

# Apple, Inc. (NYSE: AAPL)

Sector: Consumer Technology



Current Price	Target Price	52-Week High	52-Week Low	P/E	Market Cap.	Div. Yield
\$103.55	\$134.65	\$134.54	\$92.00	10.2	\$574.4B	2.05%

## Business Description

Apple, Inc. is a technology company that designs, develops, and sells consumer electronics, software, and online services. The company's products include Mac computers, iPhone, iPad, Apple Watch, and Apple TV. Its services include a variety of professional software applications, the iOS and OS X operating systems, Apple Pay, and iCloud. Lastly, the company sells digital content through the iTunes Store, App Store, iBooks Store, and Mac App Store. Recently, Apple has introduced a music streaming service called Apple Music.

## Industry Trends

The software and hardware industries are characterized by intense competition. Companies compete to gain market share through aggressive marketing. As dynamic industries, product differentiation and technological innovation are essential in many cases. There is a trend towards the integration of products, the "internet of everything," streaming of music and other content, and mobile payments. Apple stands to gain from these trends as it has invested heavily in these areas.

## Investment Thesis

Apple has several competitive advantages that will drive the company's long-term growth and profitability. One of its biggest competitive advantages is its ability to continually innovate and create the best products on the market. Additionally, the company has a loyal customer base, which means that it will be able to introduce successful new products easily. Apple has a strong cash position, which will allow the company to invest heavily even in recessions, and it has recently reached 1 billion active devices, which will contribute to growth in services such as Apple Pay, Apple Music, and the App Store. A high number of active devices also contributes to the integration between devices, which consumers value highly when considering new purchases. In addition to its competitive advantages, Apple's stock is undervalued. The company has a 13% free cash flow yield, and we found its intrinsic value to be \$134.65, a 35% margin of safety over the current price.

## Valuation Assumptions

- WACC: 13%
- FCF Growth Rate: 6.2%
- Terminal Growth Rate: 3%

## 5-Year Share Price Performance



## Competitors

Apple competes with a variety of different smartphone, personal computer, tablet, and software companies, including Samsung, LG, Lenovo, Huawei, Microsoft, Google, and Xiaomi.

## Risks

Apple faces several short-term and long-term risks. In the short-term, a slowdown in China's economic growth would likely hurt revenues as a large part of revenue growth in recent quarters has come from China. Similarly, an appreciation of the dollar relative to foreign currencies will hurt Apple's revenues as its products command premium prices. As a long-term risk, Apple is still dependent on iPhone sales, contributing over 66% of the firm's total revenue. Should the smartphone market decline or should competitors such as Google take market share, Apple would suffer. Lastly, new growth initiatives such as the Apple Watch may not grow to commercial successes. With a large portion of revenue coming from the iPhone and heavy investment into R&D, Apple depends on at least some of these products to grow to a significant portion of revenue.

## Corporate Social Responsibility

- ESG Disclosure Score: 45.93 (Avg. 45.63)
- Environmental Disclosure Score: 55.21 (Avg. 44.25)
- Governance Disclosure Score: 57.14 (Avg. 59.38)
- Social Disclosure Score: 19.30 (35.93)
- Percent Women on Board: 28.57% (21.39%)
- Business Ethics Policy: Yes
- Equal Opportunity Policy: Yes