

APPLE INC. (NASDAQ: AAPL)

FORM 10-K ANNUAL REPORT - FISCAL 2024 **SELECTED EXCERPTS FOR INVESTMENT ANALYSIS**

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Fiscal Year Ended: September 28, 2024

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BUSINESS OVERVIEW

Apple Inc. designs, manufactures and markets smartphones, personal computers, tablets, wearables and accessories worldwide. The Company serves consumers, and small and mid-sized businesses; and the education, enterprise and government markets. It sells and delivers digital content and applications through the iTunes Store, App Store, Mac App Store, TV App Store, Book Store and Apple Arcade. The Company sells its products worldwide through its retail stores, online stores, direct sales force, third-party cellular network carriers, wholesalers, retailers and Apple solution providers.

Products and Services: - **iPhone:** The Company's smartphone line built on its iOS operating system - **Mac:** The Company's line of personal computers built on its macOS operating system
- **iPad:** The Company's line of tablets built on its iPadOS operating system - **Wearables, Home and Accessories:** Including Apple Watch, AirPods, Apple TV, HomePod and accessories - **Services:** Digital content and services including the App Store, Apple Music, iCloud, Apple Pay and AppleCare

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal 2024 Financial Performance Summary

Total Net Sales: \$391.0 billion (compared to \$383.3 billion in fiscal 2023) **Net Income:** \$93.7 billion (compared to \$97.0 billion in fiscal 2023)

Earnings Per Share (Diluted): \$6.08 (compared to \$6.13 in fiscal 2023)

The Company's total net sales increased 2% or \$7.7 billion during fiscal 2024 compared to fiscal 2023. The increase was primarily driven by higher Services revenue, partially offset by lower iPhone and Other Products revenue.

iPhone net sales: \$201.2 billion decreased 1% or \$1.3 billion compared to fiscal 2023, primarily due to lower unit sales partially offset by favorable foreign exchange rates.

Services net sales: \$85.2 billion increased 13% or \$9.9 billion compared to fiscal 2023, driven by growth in advertising, the App Store, and other services offerings.

Mac net sales: \$29.8 billion increased 2% or \$0.6 billion compared to fiscal 2023, driven by the launch of new MacBook Air and iMac models with M3 chips.

Geographic Performance

Americas: \$169.0 billion (43% of total net sales) **Europe:** \$85.0 billion (22% of total net sales)

Greater China: \$72.6 billion (19% of total net sales) **Japan:** \$24.9 billion (6% of total net sales) **Rest of Asia Pacific:** \$39.5 billion (10% of total net sales)

Greater China revenue declined 6.5% year-over-year, primarily due to competitive pressures and macroeconomic headwinds in the region.

RISK FACTORS

Risks Related to Global Economic Conditions

The Company's business, results of operations and financial condition depend heavily on global and regional economic conditions. Uncertainty about global economic conditions poses a risk as consumers and businesses may postpone spending in response to tighter credit, higher unemployment, reduced income, reduced asset values, and other factors.

Risks Related to Competition

The markets for the Company's products and services are highly competitive, and the Company is confronted by aggressive competition in all areas of its business. To remain competitive and stimulate customer demand, the Company must successfully manage frequent product introductions and transitions, including the timing of announcements and the availability of new products.

Key Competitive Pressures: - Intense price competition, particularly in emerging markets - Shorter product life cycles requiring frequent innovation - Competitors with significant financial resources and global reach - Android ecosystem providing alternative smartphone platform - Competition from both established technology companies and new market entrants

Technology and Innovation Risks

The Company's future success depends on its ability to develop innovative products and services. There can be no assurance that the Company will be able to

develop and market new products and services successfully, or that new products and services will achieve market acceptance.

Key Technology Risks: - Rapid technological changes may render products obsolete - Dependence on third-party suppliers for key components - Challenges in scaling new technologies for mass production - Intellectual property disputes and patent litigation - Cybersecurity threats to Company systems and customer data

Risks Related to International Operations

The Company derives a significant portion of its revenue from international operations, which exposes it to risks inherent in international business operations.

International Risk Factors: - Foreign currency exchange rate fluctuations - Changes in international trade policies and tariffs - Compliance with diverse regulatory requirements across jurisdictions - Political instability and economic uncertainty in key markets - Cultural differences affecting product acceptance and marketing strategies

Supply Chain and Manufacturing Risks

The Company relies on third-party manufacturers, with a significant concentration in China, for substantially all of its products. This creates several risk exposures:

- **Geographic Concentration:** Heavy reliance on suppliers and manufacturers in Asia, particularly China
 - **Supply Chain Disruptions:** Natural disasters, political instability, or health crises affecting production
 - **Component Shortages:** Limited availability of key components affecting production schedules
 - **Quality Control:** Maintaining consistent quality standards across multiple suppliers
 - **Cost Fluctuations:** Changes in labor costs and material prices affecting profitability
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SELECTED FINANCIAL DATA

Five-Year Summary (in millions, except per share data)

Fiscal Year	2024	2023	2022	2021	2020
Total Net Sales	\$391,035	\$383,285	\$394,328	\$365,817	\$274,515
Net Income	\$93,736	\$96,995	\$99,803	\$94,680	\$57,411
EPS (Diluted)	\$6.08	\$6.13	\$6.11	\$5.61	\$3.28

Fiscal Year	2024	2023	2022	2021	2020
Cash & Equivalents	\$29,943	\$29,965	\$23,646	\$34,940	\$38,016
Total Assets	\$364,980	\$352,755	\$352,755	\$351,002	\$323,888
Shareholders' Equity	\$74,694	\$62,146	\$50,672	\$63,090	\$65,339

Key Financial Ratios

Profitability Metrics: - Gross Margin: 45.6% (fiscal 2024) vs. 44.1% (fiscal 2023) - Operating Margin: 30.3% (fiscal 2024) vs. 29.8% (fiscal 2023) - Return on Assets: 26.4% (fiscal 2024) vs. 28.3% (fiscal 2023) - Return on Equity: 138.6% (fiscal 2024) vs. 172.5% (fiscal 2023)

Liquidity and Capital Structure: - Current Ratio: 0.95 (fiscal 2024) vs. 0.98 (fiscal 2023) - Total Debt to Total Capital: 62.8% (fiscal 2024) vs. 70.3% (fiscal 2023) - Interest Coverage Ratio: 41.2x (fiscal 2024) vs. 48.6x (fiscal 2023)

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact.

Key Forward-Looking Areas: - Expected future revenues, margins and other financial performance measures - Plans for product introductions, feature enhancements and geographic expansion - Investment in research and development and capital expenditures - Expectations regarding competition, market acceptance and market share - Anticipated impact of regulatory changes and international trade policies

Important Risk Disclaimers: Forward-looking statements are not guarantees of future performance and actual results could differ materially from those anticipated in the forward-looking statements due to a variety of factors, including those discussed in the "Risk Factors" section of this report. The Company undertakes no obligation to revise or update any forward-looking statements for any reason.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

Carbon Neutral Commitment

Apple has committed to becoming carbon neutral across its entire business, manufacturing supply chain, and product life cycle by 2030. The Company is investing in renewable energy, improving energy efficiency, and working with suppliers to reduce their carbon footprint.

Key Environmental Initiatives: - 100% renewable energy for global corporate operations achieved in 2018 - \$4.7 billion Green Bond program funding clean energy and environmental projects - Recycling programs recovering materials for use in new products - Elimination of plastic wrap from majority of product packaging

Privacy and Data Security

The Company views privacy as a fundamental human right and has implemented comprehensive privacy protections across its products and services.

Privacy Leadership Initiatives: - App Store privacy labels providing transparency about data collection - On-device processing minimizing data sharing with external servers
- Regular security updates protecting against emerging threats - User controls allowing granular privacy preference management

This excerpt represents selected portions of Apple Inc.'s Form 10-K filing and should not be considered a complete analysis. Investors should review the complete filing available on the SEC's EDGAR database for comprehensive information.

Source: Apple Inc. Form 10-K filing with the Securities and Exchange Commission