

Financial Analysis Report

BBUS 350- BUSINESS FINANCE
Section C

Financial Summary

META

All Values are in Millions(Except for share amounts)

META Financial Summary	2022	2021	% Change
Revenue	\$116,609	\$117,929	-1.12%
EBIT	\$33,555	\$46,753	-28.23%
Net Income	\$23,200	\$39,370	-41.07%
Total Assets	\$185,727	\$165,987	11.89%
Total Debt	\$27,132	\$14,364	88.89%
Cash and cash equivalents	\$14,975	\$16,750	-10.60%
Cash from Operations	\$50,475	\$57,683	-12.50%
Cash from Investing Activities	(\$28,970)	(\$7,570)	282.69%
Cash From Financing Activities	\$(22,136)	(\$50,758)	-56.36%
Diluted EPS	\$8.59	\$13.77	-37.62%

Sources:

<https://www.sec.gov/Archives/edgar/data/1326801/000132680123000013/meta-20221231.htm>

<https://www.wsj.com/market-data/quotes/META>

APPLE

All Values are in Thousands (Except for share amounts)

Apple Financial Summary	2022	2021	% Change
Revenue	\$387,537,000	\$365,817,000	5.6%
EBIT	\$122,034,000	\$111,852,000	8.34%
Net Income(billions)	\$99,803,000	\$94,680,000	5.13%
Total Assets	\$352,755,000	\$351,002,000	.50%
Total Debt	\$120,069,000	\$124,719,000	-3.87%
Cash and cash equivalents	\$23,646,000	\$34,940,000	-47.6%
Cash from Operations	\$122,151,000	\$104,038,000	14.83%
Cash from Investing Activities	(\$22,354,000)	-\$14,454,000	34.93%
Cash From Financing Activities	\$(110,749,000)	(\$93,353,000)	15.71%
Diluted EPS	\$6.11	\$5.61	

Sources:

<https://investor.apple.com/sec-filings/sec-filings-details/default.aspx?FilingId=17028298>

<https://finance.yahoo.com/quote/AAPL.MI/financials/>

<https://finance.yahoo.com/quote/AAPL/>

DISNEY

(All numbers in billions, except EPS)

Walt Disney (DIS) Financial Summary	2022	2021	% Change
Revenue	82.72	67.42	22.7%
EBIT	6.68	3.97	68.4%
Net Income	2.25	3.15	-28.4%
Total Assets	203.63	203.61	0.01%
Total Debt	48.37	54.41	-11.1%
Cash and Cash Equivalents	11.62	15.96	-27.2%
Cash from Operations	6.01	5.57	8.0%
Cash from Investing Activities	-5.01	-3.16	58.3%
Cash from Financing Activities	-4.74	-4.39	8.1%
Diluted EPS	1.72	1.09	57.8%

Source: <https://finance.yahoo.com/quote/DIS/cash-flow?p=DIS>

EQUIFAX

EQUIFAX	2022(billions)	2021(billions)	% Change
Revenue	5122.2	4923.9	+ 4.03%
EBIT	688.5	597.7	+ 15.19
Net Income	700.2	748.5	- 6.45%
Total Assets	11547.9	11040.9	+ 4.59%
Total Debt	5787.3	5294.9	+ 9.29%
Cash and Cash Equivalents	285.2	224.7	+ 26.92%
Cash from operations	757.1	1334.8	- 43.28%
Cash from Investing Opportunities	959.5	3398.2	- 71.76%
Cash from Financing Activities	273.7	617.7	- 55.69%
Diluted EPS	128.09	127.62	+ .37%

Sources:





<https://finance.yahoo.com/quote/EFX?p=EFX&.tsrc=fin-srch>

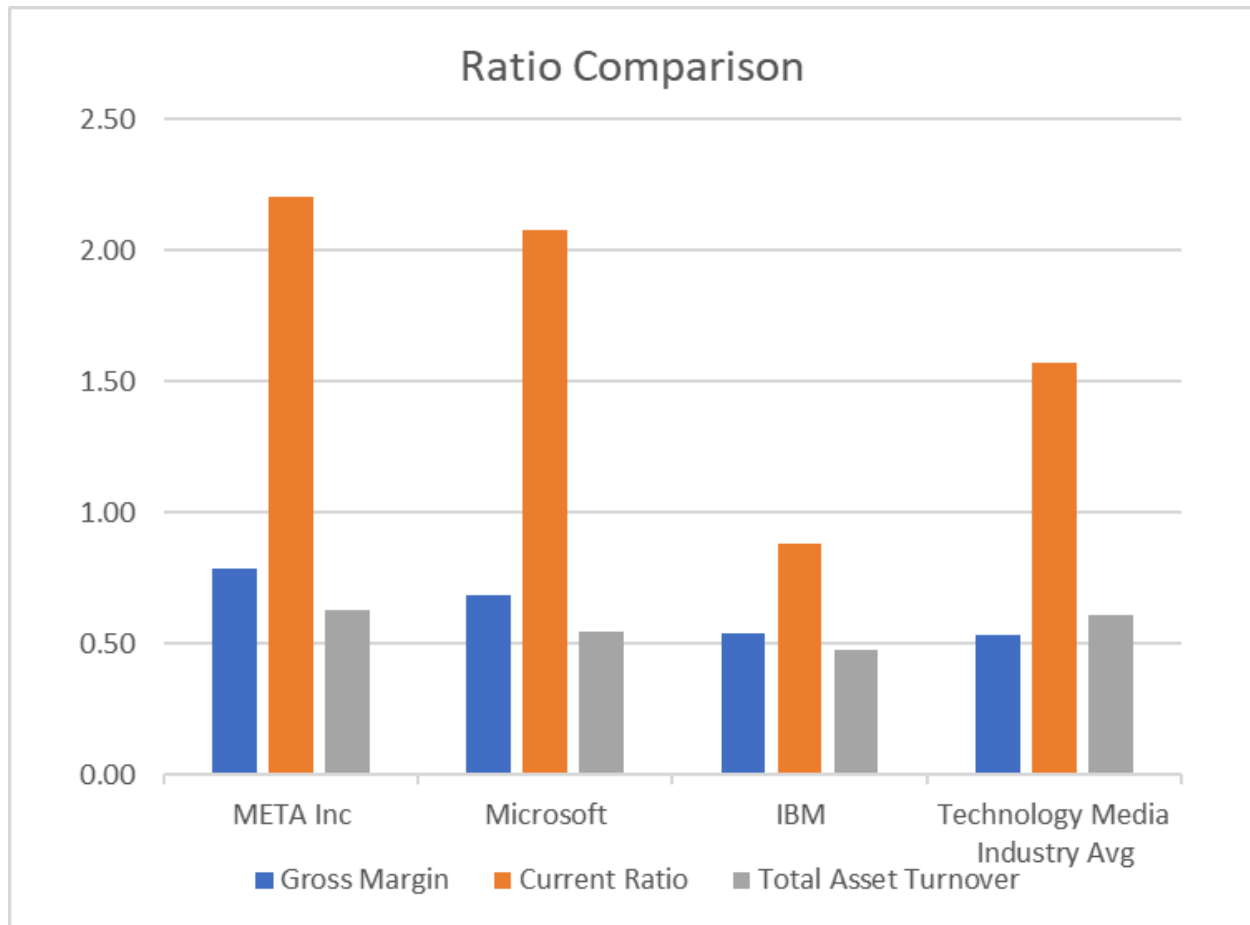
<https://finance.yahoo.com/quote/HRB?p=HRB&.tsrc=fin-srch>

Financial Ratio Analysis

Meta

All Values are in Thousands (Except for share amounts)

	<div>META</div> 	<div>IBM</div> 	<div>Microsoft</div> 	<div>Tech Industry Average</div> 
Current Ratio (Current Assets/Current Liabilities)	59549/27026 = 2.20	29539/33619 = .88	184406/88657 = 2.0799	1.57
Gross Margin (Profitability)	91390/11660 = .78	32687/60530 = .68	135620/198270 = .6841	.53
Total Asset Turnover (Working Capital and Efficiency)	116609/185727 = .62	60530/127243 = .8680	198270/364840 = .54344	.61



Source:https://csimarket.com/Industry/industry_Profitability_Ratios.php?s=1000&hist=2

Ratio Analysis

The provided ratios for META Inc, Microsoft, IBM, and the Technology Media Industry Average offer valuable insights into the financial health and performance of these companies in the technology and media industry.

Gross Margin:

META Inc has the highest gross margin among the companies listed, indicating that it is effectively managing its production and operating costs. This suggests that META Inc may have a strong competitive advantage or a unique market position that allows it to command higher prices for its products or services.

Microsoft also has a healthy gross margin, indicating efficient cost management and pricing power.

IBM's gross margin is lower than both META Inc and Microsoft, suggesting that it may face more significant cost challenges or pricing pressures in its market.

The industry average gross margin is 0.53, and all three companies exceed this benchmark, indicating a relatively profitable industry segment.

Current Ratio:

META Inc and Microsoft both have current ratios above 2, which signifies their strong liquidity positions. They have more than enough current assets to cover their short-term liabilities. This is a positive sign for their ability to meet immediate financial obligations.

IBM, on the other hand, has a current ratio of 0.88, which is below 1. This suggests that IBM may face challenges in covering its short-term obligations with its current assets, and it might need to manage its working capital more effectively.

The industry average current ratio is 1.57, indicating that, on average, companies in the industry are in a better position to meet their short-term financial obligations than IBM.

Total Asset Turnover:

META Inc has the highest total asset turnover, suggesting that it generates more revenue for every dollar of assets invested. This indicates efficient asset utilization and revenue generation.

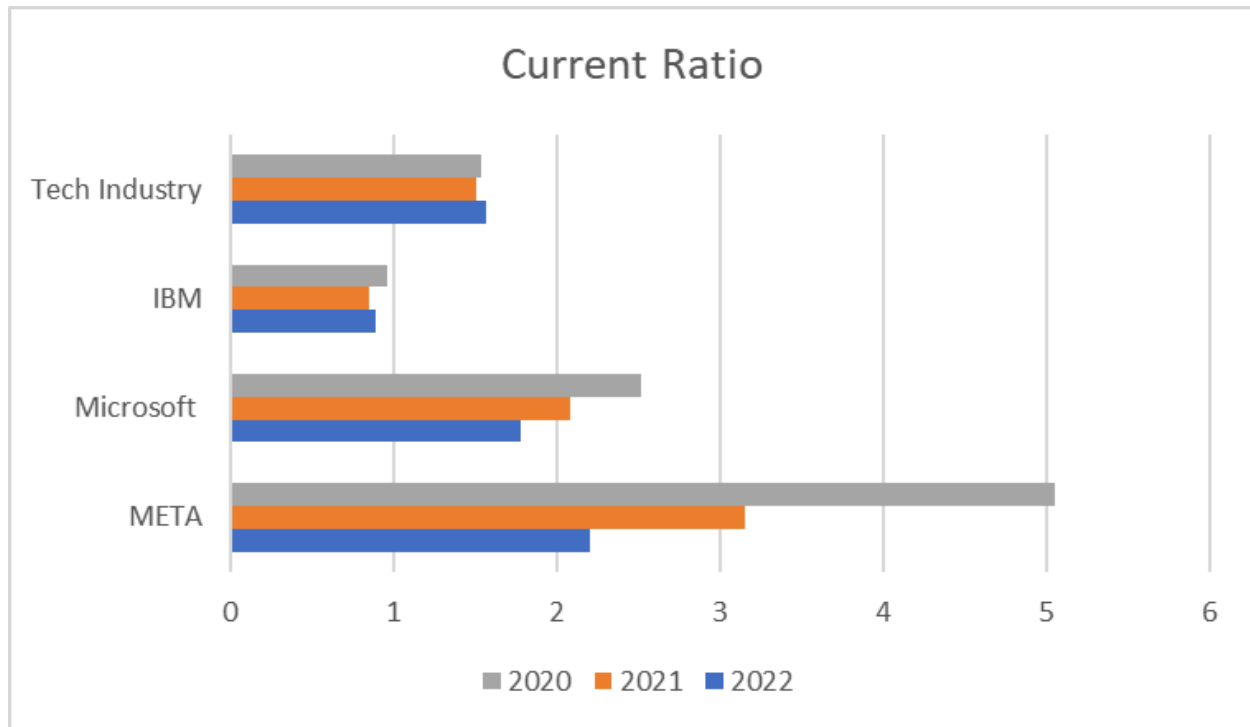
Microsoft also has a respectable total asset turnover, showing effective use of its assets to generate revenue.

IBM lags behind both META Inc and Microsoft in this regard, indicating that it may have a less efficient use of assets in generating revenue.

The industry average for total asset turnover is 0.61, and both META Inc and Microsoft surpass this average, indicating their strong performance in this aspect.

In summary, these ratios reveal that META Inc and Microsoft have strong financial positions, with high gross margins, healthy liquidity (current ratio), and efficient use of assets (total asset turnover). IBM, on the other hand, lags behind in terms of current ratio and total asset turnover, indicating potential areas for improvement. The industry average provides a benchmark against which these companies can be compared, and in most cases, META Inc and Microsoft outperform the industry average, suggesting their competitiveness in the technology and media sector.

Ratio Over Time:






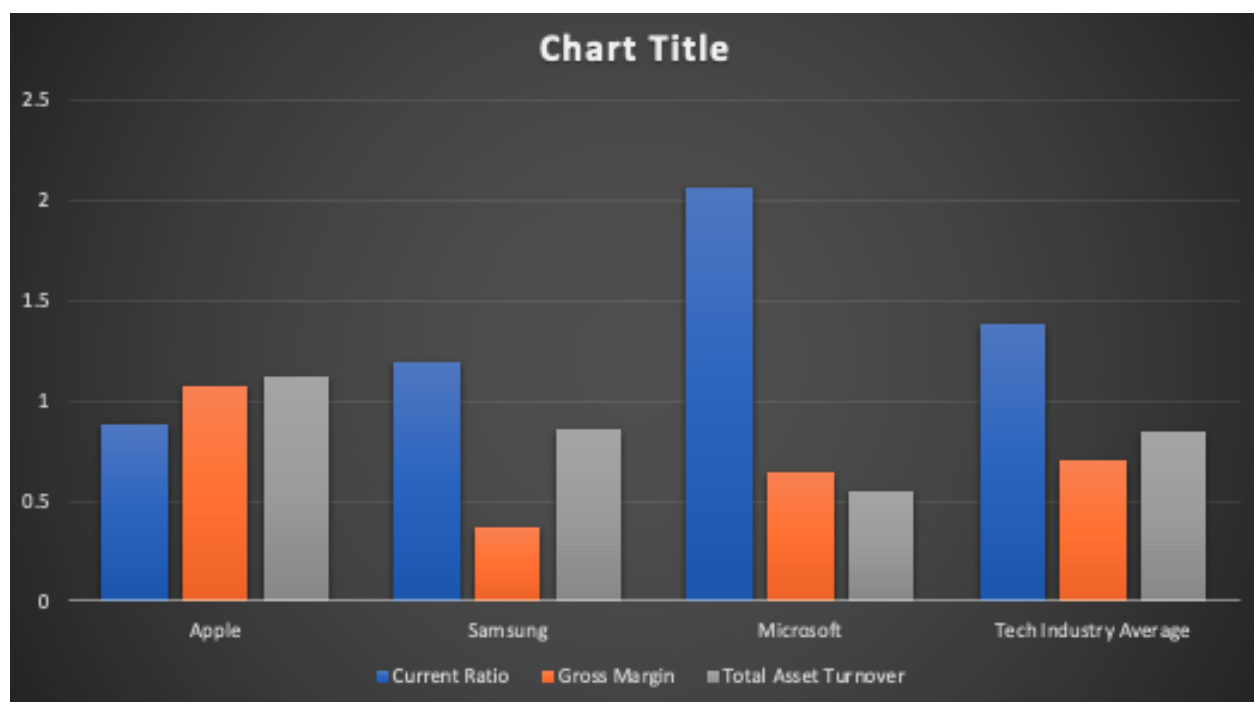
Horizontal Analysis:

The current ratio, a key liquidity indicator, measures a company's ability to cover its short-term liabilities with its short-term assets. Over the past three years, we've seen varying trends in the current ratios of META, Microsoft, IBM, and the overall tech industry. In 2020, META had a robust current ratio of 5.05, indicating a strong ability to cover its short-term obligations. However, this ratio has been on a downward trend, falling to 2.2 by 2022. This could suggest that META's short-term financial health may have weakened over this period. Microsoft's current ratio also saw a decrease from 2.52 in 2020 to 1.78 in 2022. While this is still a healthy ratio, the downward trend might indicate a slight weakening in Microsoft's short-term debt-paying ability. IBM's current ratio remained relatively stable, hovering around 0.9. This stability suggests that IBM's short-term financial position hasn't changed significantly over the past three years. The tech industry as a whole saw a slight increase in its average current ratio, from 1.54 in 2020 to 1.57 in 2022. This suggests a marginal improvement in the industry's overall ability to cover short-term liabilities. It's important to note that these trends occurred during the COVID-19 pandemic, which had significant impacts on the tech industry and their financials.

Apple Inc. (Refik)

All values are in thousands (Except for share amounts)

	Apple 	Samsung 	Microsoft 	Tech Industry Average
Current Ratio (Current Assets/Current Liabilities)	$135,405,000 / 153,982,000$ = 0.8793	$112,189,590 / 93,674,903$ = 1.1976	$184,406,000 / 88,657,000$ = 2.0799	1.382
Gross Margin (Profitability)	$170,782,000 / 394,328,000$ = 1.0746	$112,189,590 / 302,231,360$ = .3712	$135,620,000 / 198,270,000$ = .6841	.7084
Total Asset Turnover (Working Capital and Efficiency)	$394,328,000 / 352,755,000$ = 1.11792	$112,189,590 / 129,243,000$ = .8680	$198,270,000 / 364,840,000$ = .54344	.8434



Current Ratio: I chose to evaluate my company and the industry average using the Current Ratio for liquidity. This ratio is computed by dividing current assets by current liabilities (assets/liabilities), distinct from total assets and total liabilities.

I opted for the Current Ratio for liquidity because it assesses a company's capacity to meet short-term obligations, specifically those due within a year. This ratio holds significant importance for publicly traded companies as it demonstrates their ability to honor debts and dividends in the short term, enhancing their attractiveness to investors.

Upon analyzing this ratio, I observed that Apple Inc. ranked among the lower end of comparable companies and the industry average, with a Current Ratio of .8794. Samsung was the sole company with a lower ratio at 1.1976, while Microsoft maintained a different position in this regard with their ratio being 2.0799

Based on the current ratios of these companies, it appears that Microsoft is the most likely to meet its short-term debts, whereas Apple Inc. and Samsung are less likely, with their ratios hovering at nearly half of the industry average.

Gross Margin:

I began my analysis by focusing on the gross margin profitability ratio, which I compared across my primary company, Apple Inc., two comparable firms, Microsoft and Samsung, and the Technology Industry average. This ratio is derived by dividing the gross profit by the total sales, both of which were sourced from the companies' financial statements.

The gross margin ratio for profitability serves as a reliable gauge of the amount of money a company retains after deducting all direct costs associated with producing or acquiring the goods or services it sells. A higher gross margin indicates the company's greater capacity to cover its indirect costs.

In my ratio comparison, I discovered that Samsung Inc. actually had the lowest gross margin ratio among the three firms, standing at 0.3712, as well as below the industry average of 0.7304. In contrast, Microsoft significantly exceeded the industry average with a ratio of 0.684, while Apple was slightly above the average at 1.0476.

This ratio analysis indicates that, based on the gross margin, the two comparable firms, Samsung and Microsoft, are expected to be more profitable than Apple Inc. It suggests that both Samsung and Microsoft have more financial resources available for expenditure after covering the direct costs associated with their goods.

Total Asset Turnover:

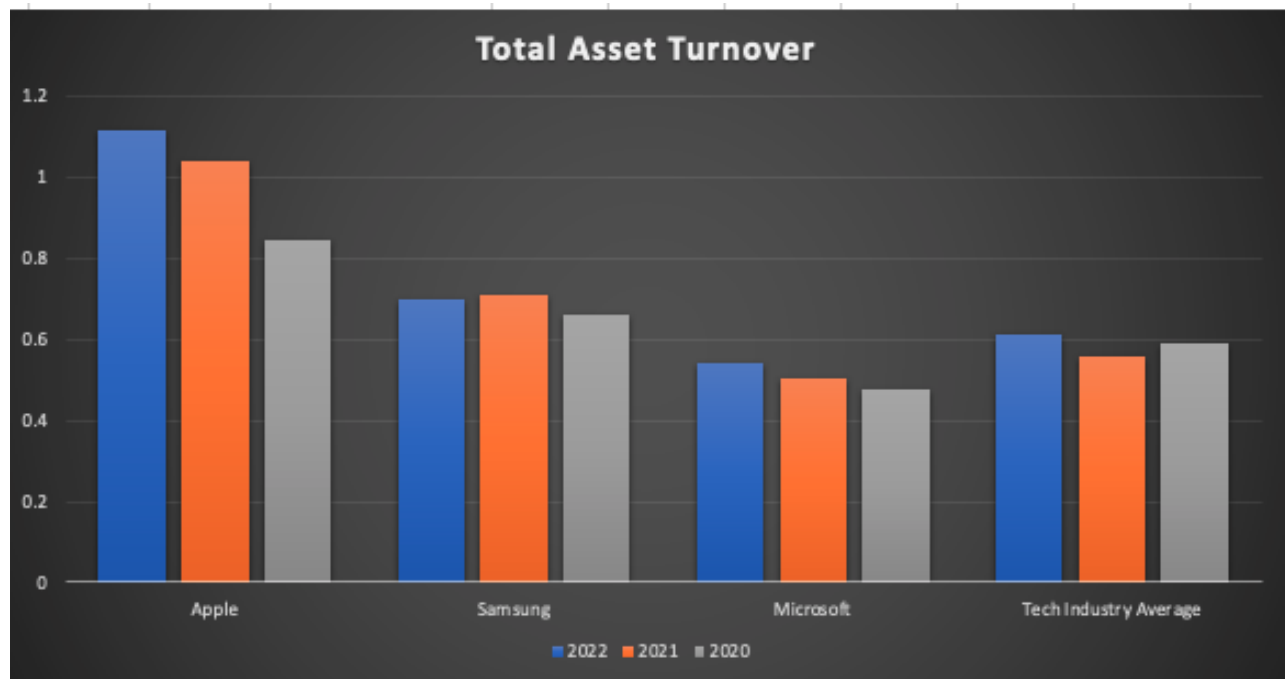
The final ratio I selected for comparison among the three firms and the industry average is the Total Asset Turnover ratio, focusing on Efficiency and Working Capital. This ratio is computed by dividing the net sales by the total assets of a company, with the data sourced from the financial statements of each firm, as referenced below.

I opted for the Total Asset Turnover ratio for Efficiency and Working Capital as it serves to assess how efficiently a company utilizes its assets to generate sales. I believe that this ratio holds particular significance for publicly traded companies, demonstrating their ability to employ provided assets to drive sales and ultimately generate profits and revenue for their shareholders.

In this ratio comparison, Apple Inc. emerged as the leader within the group, boasting a ratio of 1.1179. It was followed by the industry average of 0.8434, Microsoft with a ratio of 0.5344, and Samsung with a ratio of 0.8680. Among the three ratios I scrutinized, this was the sole instance where Apple outperformed the others, and in this case, its performance was significantly superior, nearly double the industry average.

This ratio underscores Apple's exceptional proficiency in utilizing its assets to generate sales, which aligns with the unsurprising trend, given the widespread popularity of Apple products such as the MacBook and iPhones.

Horizontal Analysis:



I chose to do a horizontal analysis of the Total Asset Turnover ratio for Apple Inc., as it had the highest ratio of all the companies and industry average.

Based on this horizontal ratio analysis, it appears that Apple experienced the most substantial increase in its ratio from 2020 to 2022, as illustrated in the graph below. Additionally, Apple consistently maintained a ratio significantly higher than the industry average. Microsoft exhibited steady growth over the three-year period, albeit at smaller increments than Apple, and consistently remained below the industry average for all three years. Samsung witnessed a decline in its ratio from 2020 to 2021, followed by an increase in the subsequent year, reaching a level comparable to its 2020 ratio. Throughout these three years, Samsung consistently lagged significantly behind the industry average.

This horizontal analysis suggests that Apple demonstrated the greatest efficiency in utilizing its assets to generate sales among the three companies. While Microsoft also experienced growth, its efficiency remained below the industry average and well below that of Apple Inc. Samsung consistently trailed both the industry average and Apple and Microsoft, indicating that it is the least efficient in generating sales from its total assets.

<https://www.investopedia.com/ask/answers/021215/what-good-debt-ratio-and-what-bad-debt-ratio.asp#:~:text=In%20general%2C%20many%20investors%20look,more%20difficult%20to%20borrow%20money>

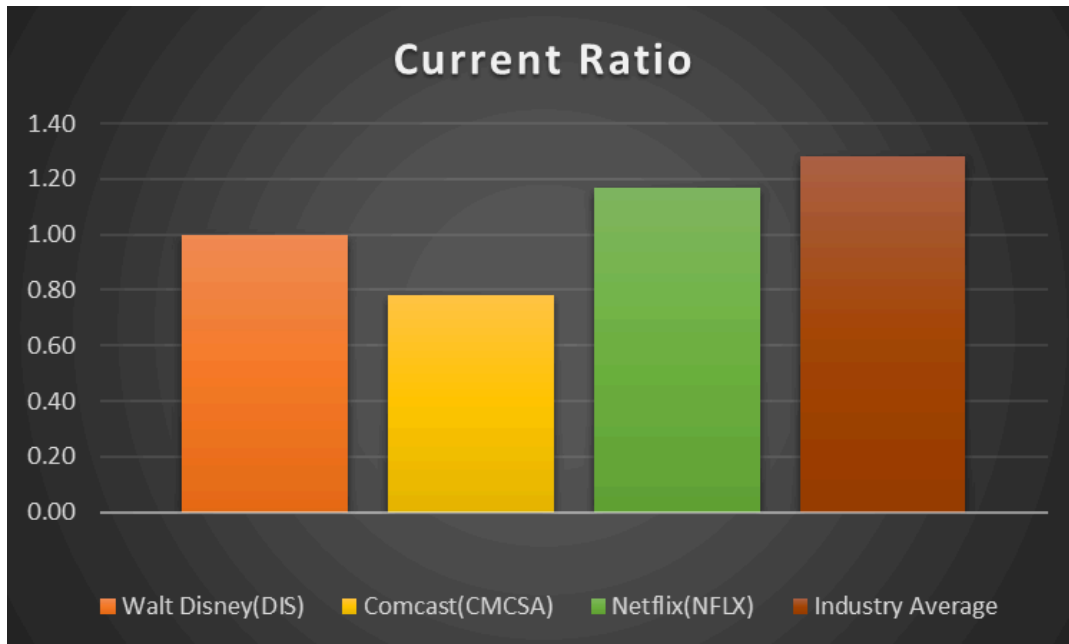
Walt Disney

1) Ratio Comparison

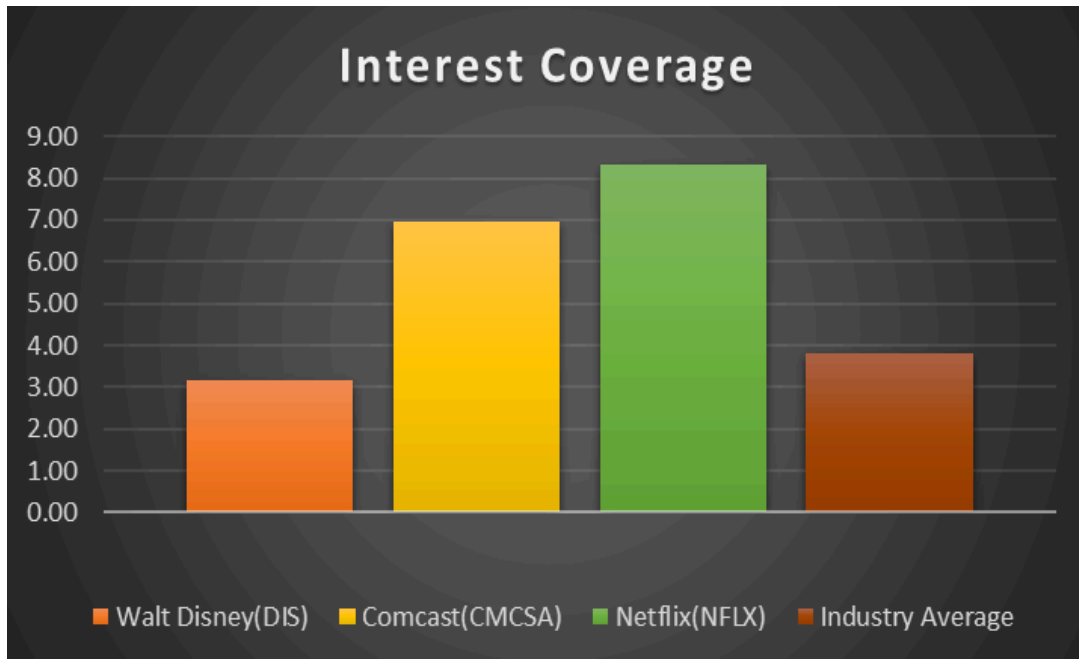
(All numbers in billions except ratios)

Financial Ratio Analysis	Walt Disney(DIS)	Comcast(CMCSA)	Netflix(NFLX)	Industry Average
Current Ratio	$29.1/29.07 = 1.00$	$21.83/27.89 = 0.78$	$9.27/7.93 = 1.17$	1.28
Interest Coverage	$6.04/1.91 = 3.17$	$21.15/3.04 = 6.95$	$5.79/0.7 = 8.33$	3.79
Return on Equity	$2.25/99.28 = 2.27\%$	$5.37/80.94 = 6.63\%$	$4.49/20.78 = 21.61\%$	1.18%

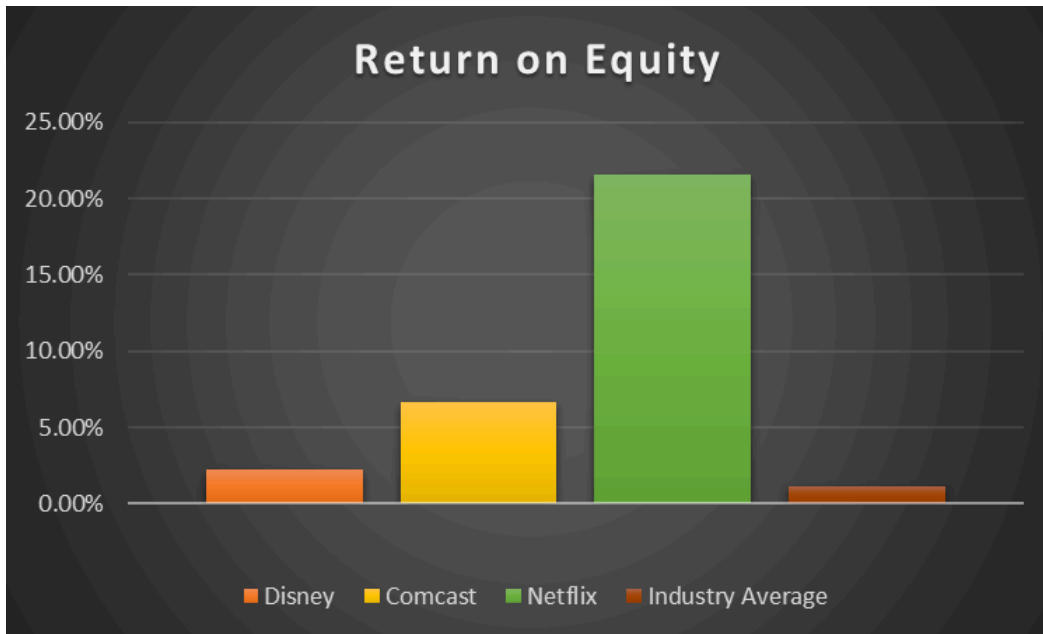
The Current Ratio measures a company's short-term financial health by comparing its current assets to current liabilities. A ratio of 1.00 or higher is considered good. Disney's Current Ratio of 1.00 is in line with the industry average, suggesting they manage their short-term finances well. Comcast's lower ratio of 0.78 indicates they might be taking more risks with short-term liquidity or facing potential challenges. Netflix's ratio of 1.17 is slightly above the industry average, indicating strong liquidity, possibly due to its subscription-based revenue mode.



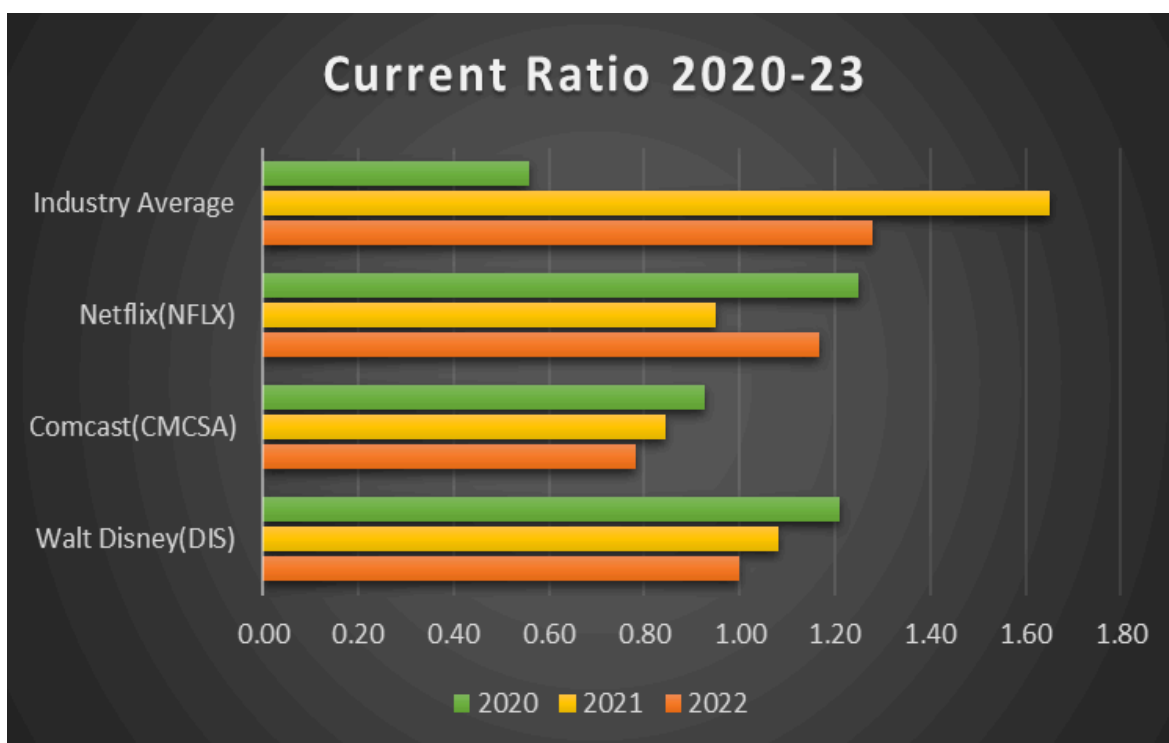
The Interest Coverage Ratio, which assesses a company's ability to cover interest expenses with its earnings before interest and taxes (EBIT), varies among Disney, Comcast, and Netflix compared to the industry average of 3.8. Disney's ratio of 3.17 falls slightly below the industry average, suggesting that it can meet interest obligations but with a relatively thinner margin of safety. Comcast, with a ratio of 6.95, stands significantly above the industry average, signifying strong financial health and a reduced risk of debt default. Meanwhile, Netflix's Interest Coverage Ratio of 8.33 is substantially higher than the industry average, indicating exceptional financial stability and an ample cushion to cover interest expenses.



Return on equity (ROE) is a key financial metric that reflects a company's ability to generate profit from shareholders' equity. In the case of Disney, its ROE of 2.27% suggests a relatively lower return compared to its industry peers. Comcast, with an ROE of 6.63%, demonstrates a stronger performance than Disney but still falls short of Netflix's impressive 21.61%. Netflix's exceptionally high ROE indicates efficient utilization of shareholder equity to generate profits, outpacing both Disney and Comcast significantly. The industry average ROE of 1.18% further emphasizes Netflix's outstanding performance. These figures imply that while Disney and Comcast may need to enhance their strategies to improve returns, Netflix is excelling in converting equity into earnings, possibly due to its dominance in the streaming industry and strong subscriber growth.



2) Horizontal Analysis



Over the past three years, Walt Disney's Current Ratio has been on a declining trend, which suggests that they might be adjusting their financial strategies. This could involve allocating more resources towards long-term assets or potentially taking on increased short-term

obligations. These changes might be connected to strategic investments or acquisitions as Disney seeks to adapt to evolving market conditions. Similarly, Comcast's Current Ratio has shown a decreasing trend over the same period, indicating potential shifts in their resource allocation. This could mean they are directing more of their resources to long-term investments or experiencing an uptick in short-term liabilities. These changes in their Current Ratio might be linked to their response to market dynamics or shifts in their financial strategy. Netflix, in contrast, has seen fluctuations in its Current Ratio. In 2021, their ratio decreased, likely due to heightened investments in content production. However, in 2022, their ratio improved, which may suggest an evolving financial strategy to manage their liquidity and balance their short-term and long-term financial needs.

Sources:

<https://finance.yahoo.com/quote/DIS/financials?p=DIS>

<https://finance.yahoo.com/quote/CMCSA/financials?p=CMCSA>

<https://finance.yahoo.com/quote/NFLX/financials?p=NFLX>

<https://www.readyratios.com/sec/industry/78/?measure=average>

https://csimarket.com/Industry/industry_Financial_Strength_Ratios.php?ind=917

https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/roe.html

Equifax

	Equifax	Experian	H&R Block	"Credit Services" Industry averages
Current Ratio	$1370.5/2015=.68$	$1794/1242=1.44$	$775.86/576.35=1.35$	1.5
price-to-earnings ratio	$181.82/(123.22)=32.01$	$32.48/1.27=25.57$	$42.68/(551/146.2)=11.32$	10.7
Debt-to-Capital Ratio	$5787.3/(5787.3+3973.3+5256.5)=38.54\%$	$1581/(1581+944)=14.34\%$	$1983.72/(1983.72+7706.52)=20.47$	45%

Sources:

<https://fullratio.com/pe-ratio-by-industry>

[https://www.readyratios.com/sec/EFX equifax-inc](https://www.readyratios.com/sec/EFX_equifax-inc)

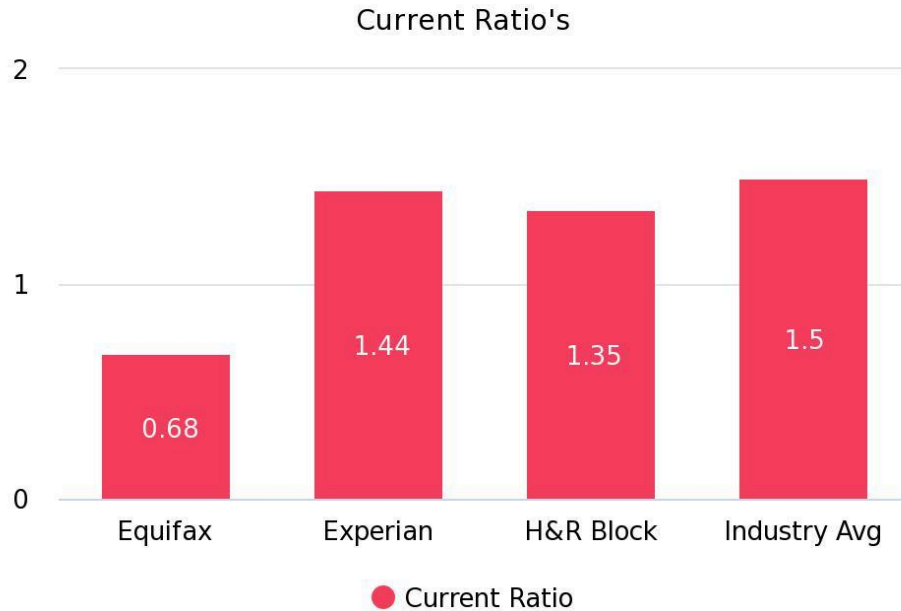
<https://www.investopedia.com/ask/answers/021215/what-good-debt-ratio-and-what-bad-debt-ratio.asp#:~:text=In%20general%2C%20many%20investors%20look,more%20difficult%20to%20borrow%20money.>

<https://finance.yahoo.com/quote/EFX?p=EFX&.tsrc=fin-srch>

<https://finance.yahoo.com/quote/HRB?p=HRB&.tsrc=fin-srch>

<https://finance.yahoo.com/quote/EXPGY/key-statistics?p=EXPGY>

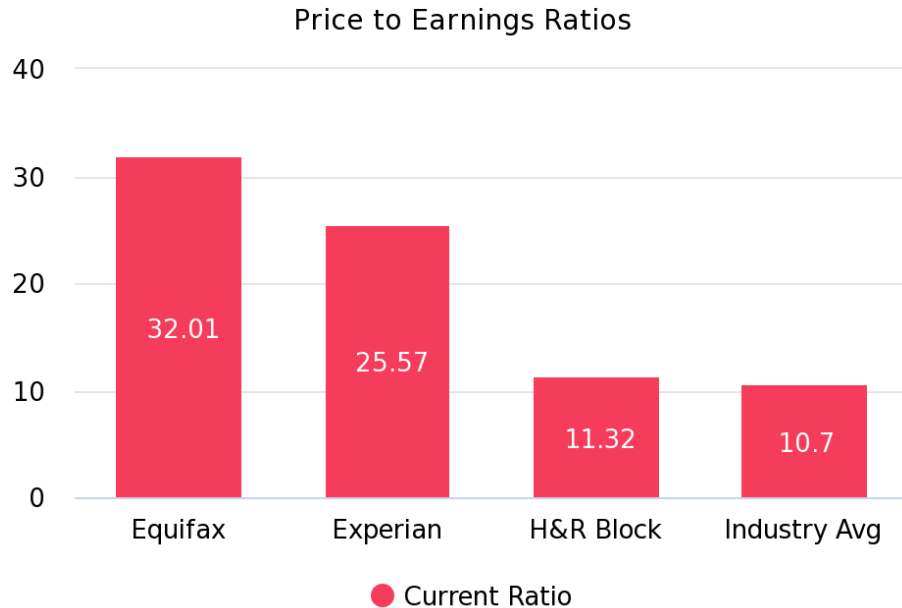
Current Ratio



Photoadking.com

The current ratio is a liquidity ratio that measures a company's ability to meet its shorter-term obligations and is calculated by dividing the company's current assets by its current liabilities. In the tax reporting/credit services industry, the average current ratio falls at 1.5. With Equifax's current ratio of 0.68, the company falls below the industry's standard suggesting it may have issues with liquidity. This could be due to the company's high levels of debt, making it more difficult to meet certain obligations. It could also be due to the relatively low levels of cash that are on hand which can make it difficult to meet obligations, especially in the event of a sudden drop in revenue. Equifax's competitors like Experian and H&R Block, while also below the standard, are much closer to where they should be with current ratios at 1.44 and 1.35.

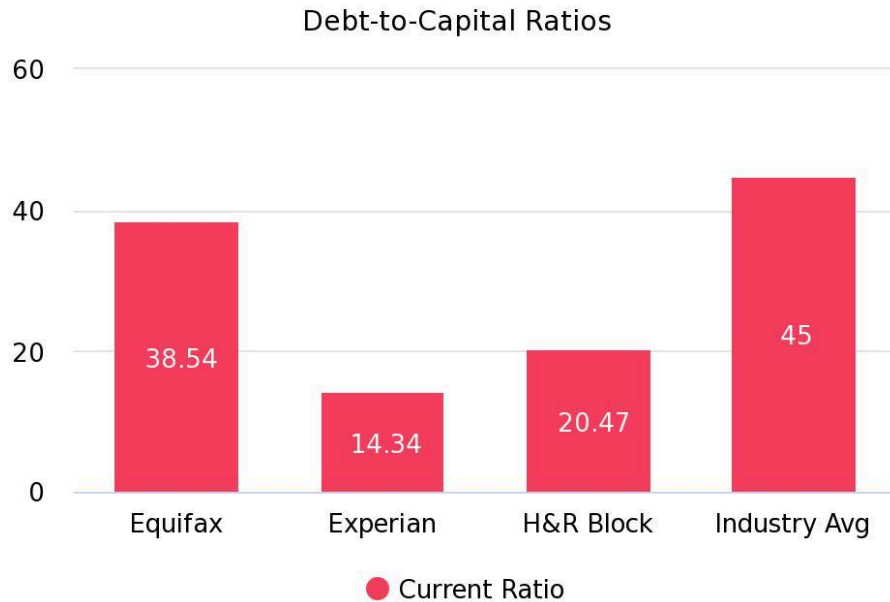
Price-to-Earnings Ratio



[Photoadking.com](https://photoadking.com)

The Price to Earnings ratio(P/E Ratio) is a popular metric used by investors to assess a company's value through measuring the price of a company's stock in relation to its Earnings per Share(EPS). A company with a high P/E ratio tends to have higher predicted growth, higher earnings, and tend to be less risky compared to lower P/E ratios. The tax reporting and/or credit services industry average lands at around 10.7. Equifax's P/E Ratio sitting at 32.01 meaning for every dollar of earnings that Equifax generated in 2022 investors were willing to pay \$32.01. Experian is doing similarly well with a ratio of 25.32 but H&R block is sitting at 11.07. While this is still above the industry average, it's just barely met that mark.

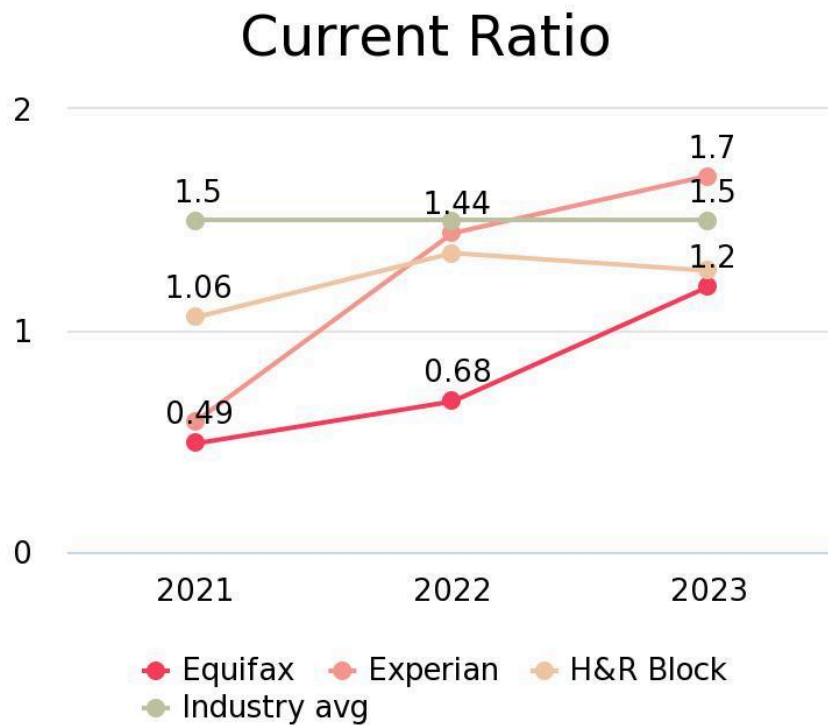
Debt-to-Capital Ratio



Photoadking.com

The debt to capital ratio is a measure of a company's financial leverage calculated by taking a company's total debt and dividing it by its total capital. Investors take this in conjunction with profitability and cash flow metrics in order to gain a more comprehensive picture of a company's financial health. In the tax reporting or credit services industry the average seems to land at about 45%. Equifax's Debt-to-capital ratio was 38% meaning 38% of its capital structure is financed by debt and the remaining is financed by equity. because it's below the average, it shows Equifax is using less debt to fund its operations showing a conservative and less financially risky approach

Horizontal Analysis



Photoadking.com

Equifax's current ratio has seen an exponential growth over the past three years indicating an increasing ability to pay off short term debt. Experian is experiencing a similar increase except at higher ratios showing they are consistently in a better financial position to pay off their debts than Equifax. H&R Block is seeing less drastic growth with their ratio consistently staying within the 1.00 and 1.3 range. They seem to be struggling to make that 1.5 industry average, especially with the rate they are growing. This indicates a weaker liquidity position compare to its competitors and in the industry as a whole.

Earnings Call Analysis

Meta

Oct 25, 2023

Speakers

Mark Zuckerberg - Chief Executive Officer

Susan Li - Chief Financial Officer

Summary of Key Points

Meta beat analyst expectations for both revenue and earnings in the third quarter of 2023. The company's core advertising business grew 23% year-over-year, driven by strong growth in Reels and other ad formats.

Meta is making significant investments in the metaverse, and Zuckerberg is confident that the company is on the right track.

The company is facing a number of challenges, including increased competition from TikTok and rising privacy concerns.

Impact on Financial Statements

The strong revenue growth in the third quarter is likely to have a positive impact on Meta's financial statements. The company's investments in the metaverse could have a negative impact on its profitability in the short term, but they could also lead to new revenue

streams in the long term. The increased competition from TikTok and rising privacy concerns could put pressure on Meta's advertising business.

Interesting Questions from the Q&A Session

Question 1: "What is Meta's strategy for monetizing the metaverse?" This was interesting because the metaverse is a new and rapidly evolving market. There is no one-size-fits-all approach to monetization in the metaverse, and Meta is still exploring different possibilities. This makes it an intriguing question to ask, as it gives analysts and investors a glimpse into how Meta is thinking about this important issue.

Management response: Zuckerberg said that Meta is still exploring different ways to monetize the metaverse, but he believes that advertising will be a key part of the company's strategy.

Question 2: "What is Meta doing to address privacy concerns?" This question was interesting because as we all know Meta has had privacy issues in the past and looking ahead it was interesting to hear how they plan to improve on that.

Management response: Li said that Meta is committed to protecting user privacy, and the company is investing in a number of initiatives to improve privacy protection.

Evaluation of Management Responses

The management team's responses to the Q&A questions demonstrated a high level of thoughtfulness, detail, and transparency. They addressed the key concerns raised by analysts and investors, providing specific examples of the company's plans and initiatives to address the challenges it faces. Their responses conveyed a sense of confidence in the company's ability to navigate the competitive landscape and achieve its long-term goals. For instance, in response to the question about Meta's strategy for monetizing the metaverse, Zuckerberg provided a detailed explanation of the company's approach. He outlined the potential for in-app purchases, advertising, and data monetization as revenue streams in the metaverse. Additionally, he mentioned Meta's focus on building an open and interoperable metaverse, which would attract more users and developers, ultimately leading to increased monetization opportunities.

Apple

- November 2, 2023
- Tim Cook and Luca Maestri

Summary of Keypoints:

Apple's most recent earnings call was streamed on November 2, 2023 by Tim Cook who was the key speaker. He was followed by Luca Maestri (CFO of Apple) who provided more details on the company's financial performance.

Apple's Q4 2023 earnings call was positive, with the company reporting strong growth in its services business and continued popularity of the iPhone. Services revenue hit a new all-time record of \$22.3 billion, up 16% year-over-year. iPhone revenue was \$43.8 billion, up 3% year-over-year, despite the global economic slowdown. Mac sales declined 34% year-over-year due to supply chain disruptions, but iPad sales grew 4% year-over-year. Wearables, Home, and Accessories revenue was \$9.3 billion, up 1% year-over-year.

Overall, Cook and Maestri were positive about Apple's performance in Q4 2023 and the company's prospects for the future. They said that Apple is well-positioned to weather the global economic slowdown and continue to grow its business in the years to come.

Impact on Financial Statements:

The positive news from Apple's Q4 2023 earnings call is likely to have a positive impact on the company's financial statements in several ways. First, revenue is likely to continue to grow in the coming quarters, driven by strong demand for Apple's services and iPhone products. This will lead to higher revenue on the income statement. Second, earnings per share (EPS) are also likely to grow in the coming quarters, as the company benefits from higher revenue and cost controls. This will lead to higher net income on the income statement. Third, cash flow is also likely to remain strong in the coming quarters, as the company generates significant cash from its operations. This will lead to higher cash and cash equivalents on the balance sheet. Fourth, debt is likely to remain low in the coming quarters, as the company generates significant cash flow and uses it to repurchase its own shares. This will lead to a lower debt-to-equity ratio on the balance sheet.

Overall, the positive news from Apple's Q4 2023 earnings call is likely to have a positive impact on the company's financial statements, making it a good investment opportunity for investors.

Q&A:

Question 1:

I found the question about Apple's transition to a more subscription-based business model interesting because it is a major shift for the company. Apple has traditionally relied on hardware sales as its main source of revenue, but it is increasingly moving towards a subscription model for its services, such as the App Store, Apple Music, and iCloud.

As a customer of Apple, you have likely noticed this shift. For example, Apple now offers a subscription service called AppleOne, which bundles together several of its services for a monthly fee. This is a convenient way for customers to access all of their favorite Apple services, and it also helps Apple to lock in recurring revenue.

Apple's transition to a subscription-based business model is still in its early stages, but it is a trend that is likely to continue in the coming years. This is because subscription-based businesses offer a number of advantages, such as recurring revenue, predictable cash flow, and increased customer engagement.

Apple's management team responded to the question about the company's transition to a more subscription-based business model in a positive and optimistic way. They said that the transition is progressing well, and that they are seeing strong growth in their subscription businesses.

Specifically, Apple CFO Luca Maestri said that the company's services revenue grew 16% year-over-year in Q4 2023, and that subscription revenue accounted for the majority of that growth. He also said that the company now has over 1 billion paid subscriptions, which is up from 785 million in the same quarter a year ago.

I believe that this question was answered fairly because this subscription based business model is still fairly new to Apple and so there really aren't too many quantitative metrics to give a direct answer to.

Question 2:

Another interesting question that was asked during the Q&A portion of Apple's Q4 2023 earnings call was: "What are your thoughts on the metaverse and how it could impact Apple's business in the future?"

This question is interesting because the metaverse is a new and emerging technology with the potential to revolutionize the way we interact with the world around us. Apple is a leader in the technology industry, and its products and services are used by billions of

people around the world. It is therefore important to understand how Apple is thinking about the metaverse and how it could impact its business in the future.

Apple CEO Tim Cook answered this question in a positive and optimistic way. He said that Apple is excited about the potential of the metaverse, and that the company is committed to playing a leading role in shaping its development. He also said that Apple is well-positioned to benefit from the growth of the metaverse, given its strong track record of innovation, its large and loyal customer base, and its investments in new technologies.

However, Cook did not provide any specific details about Apple's plans for the metaverse. He did not say whether Apple is developing any new products or services specifically for the metaverse, or whether the company plans to integrate the metaverse into its existing products and services.

Overall, I think that Cook's answer to the question about the metaverse was fair, but it could have been more informative. It is clear that Apple is thinking about the metaverse and its potential impact on its business. However, the company is not yet ready to share any specific details about its plans.

Disney

August 9, 2023

Speakers

Bob Iger - Chief Executive Officer

Kevin Lansberry - Interim Chief Financial Officer

Alexia Quadrani - Executive Vice President, Investor Relations

Summary

The company was “completely restructured, restoring creativity to the center of our business”. They “made important management changes and efficiency improvements to create a more cost-effective, coordinated, and streamlined approach to our operations”. They aggressively reduced costs across the enterprise and are on track to exceed their initial goal of \$5.5 billion in savings. Avatar: The Way of Water, which is now the third highest-grossing film of all time, is also on track to be the biggest-ever electronic home video release for Disney domestically. They generated \$1.6 billion of free cash flow this quarter, which is reflected in their single A credit ratings. ESPN has entered into an exclusive licensing arrangement with PENN Entertainment to further extend the ESPN brand into the growing sports betting marketplace. This licensing deal will offer a compelling new experience for sports fans that will enhance consumer engagement. Walt Disney World is still performing

well above pre-COVID levels – 21% higher in revenue and 29% higher in operating income compared to fiscal 2019, adjusting for Starcruiser accelerated depreciation. Parks, Experiences, and Products portfolio of businesses continues to be an earnings and free cash flow growth driver for the company, with both revenue and operating income increasing by more than 10% versus the prior year.

Q&A

During the Q&A session, I found these to be the most interesting questions. The reason these drew me in is probably because I am a user of Disney platforms such as Disney+, ESPN, and Hulu and all the information is relevant to me and my continued use of these streaming services. Below I have included the questions and the answer from Disney's CEO.

**

Ben Swinburne – Morgan Stanley: “Bob, we’ve – the press is out with the price increase information for later this year tonight. I’m just wondering now that you’ve been through one Disney+ price increase here in the U.S. and multiple Hulu and ESPN increases sort of how you’re thinking about the pricing power of the product as you go into these even more significant increases and whether you think you can hold your customer base as you raise prices.”

Bob Iger – Disney CEO: “Ben, as you know, I think as we’ve said before, we took a pretty significant price increase at Disney+ sometime late in calendar '22. And we really didn't see significant churn or loss of subs because of that, which was actually heartening. It's important to note, though, that the price increase that we've just announced is a price increase for the premium product or the nonadvertiser-supported product. We're actually keeping the advertiser-supported product flat in terms of prices. That's being done for a reason. Obviously, as has been noted by Kevin in his remarks, the advertising marketplace for streaming is picking up. It's more healthy than the advertising marketplace for linear television. We believe in the future of advertising on our streaming platforms, both Disney+ and Hulu. And we're obviously trying with our pricing strategy to migrate more subs to the advertiser-supported tier. It also should be noted, as I think I mentioned in my remarks, that a substantial amount of new subscribers to Disney+ are signing up for the ad-supported tier, which suggests that the pricing is working for us in that regard. So we're looking at this very carefully.”

Jessica Reif Ehrlich – Bank of America: “Bob, maybe just a follow-up on your prepared remarks and film being core strategic. Can you share with us how you plan to improve the movie performance and maybe the time frame or create more original content? Just give us more color. And then a follow-up to something you said on DTC and password crackdown, is this a fiscal '24 full year? Like will you be done by the end of the year? And is it on a global basis? How many password sharers do you think there are on your platform?”

Bob Iger – Disney CEO: “So the second part of your question, Jessica, regarding password sharing, – we already have the technical capability to monitor much of this. And I'm not going

to give you a specific number, except to say that it's significant. What we don't know, of course, is as we get to work on this, how much of the password sharing as we basically eliminate it will convert to growth in subs. Obviously, we believe there will be some, but we're not speculating. What we are saying, though, is that in calendar '24, we're going to get at this issue. And so while it is likely you'll see some impact in calendar '24, it's possible that we won't be complete or the work will not be completed within the calendar year. But we certainly have established this as a real priority. And we actually think that there's an opportunity here to help us grow our business. Regarding our studio performance, let's put things in perspective a little bit. The studio has had a tremendous run over the last decade, perhaps the greatest run that any studio has ever had with multiple billion-dollar hits and including, by the way, too, that were relatively recent, were one, in particular, Avatar: The Way of Water. And we also had a pretty strong performance with Guardians of the Galaxy 3, which has done, I think, approximately \$850 million in global box office. That said, the performance of some of our recent films has definitely been disappointing, and we don't take that lightly. And as you'd expect, we're very focused on improving the quality and the performance of the films that we've got coming up. It's something that I'm working closely with the studio on. I'm personally committed to spending more time and attention on that as well."

**

I feel like both of Bob Iger's responses were sufficient. In both of his answers, he dives deeply into what the thought process is in him and his peers implementing the structures and making the decisions. In the first answer regarding price increases, Iger references past successful instances as something that's driving the decision but also talked about how the customer base didn't mind for the most part. In the second answer, he confirmed that they were trying to start managing password sharing more and gave a reasonable timeline to the best of his knowledge, and addressed the successful pictures the company has put out to reassure that they have the ability to create great content, and that the recent run of mediocrity will be fixed.

Equifax

October 19, 2023

Speakers

Trevor Burns - Senior Vice President, Head of Corporate Investor Relations

Mark Begor - Chief Financial Officer

John Gamble - Chief Financial Officer

Summary of News/Events

Facing an increasingly difficult mortgage market with Mortgage rates almost reaching 8% which is a 20-year high. The Brazilian credit bureau acquired in August had revenue of 23 million. Equifax's Revenue was 1.32 billion which is up 6% on a reported basis, 6.5% on a constant currency basis, and 3.5% on an organic constant currency basis. Adjusted EPS was 1.76 which is 2% higher than the previous year. Free cash flows were 447, down 11% compared to the prior year mainly because of higher capital expenditures. Equifax is announcing the launch of a new cloud-based platform called Equifax Cloud. It's designed to help businesses of varying sizes make more informed decisions about customers and employees. Equifax's recently acquired Brazilian credit bureau BVS will expand Equifax's presence in Latin America. Overall, Equifax's 6% revenue growth shows an upward trend which could lead to more revenue in upcoming quarters and a further increase in revenue as well as net income on the company's income statement.

Interesting Questions in Q&A Portion

Q1: "On the Talent Vertical, a 20% outperformance was mentioned. What factor mainly contributed to that and how durable is it going into the next 2 quarters?" I found this question interesting because it asks directly how they performed the way they have this past quarter.

Answer 1: business is up 6%, the BLS market was down 10%, the white collar market was down "close to double that" which is how they got their measurement of 20 points of outperformance. There isn't really a single factor that drove that but one thing they've been uniquely able to do is drive penetration, there's a lot of customers still doing manual verifications of employment history that are very valuable. Product is another factor that has really helped as they are always making new products almost every quarter tailored to specific job categories like hourly solutions for hourly workers. The addition of record keeping has also helped as over 75 million people change jobs every year, having new jobs from record additions drives higher hit rates and in turn increases revenue.





How management explained their '20 points of outperformance' metric wasn't very clear/precise but they made up for that by discussing in detail how they drive more business through innovation and market penetration so I do feel their response was fairly sufficient.

Q2: "You(management) had characterized a couple of businesses that you let go of as 'manual' and 'low margin', Can you reiterate your thinking in mortgage verifiers in terms of the competitiveness of your solution?" I found this question interesting because the person who asked it prefaced it with how it's an obligatory competitive question in EWS

Answer 2: No change since July, we tried to talk about the manual work we were doing when we didn't have records and I think that got somewhat misconstrued in the marketplace. We're not seeing an impact from competition in our mortgage business or in our other businesses. Tried to be clear about that in July and will be clear again today. We're well aware of what our competitors have and don't have and a big proof point about our competitiveness is our ability to add new partnerships. We added 4 in the quarter and 27 over the last couple of years. growing our records, etc. all showing our ability to deliver to our partners and they want to be partnered with Equifax.

I feel the way management answered was sufficient considering they had already gone over it in the last earnings call and no changes had occurred in that regard. Management effectively reiterated, with proof points, their ability to compete well with companies in the same industry

Portfolio Comparison

	 Meta			
Market Capitalization	\$814.134 billion	2.066 trillion	\$154.62 billion	23.79 billion
Stock Price (9/1/2023)	\$299.37	\$189.49	\$81.64	185.04
Shares Outstanding	2.22 billion	15.78 billion	1.83 billion	123.22 million
Revenue	\$116,609 billion	387.53 billion	82.72 billion	5122.2
Net Income	\$23,200 billion	99.8 billion	2.52 billion	700.2
Cash and Cash Equivalents	\$14,681 billion	23.646 billion	11.62 billion	285.2
Total Assets	\$185,727 billion	352.75 billion	203.63 billion	11547.9
Total Debt	\$60,014 billion	\$109.28 billion	48.37 billion	5787.3
Diluted EPS	\$8.59	6.11	1.72	128.09

