



# Marlowe Research

Fundamental Analysis of Apple Inc.



## Summary

Apple Inc. is a technology company operating in the consumer electronics industry. Apple Inc. designs, manufactures, and markets smartphones, personal computers, tablets, wearables, and accessories worldwide. The company offers iPhone, a line of smartphones; Mac, a line of personal computers; iPad, a line of multi-purpose tablets; and wearables, home, and accessories comprising AirPods, Apple TV, Apple Watch, Beats products, and HomePod. It also provides AppleCare support and cloud services; and operates various platforms, including the App Store that allow customers to discover and download applications and digital content, such as books, music, video, games, and podcasts, as well as advertising services include third-party licensing arrangements and its own advertising platforms. In addition, the company offers various subscription-based services, such as Apple Arcade, a game subscription service; Apple Fitness+, a personalized fitness service; Apple Music, which offers users a curated listening experience with on-demand radio stations; Apple News+, a subscription news and magazine service; Apple TV+, which offers exclusive original content; Apple Card, a co-branded credit card; and Apple Pay, a cashless payment service, as well as licenses its intellectual property. The company serves consumers, and small and mid-sized businesses; and the education, enterprise, and government markets. It distributes third-party applications for its products through the App Store. The company also sells its products through its retail and online stores, and direct sales force; and third-party cellular network carriers, wholesalers, retailers, and resellers. Apple Inc. was founded in 1976 and is headquartered in Cupertino, California.

### 1. What are these assets?

Apple's assets are primarily composed of current assets like cash, short-term investments, and receivables (\$147.96 billion), and non-current assets such as long-term investments (\$77.72 billion) and property, plant, and equipment (\$61.04 billion). The company maintains a significant pool of total investments (\$98.88 billion) alongside its operational assets.

### 2. What do we think is going to happen?

Apple is projected to continue its strong financial performance into 2025, with revenue expected to grow by 6.4% to \$416.16 billion, driven by improved gross and operating margins. This growth is anticipated to translate into significantly higher net income (\$112.01B vs. \$93.74B) and EPS (\$7.46 vs. \$6.08), reflecting continued efficiency and strong market demand. However, the company is also projected to continue its aggressive debt reduction and share repurchase programs, maintaining high capital returns despite a slight decrease in overall cash flow quality (OFC/NI ratio dropping from 1.26 to 0.99).

### 3. Why is there a mispricing?

The current high price (\$272.41) relative to the projected 2025 EPS (\$7.46) results in a high P/E ratio of 36.5, suggesting the stock is richly valued compared to historical norms. This valuation likely reflects high market expectations for continued revenue growth and margin expansion (2025 projected net income margin is 26.9%, up from 24.0% in 2024) and the company's aggressive capital return program, despite the lower-than-average current ratio (0.89) indicating short-term liquidity risk.

## Financial Highlights

Revenue: \$416161.0M

Net Income: \$112010.0M

Total Assets: \$359241.0M

Total Equity: \$73733.0M

