

Company Overview, APPLE INC.

Company Description

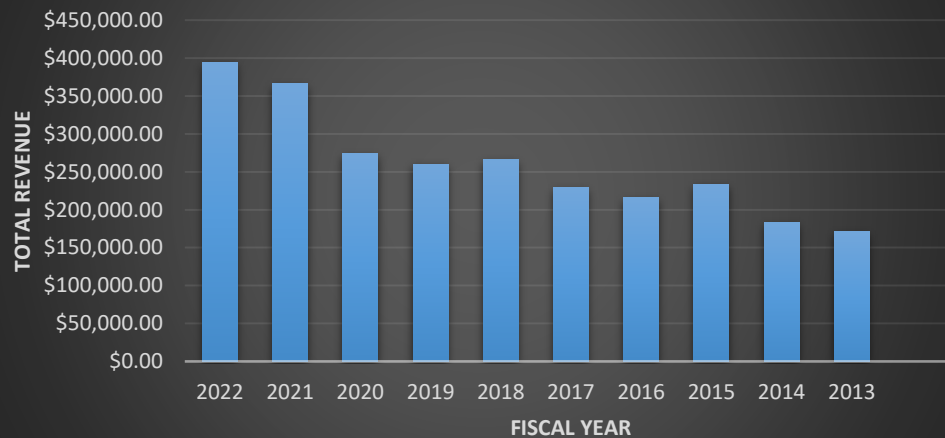
Apple Inc. (Apple) designs, manufactures and markets smartphones, personal computers, tablets, wearables and accessories and sells a range of related services. The Company's products include iPhone, Mac, iPad, AirPods, Apple TV, Apple Watch, Beats products, HomePod, iPod touch and accessories. The Company operates various platforms, including the App Store, which allows customers to discover and download applications and digital content, such as books, music, video, games and podcasts. Apple offers digital content through subscription-based services, including Apple Arcade, Apple Music, Apple News+, Apple TV+ and Apple Fitness+. Apple also offers a range of other services, such as AppleCare, iCloud, Apple Card and Apple Pay. Apple sells its products and resells third-party products in a range of markets, including directly to consumers, small and mid-sized businesses, and education, enterprise and government customers through its retail and online stores and its direct sales force.

Company, Stock, and Performance Data

Current Price	52 Week High	52 Week Low	Market/Trading Exchange
\$147.41	\$179.61	\$124.17	Nasdaq Stock Market
Price-to-Earnings	Employees	Founded	Industry
25.08x	164,000	1977	Computers, Phones & Household Electronics

Past Revenue Performance

Revenue by Year



Capital Structure Mix



Discounted Cash Flow Analysis, APPLE INC.

	Historic Figures			Future Projections				
Year	2020	2021	2022	2023	2024	2025	2026	2027
Total Revenue, net	274,515	365,817	394,328	473,194	553,637	631,146	700,572	756,617
Cost of Goods Sold	169,559	212,981	223,546	285,530	334,070	380,840	422,732	456,551
Gross Profit	104,956	152,836	170,782	187,664	219,566	250,306	277,839	300,066
Selling, General, & Administrative	19,916	21,973	25,094	30,955	36,218	41,288	45,830	49,496
Research & Development	18,752	21,914	26,251	26,767	31,317	35,702	39,629	42,799
Other Operating Expenses	-	-	-	-	-	-	-	-
EBIT	66,288	108,949	119,437	129,942	152,032	173,316	192,381	207,771
EBIT*(1-Tc)	53,030	87,159	95,550	103,953	121,625	138,653	153,905	166,217
Change in Net Working Capital	(5,585)	3,144	(1,860)	2,597	3,039	3,464	3,846	4,153
Depreciation & Amortization	11,056	11,284	11,104	15,660	18,322	20,887	23,184	25,039
Capital Expenditures	(7,309)	(11,085)	(10,708)	(13,262)	(15,517)	(17,689)	(19,635)	(21,206)
Unlevered Free Cash Flow	51,192	90,502	94,086	108,948	127,469	145,315	161,299	174,203
Weighted Average Cost of Capital	8.84%	Discount Factor		0.918750	0.844101	0.775517	0.712506	0.654614
Marginal Applied Tax Rate	20.00%	PV of Future FCFs		100,096	107,597	112,694	114,927	114,036

Common Size Future Assumptions	2020	2021	2022	2023	2024	2025	2026	2027
Revenue Growth Rate	5.51%	33.26%	7.79%	20.00%	17.00%	14.00%	11.00%	8.00%
Gross Profit Margin	38.23%	41.78%	43.31%	39.66%	39.66%	39.66%	39.66%	39.66%
Selling, General, & Administrative	7.25%	6.01%	6.36%	6.54%	6.54%	6.54%	6.54%	6.54%
Research & Development	4.76%	5.56%	6.66%	5.66%	5.66%	5.66%	5.66%	5.66%
Other Operating Expenses	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Change in NWC	0.56%	2.69%	1.96%	2.80%	2.80%	2.80%	2.80%	2.80%
Depreciation	2.82%	3.08%	4.03%	3.31%	3.31%	3.31%	3.31%	3.31%
Capital Expenditures	2.72%	3.03%	2.66%	2.80%	2.80%	2.80%	2.80%	2.80%

Weighted Average Cost of Capital Calculation	
Total Capitalization (Debt & Equity)	2,575,827
Total Debt and Capitalized Leases	169,211
Market Capitalization in Equity Markets	2,406,616
Percentage Debt	6.57%
Percentage Equity	93.43%
Cost of Debt	4.80%
Cost of Equity	9.13%
Weighted Average Cost of Capital	8.84%

Capital Asset Pricing Model	
Expected Market Return	8.00%
Levered Beta	1.30
Current Yield of 5 Year US Treasury Bond	4.21%
Calculated Cost of Equity	9.13%

Assumed Cost of Debt (Comparable Market Yields)	
Pre-Tax Cost of Debt (Comparable Bonds)	6.00%
Marginal Applied Tax Rate	20.00%
Tax-Affected Cost of Debt	4.80%

Implied Share Price, Exit Multiple Method	
Industry-derived EBITDA Exit Multiple	15.00x
Terminal Year EBITDA (Projected)	232,810
Terminal Value	3,492,154
Weighted Average Cost of Capital	8.84%
Present Value of Terminal Value	2,286,014
Sum of the Present Value of Future Cash Flows	549,349
Implied Enterprise Value	2,835,363
Plus: Cash and Cash Equivalents	23,646
Less: Total Debt	(169,211)
Less: Preferred Stock	-
Less: Non-controlling Interests	-
Implied Equity Value	2,689,798
Fully Diluted Shares Outstanding	16,326
Implied Price per Share	\$ 164.76
<i>Current Share Price</i>	<i>\$ 147.41</i>
<i>Current Price-to-earnings</i>	<i>25.08</i>
<i>Potential Upside/Downside</i>	<i>11.77%</i>

Implied Share Price, Gordon Growth Method	
Terminal Growth Rate (Economy-derived)	3.50%
Year 5 Free Cash Flow to the Firm	174,203
Terminal Value	3,374,137
Weighted Average Cost of Capital	8.84%
Present Value of Terminal Value	2,208,759
Sum of the Present Value of Future Cash Flows	549,349
Implied Enterprise Value	2,758,108
Plus: Cash and Cash Equivalents	23,646
Less: Total Debt	(169,211)
Less: Preferred Stock	-
Less: Non-controlling Interests	-
Implied Equity Value	2,612,543
Fully Diluted Shares Outstanding	16,326
Implied Price per Share	\$ 160.02
<i>Current Share Price</i>	<i>\$ 147.41</i>
<i>Current Price-to-earnings</i>	<i>25.08</i>
<i>Potential Upside/Downside</i>	<i>8.56%</i>

Sensitivity Analysis - Terminal Value										
Exit Multiple Method (Implied Price per Share)										
		Exit Multiple								
		11.00x	12.00x	13.00x	14.00x	15.00x	16.00x	17.00x	18.00x	19.00x
WACC	6.00%	144.82	155.47	166.13	176.78	187.44	198.10	208.75	219.41	230.06
	7.00%	138.39	148.56	158.73	168.89	179.06	189.23	199.39	209.56	219.73
	8.00%	132.30	142.01	151.71	161.42	171.12	180.83	190.53	200.24	209.94
	8.84%	127.42	136.75	146.09	155.42	\$ 164.76	174.09	183.43	192.76	202.09
	9.00%	126.53	135.80	145.07	154.34	163.61	172.87	182.14	191.41	200.68
	10.00%	121.06	129.92	138.77	147.63	156.48	165.33	174.19	183.04	191.90
	11.00%	115.87	124.33	132.80	141.26	149.72	158.18	166.65	175.11	183.57

Gordon Growth Method (Implied Price per Share)										
		Perpetuity Growth Rate								
		1.50%	2.00%	2.50%	3.00%	3.50%	4.00%	4.50%	5.00%	5.50%
WACC	6.00%	207.45	230.92	261.11	301.36	357.70	442.22	583.09	864.81	1,710.00
	7.00%	166.95	181.75	199.84	222.45	251.52	290.29	344.56	425.96	561.63
	8.00%	138.95	149.00	160.88	175.14	192.57	214.36	242.37	279.72	332.00
	8.84%	121.28	128.84	137.60	147.85	\$ 160.02	174.71	192.78	215.55	245.13
	9.00%	118.44	125.64	133.94	143.63	155.09	168.83	185.63	206.63	233.62
	10.00%	102.78	108.14	114.21	121.15	129.16	138.50	149.55	162.80	178.99
	11.00%	90.44	94.55	99.14	104.31	110.17	116.86	124.59	133.60	144.25

