

# Apple's financial Statement Analysis

Section number: AC5511SA1-Friday(12:00-15:00)

Group name: HONG XING

Group members:

- |                  |          |               |
|------------------|----------|---------------|
| 1. CHEN Haonan   | 59413335 | CHEN Haonan   |
| 2. OUYANG Hongbo | 59440221 | OUYANG Hongbo |
| 3. WANG Yixuan   | 59193254 | Wang Yixuan   |
| 4. ZHAO Jiayi    | 59488124 | ZHAO Jiayi    |
| 5. HUANG Xin     | 59760947 | Huang Xin     |
| 6. LI Jiayuan    | 59324351 | Li Jiayuan    |
| 7. YANG Yichen   | 59726757 | YANG Yichen   |

## **1. Executive Summary**

### **1.1 Brief Introduction of Apple Inc. and Its Industry**

Apple Inc. (ticker symbol: AAPL) is a multinational technology corporation headquartered at One Apple Park Way, Cupertino, California, with a fiscal year ending annually on September 27 (Apple Inc., 2024). Classified under the Standard Industrial Classification (SIC) Code 3571 (Electronic Computers), the company has a historical name evolution, including “Apple Computer Inc.” (until 2007) and temporary iterations, before formalizing as “Apple Inc.” in its current form (U.S. Securities and Exchange Commission [SEC], 2024). Globally, Apple operates in the consumer electronics, software, and digital services sectors, with products and services distributed across over 190 countries (Apple Inc., 2024).

The industry Apple occupies—the global consumer electronics and technology services sector—has three defining traits: high technological barriers (requiring continuous R&D to maintain competitiveness), strong brand loyalty (tied to user experience and ecosystem integration), and sensitivity to macroeconomic trends (e.g., consumer purchasing power and supply chain stability; Yahoo Finance, 2025). While digital transformation (e.g., intelligent devices and cloud services) drives industry growth, challenges like product homogenization, cross-regional patent disputes, and regulatory scrutiny (e.g., data privacy laws) persist. As a sector leader, Apple’s performance often serves as a barometer for the industry’s overall health (SEC, 2024).

### **1.2 Apple’s Business, Strategy, and Competitive Environment**

#### **1.2.1 Core Business**

Apple’s operations are built on a synergistic “hardware-software-service” ecosystem, with three core:

**(1) Hardware:** The primary revenue driver, including iPhone (accounting for ~50% of total revenue in 2024), Mac, iPad, Apple Watch, and accessories (SEC, 2024).

**(2) Software & Services:** A high-margin growth segment (gross margin ~65% in 2024) encompassing App Store, Apple Music, iCloud, and Apple TV+, which enhances user stickiness through ecosystem integration (Yahoo Finance, 2025).

**(3) Retail & Distribution:** A dual-channel model (online official stores + 520+ offline Apple Stores globally) that provides sales, after-sales support, and brand experience (Apple Inc., 2024).

#### **1.2.2 Business Strategy**

Apple's long-term strategy centers on three pillars, supported by operational data:

**(1) High-End Differentiation:** Focusing on the mid-to-high-end market (e.g., iPhone Pro series starting at \$999) to avoid low-cost competition, maintaining a gross margin of ~45%—well above the industry median of 28% (Yahoo Finance, 2025).

**(2) Closed Ecosystem:** Integrating hardware (e.g., iPhone), system software (iOS/macOS), and services to increase user switching costs; as of 2024, over 2 billion active Apple devices globally leverage this ecosystem (Apple Inc., 2024).

**(3) R&D-Driven Innovation:** Allocating \$29.9 billion to R&D in 2024 (a 10% year-over-year increase) to advance core technologies like Apple Silicon chips and AI, ensuring product performance leadership (SEC, 2024).

### 1.2.3 Competitive Environment

Apple faces intense competition across its business segments, with key rivals and dynamics centered on Samsung and Xiaomi:

**(1) Hardware Competitors:** Samsung: Captured ~20% of the global smartphone market share in 2024 (vs. Apple's 17%), with a full product portfolio spanning low-to-high-end smartphones, tablets, and PCs; it also competes with Apple in semiconductor and display technology (Yahoo Finance, 2025).

- Xiaomi: Held ~14% of the global smartphone market share in 2024, dominating emerging markets (e.g., India, Southeast Asia) with cost-effective smartphones, IoT devices, and entry-level PCs; its "hardware + IoT + internet services" ecosystem targets price-sensitive consumers, creating pricing pressure for Apple in mass markets (Yahoo Finance, 2025).

**(2) Services Competitors:** Google (Android ecosystem and Google Play, with ~3 billion active devices) remains the primary rival in software and digital services, while both Samsung and Xiaomi have expanded their own service ecosystems (e.g., Samsung Pay, Xiaomi Cloud) to compete with Apple's high-margin service segment (SEC, 2024).

**(3) Key competitive tensions include:** (1) Technological rivalry (e.g., chip performance, AI features, and display technology between Apple, Samsung, and Xiaomi); (2) Ecosystem competition (battles for user traffic and loyalty, with Samsung/Xiaomi leveraging open Android ecosystems to counter Apple's closed model); (3) Pricing pressure in emerging markets (e.g., India and Southeast Asia, where Xiaomi's low-cost models and Samsung's mid-range offerings outperform Apple's premium devices; Yahoo Finance, 2025).

## 2.1 Trend Analysis

### 2.1.1 Assets Trend Analysis

Apple's cash and cash equivalents declined sharply from USD 34.9 billion in 2021 to USD 23.6 billion in 2022 before recovering to USD 35.9 billion in 2025. The temporary drop in 2022 may partly reflect the disruptions experienced during the COVID-affected period, when global supply-chain instability and operational uncertainties placed short-term pressure on liquidity. The subsequent rebound suggests that Apple's operating cash flows strengthened as conditions normalized.

Current assets rose from USD 134.8 billion in 2021 to USD 148.0 billion in 2025, indicating a gradual improvement in short-term financial flexibility. This increase reflects higher cash balances in later years as well as adjustments in working capital. In contrast, non-current assets declined slightly from USD 216.2 billion to USD 211.3 billion over the same period, suggesting that Apple maintained a stable long-term investment base without significant expansion.

Total assets remained broadly stable, increasing only from USD 351.0 billion in 2021 to USD 359.2 billion in 2025. This limited growth is consistent with the characteristics of a mature company whose performance relies more on efficient use of existing resources than on large-scale expansion of its asset base. The overall stability in total assets highlights Apple's disciplined investment approach throughout the period.

***Table 1 Selected Financial Statement Items of Apple Inc., 2021–2025 (USD million)***

*(In millions, except number of shares, which are reflected in thousands, and per-share amounts)*

Items	2021	2022	2023	2024	2025
Cash and cash equivalents	34,940	23,646	29,965	29,943	35,934
Total current assets	134,836	135,405	143,566	152,987	147,957
Total non-current assets	216,166	217,350	209,017	211,993	211,284
Total assets	351,002	352,755	352,583	364,980	359,241
Total current liabilities	125,481	153,982	145,308	176,392	165,631
Total non-current liabilities	162,431	148,101	145,129	131,638	119,877
Total liabilities	287,912	302,083	290,437	308,030	285,508
Total shareholders' equity	63,090	50,672	62,146	56,950	73,733
Earnings per Share	5.67	6.15	6.16	6.11	7.49

<b>Shares outstanding</b>	16,701,272	16,215,963	15,744,231	15,343,783	14,948,500
<b>Net sales</b>	365,817	394,328	383,285	391,035	416,161
<b>Cost of sales</b>	212,981	223,546	214,137	210,352	220,960
<b>Operating income</b>	108,949	119,437	114,301	123,216	133,050
<b>Income before income taxes</b>	109,207	119,103	113,736	123,485	132,729
<b>Net income</b>	94,680	99,803	96,995	93,736	112,010

### 2.1.2 Liabilities and Equity Trend Analysis

Apple's total liabilities increased from USD 287.9 billion in 2021 to USD 302.1 billion in 2022, before declining to USD 290.4 billion in 2023, rising again in 2024, and ending at USD 285.5 billion in 2025. Overall, total liabilities fluctuated within a relatively narrow range and finished the period slightly below the 2021 level, indicating that Apple did not expand its overall leverage during these years.

Within the liability structure, current liabilities rose sharply from USD 125.5 billion in 2021 to USD 153.9 billion in 2022 and later remained within the range of USD 145–176 billion through 2025. In contrast, non-current liabilities showed a clear downward trend, falling from USD 162.4 billion to USD 119.9 billion over the five-year period. This consistent reduction in long-term obligations indicates a gradual shift toward a liability structure with a greater emphasis on short-term items. The relatively large scale of Apple's current liabilities is also consistent with the company's strong bargaining power over suppliers, which enables it to secure favorable payment terms and operate with extended payables as part of its normal working-capital management.

Shareholders' equity declined from USD 63.1 billion in 2021 to USD 50.7 billion in 2022, a drop that coincides with a sharp reduction in shares outstanding—from 16.7 million to 16.2 million—indicating substantial share repurchases that reduced equity despite stable profitability. Equity began to recover in 2023 and rose steadily to USD 73.7 billion by 2025, supported by higher net income and the accumulation of retained earnings. Over the same period, EPS increased from 5.67 to 7.49, reflecting both rising earnings and a decreasing share count. Overall, the interplay of share buybacks, strong profitability, and improving retained earnings explains the downward movement in 2022 and the subsequent strengthening of Apple's equity position.

### 2.1.3 Revenue and Profit Trend Analysis

Apple's net sales increased from USD 365.8 billion in 2021 to USD 394.3 billion in 2022, representing

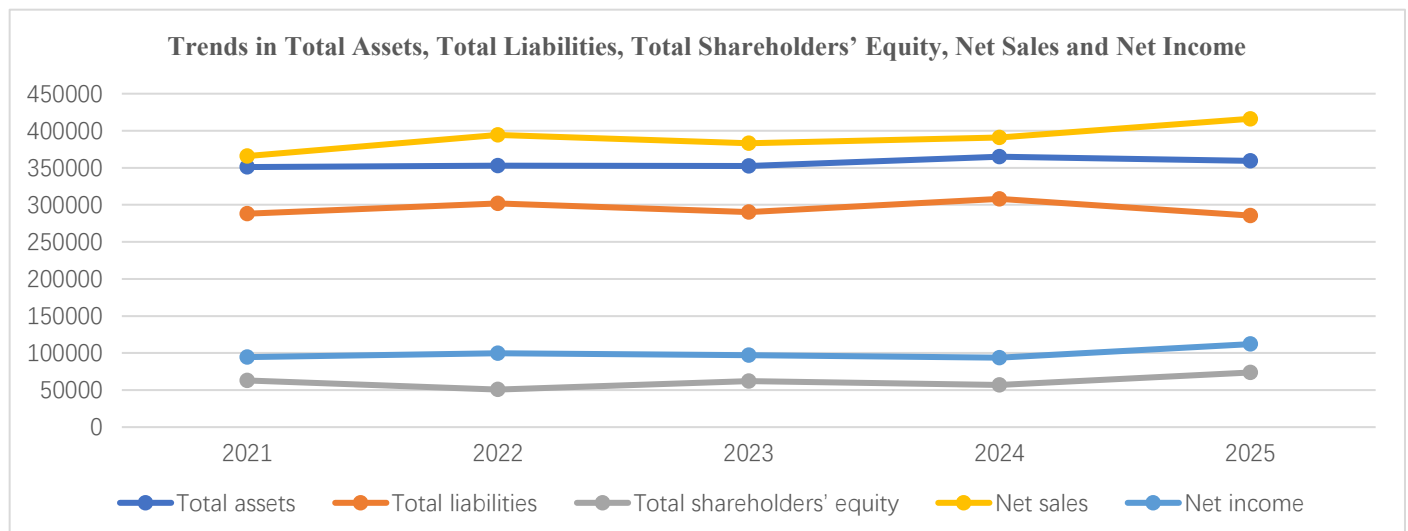
growth of about 7.8%. Sales then declined to USD 383.3 billion in 2023 before rising again to USD 391.0 billion in 2024 and reaching USD 416.2 billion in 2025. Overall, the sales trend shows an initial increase, a temporary decline in 2023, and a clear recovery in 2024–2025, resulting in the highest sales level in the five-year period.

Cost of sales followed a similar pattern. Costs rose from USD 213.0 billion in 2021 to USD 223.5 billion in 2022, decreased to USD 214.1 billion in 2023, and then moved upward again to USD 221.0 billion by 2025. Because cost movements closely tracked revenue changes, gross margin remained broadly stable over the period.

Operating income increased from USD 108.9 billion in 2021 to USD 119.4 billion in 2022, declined slightly to USD 114.3 billion in 2023, and then rose steadily to USD 133.1 billion in 2025. Income before tax shows the same trajectory. These trends indicate that Apple maintained strong operating performance, with profitability improving in the later years of the period.

Net income rose from USD 94.7 billion in 2021 to USD 99.8 billion in 2022, declined to USD 97.0 billion in 2023, and then increased to USD 112.0 billion in 2025. The overall pattern mirrors the movement in operating income and shows that Apple achieved its highest net earnings in 2025, reflecting strengthened profitability toward the end of the period.

**Figure 1 Trends in total assets, total liabilities, total shareholders' equity, net sales and net income**



## 2.2 Ratio analysis

Samsung and Xiaomi are selected as benchmarks because they are major competitors of Apple in the global consumer-electronics market, especially in smartphones and related connected devices. Their end markets and customer bases are broadly similar to Apple's, which makes their financial ratios a

relevant point of reference. Using Samsung and Xiaomi as benchmarks helps interpret Apple’s liquidity, efficiency, profitability, and solvency relative to close industry peers, rather than to companies in unrelated sectors.

**2.2.1 Liquidity & Efficiency Ratio Analysis**

The analysis uses the acid-test ratio, receivables turnover, inventory turnover, and DSI because these indicators capture short-term liquidity and operating efficiency while avoiding distortion from firm size. They directly measure a firm’s ability to convert working capital into cash and are well suited for comparing Apple, Samsung, and Xiaomi, whose product lines are broadly similar but differ in supply-chain speed and credit practices.

Apple’s acid-test ratio declines steadily from 0.709 to 0.570, indicating moderately tighter liquidity, though its strong operating cash flows remain sufficient to cover short-term needs. Samsung’s 2024 ratio of 1.67 reflects the strongest liquidity buffer among the three firms, supported by substantial cash holdings. Xiaomi’s 0.90 shows more limited liquidity, but still within a reasonable range for a high-volume electronics manufacturer.

Apple’s receivables turnover decreases from 17.26 to 11.37, suggesting slower collection but still reflecting efficient credit management for a global consumer electronics company. Xiaomi’s 33.20 times indicates extremely rapid cash collection, while Samsung’s 7.50 times corresponds to longer B2B credit cycles common in semiconductor and component sales.

Inventory turnover shows stronger contrasts: Apple maintains fast turnover (33–40 times) and consistently low DSI (below 12 days), highlighting its highly coordinated supply chain. Xiaomi’s turnover of 5.41 and DSI of 78.87 days, along with Samsung’s 3.61 and 101.07 days, indicate slower inventory movement driven by broader product portfolios and longer production cycles. Overall, Apple demonstrates the strongest operating efficiency, while Xiaomi and Samsung face structurally longer turnover cycles.

**Table 2 Liquidity and Efficiency Ratios of Apple Inc., 2021–2025 and Selected Competitors (2024)**

Ratio	2025	2024	2023	2022	2021	2024(Samsung)	2024(Xiaomi)
Acid-Test ratio	0.5704	0.5589	0.6267	0.497	0.709	1.67	0.90
Accounts receivable turnover ratio	11.37	12.43	13.3	14.49	17.26	7.50	33.20
Inventory turnover	33.98	30.89	37.98	38.79	40.02	3.61	5.41
Days sales in inventory	9.45	12.64	10.79	8.06	11.27	101.07	78.87

### 2.2.2 Profitability Ratio Analysis

Profit margin, ROA, and ROE are selected because they reflect profitability from three complementary perspectives—earnings relative to sales, assets, and equity—while avoiding the distortion caused by different capital structures and firm sizes. These measures allow for a clean comparison of Apple, Samsung, and Xiaomi, whose similar product lines make profitability ratios particularly meaningful. Apple maintains consistently strong profit margins, fluctuating slightly around 25–27% and reaching 26.91% in 2025, indicating stable pricing power and cost discipline. In contrast, Samsung’s 2024 margin of 11.45% and Xiaomi’s 6.45% show significantly lower profitability, reflecting more competitive pricing pressures and thinner margins in their respective product mixes.

Apple’s ROA remains high, ranging from 26%–31%, demonstrating the firm’s strong ability to generate income from its asset base. Samsung (7.10%) and Xiaomi (6.48%) report substantially lower ROA, largely due to heavier asset investment and lower asset turnover compared with Apple’s more asset-light model.

Apple’s ROE increases from 1.47 to 1.71, supported by strong earnings performance and efficient equity use. Samsung’s 0.09 and Xiaomi’s 0.1334 indicate far weaker equity returns, consistent with their lower margins and ROA levels. Overall, Apple clearly outperforms both benchmarks in profitability, reflecting superior pricing power, operational leverage, and asset efficiency.

***Table 3 Profitability Ratios of Apple Inc., 2021–2025 and Selected Competitors (2024)***

Ratio	2025	2024	2023	2022	2021	2024(Samsung)	2024(Xiaomi)
Profit margin	26.91%	23.97%	25.3%	25.30%	25.88%	11.45%	6,45%
Return on asset (ROA)	30.93%	26.11%	27.5%	28.36%	28.05%	7.10%	6.48%
Return on equity (ROE)	1.71	1.57	1.72	1.75	1.47	0.09	0.1334

### 2.2.3 Solvency Ratio Analysis

The solvency analysis focuses on the debt ratio and debt-equity ratio because these two indicators directly capture a firm’s long-term financial risk and capital structure without being heavily influenced by differences in firm size. They provide a clear view of how much of the company’s assets are financed by liabilities and how dependent each firm is on equity versus debt, making them well suited for comparing Apple, Samsung, and Xiaomi.

Apple shows consistently high leverage, with debt ratios of 79–85% and debt-equity ratios between



3.87 and 5.96, indicating a heavy reliance on debt financing. While this increases financial risk, Apple’s strong profitability supports its capacity to service long-term obligations. Samsung presents the lowest leverage, with a 2024 debt ratio of 21.83% and a debt-equity ratio of 0.279, reflecting a highly conservative capital structure. Xiaomi’s 2024 debt ratio of 53.1% and debt-equity ratio of 1.13 indicate moderate leverage. Overall, Samsung demonstrates the strongest solvency, Xiaomi maintains balanced leverage, and Apple’s high debt usage is sustainable mainly due to its exceptional earnings strength.

**Table 4 Solvency Ratios of Apple Inc., 2021–2025 and Selected Competitors (2024)**

Ratio	2025	2024	2023	2022	2021	2024(Samsung)	2024(Xiaomi)
Debt Ratio	79.5%	84.4%	82.37%	85.6%	82.0%	21.83%	53.1%
Debt-Equity Ratio	3.873	5.41	4.67	5.96	4.56	0.279	1.13

#### 2.2.4 Market Ratio Analysis

The market analysis uses stock price, the price-earnings (PE) ratio, and the price-sales (PS) ratio because these indicators capture investor expectations and valuation relative to a firm’s earnings and revenue base. Compared with other market measures, PE and PS ratios provide a more consistent basis for cross-firm comparison, especially when companies differ in capital structures and accounting policies.

Apple’s stock price rises steadily from 146.92 to 255.46, supported by strong earnings and stable growth expectations. Its PE ratio remains high (27–37), indicating strong investor confidence, while a rising PS ratio (6.18 to 9.18) reflects sustained revenue strength. Samsung shows a much lower 2024 PE of 10.85 and a PS of 0.85, suggesting more conservative market valuation. Xiaomi, with a 2024 PE of 33.43 and PS of 2.155, receives higher growth-driven valuations but still trails far behind Apple. Overall, Apple commands the strongest market positioning and investor confidence.

**Table 5 Market Ratios of Apple Inc., 2021–2025 and Selected Competitors (2024)**

	2025	2024	2023	2022	2021	2024(Samsung)	2024(Xiaomi)
Stock Price	255.46	227.79	171.21	150.43	146.92	53700KRW	34.15HKD
PE Ratio	34.12	37.29	27.79	24.46	25.90	10.85	33.43
PS Ratio	9.18	8.94	7.03	6.18	6.70	0.85	2.155

### 3 Conclusion

The trend and ratio analyses indicate that Apple maintains strong operational and financial fundamentals. Revenue growth remains steady, net income increases consistently from USD 94.7 billion (2021) to USD 108.8 billion (2025), and profitability is reinforced by stable margins around

26–27%. Efficiency ratios—particularly inventory turnover consistently exceeding 33 times—demonstrate Apple’s highly optimized supply chain. Liquidity tightened moderately, with the acid-test ratio falling from 0.709 to 0.570, but strong cash flows allow Apple to sustain this level without solvency pressure. Although Apple maintains a high debt ratio of 79–85%, its earnings capacity, cash reserves, and predictable operating cycle support long-term financial stability. The consistently high PE ratio (27–37) suggests the market continues to price Apple as a premium, low-risk growth company.

### **3.1 Prediction of Key Indicators**

#### **3.1.1 Net Income**

Apple’s net income is expected to remain on a stable upward path over the next three years, with the 2025 rebound to USD 112.0 billion providing a strong foundation for future earnings. Several factors support this outlook. First, Apple’s service segment continues to expand and carries significantly higher margins than hardware, meaning that even modest revenue growth can translate into disproportionately higher profit growth. Second, improving inventory efficiency—evidenced by Apple’s industry-leading turnover rates—reduces cost pressure and helps stabilize margins, supporting earnings resilience. Third, the expected recovery in global smartphone demand and continued adoption of Apple Silicon across products create incremental revenue opportunities. Taking these factors together, net income is projected to grow at 4–6% annually over the next three years, placing Apple’s earnings in the range of USD 117–126 billion by 2028. Given the structural strength of Apple’s business model and its consistent operating cash flow, the 2025 net income level is highly sustainable, and meaningful downside risk is unlikely unless macroeconomic conditions deteriorate sharply.

#### **3.1.2 Profit Margin**

Apple’s profit margin is expected to remain strong over the next three years, supported by the continued expansion of high-margin service revenue and disciplined cost management. Although hardware growth is maturing, the shift toward recurring service income and improved supply-chain efficiency help stabilize overall profitability. Given Apple’s historical margin range of 25–27% and no evidence of structural deterioration, the company is likely to maintain margins between 26–28% through 2028, with limited downside risk unless production costs rise significantly or the product mix weakens.

#### **3.1.3 Acid-test Ratio**

Apple’s acid-test ratio has declined gradually throughout the period due to large-scale share

repurchases rather than weakening operations. Because Apple consistently generates substantial operating cash flow and maintains low working-capital requirements, liquidity risk remains minimal. Over the next three years, the acid-test ratio is expected to stabilize within the 0.55–0.60 range as cash balances fluctuate with capital-return programs. Apple is unlikely to face short-term financing pressure unless macroeconomic conditions tighten sharply.

#### **3.1.4 EPS**

Apple's EPS increased from 5.67 in 2021 to 7.49 in 2025, driven by moderate earnings growth and a steadily declining share count. Because Apple is likely to maintain its share repurchase program and net income is expected to grow modestly, EPS should continue rising over the next three years. Based on these trends, Apple's EPS is projected to move into the mid-7 to low-8 range by 2028, and the current level appears sustainable given the company's stable profitability and consistent capital-return strategy.

#### **4. Final Outlook**

Overall, Apple is well positioned for stable long-term performance, with consistent profitability, manageable leverage, strong liquidity supported by cash generation, and sustained market confidence. The company's ecosystem-driven business model and shift toward services provide a solid foundation for predictable earnings and continued valuation strength.

## 5.References

**Apple Inc.** (2024). *About Apple: Corporate information*. <https://www.apple.com/sitemap/>

**U.S. Securities and Exchange Commission.** (2024). *Apple Inc. 10-K annual report* (Filing No. 001-36743). <https://www.sec.gov/Archives/edgar/data/320193/000032019324000123/aapl-20240928.htm>

**Yahoo Finance.** (2025). *Apple Inc. (AAPL):Key statistics & industry benchmarks*.  
<https://finance.yahoo.com/quote/AAPL/key-statistics/>

## 6. Appendix

Acid-test ratio = (Cash + short-term investments + current receivables) / current liabilities

Accounts receivable turnover ratio = Net sales / Average accounts receivable

Average accounts receivable = (Beginning balance + Ending balance) / 2

Inventory turnover = Cost of goods sold / Average inventory

Days sales in inventory = [Ending inventory / cost of goods sold] \* 365

Profitability:

(1) Profit margin = Net income / Net Sales

(2) Return on total assets (ROA) = Net income / Average total assets

(3) Return on equity = net income / average total equity

Solvency:

(1) Return on equity = Net income / Average total shareholders' equity

(2) Debt-equity ratio = Total liabilities / Total shareholders' equity