

Financial Ratios Analysis of Apple and Walmart

Introduction:

This report analyses the financial ratios of Apple (AAPL) and Walmart (WMT) using their 2024 and 2025 annual financial reports (10-Ks). The focus is on liquidity, profitability, efficiency, and solvency, comparing each company's performance against industry benchmarks to assess financial health and strategic implications.

Income Statement Overview:

Income Statement		
Company	Apple	Walmart
Revenue	\$391.0B	\$681.0B
Net Income	\$93.7B	\$19.4B
Operating Income (EBIT)	\$123.2B	\$29.3B

- Walmart generates higher revenue, but Apple's net and operating income are significantly higher due to premium pricing and high-margin products.
- Apple's strong profitability stems from its brand positioning, while Walmart relies on high-volume retail transactions.

Balance Sheet Overview:

Balance Sheet		
Company	Apple	Walmart
Current Assets	\$153.0B	\$79.5B
Current Liabilities	\$176.4B	\$96.6B
Total Assets	\$365.0B	\$260.8B
Total Liability	\$308.0B	\$163.4B
Total Equity	\$57.0B	\$97.7B

- Apple maintains larger total assets and liabilities, reflecting expansion-driven financial strategy.
- Walmart's higher total equity shows a more conservative, stable financial approach.

Cash Flow Overview:

Operating Cash Flow		
Company	Apple	Walmart
Operating Cash Flow	\$118.3B	\$36.4B

- Apple's operating cash flow far exceeds Walmart's, indicating strong cash generation from high-margin products.

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Ratio Calculations & Interpretation:

Liquidity Analysis:

Liquidity Ratios				
Ratio	Apple	Tech Industry Norm	Walmart	Retail Industry Norm
Current Ratio	0.87	1.50+	0.82	1.00 - 1.50
Quick Ratio	0.75	1.20+	0.24	0.40 - 0.60
Cash Ratio	0.37	0.50+	0.09	0.10 - 0.30

- Apple's liquidity is below tech industry norms, reflecting its cash utilisation for investments and stock buybacks.
- Walmart's liquidity aligns with retail norms, relying on inventory turnover for cash flow.

Profitability Analysis:

Profitability Ratios				
Ratio	Apple	Tech Industry Norm	Walmart	Retail Industry Norm
Gross Profit Margin	46.21%	40% - 50%	24.85%	20% - 30%
Operating (EBIT) Margin	31.51%	25% - 35%	4.31%	3% - 6%
Net Profit Margin	23.97%	15% - 25%	2.85%	2% - 5%
Return on Equity (ROE)	164.59%	100% - 200%	19.90%	15% - 25%

- Apple's profitability exceeds industry standards, driven by premium pricing and high-margin services.
- Walmart operates within retail profitability norms, showing strong cost efficiency but limited margin growth.

Efficiency Analysis:

Efficiency Ratios				
Ratio	Apple	Tech Industry Norm	Walmart	Retail Industry Norm
Inventory Turnover Ratio	30.90	10 - 25	9.19	6 - 12
Accounts Receivable Turnover Ratio	11.70	8 - 15	68.27	40 - 80
Asset Turnover Ratio	1.09	0.80 - 1.50	2.65	2.00 - 3.00

- Apple excels in inventory turnover, showcasing efficient supply chain management.
- Walmart's high asset turnover indicates effective revenue generation from frequent retail transactions.

Solvency Analysis:

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Solvency Ratios				
Ratio	Apple	Tech Industry Norm	Walmart	Retail Industry Norm
Debt to Equity Ratio	1.87	1.00 - 2.50	0.62	0.50 - 1.50
Financial Leverage	6.41	5 - 7	2.67	2 - 4

- Apple has high financial leverage, utilising debt for expansion and stock repurchases.
- Walmart maintains conservative solvency ratios, ensuring long-term financial stability.

Key Takeaways on Financial Health & Decision-Making:

Apple:

Apple's high profitability and efficient inventory management solidify its position in the tech industry, but lower liquidity and high leverage pose potential risks. The company should consider accumulating liquid assets to ensure financial flexibility, especially given its debt-funded expansion strategy. Apple must continue leveraging brand power and recurring revenue (services, subscriptions) to sustain profitability while optimising cash management.

Walmart:

Walmart's financial strategy prioritises stability, efficiency, and low debt reliance, making it resilient in high-volume retail operations. However, thin profit margins limit profitability expansion, suggesting potential growth opportunities in higher-margin services or e-commerce. The company could benefit from moderate financial leverage for strategic expansion, ensuring competitive positioning against online retail giants.

Summary & Recommendations:

- Apple excels in profitability and efficiency but should enhance liquidity management and balance debt utilisation.
- Walmart thrives in operational efficiency and financial stability but should explore high-margin business models to improve profitability.
- Industry trends shape financial strategy-tech firms prioritise high profit margins, while retailers rely on asset turnover and cost efficiency.