

ANALYSIS OF APPLE'S FINANCIAL ENVIRONMENT

BMG 705

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INTRODUCTION

According to Statista, Apple is the most valuable technology company, estimated to be worth 612 billion dollars (Thomas Alsop, 2021). Apple manufactures and sells: smartphones, personal computers, tablets, wearables and accessories, and a great array of services. The Company's fiscal year is a 52- or 53-week period that ends on the last Saturday of September. Apple recorded 57.41 billion and 55.26 billion profits in 2020 and 2019 respectively (Apple, 2020c).

In this report, I will interpret the 2020 financial environment of Apple Incorporation. I will start off by discussing two developments that affected the financial performance of Apple in 2020. Next, I will discuss the company's dividend policy and sources of finance, and conclude by conducting a ratio analysis to express how the company is faring regarding: profitability, liquidity, efficiency and investment.

1.0 SECTION A

In this section I will discuss two external developments that affected Apple's financial performance in 2020.

1.1 DEVELOPMENT 1: COVID-19

Apple benefited greatly from the pandemic: Increased sales in Apple services and Apple wearables, as well as the resurgence in revenue generated from the Mac and iPad. Apple reported service and wearable products as the biggest benefactors of the fiscal year, registering a 16% and 25% increase respectively (Apple, 2020c). The shift in wearable sales was because of increased desire to stay updated on wellbeing (ccsinsight, 2021). Sales of the Mac recorded a historical fiscal year (Bary, 2021); the Q4 report displayed an 11% increase in Mac sales within the fiscal year dating from September 2019 (Apple, 2020c). Apple responded to this development by continued innovation to thriving products, including the release of the MacBook Pro 13-inch series in May, the 8th generation iPads in September and the creation of Apple Fitness+ alongside Apple One service. Apple capitalized on iPad and MacBook sale trends to help introduce new product models. Meanwhile, Apple supported the growth in services and wearables by a strategy centered around customer satisfaction. Apple Fitness+ is a fitness workout app that gives guided information on daily studio like exercises, this product essentially serves as a workout trainer for \$9.99 per month. The idea was thought out because of the compatibility in function alongside the Apple

watch (Apple, 2020a). Apple also announced the launch of Apple One, A new payment plan for all Apple subscriptions. With Apple One, users can now pay for more Apple service products for less (Apple, 2020b).

Since 2008, the iPhone has been responsible for 50% of Apple's revenue (Curry, 2021), 2020 recorded a 3% decline in global sales of the iPhone; this was due to the pandemic causing abrupt closure of factories which disrupted manufacturing and supply chain lines (Feiner, 2020). The pandemic caused governments to demand closure of economies and led to temporal closure of physical retail shops. Apple strategy for this was switching majority of in house staff to remote workers in order to keep operations running (Gurman, 2020), alternatively some retail branches responded with reduced working hours (Neate, 2020). There was no way to fight against the shortage of iPhones that resulted from the closure of borders worldwide (Faulkner, 2020), Apple hence redirected focus to maximizing profit from other thriving products.

1.2 DEVELOPMENT 2: Sustained decline of sales in the Greater China Region.

Through the adverse effects of the pandemic, the global economy had to handle a measure of inflation higher than the OECD estimate (www.oecd.org, 2021). Many foreign currencies struggled to retain a stable purchasing power, but the US dollar presented a safe bet to investors. Greater China, a contributor of approximately 20% of all of Apple's sales in 2018, has dropped by 6% to contribute under 14% in 2020 (Apple 2020). This is attributed to a number of elements. First, the Strengthening of the U.S dollar against other currencies including the Chinese Yuan, makes it increasingly hard for Apple to compete against international competitors (Lizzy Gurdus, 2019). In May 2020, the Purchasing Power of the Yuan suffered its highest loss to the dollar since 2019, trading at 7.16 Yuan to 1 U.S dollar (exchangerates, 2021). This resulted in a markdown of sales from a pricing point perspective and further loss of market share to local alternatives for buyers. In addition to this, the product innovations of regional competition, such as Huawei (Apple's biggest competitor in China), who appeal to buyers with a "more for less" brand strategy (Dmitrijevs, 2020) contributes to the sustenance of market share loss. Apple stores slashed prices for the newly released iPhones in the region (Kharpal, 2020), likely as a strategy to help strengthen a weakening market. However this speculation is not verified as Apple did not provide insight as to the rationale for the generous cuts.

2.0 SECTION B

In this section I will discuss the Dividend policy and Sources of finance for Apple.

2.1 DIVIDEND POLICY

Dividend policy refers to dividend payment behavior: how a company distributes its earnings to its shareholders. Dividend policy focuses on the frequency of payment (Frankfurter *et al*, 2003). Apple pays dividends to shareholders quarterly: February, May, August and November. In the 2020 fiscal year, Apple paid a dividend of \$0.82 per unit share (\$0.205 in each quarter), which was a 6.5% and 12.3% increase of 2019 and 2018 dividend payout respectfully: \$0.77 in 2019 (\$0.1925 in each quarter) and \$0.73 in 2018 (\$0.1825 in each quarter) (Apple, 2020) (Apple, 2019). Despite no clear policy being communicated, Apple's dividend has increased progressively in relation to company earnings each year since the company began paying dividend (Apple, 2020). From this, one can conclude that Apple assumes a progressive dividend policy. Over the last 3 years Apple has recorded a dividend yield of below 1%. As of September 26 2020, a unit share of Apple was \$112.28 and the dividend yield was 0.73%. Apple has publicly stated intent to increase dividend payout annually and made known that all increase is subject to prior meeting by board of directors', this is the only known factor that affects Apple dividend payouts. *Refer to appendix to see Apple's dividend payouts.*

Asymmetric information theory and Tax preference theory applies to Apple's dividend policy. Asymmetric information theory applies when the firm communicates positive signs in dividend payout to the public to attract investors (Kim *et al*, 2021), Tax preference theory indicates that investors are more interested in capital gains rather than dividend payouts (Baker and Weigand, 2015). Unlike conventional Tax preference theory models, Apple pays dividends. With a dividend yield of below 1% over the last 3 years, it is clear that most investors are more interested in the capital gains that comes with owning shares rather than the actual dividend payout, hence one can attribute the Tax preference theory to Apple investors.

2.2 SOURCES OF FINANCE

Sources of finance refers to how companies generate finances with the goal of maximizing wealth for its shareholders. (Atrill and McLaney, 2017). Apple's sources of finance are Equity and Debt. Apple has a

total sum of shareholders' equity as (\$65,339m) and (\$90,448m) for 2019 and 2020 respectively. In regards to debt, Apple has short-term liabilities and long-term liabilities; the total current liabilities were \$105,392m in 2020 and \$105,718m in 2019 while the long-term liabilities were \$258,549m and \$248,028m in 2020 and 2019 respectively (Apple, 2020). The Balance sheet shows the total equity shares issued is 16,976,763m. Retained earnings are \$14,966m and \$45,898m in 2020 and 2019 respectively. Apple's accelerated share repurchase program has acquired a large number of shares over multiple accounting periods, accounting for the large value of treasury shares for 2020 and 2019 (\$72,516m for 2020 and 67,101m for 2019) (Apple,2020). Apple has a positive equity value for both 2020 and 2019, which is due to consistency of net sales.

Apple's gearing ratio has appreciated subsequently for three years: 70.70% in 2018, 73.28% in 2019 and 79.83% in 2020 (Figure 2). The gearing ratio implies that Apple has leveraged heavily on liabilities to help finance its business. In 3 years, Apple's long-term liabilities have contributed to over 70% of its capital structure. While long term liabilities appreciated, the amount of equity has decreased because of Apple's share repurchase program which is a capital return program for Apple. Apple's balance sheet shows that the company has a large amount of non-current liabilities, this shows the relevance of the net income theory of Capital Structure. The Net Income capital structure theory implies that a firm's value can appreciate and reduce capital cost by increase in debt (Vadapalli, 2020).

| | 2020 | 2019 | 2018 |
|---|----------------------|----------------------|----------------------|
| <i>Non-current liabilities x 100</i> | <u>258,549 x 100</u> | <u>248,028 x 100</u> | <u>258,578 x 100</u> |
| <i>Non-current liabilities + total equity</i> | 258,549+(65339) | 248,028 + (90448) | 258,578 +(107,147) |
| | 79.83% | 73.28% | 70.70% |

Figure 1: Gearing ratios for Apple.

3.0 SECTION C: RATIO ANALYSIS

In this section, I will calculate Apple's financial ratios and analyze its financial performance through the course of 2019 and 2020. The ratios analyzed would show Apple's performance in regards to: profitability, liquidity, efficiency and investment, over a 2 fiscal year span. *Refer to appendix to see*

Apple's: Statement of operations, Income statement, Balance sheet, Statement of shareholder's equity and all relevant ratio calculations.

3.1 PROFITABILITY RATIOS

Profitability ratios are financial metrics used to assess how a company effectively creates profit (Atrill and McLaney, 2017). I will use the following profitability ratios to assess Apple's performance: *Operating profit margin, Gross profit margin and return of assets ratio.*

Operating profit margin

This ratio relates a businesses operating profit/loss to its total revenue and expresses its ratio in percentage. It expresses the ratio of profit from operations before interest payable is deducted (Atrill and McLaney, 2017).

2020 = 24.1%

2019 = 24.6%

Interpretation of ratio: In 2019 a profit of 24.6% was made on each \$1 that was made via sales revenue, that figure dropped by 0.5% in 2020. Apple's operating cost grew in higher proportion in relation to its growth in total revenue: 12% in operating cost and 5.5% in total revenue. This is the reason for the drop in operating profit margin.

Gross profit margin

This ratio relates the gross profit/loss of a business to its total revenue over the same period of time; the ratio expresses profitability in buying and selling before other expenses are taken into account and is expressed in percentage (Atrill and McLaney, 2017).

2020 = 38.2%

2019 = 37.8%

Interpretation of ratio: Gross profit margin increased by 0.4% from 2019 to 2020. Higher percentage in 2020 indicates that the company has made more profits in relation to sales revenue. Growth in gross profit margin is due to the increase in net sales of Apple services (Apple, 2020).

Return on capital employed ratio (ROCE)

The return on capital employed ratio is used to measure a business' profitability. It shows the relationship between the operating profit and the long-term capital invested over a certain time span (Atrill and McLaney, 2017).

2020 = 30.3%

2019 = 27.5%

Interpretation of ratio: Values indicate an increase of 2.8% on capital employed from the 2019 to 2020 fiscal year. The growth in ROCE is due to the growth in sales for Apple services.

3.2 LIQUIDITY RATIOS

Liquidity ratios are financial ratios that focus on how effectively a business can reach its short-term financial obligations (Atrill and McLaney, 2017). I will use the following liquidity ratios to assess Apple's performance: *Current ratio and Acid test ratio*.

Current ratio

Current ratio makes a relative comparison of a business's current assets against its current liability, this ratio is expressed in the ideal ratio format (n:n). This indicates how well a company can fulfill short term obligations (Atrill and McLaney, 2017).

2020 = 1.36: 1

2019 = 1.54: 1

Interpretation of ratio: Ratio in 2019 indicates Apple had 1.54 times liquid assets in comparison to its current liabilities. In 2020, the figure drops to 1.36 times in relation to its current liabilities. This is due to

the reduction in current assets, noticeably in the reduction of cash equivalents. Apple purchased 141 million shares for \$10 billion under the Accelerated share repurchase program (ASR) in Q1 of 2020 and 64 million shares delivered under \$6.0 billion, also part of ASR (Apple, 2020).

Acid test ratio

Acid test ratio expresses liquidity of a business in a more rigid form. It's a relative comparison of the current assets (excluding inventories) against the current liabilities to see if the business can fulfill its short-term obligations. (Atrill and McLaney, 2017).

2020 = 1.33: 1

2019 = 1.50: 1

Interpretation of ratio: Similar to the current ratio, the acid test ratio also declines from 2019 to 2020. The 0.17 decline in the current assets is due to the reduction of cash equivalents. Apple purchased 141 million shares for \$10 billion under the Accelerated share repurchase program (ASR) in Q1 of 2020 and 64 million shares delivered under \$6.0 billion, also part of ASR.

3.3 EFFICIENCY RATIOS

Efficiency ratios are used to help assess how efficient a company manages resources (Atrill and McLaney, 2017). I will use the following efficiency ratios to analyze Apple's performance: *Average inventory turnover days and Sales revenue per employee.*

Average inventory turnover days

The average inventories' turnover period ratio measures the average time span in which inventories are held until sold (Atrill and McLaney, 2017).

2020 = 8.8 days

2019 = 9.1 days

Interpretation of ratio: The ratio shows that in 2019, Apple took 9.1 days to sell items in the inventory. Inventory turnover improved in 2020, selling inventory at 8.8 days.

Sales revenue per employee

The sales revenue per employee ratio relates sales revenue generated during a reporting period to the size of its labor force within the same time frame. It provides the efficiency of a company's labor force (Atrill and McLaney, 2017).

2020 = \$1867449

2019 = \$1899080

Interpretation of ratio: Lower figure recorded in 2020 because the increase in staffing was not directly proportional to the growth in sales revenue. Revenue grew by 5.5%, while the number of employees increased by 7.2%.

3.4 INVESTMENT RATIOS

Investment ratios are financial ratios that help express return in investment of a company (Atrill and McLaney, 2017). I will calculate the *earning per share* ratio of Apple to analyze the company's shareholders investment return.

Earnings per share

The earnings per share (EPS) ratio relates the earnings generated by the business to its total number of shareholders during a certain time span, to the number of issued shares (Atrill and McLaney, 2017).

2020 = \$3.31

2019 = \$2.99

Interpretation of ratio: Earnings per share increased from 2.99 in 2019 to 3.31 in 2020. This happened because of Apple's accelerated share repurchase program, Apple's capital return program actively reduces the number of shareholders and subsequently increases the dividend of shareholders

4.0 CONCLUSION

Two developments that affected Apple's finances were COVID-19 and the Sustained decline of sales in the Greater China Region.. COVID caused a growth in sales of services, wearables, and products like the MacBook and iPad, but caused a reduction in sales of the iPhone. Apple maximized the growth in sales of these products by induction of newer models and implementing customer satisfaction strategies. The volatility of the Chinese Yuan affected the Apple sales, resulting in a markdown of sales from a pricing point perspective and further loss of market share to local competitors. Apple responded to this by making price cuts to their newer iPhone models.

From the research performed, I determined that Apple uses a progressive dividend policy that is subject to prior meetings by board members. The company has a dividend yield of below 1% indicating that its shareholders are more interested in capital gains rather than the actual dividend payout, this assumes the investors consider the tax preference dividend theory when purchasing shares. Apple also assumes the Asymmetric information signaling theory to appeal to investors. In regards to sources of Finance, Apple is highly leveraged by debt rather than equity. The company's gearing ratio has risen from 70.70% to 79.83% from 2019 to 2020. With the company being geared over 50%, it is certain that Apple's financing assumes the net income capital structure theory.

In this report, I calculated different ratios to analyze Apple's performance in terms of: profitability, efficiency, liquidity and investment. The company's profitability appreciated at a consistent pace from 2019 to 2020. Apple's efficiency in turning over inventory got better marginally but the efficiency of its staff declined from the previous fiscal year. Apple's Liquidity has also declined from its 2019 figures, this is because of the money spent in repurchasing shares by the company. The company's earnings per share appreciated over the previous fiscal year, which indicates good signals for potential investors.

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APPENDIX

| | | | | | |
|------------|------|---------|------------|------------|------------|
| 11/06/2020 | CASH | \$0.205 | 10/29/2020 | 11/09/2020 | 11/12/2020 |
| 08/07/2020 | CASH | \$0.82 | 07/30/2020 | 08/10/2020 | 08/13/2020 |
| 05/08/2020 | CASH | \$0.82 | 04/30/2020 | 05/11/2020 | 05/14/2020 |
| 02/07/2020 | CASH | \$0.77 | 01/28/2020 | 02/10/2020 | 02/13/2020 |
| 11/07/2019 | CASH | \$0.77 | 10/30/2019 | 11/11/2019 | 11/14/2019 |
| 08/09/2019 | CASH | \$0.77 | 07/30/2019 | 08/12/2019 | 08/15/2019 |
| 05/10/2019 | CASH | \$0.77 | 04/30/2019 | 05/13/2019 | 05/16/2019 |
| 02/08/2019 | CASH | \$0.73 | 01/29/2019 | 02/11/2019 | 02/14/2019 |
| 11/08/2018 | CASH | \$0.73 | 11/01/2018 | 11/12/2018 | 11/15/2018 |
| 08/10/2018 | CASH | \$0.73 | 07/31/2018 | 08/13/2018 | 08/16/2018 |
| 05/11/2018 | CASH | \$0.73 | 05/01/2018 | 05/14/2018 | 05/17/2018 |
| 02/09/2018 | CASH | \$0.63 | 02/01/2018 | 02/12/2018 | 02/15/2018 |
| 11/10/2017 | CASH | \$0.63 | 11/02/2017 | 11/13/2017 | 11/16/2017 |
| 08/10/2017 | CASH | \$0.63 | 08/01/2017 | 08/14/2017 | 08/17/2017 |
| 05/11/2017 | CASH | \$0.63 | 05/02/2017 | 05/15/2017 | 05/18/2017 |
| 02/09/2017 | CASH | \$0.57 | 01/31/2017 | 02/13/2017 | 02/16/2017 |
| 11/03/2016 | CASH | \$0.57 | 10/25/2016 | 11/07/2016 | 11/10/2016 |
| 08/04/2016 | CASH | \$0.57 | 07/26/2016 | 08/08/2016 | 08/11/2016 |

Figure 2: Apple's dividend payouts (Nasdaq, 2019)

Apple Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except number of shares which are reflected in thousands and per share amounts)

| | Years ended | | |
|--|-----------------------|-----------------------|-----------------------|
| | September 26, 2020 | September 28, 2019 | September 29, 2018 |
| Net sales: | | | |
| Products | \$ 220,747 | \$ 213,883 | \$ 225,847 |
| Services | 53,768 | 46,291 | 39,748 |
| Total net sales | 274,515 | 260,174 | 265,595 |
| Cost of sales: | | | |
| Products | 151,286 | 144,996 | 148,164 |
| Services | 18,273 | 16,786 | 15,592 |
| Total cost of sales | 169,559 | 161,782 | 163,756 |
| Gross margin | 104,956 | 98,392 | 101,839 |
| Operating expenses: | | | |
| Research and development | 18,752 | 16,217 | 14,236 |
| Selling, general and administrative | 19,916 | 18,245 | 16,705 |
| Total operating expenses | 38,668 | 34,462 | 30,941 |
| Operating income | 66,288 | 63,930 | 70,898 |
| Other income/(expense), net | 803 | 1,807 | 2,005 |
| Income before provision for income taxes | 67,091 | 65,737 | 72,903 |
| Provision for income taxes | 9,680 | 10,481 | 13,372 |
| Net income | \$ 57,411 | \$ 55,256 | \$ 59,531 |
| Earnings per share: | | | |
| Basic | \$ 3.31 | \$ 2.99 | \$ 3.00 |
| Diluted | \$ 3.28 | \$ 2.97 | \$ 2.98 |
| Shares used in computing earnings per share: | | | |
| Basic | 17,352,119 | 18,471,336 | 19,821,510 |
| Diluted | 17,528,214 | 18,595,651 | 20,000,435 |

See accompanying Notes to Consolidated Financial Statements.

Figure 3: Apple's statement of operations (Apple, 2020)

Apple Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

| | Years ended | | |
|--|-----------------------|-----------------------|-----------------------|
| | September 26, 2020 | September 28, 2019 | September 29, 2018 |
| Net income | \$ 57,411 | \$ 55,256 | \$ 59,531 |
| Other comprehensive income/(loss): | | | |
| Change in foreign currency translation, net of tax | 88 | (408) | (525) |
| Change in unrealized gains/losses on derivative instruments, net of tax: | | | |
| Change in fair value of derivatives | 79 | (661) | 523 |
| Adjustment for net (gains)/losses realized and included in net income | (1,264) | 23 | 382 |
| Total change in unrealized gains/losses on derivative instruments | (1,185) | (638) | 905 |
| Change in unrealized gains/losses on marketable debt securities, net of tax: | | | |
| Change in fair value of marketable debt securities | 1,202 | 3,802 | (3,407) |
| Adjustment for net (gains)/losses realized and included in net income | (63) | 25 | 1 |
| Total change in unrealized gains/losses on marketable debt securities | 1,139 | 3,827 | (3,406) |
| Total other comprehensive income/(loss) | 42 | 2,781 | (3,026) |
| Total comprehensive income | \$ 57,453 | \$ 58,037 | \$ 56,505 |

See accompanying Notes to Consolidated Financial Statements.

Figure 4: Apple's Income statement (Apple, 2020)

Apple Inc.

CONSOLIDATED BALANCE SHEETS

(In millions, except number of shares which are reflected in thousands and par value)

| | September 26, 2020 | September 28, 2019 |
|---|-----------------------|-----------------------|
| ASSETS: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 38,016 | \$ 48,844 |
| Marketable securities | 52,927 | 51,713 |
| Accounts receivable, net | 16,120 | 22,926 |
| Inventories | 4,061 | 4,106 |
| Vendor non-trade receivables | 21,325 | 22,878 |
| Other current assets | 11,264 | 12,352 |
| Total current assets | 143,713 | 162,819 |
| Non-current assets: | | |
| Marketable securities | 100,887 | 105,341 |
| Property, plant and equipment, net | 36,766 | 37,378 |
| Other non-current assets | 42,522 | 32,978 |
| Total non-current assets | 180,175 | 175,697 |
| Total assets | <u>\$ 323,888</u> | <u>\$ 338,516</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY: | | |
| Current liabilities: | | |
| Accounts payable | \$ 42,296 | \$ 46,236 |
| Other current liabilities | 42,684 | 37,720 |
| Deferred revenue | 6,643 | 5,522 |
| Commercial paper | 4,996 | 5,980 |
| Term debt | 8,773 | 10,260 |
| Total current liabilities | 105,392 | 105,718 |
| Non-current liabilities: | | |
| Term debt | 98,667 | 91,807 |
| Other non-current liabilities | 54,490 | 50,503 |
| Total non-current liabilities | 153,157 | 142,310 |
| Total liabilities | 258,549 | 248,028 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Common stock and additional paid-in capital, \$0.00001 par value: 50,400,000 shares authorized; 16,976,763 and 17,772,945 shares issued and outstanding, respectively | 50,779 | 45,174 |
| Retained earnings | 14,966 | 45,898 |
| Accumulated other comprehensive income/(loss) | (406) | (584) |
| Total shareholders' equity | 65,339 | 90,488 |
| Total liabilities and shareholders' equity | <u>\$ 323,888</u> | <u>\$ 338,516</u> |

See accompanying Notes to Consolidated Financial Statements.

Figure 5: Apple's Balance sheet (Apple, 2020)

Apple Inc.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In millions, except per share amounts)

| | Years ended | | |
|--|-----------------------|-----------------------|-----------------------|
| | September 26, 2020 | September 28, 2019 | September 29, 2018 |
| Total shareholders' equity, beginning balances | \$ 90,488 | \$ 107,147 | \$ 134,047 |
| Common stock and additional paid-in capital: | | | |
| Beginning balances | 45,174 | 40,201 | 35,867 |
| Common stock issued | 880 | 781 | 669 |
| Common stock withheld related to net share settlement of equity awards | (2,250) | (2,002) | (1,778) |
| Share-based compensation | 6,975 | 6,194 | 5,443 |
| Ending balances | 50,779 | 45,174 | 40,201 |
| Retained earnings: | | | |
| Beginning balances | 45,898 | 70,400 | 98,330 |
| Net income | 57,411 | 55,256 | 59,531 |
| Dividends and dividend equivalents declared | (14,087) | (14,129) | (13,735) |
| Common stock withheld related to net share settlement of equity awards | (1,604) | (1,029) | (948) |
| Common stock repurchased | (72,516) | (67,101) | (73,056) |
| Cumulative effects of changes in accounting principles | (136) | 2,501 | 278 |
| Ending balances | 14,966 | 45,898 | 70,400 |
| Accumulated other comprehensive income/(loss): | | | |
| Beginning balances | (584) | (3,454) | (150) |
| Other comprehensive income/(loss) | 42 | 2,781 | (3,026) |
| Cumulative effects of changes in accounting principles | 136 | 89 | (278) |
| Ending balances | (406) | (584) | (3,454) |
| Total shareholders' equity, ending balances | \$ 65,339 | \$ 90,488 | \$ 107,147 |
| Dividends and dividend equivalents declared per share or RSU | \$ 0.795 | \$ 0.75 | \$ 0.68 |

See accompanying Notes to Consolidated Financial Statements.

Figure 6: Apple's Statement of shareholder's equity (Apple, 2020)

Operating profit margin:

| | 2020 | 2019 |
|--------------------------------------|---------------------------|---------------------------|
| <i><u>Operating income</u> x 100</i> | <i><u>66288 x 100</u></i> | <i><u>63930 x 100</u></i> |
| <i>Total revenue</i> | <i>274515</i> | <i>260174</i> |
| | 24.1% | 24.6% |

Gross profit margin:

| | 2020 | 2019 |
|----------------------------------|----------------------------|---------------------------|
| <i><u>Gross profit</u> x 100</i> | <i><u>104956 x 100</u></i> | <i><u>98392 x 100</u></i> |
| <i>Total revenue</i> | <i>274515</i> | <i>260174</i> |
| | 38.2% | 37.8% |

Return on capital employed:

| | 2020 | 2019 |
|---|---------------------------|---------------------------|
| <i><u>Operating income</u> x 100</i> | <i><u>66288 x 100</u></i> | <i><u>63930 x 100</u></i> |
| <i>Total assets – current liabilities</i> | <i>323888-105392</i> | <i>338516-105718</i> |
| | 30.3% | 27.5% |

Current ratio:

| | 2020 | 2019 |
|--|-------------|-------------|
|--|-------------|-------------|

| | | |
|----------------------------|----------------|----------------|
| <i>Current assets</i> | <u>143713</u> | <u>162819</u> |
| <i>Current liabilities</i> | 105392 | 105718 |
| | 1.36: 1 | 1.54: 1 |

Acid test ratio:

| | | |
|--|----------------------|----------------------|
| | 2020 | 2019 |
| <u><i>Current assets - Inventories</i></u> | <u>143713 - 4061</u> | <u>162819 - 4106</u> |
| <i>Current liabilities</i> | 105392 | 105718 |
| | 1.36: 1 | 1.54: 1 |

Average inventory turnover days:

| | | |
|--|------------------------------|------------------------------|
| | 2020 | 2019 |
| <u><i>Average inventories held x 365</i></u> | <u>(4061 + 4106)/2 x 365</u> | <u>(4106 + 3956)/2 x 365</u> |
| <i>Cost of sales</i> | 169559 | 161782 |
| | 8.8 days | 9.1 days |

Sales revenue per employee:

| | | |
|--|-------------|-------------|
| | 2020 | 2019 |
|--|-------------|-------------|

| | | |
|----------------------------|----------------------------|----------------------------|
| <i><u>Sale revenue</u></i> | <i><u>274515000000</u></i> | <i><u>260174000000</u></i> |
| <i>Number of employees</i> | <i>147000</i> | <i>137000</i> |
| | <i>\$1867449</i> | <i>\$1899080</i> |

Earnings per share:

| | <i>2020</i> | <i>2019</i> |
|-------------------------------|---------------------------|---------------------------|
| <i><u>Net income</u></i> | <i><u>57411000000</u></i> | <i><u>55256000000</u></i> |
| <i>Total number of shares</i> | <i>17352119</i> | <i>18471336</i> |
| | <i>\$3.31</i> | <i>\$2.99</i> |