COVER PAGE AND DECLARATION

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Introduction

The headquarters of the global technology corporation Apple Inc. Are located in Cupertino, California. The company develops, manufactures, and markets digital services, computer applications, and consumer electronics. With a market capitalization exceeding $2 trillion as of 2021, Apple is one of the largest technology companies globally. Apple has consistently been acknowledged as a prominent pioneer in the technology sector, recognized for its iconic gadgets such as the iPhone, iPad, and MacBook. Throughout the years, the corporation has expanded its product line to encompass wearables, peripherals, and services such as the App Store, iCloud, and Apple Music. Presently, Apple is a multi-national enterprise with a presence in over 40 nations and a staff of over 140,000 employees (Levy, 2023).

Despite its success, Apple operates in a highly competitive and rapidly evolving industry. The company must continually innovate and adapt to changing consumer preferences and technological advancements to maintain its market leadership position. As such, it is critical for investors and stakeholders to evaluate the company's financial performance and operations to assess its long-term viability and potential for growth.

Our research seeks to offer a comprehensive analysis of Apple's financial performance during the previous four years. Our examination will focus on a number of variables, including profitability, effectiveness, short-term and long-term solvency, as well as market-based ratios.. Furthermore, we will propose suggestions for enhancing the company's operations based on our discoveries, and we will suggest a new investment venture that Apple could undertake. Ultimately, we will assess whether the corporation should distribute its earnings to shareholders as dividends or retain them for future investments.

Performance Evaluation

a. Profitability:

A company’s capacity to turn a profit from its operations is a crucial indicator of its success. The profitability ratios for Apple during the previous four years are displayed in the table below.

Profitability Ratio	**2019**	**2020**	**2021**	**2022**
Gross Profit Margin	38.3%	38.0%	41.4%	48.3%
Operating Profit Margin	24.4%	24.8%	27.8%	31.2%
Net Profit Margin	21.0%	20.4%	23.1%	26.3%

The percentage of revenue that remains after subtracting the cost of products sold is measured by the gross profit margin. Over the past four years, Apple’s gross profit margin has significantly improved, rising from 38.3% in 2019 to 43.3% in 2022. This shows that Apple is successfully controlling its expenses and raising its profitability.

The operating profit margin is the percentage of revenue that remains after all operational expenses have been paid. Apple’s operating profit margin has seen a significant increase in the past four years, rising from 24.4% in 2019 to 31.2% in 2022, indicating that the company is efficiently managing its operational costs and generating more revenue from its business. Similarly, The percentage of money that is left over after all costs, including taxes and interest, have been paid is known as the net profit margin. Over the same period, Apple’s net profit margin has also increased significantly, from 21.0% in 2019 to 26.3% in 2022, demonstrating that the company is keeping costs under control while delivering higher profits to its shareholders.

Throughout the previous four years, Apple's profitability ratios have generally improved, demonstrating that the business is successfully controlling its expenses and producing higher profits from its operations.

b. Efficiency

Efficiency gauges a business's capacity for efficient asset management and income generation. The efficiency ratios for Apple during the previous four years are shown in the following table:

Efficiency Ratio	**2019**	**2020**	**2021**	**2022**
Asset Turnover	0.78	0.69	0.70	0.66
Receivables Turnover	6.1	6.4	6.2	5.6
Inventory Turnover	80.4	77.8	75.3	67.4

The asset turnover ratio measures a corporation's ability to generate revenue from its assets. However, in the past four years, Apple's asset turnover ratio has decreased, from 0.78 in 2019 to 0.66 in 2022, implying that the company is utilizing its assets less effectively to generate income.

The turnover ratio for receivables gauges how rapidly a business collects its accounts receivable. For the past four years, Apple's receivables turnover ratio has stayed largely consistent, varying from 6.1 in 2019 to 6.4 in 2020. This shows that Apple is handling its receivables well.

The inventory turnover ratio calculates the speed at which a corporation sells its stock. Over the past four years, Apple's inventory turnover ratio has decreased, going from 80.4 in 2019 to 67.4 in 2022. This suggests that Apple is managing its inventory less effectively.

For the past four years, Apple's efficiency ratios have generally produced mixed results. While the corporation has managed its receivables well, it has lost efficiency in managing its inventories and earning income from its assets.

c. Short-term Solvency:

Short-term solvency is a measure of a company's ability to fulfil short-term obligations, such as making loan and bill payments. The following table shows the short-term solvency ratios for Apple during the preceding four years:

Short-term Solvency Ratio	**2019**	**2020**	**2021**	**2022**
Current Ratio	1.50	1.61	1.37	1.25
Quick Ratio	1.36	1.49	1.22	1.11

The current ratio evaluates a company's capacity to use its current assets to cover its short-term liabilities. Apple's current ratio has fallen over the past four years, from 1.50 in 2019 to 1.25 in 2022. This shows that Apple's ability to fulfil its immediate obligations with its current assets is declining (Dybek, 2022b).

A company's capacity to satisfy its immediate obligations with its most liquid assets, such as cash and marketable securities, is measured by the quick ratio. Apple's quick ratio, however, has decreased over the previous four years, from 1.36 in 2019 to 1.11 in 2022, showing a decrease in the company's ability to pay down its short-term loans using its most liquid assets.

Over the past four years, Apple's short-term solvency ratios have generally decreased, suggesting that the corporation is growing less able to fulfil its short-term obligations.

d. Long-term Solvency:

The ability of a business to fulfil long-term commitments, such as repaying debt and investing in new initiatives, is measured by its long-term solvency. The long-term solvency ratios for Apple for the previous four years are shown in the following table:

Long-term Solvency Ratio	**2019**	**2020**	**2021**	**2022**
Debt-to-Equity Ratio	1.04	1.54	1.68	1.66
Interest Coverage Ratio	17.8	15.1	26.0	32.4

The debt-to-equity ratio is a metric that measures the amount of debt a company has relative to its equity. From 1.04 in 2019 to 1.66 in 2022, Apple's debt-to-equity ratio has grown over the last four years. This shows that Apple has increased its debt-to-equity ratio over the last four years and has gotten increasingly leveraged.

A financial indicator called the interest coverage ratio is used to assess a company's capacity to cover its interest costs out of operational profits.. Over the previous four years, Apple's interest coverage ratio has changed, but overall it has stayed stable and robust, ranging from 15.1 in 2020 to 32.4 in 2022. This shows that Apple is efficiently controlling its interest costs and making enough money to pay its interest.

For the past four years, Apple's long-term solvency ratios have generally shown mixed results. The corporation has increased its level of leverage while maintaining high interest coverage ratios.

To address the growing concern over Apple's rising debt-to-equity ratio, the company may consider various measures to improve its long-term solvency. One approach could be to reduce its reliance on debt financing and instead opt for equity financing through the issuance of new shares or by retaining earnings. By reducing its debt load, Apple can potentially lower its interest payments and improve its long-term financial stability.

Another strategy that Apple can employ to enhance its long-term solvency is to invest in new profitable initiatives. By generating more revenue and cash flows, the company can reduce its debt burden and improve its ability to meet long-term obligations. For instance, Apple could consider diversifying its product line or entering new markets to expand its customer base and revenue streams

e. **Market-based Ratios:**

Market-based ratios gauge an organization's performance from the standpoint of an investor. They shed light on how the stock of a company is valued in the market (Feuer, 2019b) . Apple's market-based ratios over the previous four years are shown in the following table:

Market-Based Ratio	**2019**	**2020**	**2021**	**2022**
Price-to-Earnings Ratio	19.3	28.5	37.3	28.5
Price-to-Book Ratio	9.5	25.6	30.4	17.4
Dividend Yield	1.4%	0.9%	0.6%	0.6%

A company's current stock price is compared to its earnings per share using the price-to-earnings (P/E) ratio (EPS). Over the past four years, Apple's P/E ratio has fluctuated, peaking at 37.3 in

2021 and then dropping to 28.5 in 2022. This shows that while the market values Apple's earnings more highly than it did in 2019, it does so at a lower level than it did in 2021.

The dividend yield gauges how much a firm pays out in dividends to shareholders in relation to the value of its stock. Over the past four years, Apple's dividend yield has decreased, falling from 1.4% in 2019 to 0.6% in 2022. This suggests that a smaller percentage of the company's income are being distributed as dividends.

Recommendations for improving the company business based of your report and research.

The following suggestions might be made to enhance Apple's business based on the research of the company's financial health:

Improve Efficiency: Apple can concentrate on raising its efficiency ratios to increase revenue from its assets and manage its inventories more effectively. This can be done by streamlining and automating its supply chain and distribution channels, putting in place efficient inventory management systems, and spending money on technology (Peterson, 2020).

Expand its product portfolio: Despite its success in the consumer electronics sector, Apple may want to consider diversifying its revenue sources by entering other areas. For instance, it might finance the creation of novel goods like health technologies or electric vehicles (Myhrer, 2021).

On-Device Security Tools: Apple has a reputation for prioritizing user privacy and security. Apple can continue to improve its cybersecurity by creating on-device network traffic analysis tools that can detect and notify users when abnormal data patterns are identified, indicating the possibility of malware. With the rise of sophisticated cyber threats and the increasing amount of sensitive data stored on mobile devices, such tools could offer users an additional layer of protection (Evans,2023).

While this could impact the market for third-party iOS security vendors, it could also promote the development of edge-of-network security tools, ultimately improving security for all users

Increase Short-term Liquidity: Apple can concentrate on raising its liquidity by lowering its current liabilities and building up its cash reserves in order to improve its short-term solvency ratios. This can be done by putting into practise efficient working capital management techniques, such as enhancing the administration of accounts payable and receivable and lowering inventory levels.

Manage Long-term Debt: The financial structure of a corporation must include long-term debt, but if it is not properly handled, it can become a burden. As one of the biggest corporations in the world, Apple must pay particular attention to the amount of long-term debt it is carrying in order to keep a healthy long-term solvency ratio. Reduced debt is one strategy Apple can use to manage its long-term debt. This can be done by spending less on unimportant projects and eliminating wasteful expenditures. Refinancing the loan at a lower interest rate is an additional choice that could result in lower interest payments and lessen the debt load. Last but not least, increasing new equity can aid in reducing leverage and preserving a favourable long-term solvency ratio. Apple can maintain its financial stability and continue to invest in new projects while honouring its long-term commitments by efficiently managing its long-term debt.

Enhancing Apple's Product Innovation and Production Efficiency : Apple needs to continue prioritising aggressive and quick innovation in product development if it wants to keep its market advantage. By raising the industry standard, technological developments can successfully counteract the negative impacts of copying. To combat the rise in labour expenses, Apple could also think about automating more of its production procedures and encouraging automation among its contract manufacturers. In the long run, this will not only improve efficiency but also save operating expenses (Smithson, 2022b)

Expand Product Portfolio: Although Apple has found success with its present product lineup, it may want to think about broadening its product line in order to diversify its revenue sources and tap into new markets. This can be accomplished by making investments in R&D to create new goods and services or by strategically acquiring companies that complement your own.

Expand Distribution Partnerships:

Companies are continually looking for innovative strategies to keep one step ahead of the competition and broaden their market reach in the quickly changing consumer electronics sector of today. To accomplish these objectives, many businesses work with several distributors, which is a successful strategy. By doing this, a business can reach out to new consumer bases, boost sales, develop brand recognition, and enhance general customer happiness.

Enhance Digital Presence: Apple is a market leader in technology and is constantly working to strengthen its position and increase customer involvement. The improvement of its online presence is one practical approach to accomplish this. By making investments in digital marketing, enhancing its e-commerce skills, and utilising technology to deliver a remarkable client experience, this can be accomplished.

To enhance its digital marketing and expand its online audience, Apple can invest in online advertising, social media campaigns, and search engine optimization (SEO) strategies. This could aid the business in gaining new clients and keeping old ones, boosting its market share.

Invest in research and development: In order to maintain its position as a leader in the technology sector, Apple should continue to make investments in R&D. Apple can preserve its market position and continue to draw in and keep customers by creating fresh, cutting-edge products.

Notwithstanding Apple's achievements in terms of revenue growth and profitability, there is still room for improvement in terms of productivity, near-term liquidity, and long-term debt management. Apple can maintain its status as a top technology company by putting the aforementioned suggestions into practice.

Recommend one new investment project to the company. The company wants to expand its business through an investment project, however, it can only capitalize 40% through own capital.

We recommend that Apple invest in a fresh range of wearable tech products, such as intelligent timepieces or enhanced reality eyewear, based on our examination of the company's financial status and achievements. This market is rapidly expanding and has a sizable potential for revenue growth. It also complements Apple's core competencies in design, innovation, and user experience.

a- Indicate whether it is a good idea by using NPV and WACC.

We will use two financial indicators, net present value (NPV) and weighted average cost of capital, to assess the viability of this investment idea (WACC).

NPV is a measurement of a project's net cash flow that has been discounted to account for time value of money. If the NPV is positive, the project is a smart investment because it is anticipated to bring in more money than it costs. A negative NPV, on the other hand, means that the project is predicted to lose money, making it a bad investment.

WACC is a measurement of a company's average cost of capital that accounts for both equity and debt financing. It displays the minimal return necessary for a project to add value for shareholders. If the project's yield is below the WACC (weighted average cost of capital), it will result in value destruction; if it is above the WACC, it will lead to value creation.

b- Indicate whether the company must use its own cash or use retained earnings

We can get the NPV and WACC by making the following assumptions: The project requires an initial investment of $1 billion and is anticipated to produce cash flows of $250 million year for the following five years, with a terminal value of $500 million.

NPV = -Initial Investment + (CF1 / (1+WACC)^1) + (CF2 / (1+WACC)^2) + ... + (CFn / (1+WACC)^n) + (Terminal Value / (1+WACC)^n)

NPV = -$1 billion + ($250 million / (1+10%)^1) + ($250 million / (1+10%)^2) + ... + ($250 million / (1+10%)^5) + ($500 million / (1+10%)^5)

NPV = $183.9 million

WACC = (Cost of Equity x % Equity) + (Cost of Debt x % Debt) x (1 - Tax Rate)

We can determine the WACC as follows by assuming a cost of equity of 12%, a cost of debt of 3%, an equity-to-debt ratio of 60:40, and a tax rate of 20%:

WACC = (0.12 x 60%) + (0.03 x 40%) x (1 - 20%)

WACC = 9.84%

These calculations show that the wearable technology investment project has a positive NPV of $183.9 million, proving that it is a wise investment. Because the WACC of 9.84% is less than the project's estimated return of 10%, the project adds value for shareholders.

Apple can finance 40% of the project with its own money, either in the form of cash on hand or retained earnings, and the other 60% can be raised through debt or equity financing. Utilizing the company’s own cash or retained earnings would lower the cost of capital and cut down on interest costs, but it would also reduce the cash on hand and restrict its ability to make financial decisions.

According to our analysis, Apple should invest in wearable technology because it has a positive NPV and a return that is more than the WACC. The company can fund the project using a combination of debt and equity financing, and when selecting whether to use its own cash or retained earnings, it should carefully weigh the trade-offs between cost of capital and financial flexibility.

Decide whether or not the company should pay return earnings or not.

The corporation may need to look for alternative sources of financing since it can only fund 40% of the project with its own capital. To finance the remaining 40%, the corporation might either use retained earnings or issue fresh debt or stock.

If the business has enough retained earnings, it may use these to fund the undertaking. Yet, it can be better to issue fresh debt or stock to finance the project if it does not have enough retained earnings or wants to protect its cash reserves.

To decide whether or not the company should pay its shareholders returns, we must consider various factors such as the company’s financial stability, investment opportunities, dividend policy, and investor expectations.

First off, Apple has a solid financial situation, with a large amount of cash on hand and little debt. Only $21.4 billion of long-term debt and $207.06 billion in cash and cash equivalents were held by the company as of Q1 2022. As a result, the business has a lot of financial freedom to pursue business ventures and tactical acquisitions.

Second, the business has a track record of delivering dividends to its investors. The company paid a $0.22 per share quarterly dividend in 2021, for an annual dividend yield of about 0.6%. It may displease some income-oriented investors that the company has not significantly boosted its dividend payout during the past few years.

Lastly, the business has a robust pipeline of innovative goods and services that may result in large profits for investors. For instance, it is reported that the business is developing a self-driving automobile, which might revolutionise the auto sector. The business is also making significant investments in augmented reality and virtual reality technology, which may one day lead to the creation of new revenue streams.

We advise Apple to keep paying dividends to its shareholders while also making investments in growth opportunities that have the potential to produce better long-term returns. Despite having a solid financial situation, the corporation should nevertheless give priority to investments that have a positive NPV and a return that is higher than the WACC.

If the business is unsuccessful in locating investments that satisfy these requirements, it may think about giving part of its cash reserves back to shareholders through share buybacks or special dividends. Yet, it must be done responsibly so as not to jeopardise the business's financial stability or long-term expansion prospects.

Conclusion :

Overall, Apple is in a solid financial position and has a successful track record in the technological sector. But, as we have seen in our research, the corporation continues to encounter difficulties and pressures to keep up its market dominance. Apple must carefully balance its investment goals and dividend policy in order to overcome these obstacles and maintain growth.

Even if it is crucial for the business to engage in new initiatives and explore development prospects, it is also crucial to make sure that these investments yield a good return and are in line with the organization's long-term strategic goals. Apple can continue to expand on its success and produce value for its shareholders by carefully assessing investment possibilities and giving priority to those with the highest potential for long-term growth and profitability.

The corporation must also continue to follow a sensible dividend policy that strikes a balance between shareholders' needs and the company's financial stability and potential for future growth. Dividends are a significant means for businesses to reward their shareholders and uphold their trust, but they must be balanced with other investment priorities and debt commitments of the business.

Apple should maintain a balance between its dividend policy and its investment priorities in order to create long-term value for its shareholders. The business may keep the faith and confidence of its investors while also fostering future growth by seeking high-return investment opportunities and delivering prudent dividends. Apple has the capacity to foster innovation and generate value for its stakeholders for years to come as one of the top technological businesses in the world.

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