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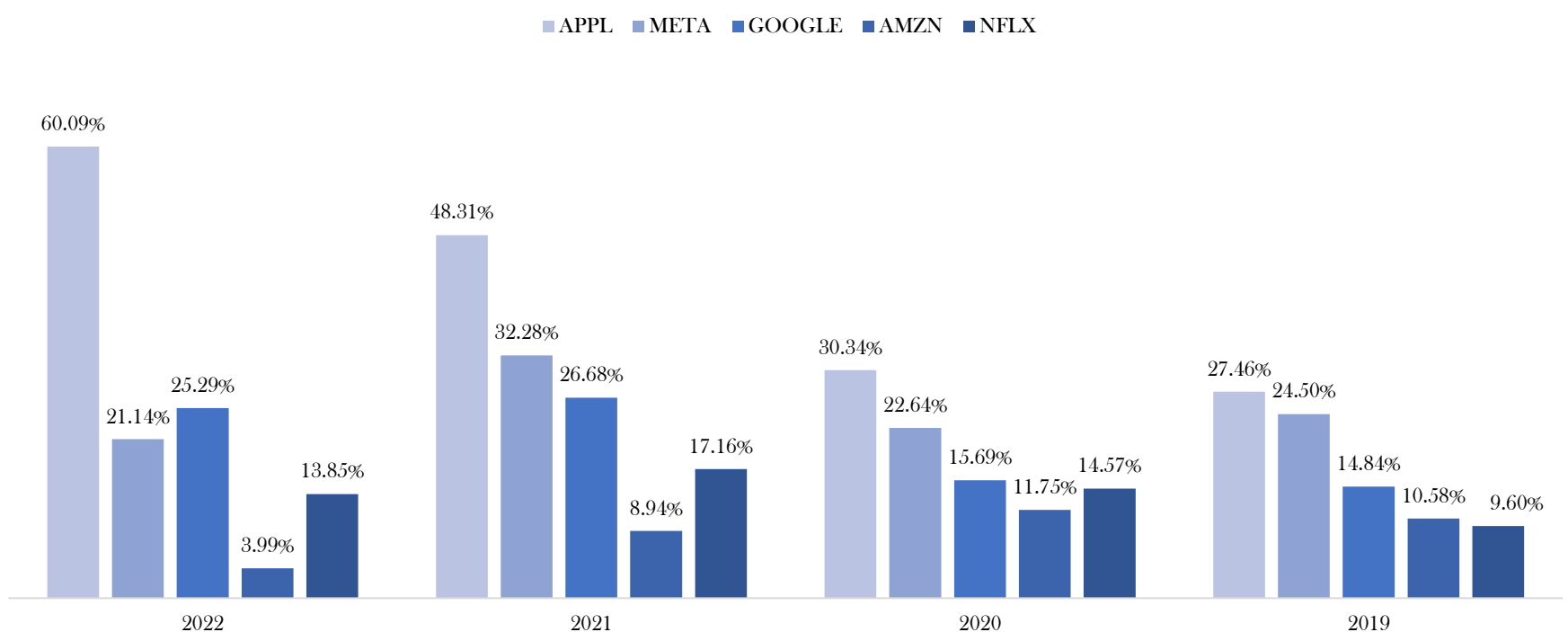
Decoding FAANG's Financial Performance: A 4-Year Analysis Odyssey

Welcome to our analysis of the FAANG companies: Apple (AAPL), Meta (formerly Facebook), Google (GOOGL), Amazon (AMZN), and Netflix (NFLX). In this article, we will examine the performance of these tech giants using various profitability, liquidity, activity, and solvency ratios.

Profitability

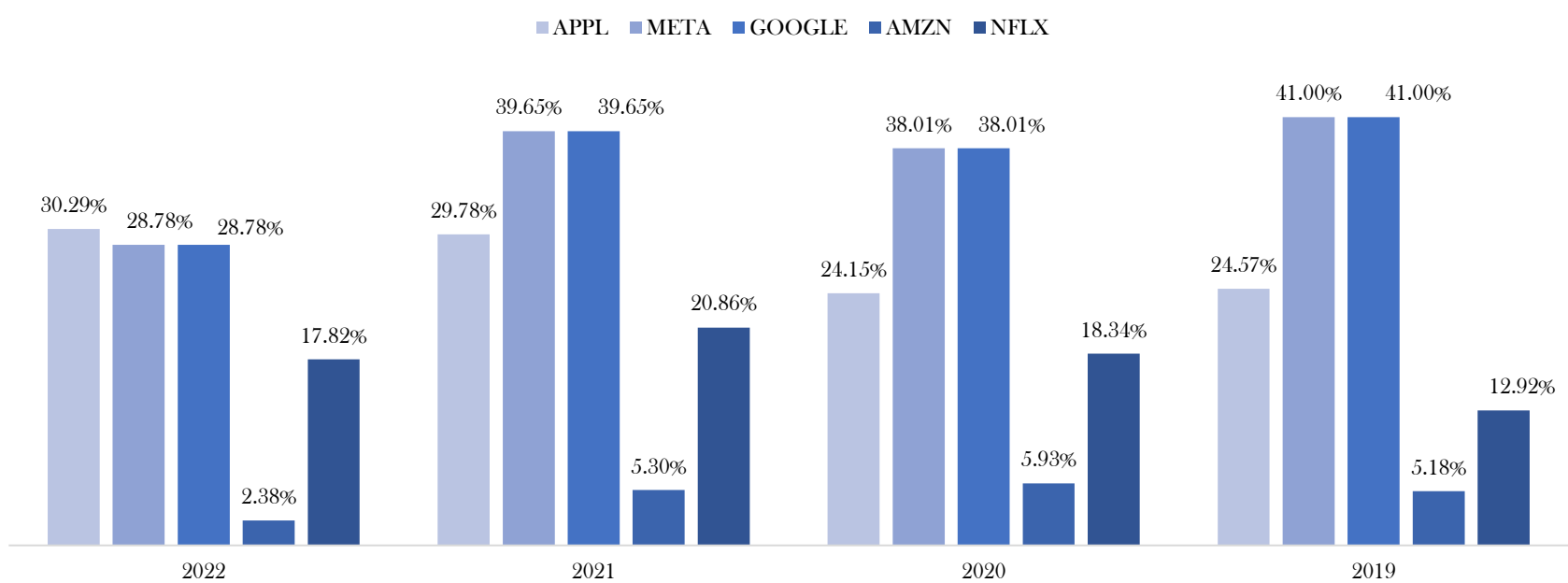
Let's start by looking at the return on capital employed (ROCE) for each company. ROCE measures the efficiency and profitability of a company's capital investments. In 2022, Apple achieved an impressive ROCE of 60.09%, indicating strong profitability and effective use of capital. Meta also performed well with a ROCE of 21.14%, while Google and Netflix had ROCE values of 25.29% and 13.85%, respectively. However, Amazon lagged behind with a ROCE of only 3.99%.

ROCE (ROI)



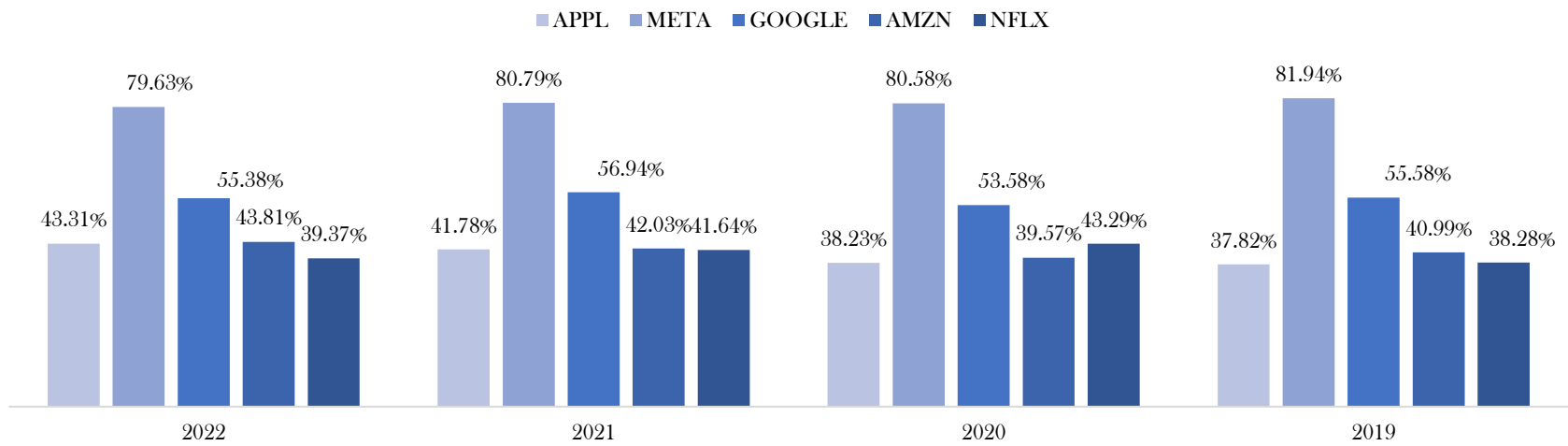
Another profitability measure is the return on sales (ROS), which shows the company's ability to generate profits from its revenue. Apple maintained a consistent ROS of around 30%, indicating a healthy profit margin. Meta and Google had similar ROS values, both above 25%, while Amazon and Netflix had lower ROS figures.

ROS



Gross margin is an essential profitability metric, representing the percentage of revenue that remains after deducting the cost of goods sold. Apple consistently achieved a gross margin near 40%, indicating strong pricing power and efficient cost management. Meta had the highest gross margin among the FAANG companies, consistently near 80%, while Google, Amazon, and Netflix had lower but still respectable gross margins.

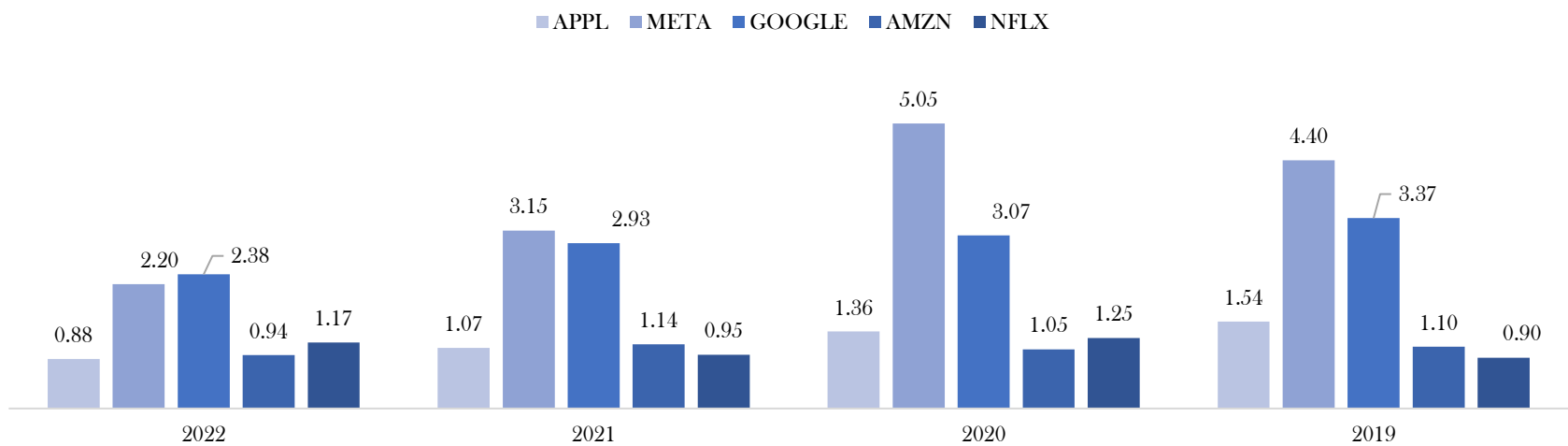
Gross margin



Liquidity

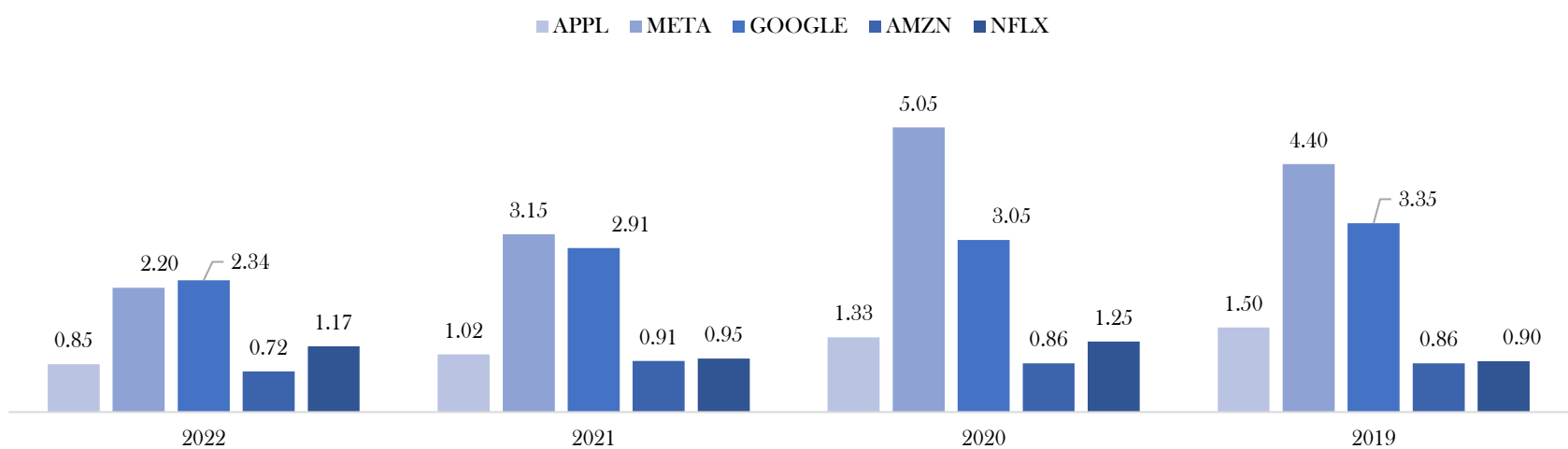
Liquidity ratios assess a company's ability to meet short-term obligations and manage its current assets efficiently. The current ratio measures the company's ability to pay off current liabilities with its current assets. Google had the highest current ratio, indicating a strong liquidity position, followed by Meta and Netflix. Amazon had a current ratio around 1, suggesting a balanced liquidity position. Apple had a slightly lower current ratio but still maintained an acceptable level of liquidity. Looking at the data, Apple's current ratio has declined from 1.54 in 2019 to 0.88 in 2022, indicating a decrease in its liquidity.

Current ratio



The quick ratio, also known as the acid-test ratio, measures a company's ability to pay off its short-term liabilities using its most liquid assets. The quick ratio is a more conservative liquidity measure that excludes inventory from current assets. It provides a clearer picture of a company's ability to meet short-term obligations in case of inventory write-offs or delays. The rankings for the quick ratio are similar to those of the current ratio, with Google leading the pack, followed by Meta, Netflix, Apple, and Amazon. In this regard, Apple's quick ratio has experienced a decline from 1.50 in 2019 to 0.85 in 2022, indicating a decrease in its ability to cover short-term obligations without relying on slow-moving assets. Amazon's quick ratio has also declined, while Meta and Google have maintained relatively stable quick ratios above 2.0.

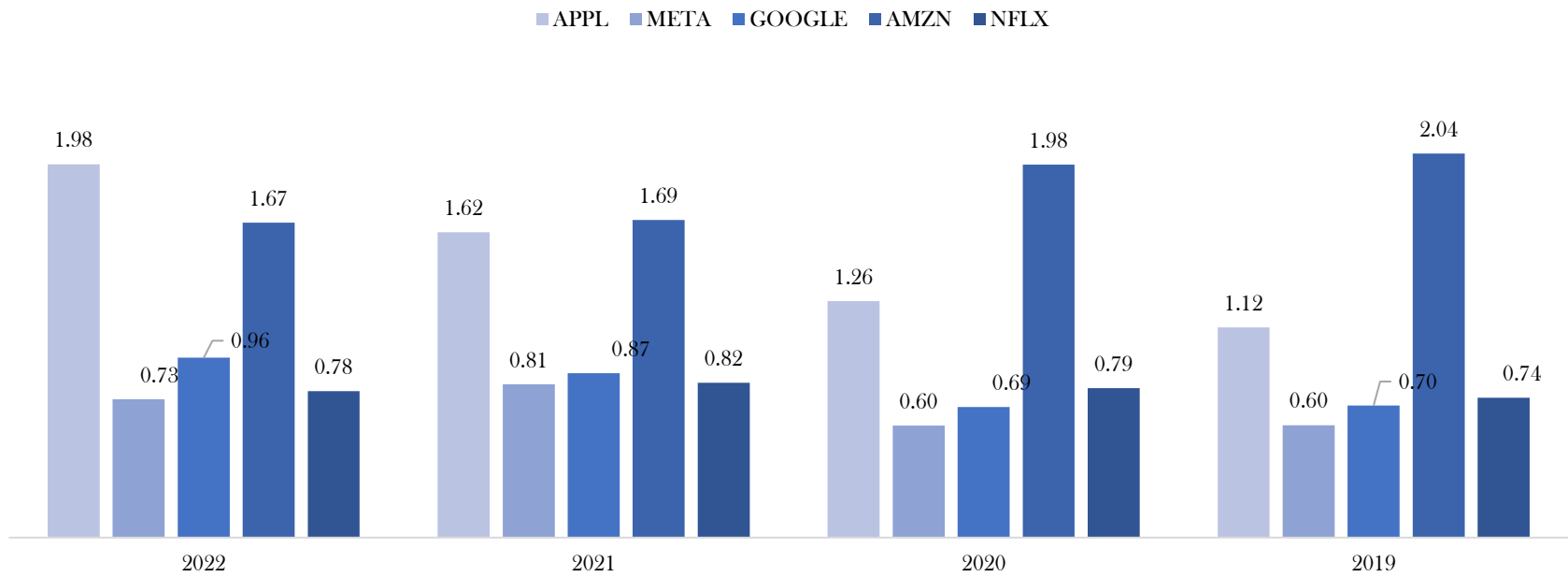
Quick ratio



Activity

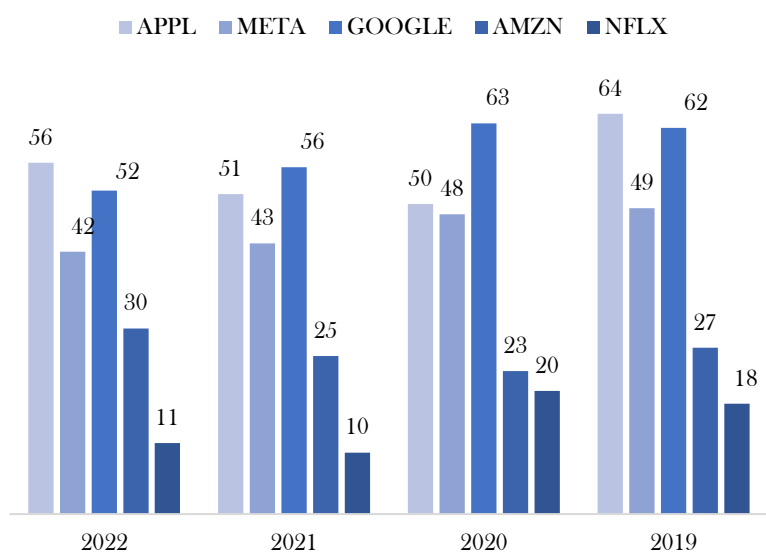
The asset turnover ratio reflects how efficiently a company utilizes its assets to generate revenue. Apple consistently achieved an asset turnover ratio above 1.0, indicating effective asset utilization. Amazon, Google, and Netflix also demonstrated satisfactory asset turnover ratios, while Meta had a slightly lower ratio.

Asset turnover

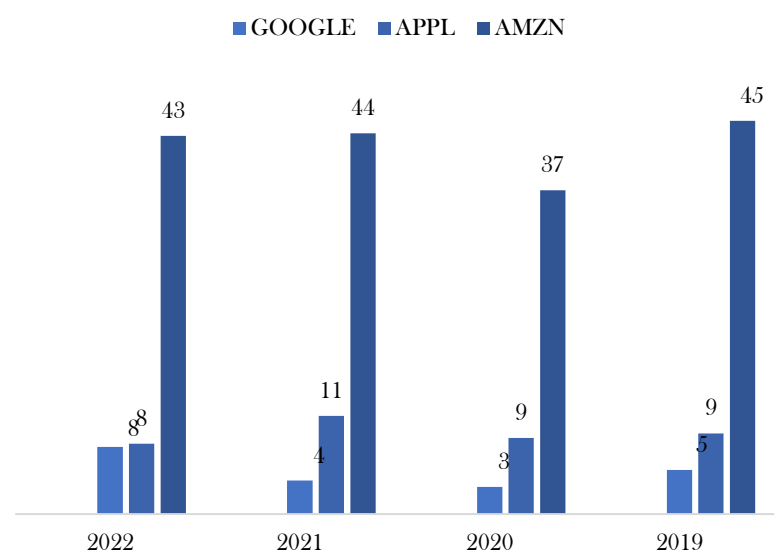


Receivables days, inventory days, and payables days are measures of the average number of days it takes for a company to collect payments from customers, sell its inventory, and pay its suppliers, respectively. These ratios provide insights into a company's operational efficiency and working capital management. The rankings varied across the FAANG companies for these activity ratios.

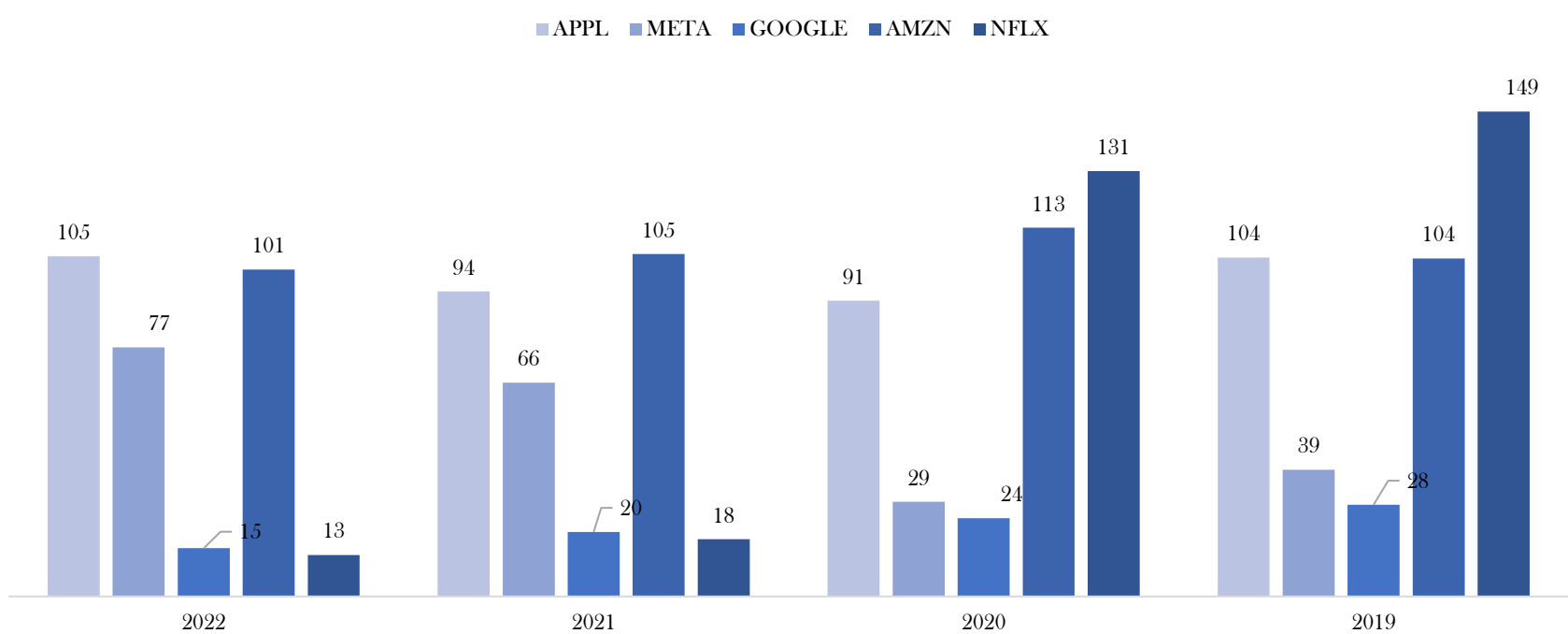
Receivables days



Inventory days

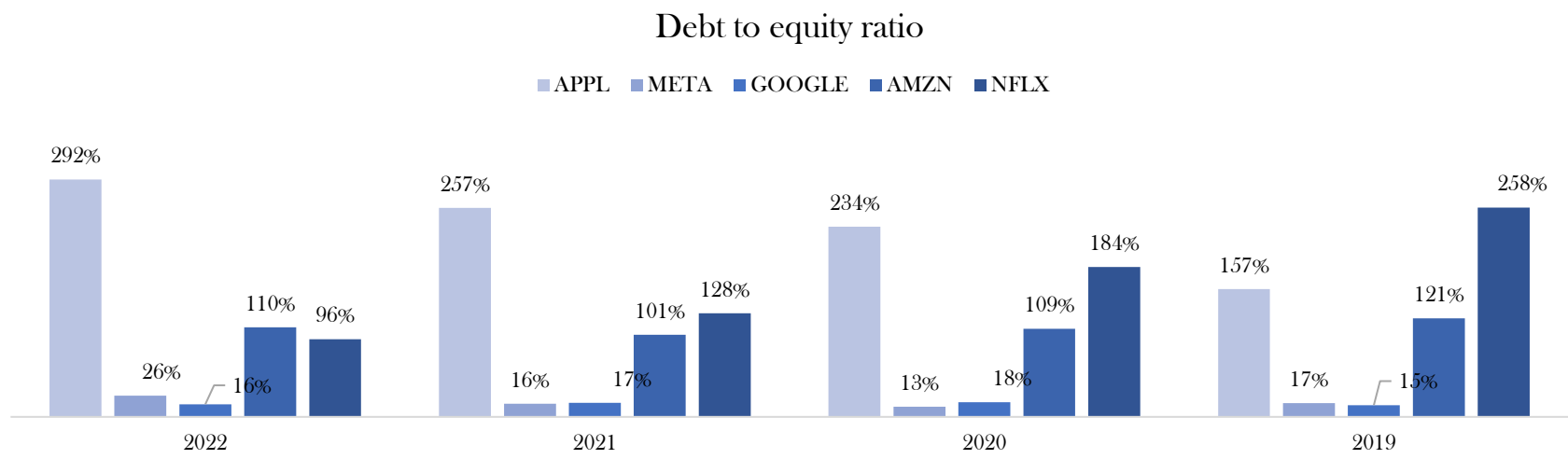


Payables days (Accounting year)



Solvency

Solvency ratios assess the long-term financial stability and ability of companies to meet their long-term obligations. Let's start with the debt-to-equity ratio which measures the proportion of a company's financing that comes from debt compared to equity. Apple had the highest debt-to-equity ratio, indicating a relatively high level of debt in its capital structure. Meta, Google, Amazon, and Netflix had lower debt-to-equity ratios, suggesting less reliance on debt for financing.

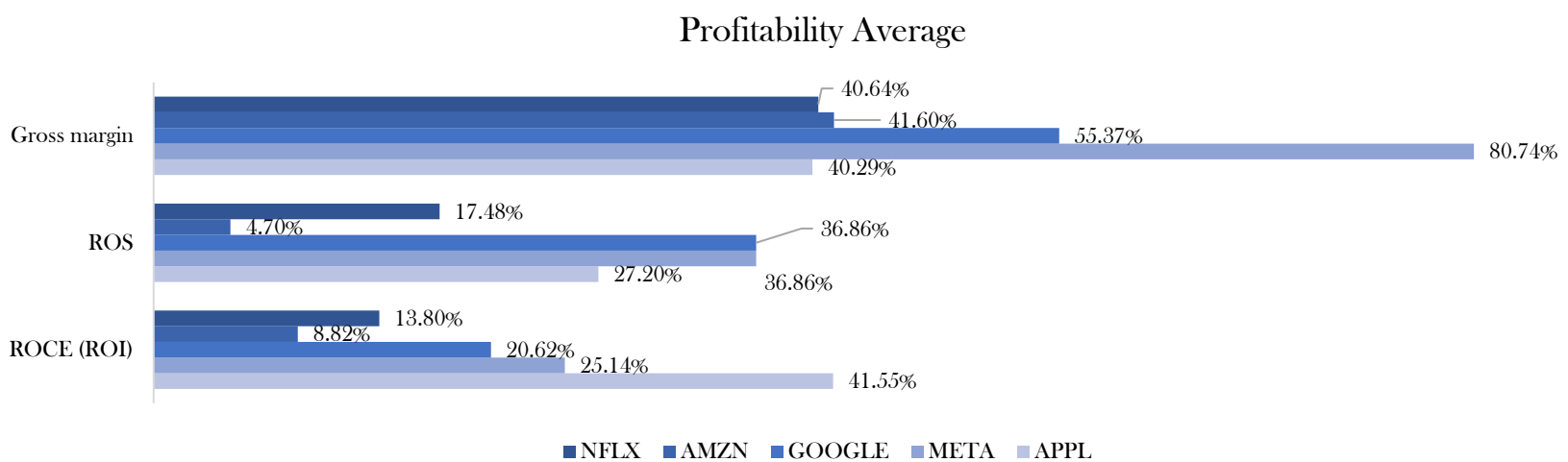


Interest cover ratio assesses a company's ability to pay interest expenses on its debt with its operating income. Google had a significantly high interest cover ratio, indicating a strong capacity to cover interest payments. Apple, Amazon, and Netflix have lower interest coverage ratios, suggesting potential challenges in meeting interest payments. However, the interest cover ratio for Meta was not provided in the data.

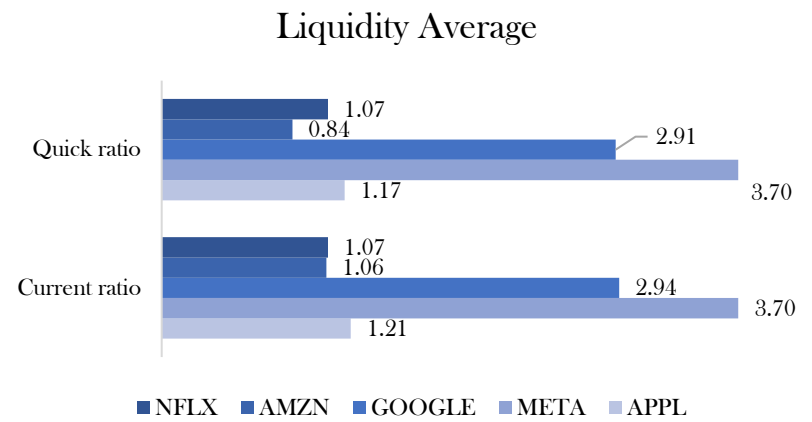


Based on the average values and percentage changes of various financial ratios for the years 2019 to 2022, we can draw the following conclusions.

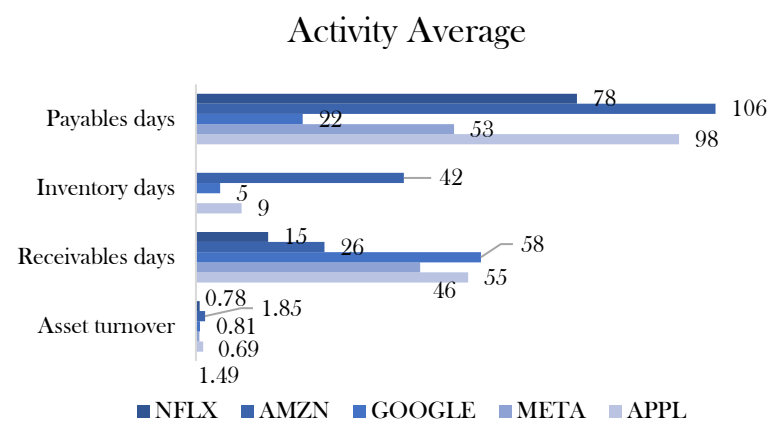
In terms of profitability, Apple (APPL) has consistently performed well, with an average Return on Capital Employed (ROCE) of 41.55% from 2019 to 2022. However, there has been a decline in ROCE in 2022 compared to the previous years, with a percentage change of -24.38%. This indicates a potential slowdown in Apple's ability to generate returns on its invested capital. Meta (META) has shown mixed performance in profitability, with a significant decline in ROCE in 2022 compared to the previous years, indicating potential challenges in generating profitability. Google (GOOGLE) has maintained a stable ROCE, with a small percentage change of -5.22% in 2022. Amazon (AMZN) and Netflix (NFLX) have experienced fluctuations in ROCE, with negative percentage changes in 2022, suggesting a need for careful assessment of their profitability trends.



In terms of liquidity, Apple (APPL) and Google (GOOGLE) have maintained relatively stable current and quick ratios from 2019 to 2022. Both companies have demonstrated a moderate percentage change in 2022 compared to the previous years, indicating a consistent ability to meet short-term obligations. On the other hand, Meta (META) has shown a decline in both the current and quick ratios, with negative percentage changes in 2022. This suggests potential liquidity challenges for Meta. Amazon (AMZN) has experienced a decrease in both ratios in 2022, which may require closer monitoring of their liquidity position. Netflix (NFLX), however, has shown a significant increase in the current ratio, with a positive percentage change in 2022, indicating an improved ability to cover short-term obligations.

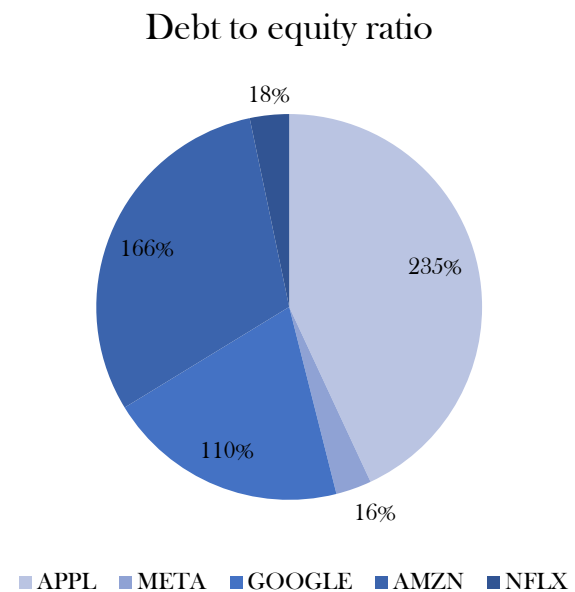
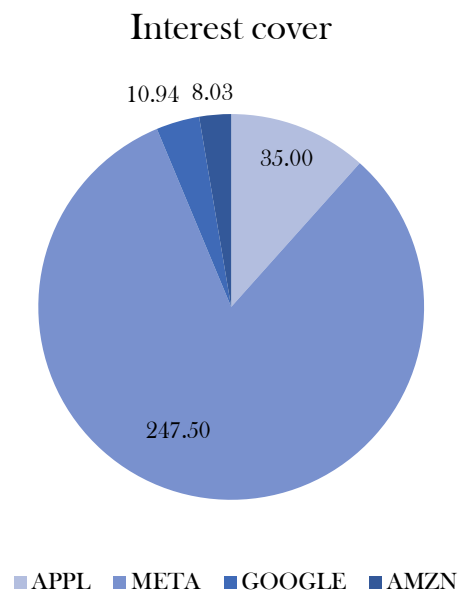


When considering activity ratios, Apple (APPL) has demonstrated consistent improvement in asset turnover, with a positive percentage change in 2022 compared to the previous years. This indicates that Apple has become more efficient in utilizing its assets to generate sales. Meta (META) has experienced fluctuations in asset turnover, with both positive and negative percentage changes. Google (GOOGLE) has shown a slight increase in asset turnover, with a positive percentage change in 2022, suggesting improved efficiency. Amazon (AMZN) and Netflix (NFLX) have experienced some declines in asset turnover, with negative percentage changes in 2022, which may require attention to optimize asset utilization.



In terms of solvency, Apple (APPL) and Meta (META) have shown an increase in the debt-to-equity ratio from 2019 to 2022, indicating higher reliance on debt financing. This can potentially increase financial risk for these companies. Google (GOOGLE) has maintained a relatively stable debt-to-equity ratio, with a small percentage change in 2022. Amazon (AMZN) has shown a slight increase in the debt-to-equity ratio, while Netflix (NFLX) has experienced a decline, with negative percentage changes in 2022. Unfortunately, the interest cover information is not available for Meta (META) and Netflix (NFLX), making it difficult to assess their ability to cover interest expenses.

Solvency Average



In conclusion, the analysis of these financial ratios for the period from 2019 to 2022 reveals mixed performance among the companies. Apple (APPL) has demonstrated strong profitability and asset turnover, although there has been a decline in profitability in 2022. Google (GOOGLE) has maintained stability in profitability and liquidity, but improvement in asset turnover can be pursued. Amazon (AMZN) and Netflix (NFLX) have experienced fluctuations in profitability and asset turnover, indicating a need for closer examination. Meta (META) faces challenges in profitability and liquidity, which require attention. Considering these factors, it is important to conduct a comprehensive evaluation of each company's financial performance and consider additional contextual information to gain a deeper understanding of their overall financial health.

Company Performance Ratios		2022	2021	2020	2019	Average	2022	2021	2020
Profitability		Percentage Change							
<i>ROCE (ROI)</i>	APPL	60.09%	48.31%	30.34%	27.46%	41.55%	24.38%	59.24%	10.48%
	META	21.14%	32.28%	22.64%	24.50%	25.14%	-34.49%	42.59%	-7.60%
	GOOGLE	25.29%	26.68%	15.69%	14.84%	20.62%	-5.22%	70.08%	5.72%
	AMZN	3.99%	8.94%	11.75%	10.58%	8.82%	-55.42%	23.94%	11.10%
	NFLX	13.85%	17.16%	14.57%	9.60%	13.80%	-19.28%	17.80%	51.71%
<i>ROS</i>	APPL	30.29%	29.78%	24.15%	24.57%	27.20%	1.70%	23.34%	-1.73%
	META	28.78%	39.65%	38.01%	41.00%	36.86%	-27.42%	4.32%	-7.31%
	GOOGLE	28.78%	39.65%	38.01%	41.00%	36.86%	-27.42%	4.32%	-7.31%
	AMZN	2.38%	5.30%	5.93%	5.18%	4.70%	-55.00%	10.72%	14.43%
	NFLX	17.82%	20.86%	18.34%	12.92%	17.48%	-14.58%	13.71%	41.98%
<i>Gross margin</i>	APPL	43.31%	41.78%	38.23%	37.82%	40.29%	3.66%	9.27%	1.10%
	META	79.63%	80.79%	80.58%	81.94%	80.74%	-1.44%	0.26%	-1.65%
	GOOGLE	55.38%	56.94%	53.58%	55.58%	55.37%	-2.74%	6.27%	-3.60%
	AMZN	43.81%	42.03%	39.57%	40.99%	41.60%	4.22%	6.23%	-3.47%
	NFLX	39.37%	41.64%	43.29%	38.28%	40.64%	-5.44%	-3.82%	13.08%
Liquidity									
<i>Current ratio</i>	APPL	0.88	1.07	1.36	1.54	1.21	-18.17%	21.20%	11.46%
	META	2.20	3.15	5.05	4.40	3.70	-30.15%	37.55%	14.81%
	GOOGLE	2.38	2.93	3.07	3.37	2.94	-18.79%	-4.52%	-9.11%
	AMZN	0.94	1.14	1.05	1.10	1.06	-16.83%	8.14%	-4.27%
	NFLX	1.17	0.95	1.25	0.90	1.07	22.91%	23.98%	38.76%
<i>Quick ratio</i>	APPL	0.85	1.02	1.33	1.50	1.17	-17.11%	22.86%	11.74%
	META	2.20	3.15	5.05	4.40	3.70	-30.15%	37.55%	14.81%
	GOOGLE	2.34	2.91	3.05	3.35	2.91	-19.60%	-4.72%	-8.89%
	AMZN	0.72	0.91	0.86	0.86	0.84	-20.20%	5.15%	-0.19%
	NFLX	1.17	0.95	1.25	0.90	1.07	22.91%	23.98%	38.76%
Activity									
<i>Asset turnover</i>	APPL	1.98	1.62	1.26	1.12	1.49	22.30%	29.11%	12.42%
	META	0.73	0.81	0.60	0.60	0.69	-9.75%	36.69%	-0.32%
	GOOGLE	0.96	0.87	0.69	0.70	0.81	9.43%	25.73%	-1.00%
	AMZN	1.67	1.69	1.98	2.04	1.85	-0.92%	14.81%	-2.91%
	NFLX	0.78	0.82	0.79	0.74	0.78	-5.50%	3.60%	6.85%
<i>Receivables days</i>	APPL	56	51	50	64	55	10%	3%	-23%
	META	42	43	48	49	46	-3%	-10%	-2%
	GOOGLE	52	56	63	62	58	-7%	-11%	1%
	AMZN	30	25	23	27	26	18%	10%	-14%
	NFLX	11	10	20	18	15	15%	-50%	11%
<i>Inventory days</i>	APPL	8	11	9	9	9	-28%	29%	-6%
	META	8	4	3	5	5	101%	23%	-38%
	GOOGLE	43	44	37	45	42	-1%	18%	-18%
	NFLX								
<i>Payables days</i>	APPL	105	94	91	104	98	12%	3%	-13%
	META	77	66	29	39	53	17%	126%	-25%
	GOOGLE	15	20	24	28	22	-25%	-18%	-15%
	AMZN	101	105	113	104	106	-5%	-7%	9%
	NFLX	13	18	131	149	78	-27%	-87%	-12%
Solvency									
<i>Debt-to-equity ratio</i>	APPL	292%	257%	234%	157%	235%	14%	10%	49%
	META	26%	16%	13%	17%	18%	64%	28%	-27%
	GOOGLE	16%	17%	18%	15%	16%	-10%	-5%	25%
	AMZN	110%	101%	109%	121%	110%	9%	-7%	-11%
	NFLX	96%	128%	184%	258%	166%	-25%	-31%	-28%
<i>Interest cover</i>	APPL	41	41	23		35.00	-1%	79%	
	META								
	GOOGLE	210	227	305		247.50	-8%	-25%	
	AMZN	5	14	14		10.94	-62%	-1%	
	NFLX	8	8			8.03	-1%		