This ratio analysis paints an unfortunate picture for Dell Technologies Inc (hereafter referred to as simply “Dell”). Dell has decent liquidity, but poor profitability and low solvency.

Dell’s has decent liquidity as its ability to efficiently sell to and collect from customers is notable. Dell’s receivables turnover is relatively low, which means Dell can efficiently collect debts customers owe because of credit sales. However, Dell’s efficiency has dropped in 2018 from 2017. Furthermore, Dell's inventory turnover shows that Dell easily sells its inventory 29 and 24 times over in 2018 and 2017 respectively. The days sales in inventory shows that the entire inventory is sold (on average) in a short amount of time (17 and 19 days in 2018 and 2017 respectively). Moreover, the profit each sale produces increased in 2018 from 2017 by $0.04. However, the long collection periods in 2018 and 2017 (70+ days) suggest that Dell should adopt a more aggressive collection policy to shorten this time. In addition, Dell’s current and acid test ratios show that Dell was unable to cover its current liabilities in 2018 and 2017.

Dell’s profitability ratios all show poor profitability. The gross ratio margin showed that Dell makes 25.49% on each purchase in 2018 and 21.02% in 2017. 25.49% of profit is a healthy amount to generate on each sale but is outweighed by the other ratios. The negative return on assets and equity in both 2018 and 2017 show that every dollar of asset and owner’s equity correspond to losses in income. Moreover, the return on asset and owner’s equity has decreased from 2017 to 2018 significantly, from -1.41% to -3.05% and -8.80% to -24.87% respectively. Dell’s book value per share is relatively high, but is counterbalanced by the earnings per share, which shows that each share corresponds to a decrease in net income.

Dell’s solvency ratios explain Dell’s low solvency – the debt to total assets shows that an overwhelming amount of Dell’s assets are dangerously financed by debt. The interest coverage shows that Dell was unable to pay interest expense for 2018 and 2017. The debt to total assets increased from 2017 to 2018 which indicates a dangerous trend, but the interest coverage increased from -185.72% to -138.53%.

This ratio analysis shows Dell is in an unfortunate state and needs to adopt current strategies to prevent them from failing further. Dell should adopt a more aggressive collection policy to reduce the average collection time, and consider making their selling, general, and administrative teams more efficient to reduce the related expenses.