



Stock Trading and Equity Investing with Python A-Z

Price / Market Value vs. Book Value

Financial Statements

Apple Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(In millions, except number of shares which are reflected in thousands and par value)

| | March 27, 2021 | September 26, 2020 |
|---|-------------------|-----------------------|
| ASSETS: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 38,466 | \$ 38,016 |
| Marketable securities | 31,368 | 52,927 |
| Accounts receivable, net | 18,503 | 16,120 |
| Inventories | 5,219 | 4,061 |
| Vendor non-trade receivables | 14,533 | 21,325 |
| Other current assets | 13,376 | 11,264 |
| Total current assets | 121,465 | 143,713 |
| Non-current assets: | | |
| Marketable securities | 134,539 | 100,887 |
| Property, plant and equipment, net | 37,815 | 36,766 |
| Other non-current assets | 43,339 | 42,522 |
| Total non-current assets | 215,693 | 180,175 |
| Total assets | \$ 337,158 | \$ 323,888 |
| LIABILITIES AND SHAREHOLDERS' EQUITY: | | |
| Current liabilities: | | |
| Accounts payable | \$ 40,127 | \$ 42,296 |
| Other current liabilities | 45,660 | 42,684 |
| Deferred revenue | 7,595 | 6,643 |
| Commercial paper | 5,000 | 4,996 |
| Term debt | 8,003 | 8,773 |
| Total current liabilities | 106,385 | 105,392 |
| Non-current liabilities: | | |
| Term debt | 108,642 | 98,667 |
| Other non-current liabilities | 52,953 | 54,490 |
| Total non-current liabilities | 161,595 | 153,157 |
| Total liabilities | 267,980 | 258,549 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Common stock and additional paid-in capital, \$0.00001 par value: 50,400,000 shares authorized; 16,686,305 and 16,976,763 shares issued and outstanding, respectively | 54,203 | 50,779 |
| Retained earnings | 15,261 | 14,966 |
| Accumulated other comprehensive income/(loss) | (286) | (406) |
| Total shareholders' equity | 69,178 | 65,339 |
| Total liabilities and shareholders' equity | \$ 337,158 | \$ 323,888 |

Apple Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(In millions, except number of shares which are reflected in thousands and per share amounts)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | March 27, 2021 | March 28, 2020 | March 27, 2021 | March 28, 2020 |
| Net sales: | | | | |
| Products | \$ 72,683 | \$ 44,965 | \$ 168,361 | \$ 124,069 |
| Services | 16,901 | 13,348 | 32,662 | 26,063 |
| Total net sales ⁽¹⁾ | 89,584 | 58,313 | 201,023 | 150,132 |
| Cost of sales: | | | | |
| Products | 46,447 | 31,321 | 108,577 | 83,396 |
| Services | 5,058 | 4,622 | 10,039 | 9,149 |
| Total cost of sales | 51,505 | 35,943 | 118,616 | 92,545 |
| Gross margin | 38,079 | 22,370 | 82,407 | 57,587 |
| Operating expenses: | | | | |
| Research and development | 5,262 | 4,565 | 10,425 | 9,016 |
| Selling, general and administrative | 5,314 | 4,952 | 10,945 | 10,149 |
| Total operating expenses | 10,576 | 9,517 | 21,370 | 19,165 |
| Operating income | 27,503 | 12,853 | 61,037 | 38,422 |
| Other income/(expense), net | 508 | 282 | 553 | 631 |
| Income before provision for income taxes | 28,011 | 13,135 | 61,590 | 39,053 |
| Provision for income taxes | 4,381 | 1,886 | 9,205 | 5,568 |
| Net income | \$ 23,630 | \$ 11,249 | \$ 52,385 | \$ 33,485 |

Book Value of Equity

Market Value vs. Book Value

Market Value of Equity (MV)

≠

Book Value of Equity (BV)

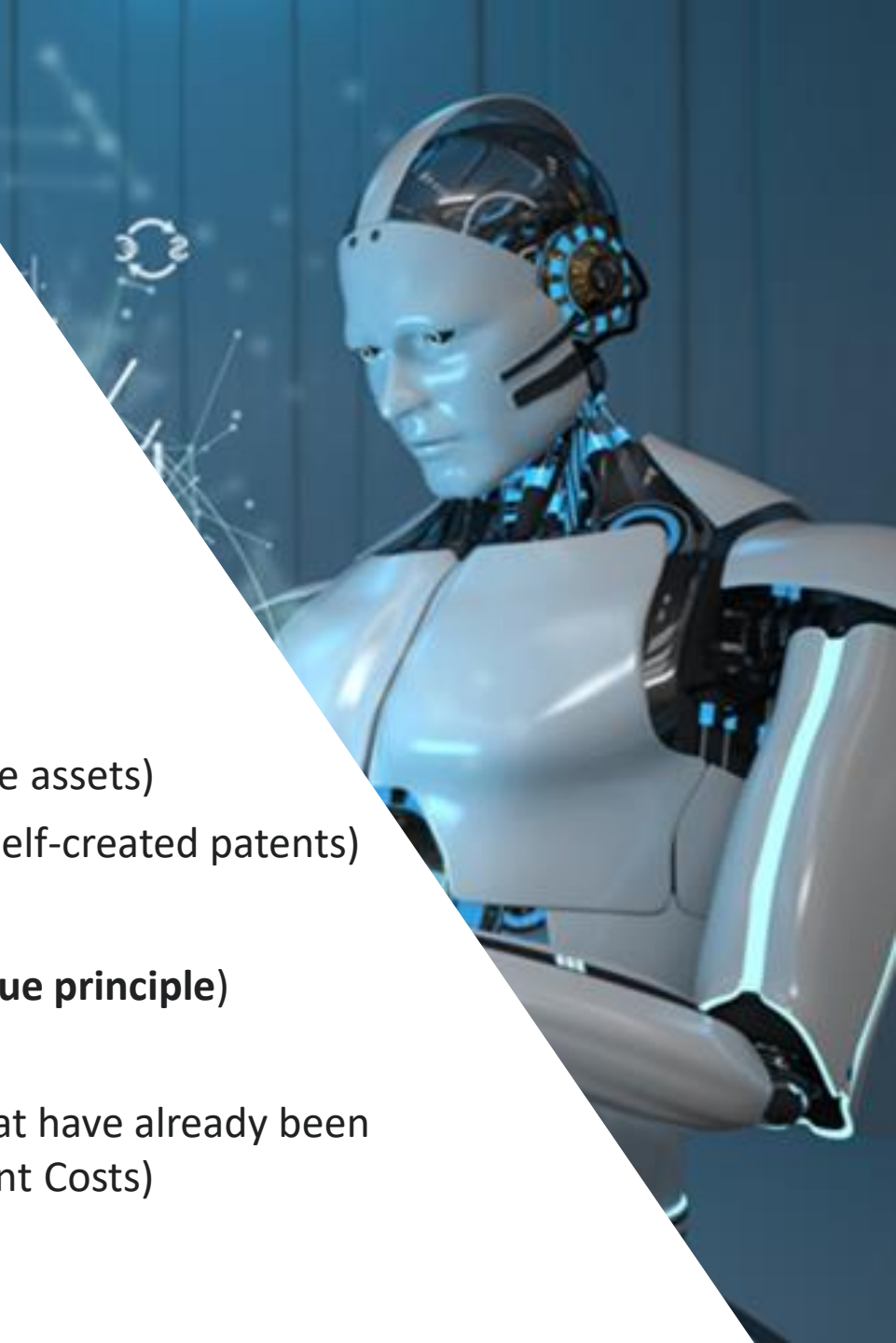
Best Estimate of Fair Value
by the Market

BV is a company's owner's claim after
subtracting total liabilities from total
assets (Net Worth)

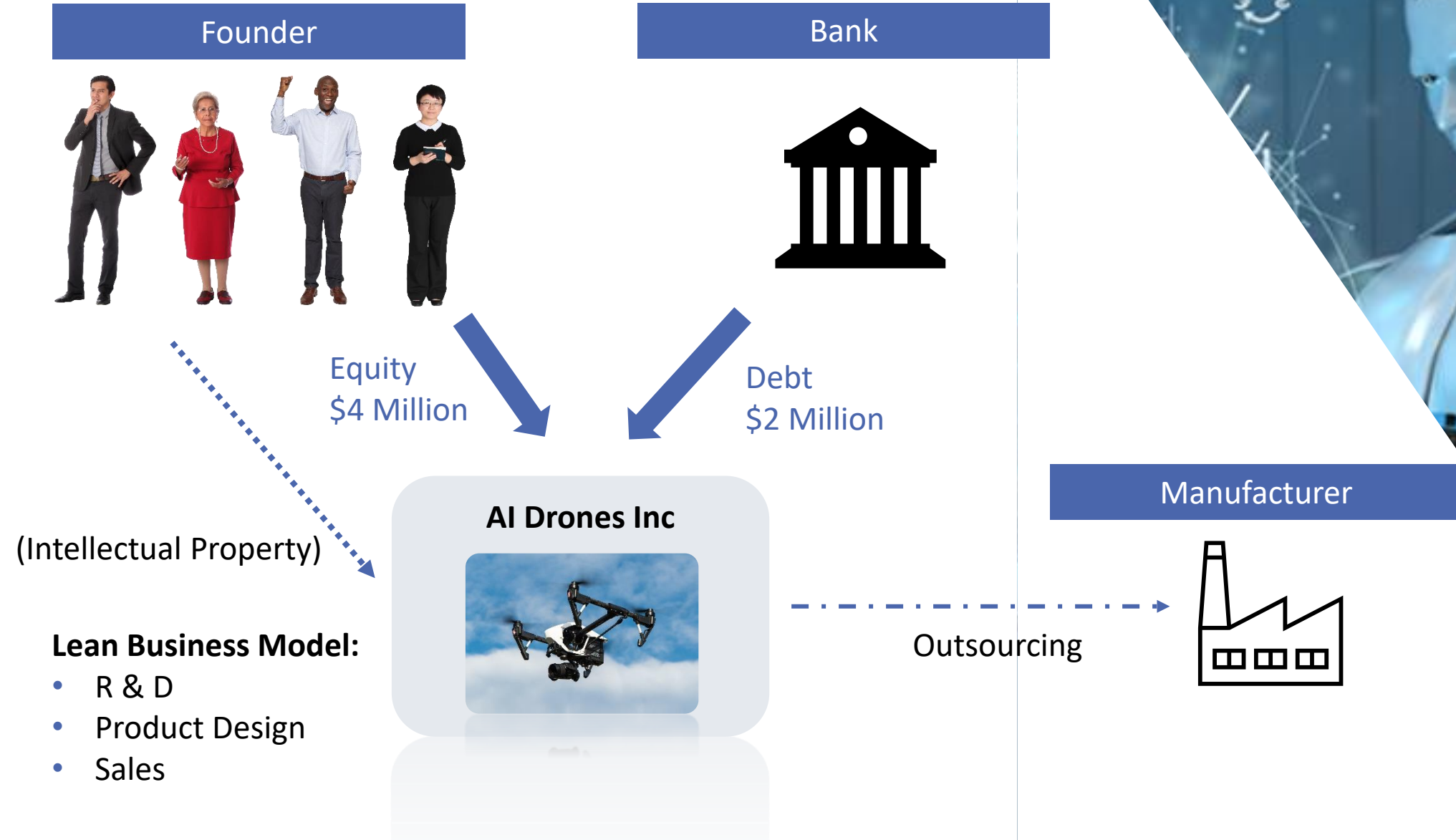
$MV = \text{Share Price} * \text{Shares Outstanding}$

$BV = \text{Total Assets} - \text{Total Liabilities}$

- Financial Statements (FS) do **not include all assets** of a company (intangible assets)
 - Intellectual property** (know how, ideas, HR, trademarks, reputation, self-created patents)
 - fully depreciated asset**
- Asset Values in FS do not necessarily reflect Fair Market Values (**lowest value principle**)
- MV is future-oriented: Profits/Values** that can be generated in the **future**.
- Financial accounting (BV) looks to the past** to examine financial results that have already been achieved, so it is historically focused (Entries @ historical/amortized/current Costs)



Illustrative Case Study (fictional)



Initial Balance Sheet

AI Drones Inc

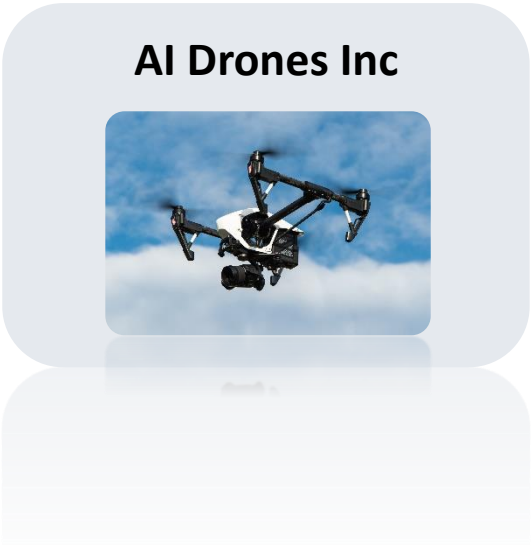


Balance Sheet (Year 0)

| Assets | | Equity and Liabilities | |
|----------------------------|-------------|------------------------------|-------------|
| Machinery, Plant & Equipm. | \$2,000,000 | Equity | \$4,000,000 |
| Inventory | \$1,000,000 | Debt | \$2,000,000 |
| Cash | \$3,000,000 | | |
| | | | |
| Total Assets | \$6,000,000 | Total Equity and Liabilities | \$6,000,000 |

FS after Year 1 (ready for the market)

| Income Statement Year 1 | |
|--------------------------|---------------------|
| Sales | \$0 |
| Cost of Sales | \$0 |
| Saleries | -\$800,000 |
| Goods/Inventories | -\$500,000 |
| Interests | -\$200,000 |
| Office Rent | -\$100,000 |
| Depreciation | -\$200,000 |
| Other | -\$200,000 |
| Total Profit/Loss | -\$2,000,000 |



Balance Sheet (Year 1)

| Assets | | Equity and Liabilities | |
|----------------------------|--------------------------|-------------------------------------|--------------------------|
| Machinery, Plant & Equipm. | \$1,800,000 | Equity | -\$2,000,000 \$2,000,000 |
| Inventory | \$500,000 | Debt | \$2,000,000 |
| Cash | -\$1,300,000 \$1,700,000 | | |
| | | | |
| Total Assets | \$4,000,000 | Total Equity and Liabilities | \$4,000,000 |



Forecast and Valuation (after Year 1)

AI Drones Inc



MV: What will happen in the **Future**?
BV: What happened in the **Past**?

Balance Sheet (Year 1)

| Assets | | Equity and Liabilities | |
|----------------------------|-------------|------------------------------|-------------|
| Machinery, Plant & Equipm. | \$1,800,000 | Equity | \$2,000,000 |
| Inventory | \$500,000 | Debt | \$2,000,000 |
| Cash | \$1,700,000 | | |
| Total Assets | | Total Equity and Liabilities | \$4,000,000 |

Earnings Forecast

| Year 1 (past) | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 |
|---------------|-------------|-------------|--------------|--------------|--------------|
| -\$2,000,000 | \$2,000,000 | \$5,000,000 | \$10,000,000 | \$17,500,000 | \$22,000,000 |

Valuation

| | | | | | |
|--------------|----|------------|--------------|--------|------|
| Forward P/E: | 15 | MV Equity: | \$30,000,000 | MV/BV: | 15.0 |
|--------------|----|------------|--------------|--------|------|

Price-to-Book (P/B)