

Equity Research Report

23 November 2025

APPLE INC (AAPL)

Company Overview

Apple Inc. (Apple) designs, manufactures, and markets smartphones, personal computers, tablets, wearables, and accessories and sells a range of related services.

The company's products include iPhone (50.36% of FY25 revenue), Mac (8.10%), iPad (6.73%), wearables, home, and accessories (8.58%) like AirPods, Apple TV, Apple Watch, HomePod, and others. The company also has an online services business (26.23%), which provides services like

- 1) Operating platforms like the App Store and iTunes, which allow customers to purchase and download applications and digital content;
- 2) Offering digital content through subscription-based services, including Apple Arcade, Apple Music, Apple News+, Apple TV+, and Apple Fitness+; and 3) providing a range of other services, such as AppleCare, iCloud, Apple Card, and Apple Pay Apple Music, Apple News+, Apple TV+, and Apple Fitness+.

Investment Overview

iPhone specification upgrades to drive premium model mix higher. We expect the launches of the Apple's first foldable iPhone in 2026 to set new benchmarks in the smartphone market.

Apple currently commands a dominant 71% share in the premium segment, supported by an established user base exceeding 150 mn, which provides an excellent platform for adoption of new innovations.

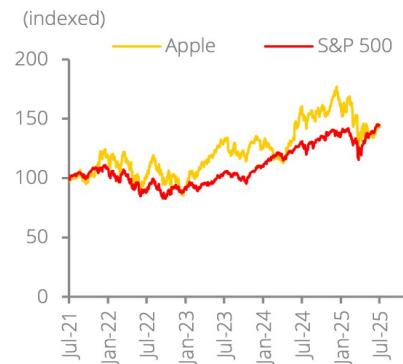
The technology breakthrough in semiconductor design. Apple has made significant strides in semiconductor design, starting with the launch of its first ARM-based M1 chip in November 2020, moving away from Intel chips. The M1-equipped Macs offer superior performance, battery life, and heat efficiency compared to their Intel-based predecessors, driving a 31% increase in Mac sales in 4Q2025. Apple has since expanded the M series chips to the iPad Pro and is expected to continue advancing its chip technology for iPhones, Apple Watch, and headsets, strengthening its competitive edge across product lines.

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Key Financial Data

Ticker	AAPL
Sector	Information technology
Share Price (USD)	271.4
Analyst Rating	BUY
12-mth Target Price (USD)	294.0
Market Cap (USDb)	4073.6
Volume (m shares)	48,068.1
Free float (%)	97.9
Dividend yield (%)	0.5
Net Debt to Equity (%)	-66.0
Fwd. P/E (x)	27

Indexed Share Price vs Composite Index Performance



Source: Bloomberg

We are **BUY** on AAPL with a TP of USD 294 per share. Our TP is based on 27x forward PE, due to its strong user loyalty, which supports long-term product growth and higher shareholder return compared to its peers. AAPL's share price has outperformed the NASDAQ year-to-date, and we believe the short-term drivers have already been factored in. We expect AAPL to achieve steady growth driven by the success of its promising premiumisation and leading product technology in the long run.

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DCF VALUATION | 30-Sep-26 | 30-Sep-27 | 30-Sep-28 | 30-Sep-29 | 30-Sep-30

Free Cash Flow to the Firm	Year Tracker					
		1.00	2.00	3.00	4.00	5.00
NOPAT		117,434	123,251	129,050	135,786	142,333
+D&A		127,652	132,844	138,018	144,129	150,052
Net change in Working Capital		108,951	129,277	152,714	183,018	217,997
-Capex	10000.00	98,951	119,277	142,714	173,018	207,997
Free Cash Flow to the Firm		98951	119277	142714	173018	207997
Discounted Cash Flow		91720.20	102481.11	113656.73	127721.53	142321.90
Terminal Cash Flow						3959823
Enterprise Value	4073625189	Terminal Value using Multiples Approach		Weighted Average Cost of Capital		
+ Cash	29943	P/E for M&M	27	Risk Free Return	4.11%	
-Debt	91281	Terminal Valur at FY30	5615917	Beta	1.11	
Equity Value	4073563851	PV of Terminal Value	3842691	Equity risk premium	3.40%	
No of Shares	15004697.00	Sum of Discounted Free Cash Flows	577901	Cost of Equity (Capital Asset Pricing Model)	7.88%	
Share Price	271.5	Discounted Cash Flow	4420593		7.88%	
Current Market Price	271.49	No of Shares	15004697.00	Long Term Growth Rate	2.5%	
		Share Price	294.6	Sum of Discounted Free Cash Flows	577,901	
		Current Market Price	271.49	PV of Termial Cash Flow	2,709,509	
				Total Discounted Cash Flow Value	3,287,410	

To assess Apple's intrinsic value, I deployed a Discounted Cash Flow (DCF) valuation supported by a sensitivity analysis on key assumptions.

The valuation assumes a WACC of 7.8%, calibrated using a risk-free rate of 4.11% (10-year US Treasury yield), an equity risk premium (ERP) of 3.4%, and a pre-tax cost of debt of 5.8%.

ERP is sinking as the yields on long-dated bonds is rising. The low cost of debt reflects Apple's AAA credit rating and robust net cash position.

A terminal growth rate of 2.5% was selected, consistent with the long-term growth outlook of the mature global economy. My DCF model projects Apple's revenue to grow at a moderate pace, from \$416 billion in FY'25 actual figures to \$527 billion in FY'30 expected, representing a CAGR of 4.8%, over the five year period.

Profit margins are expected to remain stable at 38–44%, reflecting Apple's strong pricing power, brand loyalty, and operating gear. Free Cash Flow (FCF) generation remains robust, with unlevered FCF projected to grow from \$143.5 billion in

FY2025A \$155 billion to \$207.0 billion in FY2030E.

After applying a WACC of 7.8% and a terminal growth rate of 2.5%, I derive:

- Enterprise Value (EV): \$4.0736 trillion
- Equity Value: \$4.60735 trillion
- Implied Share Price: \$271.5
- Implied Share Price at 27x PE: \$294.6

This implies a modest upside of 8.5% from Apple's current stock price of \$271.5 as of November 23, 2025.

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KEY CATALYSTS

Google Search Partnership Court Ruling

A recent favorable court ruling allows Apple to continue receiving \$20 billion annually from its Google default search deal, removing a major regulatory overhang. This supports revenue stability in Services and may also pave the way for deeper AI collaboration with Google.

Management also flagged growing AI investment, potential AI-related M&A (like interest in Perplexity AI), and stronger supply chain ties in India and U.S.

AI Enhancements with Apple Intelligence

A pivotal catalyst: Apple's unveiling of Apple Intelligence, a suite of generative AI features across iOS, macOS, and more.

This includes AI-powered Siri, automated summarizations, Genmoji, and deeper integration with Google Gemini for advanced AI capabilities. Many of these features are only accessible on newer devices, likely sparking upgrade demand.

Business Risks

Delays in Apple Intelligence launch could impact growth. Apple's in-house LLM is expected to launch sometime in 2026; any further postponement could adversely affect consumer sentiment and iPhone sales. Apple's iPhone sales in China have declined by 3.8 % y/y in 2025, affected by intense competition from local brands like Vivo, Huawei, and Xiaomi, who are capitalising on innovation and targeted subsidies.

The gradual implementation of AI features has further delayed iOS user upgrades. Despite retaining leadership in the high-end market, Apple faces persistent challenges, with the outlook remaining subdued until the anticipated launch of the significantly upgraded next-generation foldable iPhone, featuring

an enhanced AI Siri. To remain competitive and stimulate customer demand, the company must successfully manage frequent introductions and transitions of products and services. Due to the highly volatile and competitive nature of the markets and industries in which the company competes, the company must continually introduce new products, services and technologies, enhance existing products and services, effectively stimulate customer demand for new and upgraded products and services, and successfully manage the transition to these new and upgraded products and services.

The success of new product and service introductions depends on a number of factors, including timely and successful development, market acceptance, the company's ability to manage the risks associated with new technologies and production ramp-up issues.

New products, services and technologies may replace or supersede existing offerings and may produce lower revenues and lower profit margins, which can materially adversely impact the company's business, results of operations and financial condition.

There can be no assurance the company will successfully manage future introductions and transitions of products and services.

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Macroeconomic and Industry Risks

The company's operations and performance depend significantly on global and regional economic conditions and adverse economic conditions can materially adversely affect the company's business, results of operations and financial condition. Apple has international operations with sales outside the U.S. representing a majority of the total net sales.

In addition, the company's global supply chain is large and complex and a majority of the company's supplier facilities, including manufacturing and assembly sites, are located outside the U.S. As a result, the operations and performance depend significantly on global and regional economic conditions.

Adverse macroeconomic conditions, including slow growth or recession, high unemployment, inflation, tighter credit, higher interest rates, and currency fluctuations, can adversely impact consumer confidence and spending and materially adversely affect demand for products and services.

Adverse economic conditions can also lead to increased credit and collectability risk on the trade receivables; the failure of derivative counterparties and other financial institutions; limitations on the Apple's ability to issue new debt; reduced liquidity; and declines in the fair values of financial instruments. These and other impacts can materially adversely affect company's business, results of operations, financial condition and stock price.

INVESTMENT RECOMMENDATION

Based on my DCF valuation and sensitivity analysis, Apple's intrinsic value is estimated at \$238.8 per share, and PE value at \$294.6 broadly in line with the current market price of \$271.49.

The valuation range under different scenarios suggests limited upside (to \$294.6) and limited downside (to \$230.35), indicating the stock is fairly valued at current levels. While Apple continues to deliver strong free cash flow, maintain healthy margins, and reinforce its ecosystem through services and hardware integration, the valuation already reflects much of this strength.

Growth prospects remain tied to incremental product innovations, expansion in services, and potential new revenue streams (e.g., AI, AR/VR, or healthtech), but I see limited room for multiple expansion.

The company remains a high-quality, defensive asset with durable cash flows and strong shareholder returns.

However, at current valuation levels, the risk/reward is balanced, and I do not see a compelling margin of safety to justify a Buy.

Investors already holding the stock should continue to benefit from stability and dividends, while new investors may consider waiting for a more attractive entry point, and look out for analysts' ratings to plan their entry.