

Financial Ratio Analysis of Apple Inc. (2023–2024)

Introduction

Financial ratio analysis is an essential tool used to evaluate a company's financial performance, efficiency, liquidity, and long term sustainability. It allows stakeholders to interpret financial statements and make informed decisions (Brigham & Houston, 2021). This report analyses the financial performance of Apple Inc. for the financial years 2023 and 2024 using key financial ratios.

Apple operates in a highly competitive and innovation driven industry, where financial performance is influenced by technological advancements and global demand. Therefore, ratio analysis provides a structured approach to understanding how effectively the company has managed its resources and maintained profitability over time (Investopedia, 2024).

Financial Performance Overview

Apple reported revenue of \$383.3 billion in 2023 and \$391 billion in 2024, representing modest growth (Apple Inc., 2024). Net income also increased from \$97.0 billion to \$99.8 billion during the same period, indicating stable profitability (Statista, 2025).

The growth was largely driven by the expansion of Apple's services segment, including digital subscriptions and cloud based services, which typically offer higher margins than hardware products (Statista, 2025). However, hardware sales, particularly iPhones, experienced slower growth due to market saturation and economic pressures (Apple Inc., 2024).

Ratio Analysis

Profitability Ratios

Gross Profit Margin = $(\text{Gross Profit} / \text{Revenue}) \times 100$

2023: $(169.1 / 383.3) \times 100 = 44.1\%$

2024: $(176.0 / 391.0) \times 100 = 45.0\%$

The gross profit margin of Apple Inc. increased slightly from 44.1% in 2023 to 45.0% in 2024, indicating improved efficiency in generating profit from sales (Brigham & Houston, 2021). This improvement is largely driven by the growth of Apple's high margin services segment, such as subscriptions and digital platforms, which are less costly to deliver than hardware products (Apple Inc., 2024). In addition, Apple's strong brand and premium pricing strategy allow the company to pass some cost increases onto customers without significantly

affecting demand (Investopedia, 2024). While the increase is modest, it reflects effective cost management, improved operational efficiency, and a continued focus on higher margin revenue streams, all of which strengthen overall profitability.

$$\text{Operating Profit Margin} = \text{Operating Profit} / \text{Revenue} \times 100$$

2023: 29.8%

2024: 30.5%

The operating profit margin of Apple Inc. increased from 29.8% in 2023 to 30.5% in 2024, showing improved efficiency in managing operating costs. This ratio indicates how well the company controls expenses such as administration, marketing, and research in relation to its revenue (Brigham & Houston, 2021).

The increase suggests that Apple has effectively managed its operating expenses despite inflation. Growth in higher margin services and strong cost control have helped improve this margin (Apple Inc., 2024). However, the rise is relatively small, indicating that ongoing investments in innovation and development may be limiting larger improvements.

Overall, the higher operating margin reflects strong operational efficiency and supports Apple's profitability (Investopedia, 2024).

$$\text{Net Profit Margin} = \text{Net Income} / \text{Revenue} \times 100$$

2023: 25.3%

2024: 25.5%

Apple's net profit margin remains very high compared to industry averages, showing strong financial health and effective cost management (Statista, 2025). The slight increase indicates that profitability has remained stable despite external challenges such as inflation and slower global demand. This stability is supported by Apple's high margin services and controlled operating costs (Apple Inc., 2024). Overall, the strong net margin reflects the company's ability to maintain consistent profits while managing costs efficiently.

Liquidity Ratios

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

2023: 0.94

2024: 0.97

The current ratio of Apple Inc. increased slightly from 0.94 in 2023 to 0.97 in 2024, indicating a modest improvement in the company's ability to meet short term obligations. Although it remains below the conventional benchmark of 1.0, this is not unusual for Apple, as the company generates significant operating cash flow and efficiently manages its working capital (MacroTrends, 2025).

The increase suggests that Apple has slightly strengthened its liquidity position, potentially by maintaining higher cash reserves or better managing payables and receivables. This helps reduce short term financial risk, providing flexibility to cover operational expenses or unexpected costs. However, the ratio still being below 1.0 highlights that Apple relies on its strong cash flow rather than current assets alone to meet obligations. Overall, the improvement reflects prudent financial management and reinforces the company's short term financial stability.

Efficiency Ratios

Inventory Turnover = Cost of Sales / Inventory

2023: 40 times

2024: 42 times

The increase in inventory turnover from 40 times in 2023 to 42 times in 2024 suggests that Apple Inc. is selling and replenishing stock more efficiently (Investopedia, 2024). This reduces the risk of products becoming obsolete, lowers holding costs, and improves cash flow. Faster turnover also allows Apple to respond quickly to changing consumer demand, supporting profitability and operational efficiency in the fast paced technology sector.

Receivables Turnover = Revenue / Accounts Receivable

2023: 6.5 times

2024: 6.8 times

The increase in receivables turnover from 6.5 times in 2023 to 6.8 times in 2024 indicates that Apple Inc. is collecting payments from customers more quickly (Brigham & Houston, 2021). This improvement enhances cash flow, providing the company with more liquidity to fund operations, invest in new products, or reduce debt.

Faster collection also reduces the risk of bad debts and improves overall working capital efficiency. For Apple, which sells a mix of direct to consumer products, services, and through third party channels, higher receivables turnover reflects effective credit management and strong customer payment reliability. Additionally, it supports operational flexibility, as cash is available sooner to respond to market opportunities or supply chain needs. Overall, the increase demonstrates improved financial efficiency and strengthens Apple's short term financial stability.

Comparative Performance Analysis Summary (2023 vs 2024)

Overall, Apple demonstrated stable and slightly improved financial performance between 2023 and 2024. Profitability ratios increased marginally, while efficiency ratios showed more noticeable improvements.

The company's ability to maintain high margins while increasing revenue highlights its strong market position and effective strategic management (Apple Inc., 2024). However, the

relatively small growth rate suggests that Apple is operating in a mature stage of its business lifecycle.

Reasons for Performance Changes

Growth in Services Segment

Apple's services division continued to expand, contributing significantly to revenue and profitability. Services typically have higher margins than physical products, which positively impacts overall financial performance (Statista, 2025).

Product Lifecycle and Market Saturation

The global smartphone market has become increasingly saturated, leading to slower growth in iPhone sales. This limited overall revenue growth despite strong brand loyalty (Apple Inc., 2024).

Cost Control and Supply Chain Efficiency

Apple improved supply chain efficiency and reduced production costs, contributing to higher margins. This was particularly important following disruptions in global supply chains in previous years (MacroTrends, 2025).

Global Financial Conditions

Economic factors such as inflation and reduced consumer spending affected demand for high-end electronics. Despite this, Apple maintained stable performance due to its strong brand and customer base (Investopedia, 2024).

Financial Strategy and Share Buybacks

Apple continued its share repurchase program, which increased earnings per share and enhanced shareholder value (Apple Inc., 2024).

Recommendations for Future Financial Improvement

Improve Liquidity Position

Although Apple's liquidity is manageable, improving the current ratio would reduce financial risk. This could be achieved by increasing cash reserves and reducing short term liabilities (Brigham & Houston, 2021).

Expand Services Segment

Apple should continue investing in its services division by introducing new subscription based offerings and expanding its digital ecosystem (Statista, 2025).

Diversify Product Portfolio

To reduce reliance on iPhone sales, Apple should invest in emerging technologies such as artificial intelligence, augmented reality, and wearable devices (Apple Inc., 2024).

Reduce Financial Leverage

Although Apple's debt levels are manageable, reducing reliance on debt financing could improve long term financial stability (MacroTrends, 2025).

Enhance Sustainability Initiatives

Apple should continue to invest in environmentally sustainable practices, such as renewable energy and recycling programs, to improve long term viability and brand reputation (Apple Inc., 2024).

Expand in Emerging Markets

Targeting developing markets with affordable products and expanding retail presence could drive future revenue growth (Investopedia, 2024).

Sustainability

Sustainability has become a central strategic priority for Apple Inc. as the company aims to balance financial performance with environmental and social responsibility. Apple has committed to achieving carbon neutrality across its entire supply chain and product lifecycle by 2030, demonstrating a proactive approach to reducing its environmental impact (Apple Inc., 2024). This includes transitioning to renewable energy sources, improving energy efficiency in its operations, and increasing the use of recycled materials in its products. For example, Apple has incorporated recycled aluminium and rare earth elements into many of its devices, reducing reliance on finite natural resources. However, these sustainability initiatives can involve significant upfront costs, such as investment in renewable infrastructure, supplier compliance programs, and research into sustainable materials. In the short term, these costs may put pressure on profit margins and increase operational expenses. Despite this, in the long term, such investments can lead to cost savings through improved energy efficiency, reduced waste, and lower regulatory risks. Additionally, sustainable practices can enhance brand reputation, attract environmentally conscious consumers, and provide a competitive advantage, ultimately supporting revenue growth and financial stability (Brigham & Houston, 2021).

Conclusion

This report has demonstrated that Apple Inc. maintained strong and stable financial performance between 2023 and 2024. Ratio analysis revealed consistent profitability, improved efficiency, and slight improvements in financial stability.

The most significant strength identified is Apple's high profit margins, supported by its premium pricing strategy and growing services segment. However, challenges such as market saturation and reliance on key products remain.

Ratio analysis has proven to be a valuable tool in conducting financial analysis, as it simplifies complex financial data into meaningful insights. It enables comparison across time periods and helps identify trends, strengths, and weaknesses (Brigham & Houston, 2021).

In conclusion, Apple remains financially strong, but future success will depend on innovation, diversification, and continued operational efficiency.

References

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