company's ability to cover short-term liabilities with short-term assets. The drop from 1.364 to 0.879 suggests worsening liquidity.

Quick Ratio

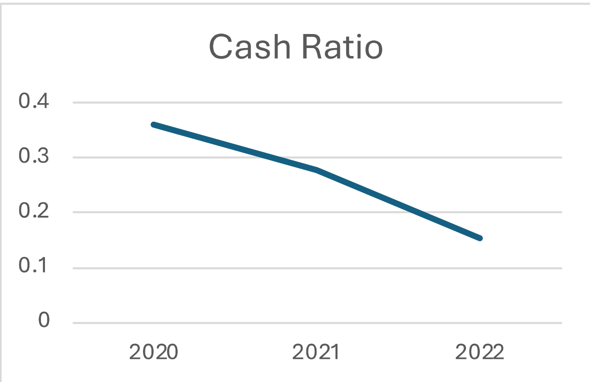
- 2022: 0.847
- 2021: 1.022
- 2020: 1.325



The quick ratio also shows a decreasing trend, indicating that the company's ability to cover short-term liabilities without relying on inventory has weakened.

Cash Ratio

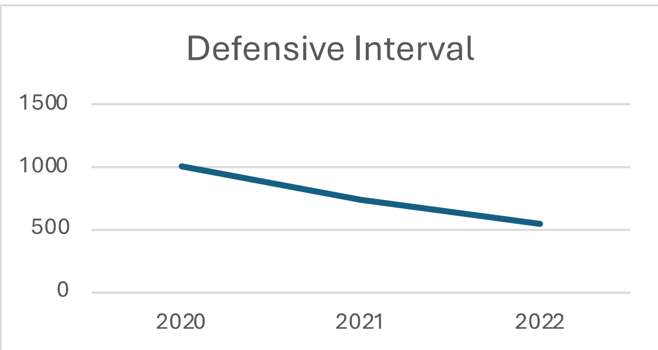
- 2022: 0.154
- 2021: 0.278
- 2020: 0.361



The cash ratio has decreased significantly, highlighting a lower level of cash relative to current liabilities. This suggests reduced immediate liquidity.

Defensive Interval

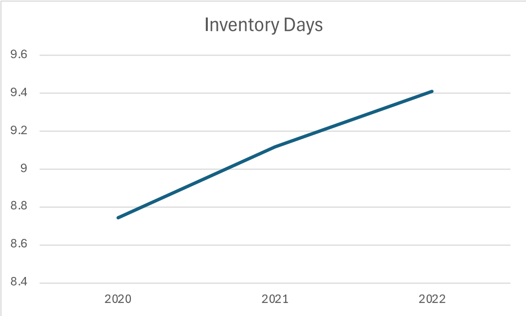
- 2022: 543.74 days
- 2021: 739.51 days
- 2020: 1010.60 days



A decreasing defensive interval from 2020 to 2022 indicates that the company's ability to sustain operations without additional revenue is declining.

Inventory Days

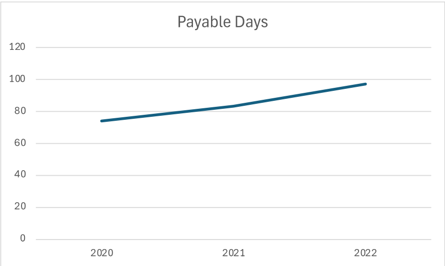
- 2022: 9.410 days
- 2021: 9.118 days
- 2020: 8.742 days



The slight increase in inventory days suggests a marginal increase in the time it takes to sell inventory.

Payable Days

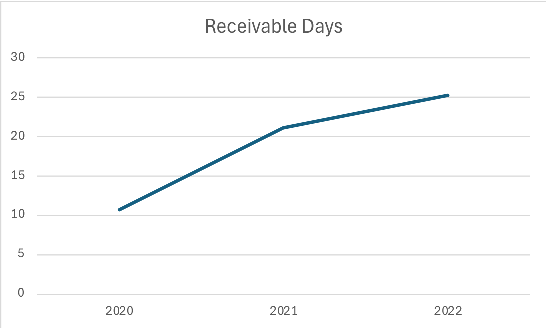
- 2022: 97.05 days
- 2021: 83.17 days
- 2020: 74.16 days



Increasing payable days indicate that the company is taking longer to pay its suppliers, which could be a sign of liquidity strain or negotiating longer payment terms.

Receivable Days

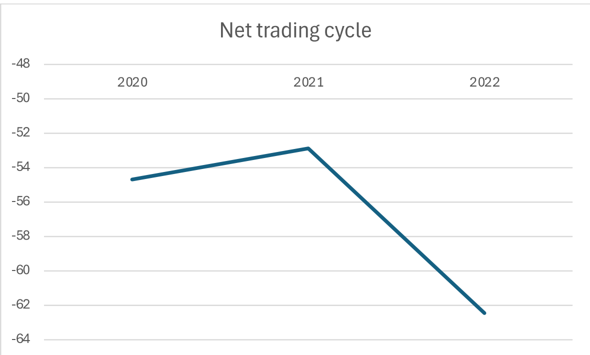
- 2022: 25.21 days
- 2021: 21.15 days
- 2020: 10.72 days



The increase in receivable days suggests slower collection of receivables, which might impact cash flow.

Net Trading Cycle

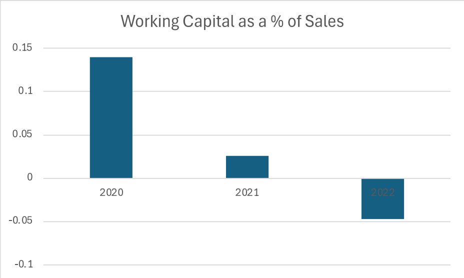
- 2022: -62.44 days
- 2021: -52.90 days
- 2020: -54.70 days



A negative net trading cycle indicates that the company collects receivables and pays payables faster than it takes to sell inventory, improving liquidity.

Working Capital as a % of Sales

- 2022: -4.71%
- 2021: 2.56%
- 2020: 13.96%

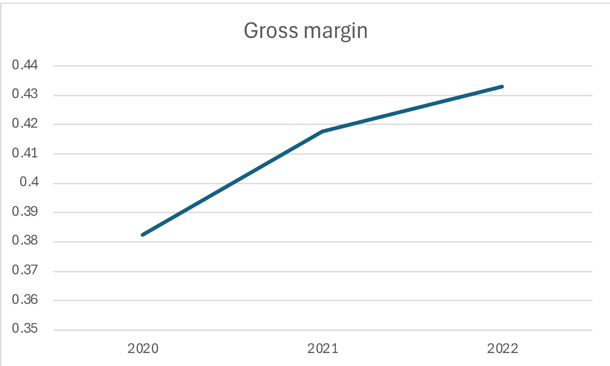


The negative working capital as a percentage of sales in 2022 indicates a strained working capital position relative to sales.

2. Profitability Analysis

Gross Margin

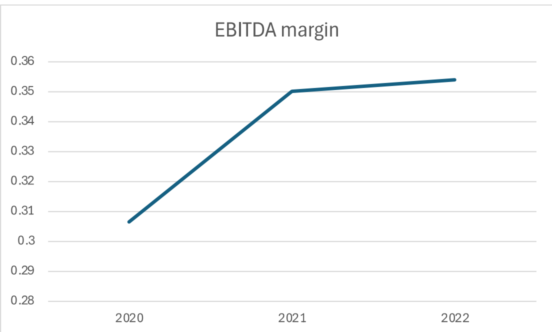
- 2022: 43.31%
- 2021: 41.78%
- 2020: 38.23%



The gross margin has improved, showing that the company's profitability before operating expenses has increased.

EBITDA Margin

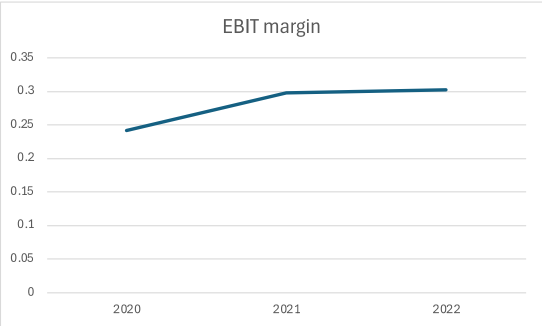
- 2022: 35.40%
- 2021: 35.03%
- 2020: 30.66%



The EBITDA margin has slightly increased, indicating better operating profitability.

EBIT Margin

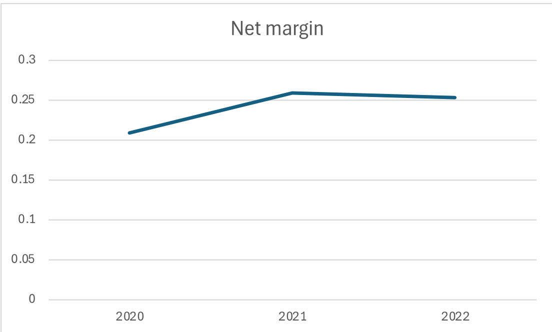
- 2022: 30.29%
- 2021: 29.78%
- 2020: 24.15%



The EBIT margin has improved, reflecting better operational efficiency and profitability.

Net Margin

- 2022: 25.31%
- 2021: 25.88%
- 2020: 20.91%

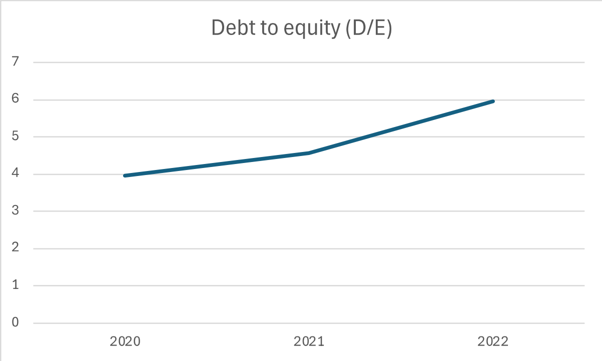


The net margin has slightly decreased, but remains relatively high, indicating strong overall profitability despite a slight decline.

3. **Solvency/Debt Management**

Debt to Equity Ratio

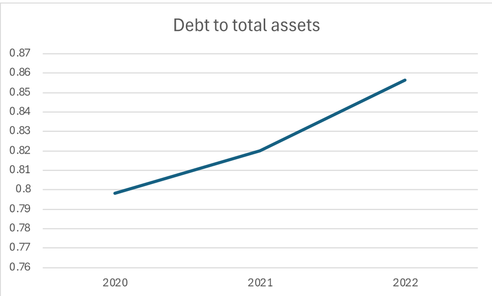
- 2022: 5.962
- 2021: 4.564
- 2020: 3.957



The increasing debt to equity ratio indicates higher financial leverage and increased reliance on debt financing.

Debt to Total Assets

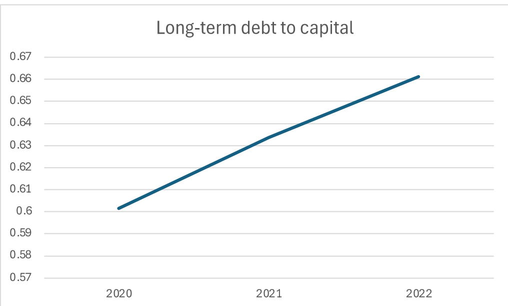
- 2022: 0.856
- 2021: 0.820
- 2020: 0.798



The rising debt to total assets ratio suggests an increasing proportion of assets financed by debt.

Long-term Debt to Capital

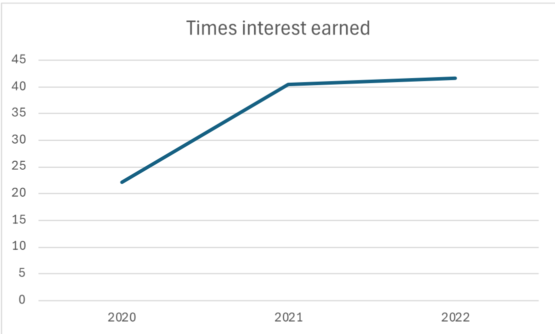
- 2022: 0.661
- 2021: 0.634
- 2020: 0.602



The long-term debt to capital ratio has increased from 2020 to 2022, indicating a higher proportion of long-term debt in the company's capital structure.

Times Interest Earned

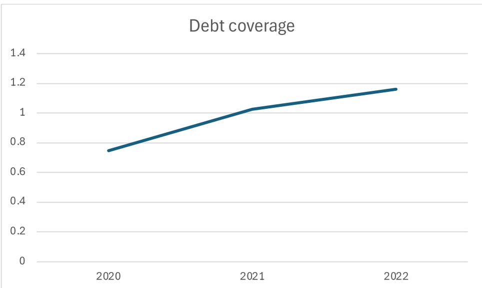
- 2022: 41.69
- 2021: 40.55
- 2020: 22.08



The times interest earned ratio shows a strong ability to cover interest expenses with earnings, indicating good debt servicing capability.

Debt Coverage

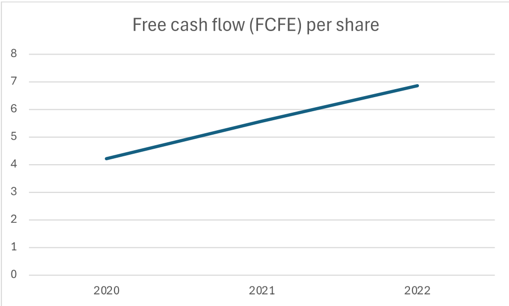
- 2022: 1.16
- 2021: 1.03
- 2020: 0.75



The increasing debt coverage ratio indicates improved ability to cover debt obligations with operating cash flow.

Free Cash Flow per Share

- 2022: 6.87
- 2021: 5.57
- 2020: 4.23

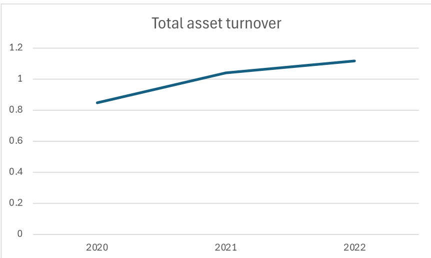


The increasing free cash flow per share reflects improved cash generation capacity relative to shares outstanding.

4. **Asset Utilisation**

Total Asset Turnover

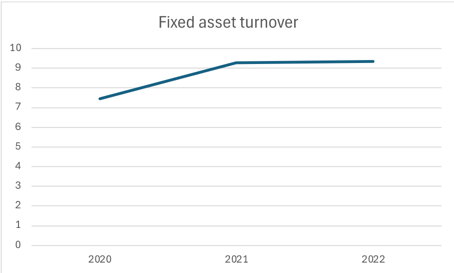
- 2022: 1.12
- 2021: 1.04
- 2020: 0.85



The increasing total asset turnover ratio indicates more efficient use of assets to generate sales.

Fixed Asset Turnover

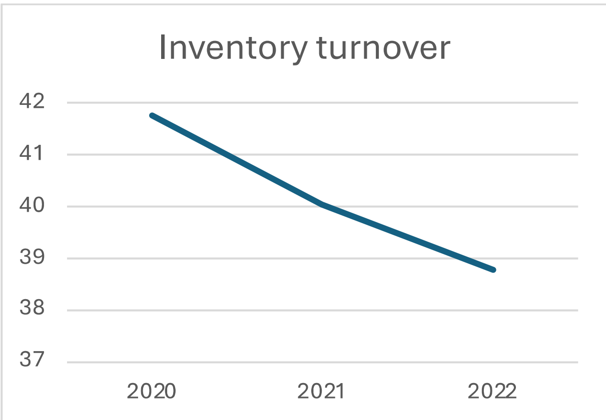
- 2022: 9.36
- 2021: 9.28
- 2020: 7.47



The fixed asset turnover has improved, showing efficient use of fixed assets in generating revenue.

Inventory Turnover

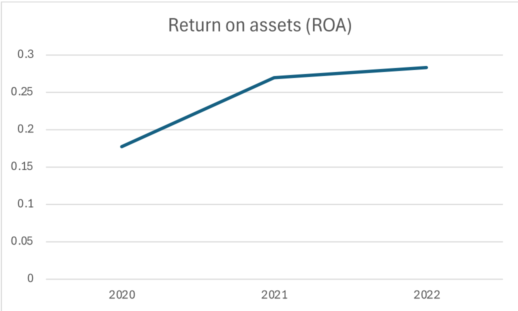
- 2022: 38.79
- 2021: 40.03
- 2020: 41.75



A declining inventory turnover ratio indicates slower inventory movement.

Return on Assets (ROA)

- 2022: 0.283
- 2021: 0.270
- 2020: 0.177



The increasing ROA shows improved profitability relative to total assets.

5. **Investor/Market Ratios**

Price to Equity (P/E)

- 2022: 16.37
- 2021: 14.26
- 2020: 18.29

The P/E ratio has decreased, reflecting lower investor expectations or improved earnings.

Earnings per Share (EPS)

- 2022: 12.26
- 2021: 11.28
- 2020: 6.59

The increasing EPS indicates improved profitability on a per-share basis.

Price to Book Value (PBV)

- 2022: 32.0
- 2021: 26.5
- 2020: 26.6

The rising PBV ratio suggests higher market valuation relative to book value.

Book Value per Share (BV)

- 2022: 3.12
- 2021: 3.78
- 2020: 3.77

A decreasing book value per share reflects a decline in the net asset value per share.

Dividend Payout Ratio

- 2022: 0.149
- 2021: 0.153
- 2020: 0.245

The decrease in the dividend payout ratio suggests a lower proportion of earnings distributed as dividends.

Dividend per Share

- 2022: 915.21
- 2021: 866.22
- 2020: 811.49

Increasing dividends per share indicate a growing return to shareholders.

Dividend Yield

- 2022: 0.915
- 2021: 1.083
- 2020: 1.352

A decreasing dividend yield indicates a lower return on investment relative to the stock price.

Return on Equity (ROE)

- 2022: 1.13
- 2021: 0.98
- 2020: 1.76

The ROE shows substantial returns on equity, although it has decreased over the years.

Return on Capital Employed (ROCE)

- 2022: 0.601
- 2021: 0.483
- 2020: 0.303

The increasing ROCE indicates improved efficiency in using capital to generate returns.

Enterprise Value to EBITDA (EV/EBITDA)

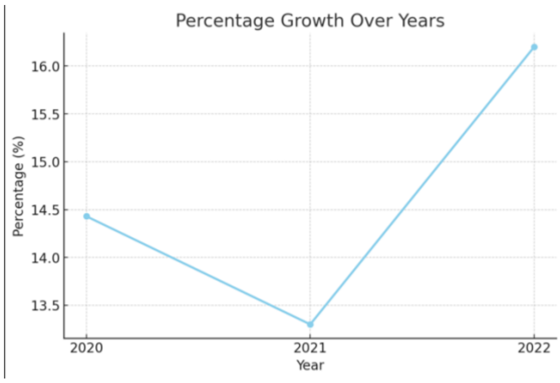
- 2022: 0.716
- 2021: 0.795
- 2020: 1.349

A decreasing EV/EBITDA ratio suggests the company's valuation relative to earnings before interest, taxes, depreciation, and amortization is improving.

6. Income Tax Rate

The income tax rate reflects the percentage of income before taxes that the company paid in taxes.

- 2022: 16.20%
- 2021: 13.30%
- 2020: 14.43%



The income tax rate increased in 2022 to 16.20%, up from 13.30% in 2021. This may reflect the application of higher tax rates. The tax burden, although increased, is still relatively low compared to global corporate averages. A rising income tax rate in 2022 suggests that Apple Inc's tax-efficient strategies might be eroding, or it could indicate growth in taxable income.

7. **Capex as a Percentage of Sales**

Capital expenditure as a percentage of sales measures how much the company is investing in new equipment and property relative to its sales.

- **2022:** 2.72%
- **2021:** 3.03%
- **2020:** 2.66%

The Capex to sales ratio has remained fairly consistent, indicating that the company maintains a stable investment in its infrastructure. However, the dip in 2022 might indicate cautious spending during uncertain economic conditions, even though sales increased.

8. **Capex as a Percentage of Fixed Assets**

This ratio assesses how much the company is investing in relation to its existing fixed assets.

- **2022:** 25.42%
- **2021:** 28.11%
- **2020:** 19.88%

Capital expenditure as a percentage of fixed assets has declined from 2021 to 2022, which may indicate that the company has reached a level of sufficient infrastructure investment. The significant jump from 2020 suggests that in the earlier period, the company ramped up its capital expenditure to modernize or expand its asset base.

9. **Cost of Goods Sold as a Percentage of Sales**

This ratio shows how much of each dollar of sales goes to covering the cost of goods sold (COGS).

- **2022:** 56.69%
- **2021:** 58.22%
- **2020:** 61.77%

The declining COGS percentage is a positive trend, as it indicates that the company is becoming more efficient in managing production costs. A lower COGS percentage allows more room for profitability.

10. **Gross Profit Margin**

Gross profit margin measures how much profit remains after accounting for the cost of goods sold.

- **2022:** 43.31%
- **2021:** 41.78%
- **2020:** 38.23%

The gross profit margin has improved steadily, indicating better cost management and higher value capture from sales. This trend reflects positively on the company's pricing power and operational efficiency.

11. **Operating Expenses as a Percentage of Sales**

This ratio measures the proportion of sales spent on operating expenses like research & development and general expenses.

- **2022:** 13.02%
- **2021:** 12.00%
- **2020:** 14.09%

Operating expenses relative to sales have remained consistent, with a slight increase in 2022. This indicates that the company continues to invest in operational activities while keeping expenses proportional to its sales growth.

12. **Operating Income Margin**

Operating income margin measures the profitability after deducting all operating expenses.

- **2022:** 30.29%
- **2021:** 29.78%
- **2020:** 24.15%

The operating income margin has consistently increased, which reflects a more efficient use of operating resources and stronger revenue generation. The 2022 result indicates a strong capacity to generate profits from the company's core operations.

13. **Net Profit Margin**

Net profit margin shows the overall profitability after all expenses, including taxes and interest.

- **2022:** 25.31%
- **2021:** 25.88%
- **2020:** 20.91%

Net profit margins have remained relatively stable but dipped slightly in 2022. This could be due to an increase in tax rates, but the overall margin remains strong. The significant jump from 2020 to 2021 highlights improved profitability during the period of post-pandemic recovery.

In conclusion:

- Profitability is improving, as indicated by increasing gross profit margins and a strong operating income margin. The slight dip in net profit margin in 2022 is mostly due to rising taxes.
- Capex investment is stable, with no major changes in spending relative to sales, reflecting a disciplined capital allocation strategy.
- Operational efficiency is strong, with declining cost of goods sold percentages and controlled operating expenses.

Apple Inc. has shown a positive trajectory in key financial metrics, in terms of profitability and cost control. However, it would be prudent to monitor the company's tax exposure and rising operating expenses. This financial analysis highlights a solid operational foundation, which positions the company well for future growth.