

# Good essay on financial analysis: apple inc

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



## **About the company and the rationale for selecting it**

Apple Inc. is an American multinational company headquartered in California, United States. The company deals in consumer electronics, software and also provides paid multimedia services. Some of the popular products of the company include, iPhone, iPad, iPod and MacBook. At present, the company is amongst the world biggest company with market capitalization of \$677. 37 Billion.

The company has always been in the good news for providing innovative and consumer friendly products. For instance, it first ruled the portable music industry through launch of iPod that changed the music listening experience of the consumer and then, in 2008, the launch of iPhone changed the meaning of smartphone around the globe. In a recent event, the company launched the new iPhone 6 series and iPad air. Hence, it will be interesting for us to know as what the consequences of these newly launched products and many others in the pipeline, such as IWatch, on the stock performance and if it is a lucrative investment opportunity for the investors.

## **Stock listing and stock price information**

The company is listed on NASDAQ under the ticker symbol of AAPL. At present, the stock is priced at \$115. 49, a 44% rise on per year basis. Below is the graphical representation of stock price trend over the period of one year:

## **Comparison with the competitor**

The company faces competition from entities such as Blackberry. However, Apple Inc. is much bigger than its competitor in all aspects. For Instance,

while Market Capitalization of Apple Inc. is \$677. 37 Billion, Blackberry Inc. survives with only 1% of the same and has market capitalization of \$5. 44 Billion. Below is the various fundamentals differing Apple Inc. and Blackberry Inc.

## **Profits and Dividends**

As per the latest annual filing during September, 2014, the company registered an annual profit of \$39. 51 Billion, recording an increase of 6. 67% over a year. As per the market analysts, the probable reason for the increase in net income of the company this year is the high demand of iPhone 6 series and iPad Air, not only in the Americas but also in markets as China and India. China alone came up with record pre-bookings of

Apple Inc. also has a consistent history of dividend payouts. During the latest fiscal year, the company paid dividend of \$1. 81 per share, resulting in the dividend yield of 1. 60%

## **PE ratio**

An abbreviated version of a popular investment multiple, Price-Earnings Ratio, PE ratio indicates the growth expectations of the investors in relation to performance of the stock of the company. Hence, a high PE ratio (above the industrial average) means that the investors are expecting high growth for the stock in the future. For Instance, as for Apple Inc., at present the company have PE ratio of 17. 91 that indicates that the investors are ready to pay \$17. 91 for \$1 of the current earnings and thus, expects the stock to grow really well in the future.

## **Analyst Opinions**

Amid the successful launch of much awaited iPhone 6 series and iPad mini Air, market analysts are expecting the stock to run bullish in the future and have raised their target price from \$135/ share to \$150/ share. According to a report published in Barron's publication, the company is facing huge demand for iPhone 6 series and also the newly launched iPad version and most of the retailers are out of stock, both in US and China. Hence, the revenue of the company is likely to surge to \$67 Billion for this quarter. In another report issued by Barclays Capital, the target price has also been raised here to \$140 along with EPS expectation of \$8. 58 per share for Fiscal 2016. Barclays Capital has provided a more deep insight into the positive effect of release of iPhone 6 and iPad series on the gross margins and declares that the gross margins of the company will continue to rise for years allowing the company to move towards bigger screens in its products along with launch of advanced innovative, IWatch. In addition, with the company ready to expand its business model with Apple Pay, the analyst firm believes that the margins and the industry leadership of Apple Inc. will continue to rise.

## **Risk Factor**

Just like any other investment, even the investment in Apple Inc. stock cannot be risk-free. In addition, the beta factor of the company, which shows how volatile is the stock movement in relation to the market index, is significantly high than that of its competitor. At present, Apple Inc. has beta multiple of 1. 25 while that of Blackberry is only 0. 12. This indicates that Apple stock returns are more volatile than the market and if the same

changes by 1%, the company's stock will change by 25% higher, posing more risk for the investors.

### **Hence, investing in the company's stock do involve significant amount of risk.**

Rate of Growth and the promising future

Apple today is a loyal brand name that serves niche needs and expectations of the customer at the very best prices. The company has been growing steadily over the years courtesy record sales every year and most importantly, a new iPhone series and other innovative products in September for every year. In addition, with the company declaring that many of its products are in the pipeline and with ever growing hunger for the loyal Apple Customers, we can surely expect that the company will have a promising future.

### **Below is the revenue figures and growth multiple of the company during past three years:**

Recommendation: Buy

At the conclusion of this report, we would issue a 'buy' recommendation for the company and we think that the investment in the company's stock will be a profitable affair for the investors. Endowing our conclusion on the analyst reports, PE multiple, trends in the revenue growth and most importantly the launch of new products, we believe that the stock price of the company will continue to rise in the near future. Below is the mean consensus recommendation for the analyst for Apple Inc.:

## Works Cited

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