



Apple Inc.

Financial Analysis & Valuation

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Founded April 1, 1976

CEO Tim Cook

Headquarter Cupertino, California

Keys Financial

Revenue \$ 391B

EBITDA \$ 134.7B

P/E Ratio 29.90

EPS 6.30

Share Price (31 Mar, 2025) \$ 198.15

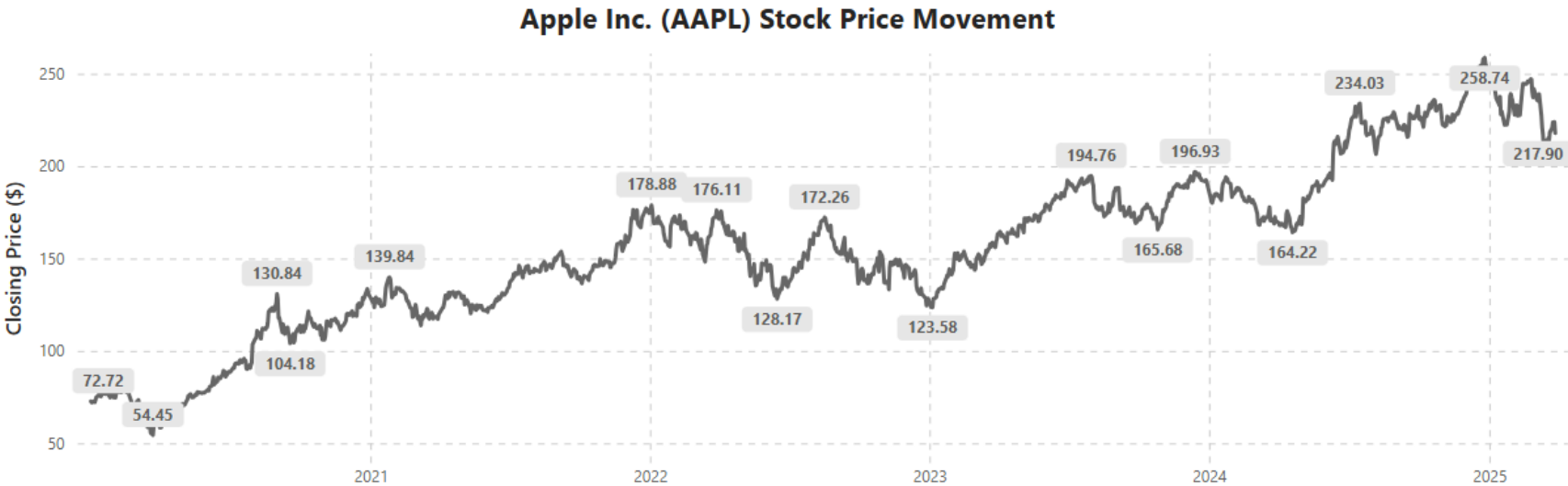
PEG Ratio 1.84

PEG Ratio Interpretation Overvalued

Executive Summary

Apple Inc. is a global technology company that designs, manufactures, and markets smartphones, tablets, PCs, and wearables. Its product lineup includes the iPhone, iPad, Mac, Apple Watch, and Apple TV. Apple also offers software, digital content, cloud and payment services through platforms like the App Store, Apple Music, Apple TV+, and iCloud.

- Q1 FY2025 Revenue** \$124.3 billion, **up 4% YoY** – Apple’s best quarter ever.
- EPS** \$2.40, **up 10% YoY** – All-time record EPS.
- Installed Device Base** Reached an all-time high across al products and geographies.
- Shareholder Returns** Over \$30 billion return to shareholders in the quarter.
- Dividend Declared** \$0.25 per share, payable on Feb 13, 2025.





Key Competitors

- Samsung
- Alphabet (Google)
- Microsoft
- Hewlett Packard Enterprise
- Dell Technologies Inc.
- QUALCOMM

Industry Outlook



Market Size & Growth

- The global consumer electronics market was valued at ~\$1.1trillion in 2024 and is projected to reach \$1.6 trillion by 2029, growing at ~7% CAGR.
- Key contributors to growth include smartphones, wearables, and subscription-based services.
- The global smartphone market is showing signs of stabilization after a recent dip, with premium devices sales leading recovery.



Consumer Behaviour

- Consumers are showing strong preference for ecosystem-based product experience, leading to higher customer retention.
- Rise in demand for privacy-centric and health-focused features.
- Significant shift from one-time hardware purchases to recurring revenue models via services like cloud-storage, music/video streaming, and fitness platforms.



Technology & Innovation

- Industry is experiencing a major shift towards custom silicon and on-device AI for performance and energy efficiency.
- Integration of AI, AR/VR, and 5G/6G technologies is redefining user experience.
- Increasing investment in health tech, ambient computing, and sustainability-driven innovation.



Competitive Landscape & More.

- Apple, Samsung, Google, and Microsoft dominate the high-end segment with strong ecosystem plays.
- Rising M&A activity among smaller tech firms to gain talent and IP.
- Ongoing US-China trade tensions and chip export controls impact supply chains.
- Regulatory scrutiny around App Store practices, antitrust issues, and data privacy is increasing globally.



Founded	April 1, 1976
No. of Stores	500+
Revenue	\$391 Billion
EBITDA	\$134.7 Billion

Key Financials

Current Share Price	\$198.15
Shares Outstanding	15,115
Market Cap	\$2.8 Trillion
Enterprise Value	\$2.9 Trillion

Leadership

CEO	Tim Cook
COO	Jeff Williams
Sr. VP Marketing	Greg Joswiak
Sr. VP & CFO	Kevan Parekh

Company Overview & Performance



Business Segments

- Products:** iPhone, Mac, iPad, Apple Watch, AirPods
- Services:** App Store, iCloud, Apple Music, Apple TV, Apple Pay, AppleCare
- Wearables, Home, and Accessories
- Geographic Revenue Mix:** America, Europe, Greater China, Japan, Rest of APAC



Key Events

- January 2024:** Apple announced the release of Vision Pro headset.
- September 2024:** Apple launched iPhone 16 and iPhone 16 Pro, Apple Watch Series 10, Apple Watch Ultra 2, AirPods 4.
- November 2024:** Apple announced acquisition of Pixelmator.
- December 2024:** Agreed to \$95 million cash settlement over claims of unlawfully recording private conversations via accidental Siri activation.
- January 2025:** Kevan Parekh assumed the role of CFO.

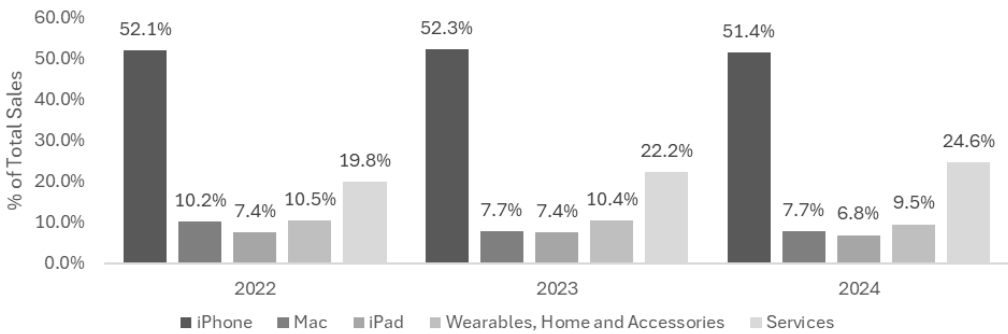


Financial Highlights

Metric	Value	YoY Change
Revenue	\$391B	2.0%
Gross Margin	46.2%	4.7%
Operating Margin	31.5%	5.7%
Net Income	\$93B	-3.3%
EPS (Diluted)	6.08	-0.8%



Net Sales by Product & Services





Share Price \$198.15

Shares Outstanding 15,115

Assumption for WACC

Risk-free Rate 3.8%

Beta 0.99

Equity Risk Premium 4.1%

Tax Rate 18.34%

Rates for DCF

WACC 7.6%

Terminal Growth Rate 2%

Discounted Cashflow Valuation



Methodology

- Forecast Free Cash Flows using revenue growth, costs, capex, and change in working capital.
- Calculate using risk-free rate, beta & equity risk premium.
- Estimate terminal value using Gordon Growth Model.
- Discount all cash flows and terminal value using WACC to calculate the enterprise value.



Valuation Outcome

- Based on DCF analysis, the estimated enterprise value is **\$2.11 trillion in the base case, \$2.32 trillion in optimistic case and \$1.73 trillion in pessimistic case**, reflecting a range of potential outcomes under varying business conditions and macroeconomic assumptions.
- Estimated share price ranges from \$112.33 (pessimistic case) to \$150.97 (optimistic case), with a base case valuation of \$136.93.
- Market cap ranges from \$2.06 billion in base case, \$2.28 billion in optimistic case & \$1.69 billion in pessimistic case.



Unlevered Free Cashflows

Date	Cashflow
28-09-25	98,390
28-09-26	116,390
28-09-27	121,594
28-09-28	124,285
28-09-29	130,942
Terminal	133,561



Conclusion

DCF Value suggests Apple's intrinsic value ranges from \$1.73T to \$2.32T, with a base case EV of \$2.11T and share price of \$136.93, reflecting sensitivity to macroeconomic and performance assumptions.

Comparable Company Analysis



Methodology

- Identify publicly traded companies operating in the same industry, with similar business models, revenue scale, and market positioning.
- Use industry relevant valuation metrics such EV/EBITDA, P/E ratio etc.
- Gather financial data from company filings, earnings reports, and market sources to calculate multiple for peers
- Compute valuation multiple for each peer company and analyse trends across average, median, high & low multiple.
- Apply relevant multiple to target company's financial metrics to estimate its implied enterprise value.
- Determine the valuation range based on different multiple scenarios, highlighting the implied share price and investment outlook



Valuation Outcome

- **Average Enterprise Value:** \$1.83 trillion with an EV/EBITDA multiple of 13.36x.
- **Minimum Enterprise Value:** \$641.4 billion with an EV/EBITDA multiple of 4.67x.
- **Maximum Enterprise Value:** \$3.01 trillion with an EV/EBITDA multiple of 21.98x.



Peer Companies & Key Metrics

Company	Ticker	Share Price	EV/EBITDA	EPS	P/E Ratio
Apple Inc.	AAPL	198.15	21.98	6.30	31.45
Microsoft Corp.	MSFT	388.45	20.14	12.39	31.30
Alphabet	GOOG	159.40	13.72	8.03	19.83
HP Enterprise	HPE	14.14	4.67	2.08	6.80
Dell Technologies	DELL	81.93	8.15	6.38	12.84
Qualcomm Inc.	QCOM	139.25	11.52	9.27	15.02



Conclusion

The Comparable Company Analysis suggests that Apple Inc. is currently trading at a premium relative to its peer group, reflecting stronger brand equity, higher profitability etc. The observed EV/EBITDA multiple range of comparable firms spans from 4.67x to 21.98x, with an average of 13.36x, positioning Apple within the upper end of the valuation spectrum.



Major Risk Categories

- Macroeconomic & geopolitical risks
- Market & competitive risks
- Operational & supply chain risks
- Technology & cybersecurity risks
- Strategic & retail risks
- Product quality & IP risks

Risk Analysis



Macroeconomic & Geopolitical Risks

- Apple's performance is closely tied to global and regional economic conditions; downturns can negatively impact results.
- Operations may be disrupted by political tensions, trade disputes, conflicts, terrorism, pandemics, & natural disaster.



Operational & Supply Chain Risks

- Apple relies heavily on external manufacturing and logistics partners, many outside the U.S., and must secure components on favourable terms.
- Exposure to inventory write-downs and purchase commitment risks can affect financial performance.
- Dependence on carriers, resellers, and wholesales introduce external operational risks.



Strategic & Retail Risks

- Investments in new business strategies and acquisitions may disrupt operations and carry unforeseen risks.
- Apple's global retail operations face a range of operational and market-specific uncertainties.



Market & Competitive Risks

- Apple operates in highly competitive, rapidly evolving markets, where technological change poses constant challenge.
- Frequent product and service launches are critical to sustaining customer demand and market position.
- Success is partly reliant on third-party software developers and access to compelling digital content.



Technology & Cybersecurity Risks

- Disruption in Apple's IT infrastructure or networks can harm operations and customer trust.
- Unauthorized access to confidential or personal data can result in severe reputational, legal, and financial consequences.



Product Quality & IP Risks

- Quality issues can damage brand reputation and require costly remediation.
- Reliance on 3rd party IP, which may not be available on reasonable terms, poses a risk to product development.



Ongoing Proceedings

- U.S. DOJ Antitrust Lawsuit
- Smartphone Monopoly Consumer Class Action Lawsuit
- Delayed Siri Features Lawsuits
- Apple Watch Carbon Neutrality Claims
- Child Sexual Abuse Material (CSAM) Lawsuit
- Democratic Republic of Congo (DRC) Lawsuit

Ongoing Legal Proceedings



Antitrust Litigation

- **U.S. Department of Justice (DOJ) Antitrust Lawsuit:** In March 2024, the DOJ, along with 16 state attorneys general, filed a civil antitrust lawsuit against Apple. The suit alleges that Apple has unlawfully maintained a monopoly in the smartphone market by imposing restrictive practices on developers and consumers.
- **Consumer Class Action on Smartphone Monopoly:** Parallel to DOJ's action, consumers have initiated a class action lawsuit accusing Apple of monopolizing the smartphone market. This case is led by the coalition of prominent law firms.



Privacy & Data Security

Child Sexual Abuse Material (CSAM) Lawsuit: Apple is facing a \$1.2 billion lawsuit alleging that the company failed to prevent the distribution of child sexual abuse material via its iCloud service. The lawsuit contends that Apple's inadequate monitoring allowed such content to proliferate.



False Advertising & Consumer Protection

- **Delayed Siri Features Lawsuits:** Apple faces multiple class action lawsuits in the U.S. & Canada over allegations of false advertising. Plaintiffs argue that Apple misled consumers by promoting AI-powered Siri features that were not delivered as advertised.
- **Apple Watch Carbon Neutrality Claims:** A class action lawsuit filed in February 2025 alleges that Apple falsely advertised certain Apple Watch models as carbon neutral, misleading environmentally conscious consumers.



International Legal Challenges

Democratic Republic of Congo (DRC) Lawsuit: The DRC has filed in Paris and Brussels against Apple's European subsidiaries. The government accuses Apple of sourcing "blood minerals" from conflict zones within the DRC, thereby contributing to ongoing violence and exploitation.

Investment Recommendation

- DCF & CCA suggests Apple is trading above intrinsic value across all scenarios.
- **Base case EV: \$2.12T; Implied Share Price: \$137.63**
- Apple trades at a premium to peer EV/EBITDA multiples, supporting a conservative view.
- PEG Ratio of 1.84 indicates that the stock is **overvalued**.

Recommendation: *Hold / Avoid initiating new positions at current levels*, as the stock appears **overvalued** based on fundamental analysis, especially in light of ongoing macroeconomic risks and highly volatile market.

