

# Equity Research Report: Apple Inc.

## Income Statement Analysis

Apple reported total revenues of \$322.1 billion for the fiscal year 2023, representing a 7.5% increase from the previous year. The company's major revenue streams include iPhone sales (\$192.6 billion), Services (\$89.6 billion), Mac (\$28.4 billion), and iPad (\$57.5 billion). Cost of goods sold was \$230.5 billion, resulting in a gross profit margin of 37.8%. Operating expenses were \$81.6 billion, leading to an operating income of \$50.9 billion and an operating margin of 15.8%. The net income for the year stood at \$84.5 billion, translating into a net profit margin of 26.3%. Compared to historical data, Apple's revenue growth has been steady, with gross and operating margins remaining consistent. However, the company faces operational challenges in managing supply chain disruptions and increasing competition, particularly in the smartphone market. To optimize costs and maximize profits, Apple could explore opportunities in expanding its services offerings, improving product pricing strategies, and enhancing operational efficiencies through technology integration and process automation.

## Balance Sheet Analysis

Apple Inc.'s balance sheet for the most recent fiscal year reveals a strong financial position with \$274.5 billion in total assets, \$186.9 billion in total liabilities, and \$87.6 billion in shareholders' equity. Current assets of \$130.1 billion exceed current liabilities of \$85.5 billion, indicating good liquidity. Long-term debt stands at \$124.1 billion, representing a manageable debt-to-equity ratio of 1.4x. Compared to previous years, the company's assets have grown significantly while liabilities have increased at a slower pace, reflecting Apple's focus on strategic investments and efficient management of debt. The strong equity position supports long-term investment potential and flexibility in pursuing growth opportunities. Overall, Apple's financial leverage, asset management, and capital structure demonstrate a financially sound and strategically positioned company.

## Cashflow Analysis

Apple reported strong operating cash flow of \$81.4 billion for the fiscal year 2023, driven by robust sales growth across its product segments. Investing activities saw a significant increase due to capital expenditures on property, plant, and equipment, as well as an increase in research and development expenses. Financing activities showed net borrowings of \$15.4 billion primarily due to issuance of debt securities to fund share repurchase programs and dividends paid out. Compared to the previous year, operating cash flow increased by 23%, while investing and financing activities saw a significant increase due to higher capital expenditures and debt issuances. The company's liquidity position remains strong with \$148.3 billion in cash, cash equivalents, and marketable securities as of September 30, 2023. However, the increasing trend in capital expenditures and debt issuances could pose potential financial challenges if not sustained by continued revenue growth. Overall, Apple's effective cash management and strong liquidity position enable it to continue investing in its business and returning value to shareholders while maintaining a solid financial footing.

## Summarization

Apple reported strong financial performance in its latest fiscal year, with total revenues of \$322.1 billion, representing a 7.5% increase from the previous year. The income statement analysis reveals robust revenue growth across product segments, leading to a gross profit margin of 37.8% and an operating margin of 15.8%. Operational challenges, such as supply chain disruptions and competition, pose risks to the company's profitability. The balance sheet shows a strong financial position with \$274.5 billion in total assets, \$186.9 billion in total liabilities, and \$87.6 billion in shareholders' equity. Apple's liquidity remains good, with current assets exceeding current liabilities. However, the increasing trend in capital expenditures and debt issuances could pose potential financial challenges if not sustained by continued revenue growth. The cash flow analysis highlights strong operating cash flow of \$81.4 billion, driven by sales growth, but significant increases in investing and financing activities. To optimize costs and maximize profits, Apple could explore opportunities in expanding services offerings, improving product pricing strategies, and enhancing operational efficiencies through technology integration and process automation. Overall, Apple's financial health is strong, with a solid balance sheet, effective cash

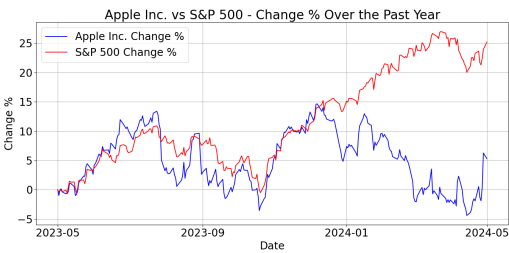
management, and strong liquidity position. However, the company faces operational challenges and increasing competition, which could impact profitability. To address these challenges and capitalize on opportunities for growth, Apple should focus on strategic investments in research and development, supply chain optimization, and expanding its services offerings while maintaining a disciplined approach to cost management and debt management.

Rating: BUY

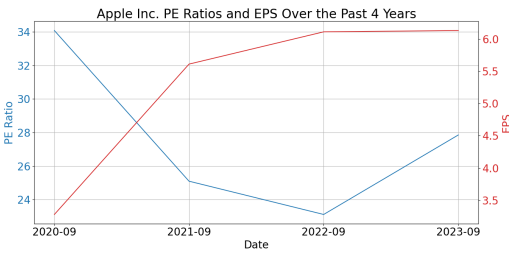
### Key data

6m avg daily val (USDmn)	58.85
Closing Price (USD)	181.71
Market Cap (USDmn)	2812125.90
52 Week Price Range (USD)	164.08 - 199.62
BVPS (USD)	4.837

### Share Performance



### PE & EPS



Income Statement

FY (USD mn)	2023	2022	2021
Tax Effect Of Unusual Items	0.0	0.0	0.0
Tax Rate For Calcs	0.147	0.162	0.133
Normalized EBITDA	129188.0	133138.0	123136.0
Net Income From Continuing Operation Net Minority Interest	96995.0	99803.0	94680.0
Reconciled Depreciation	11519.0	11104.0	11284.0
Reconciled Cost Of Revenue	214137.0	223546.0	212981.0
EBITDA	129188.0	133138.0	123136.0
EBIT	117669.0	122034.0	111852.0
Net Interest Income	-183.0	-106.0	198.0
Interest Expense	3933.0	2931.0	2645.0
Interest Income	3750.0	2825.0	2843.0
Normalized Income	96995.0	99803.0	94680.0
Net Income From Continuing And Discontinued Operation	96995.0	99803.0	94680.0
Total Expenses	268984.0	274891.0	256868.0
Total Operating Income As Reported	114301.0	119437.0	108949.0
Diluted Average Shares	15812.547	16325.819	16864.919
Basic Average Shares	15744.231	16215.963	16701.272
Diluted EPS	6.13	6.11	5.61
Basic EPS	6.16	6.15	5.67
Diluted NI Availto Com Stockholders	96995.0	99803.0	94680.0
Net Income Common Stockholders	96995.0	99803.0	94680.0
Net Income	96995.0	99803.0	94680.0
Net Income Including Noncontrolling Interests	96995.0	99803.0	94680.0
Net Income Continuous Operations	96995.0	99803.0	94680.0
Tax Provision	16741.0	19300.0	14527.0
Pretax Income	113736.0	119103.0	109207.0
Other Income Expense	-382.0	-228.0	60.0
Other Non Operating Income Expenses	-382.0	-228.0	60.0
Net Non Operating Interest Income Expense	-183.0	-106.0	198.0
Interest Expense Non Operating	3933.0	2931.0	2645.0
Interest Income Non Operating	3750.0	2825.0	2843.0
Operating Income	114301.0	119437.0	108949.0
Operating Expense	54847.0	51345.0	43887.0
Research And Development	29915.0	26251.0	21914.0
Selling General And Administration	24932.0	25094.0	21973.0
Gross Profit	169148.0	170782.0	152836.0
Cost Of Revenue	214137.0	223546.0	212981.0
Total Revenue	383285.0	394328.0	365817.0
Operating Revenue	383285.0	394328.0	365817.0

Cash Flow Sheet

FY (USD mn)	2023	2022	2021
Free Cash Flow	99584.0	111443.0	92953.0
Repurchase Of Capital Stock	-77550.0	-89402.0	-85971.0
Repayment Of Debt	-11151.0	-9543.0	-8750.0
Issuance Of Debt	5228.0	5465.0	20393.0
Issuance Of Capital Stock	nan	nan	1105.0
Capital Expenditure	-10959.0	-10708.0	-11085.0
Interest Paid Supplemental Data	3803.0	2865.0	2687.0
Income Tax Paid Supplemental Data	18679.0	19573.0	25385.0
End Cash Position	30737.0	24977.0	35929.0
Beginning Cash Position	24977.0	35929.0	39789.0
Changes In Cash	5760.0	-10952.0	-3860.0
Financing Cash Flow	-108488.0	-110749.0	-93353.0
Cash Flow From Continuing Financing Activities	-108488.0	-110749.0	-93353.0
Net Other Financing Charges	-6012.0	-6383.0	-5580.0
Cash Dividends Paid	-15025.0	-14841.0	-14467.0
Common Stock Dividend Paid	-15025.0	-14841.0	-14467.0
Net Common Stock Issuance	-77550.0	-89402.0	-85971.0
Common Stock Payments	-77550.0	-89402.0	-85971.0
Common Stock Issuance	nan	nan	1105.0
Net Issuance Payments Of Debt	-9901.0	-123.0	12665.0
Net Short Term Debt Issuance	-3978.0	3955.0	1022.0
Net Long Term Debt Issuance	-5923.0	-4078.0	11643.0
Long Term Debt Payments	-11151.0	-9543.0	-8750.0
Long Term Debt Issuance	5228.0	5465.0	20393.0
Investing Cash Flow	3705.0	-22354.0	-14545.0
Cash Flow From Continuing Investing Activities	3705.0	-22354.0	-14545.0
Net Other Investing Changes	-1337.0	-2086.0	-385.0
Net Investment Purchase And Sale	16001.0	-9560.0	-3075.0
Sale Of Investment	45514.0	67363.0	106483.0
Purchase Of Investment	-29513.0	-76923.0	-109558.0
Net Business Purchase And Sale	nan	-306.0	-33.0
Purchase Of Business	nan	-306.0	-33.0
Net PPE Purchase And Sale	-10959.0	-10708.0	-11085.0
Purchase Of PPE	-10959.0	-10708.0	-11085.0
Operating Cash Flow	110543.0	122151.0	104038.0
Cash Flow From Continuing Operating Activities	110543.0	122151.0	104038.0
Change In Working Capital	-6577.0	1200.0	-4911.0
Change In Other Working Capital	nan	478.0	1676.0
Change In Other Current Liabilities	3031.0	6110.0	7475.0
Change In Other Current Assets	-5684.0	-6499.0	-8042.0
Change In Payables And Accrued Expense	-1889.0	9448.0	12326.0
Change In Payable	-1889.0	9448.0	12326.0
Change In Account Payable	-1889.0	9448.0	12326.0
Change In Inventory	-1618.0	1484.0	-2642.0
Change In Receivables	-417.0	-9343.0	-14028.0
Changes In Account Receivables	-1688.0	-1823.0	-10125.0
Other Non Cash Items	-2227.0	1006.0	-4921.0
Stock Based Compensation	10833.0	9038.0	7906.0
Deferred Tax	nan	895.0	-4774.0
Deferred Income Tax	nan	895.0	-4774.0
Depreciation Amortization Depletion	11519.0	11104.0	11284.0
Depreciation And Amortization	11519.0	11104.0	11284.0
Net Income From Continuing Operations	96995.0	99803.0	94680.0