

Future of Apple: Business and Financial Analysis

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Abstract. The technology industry has profoundly impacted the global economy by driving economic growth, creating employment opportunities, and promoting globalization. This article provides a strategic and financial analysis of Apple Inc., focusing on its market position, competitive advantage, and financial condition. Through a detailed SWOT analysis, this study emphasizes Apple's strengths, including a strong brand image and continuous innovation, while pointing out its weaknesses, such as excessively high product pricing. The analysis identified growth opportunities in emerging markets and discussed the threats of intense competition. In terms of finance, this article studied key indicators: profitability ratio (net profit margin and operating profit margin), liquidity ratio (current ratio and quick ratio), and solvency ratio (debt to equity ratio and interest coverage ratio). The research results indicate that despite facing challenges in liquidity and market competition, Apple has maintained strong profitability and financial stability. In order to maintain Apple's leading position in the technology industry, continuous innovation and market expansion are necessary.

Keywords: Apple Inc.; Technology Industry; SWOT Analysis; Financial Analysis; Ratios.

1. Introduction

The progress in the field of technology has had profound impacts on various aspects such as the economy, society, education, scientific research, and globalization. It influences not just the appearance of contemporary society but also its course for future growth. Apple has maintained its leading position through continuous innovation and a strong brand in the fiercely competitive and rapidly changing technology field. However, the company also faces significant challenges, including fierce competition from industry giants and the need to adapt to constantly changing market demands. Strategic analysis can display the strengths and weaknesses of Apple's market position, highlighting its competitive advantages and opportunities for development. This analysis is crucial for understanding how Apple manages external environments and utilizes internal capabilities to maintain growth and profitability.

The following text will provide a comprehensive analysis of Apple Inc., studying its strategy through SWOT analysis and evaluating its financial performance using key indicators such as profitability, liquidity, and solvency ratios. This analysis examines Apple Inc.'s financial health and strategic direction, providing insights into how the company addresses market challenges.

2. Overview of Apple Inc.

Apple is a well-known American technology company known for its innovation and design, which have driven many technological revolutions. Originated in 1976 and is based in Cupertino, California, USA. It was founded by Steve Jobs, Steve Wozniak, and Ronald Wayne [1]. Initially, Apple primarily focused on researching and developing personal computers, creating the first commercially successful personal computer and the first company to bring graphical user interfaces (GUI) into people's lives [1]. In 2001, Apple launched the iPod, a groundbreaking digital music player. Subsequently, the launch of the iTunes Store changed the way digital music was purchased and consumed. After 2007, the launch of the iPhone, iPad, and Apple Watch further consolidated Apple's leadership position in the technology market. Apple's consistent innovation, outstanding design, and strong brand value have helped it to maintain the top position in the global technology industry.

New goods and technologies are always being developed as a result of the technology industry's ongoing growth and development. Companies and governments from various countries invest heavily in research and development to drive technological innovation. Of course, there is fierce competition within the technology industry. Technology has seen a huge influx of new businesses, particularly in the area of artificial intelligence, which caused innovation and increased market activity. Moreover, giants like Apple, Microsoft, Google, Amazon, and Facebook fiercely compete in technology and market share.

3. Strategic Analysis

The primary role of strategic analysis is to help organizations and businesses understand their external environment and internal capabilities, which are the foundation for organizations to develop and implement effective strategies [2]. Strategic analysis can identify and analyze opportunities and threats in the external environment and evaluate an organization's internal resources and capabilities.

3.1. SWOT Analysis

A strategic technique to evaluate the internal and external environments of a business is the SWOT analysis. Strengths, Weaknesses, Opportunities, and Threats are represented by the SWOT [3]. Companies may create successful strategies and action plans, identify opportunities and dangers in the external environment, and gain a greater awareness of their strengths and weaknesses by using SWOT analysis [4]. The following text will conduct a detailed analysis of Apple Inc. using the SWOT analysis method to explore its competitive advantages and challenges in the current market environment.

Apple's advantages bring many benefits, which not only consolidate its leading position in the market but also promote the company's sustainable development. One of the most recognizable brands in the world, Apple Inc. stands for superior innovation and design [5]. This strong brand image helps Apple gain a better competitive advantage in the global market, establishing broader visibility and consumer loyalty [6]. In this way, consumers will look forward to new products and continue to choose Apple's products. In addition, Apple is known for its innovative capabilities. In the past few decades, Apple has invested heavily in innovation, research, and development, launching multiple products such as iPhone, iPad, MacBook, and Apple Watch [5]. These innovative products not only change users' lifestyles but also lead the development of the entire industry.

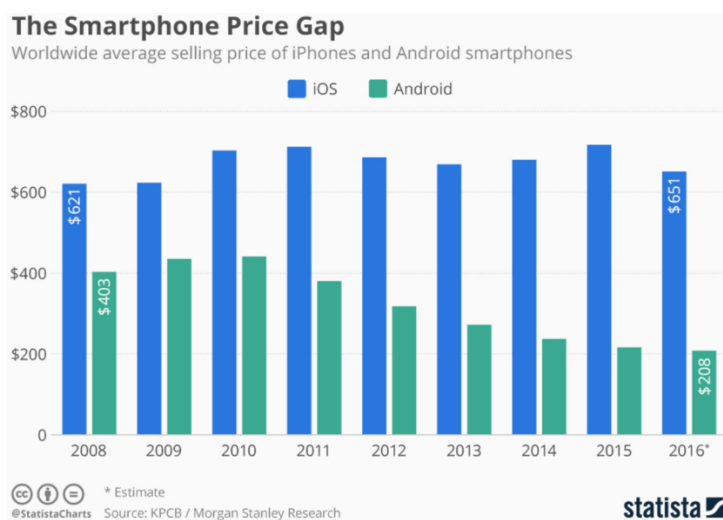


Figure 1. The Smartphone Price Gap

Although Apple has significant advantages in many aspects, it also has disadvantages. Apple's weakness is its high-priced product strategy [5]. Due to their high prices, Apple products can be considered luxury goods. It mainly targets the high-end market, limiting its market share in the mid to low-end market. The cost of these goods is intended for middle-class and upper-class buyers. Low-

income buyers are unable to purchase Apple goods. Purchasing these products requires more capital investment, which has deterred many consumers. Figure 1 shows the price difference between iOS and Android phones from 2008 to 2016. As time goes by, the price difference between them becomes increasingly large. Therefore, many consumers switch to lower-priced competitor products due to the price factor.

Apple faces many potential opportunities, the most important of which is the expansion into emerging foreign markets. Apple CEO Tim Cook said he is “very bullish on India” [7]. Apple has excellent potential for expansion in the Indian market. A study by McKinsey Global Institute shows that India is about to undergo significant transformation [8]. India's consumer market will overtake Germany to become the world's fifth biggest in the future, and the nation will have a steadily expanding middle class [8]. India is accelerating its transformation into a consumer society driven by the popularity of mobile phones, the Internet and television. Before the economic reforms, there were almost no mobile phones and just 0.8 fixed-line phones per 100 persons in India. India's mobile market is now growing faster than China's, and it is predicted that in the future, communication spending would rise at an increase of 13.4% annually [8]. India has a large and expanding middle class, making it one of the smartphone markets with the highest growth rates in the world. The demand for smartphones and other electronic products in emerging markets like India is growing rapidly. Apple may dramatically raise its market share by growing its company in these markets [5].

Serious market competition is the threat that Apple has to deal with. As the technology market continues to grow, Apple is up against fierce competition from businesses like Google, Samsung, and Huawei [5]. Samsung is one of Apple's strongest competitors globally, and its Galaxy Z series smartphones directly compete with Apple's iPhone in the high-end market. Samsung products are comparable in design, functionality, and performance to the iPhone, attracting many high-end consumers. Furthermore, Samsung holds a dominant market share in the foldable phone space because to the positive reviews that its Galaxy Z Fold and Galaxy Z Flip series phones have received. The launch of foldable screen smartphones has enabled Samsung to achieve product differentiation in the high-end market, further enhancing its market competitiveness. Folding screen technology provides consumers with a new user experience, which may attract some Apple users to turn to Samsung. International Statistics Corporation (IDC) statistics indicate that, Apple had a 17.3% market share in the first quarter of 2024, while Samsung held a 20.8% share [9]. It can be seen that the competition between the two sides is exceptionally fierce. Therefore, Apple needs to further differentiate itself from its competitors and impress consumers by launching products that its competitors have not yet developed.

Based on a SWOT analysis, it is clear that Apple's strong brand influence and innovative skills enable it to maintain its dominance in the technology market. However, Apple also faces internal and external challenges, such as high price strategy and market competition. In the future, Apple needs to maintain its market competitiveness and sustainable development by further innovating and expanding into new markets.

4. Financial Analysis

The following will use Apple's financial data for financial analysis to evaluate Apple's financial condition. Financial analysis will be divided into three parts: profitability analysis, liquidity risk analysis, and solvency analysis.

4.1. Profitability Ratios

Investors use profitability ratios as financial indicators to assess how profitable a firm is during a certain time period when compared to its earnings, financial assets, operational expenses, and shareholder equity [10]. They show how businesses may use their resources efficiently to generate a profit and add value for their investors [10]. This chapter will cover net profit margin and operating profit margin.

4.1.1. Net Profit Margin

A ratio called net profit margin calculates how much profit a business makes from its operational revenue. It represents how much net profit a company can retain after earning one dollar in revenue. Net profit margin is calculated by dividing net profit by total sales, then multiplying the ratio by 100 to get the percentage [11]. Total revenue is the total amount of money collected by the business during a certain time period; net profit is the remaining profit after all costs, taxes, and interest have been deducted from revenue. A corporation's profitability level may be determined by looking at its net profit margin; a greater percentage means the company makes more money from its sales [11]. On the contrary, the lower the net profit margin, the higher the company's costs and expenses, and the weaker its profitability [11].

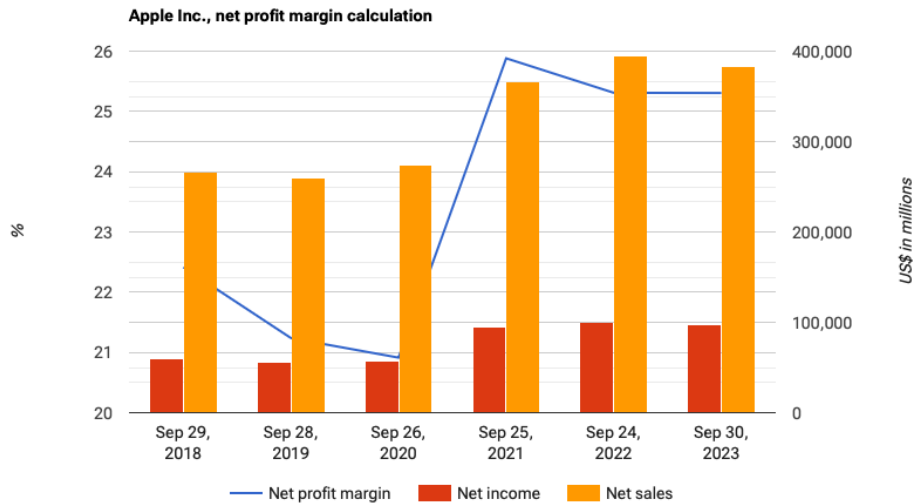


Figure 2. Apple's net profit margin

Apple's net profit margin fluctuated but was largely consistent between 2018 and 2023, as seen in Figure 2. The business has maintained a high level of profitability over these years, as seen by the net profit margin, which stayed at about 25% from 2020 to 2023.

4.1.2. Operating Profit Margin

An important financial number that measures a business's profitability is its operating profit margin, which shows how profitable the firm may be in relation to its sales. In other words, it displays the portion of profit that comes from sales income. This ratio is a crucial instrument for assessing the profitability of different kinds of businesses. To calculate the operational profit margin, divide the operating profit by the total revenue. The resulting percentage is then multiplied by 10.

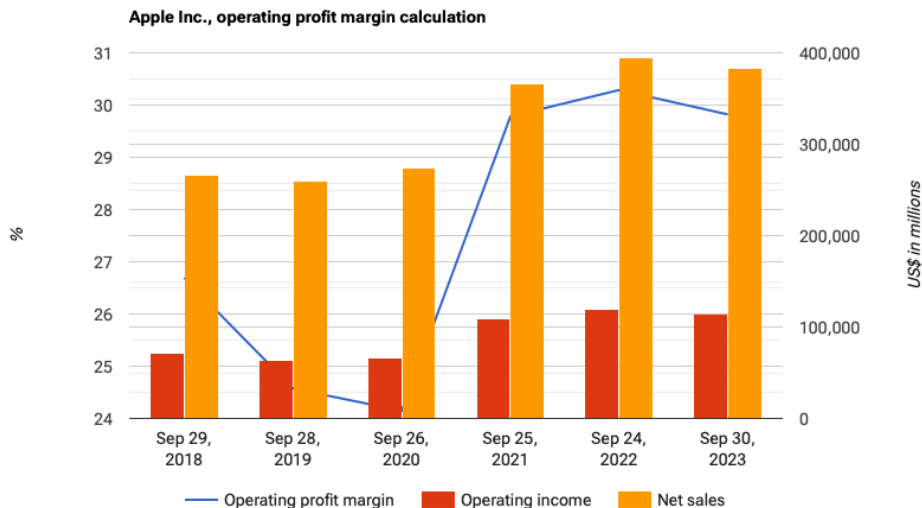


Figure 3. Apple's Operating Profit Margin

The figure shows that Apple’s operating profit margin showed a strong growth trend from 2020 to 2023, reflecting the company’s sustained competitiveness and efficient operational strategy in the global market. In 2020, Apple’s operating profit margin was 24.1%. Due to the impact of the COVID-19 pandemic, the company maintained a high level of profit through online sales and product innovation. Subsequently, Apple’s operating profit margin steadily increased. In 2022, the operating profit margin reached a new high of around 30.3%. This stable growth trend indicates that Apple has a solid foundation and good market adaptability to maintain high profitability.

4.2. Liquidity Ratios

The liquidity ratio is a financial indicator that's used to evaluate the short-term solvency of a business. They demonstrate the company's capacity to use its present assets to pay off short-term debt.

4.2.1. Current Ratio

By comparing current and current liabilities, the current ratio determines whether a business can utilize its current assets to pay off its upcoming short-term debts. Divide current liabilities by current assets to get the current ratio. A current ratio larger than one usually means that a firm's current assets are larger than its current liabilities, indicating that the business has sufficient current assets to settle its short-term debt and strong short-term solvency. A company's current liabilities exceed its current assets when its current ratio is less than 1. This might mean that the company is vulnerable to short-term debt pressure and other financial problems.

Table 1. Apple’s Current Ratio For The Last Five Years

	2019	2020	2021	2022	2023
Current Ratio	1.54	1.36	1.07	0.88	0.99

The table indicates that Apple's current ratio dropped from 1.54 to 0.99 between 2019 and 2023. The current ratio has increased in 2023, but it is still below the optimal level. Apple may need to focus on controlling its liquidity if it hopes to ensure that it will have sufficient current assets to cover short-term commitments in the future.

4.2.2. Quick Ratio

An even more strict liquidity indicator for assessing a company's short-term solvency is the quick ratio. It excludes inventory when calculating, as it may not be converted into cash or current assets as quickly as other assets. Inventory may be subtracted from current assets to get the quick ratio, which can then be divided by current liabilities. When a firm's quick ratio is greater than or equal to 1, it indicates that its current assets(excluding inventories) are sufficient to meet its current liabilities, which often means that the company has strong short-term solvency. A company's current liabilities exceed its current assets when its quick ratio is less than 1. This might be a sign of insufficient short-term solvency and increasing financial stress.

Table 2. Apple’s Quick Ratio For The Last Five Years

	2019	2020	2021	2022	2023
Quick Ratio	1.38	1.22	0.91	0.71	0.84

The graph illustrates Apple's declining quick ratio from 2019 to 2023, with a notable decline to 0.71 in 2022. The quick ratio's decline suggests that the business is having trouble controlling its current assets in relation to its short-term obligations. Despite a rise in 2023, the ratio remains below 1, suggesting that the corporation has to enhance its short-term solvency further to guarantee adequate cash to fulfill financial obligations.

4.3. Solvency Ratios

The solvency ratio analyzes a company's capital structure, liabilities, and assets to determine how well-positioned it is to satisfy its financial obligations in the long run.

4.3.1. Debt to Equity Ratio

The debt-to-equity ratio supports in determining a company's level of financial leverage and stability by showing how much debt financing it uses. Total debt divided by shareholder equity is the calculating formula. A greater debt-to-equity ratio might mean that the business has borrowed more money and has utilized more debt financing overall, with a larger percentage of debt being used than shareholder stock. A smaller ratio often indicates a stronger financial structure, less financial risk, and a higher reliance on the company's money.

Table 3. Apple's Debt-To-Equity Ratio For The Last Five Years

	2019	2020	2021	2022	2023
Debt to Equity Ratio	1.19	1.73	1.99	2.39	1.8

The company's total debt-to-equity ratio grew between 2019 and 2023, particularly between 2020 and 2022. Although there has been a slight decrease compared to 2022, it is still relatively high in 2023, indicating that Apple Inc. will maintain a high level of debt during this year. From this, it can be seen that Apple's financial risk has increased during this period, with a high degree of debt dependence.

4.3.2. Interest Coverage Ratio

Since interest coverage ratios show that a corporation can pay interest expenses out of profits, they are frequently used to evaluate a company's financial health and ability to pay off debt. A higher interest coverage ratio indicates the strength of the company's capacity to pay interest. The formula utilized in the calculations is profits before interest and taxes divided by interest expense.

Table 4. Apple's Interest Coverage Ratio For The Last Five Years

	2019	2020	2021	2022	2023
Interest Coverage Ratio	19.38	24.35	42.49	41.64	29.92

It is not difficult to see that from 2019 to 2023, Apple's overall interest coverage has remained relatively high, despite some fluctuations, but still far above 1. This indicates the company has substantial debt-paying ability and financial stability during this period. Especially in 2021, the company demonstrated extremely high profitability and could pay its interest expenses easily. Although the ratio has decreased slightly in 2023, it still performs well and maintains excellent financial health. In recent years, Apple has maintained stable financial performance with relatively low short-term debt pressure.

5. Conclusion

Overall, Apple has maintained a leading position in the global market through its strong brand image, innovative capabilities, and excellent design. Through strategic analysis, it can be seen that Apple's advantages include strong brand awareness and continuous innovation investment, which greatly enhance its competitive advantage. However, the high product pricing and fierce market competition, particularly challenges from competitors like Samsung, are also notable. Financial analysis shows that although Apple's profitability remains strong, with a relatively stable net profit margin and operating profit margin, its liquidity ratio shows a downward trend, indicating potential risks to its short-term solvency. Its interest coverage ratio remains strong, indicating solid financial stability and debt-paying ability.

In the future, Apple must continue to innovate to differentiate itself from its competitors. Entering emerging markets such as India has brought tremendous development opportunities for it. By

addressing these challenges and seizing new market opportunities, Apple can maintain its leading technological position and take it to the next level.

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