

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 26, 2020

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number: 001-36743



Apple Inc.

(Exact name of Registrant as specified in its charter)

California

(State or other jurisdiction
of incorporation or organization)

94-2404110

(I.R.S. Employer Identification No.)

One Apple Park Way
Cupertino, California

(Address of principal executive offices)

95014

(Zip Code)

(408) 996-1010

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$0.00001 par value per share	AAPL	The Nasdaq Stock Market LLC
1.000% Notes due 2022	—	The Nasdaq Stock Market LLC
1.375% Notes due 2024	—	The Nasdaq Stock Market LLC
0.000% Notes due 2025	—	The Nasdaq Stock Market LLC
0.875% Notes due 2025	—	The Nasdaq Stock Market LLC
1.625% Notes due 2026	—	The Nasdaq Stock Market LLC
2.000% Notes due 2027	—	The Nasdaq Stock Market LLC
1.375% Notes due 2029	—	The Nasdaq Stock Market LLC
3.050% Notes due 2029	—	The Nasdaq Stock Market LLC
0.500% Notes due 2031	—	The Nasdaq Stock Market LLC
3.600% Notes due 2042	—	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

The aggregate market value of the voting and non-voting stock held by non-affiliates of the Registrant, as of March 27, 2020, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately \$1,070,633,000,000. Solely for purposes of this disclosure, shares of common stock held by executive officers and directors of the Registrant as of such date have been excluded because such persons may be deemed to be affiliates. This determination of executive officers and directors as affiliates is not necessarily a conclusive determination for any other purposes.

17,001,802,000 shares of common stock were issued and outstanding as of October 16, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement relating to its 2021 annual meeting of shareholders (the "2021 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2021 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

Liquidity and Capital Resources

The following table presents selected financial information and statistics as of and for the years ended September 26, 2020, September 28, 2019 and September 29, 2018 (in millions):

	2020	2019	2018
Cash, cash equivalents and marketable securities ⁽¹⁾	\$ 191,830	\$ 205,898	\$ 237,100
Property, plant and equipment, net	\$ 36,766	\$ 37,378	\$ 41,304
Commercial paper	\$ 4,996	\$ 5,980	\$ 11,964
Total term debt	\$ 107,440	\$ 102,067	\$ 102,519
Working capital	\$ 38,321	\$ 57,101	\$ 15,410
Cash generated by operating activities	\$ 80,674	\$ 69,391	\$ 77,434
Cash generated by/(used in) investing activities	\$ (4,289)	\$ 45,896	\$ 16,066
Cash used in financing activities	\$ (86,820)	\$ (90,976)	\$ (87,876)

(1) As of September 26, 2020 and September 28, 2019, total marketable securities included \$18.6 billion and \$18.9 billion, respectively, that was restricted from general use, related to the State Aid Decision (refer to Note 5, "Income Taxes" in the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K) and other agreements.

The Company believes its existing balances of cash, cash equivalents and marketable securities, along with commercial paper and other short-term liquidity arrangements, will be sufficient to satisfy its working capital needs, capital asset purchases, dividends, share repurchases, debt repayments and other liquidity requirements associated with its existing operations over the next 12 months.

In connection with the State Aid Decision, as of September 26, 2020, the adjusted recovery amount of €12.9 billion plus interest of €1.2 billion was funded into escrow, where it will remain restricted from general use pending the conclusion of all legal proceedings. Further information regarding the State Aid Decision can be found in Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 5, "Income Taxes."

The Company's marketable securities investment portfolio is primarily invested in highly rated securities, with the primary objective of minimizing the potential risk of principal loss. The Company's investment policy generally requires securities to be investment grade and limits the amount of credit exposure to any one issuer.

During 2020, cash generated by operating activities of \$80.7 billion was a result of \$57.4 billion of net income, non-cash adjustments to net income of \$17.6 billion and an increase in the net change in operating assets and liabilities of \$5.7 billion. Cash used in investing activities of \$4.3 billion during 2020 consisted primarily of cash used to acquire property, plant and equipment of \$7.3 billion and cash paid for business acquisitions, net of cash acquired, of \$1.5 billion, partially offset by proceeds from maturities and sales of marketable securities, net of purchases, of \$5.5 billion. Cash used in financing activities of \$86.8 billion during 2020 consisted primarily of cash used to repurchase common stock of \$72.4 billion, cash used to pay dividends and dividend equivalents of \$14.1 billion, cash used to repay or redeem term debt of \$12.6 billion and net repayments of commercial paper of \$1.0 billion, partially offset by net proceeds from the issuance of term debt of \$16.1 billion.

During 2019, cash generated by operating activities of \$69.4 billion was a result of \$55.3 billion of net income and non-cash adjustments to net income of \$17.6 billion, partially offset by a decrease in the net change in operating assets and liabilities of \$3.5 billion. Cash generated by investing activities of \$45.9 billion during 2019 consisted primarily of proceeds from sales and maturities of marketable securities, net of purchases, of \$57.5 billion, partially offset by cash used to acquire property, plant and equipment of \$10.5 billion. Cash used in financing activities of \$91.0 billion during 2019 consisted primarily of cash used to repurchase common stock of \$66.9 billion, cash used to pay dividends and dividend equivalents of \$14.1 billion, cash used to repay term debt of \$8.8 billion and net repayments of commercial paper of \$6.0 billion, partially offset by net proceeds from the issuance of term debt of \$7.0 billion.

Debt

The Company issues unsecured short-term promissory notes ("Commercial Paper") pursuant to a commercial paper program. The Company uses the net proceeds from the commercial paper program for general corporate purposes, including dividends and share repurchases. As of September 26, 2020, the Company had \$5.0 billion of Commercial Paper outstanding, with a weighted-average interest rate of 0.62% and maturities generally less than nine months.

The Company may enter into agreements to sell certain of its marketable securities with a promise to repurchase the securities at a specified time and amount as an additional short-term liquidity arrangement.

Unconditional Purchase Obligations

The Company has entered into certain off-balance sheet commitments that require the future purchase of goods or services (“unconditional purchase obligations”). The Company’s unconditional purchase obligations primarily consist of payments for supplier arrangements, Internet and telecommunication services, intellectual property licenses and content creation. Future payments under noncancelable unconditional purchase obligations having a remaining term in excess of one year as of September 26, 2020, are as follows (in millions):

2021	\$	3,476
2022		2,885
2023		1,700
2024		357
2025		104
Thereafter		130
Total	\$	8,652

Contingencies

The Company is subject to various legal proceedings and claims that have arisen in the ordinary course of business and that have not been fully resolved. The outcome of litigation is inherently uncertain. If one or more legal matters were resolved against the Company in a reporting period for amounts above management’s expectations, the Company’s financial condition and operating results for that reporting period could be materially adversely affected. In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss, or a material loss greater than a recorded accrual, concerning loss contingencies for asserted legal and other claims, except for the following matters:

VirnetX

VirnetX, Inc. (“VirnetX”) filed a lawsuit against the Company alleging that certain of the Company’s products infringe on patents owned by VirnetX. On April 11, 2018, a jury returned a verdict against the Company and awarded damages of \$503 million. The Company appealed the verdict to the U.S. Court of Appeals for the Federal Circuit, which remanded the case back to the U.S. District Court for the Eastern District of Texas, where it is scheduled for a re-trial in October 2020. The Company has challenged the validity of the patents at issue in the re-trial at the U.S. Patent and Trademark Office (the “PTO”), and the PTO has declared the patents invalid, subject to further appeal by VirnetX.

iOS Performance Management Cases

Various civil litigation matters have been filed in state and federal courts in the U.S. and in various international jurisdictions alleging violation of consumer protection laws, fraud, computer intrusion and other causes of action related to the Company’s performance management feature used in its iPhone operating systems, introduced to certain iPhones in iOS updates 10.2.1 and 11.2. The claims seek monetary damages and other non-monetary relief. On April 5, 2018, several U.S. federal actions were consolidated through a Multidistrict Litigation process into a single action in the U.S. District Court for the Northern District of California (the “Northern California District Court”). On February 28, 2020, the parties in the Multidistrict Litigation reached a settlement to resolve the U.S. federal and California state class actions. Under the terms of the settlement, which the Northern California District Court preliminarily approved in May 2020, the Company has agreed to pay up to \$500 million in the aggregate to certain U.S. owners of iPhones if certain conditions are met. The final amount of the settlement will be determined based on the number of consumers who file valid claims and the attorneys’ fee award. However, the Company has agreed to pay at least \$310 million to settle the claims. In addition to civil litigation, the Company is also responding to governmental investigations and requests for information relating to the performance management feature. The Company continues to believe that its iPhones were not defective, that the performance management feature introduced with iOS updates 10.2.1 and 11.2 was intended to, and did, improve customers’ user experience, and that the Company did not make any misleading statements or fail to disclose any material information. The Company has accrued its best estimate for the ultimate resolution of these matters.

French Competition Authority

On March 16, 2020, the French Competition Authority (“FCA”) announced its decision that aspects of the Company’s sales and distribution practices in France violate French competition law, and issued a fine of €1.1 billion. The Company strongly disagrees with the FCA’s decision, and has appealed.

Optis

Optis Wireless Technology, LLC and related entities (“Optis”) filed a lawsuit in the U.S. District Court for the Eastern District of Texas against the Company alleging that certain of the Company’s products infringe on patents owned by Optis. On August 11, 2020, a jury returned a verdict against the Company and awarded damages of \$506 million. The Company has asked the court to set aside the verdict, where the case remains pending.

Note 11 – Segment Information and Geographic Data

The Company reports segment information based on the “management” approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the Company’s reportable segments.

The Company manages its business primarily on a geographic basis. The Company’s reportable segments consist of the Americas, Europe, Greater China, Japan and Rest of Asia Pacific. Americas includes both North and South America. Europe includes European countries, as well as India, the Middle East and Africa. Greater China includes China mainland, Hong Kong and Taiwan. Rest of Asia Pacific includes Australia and those Asian countries not included in the Company’s other reportable segments. Although the reportable segments provide similar hardware and software products and similar services, each one is managed separately to better align with the location of the Company’s customers and distribution partners and the unique market dynamics of each geographic region. The accounting policies of the various segments are the same as those described in Note 1, “Summary of Significant Accounting Policies.”

The Company evaluates the performance of its reportable segments based on net sales and operating income. Net sales for geographic segments are generally based on the location of customers and sales through the Company’s retail stores located in those geographic locations. Operating income for each segment includes net sales to third parties, related cost of sales and operating expenses directly attributable to the segment. Advertising expenses are generally included in the geographic segment in which the expenditures are incurred. Operating income for each segment excludes other income and expense and certain expenses managed outside the reportable segments. Costs excluded from segment operating income include various corporate expenses such as research and development, corporate marketing expenses, certain share-based compensation expenses, income taxes, various nonrecurring charges and other separately managed general and administrative costs. The Company does not include intercompany transfers between segments for management reporting purposes.

The following table shows information by reportable segment for 2020, 2019 and 2018 (in millions):

	2020	2019	2018
Americas:			
Net sales	\$ 124,556	\$ 116,914	\$ 112,093
Operating income	\$ 37,722	\$ 35,099	\$ 34,864
Europe:			
Net sales	\$ 68,640	\$ 60,288	\$ 62,420
Operating income	\$ 22,170	\$ 19,195	\$ 19,955
Greater China:			
Net sales	\$ 40,308	\$ 43,678	\$ 51,942
Operating income	\$ 15,261	\$ 16,232	\$ 19,742
Japan:			
Net sales	\$ 21,418	\$ 21,506	\$ 21,733
Operating income	\$ 9,279	\$ 9,369	\$ 9,500
Rest of Asia Pacific:			
Net sales	\$ 19,593	\$ 17,788	\$ 17,407
Operating income	\$ 6,808	\$ 6,055	\$ 6,181

**Subsidiaries of
Apple Inc.***

	Jurisdiction of Incorporation
Apple Canada Inc.	Canada
Apple Computer Trading (Shanghai) Co., Ltd.	China
Apple Distribution International Limited	Ireland
Apple Europe Limited	United Kingdom
Apple France	France
Apple GmbH	Germany
Apple Japan, Inc.	Japan
Apple Operations Limited	Ireland
Apple Operations Europe Limited	Ireland
Apple Operations International Limited	Ireland
Apple Pty Limited	Australia
Apple Sales International Limited	Ireland
Apple Value Services, LLC	Virginia, U.S.
Braeburn Capital, Inc.	Nevada, U.S.

* Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of other subsidiaries of Apple Inc. are omitted because, considered in the aggregate, they would not constitute a significant subsidiary as of the end of the year covered by this report.