

# Equity Research Report: Apple Inc.

## Income Statement Analysis

In the current fiscal year, Apple Inc. reported a slight decrease in total net sales to \$383.3 billion, a 3% decline from the previous year, primarily due to weaker foreign currencies and lower sales of Mac and iPhone, partially offset by increased Services revenue. The cost of goods sold was substantial, leading to a gross profit of \$169.1 billion. Operating expenses, including R&D; and SG&A;, totaled \$54.8 billion, indicating a commitment to innovation and market expansion. The net income stood at \$97.0 billion, showcasing robust profitability. The gross profit margin slightly improved, reflecting cost efficiency, while the operating and net profit margins underscored operational effectiveness and overall profitability. Despite the revenue dip, Apple's strategic focus on high-margin services and continuous innovation positions it well for sustainable revenue growth and potential areas for cost optimization and profit maximization.

## Balance Sheet Analysis

The company's balance sheet for the fiscal year ending in 2023 reveals a robust financial structure, characterized by a significant asset base of \$352.583 billion, slightly down from \$352.755 billion in 2022, indicating stable operational efficiency. However, the increase in total liabilities to \$290.437 billion from \$302.083 billion suggests an improvement in financial stability. The current ratio, a liquidity measure, shows a slight concern with current liabilities exceeding current assets, indicating potential short-term liquidity pressure. The solvency aspect, reflected through a net debt of \$81.123 billion and a manageable long-term debt position, underscores a solid solvency status. Shareholders' equity stands strong at \$62.146 billion, though slightly up from \$50.672 billion in 2022, highlighting a stable equity position. The company's strategic use of financial leverage, efficient asset management, and a conservative capital structure, combined with a slight decrease in total assets and a reduction in total liabilities, point towards a healthy fiscal health with promising future prospects, despite the need for careful monitoring of liquidity.

## Cashflow Analysis

In the latest fiscal year, the company demonstrated robust operational cash flow at \$110.543 billion, indicating strong core business profitability, albeit a slight decrease from the previous year's \$122.151 billion. Investing activities showed a positive turn with a \$3.705 billion inflow, a significant improvement from the prior year's \$22.354 billion outflow, reflecting strategic capital expenditures and investments. Financing activities revealed a substantial cash outflow of \$108.488 billion, driven by aggressive share repurchases and dividend payments, consistent with the company's capital return strategy. Despite a decrease in free cash flow and increased share repurchase, the company's effective cash management and strategic investments signal a solid liquidity position, supporting sustained growth while navigating potential financial challenges with a substantial cash reserve of \$148.3 billion.

## Summarization

Apple Inc.'s fiscal year analysis reveals a slight dip in revenue, attributed to weaker foreign currencies and lower Mac and iPhone sales, offset by a rise in Services revenue. Despite this, the company maintained robust profitability with a net income of \$97.0 billion, showcasing effective cost management and operational efficiency. The balance sheet indicates financial stability with a strong asset base and improved liability management, though liquidity concerns arise from the current ratio. Cash flow analysis underscores a solid operational cash flow and strategic investment activities, despite a decrease in free cash flow due to aggressive share repurchases. Apple's financial health remains strong, with operational performance, financial stability, and cash management efficiency indicating resilience. To enhance shareholder value, Apple should continue diversifying its revenue streams, particularly in high-margin services, while closely monitoring liquidity and optimizing cost management strategies to navigate potential short-term financial pressures.

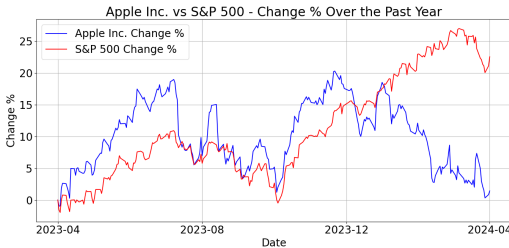
Rating: BUY

Target Price: 178.00

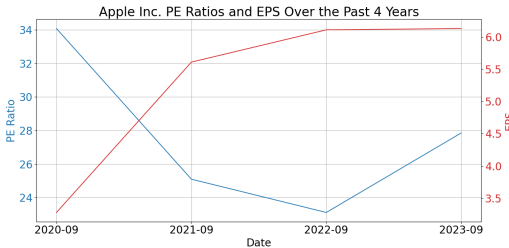
## Key data

6m avg daily val (USDmn)	57.86
Closing Price (USD)	166.82
Market Cap (USDmn)	2576017.78
52 Week Price Range (USD)	162.8 - 199.62
BVPS (USD)	4.793

## 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