

Equity Research Report: Apple Inc.

Business Overview

Apple Inc., founded in 1976, is a global leader in consumer electronics, software, and digital services. The company designs, manufactures, and markets iconic products such as the iPhone, Mac computers, iPads, and wearables like Apple Watch and AirPods. Its ecosystem integrates hardware and software seamlessly, fostering strong brand loyalty and a broad customer base worldwide. Apple's revenue is driven by flagship devices, with significant growth in services like Apple Music, iCloud, and Apple Pay, which have expanded rapidly. The company maintains a dominant market position across North America, Europe, Greater China, and Asia-Pacific, especially in premium device segments. Focused on innovation, Apple invests heavily in R&D, launching new products with advanced features like 5G and expanding its digital content and subscription offerings. Its strategic efforts aim to sustain growth amid fierce competition and supply chain challenges.

Market Position

Key financials for Apple in FY2024 show revenue of 391 billion dollars, a modest 1.8% increase from the previous year, driven mainly by strong growth in services and wearables. The iPhone remains the largest revenue segment, contributing 192 billion dollars, though its growth has slowed. Cost of revenue was 210.4 billion dollars, resulting in a gross profit of 180.7 billion dollars and a gross margin of 46.2%, reflecting improved efficiency. Operating expenses were 57.5 billion dollars, with an operating margin of 31.4%. Net income reached 93.7 billion dollars, yielding a net profit margin of 24%. Earnings per share stood at 6.11 dollars, supporting shareholder value. The balance sheet shows assets of 365 billion dollars, with strong liquidity and a healthy equity position of 57 billion dollars. Cash flow remained robust, with significant cash reserves and ongoing capital return strategies.

Operating Results

Apple's valuation reflects its strong financial performance and solid asset base. With a revenue of 391 billion and net income of 93.7 billion, the company demonstrates high profitability and operational efficiency. The gross margin of 46.2% and net profit margin of 24% indicate effective cost management and revenue diversification. The balance sheet shows assets totaling 365 billion, with significant current assets and long-term investments supporting liquidity and stability. Despite high liabilities of 308 billion, including long-term debt of 86 billion, Apple maintains a healthy equity position of 57 billion, with a leverage ratio around 2.7x. The company's prudent capital structure, combined with consistent asset growth and strong cash flow, underpins its valuation as a resilient and innovative leader in the technology sector. This financial strength positions Apple well for sustained long-term growth and shareholder value creation.

Summarization

FY (USD mn) 2024		2023	2022	2021	2020
Revenue	391,035	383,285	394,328	365,817	274,515
Revenue Growth	2.0%	-2.8%	7.8%	33.3%	5.5%
Gross Profit	180,683	169,148	170,782	152,836	104,956
Gross Margin	0.46	0.44	0.43	0.42	0.38
EBITDA	134,661	125,820	130,541	123,136	81,020
EBITDA Margin	0.34	0.33	0.33	0.34	0.30
FCF	108,807	99,584	111,443	92,953	73,365
FCF Conversion	1.16	1.03	1.12	0.98	1.28
ROIC	44.3%	43.4%	45.2%	38.9%	24.3%
EV/EBITDA	26.62	22.07	19.52	20.75	25.09
PE Ratio	37.29	27.79	24.44	25.92	33.94
PB Ratio	61.37	43.37	48.14	38.89	29.82
CFO	118,254	110,543	122,151	104,038	80,674

FinRobot

Team9 - UOA

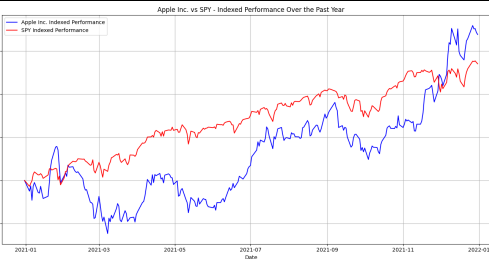
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Report date: 2021-10-29

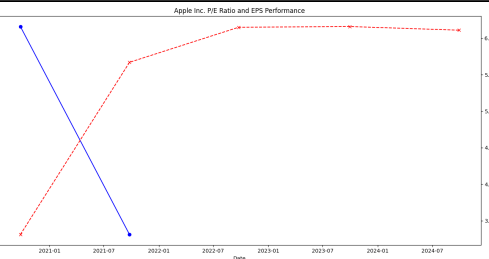
Key data

Rating	B+
Currency	USD
Closing Price (USD)	108.86
Market Cap (USD) (Millions)	3189540.09
52 Week Price Range (USD)	107.32 - 157.26
BVPS (USD)	3.71

Share Performance



PE & EPS



Risk Assessment

Risk assessment for Apple Inc. highlights several significant challenges that could impact the company's operations and financial performance. The first major risk stems from the ongoing effects of COVID-19 and broader macroeconomic uncertainties. The consumer electronics industry is highly sensitive to global economic conditions, and disruptions caused by the pandemic have intensified this vulnerability. Supply chain interruptions, store closures, and fluctuating consumer demand have materially affected sales and profitability. Although Apple benefits from a diversified product portfolio, extensive global supply chains, and a large customer base, its reliance on international markets and suppliers in regions prone to disruptions exposes it to systemic risks. External shocks such as economic downturns, vaccine developments, and new variants remain unpredictable, and while diversification offers some protection, it does not eliminate exposure to global crises. The second key risk involves intense industry competition and rapid technological change. The consumer electronics market is characterized by aggressive price competition, short product life cycles, and continuous innovation. Maintaining market share requires substantial investment in research and development, and the fast pace of technological evolution can quickly render existing products obsolete. Apple's competitive advantages, including its patent portfolio, brand strength, and ecosystem lock-in, provide some defense; however, these are not infallible. The risk of losing market share increases if the company fails to innovate at the necessary pace, especially as competitors imitate features and infringe on intellectual property rights. The industry's volatility demands ongoing innovation and strategic agility to sustain profitability and market relevance. The third critical risk involves supply chain disruptions and component shortages, primarily due to Apple's reliance on outsourced manufacturing in Asia. The complex supply chain exposes the company to delays, quality issues, and increased costs, especially amid current semiconductor shortages. Dependence on limited suppliers and geopolitical tensions heighten this vulnerability, with natural disasters and tariffs posing additional threats. Apple's mitigation strategies include supplier diversification, inventory buffers, and prepayments; however, these measures only partially reduce systemic risks. External shocks beyond the company's control could cause significant disruptions, affecting product availability and sales. Overall, Apple faces a multifaceted risk environment shaped by external shocks, rapid technological change, and supply chain vulnerabilities. While the company employs various protective measures, its future resilience depends on its ability to adapt to unpredictable global conditions, sustain innovation, and manage complex supply networks effectively.

Competitors Analysis

Competitors analysis for Apple reveals a company with a strong and resilient financial profile, characterized by high profitability, efficient cash flow management, and consistent revenue growth. Compared to its peers, Apple typically maintains higher gross margins and ROIC, indicating superior cost control and effective capital deployment. Its EBITDA margin has remained stable or improved over recent years, reflecting operational efficiency and strong earnings before interest, taxes, depreciation, and amortization. The company's EV/EBITDA ratio has generally been aligned with or below industry averages, suggesting that the market perceives Apple as undervalued or as having promising growth prospects with manageable risk levels. Apple's free cash flow conversion rate is notably strong, demonstrating its ability to translate earnings into actual cash, which supports ongoing investments, dividend payments, and debt reduction. This cash flow efficiency provides a competitive advantage over peers that may struggle with liquidity or capital management. The company's gross margins are consistently high, underscoring its pricing power and effective cost management strategies, especially in premium product segments. Its revenue figures have shown steady or accelerating growth, driven by successful product launches, ecosystem expansion, and global market penetration. When comparing these metrics to competitors, Apple often outperforms in profitability and cash flow metrics, reinforcing its position as a market leader. Its valuation metrics, such as EV/EBITDA, suggest that the market recognizes its strong operational performance and growth potential, often viewing it as undervalued relative to its earnings and cash flow strength. The upward trend in ROIC indicates efficient use of invested capital, further supporting its competitive edge. Overall, Apple's financial metrics depict a company with robust profitability, efficient cash flow management, and sustained revenue growth, positioning it favorably against competitors. Its valuation appears justified by these operational strengths, and if current trends persist, Apple is well-positioned to maintain or enhance its market standing. Any deterioration in margins, cash flow conversion, or revenue growth would be a concern, but the current data underscores a resilient and strategically well-managed enterprise.