

Equity Research Report: Apple Inc.

Business Overview

Apple Inc. is a global leader in consumer electronics, software, and services, renowned for its innovative products and cutting-edge technology. The company's flagship products include the iPhone, iPad, Mac, and Apple Watch, along with a suite of services such as Apple Music, iCloud, and the App Store. In 2024, Apple continued to expand its product offerings, introducing new models and features that cater to evolving consumer needs. The company's business strategy focuses on delivering a seamless ecosystem experience, integrating hardware, software, and services. Apple's commitment to sustainability and corporate responsibility remains a key aspect of its business operations, with initiatives aimed at reducing environmental impact and enhancing social contributions.

Market Position

In 2024, Apple maintained its leadership position in the technology sector, with a strong presence in key markets such as North America, Europe, and Asia-Pacific. The company's diverse product portfolio, including the iPhone, Mac, iPad, and Services, contributed to its robust market share. Apple continued to dominate the premium smartphone market, with the iPhone accounting for a significant portion of its revenue. The company's strategic focus on innovation and customer experience has bolstered its brand loyalty and competitive advantage. Major customers include both individual consumers and enterprise clients, with a strong emphasis on blue-chip partnerships. Apple's market position is further strengthened by its extensive retail network and online presence, enabling it to reach a wide customer base globally.

Operating Results

Apple's financial performance for the fiscal year 2024 reflected a strong revenue growth of 6.42%, reaching \$416.16 billion. This increase was primarily driven by robust sales across its product lines, particularly in the iPhone and Services segments. The company's cost management strategies were effective, as evidenced by a gross margin improvement to 46.89%. Operating income also saw a significant rise, contributing to an enhanced net profit margin of 26.91%. Earnings per share (EPS) increased to \$7.46, underscoring the company's profitability and shareholder value. Overall, Apple's operating results demonstrate its ability to leverage its brand strength and market position to drive financial success, despite facing challenges in the global economic environment.

Financial Metrics

FY (USD mn)	2021	2022	2023	2024	2025
Revenue	365817	394328	383285	391035	416161
Revenue Growth	-7.2%	2.9%	-2.0%	-6.0%	13.8%
Gross Revenue	152836	170782	169148	180683	195201
Gross Margin	0.42	0.43	0.44	0.46	0.47
EBITDA	123136	133138	129188	134661	144427
EBITDA Margin	0.34	0.34	0.34	0.34	0.35
FCF	104038	122151	110543	118254	111482
FCF Conversion	1.1	1.22	1.14	1.26	1.0
ROIC	38.9%	45.2%	43.4%	44.3%	52.0%
EV/EBITDA	20.75	19.14	21.59	26.62	26.97
PE Ratio	25.92	24.44	27.79	37.29	34.09
PB Ratio	38.89	48.14	43.37	61.37	51.79

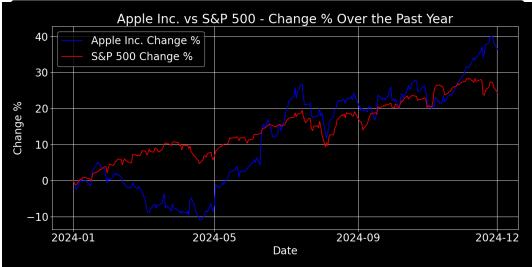
FinRobot

<https://ai4finance.org/>
<https://github.com/AI4Finance-Foundation/FinRobot>
Report date: 2024-11-01

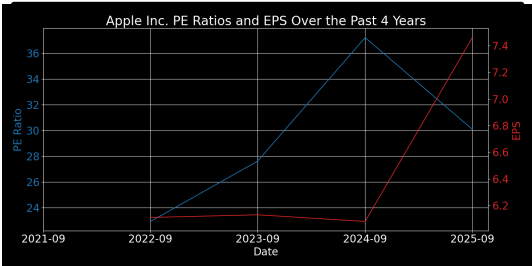
Key data

Rating	buy
Target Price	82.0 - 350.0 (md. 210.0)
6m avg daily vol (USDmn)	58.32
Closing Price (USD)	224.44
Market Cap (USDmn)	3361867.10
52 Week Price Range (USD)	164.90 - 232.92
BVPS (USD)	3.71

Share Performance



PE & EPS



Risk Assessment

Apple faces several key risks in its business operations. Firstly, the company is exposed to intense competition in the technology sector, with rivals continuously innovating and launching new products. This competitive pressure could impact Apple's market share and profitability. Secondly, Apple is susceptible to supply chain disruptions, which can affect product availability and cost structures. The company's reliance on third-party suppliers and manufacturers, particularly in Asia, poses a risk of production delays and increased costs. Thirdly, regulatory and legal challenges present significant risks, as Apple navigates complex compliance requirements across different jurisdictions. The company is also involved in various legal proceedings, which could result in financial liabilities and reputational damage. Additionally, macroeconomic factors such as currency fluctuations, trade policies, and global economic conditions may adversely impact Apple's financial performance. To mitigate these risks, Apple continues to invest in research and development, strengthen its supply chain resilience, and engage in proactive regulatory compliance efforts.

Competitors Analysis

Apple's financial performance in 2024, when compared to Alphabet Inc. (GOOGL), highlights distinct strategic approaches and market dynamics. Apple reported a revenue growth of 6.42%, reaching \$416.16 billion, while Alphabet's revenue growth was slightly lower. Apple's focus on product innovation and ecosystem integration has driven its profitability, with a net profit margin of 26.91%, surpassing Alphabet's margin. In terms of earnings per share (EPS), Apple's increase to \$7.46 reflects strong shareholder returns, contrasting with Alphabet's more modest EPS growth. However, Alphabet's diversified business model, with significant contributions from its advertising and cloud segments, provides a stable revenue base and growth potential. Both companies face competitive pressures and regulatory challenges, but Apple's emphasis on hardware and premium pricing strategies differentiates its market positioning. Discuss how AAPL's performance over these years and across these metrics might justify or contradict its current market valuation (as reflected in the EV/EBITDA ratio).