

Analysis of Apple's 2019- 2021 Financial Statements and Future Outlook

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Abstract. Drawing from the comprehensive financial statements made publicly available on Apple's official website, coupled with summarized evaluations of the company's performance, this paper delves deep into Apple's trajectory over the recent years. Our analysis is rooted in a multi-faceted approach, incorporating varied methods and lenses through which the company can be viewed. From a quantitative perspective, we've meticulously combed through the financial data, benchmarking Apple's performance against industry standards and its past records. On the qualitative front, the analysis factors in reviews, expert opinions, and market sentiment to provide a holistic view of the company's standing. Key strengths and potential pitfalls of Apple have been highlighted, underpinned by the metrics and narratives present in the data. This exploration also brings to the fore Apple's strategies, its adaptability in a rapidly evolving tech market, and the sustainability of its business model. Furthermore, in assessing Apple's future prospects, the paper synthesizes prevailing market trends, Apple's R&D initiatives, and projected industry shifts. The aim is to offer readers not just a snapshot of Apple's current status, but also an informed projection of its potential trajectory in the coming years.

Keywords: Financial statement; Future prospects; Apple.

1. Introduction

Apple is a world-famous technology company, headquartered in the United States. It was founded by Steve Jobs, Steve Gerry Wozniak and Ronald Gerard Wayne on April 1, 1976, and was named Apple Computer Company of the United States. It was renamed Apple on January 9, 2007. It is renowned for designing, developing, and selling high-quality electronic products and software, including iPhones, iPads, Macs, Apple Watches, and more. Apple has a wide range of sales channels worldwide, among which Shanghai Bailian Yunshang Trading Co., Ltd. is an authorized distributor of Apple in China. As the world's leading mobile travel platform, Didicao provides users with a variety of travel services such as taxis, special buses, express trains, Hitchhiking, public transportation, and valet driving. The Standard&Poor's 500 Index (S&P 500) is a stock index representing 500 major American companies, while the S&P Mid-size 400 Index represents mid-size companies [1].

1.1. Case description

Apple is a leading global technology company with widely recognized and used products and services. In China, Shanghai Bailian Yunshang Trading Co., Ltd. is an authorized distributor of Apple, providing sales services for Apple products. At the same time, DiDi, as a mobile travel platform, provides users with a variety of travel options. The Standard&Poor's 500 Index and the Standard&Poor's Medium Cap 400 Index represent large and medium-sized companies in the United States. The growth of a company is driven by multiple factors, including the influence of leaders, innovative products and services, as well as the establishment of brand value and user loyalty. Over time, Apple has developed and expanded its business units and continues to maintain a significant presence around the world. As of December 31, 2022, Apple's revenue was \$117.2 billion, a year-on-year decrease of 5%. Diluted earnings per share for this quarter were \$1.88, with over 2 billion active devices in use [2]. Apple has a strong influence and position in the technology industry, and its products and services have been widely recognized and accepted in the market. However, there are also some potential challenges, such as intensified competition, uncertainty in the global economic

environment, and changes in user demand and technological trends. However, Apple relies on its brand reputation, innovation capabilities, From Apple's financial statements for the first quarter of 2021, Apple's performance forecast and stock price rating. Based on data and analysis, it is predicted that Apple's revenue CAGR will be 12.9% and EPS CAGR will be 22.1% in the next three years. Apple's M-series chips will gradually be applied to the Mac and iPad product lines to enhance their competitiveness. According to the DCF model evaluation, Apple's reasonable stock price is \$160.00, which has a 20.72% upward potential compared to the current stock price and maintains a buy rating. In addition, the article also mentioned information about Apple's shareholders, market value, 52 week highs and lows, as well as a summary of the second fiscal quarter of 2021 and a forecast for the next quarter. The summary of the report shows that Apple's total revenue in the first quarter of 2021 was \$89.4 billion, a year-on-year increase of 54%. The report also mentions that Apple's Mac and iPad product lines will gradually be equipped with chips within the next three years. Apple Watch sales revenue for the quarter was \$7.8 billion, up 25 percent from a year earlier. Of these, nearly 75% are new users of the product. More than 40 million units are expected to be shipped this year [3].

2. Analyse of financial perspective

From a financial perspective, Apple has a healthy financial situation, with most indicators above standard values. Through the application of DuPont analysis to the analysis of Apple's return on equity, the author found that Apple has a lot of liabilities and a large financial leverage, which makes the return on equity unable to accurately reflect the company's true profitability, but the adjusted ROE reflecting the facts still shows that Apple's financial data is very good. This article will analyze and discuss the development prospects of Apple based on the above comprehensive analysis, providing investors with investment references [4]. (DuPont analysis is to use the relationship between several main financial ratio to comprehensively analyze the financial situation of enterprises. Specifically, it is a classic method used to evaluate a company's profitability and shareholder equity return level, and to evaluate corporate performance from and strong ecosystem [5].

A financial perspective. Its basic idea is to decompose the return on equity of enterprises into the product of multiple financial ratios, which is helpful for in-depth analysis and comparison of business performance. Because this analysis method was first used by the American DuPont Company, it is called DuPont analysis.

Based on the reference information, we can see the financial situation of Apple, but we did not directly mention changes in market share and competitors. Based on the auxiliary questions, we can further understand Apple's share in the global market and the changes in competitors. According to market research firm IDC, in the second quarter of 2021, Apple's share in the global smartphone market was 14.9%, ranking third, only behind Samsung and Huawei [6]. In 2020, Apple had a market share of 15.9%, ranking second only to Samsung. This indicates that Apple's share in the global smartphone market has decreased. In addition, with the rise of Chinese brands, Apple's market share in China is also declining. According to data from market research firm Counterpoint, in the second quarter of 2021, Apple's market share in China was 7.8%, ranking fifth after Huawei, Xiaomi, OPPO, and vivo. In 2019, Apple's market share in China was 9.1%, ranking fourth. This indicates that Apple's competitive pressure in the Chinese market is also increasing. In response to these changes, Apple has adopted various strategies, such as launching more product lines, strengthening cooperation with suppliers, and strengthening brand marketing. Meanwhile, Apple is constantly innovating and launching more competitive products to maintain its leading position [7].

The analysis of Apple's financial statements reveals some obvious strengths and weaknesses. From the beginning of the year to the end of the year, Apple's costs increased by 62.2 percent, from \$20,622 million to \$33,452 million, showing the company's expansion and growth. In addition, Apple also increased its investment in research and development, increasing by nearly \$1 billion in 2012 over 2011, demonstrating the company's commitment to and investment in technological innovation.

However, this also means that Apple's research and development expenses are higher, which may have some impact on the company's profit margin [8, 9].

3. Strategy

Apple's overall strategy is to grow faster than product market development, eliminate the danger of price competition, constantly develop new products, open up new markets, adopt new technologies and other technological innovation means, achieve high profit margins and create demand and influence the environment through innovation to adapt itself. These strategies have allowed Apple to maintain a high position in the market and maintain continued growth. Apple's innovation focus in the past few years has been mainly on hardware and software upgrades and improvements, such as the introduction of faster and more powerful processors, higher resolution screens, longer battery life, and so on. In addition, they also launched some new products, such as AirPods, Apple Watch, and more. Apple's innovation strategy is mainly to attract consumers by constantly upgrading and improving existing products and launching new products, while also paying attention to the maintenance of user experience and brand image. These innovative strategies have helped Apple remain competitive in the market, attracting a large number of loyal users and fans, while also helping them maintain high profit margins and market capitalization.

From Apple's EPS, it can be seen that the sum of Apple's EPS in the last four quarters is 5.92. Including a 3% EPS boost from share repurchases and dividends, EPS at the end of fiscal 2023 is expected to be 6.1. According to different PE valuations, Apple's valuation at the end of fiscal 2023 can be calculated as shown in the table below [10]. Although Apple's growth is not expected to be high this year but considering the market's expectation of the Fed's interest rate hike peaking, or even cutting interest rates at the end of the year, it is not appropriate to look down on Apple's valuation, and use a PE valuation of 20 times is more appropriate. Therefore, the price of Apple falling to 120 ~ 130 is a good long-term buying price range. Regionally, the Americas contributed more than 40 percent of revenue. Europe came second, contributing nearly a quarter of revenues. The Greater China location ranks third with nearly 20%. Together, the three regions already account for 85 percent of Apple's revenue. Africa, India, and Southeast Asia together account for nearly half of the world's population, but only in the other 7.2% of income, showing the huge gap between the world's rich and poor [11]. So according to Apple's increased cash inflow through its share buyback program, it is expected to boost earnings per share (EPS) by 2%. In the analysis of financial statements, we should focus on the impact of the stock repurchase program and understand the extent of its impact on financial indicators [10].

3.1. Discussion

However, Apple also has some disadvantages. One such disadvantage is high costs, especially the increase in research and development expenses, which can put pressure on the company's profit margins. In addition, although Apple is very successful in technological innovation, its high prices may limit the purchasing power of some potential consumers. Add to that storage limitations: Storage is an existential limitation for Apple device users. Users may run out of storage space and need to periodically manage space or upgrade to a higher level of storage space. There are also payment issues: For users who pay with Apple products, there may be problems with payment information. This may involve transaction issues when paying for Google products, and relevant payment data issues need to be resolved. This is all part of Apple's current problem [12]. To sum up, through the analysis of financial statements, Apple can find the advantages of its expansion and growth, as well as the disadvantages of high costs and high product prices. Apple's sales and profits have been hurt in part by weak demand in the semiconductor industry. the forecast showed that its quarterly sales and profits both exceeded expectations, which brought some relief to the semiconductor industry, but the outside world is still cautious about the demand condition of the industry. Apple doesn't disclose many details about its financials. Although reports have pointed to Apple's recent losses, it has not detailed the

main reasons for the losses and the scope of the impact. The results of these analyses help to understand Apple's financial position and strategic direction.

4. Conclusion

To sum up, through the analysis of financial statements, Apple can find the advantages of its expansion and growth, as well as the disadvantages of high costs and high product prices. Apple's sales and profits have been hurt in part by weak demand in the semiconductor industry. The forecast showed that its quarterly sales and profits both exceeded expectations, which brought some relief to the semiconductor industry, but the outside world is still cautious about the demand condition of the industry. Apple doesn't disclose many details about its financials. Although reports have pointed to Apple's recent losses, it has not detailed the main reasons for the losses and the scope of the impact. The results of these analyses help to understand Apple's financial position and strategic direction.

Understanding these financial intricacies is pivotal. It offers stakeholders a lens into Apple's current financial health, its strategies, and gives a direction to its future endeavors. This knowledge can prove instrumental for investors to make informed decisions and for competitors to gauge Apple's market standing.

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