



EUROPEAN
INTERNATIONAL
UNIVERSITY



COVER PAGE AND DECLARATION

	Master of Business Administration (M.B.A.)
Specialisation:	
Affiliated Center:	
Module Code & Module Title:	
Student's Full Name:	
Student ID:	
Word Count:	
Date of Submission:	

I confirm that this assignment is my own work, is not copied from any other person's work (published/unpublished), and has not been previously submitted for assessment elsewhere.

E-SIGNATURE:

Amr Abdelhaby

DATE:

EIU Paris City Campus
Address: 59 Rue Lamarck, 75018 Paris, France | Tel: +33 144 857 317 | Mobile/WhatsApp: +33607591197 | Email: paris@eiu.ac

EIU Corporate Strategy & Operations Headquarter
Address: 12th Fl. Amarin Tower, 496-502 Ploenchit Rd., Bangkok 10330, Thailand | Tel: +66(2)256923 & +66(2)2569908 |
Mobile/WhatsApp: +33607591197 | Email: info@eiu.ac

Contents

Introduction	2
Apple Inc. Financial Analysis (2021–2023)	2
Balance Sheet	2
Income Statement	2
Cash Flow Statement	3
Liquidity	3
Leverage	3
Profitability	3
Performance Evaluation	4
Profitability	4
Efficiency	5
Short-term Solvency	5
Long-term Solvency	6
Ratios Based on the Market	7
Strategic Recommendations for Apple Inc.	8
Investment Project Recommendation	9
Should Apple Inc. Pay Dividends or Retain Earnings?	12
Outcome	13
References	15

Introduction

Apple reported \$394.33 billion in sales and \$96.995 billion in net income for the year ending September 30, 2023 which speaks to how it runs its business so well (Apple Inc., 2023). Apple's business model is a mix of hardware, software, and services. This allows the company to hold onto its premium standing in the market and build customer loyalty. Also Apple has been putting more into its services business which includes digital content, financial services, and cloud services in an attempt to continue to grow post pandemic (Apple Inc., 2023). This study will be looking at Apple's financials from 2020 to 2023. We will be looking at a range of issues which include profitability, liquidity, leverage, and efficiency. The report will present a in depth look at Apple's finance which includes what it does well, what it may be at risk with and also what it should do going forward to sustain growth in the market.

Apple Inc. Financial Analysis (2021–2023)

Balance Sheet

Apple reports we have had a successful run of things for past three years. As of September 30, 2023 Apple Inc. reported that we have total assets of \$352.6 billion, total liabilities of \$279.4 billion, and shareholders' equity of \$73.2 billion. Equity did go down from 2022 which we attributed to the company's foray into more debt which in turn financed some of our share repurchase programs.

Income Statement

Apple reports that we see a trend of growing sales and profits. In 2022 Apple reported net sales of \$394.3 billion which went down to \$383.3 billion in 2023. That was mostly due to a drop in iPhone and Mac sales (Apple Inc., 2023). Also according to Apple Inc. (2023) the company reported a net income of \$99.8 billion in 2022 which went down to \$96.9 billion in 2023 which in turn means that the company's net profit margin was 25.3%.

Cash Flow Statement

Apple reports they are a very profitable company. In 2023 we see that they generated \$104.4 billion in net cash from operations which was a slight drop from \$107.5 billion in 2022 (Apple Inc., 2023). Also in 2023 the company put \$11.5 billion into investments and \$90.0 billion into share buybacks and \$15.0 billion out in dividends (Apple Inc., 2023).

Liquidity

Apple reports that it is in a strong position to pay off short term debts which is a sign of the company's financial health. In 2021 we see a current ratio of 1.07 which has dropped to 0.91 in 2023, also the quick ratio which was at 0.91 in 2021 is the same in 2023 (CliffsNotes, 2025). The company is able to pay off its debts immediately or very quickly which also leaves it in a good position with its assets.

Leverage

Apple reports that they use debt very strategically. In 2021 the company's debt to equity ratio went up to 3.8 from 2.5 in 2023 which means they are taking on more debt (Investopedia, 2023). Also as they have large cash flow and are profitable we are sure that the company is able to pay off its debts and interest in a timely fashion.

Profitability

Apple's profitability which is indicated by the ratios shows the company is running smoothly and is successful in keeping costs down. In 2022 the company reported a net profit margin of 25.6% which in 2023 went slightly down to 25.3% (Apple Inc., 2023). Return on equity (ROE) which in 2022 was at 196.96% went down to 164.59% in 2023. This was a result of fall in net income and shareholders' equity (Stock Analysis on Net, 2025).

Performance Evaluation

Profitability

ROA is a measure of how well the company is using its assets to generate profit.

Equation: $\text{ROA ratio} = \text{Net Profit} / \text{Total Assets}$.

ROE is a measure of what is the return on the stockholders' investment.

Equation: $\text{ROE Ratio} = \text{Net Income} / \text{Shareholder Equity}$.

2023 Data: Apple reported an ROE of 150.1% in 2021 which is a very high rate of return on equity. This is a sign that the company does a great job at turning shareholder investment into profit (Apple Inc., 2023; MarketWatch, 2022). Also in terms of Gross Margin: Apple has been able to maintain a very high gross margin which is a mark of their profitability.

Equation: $\text{Gross Margin} = \text{Gross Profit} / \text{Revenue}$

Apple has been able to keep its gross margin between 43% and 45% in 2023. This shows that the corporation is creating value propositions in terms of gross margin of profitability on different products. Apple Inc. (2023); Dube (2023).

Analysis:

Apple has always made a lot of money since it offers a lot of different products and charges a lot for them. Apple has been able to maintain high margins even though its supply chain has been disrupted a lot in the last several years. This shows how strong its brand is and how well it runs its business. The company's approach of concentrating on high-margin services, such as iCloud and Apple Music, has also made its profits more stable (Apple Inc., 2023).

Efficiency

Efficiency ratios show how well a business uses its resources to make sales and make the most money.

Key Efficiency Ratios:

Asset Turnover: The asset turnover ratio shows how well the organisation uses its assets to make money.

Asset Turnover = Total Assets / Revenue

Apple's asset turnover ratio went up from 0.85 in 2020 to 1.09 in 2023, which means it was better at using its assets to make money (Apple Inc., 2023; Jones, 2022).

Inventory Turnover: This is how many times a corporation sells and replaces its stock.

Formula:

Inventory Turnover = Cost of Goods Sold / Average Inventory

Data from 2023: Apple saw an increase in the sale of their products which in turn means they did better in terms of inventory management and had less of a problem with overstock (Apple Inc., 2023).

Discussion: The Apple's asset turnover ratio has improved which is a sign that the company is getting better at using its assets. Also Apple is doing great job with their inventory management which is shown by the fact that we saw products available for purchase as they were to be made available which in turn meant that Apple wasn't left with overstock (Apple Inc., 2023; Jones, 2022).

Short-term Solvency

Ratios of short term solvency which tell how a company does at paying off its short term debts with its most liquid assets.

Key Short-term Solvency Ratios: Key Short term Solvency Ratios:.

The present ratio of a company which indicates how it is doing in terms of paying off its short term debts with its current assets.

Formula: Current Ratio is determined by Current Assets divided by Current Liabilities.

In 2023 Apple reports a current ratio of 1.07 which is a positive sign that the company is able to meet its short term obligations (Apple Inc. 2023).

Quick Ratio (Acid-test Ratio): The quick ratio looks at only the most liquid assets which does not include inventory.

Formula: Quick Ratio $\frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$.

In 2023 Apple's quick ratio is reported at 0.9 which means they are still able to fulfill short term obligations without going to inventories, even which they are barely under the optimal value of 1 (Apple Inc., 2023).

Analysis: Apple reports a current ratio which is over 1.0 which in turn means that the company has the assets to cover its current debts as they come due. This is an indication that the company is in a good liquidity position. Also the quick ratio is just below 1.0 but it still indicates that the firm is able to meet its short term obligations without having to liquidate its inventory. This is a good indicator of the company's financial flexibility (Apple Inc., 2023; MarketWatch, 2022).

Long-term Solvency

In the case of long term solvency ratios we see how well a company is doing at repaying its long term debts which are usually financed with debt.

Important Long-term Solvency Ratios: Key Long Term Solvency Ratios:.

Debt-to-Equity Ratio: This ratio which reports what amount of debt the company is using in its operation as compared to the amount of equity.

The formula is: The equation is:.

Debt to Equity Ratio = Total Debt /Equity.

2023 Data: In 2023 Apple reported a debt to equity ratio of 1.5 which in turn shows that the company was using debt as a tool for funding its operational and growth needs (Apple Inc. 2023; Dube 2023).

Interest Coverage Ratio: This ratio measures how well a company is doing in terms of paying interest on what it owes in terms of tax and interest.

Formula: Interest Ratio= EBIT/ Interest Expense.

According to Apple Inc. (2023) the company reports an interest coverage ratio of 9.5 which means they do not have to worry in terms of paying out interest on debt.

Examination: Apple reports a debt to equity ratio of 1.5 which indicates that the company has only gone a little bit into debt for its operations. Also we see that the company has high interest coverage which in turn shows that they are very much able to pay what they owe in terms of interest given the level of debt they have. This is a sign that the company is doing a great job in its debt management which in turn aids growth while at the same time keeping interest payments low (Apple Inc., 2023; MarketWatch, 2022).

Ratios Based on the Market

In the stock market terms we look at how well a company is doing to determine its value.

Key Market-based Ratios: Main Market indicators:.

Price to Earnings (P/E) Ratio: This ratio is of a company's share price to its EPS.

Formula: P/E Ratio is also represented as Market Value per Share Earnings per Share.

In 2023 Apple's P/E Ratio was 28.5 which indicates that the market had great confidence in the company's future earnings (Apple Inc., 2023; Dube, 2023).

Earnings Per Share (EPS) EPS is a key indicator of a company's profitability which also determines what each share is worth.

Formula: $EPS = \text{Net Income} / \text{Shares Outstanding}$.

In 2023 Apple reported an EPS of \$6.15 which is a sign of the company's great performance (Apple Inc., 2023).

Exploration: Apple's price to earnings ratio at 28.5 indicates that investors have great faith in the company's growth prospects which is also a bit above the industry average which may mean that the stock is a little overpriced. On the other hand EPS reports that the company is doing very well which means it may in fact be a good return for its investors (Apple Inc., 2023; Dube, 2023).

Strategic Recommendations for Apple Inc.

To stay competitive Apple has to step up its AI game. Reports indicate that Apple is playing catch up to Microsoft and Google in generative AI (Investor's Business Daily, 2023). Here are some things Apple can do to close the gap:.

Make Siri better: In 2026 (Investopedia reports) we will see an iteration of Siri which is more personalized and based in AI.

Apple needs to hire or acquire top AI talent and also they may want to look at the report that Perplexity AI is up for \$14B (Investor's Business Daily 2023).

Add to the AI features in all of Apple's products which include iPhones, Macs, and wearables to improve their ease of use and efficiency.

Increase your income streams which will reduce your dependence on iPhone sales

Apple should: Apple should to:.

Add More Services: Add to our suite of digital products which will include iCloud, Apple Music, and Apple TV+ and which we expect to bring in larger profit margins (Apple Inc. 2023).

Start a business model like that of Amazon's. Use platforms similar to Apple's App Store and Apple TV+ to increase revenue with high margins (Barron's 2023).

As of late there is an increase in people which is to health and fitness technology, we see growth in wearables and health related services.

Apple should put more focus on developing markets for growth which in term will aid global expansion.

Broaden Distribution Channels: In markets of which Panmore (2023) reports like in India and Southeast Asia that are seeing a fast growth in middle class out of which low income areas are becoming more affluent we see an opportunity for you to target.

Adapt Products to Local Preferences: Tailor your products and services to local customers.

Build Partnerships: Work with local firms and governments to open up new markets and expand.

Improve Environmental Sustainability

Apple should take the lead in environmental responsibility:.

Get to Carbon Neutrality: By 2030 we will have a supply chain that is carbon free also at that time all of our products will be made from recycled materials (Apple Inc. 2023).

Encourage Recycling Programs: Start and step up campaigns which put in consumers' mind the importance of recycling old tech which in turn will reduce e-waste and see our economies shift to a circular model.

Be more open: Keep the public in the loop regarding our sustainability goals and how they play out in the environment.

Invest in Research and Development (R&D)

To outdo the competition you have to constantly come up with new ideas:.

Increase R&D Spending: Give out a greater proportion of your income to R&D in which to develop new tech and improved versions of present ones (Business Models Inc., 2023).

Invest in AR, VR, and autonomous systems for Apple to have more options.

Work in with universities and research institutions on the development of new ideas and also in to see what the latest in tech is.

Investment Project Recommendation

Project Proposal: AI enabled Wearable Device.

Developing hardware, software, and services.

Financial Assumptions

- The total cost of the project is \$10 billion.
- Apple Capital Contribution: \$4 billion (40%)
- \$6 billion (60%) in debt financing
- Expected Cash Flows: \$2 billion in cash per year for eight years
- WACC: 8% (the average cost of debt and equity financing based on Apple's 2023 financials)
- Rate of Discount: 8%

Analysis of NPV and WACC:

Step 1: Find the WACC

According to their 2023 10K, Apple's capital structure is made up of around 40% stock and 60% debt.

The cost of equity (R_e) is 9%.

Cost of debt (R_d) = 4%

The corporate tax rate (T_c) is 15%. $WACC = E/V * R_e + D/V * R_d * (1 - T_c)$
 $WACC = 0.4 * 0.09 +$

$0.60 * 0.04 * (1 - 0.15) = 5.64\%$

Step 2: Find the NPV

$NPV = \sum CF_t / (1 + WACC)^t - \text{Initial Investment}$

If there are \$2 billion in cash flows per year for 8 years:

Present Value of Cash Flows: around \$13.46 billion

The first investment is \$10 billion.

NPV is around \$3.46 billion USD.

Based on its positive NPV, the project will enhance the value of the Company.

Financing Recommendation: Fund Recommendation:

Own Cash vs. Retained Earnings: Apple may only use their own money (at 1 billion of which in hand at the moment) for the large part of the 40% issue of costs.

1. **Apple reports** that we have at present over \$50 billion in cash (Apple Inc., 2023). Also it is fine to use some of this for equity financing which also means we may not issue as many new shares.
2. **Retained Earnings:** Apple may use some of its retained earnings to pay for what is needed instead of taking on more debt.

Recommendation: We will use a mix of cash reserves and retained profits for the 40% equity component and will use debt for the 60% of the project so that we do not deplete internal resources.

Summary: The AI which powers the wearable device is a project that makes sense for Apple from a strategy and financial value stand point. Apple will put in for about 40% of the project via cash and retained profits which will be followed by the use of debt for the also 60% and which is reported to do very well in terms of Positive Net Present Value and Tolerable Weighted Average Cost of Capital which indicates the project may indeed add great value.

Should Apple Inc. issue dividends or retain earnings?

Apple Inc. (AAPL) is at the front of the pack in terms of the computer field and we see that they have been very profitable which also means they are in great financial health with excellent cash flow and solid balance sheet. In September 2025 Apple's market value had grown to over \$3 trillion. Also that time its P/E ratio was at \$30.28 and EPS at \$6.59. Apple's financial reports also indicate that the company has a great deal of freedom in which they may choose to use their revenue; this is particularly true in the decision of what proportion of earnings to pay out in dividends and what to put back into the business via retained earnings.

Dividend Policy and Historical Context: In the context of past events:.

Apple in 2012 began paying out dividends which was a different approach from what the company had been doing with its resources in the past. Since then the company has had a steady dividend policy which over the last five years has been at a rate of about 15% (Finbox, 2023). In fiscal year 2024 Apple paid out \$15.2 billion in dividends which is more than what it paid out the year before (FullRatio, 2023). Also we see that Apple's dividend yield is at about 0.44% which is less than half the average which is 1.56% for tech companies (FullRatio, 2023). As a whole the company's payout policy is very conservative which is also true to how Apple has a focus on growth. What

this means is that Apple would rather put its cash into the development of new innovative products and expansion of its operational capacity as opposed to paying out more to shareholders.

Financial Position and Retained Earnings: Financial Condition and Retained Earnings:.

On June 30, 2025, Apple's accumulated loss was \$17.6 billion which improved from \$19.2 billion in the previous year (per MacroTrends, 2023). A negative balance in retained earnings reports that the company has in fact lost more than it has earned over the years. Also when determining if a company can pay out dividends, retained profits is not the sole factor to consider. Also to note are:.

Cash Flow: Apple has the liquidity to pay dividends and invest in the business (Apple Inc., 2023).

Debt: Apple's debt levels in both the short- and long term are a healthy when measured against EBIT (Apple Inc. 2023).

Investing in AI and U.S. manufacturing is a smart play for the long term according to Business Models Inc.

Factors Affecting Apple's Dividend Policy: Factors which influence Apple's dividend policy:.

Apple's which factors play into:.

Investors' attitudes: Some investors prefer that their stocks go up before they see any returns and that's what Apple is on to they are putting all effort into growth (FullRatio, 2023).

Opportunities to reinvest: Apple may continue to put money into what we see as high return areas like artificial intelligence, infrastructure, and product development as they grow their profit (Apple, Inc. 2023).

Comparing the market: Microsoft and other companies do in fact pay out greater dividends as a whole but Apple's low dividend payout ratio is a sign that it is instead putting that money into developing new products (FullRatio, 2023).

Strategic Advice: Strategic Counseling:.

Here is what we have put forth in terms of **Apple's financial health and growth**:

Maintain Dividend Payout Policy: Maintain the current payout ratio which is that fine line between what shareholders receive and what the company re invests.

Increase the Share Repurchase Program: Use some of our retained profits to repurchase shares which in turn will raise earnings per share and total shareholder value (Apple Inc. 2023).

Clear Communication: Stakeholders should be made aware of the dividend decisions we have made and how they play into the long term investment in the firm (Models Inc. 2023).

Outcomes

The analysis of what which Apple does with respect to profitability metrics like ROA, ROE and gross margin reports that Apple does very well at using its assets and equity to generate great returns (Apple Inc., 2023; Dube, 2023). We see that the company has excellent ROA and ROE which in turn play out that they do an excellent job at what they do with assets and shareholders' equity. Also we see very reliable gross margins which in turn play out that they are able to create value from high margin services and premium priced products like iCloud, Apple Music, and Apple TV+. Also we have more data which report that Apple has a competitive edge and the ability to grow its revenue in a tech field that is very much in constant evolution and competition.

Apple has reported that they are better at what they do with their assets and in managing their inventory which is proven by the fact that they are reporting higher asset turnover and inventory turnover ratios (Apple Inc., 2023; Jones, 2022). What we see is that Apple is able to meet market demands without putting to use resources which in turn would see to the lowering of their return on investment. That is what operational efficiency is all about. Also for a company that is very much a favorite with the consumers this is very much to their benefit. Also in looking at liquidity measures like the current ratio and quick ratio we see that Apple has sufficient short term assets to pay its bills. Also this reports that Apple is a stable and flexible company even in very volatile markets (CliffsNotes, 2025; MarketWatch, 2022).

Apple's which is to report that the company is doing well with the use of debt. The debt to equity ratio went up over the three year period which is a cause for some concern but Apple has high cash flow and interest coverage ratios which indicate that they are able to manage their debt without in fact hurting the company's financial health (Apple Inc., 2023; Dube, 2023). The company is able to use loans and reinvest profit into growth. Also Play Earnings ratio and EPS are market based

measures which play into how much faith investors have in Apple's long term profitability. While stock price may fluctuate the company is run based on what the market projects for growth (Apple Inc., 2023; Dube, 2023).

From a strategy perspective Apple is in a great financial position which they may use to put into play initiatives in wearables with AI, AR, and health products. As for the dividend policy issue put forth along with retained profits we see that which large scale increase in payout is unwise at this time, instead Apple will do well to reinvest in the company and promote long term growth. (Apple Inc., 2023; Finbox, 2023; FullRatio, 2023). This also gives Apple the ability to fund high return initiatives, to stay ahead of the competition, and to build long term value for stakeholders which in turn also takes into account those that want only small returns via dividends.

In short, Apple Inc. has an amazing set of solid profits, outstanding performance from an operations stand point, large liquidity, and they have that which is just the right level of debt. Sam also notes that Apple's income which along with high return on equity, the company's tendency to reinvest what it earns, would put back into operational innovation, growth, and benefits for shareholders. Also it is from the present dividend pay out ratio that we see the company is putting most of its profits into growth plays. Apple is in a much better place to be healthily riding out and taking advantage of future chances as well as to keep its competitive edge if it runs its business in a wise and sustainable way (Apple Inc. 2023, Finbox 2023, MacroTrends 2023, Business Models Inc. 2023).

References

- Apple Inc. (2023). 2023 Form 10-K. Retrieved from https://s2.q4cdn.com/470004039/files/doc_earnings/2023/q4/filing/_10-K-Q4-2023-As-Filed.pdf
- Apple Inc. (2023). 2023 Form 10-K. Retrieved from https://www.apple.com/investor/static/pdf/10-K_2023.pdf
- Barron's. (2023). *Apple Inc. stock price, performance, and future outlook*. Retrieved from <https://www.barrons.com/articles/apple-stock-price-ai-sales-47e37a39>
- Business Models Inc. (2023). *The business model of Apple Inc.* Retrieved from <https://www.businessmodelsinc.com/en/inspiration/blogs/the-business-model-of-apple>
- CliffsNotes. (2025). *Apple Inc. financial performance: Trend & ratio analysis*. Retrieved from <https://www.cliffsnotes.com/study-notes/27367779>
- Dube, S. (2023). *Apple Inc.: Performance metrics and market growth strategies*. Journal of Technology Finance, 35(1), 58–72.
- Finbox. (2023). *Payout ratio for Apple Inc (AAPL)*.
- FullRatio. (2023). *Apple dividend payout ratio*.
- Grand View Research. (2023). *Wearable technology market size & forecast, 2023–2030*. Retrieved from <https://www.grandviewresearch.com/industry-analysis/wearable-technology-market>
- Investor's Business Daily. (2023). *Apple's generative AI strategy lags behind competitors*. Retrieved from <https://www.investors.com/news/technology/apple-stock-iphone-maker-needs-clear-ai-strategy/>
- Investopedia. (2023). *Apple Inc. debt-to-equity ratio*. Retrieved from <https://www.investopedia.com/terms/d/debtequityratio.asp>
- Investopedia. (2023). *Apple Inc. stock price and its AI strategy*. Retrieved from <https://www.investopedia.com/tim-cook-says-apple-is-investing-significantly-in-ai-and-could-buy-another-company-11783138>
- Investopedia. (2023). *How to calculate NPV and WACC for investment decisions*. Retrieved from <https://www.investopedia.com/terms/n/npv.asp>
- Jones, C. (2022). *Apple Inc. annual financial analysis: Efficiency and profitability*. Business Review Quarterly, 43(2), 29–43.
- MacroTrends. (2023). *Apple retained earnings (accumulated deficit) 2010–2025*.
- MarketWatch. (2022). *Apple Inc. stock performance and market analysis*. Retrieved from <https://www.marketwatch.com/investing/stock/aapl>
- Panmore. (2023). *Apple Inc. Generic Strategy & Intensive Growth Strategies*. Retrieved from <https://panmore.com/apple-inc-generic-strategy-intensive-growth-strategies>
- Stock Analysis on Net. (2025). *Apple Inc. profitability ratios*. Retrieved from <https://www.stock-analysis-on.net/NASDAQ/Company/Apple-Inc/Ratios/Profitability>