Universidade do Minho
Escola de Economia, Gestão
e Ciência Política

Pedro Henrique Gomes Marques

Equity Research Report: Apple Inc.

Jul 2025

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Pedro H. G. Marques

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Escola de Economia, Gestão
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Equity Research Report: Apple Inc.

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Master in Management
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Work carried out under the supervision of
Professora Doutora Sónia Maria da Silva Faria Nogueira da Silva

Jul 2025

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Finally, I'd also like to thank my employer, for all the flexibility and understanding that has allowed me to complete this milestone.

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SUMÁRIO EXECUTIVO

Este relatório de investigação estuda as ações do capital da Apple Inc. (NASDAQ: AAPL), líder mundial em eletrónica de consumo e serviços digitais, utilizando informações publicamente disponíveis. O objetivo principal é estimar o valor intrínseco das ações da Apple e fornecer uma recomendação de investimento clara.

A Apple Inc. foi fundada em 1976 na Califórnia e rapidamente estabeleceu-se como pioneira na indústria de computação pessoal com o lançamento do Apple I. Ao longo das décadas, a Apple tornou-se sinónimo de inovação, introduzindo produtos icónicos como o MacBook, o iPod, o iPhone e o iPad. Para além do seu hardware, a Apple criou um ecossistema robusto de serviços digitais - incluindo a App Store, a Apple Music e a Apple TV+ - que serve uma base de clientes global. Atualmente, a Apple é reconhecida pela sua integração perfeita de hardware, software e serviços, que suportam mais de 2 mil milhões de dispositivos ativos em todo o mundo.

Neste projeto, foi realizada uma análise da Apple Inc., tendo sido aplicadas duas técnicas de avaliação amplamente reconhecidas para estimar o valor da empresa e apoiar uma recomendação de investimento baseando nos seus fundamentos. Em primeiro lugar, foi utilizado o método do fluxo de caixa descontado (DCF), que envolve a previsão dos fluxos de caixa livres futuros da Apple e o seu desconto para o valor atual, de modo a determinar o valor intrínseco da empresa com base nos fundamentos. Em segundo lugar, foi efetuada uma avaliação relativa, comparando os principais múltiplos financeiros da Apple, como o preço em relação aos lucros e o valor da empresa em relação ao EBITDA, com os de empresas tecnológicas comparáveis, para avaliar a forma como o mercado avalia a Apple em relação aos seus pares. O projeto combina estas abordagens, demonstrando como as perspetivas intrínsecas e baseadas no mercado podem ser utilizadas para avaliar uma empresa líder como a Apple, proporcionando um quadro abrangente para a análise de investimentos.

Assim, chegou-se ao Target Price de $215.08 a 30 de Setembro de 2025, equivale a um potencial de valorização de 9% face ao seu Current Price de $196.58, em Junho de 2025. Com base neste potencial de valorização, a recomendação de investimento para a Apple é **HOLD**.

Em suma, o modelo de negócio resiliente da Apple, a inovação consistente e o forte panorama financeiro permitem uma perspetiva de investimento positiva. Este projeto demonstra a aplicação prática do DCF e dos métodos de avaliação relativa a uma empresa do mundo real, oferecendo conhecimentos valiosos para fins educativos.

Palavras-chave: Eletrónica de consumo; Fluxos de caixa descontados; Valor intrínseco; Equity Research; Avaliação

EXECUTIVE SUMMARY

This equity research report analyses Apple Inc. (NASDAQ: AAPL), global leader in consumer electronics and digital services, using publicly available information. The primary objective is to estimate the intrinsic value of Apple shares and provide a clear investment recommendation.

Apple Inc. was founded in 1976 in California and quickly established itself as a pioneer in personal computing with the launch of the Apple I. Over the decades, Apple has become synonymous with innovation, introducing iconic products such as the MacBook, iPod, iPhone, iPad, and Apple Watch. In addition to its hardware, Apple has built a robust ecosystem of digital services-including the App Store, Apple Music, and Apple TV+-serving a global customer base. Today, Apple is recognized for its seamless integration of hardware, software, and services, and supports over 2 billion active devices worldwide.

In this student project, an analysis was conducted of Apple Inc., with two widely recognised valuation techniques being applied in order to estimate the company's value and support an investment recommendation. Firstly, the discounted cash flow (DCF) method was employed, which involves the forecasting of Apple's future free cash flows and their discounting to present value, so as to determine the company's intrinsic worth based on fundamentals. Secondly, a relative valuation was performed by comparing Apple's key financial multiples, such as price-to-earnings and enterprise value-to-EBITDA, with those of similar technology companies to assess how the market values Apple relative to its peers. The project combines these approaches, demonstrating how both intrinsic and market-based perspectives can be used to evaluate a leading company like Apple. This provides a comprehensive framework for investment analysis.

As a result, we arrived at a Target Price of $215.08 on September 30, 2025, which is equivalent to a potential upside of 9% compared to its Current Price of $196.58 in June 2025. In view of the stated potential for increase in value, the investment recommendation for Apple is **HOLD**.

In summary, Apple's resilient business model, consistent innovation, and strong financial support a positive investment outlook. This project demonstrates practical application of DCF and relative valuation methods to a real-world company, offering valuable insights for educational purposes.

Keywords: Consumer Electronics; Discounted Cash Flows; Intrinsic Value; Equity Research; Valuation

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LIST OF ABBREVIATIONS AND ACRONYMS

AAPL – Apple Inc.

BoD – Board of Directors

BU – Business Unit

CAGR – Compounded Annual Growth Rate

CAPEX – Capital Expenditures

CAPM – Capital Asset Pricing Model

g – Growth Rate

CEO – Chief Executive Officer

COGS – Cost of Goods Sold

D&A – Depreciation and Amortization

D/E – Debt-to-Equity

DCF – Discounted Cash Flow

DPS – Dividend per Share

EBIT – Earnings Before Interest and Taxes

EBITDA – Earnings Before Interest, Taxes, Depreciation, and Amortization

EPS – Earnings per Share

ERP – Equity Risk Premium

ESG – Environmental, Social, and Governance

EU – European Union

US – United States

EV/EBITDA – Enterprise Value-to-EBITDA

EV/Sales – Enterprise Value-to-Sales

FCFF – Free Cash Flow to Firm

GDP – Gross Domestic Product

IMF – International Monetary Fund

Kd – Cost of Debt

Ke – Cost of Equity

M&A – Mergers and Acquisitions

Market Cap – Market Capitalization

MRP – Market Risk Premium

NWC – Net Working Capital

P/E – Price-to-Earnings

PV – Present Value

RFR – Risk-Free Rate

ROC – Return on Capital

ROE – Return on Equity

TV – Terminal Value

WACC – Weighted Average Cost of Capital

YE – Year End

YoY – Year-over-Year

pp – percentage point

E - Expected

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Apple Inc.: Navigating Innovation and Market Maturity

Date: June 2025 **Current Price:** $196.58 **Price Target:** $215.08 2025YE (9.41% Upside)

Ticker: AAPL **Primary Exchange:** NASDAQ

Industry: Consumer Electronics **Recommendation:** HOLD

Research Snapshot

Apple Inc. is the world's largest player in the consumer technology industry, designing and delivering premium devices and services that set the standard for innovation, user experience, and brand loyalty. This is underpinned by a rigorous capital return programme, encompassing an expanding dividend and assertive share repurchases. As new product cycles and AI features ignite consumer demand, Apple is at an inflection point. This is a position from which the company is well-positioned to accelerate value creation for shareholders through both organic growth and consistent capital returns.

Investment Recommendation: HOLD	
Ticker (Refinitiv)	AAPL
Stock Exchange	NASDAQ
Industry	Consumer Electronics
Shares Outstanding	14 935.826
Free Float	97.91%
Market Cap.	$2 472 493.66
52 Week Range	$169.21 - $260.10
Current Price (June 18th, 2025)	196.58
Target Price 2025YE	**215.08**
Upside	**9.41%**

Figure 1 – Research Snapshot

The first half of the current year saw a decline in Apple's share price, with political instability being the catalyst for a broader decline in the US capital markets. This decline was further influenced by the delay in the release of artificial intelligence updates, specifically the Apple Intelligence. However, it remained resilient, ranging between US$172.42 and US$247.10, as investors remained confident in the company's future updates and growth prospects (Figure 2).



Figure 2 – *AAPL's Stock Price / / Source: LSEG Workspace*

Investment Thesis

I. Durable Ecosystem and Customer Lock-In

Apple's seamless experience, attributable to the tight integration of hardware, software and services, engenders strong customer loyalty and high switching costs. The company's "walled garden" strategy, supported by over 2.3 billion active devices and one billion paid subscriptions, serves to maintain user engagement within the Apple ecosystem. This strategy has been proven to encourage repeat purchases and cross-selling, providing Apple with a significant competitive advantage.

II. Services as a Growth and Profit Engine

It is evident that while iPhone sales continue to be a primary source of revenue for Apple, the company's services segment, encompassing the App Store, Apple Music, iCloud, and Apple TV, has now surpassed the $90 billion annual revenue mark. This segment has exhibited a growth rate in the double digits, with gross margins approaching 73%. This high-margin, recurring revenue stream is becoming central to Apple's financial strength. As replacement cycles lengthen and hardware sales mature, services ensure stable cash flow and margin expansion.

III. Innovation and Upgrade Cycles

Apple's innovation strategy continues to prioritise the enhancement of the customer experience and the expansion of its ecosystem through innovation. However, the

> *"What makes Apple stand out isn't just its innovation-it is its durability. I saw a company with predictable earnings, global reach, and a moat built on customer trust. Apple is probably the best business I know in the world." Warren Buffet, CNBC Feb 24,2020*

release of Apple Intelligence and advanced AI features has been postponed from the initial timeline. However, substantive updates to the new iPhone and operating system have been unveiled, which, if received enthusiastically by consumers, could lead to substantial upgrade cycles and maintain consumer preferences.

Business Description

Apple Inc. was founded in 1976 in Los Altos, California, and has since evolved into a globally renowned technology company, recognised for its exceptional brand value, cohesive product ecosystem, and strong customer loyalty. Initially established as a personal computer manufacturer, the company went public in 1980 through an initial offering on the Nasdaq Stock Market. The corporation's headquarters are currently located in Cupertino, California.

A Global Leader in Consumer Technology

As of 2024, Apple's famed "walled garden" has been over two billion active Apple devices worldwide within this ecosystem, including iPhones, Macs, iPads, Apple Watches, AirPods, and more. These are all connected through Apple's suite of digital services such as the App Store, Apple Music, iCloud, Apple TV+, and Apple Pay, making it easy for users to move between devices and services but much harder to leave the ecosystem entirely. The iPhone represents Apple's primary commercial endeavour and principal source of revenue, having recently accounted for in over 50% of the corporation's total revenues (Figure 5) providing a stable foundation for its broader ecosystem. Apple has consolidated its position as a market leader in several key segments. The iPad has attained a dominant market share of over 40% in the global tablet market, while the Apple Watch has secured a leadership position in the smartwatch sector with a market share exceeding 30%. Furthermore, the AirPods have continued to exert its influence on the wearables segment, maintaining a market share of more than 25% (Figure 5). These hardware offerings are complemented by Apple's rapidly expanding Services segment. The portfolio, when considered as a whole, fosters a high level of ecosystem integration and recurrent engagement. In 2024, Services generated $96 billion, representing 25% of total revenue (Figure 5), with gross margins exceeding 70%. The product distribution across retail stores, digital platforms, and a global network of resellers ensures a broad market reach and reinforces the strength of its integrated model.

Vertical Integration and M&A Activity

Apple's business model is characterised by vertical integration, whereby the company designs both hardware and software in-house with the objective of delivering a seamless user experience. This approach is reinforced by Apple's disciplined M&A strategy, in which the company has acquired more than 100 companies, spending nearly $20 billion. These acquisitions have targeted smaller technology firms with specialised expertise or intellectual property (Figure 4).

M&A's have been pivotal in enabling Apple to introduce groundbreaking features, including FaceID, enabled by the acquisition of PrimeSense, and Touch ID (via AuthenTec). Furthermore, these acquisitions have accelerated the development of proprietary technologies and enhanced product differentiation. By absorbing new capabilities, Apple can innovate rapidly, protect its competitive advantages, and expand into new segments.

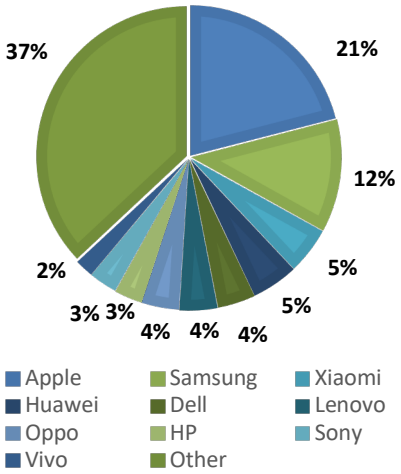


Figure 3 - Market Share in the Consumer Electronics Market Share */ /Source: Market us News.*

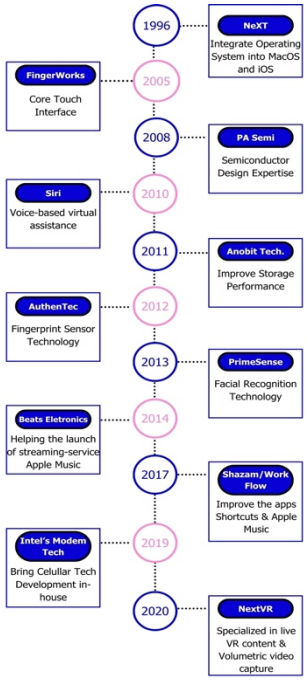


Figure 4 - AAPL's M&A Activity */ /Source: Author's Estimate*

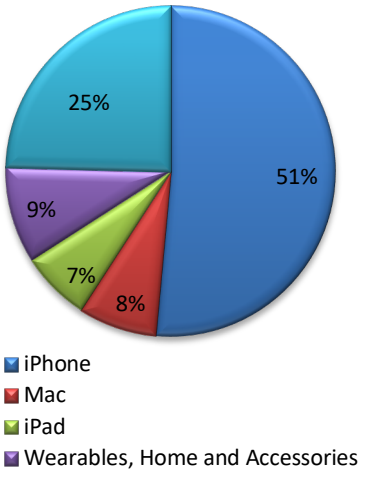


Figure 5 - Sales by BU 2024YE */ /Source: AAPL 2024 10-K Report*

This approach also supports higher margins by reducing reliance on third-party suppliers and enabling the creation of high-value offerings.

The synergy between Apple's business model and targeted acquisitions is a key driver of its sustained growth and leading profitability. As of the first quarter of 2024, Apple reported revenue of $391 billion, with a gross margin of 46.21%. These figures reflect the ability to leverage innovation and integration for robust financial performance.

Environmental, Social and Corporate Governance

Shareholders and Governance Model

Apple Inc. is a publicly traded corporation listed on the NASDAQ stock exchange under the ticker AAPL. Apple's ownership is dispersed among a wide range of stakeholders, including institutional investors, mutual funds, and millions of individual shareholders worldwide. It is prominent that no one shareholder has control of the company's structure. Free float makes up the greater part of all its shares and this ensures that the market participates in a broad way and has liquidity (Figure 6). The company follows an Anglo-Saxon model of corporate governance that emphasises shareholder rights, board independence, and transparency. A fundamental element of this framework is the Board of Directors, which is supported by three committees to enhance oversight and accountability. These are subject to annual reviews of their charters and are composed of independent members in accordance with the regulations established by Nasdaq and SEC.

Company Information				
Primary Exchange	Shares Outstanding (M)	Free Float (M)	Free Float %	Market Capitalization ($, M)
NASDAQ Global Select Consolidated	14,935.83	14,624.13	97.91%	2,975,216.54

Top Investors				
Investor Rank	Investor Name	% O/S	Position (M)	Latest Filing Date
1	The Vanguard Group, Inc.	9.34%	1,394.25	31-Mar-2025
2	BlackRock Institutional Trust Company, N.A.	4.92%	735.40	31-Mar-2025
3	State Street Global Advisors (US)	3.99%	596.03	31-Mar-2025
4	Geode Capital Management, L.L.C.	2.34%	349.81	31-Mar-2025
5	Fidelity Management & Research Company LLC	2.04%	304.28	31-Mar-2025
6	Berkshire Hathaway Inc.	2.01%	300.00	31-Mar-2025
7	T. Rowe Price Associates, Inc.	1.29%	192.75	31-Mar-2025
8	Norges Bank Investment Management (NBIM)	1.25%	187.16	31-Dec-2024
9	Invesco Capital Management (QQQ Trust)	0.85%	126.65	31-May-2025
10	JP Morgan Asset Management	0.81%	121.46	31-Mar-2025

Figure 6 - AAPL' s Firm Ownership// Source: LSEG Workspace 2025

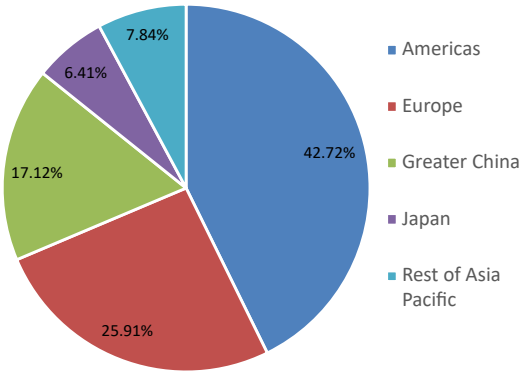


Figure 7 - Sales by Region 2024YE// Source: AAPL 2024 10-K Report

Governance

According to AAPL's Proxy Statement, the board of directors is elected annually by shareholders during its annual meeting. The company has a single class of shares with equal voting rights, where each shareholder is entitled to one vote per share of stock held ("one share, one vote"), following a majority voting standard. The board consists of independent members, except for the CEO. Once elected the governing bodies, the board appoints members to its three committees. However, Sustainalytics has identified a potential increase, in the risk of controversy in Apple's governance due to the long tenure of its independent directors, but is not corroborated by data retrieved from LSEG Workspace (Figure 11).

According to the LSEG Workspace, Apple has consistently demonstrated excellence in governance since 2020, performing better than its peers (Appendix 15).

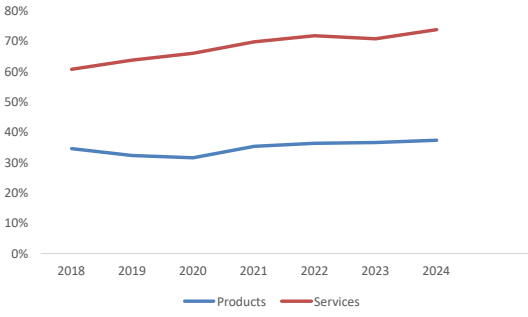


Figure 8 - Segments Gross Margin// Source: AAPL 2024 10-K Report

Board of Directors

Apple Inc.'s board of directors is composed by eight members. Seven of them are independent directors and CEO Tim Cook, who is the only executive on the board. Their mission is to ensure strong corporate governance monitoring its executive leadership, including compensation and succession planning, to align management with shareholder interests.

Audit and Finance Committee

The Audit and Finance Committee is composed of 4 entirely independent members of the BoD. This committee is responsible for engaging with the accounting firm, reviewing audit results, and ensuring the integrity of Apple's financial statements. It also monitors risk management and the company's financial health, playing a critical role in safeguarding shareholder interests.

People and Compensation Committee

Similarly, the People and Compensation Committee has four independent BoD members, ensuring that Apple's pay practices align with company values and shareholder interests, creating incentives that drive performance and retain talent. Also, review and recommend compensation policies for executives and directors.

Nominating and Corporate Governance Committee

The composition of the Nominating and Corporate Governance Committee is the same as that of the other committees and is responsible for identifying and recommending candidates for election to the Board of Directors, overseeing and monitoring Apple's environmental, social and governance practices.

BoD	Independency	Commitee
Art Levinson (Chair)	Yes	P&C
Tim Cook (CEO)	No	Executive
Wanda Austin	Yes	NA
Alex Gorsky	Yes	P&C/N
Andrea Jung	Yes	P&C/N
Monica Lozano	Yes	A&F
Ron Sugar	Yes	A&F
Sue Wagner	Yes	A&F/N

Figure 9 - Members of the BoD// Source: AAPL's 2024 Form 10-K & Corporate Governance Report

Remuneration Policy

Apple's board members are mainly compensated through annual cash retainers and restricted stock units (RSUs), which vest after one year if they remain in their roles. Executive compensation, including the CEO, is structured to include a base salary, performance-based cash bonuses, and long-term equity awards like RSUs, aligning their incentives with the company's long-term success (Appendix 7). The remuneration policy for both executives and board members is reviewed and determined annually by the People and Compensation Committee.

Corporate Social Responsibility

Apple integrates environmental sustainability and social responsibility into its core strategy, aligning with several UN Sustainable Development Goals (SDGs) despite not specifying how many it has fully achieved.

Environmental

The company's environmental agenda centres on achieving carbon neutrality across its entire value chain and product lifecycle by 2030. Since 2015, Apple has reduced its emissions by more than 60%, even as the revenue has increased by nearly 65%. The company' target is about 75% reduction in emissions by 2030 and plans to address residual emissions through nature-based carbon removal initiatives, including projects under its Restore Fund.

All Apple facilities worldwide have operated on 100% renewable energy since 2018, underscoring the company's foundational commitment to clean energy. In partnership with its suppliers, Apple is engaging over 300 key suppliers to transition to 100% clean energy for Apple production by 2030. These suppliers support more than 17.8 gigawatts (GW) of clean energy generation globally. Apple has also made progress in sustainable product design by integrating recycled materials into its components. The company uses 99% recycled rare earth elements in magnets across its product line and is expanding the use of recycled aluminium, cobalt, gold, tungsten, and lithium. Additionally, Apple aims to eliminate all plastic in its packaging by 2025 and achieve zero waste to landfill at all final assembly sites.

Social

On the social front, Apple prioritizes diversity, equity, and inclusion through initiatives like the Racial Equity and Justice Initiative, which supports education, economic opportunity, and criminal justice reform for underrepresented communities. The company maintains rigorous labour and human rights standards across its global supply chain and conducts to monitoring conditions.

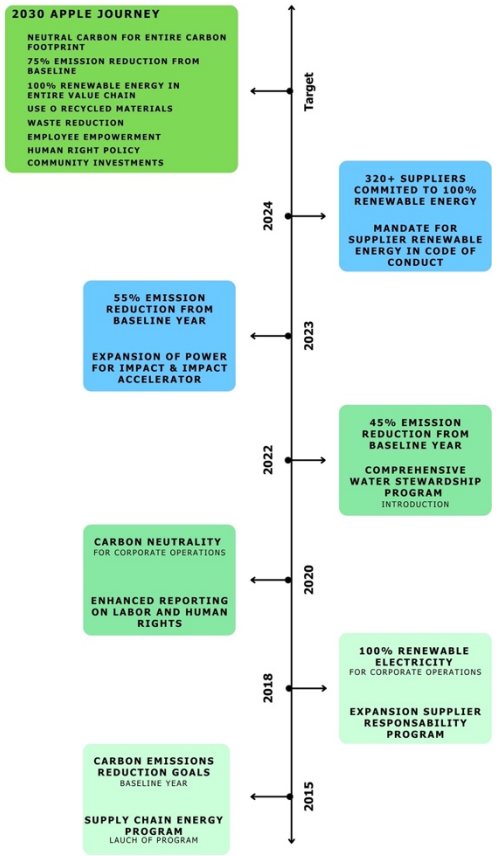


Figure 10 - APPL's Corporate Responsibility Milestones (2015–2030)// Source: Apple Inc., Environmental Progress Reports



Figure 11 –ESG Scores// Source: LSEG Workspace

Through its Supplier Employee Development Fund, Apple promotes worker empowerment by supporting training in rights, skills, and career development. Accessibility and privacy are also key priorities. Apple also designs its products to be inclusive and integrates robust privacy protections, treating privacy as a fundamental human right.

Finally, Apple supports communities through investments in education, clean energy access, and economic opportunities for underserved populations, advancing its broader social responsibility and sustainability goals.

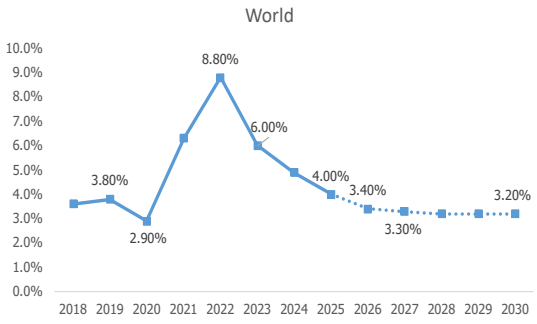


Figure 12 – World Inflation rate //Source: IMF

Industry Overview and Competitive Positioning

Brief Economic Outlook

The global economy is navigating a narrow path between recovery and uncertainty. After years of instability, inflation is finally receding. The IMF expects global inflation to ease from 6.00% in 2023 to 4.00% in 2025, and further to 3.40% in 2026, reflecting a gradual return to pre-pandemic levels (Figure 12). Advanced economies, including the Eurozone, are on track to reach their 2% inflation targets by next years (Figure 13), while many emerging markets continue to grapple with higher price levels due to structural challenges and volatile commodity costs. Within this landscape, regional differences remain pronounced. For example, China after a period of inflation nearly 0% in 2023 and 2024, the IMF projects China's inflation rate to reach just 1.8% by 2028, reflecting weaker consumer demand (Figure 14)

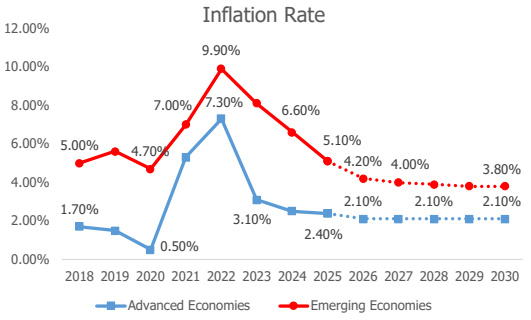


Figure 13 – Advanced/Emerging Economies Inflation rate//Source: IMF

Exchange rates, meanwhile, are expected to remain relatively stable, with the IMF assuming steady real effective exchange rates for most major economies. However, risks persist due to ongoing trade tensions and policy uncertainty. The Chinese yuan is forecast to weaken slightly against the U.S. dollar, reflecting of both a strong dollar and continued geopolitical strain.

On the growth front, the global economy is projected to expand at a moderate pace, with the IMF forecasting 2.8% growth in 2025, below the pre-pandemic average, nearly 3%, but still resilient given recent shocks. China's GDP growth is expected to slow to 4.0% in 2025, influenced by trade policy developments and weak domestic demand (Figure 15).

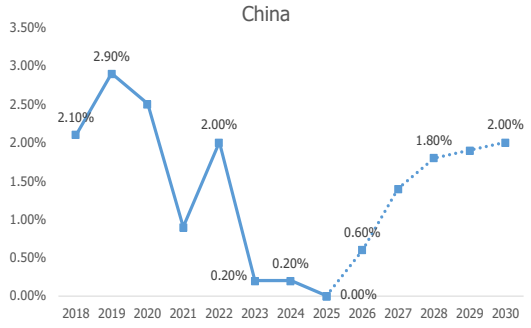


Figure 14 – China Inflation rate//Source: IMF

Implications on Consumer Electronics Industry

Inflation

After several years of volatility, inflation is receding in the U.S. and other advanced economies. In the U.S., the annual inflation rate stood at about 3% in early 2025, a notable improvement from recent peaks. According with Statista, in North America, online prices for consumer electronics are expected to maintain a positive but modest inflation rate of around 1% in 2025, reflecting a stabilization of supply chains and input costs. This moderation in inflation provides some relief for manufacturers, as the cost of components, logistics, and energy is less likely to spike unexpectedly. However, the legacy of recent inflation persists in consumer behaviour. Households remain price-sensitive, and discretionary spending on electronics-especially premium or non-essential devices remains cautious. The European market, for example, is experiencing only modest revenue growth (projected annual growth of 2.58% from 2025 to 2029), in part because consumers are still adjusting to higher living costs and are prioritizing value-for-money purchases.

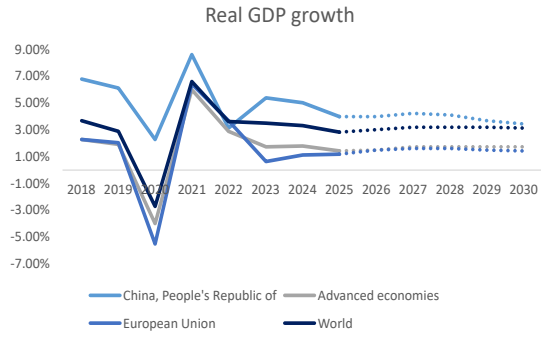


Figure 15 – Real GDP Growth //Source: IMF

Exchange Rates

A strong dollar also makes U.S. manufactured products more expensive in international markets. This is especially relevant in Europe, where the euro has experienced periods of depreciation and appreciation in recent years.

For U.S. companies exporting to Europe, a stronger dollar can erode price competitiveness, potentially reducing sales volumes or forcing companies to absorb margin losses. Moreover, recent trade tensions between the U.S. and both China and the European Union have resulted in new tariffs, 20% on Chinese imports and 25% on EU imports. These measures have increased costs for companies reliant on global supply chains, disrupted established sourcing relationships, and introduced new layers of uncertainty around pricing and inventory planning.

Economic Growth

Despite these headwinds, the global consumer electronics market is forecast to grow steadily, reaching approximately $1.096 trillion in revenue in 2029 and recording a growth rate of about 3% YoY (Figure 16). In the U.S., the industry is expected to expand by more than 3% between 2024 and 2025, with retail revenues projected to hit a record $537 billion (Figure 17). Growth is being fuelled by ongoing digitalisation, 5G networks, and consumer appetite for smart home devices, wearables, and AI-products. Europe, while growing more slowly, remains a vital market, with projected annual growth of 2.32% and total revenues of $200.58 billion in 2025 (Figure 18). However, Europe's consumer electronics market is still recovering from the effects of energy shocks, inflation, and regulatory changes, such as stricter environmental standards and new digital market rules that require careful compliance and adaptation from U.S. entrants. Meanwhile, the competitive landscape is intensifying, with established giants like Apple, Samsung, and Sony facing growing challenges from emerging players and new technology entrants.

Demand Drivers – Consumer Electronics

Smart Home Appliances and IoT Ecosystems

The smart home appliances sector is experiencing a robust growth trajectory. In 2024, the global market was valued at $63.8 billion, and it is projected to reach $125.6 billion by 2030, representing an impressive 11.9% CAGR (Figure 19). This market expansion is underpinned by surging consumer demand for automation, energy efficiency and integration. A value proposition is the potential for energy savings, as connected appliances such as smart thermostats can reduce household energy consumption by up to 30%. As a result of these factors, smart home products are being positioned not only as lifestyle enhancers but also as critical tools for sustainability and reducing household bills. The sector is expected to see continued innovation, with AI, IoT, and universal protocols being the key forces driving both future consumer adoption and overall industry transformation.

The market is also being shaped by a decisive shift toward interoperability. Data shows that 72% of users now prioritise cross-brand device compatibility. This trend is accelerating the adoption of universal standards like Matter, reinforced by voice-controlled interfaces and automation driven by AI. This could represent a threat for Apple's Ecosystem Lock-In, one of the main assets of the company.

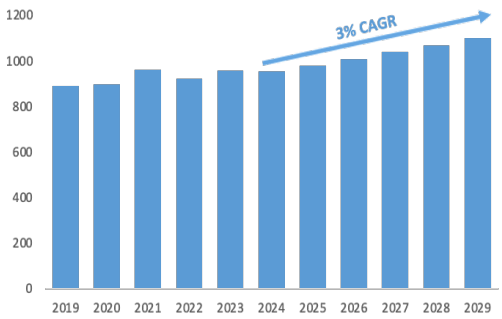


Figure 16 – Consumer Electronics Worldwide Revenue// Source: Statista

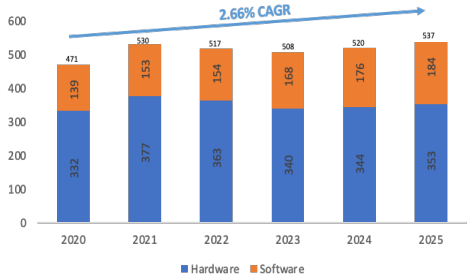


Figure 17 – US Consumer Electronics Revenue // Source: Statista

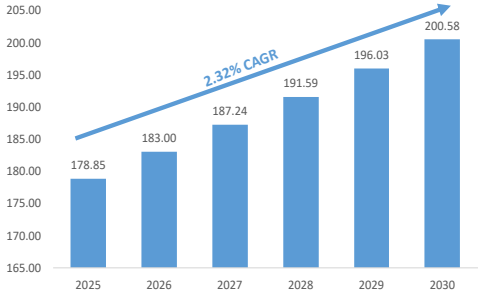


Figure 18 – Consumer Electronics Revenues – Europe// Source: Statista

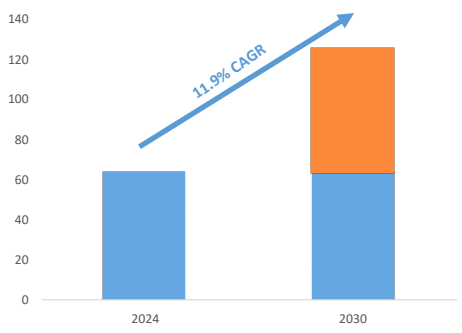


Figure 19 – Smart Home Appliances Market // Source: Research and Markets

On the other hand, Apple's services segment and the smart home appliance market reinforced relationship, driven by ecosystem integration and interoperability.

Services like HomeKit, iCloud, and Apple Music enhance the value proposition of Apple's smart home hardware (e.g., HomePod), creating user dependency on its ecosystem.

Augmented and Virtual Reality (AR/VR)

The augmented reality (AR) and virtual reality (VR) space is rapidly transitioning from niche experimentation to a main pillar of the consumer electronics industry. According to Statista, global AR/VR revenue is projected to reach $46.6 billion in 2025, pushing the market past the $96.32 billion mark by the end of the decade (Figure 20). Real sales data support the trend: the consumer VR market alone is expected to grow, from under $16 billion in 2024 to over $18 billion in 2025 (19% YoY). Mobile AR is showing similar momentum, projected to climb from $6.22 billion in 2024 to $10.76 billion in 2025, and is expected to reach more than $30 billion by 2029. The global AR/VR software market is expected to grow to more than $70 billion by 2029, representing nearly 80% of the global AR/VR market. This sector is expected to grow driven by both sources. On the consumer side, there is a clear and accelerating demand for immersive and interactive experiences, particularly in entertainment and social applications, where AR and VR technologies offer new dimensions of engagement. On the enterprise front, adoption is surging to enable virtual training and remote collaboration.

Apple Inc. is positioned at the forefront of this transformation. The launch of the Vision Pro marks its first major new product category since the Apple Watch and signals its ambition to compete in this sector.

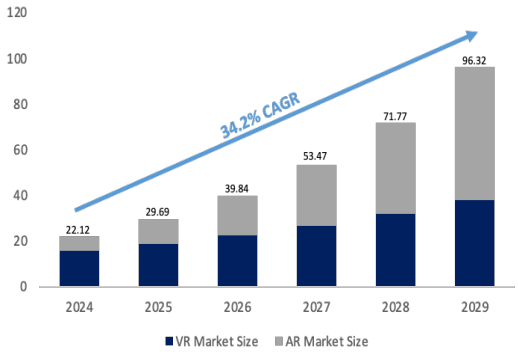


Figure 20 – VR/AR Market Size //Source: Markets and Markets

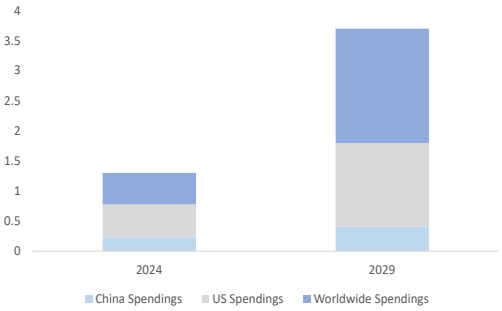


Figure 21 – Digital Transformation Spendings //Source: Research and Markets

Demand Drivers – Information & Communication Technology

Apple has been growing in the Services segment, accounting for nearly 20% of sales since 2019 and reaching a weight of 25% in 2024. Following the launch of iTunes in 2003, the corporation has pursued a strategic expansion, aligning its business model with the ICT industry. It is therefore logical to study the driving forces behind demand in this industry, as they will affect its growth.

Digital Transformation and Cloud Computing

Global digital transformation spending reached $1.1 trillion in 2023, and is forecasted to grow to $3.7 trillion by 2029, representing nearly 18.4% CAGR (Figure 21). This surge is largely the result of acceleration caused by the COVID-19 pandemic, which compressed timelines from years into months. Across sectors, companies are using digital tools not just to automate tasks but to reengineer and improve operational agility. Enterprise now prioritizes cloud adoption and platform integration.

North America remains the digital transformation leader, driven by sustained enterprise cloud investment and robust innovation ecosystems. Europe is rapidly reach that, with IT spending projected to reach $1.28 trillion in 2025, an 8.7% YoY increase, highlighting significant momentum. Meanwhile, China represents one of the most dynamic and policy-driven digital markets globally. With a digital transformation market size of $221.95 billion in 2024, projected to grow to $410.67 billion by 2029 at a 13.1% CAGR.

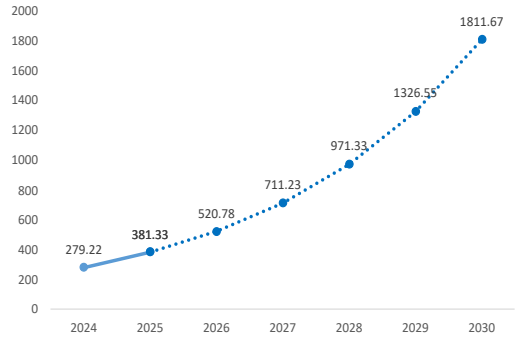


Figure 22 – Artificial Intelligence Market Size //Source: Grand View Research

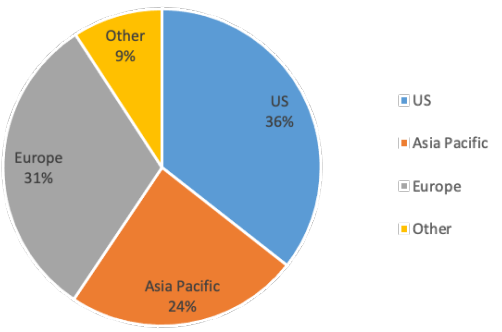


Figure 23 – Artificial Intelligence Market Share //Source: Market Data Forecast

Artificial Intelligence

Artificial intelligence (AI) has emerged as one of the most powerful demand drivers. The global AI market, currently valued at $279.22 billion in 2024, is expected to reach $1.811 trillion by 2030 (Figure 22), representing a compound annual growth rate (CAGR) of 36.5%. Within this growth trajectory, generative AI has catalysed a new phase of enterprise and consumer engagement with artificial intelligence systems.

This segment has surged from $11 billion in 2020 to nearly $128 billion in 2024, and projections estimate it will surpass $1.3 trillion by 2032, representing a 33.6% CAGR. This explosive growth reflects broader transformations in enterprise IT spending, where AI-related investments are projected to climb to $990 billion by 2027. Such figures are indicative of cyclical expansion and a shift toward automation.

Geographically, North America retains a leadership role in global AI development, with a 2025 market valuation of $99.4 billion. Asia-Pacific trails closely with a market size of $66.38 billion, while Europe follows at $88.74 billion, highlighting growing global penetration (Figure 23). The pace of adoption across geographies suggests enduring relevance, particularly for players with deep R&D pipelines, platform integration capabilities, and diversified regional footprints.

Peers

Apple's leadership across consumer electronics and digital services continues, but 2024 market data clearly indicates rising competitive pressures. In smartphones, Apple and Samsung were tied for the global lead in 2024, each holding around 18% market share (Figure 24), with some sources showing Apple slightly ahead in shipments in the full year. However, Xiaomi is gaining rapidly in price-sensitive regions where Apple's premium pricing strategy is less effective (Figure 25). In the segment of personal computers and tablets, Apple has a strong market presence in the tablet category, but faces significant competition from Lenovo, HP, and Dell in the PC market. These competitors can offer more affordable options, integrate productivity features and interoperability. Apple maintains a strong position in wearables with a 20% share (Figure 32), but Xiaomi and Samsung continue to erode its lead through broader device compatibility and lower-cost products. In the context of smart home and IoT technologies, Amazon and Google's open, interoperable ecosystems are in direct competition with Apple's HomeKit, appealing to consumers who prioritise cross-brand functionality. On the services, Apple Music and Apple TV+ are growing, competing with Spotify, Netflix, and Disney+ in scale and engagement. Meanwhile, in cloud and AI, Apple remains a follower, with Microsoft, Amazon, and Google is leading in enterprise infrastructure and generative AI deployment. Apple has recently been penalised for the delay in launching its AI Intelligence and is now considered at least two years behind industry leaders in generative AI, allowing competitors to outpace it in the AI sector, further intensifying pressure on the company.

Porter's 5 Forces

Thread of New Entrants (Low)

New entrants to the consumer technology sector face systemic barriers that are consistent across all segments, including smartphones, PCs, wearables and services. Since 2020, Apple spends more than $26 billion on R&D each year, which suggests that other companies will have to spend similarly high amounts to enter the market.

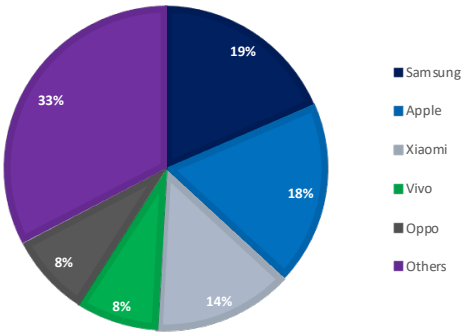


Figure 24 – Global Smartphone Shipments Units Market Share //Source: Counterpoint

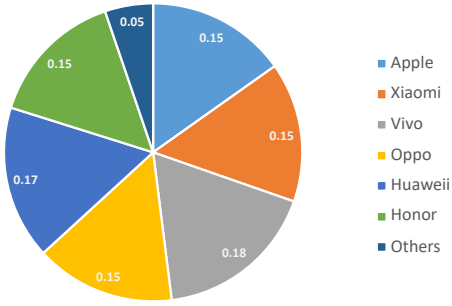


Figure 25 – Emerging Markets Smartphones Shipments Units Share //Source: Counterpoint

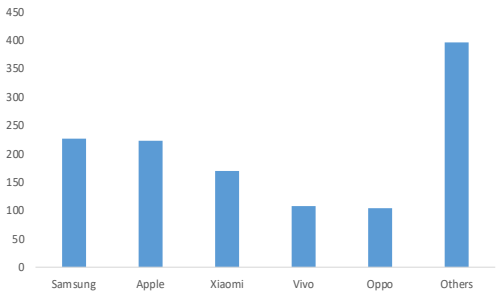


Figure 26 – Smartphone Shipments Units //Source: Omdia

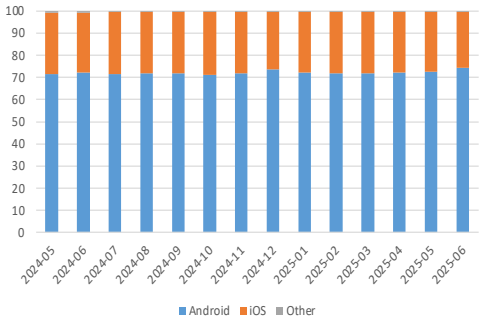


Figure 27 – OS Market Share: Worldwide //Source: Statcounter

Furthermore, Apple's tightly integrated ecosystem imposes high switching costs on users. Whether it's iCloud continuity across every device, Apple Watch's dependency on iPhone, and so on. This makes migration to alternative platforms costly and inconvenient, particularly as services, data, and accessories become tightly coupled.

Apple's strategy of vertical integration and ecosystem cohesion eliminates new competition. For any aspiring entrant, the cost of innovation and the challenge of dislodging entrenched user behaviour create a moat too wide for most to cross.

Bargaining Power of Suppliers (Medium-Low)

The supplier ecosystem of Apple Inc. is characterised by strategic integration. While the company depends on specialised partners such as TSMC for chips and Samsung or LG for OLED displays, Apple reduces supplier leverage through in-house design of A-series and M-series chips, two critical inputs, and commanding economies of scale. The shift away from Intel with the incorporation of proprietary like M1/M2 elevates technical barriers and reduces dependency on CPU suppliers. However, suppliers of specialized components, like OLED panels or photography sensors, retain power due to limited alternatives. Geopolitical risks, especially U.S.-China tensions, add volatility to supply chains, impacting sourcing predictability. In wearables, Apple's 28% smartwatch share ensures pricing leverage, but AirPods' market decline shows rising competition rather than supplier strength. On the platform side, Apple's 1B+ paid subscriptions and billion-dollar App Store commission revenues ensure developer dependence, though EU/US antitrust rulings around third parties may gradually shift power. Music labels likely negotiate collectively, but Apple Music's share constrains their individual leverage. Overall, Apple maintains its bargaining power with most suppliers through vertical integration, shifting its strategy in production and its scale that erodes supplier's power.

Bargaining Power of Buyers (Medium-High)

Apple's buyer landscape is segmented, limiting its bargaining power. Apple's 2.3B active device base and high brand loyalty confer pricing power, reinforced by ecosystem lock-in and high switching costs, such as iCloud migration challenges. In the U.S., where iOS holds a dominant 53% market share (Figure 28), carrier partnerships and bundling strategies reduce individual buyer bargaining power. However, Android's global 72.17% share (Figure 27) and price sensitivity in emerging markets decrease those regional sales. In institutional sales, such as education and enterprise, buyer power rises through volume purchases with discount expectations, especially in emerging regions. Wearables show price tiering, Apple Watch's $349 contrasts with the average peers $117 fitness bands/smartwatches (Figure 30), indicating resilience in premium pricing. While App Store users face minimal leverage, legislative pressure on its 30% commission and the rise of options signal a gradual shift in power, particularly in digital services.

Threat of Substitutes (Low)

Apple operates in highly competitive markets marked by high industry concentration, fast innovation cycles, and limited product differentiation outside ecosystem integration. In smartphones, Apple faces fierce rivalry from Samsung (18% share) and Xiaomi (14%), especially in mid-range and emerging markets, where Android's 70.26% OS share amplifies pricing pressure.

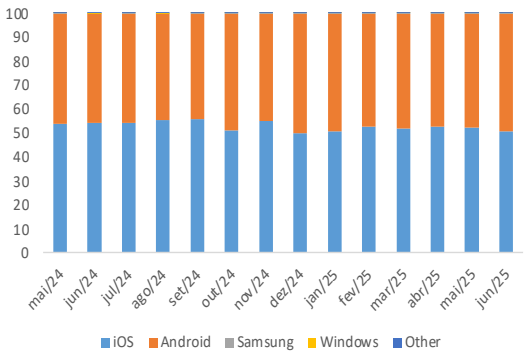


Figure 28 – OS Market Share: North America //Source: Statcounter

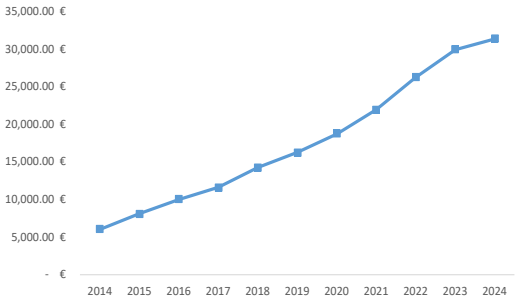


Figure 29 – Apple R&D Spendings (2014-2024) //Source: LSEG Workspace

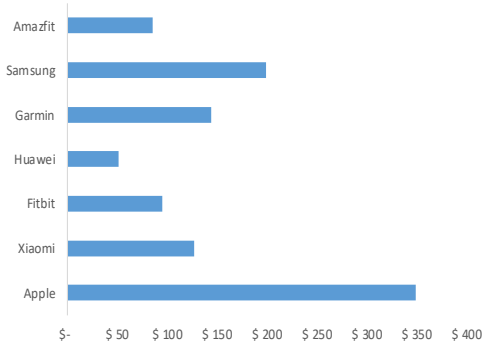


Figure 30 – Smartwatch/Fitness bands price //Source: Brand's Online Store //Author's Estimates

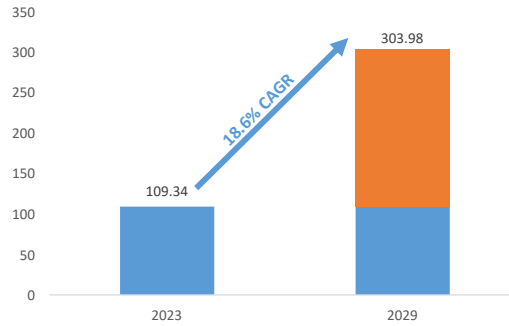


Figure 31 – Wearables Market Size //Source: Research and Markets

Despite flat iPhone revenue at $201B in 2024, Apple maintains pricing power through hardware-software integration and premium positioning. In PCs and tablets, Apple's hardware margins (37.2%) outpace volume leaders like Lenovo and HP, but Android's 45% tablet OS share erodes scale advantage. In wearables, high growth (18.58% CAGR) fuels rivalry, when Samsung and Xiaomi pressure pricing, Apple tries to sustain leadership via feature-rich devices

and bundled services (e.g., Apple One). Content and service competition intensifies with Netflix and Disney+, though Apple TV+ gains traction via cross-device bundling. The App Store's $27.4B commission revenue outpaces Google Play, reinforcing platform stickiness despite all its antitrust scrutiny.

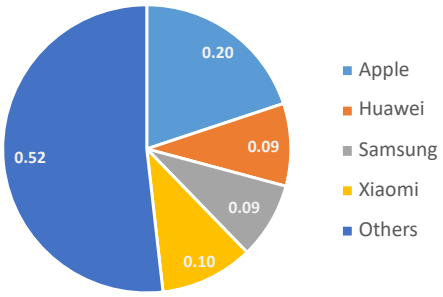


Figure 32 – Wearables Market Share // Source: Research and Markets

Competitive Rivalry (High)

Apple competes in highly concentrated and innovation-driven markets characterised by intense rivalry and limited product differentiation. In smartphones, Apple competes with Samsung (18% share) and Xiaomi (14% share), especially in mid-tier and emerging markets, where the Android operating system (OS) holds a dominant share of 70.26%, increasing pricing pressures. Despite the fact that the revenue from the iPhone was $201 billion in 2024, Apple uses tight integration between hardware and software, as well as premium branding to sustain pricing power. In PCs and tablets, Apple enjoys superior hardware margins of 37.2% compared to volume leaders Lenovo and HP. However, Android's 45% tablet operating system share could erode Apple's competitive advantage. The rapidly growing wearables segment (18.58% CAGR) sees Samsung and Xiaomi exert pricing pressure, yet Apple maintains leadership through advanced features and services like Apple One. Content and services markets grow increasingly competitive with the presence of major players as Netflix, Disney+ and Amazon, though Apple TV+ benefits from ecosystem bundling. Apple's App Store has generated $27.4B in commission revenue, underscoring platform stickiness despite rising antitrust challenges. Overall, Apple's integrated ecosystem and strong brand equity shield it from competition, though rivals' aggressive innovation and bundling efforts continue to compress margins and pressure growth.

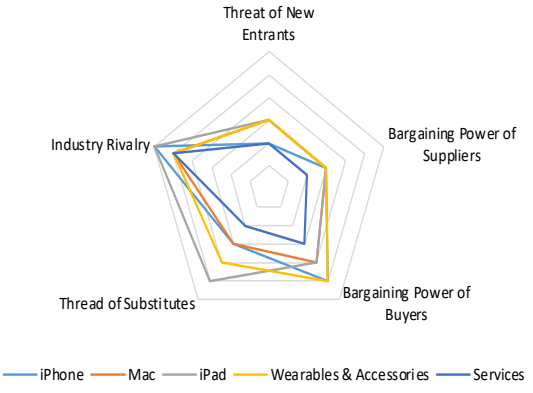


Figure 33 – Porter's 5 Forces // Source: Author's Estimate

Investment Summary

This report issues a **HOLD** recommendation for Apple Inc., with a target price of US$215.77 per share by the end of 2025, representing a potential upside of 9.8% (Appendix 16) from the closing price of US$196.58 on 18 June 2025 (Appendix 14).

The valuation was based primarily on a discounted cash flow (DCF) model, supplemented by sensitivity and scenario analysis, as well as relative valuation.

The ability of Apple to generate strong and stable cash flow, high operational efficiency through gradual margin growth, and strong financial liquidity indicators allows the company to maintain a robust economic and financial landscape. Furthermore, its leadership in the various segments in which it operates, and its continued investment in innovation and the expansion of its ecosystem serve to reinforce its position as a benchmark in the global technology sector, thus mirroring its competitive advantages. Apple's sales are expected to grow on the back of the introduction of new emerging technology, artificial intelligence, and the consequent

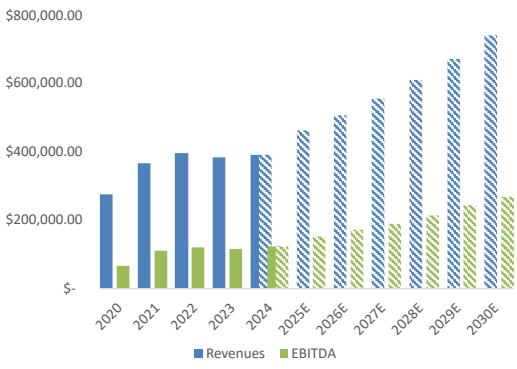


Figure 34 – Revenues vs EBITDA // Source: LSEG Workspace (2020-2024) & Author's Estimates (2025E-2030E)

expansion of the services it provides and its ability to improve the consumer experience.

Despite the consensus among analysts currently leaning towards a BUY recommendation, we maintain our HOLD recommendation, balancing Apple's long-term strengths with the risks that could threaten the core tenets of how Apple operates. Key investment risks include increased political and geopolitical instability, particularly in important markets such as China, and potential delays in the launch of announced features related to AI could prove to be a delay and escape from its ecosystem, which could limit revenue growth and shorten margins, variables to which the company's valuation is very sensitive. In addition, legal action by regulators could affect revenues in the segment with the highest gross margin, influencing results.

Valuation

To value AAPL, the main method used was a Discounted Cash Flows (DCF) to arrive at a target price for September 30th, 2025.

Forecasting Period

The valuation considered a forecasting period of 6 years, from 2025 to 2030, calculating the terminal value after 2030 using a perpetual growth rate.

Revenues

Apple's revenues were forecasted using several regressions, from which those that ensured reasonableness were chosen. To conclude the expected forecast, an estimation of sales by BU was used, in which the explanatory variable is Time. Thus, the sales forecast was based on an 18% growth in sales in 2025, the expected launch year of Apple Intelligence, a less significant growth in 2026, and subsequent years a growth of 10% YoY until 2030, representing an **11% CAGR**. This analysis reveals an evolution of expectations regarding each BU, whereby services are projected to assume a more substantial presence, reaching 35%, while the hardware sales are expected to remain stable in sales, attributable to its durability, as elaborated in the risks section. Although, this regression estimate growth in the Wearables, Accessories and Home segments, given their role as a driver within the industry (Appendix 9).

Capital Expenditures (CAPEX)

Since 2020, there has been a downward trend in Apple's capital expenditure (CAPEX). The amount decreased from $19 billion, which represented approximately 24% of non-current assets (Appendix 1), to approximately $13 billion (10.77%).

Apple did not disclose its capital expenditure expectations for the coming years in its annual report. Despite Apple's announcement of a $500 billion investment over a four-year period, the details provided remain ambiguous. The plan includes the construction of 24 new factories in the US but also contains SG&A and R&D expenses, which makes it difficult to discern.

The historical average CAPEX for the last three years, representing 13% of non-current assets, was applied to maintain representativeness and thus vary positively with revenue growth, since the transformation into fixed assets remained stable over the last years. This means that by 2025, it will increase to 16.7 billion dollars and is expected to reach 21 billion dollars in 2030, which means a 9% CAGR (Appendix 13).

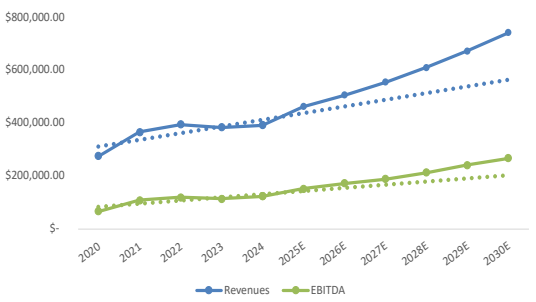


Figure 35 – Revenues vs EBITDA Trend// Source: LSEG Workspace (2020-2024) & Author's Estimates (2025E-2030E

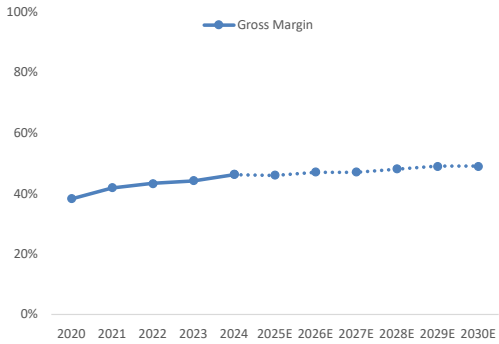


Figure 36 – Gross Margin Evolution // Source: LSEG Workspace (2020-2024) & Author's Estimates (2025E-2030E

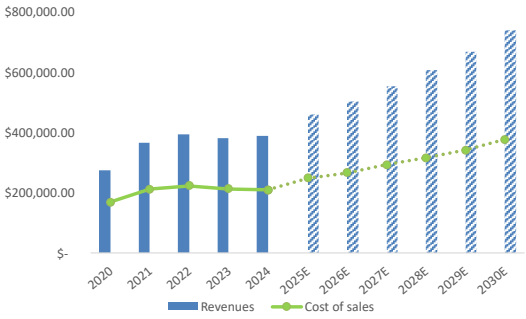


Figure 37 – Revenues vs Cost of Sales// Source: LSEG Workspace (2020-2024) & Author's Estimates (2025E-2030E

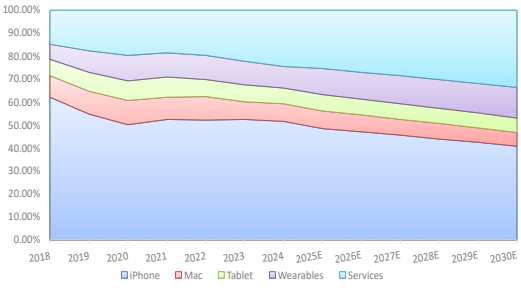


Figure 38 – APPL's Sales by BU Forecast// Source: LSEG Workspace (2018-2024) & Author's Estimates (2025E-2030E)

Gross Margin

In terms of gross margin, it is expected to follow its historical trend, driven by growth in the proportion of services within Apple's total sales. It is estimated to grow gradually by 1pp until 2029, reaching 49% in both 2029 and 2030E (Appendix 2).

WACC (Weighted Average Cost of Capital)

Beta

The beta (β) of 1.1319 was estimated through a regression of Apple's monthly closing stock prices against the S&P 500 Index over the period from November 2009 to September 2024, covering 178 observations. This beta was deleveraged, and an average was calculated among the main peers. According to the company's capital structure, it was leveraged again, resulting in an estimated beta of **0.796**.

Cost of Equity

The cost of equity (K_e) was estimated using the Capital Asset Pricing Model (CAPM), considering adjustments for country risk. The risk-free rate (Rf) was proxied by the yield on U.S. 10-years Treasury bonds, reflecting low-risk benchmark. The Equity Risk Premium (ERP) was derived from Damodaran's database, adjusted for the Country Risk Premium (CRP) to account for Apple's operational exposure across multiple geographies. The ERP took into consideration the significance of sales in the US, the rest of the Americas, Europe, Japan, Greater China, and the rest of the Asia-Pacific region, as reported by Apple, and arrived at **5.53%** (Appendix 11).

Applying these inputs into the CAPM formula, E(Ri) = Rf + β(ERP), results in a cost of capital of **9.13%** (Appendix 11).

Cost of Debt

The company's debt cost was determined by assuming the yield on its latest bonds, which was assumed to be **4.33%**. This is due to the fact that interest expenses were not disclosed in the company's financial statements. Furthermore, the latest annual report reveals that the company's debt is composed exclusively of these bond loans. Assuming two different tax rates for the forecast years and for the terminal value, the after-tax cost of debt was **3.68%** and **3.25%**, respectively (Appendix 12).

Capital Structure

Apple's capital structure is composed of 90.38% equity and 9.62% debt (Apple, 2023). The figures under discussion were calculated based on market values retrieved from Refinitiv.

As of 13 June, Apple's market capitalization corresponded to 2,975 billion dollars, with 14.9 million shares outstanding. According to the financial statements published by Apple, the total market value of the debt, including both long-term and short-term debt in addition to leases, amounts to 316.5 billion dollars (Figure 1).

WACC: Applying the cost of capital formula, WACC = (E/V)*Ke + (D/V)* Kd*(1 – t), results in a weighted average cost of capital of 8.60% for the forecasting years. For the terminal value, a WACC of 8.56% was estimated (Appendix 10). The difference arises due to the significant gap between the effective tax rate which Apple is exposed to and the marginal tax rate applied in the terminal year, in accordance with Damodaran.

Wacc Assumptions	Forecast
Risk-Free Rate (RFR)	4.72%
Market Risk Premium (MRP)	5,53%
Beta (β)	0.796
Cost of Equity	9.13%
Cost of Debt	4.33%
Tax Rate	15%
After-tax Cost of Debt	3.68%
WACC	8.60%

Table 1 – WACC Assumptions (Forecast Years) //Source: Author's Estimates

Wacc Assumptions	Terminal
Risk-Free Rate (RFR)	4.72%
Market Risk Premium (MRP)	5.53%
Beta (β)	0.796
Cost of Equity	9.13%
Cost of Debt	4.33%
Tax Rate	25%
After-tax Cost of Debt	3.25%
WACC	8.56%

Table 2 – WACC Assumptions (Terminal Value) // Source: Author's Estimates

Enterprise Value	
Perpetual Growth Rate	3.10%
Perpetuity WACC	8.56%
Terminal Value	3 749 404.06
PV of Terminal Value	2 486 583.89
PV of FCFF	815 400.482
Enterprise Value	3 302 811.84

Table 3 - Enterprise Value // Source: Author' Estimates

Price target	
Enterprise Value	3 301 984.73
- Debt (- Leases)	119 059
+ Cash & Equivalents	29 943
Equity Value	3 212 868.73
Shares outstanding	14 936
Price/share at 2025YE	$215.77

Table 4 - Target Price //Source: Author's Estimates

Terminal Growth Rate

The terminal value captures the value of all future cash flows expected to be generated after the forecast period, generally assuming that the company will grow at a stable and perpetual rate. This value was estimated assuming the 2030 FCF value will grow at **3.10%**.

The terminal value was calculated using the perpetual growth method, which assumes that the company's free cash flows will grow perpetually at a rate equal to the expected real GDP growth. This approach is based on the logic that, in the long term, a company's growth should not exceed that of the economy as a whole. This growth rate was used because no other formula applied followed this premise and, in the absence of reasonableness, a perpetual growth rate aligned with economic growth was chosen.

Terminal Value	
EBIT	266 187
Tax Rate	25%
EBIT (1-Tax Rate)	199 641
D&A	18 493
Changes WC	-1 177
CAPEX	21 855
FCFF TV	197 454. 89
Expected Growth Rate	3.10%
WACC	8.56%
Terminal Value	3 728 158,06
PV Terminal Value	2 474 493.66

Table 5 - Terminal Value // Source: Author's Estimates

Relative Valuation

The relative valuation of Apple was conducted on a business unit basis, due to the diversification of comparable competitors across the various segments. The weighted average price per sector was determined by allocating a weight to each BU in Apple's model.

The relative valuation concludes that Apple is overvalued by the market in most sectors, and therefore overall. Only the services sector concludes that the company is undervalued, where the market averages for EV/EBITDA, P/E and Price/Sales are higher than Apple's, suggesting that the company is relatively cheap in this sector. The EV/Revenue ratio is the only indicator to the opposite effect, with a value that is above average, which may indicate an overvaluation. In the other sectors, all these ratios for the average competing company are lower than the company's, suggesting that Apple is overvalued in these segments.

In accordance with empirical conclusions of Kaplan & Ruback (1995), the relative valuation method has been shown to result in greater deviations from the observed transaction values in comparison with DCF approach. Further, it is important to recognise that distinctions between IFRS and US GAAP, as well as the disparities in accounting policies, including revenue recognition for bundled products, R&D capitalisation policies, and the treatment of deferred revenue, may result in biases in the estimated target price derived from relative valuation methods. Consequently, in the final valuation, the DCF model were prioritised.

Peer/Segments	EV/EBITDA	Price/Sales	Price/Earnings	EV/Revenue
Mean Smartphones	**18.17**	**5.98**	**24.00**	**5.74**
Samsung Electronics Co Ltd	3.55	1.31	12.35	0.97
Microsoft Corp	23.59	13.25	31.35	13.11
Alphabet Inc	13.79	6.03	18.98	5.75
Xiaomi Corp	31.76	3.33	33.33	3.11
Mean Computers	**12.60**	**11.34**	**15.66**	**11.41**
Dell Technologies Inc	9.79	0.84	11.98	1.01
Microsoft Corp	23.59	13.25	31.35	13.11
HP Inc	4.33	0.58	7.94	1.24
Lenovo Group	4.26	0.23	9.13	0.23
AsusTek Compuer Inc.	7.57	0.83	0	0.68
NVIDIA Corp	33.53	55.95	33.9	58.49
Qualcomm	5.11	7.67	15.29	5.11
Mean Tablets	**17.95**	**5.49**	**25.80**	**5.30**
Samsung Electronics Co Ltd	3.55	1.31	12.35	0.97
Microsoft Corp	23.59	13.25	31.35	13.11
Alphabet Inc	13.79	6.03	18.98	5.75
Xiaomi Corp	31.76	3.33	33.33	3.11
Amazon	17.06	3.53	33	3.54
Mean Wearables, Home & Accessories	**17.39**	**4.09**	**24.89**	**3.84**
Samsung Electronics Co Ltd	3.55	1.31	12.35	0.97
Garmin Ltd.	20.77	6.25	26.81	5.83
Xiaomi Corp	31.76	3.33	33.33	3.11
Alphabet	13.79	6.03	18.98	5.75
Amazon	17.06	3.53	33	3.54
Mean Services	**25.41**	**7.71**	**36.05**	**7.58**
Alphabet Inc	13.79	6.03	18.98	5.75
Netflix Inc	19.35	13.25	48.78	13.04
Spotify Technology SA	64.65	7.9	65.36	7.36
Walt Disney Co	13.99	2.3	18.8	2.66
Amazon	17.06	3.53	33	3.54
Microsoft	23.59	13.25	31.35	13.11
Weighted Mean	**13.19**	**4.71**	**17.67**	**4.55**
Apple Inc.	21.49	7.46	24.51	7.45

Figure 39 – Relative Valuation // Source: Yahoo Finance

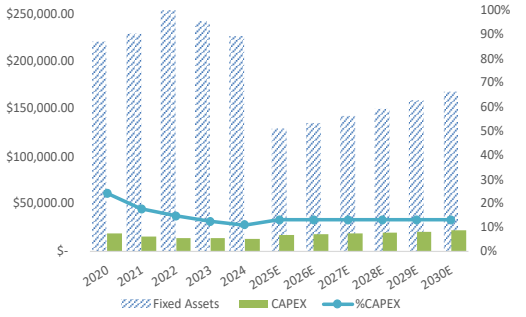


Figure 40 – Fixed Assets vs CAPEX vs CAPEX (%) // Source: LSEG Workspace (2020-2024) & Author's Estimates (2025E-2030E)

Financial Analysis

Profitability

Since 2015, volatility has marked Apple's sales, with some years showing significant peaks and others recording more moderate growth. For example, sales grew by only 2% in 2024. There are also some outliers, with negative growth but never in line with the trend. Apple's income statements reveal a pattern: expansive growth coincides with years of major changes to its products and software updates. This pattern is evident even during countercyclical periods: for example, Apple recorded 33% growth in 2021, even, while increasing its non-current assets in a year marked by the pandemic crisis. This outlook provides a positive outlook for the coming years, which are expected to see pivotal changes.

Unlike sales, there has been a stable trend in gross margin, gradually increasing by around 1% YoY since 2019. This can be explained by the increased significance of revenue from the Services segment, indicating a higher degree of profitability. This trend is expected to continue as the Services segment is set to gain further momentum, and AI is expected to increase efficiency by finding synergies in operations.

Moreover, return on assets has remained within the range of 25% to 28% since 2021, a year which marked a significant increase in this indicator, even when there was an increase in assets, thus reinforcing the efficiency of asset use in generating profits. The negative growth observed in 2024 can be attributed to an increase in assets, indicating a trend towards constant growth (Appendix 8).

The EBIT margin has remained constant YoY, standing at 31.51% in 2024 and is expected to remain constant. Since 2019, the year in which sales converted least into EBIT was 2020 at 24.15%. This margin explains the ability of the company to convert a significant portion of its sales into earnings before interest and taxes, reinforcing its sustainable performance (Appendix 8).

Efficiency and Liquidity

Apple's operational efficiency stands out among global companies, driven by a set of financial ratios that reveal remarkable asset allocation. Since 2021, Apple's asset turnover ratio has consistently exceeded 1, confirming the company's ability to generate more sales than the total value of its assets each year, a crucial indicator of efficiency for a company. Moreover, a key factor in this efficiency is the inventory turnover ratio, which has remained high despite a gradual decline from 79.73 in 2022 to 53.67 in 2024 (Appendix 8). High inventory turnover reflects rapid product movement, reinforcing the ability to minimise maintenance costs and reduce the risk of obsolescence, avoiding impairment losses.

Accounts receivable turnover fell from 6.47 in 2022 to 5.90 in 2024, however, it still signals strong collection efficiency, with most customers settling their debts quickly. Also, Apple's working capital mastery is highlighted by the close alignment between payment days (64.37 days in 2024) and the sum of inventory (6.80 days) and receivable days (61.83 days) in the same period (Appendix 8). This equivalence demonstrates a sustainable cash conversion cycle, where the company receives money from customers and maintains inventory at almost the same pace as it pays suppliers, reflecting the efficiency of operations.

In addition, looking to liquidity, minimising changes in working capital is pivotal in preserving liquidity and safeguarding Apple's cash reserves.

Despite a current liquidity ratio of less than 1.0, which, according to traditional analysis, would indicate that current liabilities exceed current assets, Apple's robust cash flow serves to mitigates this concern. The quick ratio of 0.55 indicates that a smaller portion of current assets, excluding inventory, is available to meet immediate obligations. Further, the low liquidity ratio of 0.17 signifies restricted holdings of cash and cash equivalents in comparison to short-term liabilities (Appendix 8).

It is evident that these indicators reveal a potential threat to the company's liquidity. However, the company's business model facilitates strong operating cash flow, stable and efficient working capital management, and reliable access to capital markets. These factors mitigate the risks associated with these modest liquidity ratios.

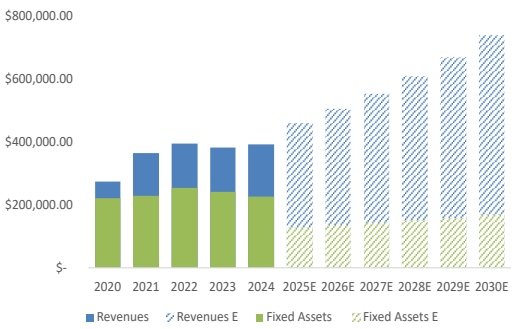


Figure 41 – Revenues vs Fixed Assets //Source: LSEG Workspace (2020-2024) & Author's Estimates (2025E-2030E)

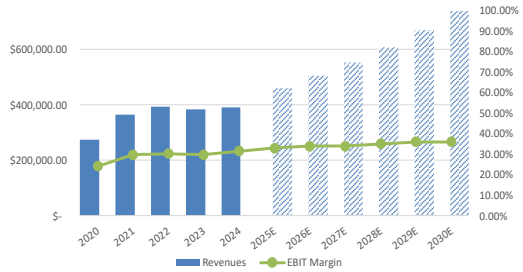


Figure 42 – Revenues vs EBIT Margin //Source: LSEG Workspace (2020-2024) & Author's Estimates (2025E-2030E)

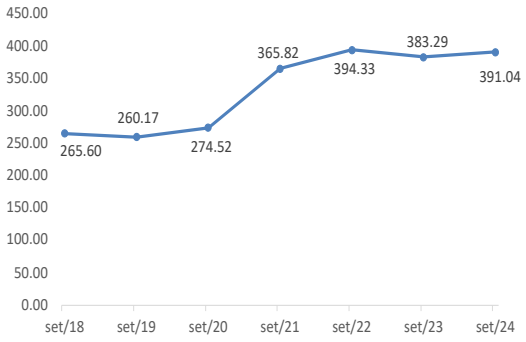


Figure 43 – AAPL Revenues (2018-2024)//Source: LSEG Workspace

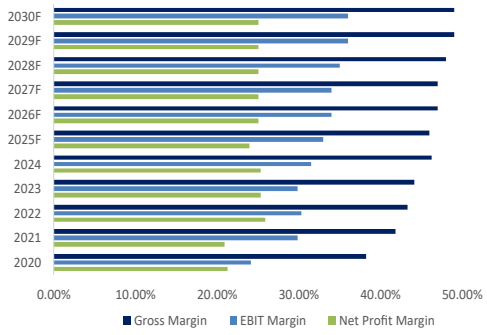


Figure 44 – Gross Margin vs EBITDA Margin vs Net Profit Margin //Source: LSEG Workspace (2020-2024) & Author's Estimates (2025F-2030F)

Furthermore, the company's considerable reserves of marketable securities, combined with its demonstrated capacity to mobilise funds expeditiously when required, serve to mitigate liquidity risk further.

Solvency

In terms of solvency, Apple exhibits a propensity for substantial debt, as evidenced by consistently elevated debt-equity ratios that surpass 1 (Appendix 8). However, it is important to note that most of Apple's debt is structured as bonds, indicating an extended timeframe for repayment. This is further corroborated by the short-term debt/equity ratio, which has historically ranged between 0.5 and 0.25 (Figure 47), suggesting that a significant share of the debt is allocated to the long term.

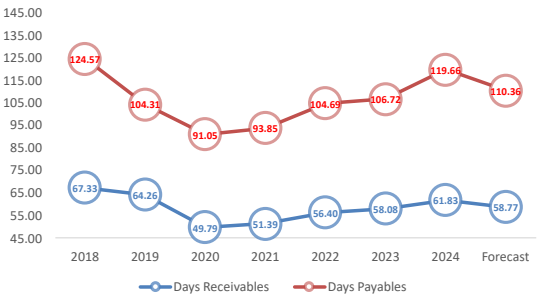


Figure 45 – Receivable Days vs Payment Days *//Source: LSEG Workspace (2018-2024) & Author's Estimates (Forecast)*

Investment Risks

Government & Regulatory Risk | Restriction to Business Moat (GRR1)

The regulatory landscape surrounding Apple reminds challenges faced by other dominant companies. The European Union has already imposed a $1.8 billion fine on Apple for anti-competitive practices for Apple Store failing to allow app developers to steer users to cheaper alternatives. The company faces potential fines of up to 10% of global annual turnover under EU regulations, escalating to 20% for repeat violations.

The Department of Justice's antitrust lawsuit focuses on five key areas where Apple allegedly engages in monopolistic behaviour: super apps, cloud streaming, cross-platform messaging, smartwatches, and digital wallets. What is most concerning is that regulatory action could force Apple to open its walled garden, representing a fundamental threat to Apple's moat, the very ecosystem that creates such higher switching costs for consumers.

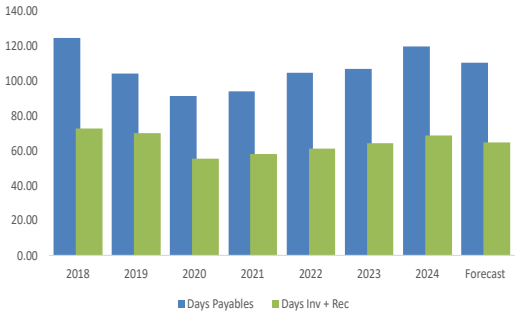


Figure 46 -Payable Days vs Receivable + Inventory Days *//Source: LSEG Workspace (2018-2024) & Author's Estimates (Forecast)*

Government & Regulatory Risk | Geopolitical & Economic (GRR2)

Apple's China exposure represents what is considered a "single point of failure" risk. The company produces around 80 to 90% of its iPhones in China, making it extraordinarily vulnerable to trade disruptions. Recent data shows iPhone and other smartphones imports from China to the US have plummeted to their lowest levels since April 2011, demonstrating how quickly geopolitical tensions can impact operational activities. Furthermore, Apple's substantial presence in Asia, particularly in China, renders the company vulnerable to the potential adverse impact of tariffs and geopolitical tensions. US-China trade disputes could lead to increased component costs, disrupting operations and pressuring gross margins. Geopolitical instability can also result in export bans, regulatory changes, or factory shutdowns, threatening delays, rising costs, and component shortages.

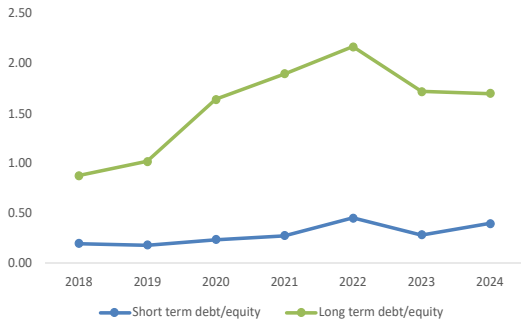


Figure 47- Debt Structure *//Source: LSEG Workspace (2018-2024)*

Operational Risk | Overreliance on Single Product (OR1)

This represents Apple's Achilles' heel. The iPhone generated approximately $201.19 billion, representing nearly 50% of total company revenue in fiscal year 2024. Over-reliance on a single revenue stream presents a significant structural vulnerability for businesses.

Apple's risk disclosures acknowledge this vulnerability, stating that "new products, services and technologies may replace existing offerings and may produce lower revenues and lower profit margins".

The smartphone market is reaching maturity, and Apple must address the challenge of sustaining growth in a saturated market while developing the next paradigm shift. The company's diversification efforts into Services, $96.17 billion in fiscal 2024, and new product categories represent positive developments, but the iPhone remains the golden goose.

Operational Risk | Supply Chain Vulnerabilities (OR2)

Apple's supply chain complexity creates what is called "operational leverage in reverse", whereby minor disruptions can have outsized impacts. The company obtains many components from single or limited sources, creating chokepoints that competitors with more diversified supply chains might exploit.

Its heavy concentration in Asia, particularly China, means exposure to geopolitical tensions, trade barriers, natural disasters, public health crises, and cyber threats. Apple's strategic response, diversifying production to India, represents prudent risk management, though the transition costs and execution risks are substantial.

Nowadays, this risk has become increasingly visible and a concern in recent months as new tariffs have been announced and geopolitical tensions, particularly between the U.S. and China have escalated.Apple's 10-K underscores the potential for these disruptions impact production timelines, gross margins, and increasing costs. In response, Apple faces a margin-price dilemma: absorb higher costs, compressing product gross margins, or raise prices, risking demand loss in price-sensitive markets.

Operational Risk | Service Revenue Risk (OR3)

Apple's service revenue risk has become a central concern for the company, especially as the segment now constitutes a growing and strategically significant share of total revenue. In fiscal 2024, Services' net sales reached $96.2 billion, increasing from $85.2 billion in 2023 and $78.1 billion in 2022, accounting for nearly a quarter of Apple's total net sales. This rapid growth has made Services a critical engine for both revenue diversification and margin expansion, as hardware sales growth moderates. Apple has been facing increasing regulatory scrutiny from the DOJ and EU's DMA, which could impact its financial performance, business model, and operational activities. These pressures are particularly material now, as Services revenue, driven largely by the App Store, has become a growing share of total revenue YoY. Regulatory mandates threatening App Store commissions, default settings, and ecosystem control directly undermine the segment, amplifying the financial and strategic implications.

Market Risk | Competitive Threats in AI (MR1)

Apple faces growing market risk from fast AI advancements by rivals such as Google, Microsoft, and Amazon, who are integrating generative AI into their ecosystems. This intensifies competitive pressure across voice assistants, search, and personalization, potentially eroding Apple's advantages.

As outlined in Apple's 10-K, delays in the field of AI innovation have the potential to impact factors such as product appeal, developer support, and user trust. In this context, falling behind in AI could potentially weaken Apple's ecosystem stickiness, long-term growth potential and its leading position.

Market Risk | Durable products eroding demand (MR2)

An emerging structural risk to Apple's revenue stability is the lengthening of smartphone replacement cycles, which threatens the frequency of iPhone upgrades,

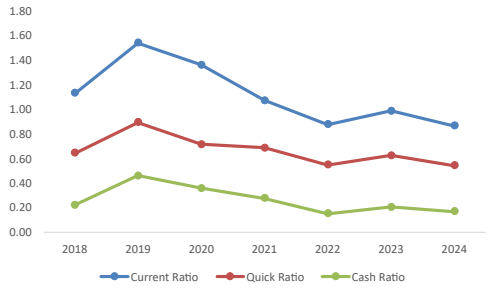


Figure 48- Financial Ratios // *Source: LSEG Workspace (2018-2024)*

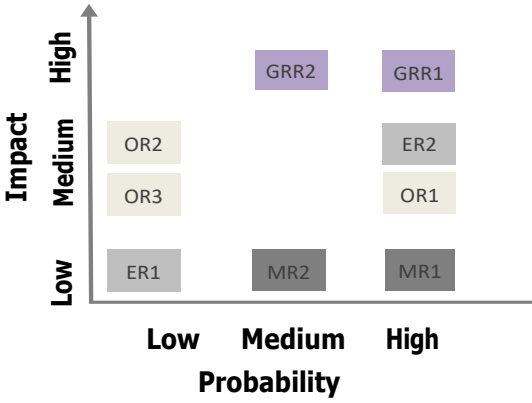


Figure 49 - Risk Matrix // *Source: Author's Estimates*

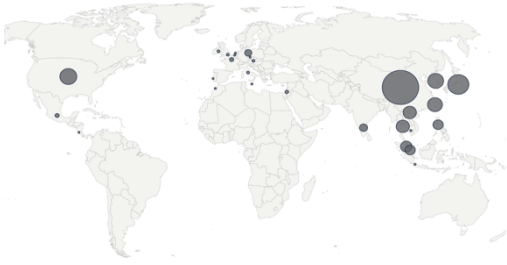


Figure 50 – AAPL's Supply Chain Geographic Area // *Source: AAPL's Supplier List 2023*

historically a key driver of hardware sales (51.45% of revenue in 2024). This shift is fuelled by improved device durability, extended software support, and changing consumer behaviour. For instance, the iPhone 11 shows an average lifespan of nearly 9 years, thereby reducing the urgency for upgrades. Additionally, 42% of users cite environmental concerns, while 75% prioritize battery life over new features.

It is evident that economic pressures have had a significant impact on the prolongation of replacement cycles in the United States, with a projected increase from 2.67 years in 2023 to 2.87 years by 2027.

Ethical Risks | Ethical Issues related to AI (ER1)

Apple's venture into AI features creates new categories of risk that didn't exist in the company's traditional hardware business. The potential for AI to generate "harmful, inaccurate or other negative content" could expose Apple to litigation, regulatory scrutiny, and reputational damage. Unlike traditional product defects that can be recalled or fixed, AI-related errors could scale instantly across hundreds of millions of devices, creating unprecedented liability exposure. Moreover, this can potentially to compromise one of the company's primary business moats.

Ethical Risks | Pressure on openness of Ecosystem (ER2)

Regulatory and competitive pressure to open Apple's ecosystem represents a fundamental shift in the company's modus operandi. Requirements under the DMA and various antitrust actions are pushing Apple toward greater interoperability, challenging its closed ecosystem model. While this may enhance market access and competition, it also introduces ethical risks, particularly regarding user privacy and security. Many consumers choose Apple specifically for its controlled environment and data protection. Forced openness could undermine these safeguards, exposing users to threats Apple has historically been able to mitigate. This creates a dilemma: complying with regulatory demands may erode one of Apple's core value propositions.

Scenario Analysis

To complement the valuation, a scenario analysis was conducted to understand its sensitivity to certain assumptions. The company's valuation prospects vary significantly depending on the assumptions made for revenue growth and gross margin. The tax rate is less sensitive, as the existing EBIT gain will be offset by its influence on the increase in WACC. In the pessimistic scenario, lower revenue growth combined with a tighter gross margin and, consequently, lower EBIT, results in a target price of US$ 150.56, which implies a 23.4% drop from the current price, demonstrating high sensitivity to these variables. On the other hand, in the optimistic scenario, strong revenue growth and operational efficiency lead to an increase in the target to US$ 247.21, reflecting a solid upside of 25.8%, thus corroborating the same hypothesis.

In addition, bull and bear market scenarios, which exhibit significant variations in relation to the assumptions of the base scenario, it is important to consider the risks or opportunities that the company faces, due to geopolitical tensions and political instability, on the one hand, and the significant growth driven by the abrupt growth of new emerging technologies, on the other hand, could materialise those scenarios.

Scenario	Pessimistic	Base Case	Optimistic
Revenue Growth	9%	11%	13%
Cost of Sales Growth	8%	9%	12%
Gross Margin	40%	45%	50%
Tax Rate	25%	15%	15%
WACC	8.56%	8.60%	8.60%
EBIT Growth	7.66%	13.7%	16.29%
Terminal Value	$2,248,665.32	$ 3 728 158.06	$3,692,247.37
Target Price	$ 150.56	$ 215.08	$ 247.21
Upside/Downside	-23.41%	9.41%	25.75%

Figure 51 - Scenario Analysis // Source: Author's Estimate



Figure 52 -FCFF Scenario Analysis // Source: Author's Estimate

Sensitivity Analysis

In order to complement the company's valuation, a sensitivity analysis was performed.

To carry out the analysis, WACC and the terminal growth rate were used, and the impact of changes in gross margin on Apple's target share price was also studied. To achieve a more robust valuation, both FCFF and FCFE were used to calculate the target share price to analyse a scenario that eliminates the effect of debt from the analysis.

In the worst-case scenario, the share price could settle at $191.7, representing a minimal decrease over Apple's current price. In the best-case scenario, the target price could reach $255.17, representing a potential appreciation of 29.8%. According to the analysis, the sensitivity to of the target price to these two variables is evident, as slight variations in them have a significant impact on the price. In order to continue to have positive consensus on outperforming of its shares, Apple should seek to reduce its cost of capital. About the gross margin, a sensitivity analysis was performed for the margin assumed in recent forecast years, which may be subject to some deferral. The gross margin, complementing the perpetual growth rate, also offers high sensitivity in relation to Apple's share price. A 1 percentage point (pp) increase indicates a $5 per share increase while maintaining the same growth rate, and a decrease on the same scale in the opposite scenario. This analysis shows that even a small change in assumptions can affect the target share price, but only in cases of large variations in all of them would there be a change in the recommendation and the company would be overvalued.

	FCFE	Expected Growth Rate						
	215.08	**2.80%**	**2.90%**	**3.00%**	**3.10%**	**3.20%**	**3.40%**	**3.60%**
WACC	**8.11%**	222.84	226.34	229.97	233.75	237.69	246.06	255.17
	8.26%	216.92	220.20	223.62	227.16	230.85	238.68	247.18
	8.41%	211.32	214.41	217.62	220.96	224.42	231.75	239.69
	8.56%	206.02	208.94	211.96	**215.08**	218.35	225.23	232.67
	8.71%	201.00	203.75	206.61	209.56	212.62	219.10	226.07
	8.86%	196.23	198.84	201.54	204.32	207.21	213.30	219.86
	9.01%	191.71	194.18	196.72	199.36	202.09	207.83	214.00

Table 6 - Price Target Sensitivity Analysis to the Perpetual Growth Rate and WACC
//Source: Author's Estimates

	FCFE	Expected Growth Rate						
	215.08	**2.80%**	**2.90%**	**3.00%**	**3.10%**	**3.20%**	**3.30%**	**3.40%**
Gross Margin	**46.00%**	191.16	193.83	196.60	199.47	202.45	205.54	208.75
	47.00%	196.11	198.86	201.72	204.67	207.74	210.93	214.24
	48.00%	201.05	203.89	206.83	209.88	213.04	216.32	219.73
	49.00%	206.00	208.92	211.94	**215.08**	218.33	221.71	225.21
	50.00%	210.95	213.95	217.06	220.28	223.62	227.09	230.70
	51.00%	215.90	218.98	222.17	225.48	228.92	232.48	236.19
	52.00%	220.84	224.01	227.29	230.68	234.21	237.87	241.67

Table 7 - Price Target Sensitivity Analysis to the Perpetual Growth Rate and Gross Margin
//Source: Author's Estimates

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List of Appendices

Appendix 1: Balance Sheet ($m)

Balance Sheet in $ millions (IFRS)	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
Marketable sucurities	$170,799.00	$105,341.00	$100,887.00	$127,877.00	$120,805.00	$100,544.00	$91,479.00	$124,516.24	$136,341.63	$149,560.94	$164,365.30	$180,974.33	$199,640.50
Intangible assets	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Property, plant and equipment	$41,304.00	$37,378.00	$45,336.00	$49,527.00	$52,534.00	$54,376.00	$55,914.00	$64,563.98	$70,695.66	$77,550.11	$85,226.45	$93,838.54	$103,517.30
Other non-current investments	$22,283.00	$32,978.00	$33,952.00	$38,762.00	$44,011.00	$54,097.00	$64,600.00	$64,600.00	$64,600.00	$64,600.00	$64,600.00	$64,600.00	$64,600.00
Total noncurrent assets	**$234,386.00**	**$175,697.00**	**$180,175.00**	**$216,166.00**	**$217,350.00**	**$209,017.00**	**$211,993.00**	**$253,680.21**	**$271,637.29**	**$291,711.05**	**$314,191.75**	**$339,412.87**	**$367,757.80**
Inventories	$3,956.00	$4,106.00	$4,061.00	$6,580.00	$4,946.00	$6,331.00	$7,286.00	$7,328.20	$8,024.16	$8,802.17	$9,673.45	$10,650.95	$11,749.52
Trade and other current receivables	$48,995.00	$45,804.00	$37,445.00	$51,506.00	$60,932.00	$60,985.00	$66,243.00	$74,254.89	$81,306.93	$89,190.22	$98,018.76	$107,923.50	$119,055.02
Short-Term Investments	$40,388.00	$51,713.00	$52,927.00	$27,699.00	$24,658.00	$31,590.00	$35,228.00	$36,893.70	$40,397.52	$44,314.35	$48,700.83	$53,622.02	$59,152.74
Cash and cash equivalents	$25,913.00	$48,844.00	$38,016.00	$34,940.00	$23,646.00	$29,965.00	$29,943.00	$64,563.98	$70,695.66	$77,550.11	$85,226.45	$93,838.54	$103,517.30
Other current assets	$12,087.00	$12,352.00	$11,264.00	$14,111.00	$21,223.00	$14,695.00	$14,287.00	$32,281.99	$35,347.83	$38,775.06	$42,613.23	$46,919.27	$51,758.65
Total current assets	**$131,339.00**	**$162,819.00**	**$143,713.00**	**$134,836.00**	**$135,405.00**	**$143,566.00**	**$152,987.00**	**$215,322.75**	**$235,772.10**	**$258,631.91**	**$284,232.72**	**$312,954.29**	**$345,233.23**
Total assets	**$365,725.00**	**$338,516.00**	**$323,888.00**	**$351,002.00**	**$352,755.00**	**$352,583.00**	**$364,980.00**	**$469,002.97**	**$507,409.39**	**$550,342.96**	**$598,424.47**	**$652,367.16**	**$712,991.03**
Borrowings due within one year	$20,748.00	$16,240.00	$15,229.00	$17,141.00	$22,773.00	$17,382.00	$22,511.00	$27,764.98	$30,038.64	$32,580.30	$35,426.73	$38,620.14	$42,209.07
Trade payables and other current liabilities	$55,888.00	$46,236.00	$42,296.00	$54,763.00	$64,115.00	$62,611.00	$68,960.00	$139,437.97	$152,680.49	$167,483.97	$184,062.45	$202,661.87	$223,564.95
Other current liabilities	$39,293.00	$43,242.00	$47,867.00	$53,577.00	$67,094.00	$65,315.00	$84,921.00	$39,158.36	$40,541.01	$42,086.63	$43,817.59	$45,759.55	$47,942.03
Total current liabilities	**$115,929.00**	**$105,718.00**	**$105,392.00**	**$125,481.00**	**$153,982.00**	**$145,308.00**	**$176,392.00**	**$206,361.31**	**$223,260.13**	**$242,150.90**	**$263,306.77**	**$287,041.55**	**$313,716.05**
Borrowings due after more than one year	$93,735.00	$91,807.00	$107,049.00	$119,381.00	$109,707.00	$106,548.00	$96,548.00	$139,575.28	$151,005.03	$163,782.06	$178,091.12	$194,144.47	$212,186.13
Other	$48,914.00	$50,503.00	$46,108.00	$43,050.00	$38,394.00	$38,581.00	$35,090.00	$48,025.90	$51,958.72	$56,355.12	$61,278.67	$66,802.40	$73,010.28
Total non-current liabilities	**$115,929.00**	**$105,718.00**	**$105,392.00**	**$125,481.00**	**$153,982.00**	**$145,308.00**	**$176,392.00**	**$187,601.19**	**$202,963.76**	**$220,137.18**	**$239,369.79**	**$260,946.86**	**$285,196.41**
Called up share capital	$40,201.00	$45,174.00	$50,779.00	$57,365.00	$64,849.00	$73,812.00	$83,276.00	$83,276.00	$83,276.00	$83,276.00	$83,276.00	$83,276.00	$83,276.00
Reserves	-$3,454.00	-$584.00	-$406.00	$163.00	-$11,109.00	-$11,452.00	-$7,172.00	-$109,328.21	-$14,919.61	-$114,308.17	-$24,843.24	-$125,790.08	-$32,862.37
Retained Earnings	$70,400.00	$45,898.00	$14,966.00	$5,562.00	-$3,068.00	-$214.00	-$19,154.00	$101,092.69	$12,829.11	$119,087.04	$37,315.15	$146,892.83	$63,664.93
Shareholders' equity	**$107,147.00**	**$90,488.00**	**$65,339.00**	**$63,090.00**	**$50,672.00**	**$62,146.00**	**$56,950.00**	**$75,040.47**	**$81,185.50**	**$88,054.87**	**$95,747.92**	**$104,378.75**	**$114,078.56**
Total liabilities and shareholders' equity	**$365,725.00**	**$338,516.00**	**$323,888.00**	**$351,002.00**	**$352,755.00**	**$352,583.00**	**$364,980.00**	**$469,002.97**	**$507,409.39**	**$550,342.96**	**$598,424.47**	**$652,367.16**	**$712,991.03**

Source: Refinitiv Eikon (2018-2024) & Author's Estimates (2025-2030)

Appendix 2: Income Statement ($m)

Income Statement in $ millions (IFRS)	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
Revenues	$265,595.00	$260,174.00	$274,515.00	$365,817.00	$394,328.00	$383,285.00	$391,035.00	$461,171.25	$504,969.00	$553,929.39	$608,760.37	$670,275.29	$739,409.27
Cost of sales	$163,756.00	-$161,782.00	-$169,559.00	-$212,981.00	-$223,546.00	-$214,137.00	-$210,352.00	-$249,032.48	-$267,633.57	-$293,582.58	-$316,555.39	-$341,840.40	-$377,098.73
Gross profit	**$101,839.00**	**$98,392.00**	**$104,956.00**	**$152,836.00**	**$170,782.00**	**$169,148.00**	**$180,683.00**	**$212,138.78**	**$237,335.43**	**$260,346.81**	**$292,204.98**	**$328,434.89**	**$362,310.54**
SG&A	$16,705.00	$18,245.00	$19,916.00	$21,973.00	$25,094.00	$24,932.00	$26,097.00	$27,670.28	$30,298.14	$33,235.76	$36,525.62	$40,216.52	$44,364.56
R&D	$14,236.00	$16,217.00	$18,752.00	$21,914.00	$26,251.00	$29,915.00	$31,370.00	$32,281.99	$35,347.83	$38,775.06	$42,613.23	$46,919.27	$51,758.65
EBITDA	**$70,898.00**	**$63,930.00**	**$66,288.00**	**$108,949.00**	**$119,437.00**	**$114,301.00**	**$123,216.00**	**$152,186.51**	**$171,689.46**	**$188,335.99**	**$213,066.13**	**$241,299.11**	**$266,187.34**
Depreciation & Amortization	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	14,208	14,883	15,637	16,481	17,428	18,493 1)
Operating profit (EBIT)	**$70,898.00**	**$63,930.00**	**$66,288.00**	**$108,949.00**	**$119,437.00**	**$114,301.00**	**$123,216.00**	**$152,186.51**	**$171,689.46**	**$188,335.99**	**$213,066.13**	**$241,299.11**	**$266,187.34**
Finance costs/expenses	$2,446.00	$1,385.00	$890.00	$198.00	-$106.00	-$183.00	$0.00	$555.30	$600.77	$651.61	$708.53	$772.40	$844.18
Profit before taxation (EBT)	**$72,903.00**	**$65,737.00**	**$67,091.00**	**$109,207.00**	**$119,103.00**	**$113,736.00**	**$123,485.00**	**$151,631.21**	**$171,088.69**	**$187,684.39**	**$212,357.60**	**$240,526.70**	**$265,343.16**
Taxation	$11,872.00	$10,481.00	$9,680.00	$14,527.00	$19,300.00	$16,741.00	$29,749.00	$22,744.68	$25,663.30	$28,152.66	$31,853.64	$36,079.01	$39,801.47
Net Income before Minority Interest	**$61,031.00**	**$55,256.00**	**$57,411.00**	**$94,680.00**	**$99,803.00**	**$96,995.00**	**$93,736.00**	**$128,886.53**	**$145,425.38**	**$159,531.73**	**$180,503.96**	**$204,447.70**	**$225,541.68**
Extraordinary operations	-$1,500.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Minority interests	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Net Income	**$59,531.00**	**$55,256.00**	**$57,411.00**	**$94,680.00**	**$99,803.00**	**$96,995.00**	**$93,736.00**	**$128,886.53**	**$145,425.38**	**$159,531.73**	**$180,503.96**	**$204,447.70**	**$225,541.68**

1) Depreciation & Amortisation are merely illustrative, as they are already included in the calculation of SG&A and R&D expenses

Source: LSEG Workspace (2018-2024) & Author's Estimates (2025-2030)

Appendix 3: Common-Size Balance Sheet (%)

Balance Sheet in $ millions (IFRS)	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
Marketable sucurities	46.70%	31.12%	31.15%	36.43%	34.25%	28.52%	25.06%	26.55%	26.87%	27.18%	27.47%	27.74%	28.00%
Intangible assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Property, plant and equipment	11.29%	11.04%	14.00%	14.11%	14.89%	15.42%	15.32%	13.77%	13.93%	14.09%	14.24%	14.38%	14.52%
Other non-current investments	6.09%	9.74%	10.48%	11.04%	12.48%	15.34%	17.70%	13.77%	12.73%	11.74%	10.80%	9.90%	9.06%
Total noncurrent assets	**64.09%**	**51.90%**	**55.63%**	**61.59%**	**61.62%**	**59.28%**	**58.08%**	**54.09%**	**53.53%**	**53.01%**	**52.50%**	**52.03%**	**51.58%**
Inventories	1.08%	1.21%	1.25%	1.87%	1.40%	1.80%	2.00%	1.56%	1.58%	1.60%	1.62%	1.63%	1.65%
Trade and other current receivables	13.40%	13.53%	11.56%	14.67%	17.27%	17.30%	18.15%	15.83%	16.02%	16.21%	16.38%	16.54%	16.70%
Short-Term Investments	11.04%	15.28%	16.34%	7.89%	6.99%	8.96%	9.65%	7.87%	7.96%	8.05%	8.14%	8.22%	8.30%
Cash and cash equivalents	7.09%	14.43%	11.74%	9.95%	6.70%	8.50%	8.20%	13.77%	13.93%	14.09%	14.24%	14.38%	14.52%
Other current assets	3.30%	3.65%	3.48%	4.02%	6.02%	4.17%	3.91%	6.88%	6.97%	7.05%	7.12%	7.19%	7.26%
Total current assets	**35.91%**	**48.10%**	**44.37%**	**38.41%**	**38.38%**	**40.72%**	**41.92%**	**45.91%**	**46.47%**	**46.99%**	**47.50%**	**47.97%**	**48.42%**
Total assets	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Borrowings due within one year	5.67%	4.80%	4.70%	4.88%	6.46%	4.93%	6.17%	5.92%	5.92%	5.92%	5.92%	5.92%	5.92%
Trade payables and other current liabilities	15.28%	13.66%	13.06%	15.60%	18.18%	17.76%	18.89%	29.73%	30.09%	30.43%	30.76%	31.07%	31.36%
Other current liabilities	10.74%	12.77%	14.78%	15.26%	19.02%	18.52%	23.27%	8.35%	7.99%	7.65%	7.32%	7.01%	6.72%
Total current liabilities	**31.70%**	**31.23%**	**32.54%**	**35.75%**	**43.65%**	**41.21%**	**48.33%**	**44.00%**	**44.00%**	**44.00%**	**44.00%**	**44.00%**	**44.00%**
Borrowings due after more than one year	25.63%	27.12%	33.05%	34.01%	31.10%	30.22%	26.45%	29.76%	29.76%	29.76%	29.76%	29.76%	29.76%
Other	13.37%	14.92%	14.24%	12.26%	10.88%	10.94%	9.61%	10.24%	10.24%	10.24%	10.24%	10.24%	10.24%
Total non-current liabilities	**31.70%**	**31.23%**	**32.54%**	**35.75%**	**43.65%**	**41.21%**	**48.33%**	**40.00%**	**40.00%**	**40.00%**	**40.00%**	**40.00%**	**40.00%**
Called up share capital	10.99%	13.34%	15.68%	16.34%	18.38%	20.93%	22.82%	17.76%	16.41%	15.13%	13.92%	12.77%	11.68%
Reserves	-0.94%	-0.17%	-0.13%	0.05%	-3.15%	-3.25%	-1.97%	-23.31%	-2.94%	-20.77%	-4.15%	-19.28%	-4.61%
Retained Earnings	19.25%	13.56%	4.62%	1.58%	-0.87%	-0.06%	-5.25%	21.55%	2.53%	21.64%	6.24%	22.52%	8.93%
Shareholders' equity	**29.30%**	**26.73%**	**20.17%**	**17.97%**	**14.36%**	**17.63%**	**15.60%**	**16.00%**	**16.00%**	**16.00%**	**16.00%**	**16.00%**	**16.00%**
Total liabilities and shareholders' equity	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Source: LSEG Workspace (2018-2024) & Author's Estimates (2025-2030)

Appendix 4: Common-Size Income Statement (%)

Income Statement in $ millions (IFRS)	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
Turnover	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	61.66%	-62.18%	-61.77%	-58.22%	-56.69%	-55.87%	-53.79%	-54.00%	-53.00%	-53.00%	-52.00%	-51.00%	-51.00%
Gross profit	**38.34%**	**37.82%**	**38.23%**	**41.78%**	**43.31%**	**44.13%**	**46.21%**	**46.00%**	**47.00%**	**47.00%**	**48.00%**	**49.00%**	**49.00%**
SG&A	6.29%	7.01%	7.25%	6.01%	6.36%	6.50%	6.67%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
R&D	5.36%	6.23%	6.83%	5.99%	6.66%	7.80%	8.02%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
EBITDA	**26.69%**	**24.57%**	**24.15%**	**29.78%**	**30.29%**	**29.82%**	**31.51%**	**33.00%**	**34.00%**	**34.00%**	**35.00%**	**36.00%**	**36.00%**
Depreciation, Amortization	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.08%	2.95%	2.82%	2.71%	2.60%	2.50%
Operating profit (EBIT)	**26.69%**	**24.57%**	**24.15%**	**29.78%**	**30.29%**	**29.82%**	**31.51%**	**33.00%**	**34.00%**	**34.00%**	**35.00%**	**36.00%**	**36.00%**
Finance costs/expenses	0.92%	0.53%	0.32%	0.05%	-0.03%	-0.05%	0.00%	0.12%	0.12%	0.12%	0.12%	0.12%	0.11%
Profit before taxation (EBT)	**27.45%**	**25.27%**	**24.44%**	**29.85%**	**30.20%**	**29.67%**	**31.58%**	**32.88%**	**33.88%**	**33.88%**	**34.88%**	**35.88%**	**35.89%**
Taxation	4.47%	4.03%	3.53%	3.97%	4.89%	4.37%	7.61%	4.93%	5.08%	5.08%	5.23%	5.38%	5.38%
Net profit from continuing operations	**22.98%**	**21.24%**	**20.91%**	**25.88%**	**25.31%**	**25.31%**	**23.97%**	**27.95%**	**28.80%**	**28.80%**	**29.65%**	**30.50%**	**30.50%**
Extraordinary operations	-0.56%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Minority interests	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net Income	**22.41%**	**21.24%**	**20.91%**	**25.88%**	**25.31%**	**25.31%**	**23.97%**	**27.95%**	**28.80%**	**28.80%**	**29.65%**	**30.50%**	**30.50%**

Source: LSEG Workspace (2018-2024) & Author's Estimates (2025-2030)

Appendix 5: Balance-Sheet Assumptions

Balance Sheet	Assumptions
Marketable sucurities	Marketable Securities = Revenues * 3YAverage Marketable Sucurities/Revenues
Intangible assets	Intangible Assets = Revenues + 3YAverage Intangible Assets/Revenues
Property, plant and equipment	PP&E = PP&E * 3YAverage PP&E/Revenues
Other non-current investments	Constant. Other non current investments = Other non-current investments t-1
Total noncurrent assets	Sum of previous
Inventories	Inventory = Revenues * 3YAverage Inventory Days/365
Trade and other current receivables	Account Receivables = Revenues = 3YAverage Account Receivable Days/365
Short-Term Investments	Short-Term Investments = Revenues * 3YAverage Short-Term Investments/Revenues
Cash and cash equivalents	Cash & Cash Equivalents = Revenues * 3YAverage Cash & Equivalents/Revenues
Other current assets	Other Current Assets = Revenues * 3YAverageOther Current Assets/Revenues
Total current assets	Sum of previous
Total assets	Total Assets = Current Assets + Non current Assets
Borrowings due within one year	Short- Term Debt = Equity * 3YAverageShort - Term Debt/Equity
Trade payables and other current liabilities	Account Payables = Revenues + 3YAvergae Account Payable Days/365
Other current liabilities	Other current liabilities = Current Liabilities - Short-Term Debt - Account payables
Total current liabilities	Current Liabilities = Total Assets * 3Y Average Current/Total Assets
Borrowings due after more than one year	Long - Term Debt = Equity * 3YAverage Long-Term Debt/ Equity
Other	Other non current liabilities =Non current liabilities - Long-Term Debt
Total non-current liabilities	Non current liabilities = Total Assets * 3YAverage Non current liabilities/Total Assets
Called up share capital	Constant. Share Capital = Share Capital t-1
Reserves	Reserves = Equity - Retained Earnings - Share Capital
Retained Earnings	Retained Earnings = Reserves t-1 + Net Income * Retention Ratio
Shareholders' equity	Total Equity = Total Assets - Total Liabilities
Total liabilities and shareholders' equity	Total Equity and Liabilities = Total Equity + Total Liabilities

Source: Author

Appendix 6: Income Statement Assumptions

Income Statement in $ millions (IFRS)	**Assumptions**
Revenues	Estimation in Appendix #
Cost of sales	Cost of Sales = Revenues - Gross Profit
Gross profit	Gross Profit = Revenues * Gross Margin (Appendix #)
SG&A	SG&A = Revenues * 3Y AverageSG&A/Revenues
R&D	R&D = Revenues * 3Y Average R&D/Revenues
EBITDA	EBITDA = Revenues * 3YAverage EBITDA Margin
Depreciation, Amortization	D&A = (Non Current Assets - Marketable Securities) * 3Y Average D&A/(Non-Current Assets - Marketable Securities)
Operating profit (EBIT)	EBIT = Revenues * 3YAverage EBIT Margin
Finance costs/expenses	Finance Cost/Income = 3YAverage Interest rate/Short-Term Debt
Profit before taxation (EBT)	EBT = EBIT +/- Finance Costs/Expenses
Taxation	Income taxes = EBT * 3YAverage Tax rate
Net Income before Minority Interest	Net Income before Minority Interests = EBT - Income Taxes
Extraordinary operations	Not forecasted, assumed the historic value
Minority interests	Zero. Historic values
Net Income	Net Income = Net Income before Minority Interests - Minority Interests

Source: Author

Appendix 7: Board of Directors & Executive Remuneration

Director	Position	Fixed Remuneration	Variable Remuneration
Executive:			
Tim Cook	APPL's CEO	$3 000 000,00	$56 000 000,00
Non executive:			
Art Levinson	Chairman of the Board	$100 000,00	$462 744,00
Wanda Austin	Member	$100 000,00	$275 966,00
Alex Gorsky	Member	$100 000,00	$280 017,00
Andrea Jung	Member	$100 000,00	$325 532,00
Monica Lozano	Member	$100 000,00	$281 125,00
Ron Sugar	Member	$100 000,00	$336 551,00
Sue Wagner	Member	$100 000,00	$316 275,00

Executive	Position	Fixed Remuneration	Variable Remuneration
Tim Cook	APPL's CEO	$3 000 000.00	$56 000 000.00
Luca Maestri	CFO	$1 000 000.00	$26 179 257.00
Kate Adams	General Counsel & Secretary	$1 000 000.00	$26 179 257.00
Deirder O'Brien	Retail + People	$1 000 000.00	$26 179 257.00
Jeff Williams	COO	$1 000 000.00	$26 179 257.00

Source: AAPL's 2024 Proxy Statement

Appendix 8: Key Financial Ratios

Key Financial Ratios	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	
Liquidity Ratios									Formula
Current ratio	0.99	0.87	1.04	1.06	1.07	1.08	1.09	1.10	Current Assets/Current Liabilities
Quick Ratio	0.94	0.83	1.01	1.02	1.03	1.04	1.05	1.06	(Current Assets – Inventory)/Current Liabilities
Cash Ratio	0.21	0.17	0.31	0.32	0.32	0.32	0.33	0.33	Cash & Cash Equivalents/Current Liabilities
Profitability Ratios									
Gross Profit Margin (%)	44.13%	46.21%	46.00%	47.00%	47.00%	48.00%	49.00%	49.00%	Gross Profit/Revenue * 100
EBITDA Margin (%)	29.82%	31.51%	33.00%	34.00%	34.00%	35.00%	36.00%	36.00%	EBITDA/Revenue * 100
EBIT Margin (%)	29.82%	31.51%	33.00%	34.00%	34.00%	35.00%	36.00%	36.00%	EBIT/Revenue * 100
Net Profit Margin (%)	25.31%	23.97%	27.95%	28.80%	28.80%	29.65%	30.50%	30.50%	Net Profit/Revenue * 100
ROA	27.51%	25.68%	27.48%	28.66%	28.99%	30.16%	31.34%	31.63%	Net Income/Total Assets * 100
ROE	156.08%	164.59%	171.76%	179.13%	181.17%	188.52%	195.87%	197.71%	Net Income/Shareholder's Equity * 100
EPS	6.49	6.28	8.63	9.74	10.68	12.09	13.69	15.10	Net Income/Shares Outstanding
Solvency Ratios									
Debt Ratio	0.35	0.33	0.36	0.36	0.36	0.36	0.36	0.36	Total Debt/Total Assets
Short-term Debt Ratio	0.28	0.40	0.37	0.37	0.37	0.37	0.37	0.37	Short-term Debt/Total Debt
Long-term Debt Ratio	1.71	1.70	1.86	1.86	1.86	1.86	1.86	1.86	Long-term Debt/Total Debt
Debt to Equity Ratio	1.99	2.09	2.23	2.23	2.23	2.23	2.23	2.23	Total Debt/Total Equity
Debt to EBITDA	1.08	0.97	1.10	1.05	1.04	1.00	0.96	0.96	Total Debt/EBITDA
Efficiency Ratios									
Asset Turnover	1.09	1.07	0.98	1.00	1.01	1.02	1.03	1.04	Revenue/Total Assets
Inventory Turnover	60.54	28.87	33.98	33.35	33.35	32.72	32.09	32.09	Revenues/Inventory
Receivables Turnover	6.28	5.90	6.21	6.21	6.21	6.21	6.21	6.21	Revenue/Account Receivables
Fixed Asset Turnover	1.83	1.84	1.82	1.86	1.90	1.94	1.97	2.01	Revenue/Fixed Assets
Payables Turnover	3.42	3.05	1.79	1.75	1.75	1.72	1.69	1.69	Cost of Goods Sold/Accounts Payable
Account Reivable (days)	58.076	61.833	58.770	58.770	58.770	58.770	58.770	58.770	365/Receivable Turnover
Days in Inventory (days)	6.0290	12.6426	10.7407	10.9434	10.9434	11.1538	11.3725	11.3725	365/Inventory Turnover
Account Payable (days)	106.72	119.66	204.37	208.23	208.23	212.23	216.39	216.39	365/Payables Turnover

Source: LSEG Workspace (2023-2024) & Author's Estimates (2025-2030)

Appendix 9: Revenues Forecast

As previously reported, Apple's reports do not provide any information regarding future revenues. Various estimates were therefore made and the most suitable and that best matched the reality was chosen. Apple's revenues were estimated using a regression for the various business units, considering **Time** as an explanatory variable

$$\ln(Rev)_t = a + b^{*}\text{Time(Year)}$$

iPhone			
Year	Time	Net Sales	Ln(Sales)
2018	1	164 888	12.01
2019	2	142 381	11.87
2020	3	137 781	11.83
2021	4	191 973	12.17
2022	5	205 489	12.23
2023	6	200 583	12.21
2024	7	201 183	12.21
2025E	8	223 301	12.32
2026E	9	237 126	12.38
2027E	10	251 807	12.44
2028E	11	267 398	12.50
2029E	12	283 953	12.56
2030E	13	301 533	12.62

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.75853729
R Square	0.57537882
Adjusted R Squ	0.49045458
Standard Error	0.12212087
Observations	7

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.10104202	0.10104202	6.77520154	0.0480793
Residual	5	0.07456754	0.01491351		
Total	6	0.17560956			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95,0%*	*Upper 95,0%*
Intercept	11.8357	0.10321098	114.67482	9.5633E-10	11.5703878	12.1010123	11.5703878	12.1010123
X Variable 1	0.06007199	0.02307868	2.60292173	0.0480793	0.00074636	0.11939761	0.00074636	0.11939761

Mac

Year	Time	Net Sales	Ln(Sales)
2018	1	25 198	10.13
2019	2	25 740	10.16
2020	3	28 622	10.26
2021	4	35 190	10.47
2022	5	40 177	10.60
2023	6	29 357	10.29
2024	7	29 984	10.31
2025E	8	35 501	10.48
2026E	9	36 955	10.52
2027E	10	38 469	10.56
2028E	11	40 044	10.60
2029E	12	41 684	10.64
2030E	13	43 391	10.68

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.51982552
R Square	0.27021857
Adjusted R Squ	0.12426229
Standard Error	0.15608408
Observations	7

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.04510343	0.04510343	1.85136645	0.23174639
Residual	5	0.1218112	0.02436224		
Total	6	0.16691463			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95,0%*	*Upper 95,0%*
Intercept	10.1562484	0.13191512	76.9907811	7.0037E-09	9.81714974	10.495347	9.81714974	10.495347
X Variable 1	0.04013523	0.02949712	1.36064928	0.23174639	-0.03568952	0.11595999	-0.03568952	0.11595999

iPad

Year	Time	Net Sales	Ln(Sales)
2018	1	18 380	9.82
2019	2	21 280	9.97
2020	3	23 724	10.07
2021	4	31 862	10.37
2022	5	29 292	10.29
2023	6	28 300	10.25
2024	7	26 694	10.19
2025E	8	33 125	10.41
2026E	9	35 452	10.48
2027E	10	37 942	10.54
2028E	11	40 606	10.61
2029E	12	43 458	10.68
2030E	13	46 511	10.75

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.75512268
R Square	0.57021027
Adjusted R Squ	0.48425232
Standard Error	0.13945179
Observations	7

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.12900223	0.12900223	6.63359568	0.04969793
Residual	5	0.09723401	0.0194468		
Total	6	0.22623624			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95,0%*	*Upper 95,0%*
Intercept	9.86504163	0.11785828	83.7025785	4.6126E-09	9.56207729	10.168006	9.56207729	10.168006
X Variable 1	0.06787652	0.02635391	2.57557677	0.04969793	0.00013164	0.13562141	0.00013164	0.13562141

Wearables, Home and Accessories

Year	Time	Net Sales	Ln(Sales)
2018	1	17 381	9.76
2019	2	24 482	10.11
2020	3	30 620	10.33
2021	4	38 367	10.55
2022	5	41 241	10.63
2023	6	39 845	10.59
2024	7	37 005	10.52
2025E	8	52 133	10.86
2026E	9	59 156	10.99
2027E	10	67 126	11.11
2028E	11	76 170	11.24
2029E	12	86 432	11.37
2030E	13	98 076	11.49

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.85592701
R Square	0.73261104
Adjusted R Squ	0.67913325
Standard Error	0.18069333
Observations	7

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.44728491	0.44728491	13.6993508	0.01398106
Residual	5	0.1632504	0.03265008		
Total	6	0.61053531			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95,0%*	*Upper 95,0%*
Intercept	9.8504305	0.15271374	64.502582	1.6955E-08	9.45786734	10.2429937	9.45786734	10.2429937
X Variable 1	0.12639011	0.03414783	3.70126341	0.01398106	0.03861032	0.21416991	0.03861032	0.21416991

Services

Year	Time	Net Sales	Ln(Sales)
2018	1	39 748	10.59
2019	2	46 291	10.74
2020	3	53 768	10.89
2021	4	68 425	11.13
2022	5	78 129	11.27
2023	6	85 200	11.35
2024	7	96 169	11.47
2025E	8	117 111	11.67
2026E	9	136 279	11.82
2027E	10	158 585	11.97
2028E	11	184 542	12.13
2029E	12	214 748	12.28
2030E	13	249 898	12.43

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.99179457
R Square	0.98365647
Adjusted R Squ	0.98038777
Standard Error	0.04623883
Observations	7

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.64340046	0.64340046	300.931541	1.1663E-05
Residual	5	0.01069015	0.00213803		
Total	6	0.65409061			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95,0%*	*Upper 95,0%*
Intercept	10.4581782	0.03907894	267.616709	1.3825E-11	10.3577226	10.5586338	10.3577226	10.5586338
X Variable 1	0.1515869	0.00873832	17.3473785	1.1663E-05	0.12912434	0.17404946	0.12912434	0.17404946

Total	
2025E	461 171
2026E	504 969
2027E	553 929
2028E	608 760
2029E	670 275
2030E	739 409

	iPhone	Mac	Tablet	Wearables	Services
2025E	48%	8%	7%	11%	25%
2026E	47%	7%	7%	12%	27%
2027E	45%	7%	7%	12%	29%
2028E	44%	7%	7%	13%	30%
2029E	42%	6%	6%	13%	32%
2030E	41%	6%	6%	13%	34%

Source: LSEG Workspace (2018-2024) & Author's Estimates (2025-2030)

Appendix 10: Wacc Assumptions

The **WACC** varies from the forecast period (2025-2030) to Terminal Value. This discrepancy can be attributed to the effective tax rate being, historically, considerably lower than the marginal tax rate indicated in Damodaran's data.

WACC Component	Forecast rate	Terminal rate	Assumptions
Risk-Free Rate	4.72%	4.72%	10 Year Treasury Bond. Retrieved from Federal Reserve Bank of St. Louis at January 2025
Equity Risk Premium	5.53%	5.53%	Average of ERP was made of the predominant regions in the business and the weighting applied
Beta	0.796	0.796	Regression of S&P500 monthly returns against AAPL's returns. Average between regression's beta and peer's beta.
Cost of Equity	9.13%	9.13%	Estimated by CAPM model
Tax Rate	0.15	0.25	Historically tax-rate. Marginal tax-rate
After-tax cost of debt	3.68%	3.25%	Yield of the last company's bond emission. The yield on the company's most recently issued bonds, net of the applicable tax rate.
WACC	8.60%	8.56%	Capital Structure: Debt-Equity = 9.62%

$$\boldsymbol{WACC = \frac{E}{E+D} \times Ke + \frac{D}{E+D} \times Kd \times (1 - Tax\ rate)}$$

Source: Author

Appendix 11: Cost of Equity

Risk-Free Rate: 4.72%

The risk-free rate was determined to be the 10 Year US Government Bond, retrieved from the Federal Reserve Bank of St. Louis on 9 January 2025.

Beta (β): 0.796

A regression analysis was conducted between Apple's returns and the returns of the S&P 500 index, resulting a leveraged beta of 1.319. This beta was unlevered according to Apple's capital structure. The betas of the main peers were taken from LSEG Workspace, which were also leveraged and then unleveraged. A weighted average was made between Apple's beta and those of the peers, and this final unlevered beta was again leveraged, using Hamada formula, according to Apple's capital structure.

Peers: HP Inc., Cisco Systems Inc., Qualcomm Inc., Intel Corp, Motorola Solutions Inc., Samsung Electronics Co Ltd, Microsoft Cor, Alphabet Inc, NVIDIA Corp, Dell Technologies Inc, Meta Platforms Inc, Netflix Inc, Garmin Ltd, Asustek Compuiter Inc, Spotify Technologies SA, Walt Disney Corp, Broadcom Inc, Xiaomi Corp, Lenovo.

Industry	Average	Weight	Beta Unlevered	Beta Levered
Computers	0.699358205	0.076678558	0.053625779	0.057904345
Tablets	0.778203441	0.068264989	0.053124049	0.057362585
Telephones	0.676400594	0.514488473	0.348000308	0.375765729
Acessories, wearables	0.762639651	0.094633473	0.072171239	0.077929466
Services	0.854762502	0.245934507	0.210215595	0.226987777
Total Beta				**0.795949901**

Company Name	Beta 5 Year Monthly	Debt/Equity	Beta unlevered
HP Inc	1.07	39.56%	0.823
Cisco Systems Inc	0.83	68.10%	0.546
Qualcomm Inc	1.25	55.70%	0.880
Intel Corp	1.08	45.30%	0.805
Motorola Solutions Inc	1.03	814.30%	0.144
Samsung Electronics Co Ltd	1.05	3.59%	1.023
Microsoft Corp	0.90	29.30%	0.738
Alphabet Inc	0.99	5.20%	0.950
NVIDIA Corp	1.64	22.60%	1.405
Dell Technologies Inc	0.92	156.51%	0.423
Meta Platforms Inc	1.19	12.50%	1.085
Netflix Inc	1.28	63.00%	0.868
Garmin Ltd	0.99	0.00%	0.987
Asustek Computer Inc	0.48	6.90%	0.454
Spotify Technology SA	1.61	69.80%	1.055
Walt Disney Co	1.43	43.60%	1.077
Broadcomm Inc	1.05	99.80%	0.603
Xiaomi Corp	1.02	18.20%	0.899
Lenovo	1.00	43.29%	0.755

Source: Yahoo Finance

Market Risk Premium: 5.53%

Apple does not disclose the countries in which it operates in its reports, however, it does report the weight of geographical area in its sales. To arrive at the Equity Risk Premium, a weighted average was made between the weight of each region in Apple's sales and the Equity Risk Premium of the regions taken from Aswath Damodaran's website. As the data table is tabulated by country, an average was made for each region.

Region	Revenues	Weight	ERP by Region	Equity Risk Premium
United States	$142 196.00	36.36%	4.60%	1.67%
Rest of Americas	$24 849.00	6.35%	9.04%	0.57%
Europe	$101 328.00	25.91%	5.77%	1.49%
Greater China	$66 952.00	17.12%	5.52%	0.94%
Japan	$25 052.00	6.41%	5.63%	0.36%
Rest of Asia Pacific	$30 658.00	7.84%	6.20%	0.49%
Total	$391 035.00	100%	37%	**5.53%**

The cost of equity was calculated using the CAPM (Capital Asset Pricing Model), adjusted with the Country Risk Premium.

$$Ke = RFR + \beta * \text{MRP}$$

Source: Damodaran's Country Risk Premium & AAPL's 10-K Form

Appendix 12: Cost of Debt

Cost of Debt: 4.33%

The cost of Apple's debt was estimated by assuming the yield of the most recent bonds issued, given the unavailability of the interest coverage ratio due to the absence of interest expenses. As demonstrated in Apple's annual report, the composition of Apple's debt shown consists exclusively of bonds issued.

Source: LSEG Workspace

Bonds			
Issuer	**Issues**	**Outstanding (USD)**	**Issued (USD)**
Apple	**82**	**94,098,063,437**	**94,098**
Yield			0.0432927

Appendix 13: FCFF Components

Depreciations & Amortisations

$million	2024	2025E	2026E	2027E	2028E	2029E	2030E
Property, plant and equipment	55,914	64,564	70,696	77,550	85,226	93,839	103,517
Other non-current investments	64,600	64,600	64,600	64,600	64,600	64,600	64,600
Non Current Assets	120,514	129,164	135,296	142,150	149,826	158,439	168,117
Depreciation & Amortization	11,445	14,208	14,883	15,637	16,481	17,428	18,493
% Non Current Assets	9.50%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%

D&A was calculated using the historical average of non-current assets over the last three years, minus marketable securities, since these are non-depreciable assets.

Source: LSEG Workspace (2024) & Author's Estimates (2025-2030)

Capital Expenditures

$million	2024	2025E	2026E	2027E	2028E	2029E	2030E
Property, plant and equipment	55,914	64,564	70,696	77,550	85,226	93,839	103,517
Other non-current investments	64,600	64,600	64,600	64,600	64,600	64,600	64,600
Non Current Assets	120,514	129,164	135,296	142,150	149,826	158,439	168,117
CAPEX	12,983	16,791	17,588	18,480	19,477	20,597	21,855
% Non Current Assets	10.77%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

As with D&A, capital expenditure was estimated using the historical average in relation to non-current assets, with marketable securities subtracted.

Source: LSEG Workspace (2024) & Author's Estimates (2025-2030)

Changes in Working Capital

$million	2024	2025E	2026E	2027E	2028E	2029E	2030E
Inventories	7,286	7,328	8,024	8,802	9,673	10,651	11,750
Trade and other current receivables	66,243	74,255	81,307	89,190	98,019	107,924	119,055
Other current assets	49,515	64,564	70,696	77,550	85,226	93,839	103,517
Total	123,044	146,147	160,027	175,543	192,919	212,413	234,322
Trade payables and other current liabilities	68,960	139,438	152,680	167,484	184,062	202,662	223,565
Other current liabilities	84,921	39,158	40,541	42,087	43,818	45,760	47,942
Total	153,881	178,596	193,221	209,571	227,880	248,421	271,507
Working Capital	-30,837	-32,449	-33,195	-34,028	-34,961	-36,008	-37,185
Changes in Working Capital	**3,651**	**-1,612**	**-745**	**-833**	**-933**	**-1,047**	**-1,177**

Source: LSEG Workspace (2024) & Author's Estimates (2025-2030)

Appendix 14: FCFF Forecast

$millions	2025E	2026E	2027E	2028E	2029E	2030E	Terminal Value
EBIT	152,187	171,689	188,336	213,066	241,299	266,187	266,187
Tax Rate	15%	15%	15%	15%	15%	15%	25%
EBIT (1- Tax Rate)	129,359	145,936	160,086	181,106	205,104	226,259	199,641
Depreciation and Amortization	14,208	14,883	15,637	16,481	17,428	18,493	18,493
Changes in working capital	-1,612	-745	-833	-933	-1,047	-1,177	-1,177
Capital Expenditures	16,791	17,588	18,480	19,477	20,597	21,855	21,855
Free Cash Flow to Firm	**$128,387.52**	**$143,975.61**	**$158,075.95**	**$179,042.96**	**$202,982.51**	**$224,073.62**	**$197,454.89**
WACC	8.60%	8.60%	8.60%	8.60%	8.60%	8.60%	8.56%
Expected Growth Rate	3.10%						
Terminal Value							**$3,728,158.06**
Present Value FCFF (base year 2025)		**$132,571.63**	**$134,026.03**	**$139,779.11**	**$145,916.81**	**$148,319.80**	**$2,472,493.66**
Value of the Firm 2025YE		**$3,301,494.57**					

Share Price	
Number of Shares (million)	14935.826
FCFF 2025YE	$3,301,494.57
Net Debt	$89,116.00
Value of the Equity 2025YE	$3,212,378.57
Target Price 2025YE	**$215.08**
June 2025 Price	$196.58
Upside (%)	9.41%

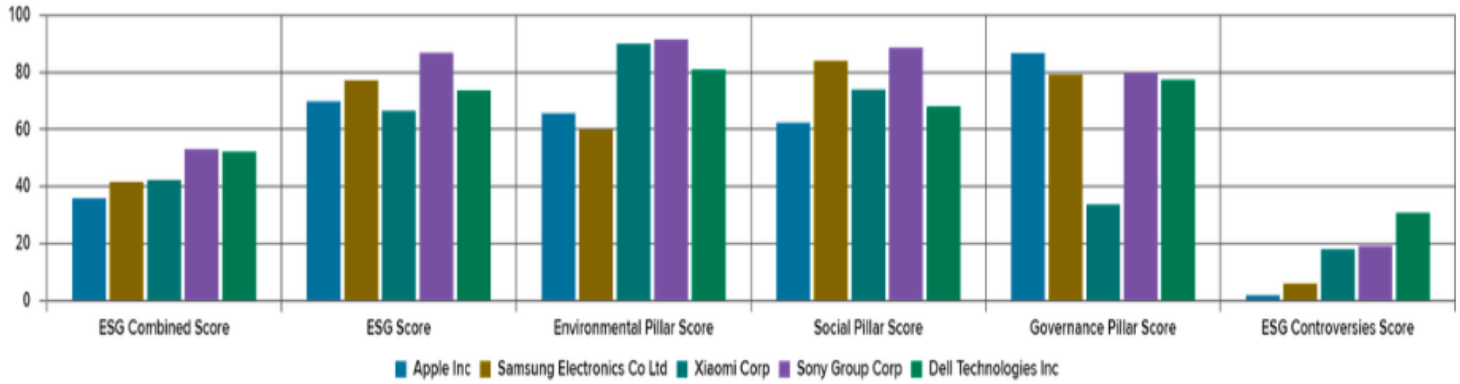
Source: Author's Estimates (2025-2030)

Appendix 15: ESG Data

PEER SUMMARY

Closest four peers by market capitalization and Computers, Phones & Household Electronics

	AAPL.OQ	005930.KS	1810.HK	6758.T	DELL.N
	Apple Inc	Samsung Electronics Co Ltd	Xiaomi Corp	Sony Group Corp	Dell Technologies Inc
Company Market Cap (Mil USD)	$3,197,014	$334,502	$182,837	$149,263	$90,540
Total Revenue (Mil USD)	$391,035	$203,734	$50,129	$86,409	$95,567
ESG Combined Score	35.88	41.57	42.25	53.04	52.18
ESG Score	69.83	77.13	66.49	86.86	73.59
Environmental Pillar Score	65.65	59.92	90.01	91.47	80.93
Social Pillar Score	62.33	84.03	73.89	88.61	68.04
Governance Pillar Score	86.69	79.18	33.70	79.88	77.37
ESG Controversies Score	1.92	6.00	18.00	19.23	30.77



ESG SCORE

ESG Score: 70

Pillar	Score	YoY Change
Environment (Weight: 23.0%)	66	-
Social (Weight: 49.3%)	62	▼
Governance (Weight: 27.6%)	87	▼



Source: LSEG Workspace

Appendix 16: CFA Recommendation

Buy	Expected total return (including expected capital gains and expected dividend yield) of more than 10% over a 12-month period.
Hold	Expected total return (including expected capital gains and expected dividend yield) of between 0% and 10% over a 12-month period.
Sell	Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period.

Report Recommendations published by the CFA

Source: CFA Institute