

Example of company overview case study

[Business](#), [Company](#)



Apple Incorporation is a company that was established in California in 1977 and which consists of wholly owned subsidiaries that manufacture, design and market a number of products which include iPad, iPhone, Mac, iPod and various software applications for both consumers and professional applications (Annual Report, 2011). The company caters to a number of consumers which include small and mid-sized businesses, Government, education and enterprises. The fiscal year of Apple consists of either 52 or 53 week period and it ends on last Saturday of every September.

The business strategy that the company has chosen for itself is providing the best user experience to its customers through its innovation designs and product development. Therefore, Apple Inc. has formed its business strategy around innovation which can even be reflected in its product portfolio which keeps updating and changing to meet customers' demands and most importantly to create new demands amongst its customers (Stimpson, 2002). Therefore, the company spends a good amount of its investment on research and development to ensure that it is able to come up with products and services which attract new customers and retain its old ones. The company increased its research and development spending from \$ 7299 million in 2010 to \$ 10028 million in 2011 (Annual Report, 2011; Appendix A). The organization is also determined to expand its distribution network to make sure that it is able to reach out to more customers as well as provide its current customers with high quality sales and post customer experience. The core operations of Apple Inc. exist within United States which is also its largest geographic market (Annual Report, 2011). The final assembly of its products takes place at one of its manufacturing units in Ireland and through

various outsourcing units in Asia. Thereby, the company has tried to reduce its costs by opting to outsource its operations to developing nations (Ferrell, Fraedrich and Ferrell, 2011). Supply and manufacturing of the company's different components takes place at a number of places located within United States, Asia and Europe.

Apple's products are available worldwide through different retailers and Apple's subsidiaries. Therefore, the company is a well known brand that exists globally. The company has over 357 retail outlets, 28 of which were opened in 2011 (Annual Report, 2011). The largest number of sales of Apple Inc. was within its American market since it earned \$ 38, 315 million which was followed by Europe where the company had net sales of \$ 27778 million (Annual Report, 2011). Other prominent markets of the organization include Japan and Asia Pacific. The most famous product of the company is by far its iPhone since the company was able to sell off over 72, 293 thousand units in 2011 alone (Annual Report, 2011). Other products which added largely to the company's revenues included iPod and iPad as well as the company's desktops.

Apple Inc. believes in an organizational culture which promotes employees participation and development since the company does not only hire the best talent the company has to offer through its rigorous employee selection process but also concentrates on nurturing its current employees with the help of training sessions (Annual Report, 2011; Daft, 2008).

The company's net sales have shown an increasing trend from 2009 to 2011 reaching the value of \$ 108249 million along with drastic increases in its operating expenses as well (Appendix A). A noticeable factor that can be

seen in the company's balance sheet is that it has increased its shareholders' equity in 2011 by a percentage of 62 (Appendix B) and there has been a growing trend in its assets as well as its liabilities.

Financial Performance and Vulnerability to Current Financial Threats

The company has portrayed a strong financial performance over the years which can be depicted in its growing net sales and net income (Appendix A). However, the company has also experienced high operating expenses since it is constantly increasing its operations as well as investing in better distribution channels and marketing to reach out to its customers (Annual Report, 2011). To analyze the company's performance better, an assessment of some of its ratios is a must. Apple's current and quick ratios have been maintained at lower numbers (Appendix C) which means that the company is aiming to remain effective as it is tying less assets within the company (Bhadhuri, Wachowiz and Horne, 2008). Furthermore, the company has also maintained its current liabilities at low values which show clearly that it is not being dependent on external sources of financing (Harker and Zenios, 2000). The company has also increased its shareholders equity financing in its operations which can also be seen in its financial leverage ratios of debt to equity ratio and debt to total assets ratios from 2009 to 2011 (Appendix C). Hence, Apple Inc. has developed a protective cushion for itself in case a financial crisis strikes (Bhadhuri et al, 2008).

Based on the financial performance of the company, it is evident that the company can protect itself from recession since it has financed most of its operations through equity financing. Along with that, the company has

performed well in the past recessions that have struck United States and the world at large with the help of its strong revenues and strategic management (Annual Report, 2011). However, recession does affect a company's operations since refinancing and new borrowing becomes difficult in a recession because interest rates tend to get higher which results in lower financial purchases by the customers and therefore will affect the shareholders' equity of the company.

The interest rate which affects the company the most is United States interest rate since the company has its headquarters within this particular geographic area (Annual Report, 2011). However, it is also affected by interest rate fluctuations around the world specifically those where it has outsourced its operations to (Daft, 2008). A high interest rate will mean that the investment portfolio of the company will be affected as it will lose out on value since there will be a parallel shift in the yield curve for the company (Annual Report, 2011; Martin, 2011). Increase in interest rate will also mean that the company's debt financing will become expensive and this will affect the company's debt to equity ratio since it is paying out more interest thereby affecting its equity (Bhadhuri et al, 2008).

Global competition can also affect Apple's revenues and expenses. If the global competition increases or other companies start producing products better than Apple, the company will lose out on its sales (Stimpson, 2002). Furthermore, Apple will need to increase its operating expenses since it will have to market its products well or increase its retail stores. The company's operating expenses are on a rise as it is; if they increase further, it will have

an adverse affect on its net income and net profit margin (Appendix A; Appendix C)

Stock Price Analysis

Apple's Stock trades on NASDAQ by the stock name of AAPL (Annual Report, 2011) and currently the company is trading over 940 shares. The stock performance of the company has shown a positive trend since it has shown an upward slope in all of its different indexes (Appendix D). The current price of Apple's share is \$ 529 while its EPS in 2011 was 28. 05. To determine how the market values Apple's stocks, its price to earnings ratio should be calculated. Price to Earnings ratio is a tool which assists in evaluating the company's current share price to it's per share earnings (Bhadhuri et al, 2008). The ratio is therefore as follows: Market Value per share/ Earnings per share (EPS). Therefore the current Price to earnings ratio of Apple is 18. 8 (529/28. 05). Since the Price to Earnings ratio is high of Apple's stock, it means that the investors are expecting a high growth of the company in future. Therefore there is a vote of confidence for Apple's stocks which can also be reflected in its high share price.

The investors that usually purchase Apple's stocks are those that are in the hope of obtaining increasing capital gains in future since the company's stocks are growth stocks in nature as they are considered as good prospects to grow faster than the economy and therefore investors buy them because of their good earnings growth (Martin, 2011). These investors usually purchase Apple Inc.'s shares so that they can hold them as they are expecting their values to increase in future.

Despite the fact that Apple's stocks are doing well within the market, there is

a slight concern that the stocks' performance is too dependent on Apple's strategies to introduce new products. Since speculation is high within the market for Apple, the company has to make sure that it launches at least one major breakthrough technological innovative product once a year. Failure to do so can affect the company's income and share prices and will lead to loss of investors trust.

The recommendations for Apple Inc. to improve its stock performance in future are firstly to keep innovating and launching up to date products that not only satisfy consumers' demands but also creates new demands (Kotler, 2009). The other strategy that Apple can employ is to split its stocks by doing so larger number of stocks will trade on the stock exchange and will become affordable for its investors to purchase (Martin, 2011). The company should even consider paying out dividends since a number of investors believe that company's need to pay dividends since it is their rightful return for investing in the company's operations (Baker and Wurgler, 2004).

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Appendix A

Apple's Income Statement from Fiscal Year 2009 to 2011

(Values are in million dollars)

Appendix B

Apple's Balance Sheet from Fiscal Year 2009 to 2011

(Values are in million dollars)

Appendix C

Microsoft's Ratio Analysis

Appendix D

Apple's Stock Performance