

The Henry Fund

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Apple Inc. (AAPL)

Information Technology – Consumer Electronics
Investment Thesis



November 1, 2025

Stock Rating: **SELL**

Price Target: **\$205**

Apple's growth outlook remains constrained as innovation has slowed and the company continues to lag peers in AI and emerging technology. iPhone sales, which drive most of Apple's revenue, are increasingly supported by carrier promotions rather than product advancement. Profitability now relies on consumer loyalty to the ecosystem, limiting long-term expansion given the lack of new technology catalysts. These structural challenges have led to share price underperformance relative to peers as investors favor companies with stronger innovation momentum. Based on these factors, we recommend a **SELL** rating with a **\$205 price target**, representing approximately **24.1% downside** from the current share price.

Drivers of Thesis

- iPhone revenue is expected to grow at a 2.4% CAGR through 2030, reflecting longer upgrade cycles and limited product innovation.
- CapEx is projected to rise 35.0% through 2027 as Apple increases AI investment, pressuring near-term cash flows.
- Market share in China continues to decline, with Greater China contributing 15.5% of 2025 revenue⁶, exposing regional weakness.

Risks to Thesis

- A purchase or partnership with an AI company followed by integration into Apple products has the potential to accelerate growth across all segments.
- Continued cooperation with the current administration is likely to improve investor sentiment and strengthen share performance.
- A leadership transition involving Tim Cook has the potential to mark a new era focused on innovation and advanced technologies.

Henry Fund DCF	\$206
Henry Fund DDM	\$184
Relative Multiple	\$235
HF % Downside	24.1%

Price Data

Current Price	\$270
Date of Price	10/31/2025
52wk Range	\$169 – 277
Consensus Price Target	\$270
Consensus % Upside	0%

Key Statistics

Market Cap (B)	\$4,012
Diluted Shares Out. (M)	14,990
Institutional Ownership	64.4%
Beta	1.18
Dividend Yield	0.4%
LT Growth Rate	7.7%

AAPL vs. SPY & Industry ETF



Earnings / EBITDA Estimates

Year	2022	2023	2024	2025e	2026e	2027e
HF EPS	\$6.15	\$6.16	\$6.11	\$7.39	\$7.99	\$8.70
% Growth	8.6	0.2	-0.8	21.0	8.1	8.9
Street EPS	\$6.12	\$6.11	\$6.43	\$7.64	\$8.39	\$9.21
% Growth	6.6	-0.2	5.2	18.8	9.8	9.8
HF EBITDA	130.5	125.8	134.7	143.9	154.3	165.3
% Growth	8.6	-3.6	7.1	6.8	7.2	7.1
Street EBITDA	129.4	128.0	137.3	147.5	158.9	171.2
% Growth	5.4	-1.1	7.3	7.4	7.7	7.7

Price Performance



Balance Sheet / Cash Flow Snapshot

	2022	2023	2024	2025e	2026e	2027e
Net Debt	81.9	60.4	52.1	73.1	77.6	83.0
Debt/Equity	2.6	2.0	2.1	2.2	2.1	1.9
FCF	89.1	97.7	90.8	99.6	105.1	112.1
CFO	122.2	110.5	118.3	93.9	115.2	123.3

Profitability

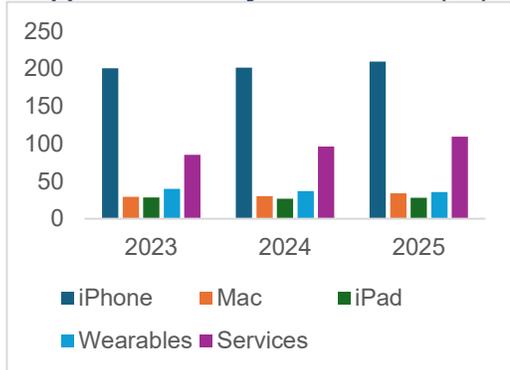
	2022	2023	2024	2025e	2026e	2027e
HF EBITDA	130.5	125.8	134.7	143.9	154.3	165.3
Gross Margin	43.3%	44.1%	46.2%	46.7%	46.7%	47.4%
Net Margin	25.3%	25.3%	24.0%	26.6%	26.1%	26.4%
ROA	28.4%	27.5%	26.1%	29.8%	29.6%	28.7%
ROE (%)	158.2	191.4	150.8	194.1	171.4	147.2
ROIC (%)	121.8	104.3	103.8	119.7	119.9	115.5

AAPL vs. Peer Group – Sales Growth

Year	2025e	2026e	2027e
AAPL	6.35%	7.95%	5.67%
AMZN	11.66%	10.98%	10.76%
GOOGL	13.83%	13.07%	11.78%
META	20.69%	17.83%	15.04%
MSFT	15.08%	15.24%	15.25%

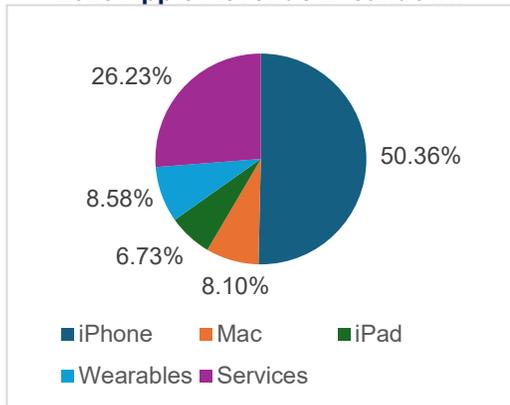
Company Description

Apple Revenue by Product Line (\$B)



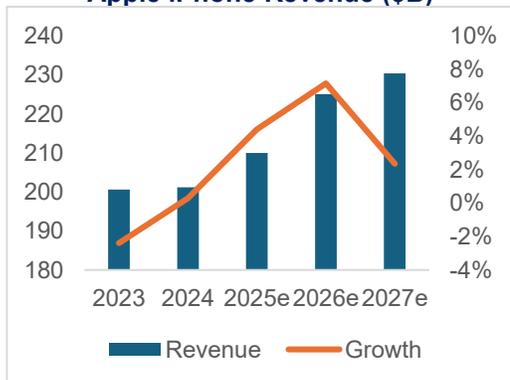
Source: Apple 10-K

2025 Apple Revenue Breakdown



Source: Apple 10-K

Apple iPhone Revenue (\$B)



Source: Apple 10-K & HF Estimates

Apple Inc. was founded in 1976 by Steve Jobs, Steve Wozniak, and Ronald Wayne as a personal computer company, later transforming the consumer technology landscape through innovations such as the Macintosh, iPod, iPhone, and iPad. Headquartered in Cupertino, California, Apple has grown into one of the world's largest technology companies, generating \$416.2 billion in annual revenue in fiscal 2025⁶. Its operations span hardware, software, and digital services, anchored by a vertically integrated ecosystem that drives strong customer retention and recurring revenue. Core segments include iPhone, Mac, iPad, Wearables, Home & Accessories, and Services, which collectively define Apple's premium consumer technology platform. Apple stands at a crucial point where it must integrate emerging technologies, particularly artificial intelligence, into the ecosystem it has developed to sustain its long-term growth and market leadership.

iPhone

Apple's iPhone segment remains the fundamental revenue driver for the company. In the most recent quarter, iPhone revenue reached \$49 billion, accounting for a 6% increase year-over-year. This growth was primarily driven by the launch of the iPhone 17 series, which features key upgrades such as the advanced A19 Pro chip, an 8x telephoto lens on the Pro models, and a larger ProMotion display that has resonated positively with consumers worldwide²⁰. Despite this success, the iPhone Air model has experienced notably weak demand, leading Apple to drastically cut production outside China. Consumers appear to prefer the higher-end iPhone 17 Pro models over the Air, which, despite its thin and light design, lacks advanced camera features and longer battery life, elements critical to customer preferences¹².

Apple holds approximately 17% of the global smartphone market share as of Q2 2025, reflecting its position as a leading global smartphone brand, while commanding a dominant 54% share in the U.S. market. This strong footprint provides Apple with significant pricing power and a loyal customer base but also limits substantial upside from further market share expansion due to the mature smartphone industry landscape⁷.

Looking ahead, this flat growth outlook presents a challenge for Apple's business model, which relies heavily on sustaining strong iPhone revenues to support services and ecosystem expansion. While the company has announced plans to introduce its first foldable iPhone in 2026, we remain skeptical of Apple's ability to execute on this innovation given a historical pattern of shelving or delaying ambitious product projects when commercial viability was uncertain. Moreover, the weak demand for the iPhone Air highlights consumer hesitancy to accept radical design changes absent compelling feature improvements. We forecast iPhone sales to grow at a CAGR of 2.40% through 2030 and reach \$236.5 billion, which aligns with our expectation for a subdued long-term trajectory for the

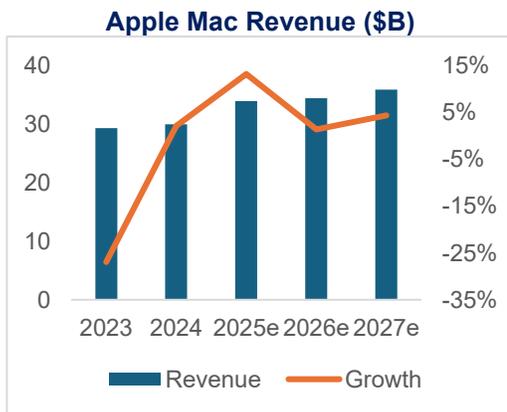
segment. Therefore, despite short-term enthusiasm generated by the iPhone 17 series, the outlook for the segment remains cautious. The extended upgrade cycles, mixed reception to new form factors, and anticipated slow innovation contribute to a limited upside scenario, supporting a flat revenue growth assumption in our valuation and investment thesis¹².

Mac

The Mac segment is a key contributor to Apple's revenue. In the fiscal fourth quarter of 2025, Apple reported Mac revenue of \$8.73 billion, a 13% increase year-over-year, despite no new Mac product launches during the period⁶. This growth was mainly due to strong sales of the MacBook Air and Mac Studio, both powered by Apple's M4 chip. Notably, this growth mirrors a broader industry trend, as many consumers and businesses are now replacing devices purchased during the COVID-19 years. Major competitors such as Lenovo and Dell also reported higher shipment growth, but Apple's gains have been especially strong. The recently announced M5 MacBook Pro, which launched shortly after the quarter ended, will contribute to Mac revenue beginning in fiscal Q1 2026, coinciding with the holiday season⁵.

Apple's share of the global PC market reached approximately 8.7% in early 2025, up 0.7% from the prior year. In the United States, apple holds around 16% of the PC market, with shipments growing 15% year-over-year in Q1 2025, outpacing competitors such as Lenovo and Dell¹⁴. This market share improvement is considerable given the broader challenges facing the PC industry.

Looking forward, we forecast Mac revenue to grow at a CAGR of 4.3%, reaching \$42.0 billion by 2030, up from \$33.7 billion in 2025. This projection is driven by innovations in Apple silicon, particularly the AI and performance capabilities of the M5 chip, which significantly enhances workflows for creative and professional users. Despite the challenges posed by tough year-over-year comparables, demand remains strong across consumer and enterprise sectors. The financial impact of M5-powered Macs will become more pronounced in fiscal 2026, particularly during the holiday quarter. Sustaining growth in the Mac segment is essential for Apple's ecosystem expansion and diversification strategy³.

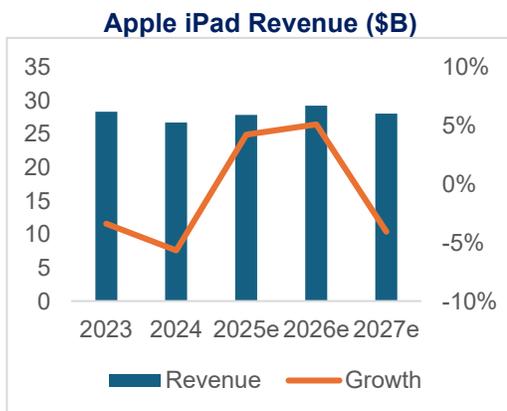


Source: Apple 10-K & HF Estimates

iPad

The iPad segment generated revenue of \$6.95 billion in fiscal Q4 2025, flat compared to the prior year period³. The flat growth follows a very strong previous year driven by major product refreshes including the iPad Air and iPad Pro, which contributed to a longer sales tail into 2025²¹. The iPad continues to maintain a dominant 52% share in the U.S education tablet market, which supports a stable installed base and recurring sales⁷.

We forecast the iPad segment to decline modestly at a CAGR of -0.14%, reaching \$27.6 billion in 2030 from \$28.0 billion in 2025. The decline is largely driven by market saturation, pricing pressures, and lengthening upgrade cycles typical of a mature product category. While recent iPad Pro models with M4 chip power offer strong



Source: Apple 10-K & HF Estimates

performance for professional users, lack of significant new functionality limits broader consumer upgrade motivation⁴.

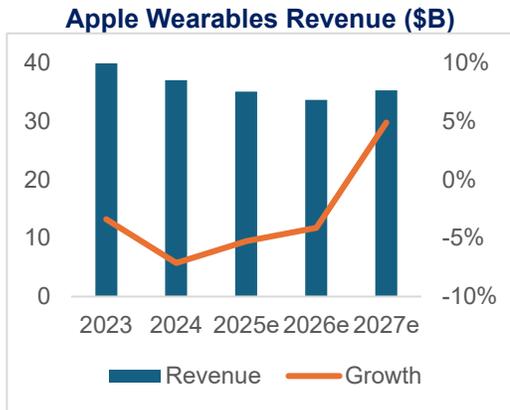
Despite this, the segment remains an integral part of Apple's product ecosystem, supported by accessory sales and continued software enhancements. However, given the mature lifecycle and competition from alternative computing devices, significant iPad revenue growth is unlikely, underscoring its role as a complementary product in Apple's portfolio⁷.

Wearables, Home and Accessories

The Wearables, Home and Accessories segment generated \$9.01 billion in revenue in fiscal Q4 2025, down 1.5% year-over-year⁵. This category includes Apple Watch, AirPods, HomePod, and related accessories.

We forecast segment revenue to decline at a –2.0% CAGR through 2030, falling from \$35.1 billion in 2025 to \$31.7 billion. The decline reflects market saturation, lengthening replacement cycles, and growing competition from Samsung, Garmin, and Chinese OEMs offering similar functionality at lower prices.

A brief uplift is expected in 2027 with the rumored launch of Apple's smart glasses that will integrate augmented reality and AI capabilities. However, early adoption will likely remain limited, preventing a sustained recovery. Additional smart home products, including AI-powered tabletop devices, may provide short-term boosts but are unlikely to offset overall maturity in the category. Overall, the segment faces structural decline as innovation slows and consumers delay upgrades, leaving it reliant on episodic launches rather than consistent growth.



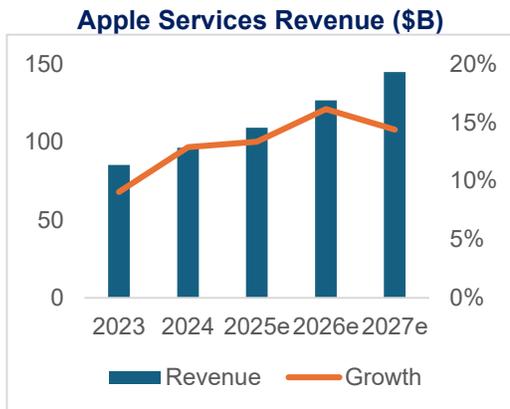
Source: Apple 10-K & HF Estimates

Services

We forecast Services revenue to grow at a 13.3% CAGR through 2030, increasing from \$109.2 billion in 2025 to \$203.7 billion. Fiscal Q4 2025 Services revenue reached \$28.8 billion, up 15% year-over-year, marking a record for the segment²⁰.

The Services portfolio includes the App Store, iCloud, Apple Music, Apple TV+, Apple Arcade, AppleCare, and Apple Pay. Growth is driven by an expanding installed base, increasing user engagement, and rising monetization per device. Strategic partnerships such as Apple's multi-billion-dollar deal with Google for default search engine placement reinforce high-margin recurring revenue streams. Despite regulatory scrutiny in key markets, Services remain Apple's most profitable segment, with gross margins exceeding 70%.

We expect continued momentum as Apple broadens its hardware ecosystem, expanding the addressable base for subscription and transaction services. The integration of emerging devices such as smart glasses and spatial computing hardware should further accelerate growth in digital media, cloud, and payments. This cross-segment synergy positions Services to outpace all hardware categories and remain Apple's primary earnings driver over the forecast period.

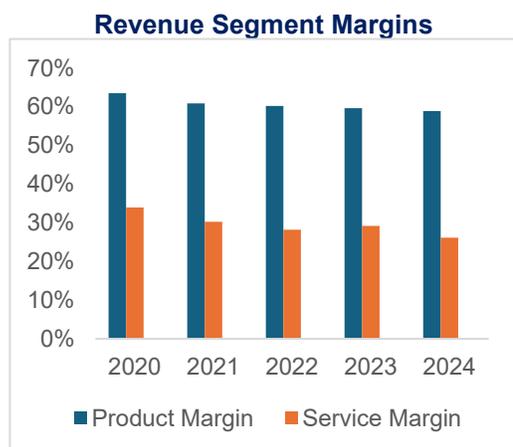


Source: Apple 10-K & HF Estimates

Cost Structure Analysis

Cost of Sales and Gross Margin

Apple's cost of sales assumptions are grounded in historical efficiency trends and the evolving mix of its product and services portfolio. For product-related costs, we held cost of sales constant at 59.9% of product sales, based on a five-year average of product costs as a percentage of revenue. This approach captures Apple's stable supply chain efficiency and procurement discipline. For the services segment, we maintained the most recent year's cost-to-revenue ratio of 26.1%, reflecting the structural profitability of Apple's high-margin digital services ecosystem. This decision aligns with Apple's continued expansion in Services, where scale benefits and recurring subscription growth support rising profitability.

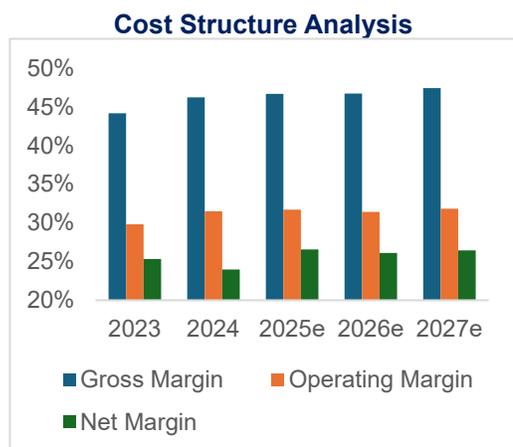


Source: Apple 10-K

Depreciation and amortization were projected based on a forecast of Property, Plant, and Equipment (PP&E), net, which was driven by our higher capital expenditure outlook. As capital expenditures increase, PP&E rises proportionally, resulting in higher depreciation over time. Using Apple's five-year historical depreciation rate of 28.4%, we forecast depreciation to grow as a percentage of sales, from 2.9% in 2025 to 3.37% in 2030. The growing share of Services revenue within total sales enhances profitability across the forecast horizon, leading to an upward trend in gross margin from 46.7% in 2025 to 49.4% in 2030.

Operating Expenses and Operating Margin

Operating expenses were modeled using historical stability and management's strategic guidance. Selling, General, and Administrative (SG&A) expenses were held constant at the projected 2025 level of 6.6% of sales, which is in line with Apple's historical averages. This reflects Apple's demonstrated cost discipline and operational scalability. For Research and Development (R&D), we applied the five-year average annual growth rate of 0.3%, consistent with historical reinvestment trends and Apple's stated intent to increase spending in product innovation and artificial intelligence capabilities.



Source: Apple 10-K & HF Estimates

As a result, total operating expenses grow modestly throughout the forecast period, allowing operating leverage to gradually improve. Operating margin expands from 31.7% in 2025 to 33.0% in 2030, driven by scale efficiencies in SG&A and incremental contribution from higher-margin Services revenue. This modest improvement reflects a balanced outlook where disciplined cost management offsets rising R&D investment, maintaining Apple's industry-leading profitability while supporting innovation-driven growth.

Taxes and Net Margins

We applied a five-year historical effective tax rate of 16.6% to income before provision for income taxes, rather than holding the elevated 2024 fiscal year rate constant. The 2024 effective tax rate increased significantly to 24.1%, driven by a one-time \$15.1 billion payment mandated by the European Court of Justice relating to back taxes owed to Ireland. This discrete tax event caused a temporary spike that does not reflect Apple's normalized tax profile.

The provision for income taxes as a percentage of sales increases slightly from 4.94% in 2025 to 5.42% in 2030. Reflecting Apple's ongoing shift toward a higher-margin services revenue mix, net margins are projected to increase from 26.6% in 2025 to 27.3% in 2030, approximately 3.0% above the company's five-year historical average.

Additional Company Analysis

Revenue Model and Growth Drivers

Apple generates the majority of its revenue from hardware sales, with iPhones contributing about 50% of total revenue, complemented by iPads, Macs, wearables, and accessories. Its services segment, including the App Store and Apple Music, has grown rapidly to represent approximately 25% of revenue, fueled by recurring subscriptions and digital content. Apple's strong pricing power, supported by brand loyalty and a premium product strategy, allows it to maintain gross margins near 40%. Future growth hinges on expanding services and integrating AI-driven features into devices, yet current AI investment is modest relative to peers, limiting near-term upside¹⁰.

Market and Strategic Positioning

Apple operates in the global premium consumer electronics and digital services markets. Its strategy targets affluent consumers emphasizing device integration, privacy, and quality user experience. Apple's tightly controlled ecosystem connects hardware, proprietary operating systems (iOS, macOS), and services, creating high switching costs and customer loyalty. Its competitive positioning leverages innovation at the intersection of custom silicon design and advanced software capabilities, differentiating it from peers heavily reliant on third-party components or cloud platforms¹⁵.

Apple's premium pricing position is expected to be maintained through its strong brand equity, integrated ecosystem, and focus on user experience, which together support higher margins than many peers. While the introduction of lower-priced iPhone models expands addressable market segments, these offerings are designed to complement rather than replace their flagship premium devices. This tiered pricing strategy enables Apple to capture diverse customer bases without diluting its premium brand image. However, competitive pressures and evolving consumer preferences will require continued innovation and differentiation to sustain pricing power, especially as more OEMs improve product quality and expand their premium offerings.

Competitive Differentiation and Advantages

Apple's main strength lies in its ability to control the full user experience through proprietary silicon, tailored operating systems, and a comprehensive ecosystem of services. Its latest AI enhancements are integrated into chips like the M5, which provide faster on-device AI processing. However, Apple's AI hardware development currently lags behind the push of competitors such as Microsoft and Google who are heavily investing in cloud-based AI infrastructure. This gap presents a risk that Apple could lose its

competitive edge if it does not accelerate AI innovation and deployment across devices and platforms⁵.

Viability and Risks to Business Sustainability

While Apple has a strong, diversified revenue base, it currently trails behind industry peers in the development and deployment of AI technology. The company has the potential to increase user engagement and device value through enhanced AI features. Yet, the lack of significant AI infrastructure development poses a threat to its growth and leadership in future tech innovations. Without accelerating its AI efforts, Apple risks falling behind competitors, which could impact revenue growth and market share in an increasingly AI-enabled world. Regulatory challenges and intensifying industry competition add further uncertainty to its long-term sustainability⁸.

Debt Maturity Analysis

Apple's total term debt principal stands at \$91.3 billion as of September 27, 2025. The company's debt maturity structure remains well laddered, minimizing refinancing risk and supporting liquidity flexibility. Near-term maturities include \$12.4 billion in 2026, \$10.1 billion in 2027, and \$9.3 billion in 2028, with the majority of outstanding debt, \$49.3 billion, maturing beyond 2030⁶. This distribution reflects a conservative approach to balance sheet management that allows Apple to comfortably meet obligations without stressing cash flow.

Debt Maturity Analysis

Fiscal Year	Payment (\$M)
2026	12,393
2027	10,078
2028	9,300
2029	5,235
2030	4,972
Thereafter	49,303
Total	91,281

Source: Apple 10-K

Apple generated \$29.7 billion in operating cash flow in fiscal Q4 2025 alone and maintains over \$130 billion⁶ in cash and marketable securities on the balance sheet, significantly exceeding its total debt. The company retains such a large cash and investment balance to preserve financial flexibility, support ongoing innovation and acquisition opportunities, maintain liquidity in volatile markets, and uphold its substantial shareholder return programs. This liquidity position also provides a cushion against unexpected disruptions, allowing Apple to balance cash deployment strategically rather than using all available funds immediately to pay down debt.

While Apple does not explicitly disclose a target capital structure, management has consistently sought to maintain a net cash neutral position over time, balancing debt issuance with buybacks and dividends. We expect Apple to refinance portions of debt maturing through 2028 at favorable rates given its AA+ credit rating and strong cash flow visibility, while retaining the flexibility to retire shorter term notes outright if market conditions tighten. Overall, Apple's maturity schedule and liquidity profile reflect prudent capital structure management aligned with long-term shareholder value creation.

ESG Analysis

Environmental

Environmental

Apple has made substantial progress in reducing its carbon footprint, achieving over a 60% reduction in global greenhouse gas emissions compared to 2015 levels, a key benchmark in its drive for

carbon neutrality by 2030. The company has transitioned its facilities and supply chain to renewable energy sources, with 17.8 gigawatts of renewable electricity online from suppliers alone, avoiding millions of metric tons of emissions annually. Apple also leads in using recycled materials, such as 99% recycled rare earth elements in magnets and cobalt in batteries, further reducing environmental impact. Despite these advances, challenges remain in ensuring supplier compliance and expanding renewable energy usage across all its supply chain partners¹.

Apple's products are primarily manufactured in China but the company has been shifting significant production to India to mitigate tariff-related costs arising from the U.S.-China trade tensions, which currently add approximately \$1.4 billion in costs annually to their supply chain. This production shift affects cost structure and creates operational challenges but also contributes to localized environmental considerations, such as energy sourcing and supplier compliance with Apple's robust environmental standards. Maintaining high ESG standards amid evolving manufacturing footprints remains a management focus to mitigate reputational and regulatory risks tied to supply chain practices and tariffs.

ESG Risk Analysis

Ticker	Score	Risk-level
AAPL	15.2	Low
AMZN	16.6	Low
DELL	11.8	Low
GOOGL	20.0	Medium
META	24.7	Medium
MSFT	14.4	Low
NFLX	12.1	Low
NVDA	13.4	Low

Source: FactSet

Social

Apple is committed to improving labor conditions within its supply chain and increasing workforce diversity. The company requires suppliers to follow strict environmental and labor standards, though critics highlight ongoing issues with transparency and enforcement, especially in final assembly plants. Initiatives like health and safety improvements, worker training programs, and supplier audits are central to Apple's social responsibility efforts. Additionally, Apple invests in programs to promote inclusion and equal opportunity within its global workforce, aiming to reflect diversity in its leadership and employee demographics².

Governance

Apple's governance framework has historically been strong, supported by a well-structured board and transparency in shareholder relations. However, recent rumors about CEO Tim Cook potentially stepping down in the near future have raised concerns about leadership succession and strategic continuity. Given Cook's integral role in steering Apple's growth through innovation and ecosystem expansion, any transition could introduce uncertainty. The company has not publicly detailed a clear succession plan, which adds to investor concerns about governance stability during a critical phase of AI technology adoption and competitive challenges²⁴.

Recent Developments

10/30/2025 Earnings Announcement

Apple reported fiscal Q4 2025 revenue of \$102.5 billion, an increase of 7.9% year-over-year, slightly above consensus expectations of \$102.2 billion. Earnings per share were \$1.85, surpassing the Street estimate of \$1.77, driven by stronger-than-expected iPhone and Services performance and a favorable product mix⁵.

Management guided total revenue growth of 10–12% year-over-year for the December quarter, with double-digit iPhone growth and a gross margin between 47% and 48%, including an estimated \$1.4 billion in tariff-related costs. Operating expenses are expected to rise to \$18.1–\$18.5 billion, primarily from increased AI-related research and development and ongoing private cloud investments³.

As it relates to tariff-related costs, Apple has accelerated shifting iPhone production for the U.S. market to India as part of its strategy to reduce tariff exposure. While India's manufacturing capacity is expanding, this shift presents challenges including higher production costs compared to China and ongoing logistical complexities. Geopolitical factors add further uncertainty, as regulatory pressure favors more U.S.-based manufacturing, which Apple cannot yet fully implement due to supply chain scale and complexity. Consequently, although increasing production in India helps mitigate some tariff risks, it does not completely resolve supply chain or cost challenges under the current environment.

We forecast total revenue growth of 8.3% year-over-year, below management's guidance, reflecting our more conservative outlook on iPhone supply normalization and Chinese market recovery. Within this, we model iPhone revenue to grow 10.4% year-over-year, at the lower end of management's range, due to weaker-than-expected demand for the iPhone Air. Our research and development expense projection is slightly higher than Apple's implied outlook, as we applied a five-year historical growth trend to estimate R&D spending. As a result, our gross margin forecast of 46.7% is modestly below management's 47–48% guidance range, reflecting higher cost assumptions and increased capital intensity tied to AI infrastructure investments.

U.S. and China Tensions

The ongoing trade tensions between the United States and China continue to weigh on Apple's cost structure and regional demand profile. The U.S. government recently extended certain tariff exclusions through November 2025²⁵, offering limited relief but maintaining uncertainty over future trade policy. At the same time, softer demand conditions in China, partly attributed to geopolitical tensions and delayed product launches, have pressured sales in this critical market, which accounts for roughly 15% of Apple's total revenue¹⁹.

Apple's supply chain concentration in China leaves it exposed to tariff adjustments and geopolitical disruptions that could increase component and assembly costs, compressing margins if the company is unable to pass these costs to consumers. To mitigate these risks, Apple is accelerating efforts to shift iPhone production for the U.S. market to India by 2026, marking a strategic diversification of its manufacturing footprint away from China¹⁹.

While this supply chain transition introduces near-term operational and capital costs, it is expected to reduce long-term geopolitical and tariff exposure. In our forecast, we model slightly lower gross margins through 2026 to reflect the upfront cost of this shift, partially offset by margin recovery beginning in 2027 as Indian production scales and logistics efficiencies improve.

Overall, we view Apple’s diversification strategy as a prudent long-term move that strengthens operational resilience, though persistent trade volatility and weaker Chinese demand remain key risks to gross margin stability and unit growth over the next 18 months.

Industry Trends

AI CapEx Growth

The AI capital expenditure race is intensifying across the tech industry, with companies massively increasing investments to build AI infrastructure. Microsoft led Q3 2025 spending with nearly \$35 billion, Amazon plans \$125 billion for 2025, Meta targets about \$71 billion, and Alphabet raised its forecast to \$92-93 billion. These investments focus largely on data centers, AI chips, and cloud capacity to support rapid AI growth¹⁰.

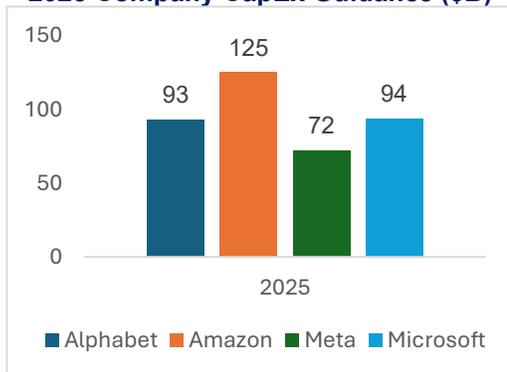
Apple’s approach is more measured with \$12.7 billion on capex in fiscal 2025, less than a tenth of Amazon’s and well below other peers. Apple combines building private cloud capacity using proprietary silicon with leveraging third-party cloud services instead of massive data center expansion. This strategy prioritizes innovation through integrated AI in products and services rather than competing in large-scale AI infrastructure arms races¹⁰.

Looking ahead, the industry views AI capex as essential for long-term revenue growth and competitive positioning. Apple’s capital discipline mitigates investment risk, focusing on AI-driven product enhancements and ecosystem strength. Investors should watch Apple’s AI spending and new product AI features closely to evaluate how effectively it transforms AI investments into growth amid aggressive spending by other tech giants⁹.

Apple’s integration of AI across its product lineup is primarily aimed at maintaining and enhancing its market position across various devices, such as iPhones, Macs, and HomePods. Rather than driving substantially higher revenue growth through incremental AI features, Apple’s AI investments focus on improving user experience, efficiency, and ecosystem cohesiveness. Material revenue acceleration is more likely to occur with entirely new product categories designed around AI, such as potential future AI glasses or advanced smart home devices. Until such transformative products emerge, AI primarily serves as a necessary technology to sustain competitiveness rather than a direct growth lever.

This balancing act between scale and integration shapes Apple’s unique position in the AI race and informs a nuanced view on its valuation and growth potential.

2025 Company CapEx Guidance (\$B)



Source: CNBC

Chip Development

Major tech companies are increasingly developing their own AI chips to strengthen their market position. NVIDIA remains a leader with its AI-specific GPUs widely adopted in data centers and cloud services⁹. Apple designs its own silicon, including the M-series chips with neural engines optimized for on-device AI processing. These chips power Macs, iPads, and increasingly newer iPhone models, allowing deep hardware-software integration across Apple's ecosystem¹⁰. Nevertheless, Apple still relies on third-party suppliers for certain components such as modems and power management chips, particularly in iPhones. Public revenue data shows the iPhone segment, which includes Apple-designed chips alongside third-party components, accounted for approximately 50% of total revenue in fiscal 2025, with Macs and iPads contributing around 15%. While an exact revenue split between Apple-designed and third-party chip components is not disclosed, Apple's growing emphasis on proprietary silicon underscores its strategic priority to enhance AI capabilities and competitive differentiation.

Alphabet is developing custom Tensor Processing Units (TPUs) to boost its AI services, while Amazon has advanced its Graviton chips to support cloud AI workloads economically¹⁹. Meta is investing in dedicated chips to support its AI research and metaverse platforms, emphasizing control over hardware for AI performance¹⁵.

This industry trend underscores the importance of proprietary chip development for enhancing AI capabilities and competitive advantages, with each company focusing on tailored solutions for their specific needs.

Industry Proprietary Chips

Ticker	Chip(s)	Core Use
AAPL	M-Series	Devices
AMZN	Trainium Inferentia	Cloud/AI
GOOGL	TPUs	Cloud/AI
META	MTIA	AI
MSFT	Azure Maia Azure Cobalt	Cloud
NVDA	Hopper Blackwell	Cloud/AI
TSLA	Dojo 1	AI

Source: Bloomberg

Markets and Competition

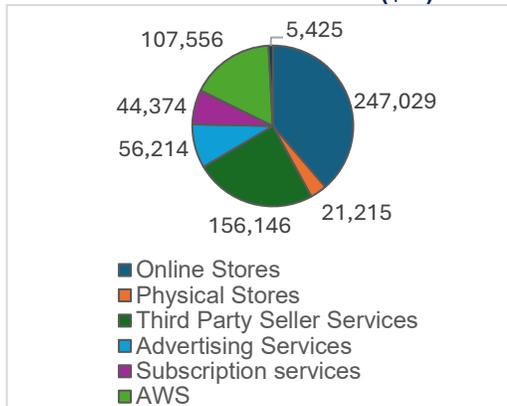
AAPL's Peer Group

The peer group for Apple was determined by focusing on companies that align closely with Apple's core operations. The selection included firms engaged in consumer electronics, hardware-software integration, and digital services. To maintain comparability, companies with similar market capitalization and operational scale were prioritized, excluding traditional PC manufacturers like HP and Dell that differ in strategy and size. This group provides a relevant competitive set reflecting Apple's technological, market, and strategic environment, capturing overlaps in AI, cloud, hardware innovation, and consumer ecosystems.

AMZN

Apple and Amazon both operate in consumer technology with strengths in digital media, smart devices, and AI-driven services. While Apple generated \$94.0 billion in quarterly revenue in Q3 2025, Amazon's superior retail and logistics scale drove its top-line to \$180.2 billion, marking a robust 13% increase year-over-year. Amazon Web Services (AWS)¹⁴ remains the critical competitive differentiator, contributing \$33.0 billion in Q3 revenue, growing 20% year-over-year and holding approximately 29% of the global cloud

2024 Amazon Revenue (\$M)



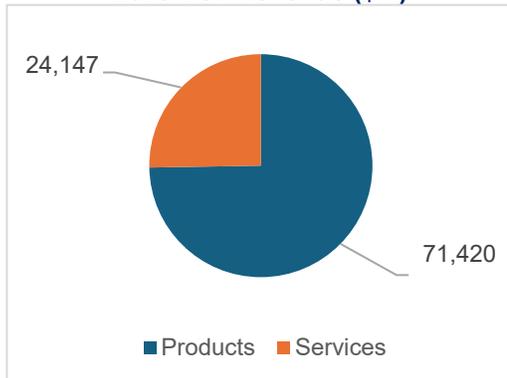
Source: FactSet

infrastructure market¹³, significantly outpacing Apple's limited cloud presence. Furthermore,

Amazon's core streaming service, Prime Video (ad-supported), reaches over 315.0 million monthly active users globally, compared to Apple TV+ which holds an 8% market share in the U.S. streaming market in Q3 2025¹⁰. This cloud and user scale demands high investment velocity, with Amazon's CapEx surging to \$35.1 billion in Q3, a 55% increase year-over-year. In contrast to Apple's high consolidated gross margin estimated near 47%, Amazon's overall operating profitability is diluted by its retail business mix, resulting in a consolidated operating margin of 10%. However, the scale and velocity of Amazon's infrastructure spending underscores its strategic intent to control the foundational AI and enterprise layer, a divergence from Apple's device-centric, capital-light model.

DELL

2025 Dell Revenue (\$M)

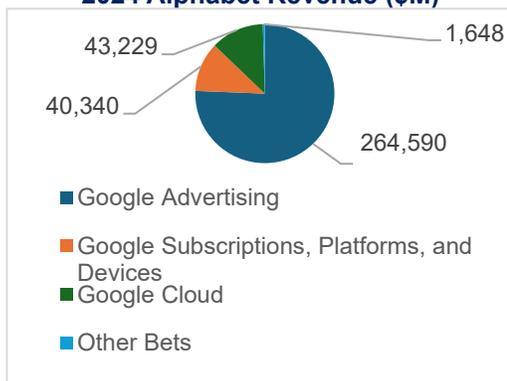


Source: FactSet

Apple and Dell compete primarily in the personal computing market, but with fundamentally distinct strategic models. Dell's strength lies in high unit volume and an enterprise client base, which yielded \$24.4 billion in net revenue for Q3 2025. Dell shipped 10.1 million units in the quarter, capturing 13% of global PC shipments, significantly outpacing Apple's Mac shipments of 6.8 million units (9% market share)⁴. Despite this volume leadership, Dell's reliance on volume-based, flexible hardware sales yields a consolidated operating margin of just 7%. Apple's Mac segment, conversely, focuses on a premium consumer and professional user base with correspondingly higher average selling prices, allowing Apple to maintain a substantially higher overall profitability profile, attributable to its tight vertical integration and product differentiation. While both companies are launching AI-enabled computing devices, Dell's enterprise-focused distribution channels provide broader access to corporate refresh cycles compared with Apple's horizontally integrated ecosystem strategy.

GOOGL

2024 Alphabet Revenue (\$M)

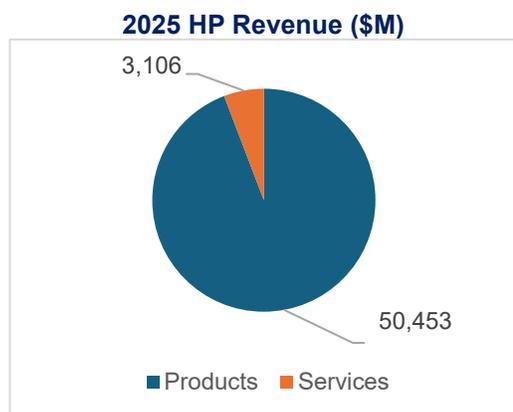


Source: FactSet

Apple and Alphabet contest mobile operating systems, cloud, and artificial intelligence, representing a battle between the world's dominant open platform and the leading premium, integrated ecosystem. Alphabet reported \$88.3 billion in Q3 revenue. Its Android platform commands overwhelming global scale with 73% of the mobile operating system market share, dramatically overshadowing Apple iOS at 27%²¹. This scale, coupled with advertising-driven monetization, reaches a larger global user base than Apple's high-value installed base of approximately 2.4 billion active devices worldwide. Furthermore, Google Cloud holds a significant 13% of the global cloud market, whereas Apple has no comparable cloud infrastructure business. Alphabet's commitment to generative AI is evidenced by its aggressive capital expenditure, which grew 83% year-over-year to \$24.0 billion in Q3¹⁴. Apple leverages ecosystem integration and privacy as competitive advantages, while Alphabet's substantial infrastructure investment and cloud footprint provide a broader platform for large-scale AI deployment.

HPQ

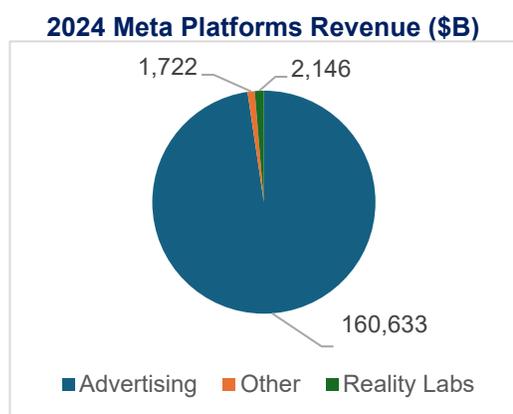
HP Inc. and Apple compete directly in the PC segment, showcasing the high-volume, low-margin nature of the commodity hardware market against Apple's premium strategy. HP maintained market unit leadership in Q3 2025, shipping 15.0 million units and capturing 20% of the global market share⁴. In contrast, Apple's Mac market share reached 9% on 6.8 million units shipped⁴. This unit dominance allows HP's Personal Systems (PS) segment to achieve a larger footprint with \$9.9 billion in net revenue¹⁴. However, HP's broad consumer and commercial PC scale comes with a substantial profitability constraint, reflected in its PS segment operating margin of a meager 5%. Apple maintains a substantial profitability advantage due to its vertically integrated product design and control over the ecosystem. Both companies are expanding their AI-enabled PC portfolios, but HP's unit leadership allows for broader reach across price tiers that Apple deliberately does not serve.



Source: FactSet

META

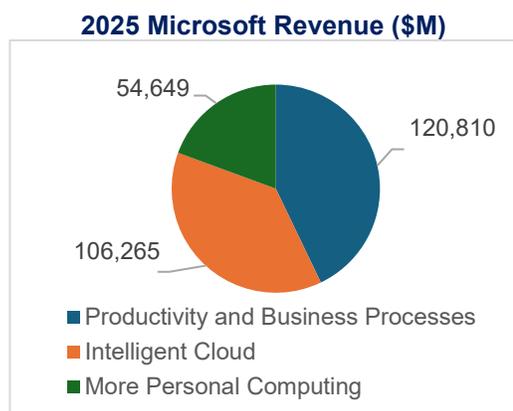
Apple and Meta compete primarily in augmented reality, mixed reality, and digital entertainment, with an overarching battle for user attention and platform control. Meta reported \$51.2 billion in Q3 revenue, achieving 26% growth year-over-year¹⁴. This revenue is underpinned by a massive engagement engine, reporting 3.5 billion Family Daily Active People¹⁴ (DAP) on average for September 2025, an increase of 8% year-over-year. In the realm of R&D, Meta exhibits one of the most aggressive investment postures in the sector, with Trailing Twelve Month (TTM) R&D expenditures reaching \$52.4 billion, growing 24% year-over-year. Apple's Services segment generated \$27.4 billion in Q3, supported by over 1.0 billion paid subscriptions, demonstrating high monetization density per user within its approximately 2.4 billion active devices worldwide⁵. While Meta's Quest and Horizon platforms seek mass-market scale, Apple's Vision Pro targets a premium segment. Meta's rapid iteration and advertising infrastructure provide greater user scale, while Apple emphasizes privacy and premium device positioning.



Source: FactSet

MSFT

Microsoft and Apple compete across software, cloud infrastructure, and AI leadership. Microsoft demonstrated a standout Q3 2025 performance, achieving \$70.1 billion in revenue, growing 13% year-over-year¹⁴, and exhibiting superior financial efficiency with an operating margin of 46%. This margin efficiency is highly competitive even with Apple's high-margin services segment. Microsoft Cloud revenue surged 20% year-over-year, to \$42.4 billion¹⁴, powered by robust demand for Azure, whose revenue jumped 33% (with nearly half that growth fueled by AI workloads). Azure holds a significant 20% of the global cloud market¹³, and Microsoft continues its aggressive investment in AI infrastructure, with capital expenditures reaching \$21.4 billion in Q3. Furthermore, Microsoft generated strong Free Cash Flow of \$20.3 billion in the quarter. While Apple is strong in integrated devices and security, Microsoft dominates enterprise software and is making commanding strides in the AI arms race through its Cloud offerings,



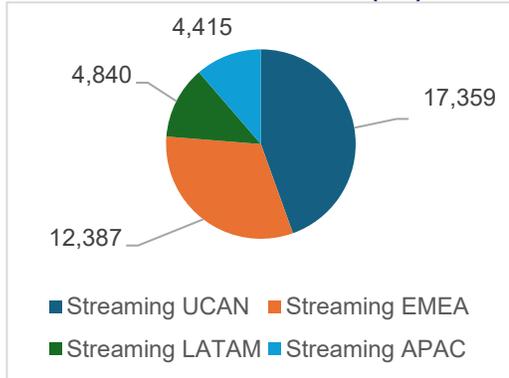
Source: FactSet

a strategic investment area that significantly outpaces Apple's capital commitment.

NFLX

Apple and Netflix compete in video streaming, with Netflix establishing a commanding lead in scale and operating efficiency, while Apple TV+ serves a strategic, ecosystem-driven purpose. Netflix remains the global subscription leader, boasting 301.6 million global paid subscribers as of August 2025¹⁴. The company delivered strong Q3 2025 revenue of \$11.5 billion, reflecting 17% year-over-year growth¹⁴. Furthermore, Netflix demonstrated superior operating leverage in content delivery, reporting an operating margin of 28%. Apple TV+ holds lower market share (estimated around 10%), and its strategic role differs fundamentally. Apple TV+ is a complementary service designed to enhance the value proposition of the broader Apple Services bundle, which generated \$27.4 billion in Q3 revenue, and reinforce the premium device ecosystem. Netflix must sustain aggressive content investment to defend its leadership position, whereas Apple's content spending is a strategic cost allocated for customer retention and ecosystem lock-in.

2024 Netflix Revenue (\$M)

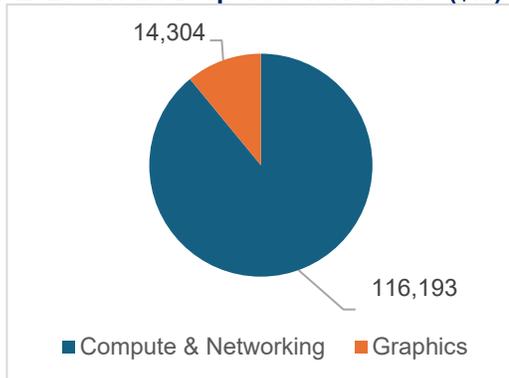


Source: FactSet

NVDA

Nvidia leads the AI hardware market, fundamentally controlling the supply of core computing power, resulting in a financial profile that is structurally superior to Apple's in terms of intellectual property leverage. Nvidia's Q3 2025 revenue reached \$35.1 billion, more than doubling with a 94% year-over-year¹⁴ increase, driven overwhelmingly by Data Center demand. The firm's immense pricing power is reflected in its industry-leading Gross Margin of 75% and its superior Trailing Twelve Month (TTM) Free Cash Flow margin, estimated at 44%. Apple's AI hardware efforts, centered on device-integrated silicon, remain smaller in scale and R&D investment (\$34.6 billion TTM). Nvidia's dominance in cloud and enterprise AI infrastructure significantly outpaces Apple's capabilities, underscoring a material gap in core AI adoption and hardware innovation that Apple must overcome to remain competitive. Furthermore, Nvidia's market capitalization of \$4.6 trillion currently surpasses Apple's \$4.0 trillion, reflecting the market's high valuation of its indispensable role at the core of the global AI buildout.

2025 Nvidia Corporation Revenue (\$M)



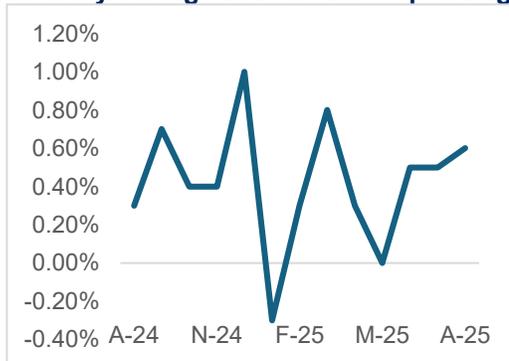
Source: FactSet

Economic Outlook

Consumer Spending

Consumer spending remains a central driver for Apple, especially as its revenues are closely tied to discretionary purchases of premium devices and digital services. In 2025, U.S. consumer spending growth is projected to slow to 3.7%, down from 5.7% in 2024¹⁸, due to cooling labor markets, tariff-induced inflation, and rising household caution. Affluent consumers continue to carry spending, but lower- and middle-income households are showing increased hesitancy, with delinquencies rising in consumer credit and signals of reduced demand for high-end purchases. Recent quarters still saw resilient spending, but surveys indicate increasing intentions to cut back or trade down among many demographics¹⁸.

Monthly Change in Consumer Spending



Source: Trading Economics

For Apple, any slowdown in consumer spending directly impacts device upgrade cycles, services growth, and new product adoption. Persistent strength among affluent buyers is a relative buffer, but continued caution and inflation headwinds present risks to top-line growth and margin expansion in the upcoming quarters. We believe consumer spending will see a decline as living expenses continue to rise and pressure discretionary purchases.

Treasury Yields and Interest Rates

U.S. Treasury yields and federal funds rates have remained elevated into late 2025, with the 10-year Treasury bond yield easing to 4.08% and the Fed funds rate moving down to a 3.75–4.00% target following recent cuts. The Fed’s policy easing comes amid a softer labor market and persistent, though moderating, inflation. Despite two cuts this year, rate expectations remain anchored near 4% and could stay higher for longer as the central bank prioritizes inflation control and financial stability. We forecast the Federal Reserve (Fed) to cut rates one more time in the next six months, and we believe the 10-year yield will move higher as equities rally and investors regain a risk appetite, moving out of safe-haven assets.

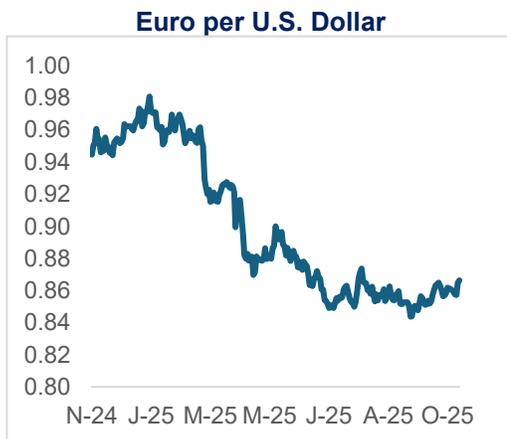


Source: Trading Economics

For Apple and tech firms broadly, higher yields compress equity valuation multiples and increase capital costs for investment and buybacks. Continued volatility in rates could challenge Apple’s ability to sustain shareholder returns and may further pressure demand for premium electronics, especially if borrowing costs for consumers or businesses remain elevated. The direction of rate policy and yields remains a critical macro variable for Apple’s future growth and valuation.

Foreign Exchange Rates

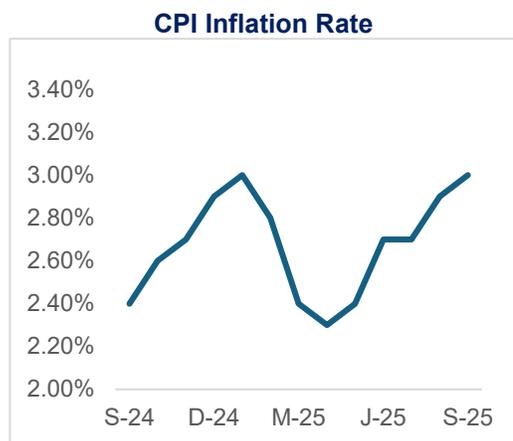
Apple’s exposure to foreign exchange (FX) fluctuations is highly material, given that international sales historically account for more than 50% of total revenues. The concentration of sales in non-USD markets is notable, with the European region alone contributing over 25% of the total revenue. Reporting earnings in dollars means appreciation of the dollar relative to the Euro or Yen creates significant revenue translation headwinds, directly reducing the reported dollar value of international sales. To mitigate this transactional exposure, the firm actively utilizes a sophisticated hedging program involving foreign currency derivatives like forward and option contracts to offset portions of its forecasted foreign currency revenue and inventory purchases. Furthermore, management uses instruments like foreign currency swaps to effectively convert foreign currency-denominated debt to U.S. dollar-denominated notes. This FX impact is compounded by production exposure. We see the dollar continuing to depreciate in the short term, which would alleviate some of the near-term revenue translation pressure. Management must carefully manage pricing in local markets. Adverse currency shifts force a choice between absorbing the FX loss to protect local pricing and sales volume or raising local prices which preserves margin but risks demand destruction.



Source: FactSet

Inflation

Inflation remains a persistent macro risk that affects both Apple's cost structure and consumer demand. U.S. headline CPI inflation increased to 3.0% in September 2025²⁵. While moderate inflation is often viewed as manageable for the technology sector, as it can allow for stable pricing, we forecast inflation will reach 3.3% in the next six months. Current price pressures stemming from tariffs on intermediate inputs could lead to higher pass-through inflation. For Apple, the primary risk is twofold. First, rising input costs for components and logistics can compress the firm's industry-leading gross margin, which is forecasted at 46% to 47% in the fourth quarter of 2025. Second, persistent inflation erodes consumer purchasing power, especially for lower- and middle-income segments, directly impacting upgrade cycles for discretionary premium products. Apple's ability to maintain its exceptional pricing power is the primary buffer against these inflationary pressures, but sustained inflation poses a risk to its top-line volume growth.



Source: Trading Economics

Valuation

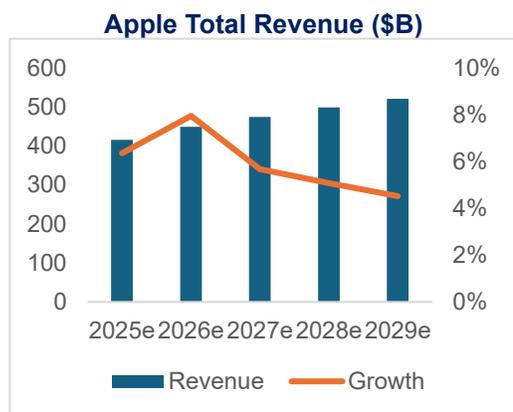
Apple Projected Revenue Growth

Revenue Segment	Forecasted CAGR
iPhone	2.40%
Mac	4.33%
iPad	-0.14%
Wearables	-2.00%
Services	13.33%
Total Revenue	5.42%

Source: HF Estimates

Revenue Assumptions

We forecast Apple's total revenue to increase from \$416.2 billion in 2025 to \$541.5 billion in 2030, representing a 5.4% CAGR. This growth reflects a balance between stable hardware performance and accelerating Services expansion. The iPhone segment is expected to grow at a 2.4% CAGR to \$236.5 billion, supported by flagship upgrades and strong ecosystem retention despite a mature market and limited innovation. Mac revenue is projected to expand at a 4.3% CAGR to \$42.0 billion, driven by adoption of M-series chips and integration of AI-based productivity tools that enhance Apple's competitive positioning.



Source: HF Estimates

We expect modest declines in other hardware categories, with iPad revenue contracting at -0.1% CAGR to \$27.6 billion and Wearables, Home and Accessories declining at a -2.0% CAGR to \$31.7 billion, reflecting longer upgrade cycles and rising competition. Services remain Apple's primary growth driver, expanding at a 13.3% CAGR to \$203.7 billion, supported by higher subscription attachment rates, greater ecosystem monetization, and AI-driven offerings. Overall, Apple's revenue mix is expected to evolve toward higher-margin, recurring streams, reinforcing long-term stability and partially offsetting cyclical hardware headwinds.

Cost Assumptions

Our cost assumptions reflect Apple's consistent operational efficiency and evolving revenue mix. We modeled cost of sales using a five-year historical average of 59.9% of product sales and held Services cost ratios constant to capture the segment's expanding profitability. Depreciation and amortization were projected in line with higher Property, Plant, and Equipment (PP&E) growth, increasing from 2.9% of sales in 2025 to 3.37% in 2030 as capital expenditures rise.

Operating expenses were modeled with Selling, General, and Administrative (SG&A) held constant at 2025 levels and Research and Development (R&D) growing at a five-year average annual rate of 0.3%, consistent with Apple’s guidance for continued investment in innovation and artificial intelligence.

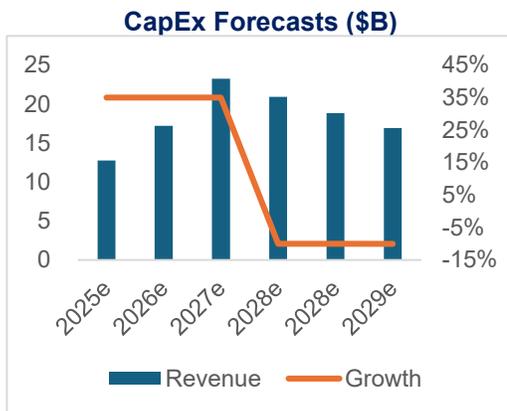
These assumptions collectively support gradual margin expansion, with gross margin rising from 46.7% to 49.4% and operating margin improving from 31.7% to 33.0% through 2030. Although we incorporated management’s guidance for higher operating expenses, we applied a historical growth rate to R&D that elevates total operating expense above consensus expectations. As a result, our gross margin is 1–2% below consensus across the forecast period, but we believe this does not represent an overstatement of expenses since companies investing heavily in artificial intelligence have commonly increased expense guidance as initiatives scale. The cost framework reinforces our valuation outlook, where disciplined expense management and higher-margin Services growth enhance long-term free cash flow generation and sustain profitability.

CapEx Assumptions

We forecast Apple’s capital expenditures to grow by 35% annually through 2027, reaching a peak of \$23.2 billion. After 2027, we forecast a decline of approximately 10% per year, with CapEx falling to \$16.9 billion by the end of the forecast period. Capital spending reached \$12.7 billion in 2025.

Management has not provided formal CapEx guidance. The forecasted increase reflects expanding investment in proprietary AI infrastructure, including data centers powered by Apple Silicon chips. Apple balances internal compute capacity with third-party cloud resources, contrasting with competitors that invest heavily in large-scale AI data centers.

This CapEx projection aligns with broader technology industry trends, which anticipate AI infrastructure spending peaking around 2027 before normalizing. Our forecast highlights a disciplined capital allocation approach that supports ongoing AI integration while maintaining financial prudence.



Source: Apple 10-K and HF Estimates

WACC Calculation

Our analysis uses a WACC of 9.76%, reflecting Apple’s blended cost of equity and after-tax cost of debt weighted by their respective market values.

The cost of equity was 9.92%, estimated using the Capital Asset Pricing Model with a risk-free rate of 4.0%, an equity risk premium of 5.0%, and a beta of 1.18 derived from multi-year averages. The after-tax cost of debt was 4.33%, based on the yield to maturity of Apple’s 37-year corporate bond adjusted for a 16.55% marginal tax rate.

Market value weights were determined using Apple’s market capitalization and the market value of total debt obtained from its

latest 10-K filing. Equity represents 97.2% of total firm value, while debt accounts for 2.8%, resulting in a weighted average cost of capital of 9.76%, which serves as our required return for valuing future cash flows.

DCF/EP

Our DCF price target is \$206 per share, supported by both the discounted cash flow (DCF) and economic profit (EP) valuation frameworks, which produced the same intrinsic value.

Under the DCF model, we projected free cash flow growth from \$101.6 billion in fiscal 2025 to \$144.8 billion in 2030, discounted at a WACC of 9.76%. The continuing value assumes a 6.00% terminal growth rate, which reflects the elevated expectations currently embedded in Apple's valuation while still recognizing that Apple's long term growth potential is more limited than that of higher growth technology companies. The rate incorporates the maturity of Apple's hardware portfolio, slowing unit momentum, and increasing competitive pressure across devices and services, which together constrain Apple's ability to deliver sustained long duration growth.

The economic profit model cross checks the discounted cash flow valuation by discounting future economic profits, or returns generated above the cost of capital, at the same 9.76% WACC. The models converge because both capture Apple's ability to generate a 110.16% return on invested capital relative to a 9.92% cost of equity, while also reflecting that excess returns are likely to moderate as the business continues to mature.

Key assumptions include stable operating margins supported by services, a normalized 6.00% perpetual growth rate that reflects Apple's relative long term growth limitations, and moderate capital intensity. Together, these inputs support a fundamentals-based outlook that aligns with our \$206 price target within a broader recommendation.

DDM

Our DDM price target for Apple is \$184 per share, which reflects a more conservative valuation relative to our discounted cash flow analysis. This framework incorporates dividends and terminal earnings power through a fundamental price to earnings approach.

We incorporate Apple's capital return program by modeling share repurchases and dividends explicitly. While Apple's capital expenditures and high valuation will likely constrain share repurchase growth, we applied a 10-year historical average growth rate of 0.36% annually to share buybacks throughout the forecast horizon. For dividends, we used a historical average growth rate of 4.0%, forecasting dividend increases at the second quarter of each fiscal year to reflect Apple's steady commitment to returning cash to shareholders.

The model assumes earnings per share increase from \$7.39 in 2025 to \$10.87 in 2030, which is consistent with Apple's moderate earnings trajectory supported by Services and incremental

efficiency gains while being constrained by slowing hardware growth. We apply a 9.92% cost of equity, consistent with our broader valuation assumptions, and a 6.00% terminal EPS growth rate that reflects Apple's more limited long-term earnings expansion potential relative to higher growth technology companies.

Using a terminal P/E multiple of 23.96x applied to the 2030 EPS of \$10.87, the model produces a future stock price of \$261. After discounting projected dividends and the terminal value, the model yields an intrinsic value of \$167 at the last fiscal year end and an implied current price of \$184.

Overall, this valuation framework captures Apple's consistent profitability and capital return profile but reinforces that long term upside is limited without a meaningful acceleration in earnings growth beyond Services and artificial intelligence related efficiencies.

Relative Multiple

Our relative valuation price target for Apple is \$235 per share, derived using the peer group's average 2025 P/E multiple of 31.86x applied to Apple's 2025E EPS of \$7.39. The 31.86x peer multiple is higher than the overall market average, which currently stands around 24x forward P/E as of November 2025. Historically, the broad market P/E ratio has averaged closer to 15–20x over the long term. This premium reflects how large-cap technology growth stocks are valued relative to the broader market.

The comparable universe includes Microsoft, Alphabet, Meta, Amazon, Nvidia, Netflix, Dell, and HP. This group was selected to capture the full competitive and operational spectrum of Apple's business model. The large-cap technology peers Microsoft, Alphabet, Meta, Amazon, and Nvidia reflect Apple's exposure to global platform ecosystems, AI integration, and digital services growth. Netflix provides a relevant comparison for subscription-based content and Services expansion, while Dell and HP offer context for Apple's hardware performance within a mature PC market.

We use the 2025 P/E multiple to anchor valuation on near-term earnings under a stable macro environment, avoiding distortions from long-term deceleration assumptions. The resulting \$235 price target indicates that Apple trades slightly below peer averages despite comparable scale, profitability, and ecosystem durability.

Final Valuation

We assigned a 50% weight to the DCF model, 30% to the DDM model, and 20% to the relative valuation, resulting in a final blended price target of \$205 per share.

The DCF model received the highest weighting as it best reflects Apple's intrinsic cash flow generation and long-term value creation based on its stable free cash flow profile and strong return on invested capital. The DDM model was weighted at 30%, as Apple's consistent dividend and repurchase program support shareholder

returns, though dividends alone understate total equity value. The relative valuation received a 20% weight to incorporate current market sentiment and peer-based multiples while limiting exposure to short-term fluctuations.

Our models produce a lower price target because they do not assign a valuation premium based on AI investments. Although Apple integrates AI across its product ecosystem, this integration represents a baseline expectation rather than a catalyst for materially higher revenue growth or margin expansion. Current AI-related revenue contributions remain modest relative to Apple's overall business.

Market valuations are elevated due to investor enthusiasm surrounding AI, pushing multiples for many companies, including Apple, above historical averages. The valuation reflects a focus on fundamentals of cash flow and realistic growth assumptions, deliberately avoiding premiums based on market optimism.

This blended approach balances intrinsic financial performance with the realities of elevated market multiples, resulting in a price target that reflects Apple's fundamental strength and realistic market expectations.

Apple Valuation



Source: FactSet and HF Estimates

Henry Fund vs. The Street

Our revenue forecasts are broadly consistent with Street estimates through 2028, reflecting a similar outlook for Apple's steady top-line growth and continued contribution from its Services segment. However, we differ meaningfully on EPS and EBITDA, where our estimates are lower. This divergence stems from our higher depreciation and amortization assumptions, driven by a 35.0% capital expenditure growth rate through 2027, as Apple invests in data infrastructure and AI capabilities. We also model higher R&D spending, reflecting our expectation that Apple will increase reinvestment to reestablish product innovation and technological leadership.

From a valuation perspective, our \$205 price target stands well below the Street consensus of \$270, which reflects the broader market's elevated valuation environment. Current multiples across the technology sector imply sustained, innovation-driven growth, conditions we view as overly optimistic for Apple's mature product mix and slower innovation cycle. The fact that Apple currently trades near the Street's consensus target suggests that shares are already priced at or slightly above fair value, leaving limited upside potential. We maintain our **SELL** recommendation with a **\$205 price target**, implying approximately **24.1% downside** from the current share price.

Henry Fund vs. The Street

Estimates			
	Rev	2026e EPS	EBITDA
HF	448.9	\$7.99	154.3
Street	446.6	\$8.39	158.9
% Diff.	.52	-4.77	-2.89

Source: FactSet and HF Estimates

Estimates			
	Rev	2027e EPS	EBITDA
HF	474.4	\$8.70	165.3
Street	474.5	\$9.21	171.2
% Diff.	-.02	-5.54	-3.45

Source: FactSet and HF Estimates

Estimates			
	Rev	2028e EPS	EBITDA
HF	498.5	\$9.34	176.0
Street	500.8	\$9.87	179.9
% Diff.	-.46	-5.37	-2.17

Source: FactSet and HF Estimates

References

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 9. [Business Insider](#)
 10. [CNBC](#)
 11. [FactSet](#)
 12. [Fortune](#)
 13. [Horizon Radio](#)
 14. [International Data Corporation](#)
 15. [Investor's Business Daily](#)
 16. [MacRumors](#)
 17. [McKinsey & Company](#)
 18. [Morgan Stanley](#)
 19. [Reuters](#)
 20. [Seeking Alpha](#)
 21. [SlatePad](#)
 22. [Statcounter](#)
 23. [TECHi](#)
 24. [The Economic Times](#)
 25. [Trading Economics](#)
 26. [Yahoo Finance](#)

Apple Inc.
Income Statement (Quarterly)
(\$ in millions)

Fiscal Years Ending Sep. 27	2022	2023	2024	2025 Q1A	2025 Q2A	2025 Q3A	2025 Q4E	2025E	2026 Q1E	2026 Q2E	2026 Q3E	2026 Q4E	2026E	2027E	2028E	2029E	2030E
Net sales:																	
Products	316,199	298,085	294,866	97,960	68,714	66,613	73,563	306,850	104,215	75,853	68,243	74,043	322,353	329,610	335,195	338,007	337,741
Services	78,129	85,200	96,169	26,340	26,645	27,423	28,591	108,999	30,444	31,400	31,755	32,977	126,576	144,786	163,283	182,980	203,743
Total net sales	394,328	383,285	391,035	124,300	95,359	94,036	102,154	415,849	134,659	107,252	99,998	107,020	448,929	474,397	498,478	520,986	541,484
Cost of sales:																	
Products	190,367	177,763	173,788	56,367	41,369	40,790	44,070	182,596	57,927	46,137	43,016	46,037	193,117	197,465	200,811	202,495	202,336
Services	22,075	24,855	25,119	6,578	6,462	6,698	7,468	27,206	9,917	7,899	7,364	7,881	33,061	37,818	42,649	47,794	53,217
Depreciation and amortization	11,104	11,519	11,445	3,080	2,661	2,830	3,443	12,014	3,953	3,149	2,936	3,142	13,179	14,325	16,857	18,010	18,242
Total cost of sales	223,546	214,137	210,352	66,025	50,492	50,318	54,981	221,816	71,797	57,184	53,316	57,060	239,357	249,608	260,317	268,299	273,795
Gross margin	170,782	169,148	180,683	58,275	44,867	43,718	47,173	194,033	62,862	50,068	46,682	49,960	209,572	224,789	238,161	252,687	267,689
Operating expenses:																	
Research and development	26,251	29,915	31,370	8,268	8,550	8,866	8,987	34,671	11,633	9,265	8,638	9,245	38,781	42,411	46,065	49,715	53,303
Selling, general and administrative	25,094	24,932	26,097	7,175	6,728	6,650	6,938	27,491	8,902	7,090	6,611	7,075	29,677	31,361	32,953	34,441	35,796
Total operating expenses	51,345	54,847	57,467	15,443	15,278	15,516	15,924	62,161	20,535	16,355	15,249	16,320	68,459	73,772	79,018	84,156	89,098
Operating income	119,437	114,301	123,216	42,832	29,589	28,202	31,248	131,871	42,328	33,713	31,433	33,640	141,113	151,017	159,143	168,531	178,591
Other income/(expense), net	(334)	(565)	269	(248)	(279)	(171)	(110)	(808)	(150)	(150)	(150)	(150)	(602)	(808)	(1,106)	(1,300)	(1,195)
Income before provision for income taxes	119,103	113,736	123,485	42,584	29,310	28,031	31,138	131,063	42,177	33,563	31,282	33,489	140,512	150,209	158,036	167,231	177,396
Provision for income taxes	19,300	16,741	29,749	6,254	4,530	4,597	5,153	20,534	6,975	5,555	5,180	5,543	23,253	24,858	26,154	27,675	29,357
Net income	99,803	96,995	93,736	36,330	24,780	23,434	25,985	110,529	35,202	28,007	26,103	27,946	117,258	125,351	131,883	139,556	148,039
Basic earnings per share (EPS)	6.15	6.16	6.11	2.41	1.65	1.57	1.75	7.39	2.38	1.90	1.78	1.92	7.99	8.70	9.34	10.07	10.87
Year end shares outstanding (basic)	15,908	15,553	15,116	15,022	14,936	14,840	14,811	14,811	14,742	14,674	14,605	14,536	14,536	14,267	13,988	13,732	13,498
Weighted average basic shares outstanding	16,216	15,744	15,344	15,082	14,994	14,903	14,826	14,963	14,777	14,708	14,639	14,571	14,674	14,401	14,127	13,860	13,615
Dividends per share	0.91	0.95	0.99	0.25	0.26	0.26	0.26	1.03	0.26	0.27	0.27	0.27	1.07	1.11	1.16	1.20	1.25

Apple Inc.*Income Statement (Annual)**(\$ in millions)*

Fiscal Years Ending Sep. 27	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
Net sales:											
Products	220,747	297,392	316,199	298,085	294,866	306,850	322,353	329,610	335,195	338,007	337,741
Services	53,768	68,425	78,129	85,200	96,169	108,999	126,576	144,786	163,283	182,980	203,743
Total net sales	274,515	365,817	394,328	383,285	391,035	415,849	448,929	474,397	498,478	520,986	541,484
Cost of sales:											
Products	140,230	180,982	190,367	177,763	173,788	182,596	193,117	197,465	200,811	202,495	202,336
Services	18,273	20,715	22,075	24,855	25,119	27,206	33,061	37,818	42,649	47,794	53,217
Depreciation and amortization	11,056	11,284	11,104	11,519	11,445	12,014	13,179	14,325	16,857	18,010	18,242
Total cost of sales	169,559	212,981	223,546	214,137	210,352	221,816	239,357	249,608	260,317	268,299	273,795
Gross margin	104,956	152,836	170,782	169,148	180,683	194,033	209,572	224,789	238,161	252,687	267,689
Operating expenses:											
Research and development	18,752	21,914	26,251	29,915	31,370	34,671	38,781	42,411	46,065	49,715	53,303
Selling, general and administrative	19,916	21,973	25,094	24,932	26,097	27,491	29,677	31,361	32,953	34,441	35,796
Total operating expenses	38,668	43,887	51,345	54,847	57,467	62,161	68,459	73,772	79,018	84,156	89,098
Operating income	66,288	108,949	119,437	114,301	123,216	131,871	141,113	151,017	159,143	168,531	178,591
Other income/(expense), net	803	258	(334)	(565)	269	(808)	(602)	(808)	(1,106)	(1,300)	(1,195)
Income before provision for income taxes	67,091	109,207	119,103	113,736	123,485	131,063	140,512	150,209	158,036	167,231	177,396
Provision for income taxes	9,680	14,527	19,300	16,741	29,749	20,534	23,253	24,858	26,154	27,675	29,357
Net income	57,411	94,680	99,803	96,995	93,736	110,529	117,258	125,351	131,883	139,556	148,039
Basic earnings per share (EPS)	3.31	5.67	6.15	6.16	6.11	7.39	7.99	8.70	9.34	10.07	10.87
Year end shares outstanding (basic)	17,002	16,406	15,908	15,553	15,116	14,811	14,536	14,267	13,988	13,732	13,498
Weighted average basic shares outstanding	17,352	16,701	16,216	15,744	15,344	14,963	14,674	14,401	14,127	13,860	13,615
Dividends per share	0.81	0.87	0.91	0.95	0.99	1.03	1.07	1.11	1.16	1.20	1.25

Apple Inc.
Balance Sheet
(\$ in millions)

<i>Fiscal Years Ending Sep. 27</i>	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
Assets									
Current assets:									
Cash and cash equivalents	23,646	29,965	29,943	16,888	25,445	31,722	38,571	52,472	73,235
Marketable securities	24,658	31,590	35,228	36,499	37,817	39,181	40,596	42,061	43,579
Accounts receivable, net	28,184	29,508	33,410	37,416	42,429	44,836	47,111	49,239	51,176
Vendor non-trade receivables	32,748	31,477	32,833	35,570	39,104	42,067	44,986	47,835	50,568
Inventories	4,946	6,331	7,286	7,582	7,965	8,145	8,283	8,352	8,345
Other current assets	21,223	14,695	14,287	16,052	17,329	18,312	19,241	20,110	20,901
Total current assets	135,405	143,566	152,987	150,007	170,088	184,262	198,788	220,069	247,804
Non-current assets:									
Marketable securities	120,805	100,544	91,479	95,141	98,949	102,910	107,030	111,314	115,770
Property, plant and equipment, net	42,117	43,715	45,680	46,419	50,458	59,375	63,437	64,253	62,955
Other non-current assets	54,428	64,758	74,834	85,276	97,175	110,734	126,184	143,791	163,855
Total non-current assets	217,350	209,017	211,993	226,836	246,582	273,019	296,651	319,359	342,580
Total assets	352,755	352,583	364,980	376,843	416,670	457,282	495,439	539,428	590,384
Liabilities and Stockholders' Equity									
Current liabilities:									
Accounts payable	64,115	62,611	68,960	73,336	79,170	83,661	87,908	91,877	95,492
Other current liabilities	60,845	58,829	78,304	65,983	71,232	75,273	79,094	82,665	85,917
Deferred revenue	7,912	8,061	8,249	8,916	9,625	10,171	10,687	11,170	11,609
Commercial paper	9,982	5,985	9,967	9,253	10,231	10,857	11,456	12,023	12,545
Term debt	11,128	9,822	10,912	12,970	14,340	15,217	16,058	16,852	17,584
Total current liabilities	153,982	145,308	176,392	170,458	184,597	195,178	205,202	214,586	223,148
Non-current liabilities:									
Term debt	98,959	95,281	85,750	93,976	104,737	116,677	127,286	137,304	147,273
Other non-current liabilities	49,142	49,848	45,888	43,996	42,183	40,444	38,776	37,178	35,645
Total non-current liabilities	148,101	145,129	131,638	137,972	146,919	157,121	166,062	174,482	182,918
Total liabilities	302,083	290,437	308,030	308,430	331,517	352,299	371,265	389,068	406,066
Shareholders' equity:									
Common stock and additional paid-in capital	64,849	73,812	83,276	94,110	104,944	111,444	111,444	111,444	111,444
Retained earnings	(3,068)	(214)	(19,154)	(19,328)	(13,422)	(93)	19,099	45,284	79,243
Accumulated other comprehensive loss	(11,109)	(11,452)	(7,172)	(6,369)	(6,369)	(6,369)	(6,369)	(6,369)	(6,369)
Total shareholders' equity	50,672	62,146	56,950	68,413	85,153	104,983	124,174	150,359	184,318
Total liabilities and shareholders' equity	352,755	352,583	364,980	376,843	416,670	457,282	495,439	539,428	590,384

Apple Inc.*Historical Cash Flow Statement**(\$ in millions)***Fiscal Years Ending Sep. 27****2022****2023****2024****Operating activities:**

Net income 99,803 96,995 93,736

Adjustments:

Depreciation and amortization 11,104 11,519 11,445

Share-based compensation expense 9,038 10,833 11,688

Other 1,006 (2,227) (2,266)

Changes in operating assets and liabilities:

Accounts receivable, net (1,823) (1,688) (3,788)

Vendor non-trade receivables (7,520) 1,271 (1,356)

Inventories 1,484 (1,618) (1,046)

Other current and non-current assets (6,499) (5,684) (11,731)

Accounts payable 9,448 (1,889) 6,020

Other current and non-current liabilities 6,110 3,031 15,552

Cash generated by operating activities 122,151 110,543 118,254**Investing activities:**

Purchases of marketable securities (76,923) (29,513) (48,656)

Proceeds from maturities of marketable securities 29,917 39,686 51,211

Proceeds from sales of marketable securities 37,446 5,828 11,135

Payments for acquisition of property, plant and equipment (10,708) (10,959) (9,447)

Other (2,086) (1,337) (1,308)

Cash generated by/(used in) investing activities (22,354) 3,705 2,935**Financing activities:**

Payments for taxes related to net share settlement of equity awards (6,223) (5,431) (5,441)

Payments for dividends and dividend equivalents (14,841) (15,025) (15,234)

Repurchases of common stock (89,402) (77,550) (94,949)

Proceeds from issuance of term debt, net 5,465 5,228 0

Repayments of term debt (9,543) (11,151) (9,958)

Proceeds from/(Repayments of) commercial paper, net 3,955 (3,978) 3,960

Other (160) (581) (361)

Cash used in financing activities (110,749) (108,488) (121,983)**Increase/(Decrease) in cash, cash equivalents, and restricted cash and cash equivalents** (10,952) 5,760 (794)**Cash, cash equivalents, and restricted cash and cash equivalents, ending balances** 24,977 30,737 29,943**Supplemental cash flow disclosure:**

Cash paid for income taxes, net (19,573) (18,679) (26,102)

Apple Inc.*Forecasted Cash Flow Statement**(\$ in millions)*

Fiscal Years Ending Sep. 27	2025E	2026E	2027E	2028E	2029E	2030E
Operating activities						
Net income	110,529	117,258	125,351	131,883	139,556	148,039
Adjustments:						
Depreciation and amortization	12,014	13,179	14,325	16,857	18,010	18,242
Change in accounts receivable, net	(4,006)	(5,012)	(2,407)	(2,276)	(2,127)	(1,937)
Change in vendor non-trade receivables	(2,737)	(3,535)	(2,963)	(2,918)	(2,849)	(2,732)
Change in inventories	(296)	(383)	(179)	(138)	(69)	7
Change in other current assets	(1,765)	(1,277)	(983)	(930)	(869)	(791)
Change in other non-current assets	(10,442)	(11,899)	(13,559)	(15,451)	(17,607)	(20,064)
Change in accounts payable	4,376	5,834	4,491	4,247	3,969	3,615
Change in other current liabilities	(12,321)	5,249	4,041	3,821	3,571	3,252
Change in deferred revenue	667	709	546	516	483	439
Change in other non-current liabilities	(1,892)	(1,814)	(1,739)	(1,667)	(1,599)	(1,533)
Net cash provided by operating activities	94,127	118,310	126,924	133,944	140,469	146,537
Investing activities						
Change in current marketable securities	(1,271)	(1,317)	(1,365)	(1,414)	(1,465)	(1,518)
Change in non-current marketable securities	(3,662)	(3,808)	(3,961)	(4,120)	(4,284)	(4,456)
Capital expenditures	(12,753)	(17,217)	(23,243)	(20,919)	(18,827)	(16,944)
Change accumulated other comprehensive loss	803	0	0	0	0	0
Net cash used in investing activities	(16,884)	(22,343)	(28,569)	(26,452)	(24,576)	(22,918)
Financing activities						
Change in current term debt	2,058	1,370	877	841	794	732
Change in non-current term debt	8,226	10,761	11,940	10,609	10,018	9,969
Change in commercial paper	(714)	978	626	600	566	522
Share repurchases	(95,291)	(95,634)	(95,978)	(96,324)	(96,670)	(97,018)
Dividend payouts	(15,412)	(15,718)	(16,044)	(16,368)	(16,700)	(17,061)
Change in common stock and additional paid-in capital	10,834	10,834	6,500	0	0	0
Net cash used in financing activities	(90,299)	(87,410)	(92,079)	(100,642)	(101,992)	(102,856)
Change in cash	(13,055)	8,557	6,277	6,850	13,901	20,763
Beginning of year cash	29,943	16,888	25,445	31,722	38,571	52,472
End of year cash	16,888	25,445	31,722	38,571	52,472	73,235

Apple Inc.
Common Size Income Statement (Quarterly)

Fiscal Years Ending Sep. 27	2022	2023	2024	2025 Q1A	2025 Q2A	2025 Q3A	2025 Q4E	2025E	2026 Q1E	2026 Q2E	2026 Q3E	2026 Q4E	2026E	2027E	2028E	2029E	2030E
Net sales:																	
Products	80.19%	77.77%	75.41%	78.81%	72.06%	70.84%	72.01%	73.79%	77.39%	70.72%	68.24%	69.19%	71.80%	69.48%	67.24%	64.88%	62.37%
Services	19.81%	22.23%	24.59%	21.19%	27.94%	29.16%	27.99%	26.21%	22.61%	29.28%	31.76%	30.81%	28.20%	30.52%	32.76%	35.12%	37.63%
Total net sales	100.00%																
Cost of sales:																	
Products	48.28%	46.38%	44.44%	45.35%	43.38%	43.38%	43.14%	43.91%	43.02%	43.02%	43.02%	43.02%	43.02%	41.62%	40.28%	38.87%	37.37%
Services	5.60%	6.48%	6.42%	5.29%	6.78%	7.12%	7.31%	6.54%	7.36%	7.36%	7.36%	7.36%	7.36%	7.97%	8.56%	9.17%	9.83%
Depreciation and amortization	2.82%	3.01%	2.93%	2.48%	2.79%	3.01%	3.37%	2.89%	2.94%	2.94%	2.94%	2.94%	2.94%	3.02%	3.38%	3.46%	3.37%
Total cost of sales	56.69%	55.87%	53.79%	53.12%	52.95%	53.51%	53.82%	53.34%	53.32%	53.32%	53.32%	53.32%	53.32%	52.62%	52.22%	51.50%	50.56%
Gross margin	43.31%	44.13%	46.21%	46.88%	47.05%	46.49%	46.18%	46.66%	46.68%	46.68%	46.68%	46.68%	46.68%	47.38%	47.78%	48.50%	49.44%
Operating expenses:																	
Research and development	6.66%	7.80%	8.02%	6.65%	8.97%	9.43%	8.80%	8.34%	8.64%	8.64%	8.64%	8.64%	8.64%	8.94%	9.24%	9.54%	9.84%
Selling, general and administrative	6.36%	6.50%	6.67%	5.77%	7.06%	7.07%	6.79%	6.61%	6.61%	6.61%	6.61%	6.61%	6.61%	6.61%	6.61%	6.61%	6.61%
Total operating expenses	13.02%	14.31%	14.70%	12.42%	16.02%	16.50%	15.59%	14.95%	15.25%	15.25%	15.25%	15.25%	15.25%	15.55%	15.85%	16.15%	16.45%
Operating income	30.29%	29.82%	31.51%	34.46%	31.03%	29.99%	30.59%	31.71%	31.43%	31.43%	31.43%	31.43%	31.43%	31.83%	31.93%	32.35%	32.98%
Other income/(expense), net	-0.08%	-0.15%	0.07%	-0.20%	-0.29%	-0.18%	-0.11%	-0.19%	-0.11%	-0.14%	-0.15%	-0.14%	-0.13%	-0.17%	-0.22%	-0.25%	-0.22%
Income before provision for income taxes	30.20%	29.67%	31.58%	34.26%	30.74%	29.81%	30.48%	31.52%	31.32%	31.29%	31.28%	31.29%	31.30%	31.66%	31.70%	32.10%	32.76%
Provision for income taxes	4.89%	4.37%	7.61%	5.03%	4.75%	4.89%	5.04%	4.94%	5.18%	5.18%	5.18%	5.18%	5.18%	5.24%	5.25%	5.31%	5.42%
Net income	25.31%	25.31%	23.97%	29.23%	25.99%	24.92%	25.44%	26.58%	26.14%	26.11%	26.10%	26.11%	26.12%	26.42%	26.46%	26.79%	27.34%

Apple Inc.

Common Size Income Statement (Annual)

Fiscal Years Ending Sep. 27	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
Net sales:											
Products	80.41%	81.30%	80.19%	77.77%	75.41%	73.79%	71.80%	69.48%	67.24%	64.88%	62.37%
Services	19.59%	18.70%	19.81%	22.23%	24.59%	26.21%	28.20%	30.52%	32.76%	35.12%	37.63%
Total net sales	100.00%										
Cost of sales:											
Products	51.08%	49.47%	48.28%	46.38%	44.44%	43.91%	43.02%	41.62%	40.28%	38.87%	37.37%
Services	6.66%	5.66%	5.60%	6.48%	6.42%	6.54%	7.36%	7.97%	8.56%	9.17%	9.83%
Depreciation and amortization	4.03%	3.08%	2.82%	3.01%	2.93%	2.89%	2.94%	3.02%	3.38%	3.46%	3.37%
Total cost of sales	61.77%	58.22%	56.69%	55.87%	53.79%	53.34%	53.32%	52.62%	52.22%	51.50%	50.56%
Gross margin	38.23%	41.78%	43.31%	44.13%	46.21%	46.66%	46.68%	47.38%	47.78%	48.50%	49.44%
Operating expenses:											
Research and development	6.83%	5.99%	6.66%	7.80%	8.02%	8.34%	8.64%	8.94%	9.24%	9.54%	9.84%
Selling, general and administrative	7.25%	6.01%	6.36%	6.50%	6.67%	6.61%	6.61%	6.61%	6.61%	6.61%	6.61%
Total operating expenses	14.09%	12.00%	13.02%	14.31%	14.70%	14.95%	15.25%	15.55%	15.85%	16.15%	16.45%
Operating income	24.15%	29.78%	30.29%	29.82%	31.51%	31.71%	31.43%	31.83%	31.93%	32.35%	32.98%
Other income/(expense), net	0.29%	0.07%	-0.08%	-0.15%	0.07%	-0.19%	-0.13%	-0.17%	-0.22%	-0.25%	-0.22%
Income before provision for income taxes	24.44%	29.85%	30.20%	29.67%	31.58%	31.52%	31.30%	31.66%	31.70%	32.10%	32.76%
Provision for income taxes	3.53%	3.97%	4.89%	4.37%	7.61%	4.94%	5.18%	5.24%	5.25%	5.31%	5.42%
Net income	20.91%	25.88%	25.31%	25.31%	23.97%	26.58%	26.12%	26.42%	26.46%	26.79%	27.34%

Apple Inc.
Common Size Balance Sheet

<i>Fiscal Years Ending Sep. 27</i>	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
Assets											
Current assets:											
Cash and cash equivalents	13.85%	9.55%	6.00%	7.82%	7.66%	4.06%	5.67%	6.69%	7.74%	10.07%	13.52%
Marketable securities	19.28%	7.57%	6.25%	8.24%	9.01%	8.78%	8.42%	8.26%	8.14%	8.07%	8.05%
Accounts receivable, net	5.87%	7.18%	7.15%	7.70%	8.54%	9.00%	9.45%	9.45%	9.45%	9.45%	9.45%
Vendor non-trade receivables	7.77%	6.90%	8.30%	8.21%	8.40%	8.55%	8.71%	8.87%	9.02%	9.18%	9.34%
Inventories	1.48%	1.80%	1.25%	1.65%	1.86%	1.82%	1.77%	1.72%	1.66%	1.60%	1.54%
Other current assets	4.10%	3.86%	5.38%	3.83%	3.65%	3.86%	3.86%	3.86%	3.86%	3.86%	3.86%
Total current assets	52.35%	36.86%	34.34%	37.46%	39.12%	36.07%	37.89%	38.84%	39.88%	42.24%	45.76%
Non-current assets:											
Marketable securities	36.75%	34.96%	30.64%	26.23%	23.39%	22.88%	22.04%	21.69%	21.47%	21.37%	21.38%
Property, plant and equipment, net	13.39%	10.78%	10.68%	11.41%	11.68%	11.16%	11.24%	12.52%	12.73%	12.33%	11.63%
Other non-current assets	15.49%	13.35%	13.80%	16.90%	19.14%	20.51%	21.65%	23.34%	25.31%	27.60%	30.26%
Total non-current assets	65.63%	59.09%	55.12%	54.53%	54.21%	54.55%	54.93%	57.55%	59.51%	61.30%	63.27%
Total assets	117.99%	95.95%	89.46%	91.99%	93.34%	90.62%	92.81%	96.39%	99.39%	103.54%	109.03%
Liabilities and Stockholders' Equity											
Current liabilities:											
Accounts payable	15.41%	14.97%	16.26%	16.34%	17.64%	17.64%	17.64%	17.64%	17.64%	17.64%	17.64%
Other current liabilities	15.55%	12.98%	15.43%	15.35%	20.02%	15.87%	15.87%	15.87%	15.87%	15.87%	15.87%
Deferred revenue	2.42%	2.08%	2.01%	2.10%	2.11%	2.14%	2.14%	2.14%	2.14%	2.14%	2.14%
Commercial paper	1.82%	1.64%	2.53%	1.56%	2.55%	2.23%	2.28%	2.29%	2.30%	2.31%	2.32%
Term debt	3.20%	2.63%	2.82%	2.56%	2.79%	3.12%	3.19%	3.21%	3.22%	3.23%	3.25%
Total current liabilities	38.39%	34.30%	39.05%	37.91%	45.11%	40.99%	41.12%	41.14%	41.17%	41.19%	41.21%
Non-current liabilities:											
Term debt	35.94%	29.83%	25.10%	24.86%	21.93%	22.60%	23.33%	24.59%	25.53%	26.35%	27.20%
Other non-current liabilities	19.85%	14.58%	12.46%	13.01%	11.74%	10.58%	9.40%	8.53%	7.78%	7.14%	6.58%
Total non-current liabilities	55.79%	44.40%	37.56%	37.86%	33.66%	33.18%	32.73%	33.12%	33.31%	33.49%	33.78%
Total liabilities	94.18%	78.70%	76.61%	75.78%	78.77%	74.17%	73.85%	74.26%	74.48%	74.68%	74.99%
Shareholders' equity:											
Common stock and additional paid-in capital	18.50%	15.68%	16.45%	19.26%	21.30%	22.63%	23.38%	23.49%	22.36%	21.39%	20.58%
Retained earnings	5.45%	1.52%	-0.78%	-0.06%	-4.90%	-4.65%	-2.99%	-0.02%	3.83%	8.69%	14.63%
Accumulated other comprehensive loss	-0.15%	0.04%	-2.82%	-2.99%	-1.83%	-1.53%	-1.42%	-1.34%	-1.28%	-1.22%	-1.18%
Total shareholders' equity	23.80%	17.25%	12.85%	16.21%	14.56%	16.45%	18.97%	22.13%	24.91%	28.86%	34.04%
Total liabilities and shareholders' equity	117.99%	95.95%	89.46%	91.99%	93.34%	90.62%	92.81%	96.39%	99.39%	103.54%	109.03%

Apple Inc.

Value Driver Estimation

(\$ in millions)

Fiscal Years Ending Sep. 27	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
NOPLAT:									
EBITA:									
Net sales	394,328	383,285	391,035	415,849	448,929	474,397	498,478	520,986	541,484
Operating Costs and Expenses:									
Depreciation and amortization	11,104	11,519	11,445	12,014	13,179	14,325	16,857	18,010	18,242
Products	190,367	177,763	173,788	182,596	193,117	197,465	200,811	202,495	202,336
Services	22,075	24,855	25,119	27,206	33,061	37,818	42,649	47,794	53,217
Research and development	26,251	29,915	31,370	34,671	38,781	42,411	46,065	49,715	53,303
Selling, general and administrative	25,094	24,932	26,097	27,491	29,677	31,361	32,953	34,441	35,796
Income from operations:	119,437	114,301	123,216	131,871	141,113	151,017	159,143	168,531	178,591
Plus: Implied interest on operating leases	497	527	562	554	575	609	648	695	749
EBITA:	119,934	114,828	123,778	132,426	141,688	151,626	159,791	169,226	179,340
Less: Adjusted Taxes									
Provision for income taxes	19,300	16,741	29,749	20,534	23,253	24,858	26,154	27,675	29,357
Minus: Tax on other income/(expense), net	55	94	(45)	134	100	134	183	215	198
Plus: Tax shield on implied lease interest	82	87	93	92	95	101	107	115	124
Total Adjusted Taxes:	19,437	16,922	29,798	20,760	23,448	25,093	26,444	28,005	29,679
Change in deferred taxes	(1,464)	(2,714)	(1,951)	(2,684)	(3,039)	(3,249)	(3,418)	(3,617)	(3,837)
NOPLAT:	99,032	95,192	92,030	108,982	115,200	123,284	129,929	137,604	145,824
Invested Capital (IC):									
Operating Current Assets:									
Normal Cash	23,646	22,984	23,449	24,937	26,920	28,447	29,891	31,241	32,470
Accounts receivable, net	28,184	29,508	33,410	37,416	42,429	44,836	47,111	49,239	51,176
Vendor non-trade receivables	32,748	31,477	32,833	35,570	39,104	42,067	44,986	47,835	50,568
Inventories	4,946	6,331	7,286	7,582	7,965	8,145	8,283	8,352	8,345
Other current assets	21,223	14,695	14,287	16,052	17,329	18,312	19,241	20,110	20,901
Total Operating Current Assets:	110,747	104,995	111,265	121,556	133,747	141,807	149,512	156,777	163,461
Non-Interest Bearing Operating Current Liabilities:									
Accounts payable	64,115	62,611	68,960	73,336	79,170	83,661	87,908	91,877	95,492
Deferred revenue	7,912	8,061	8,249	8,916	9,625	10,171	10,687	11,170	11,609
Total Non-Interest Bearing Operating Current Liabilities:	72,027	70,672	77,209	82,252	88,795	93,832	98,595	103,047	107,101
Net Operating Working Capital:	38,720	34,323	34,056	39,304	44,952	47,975	50,917	53,730	56,359
Property and Equipment, Net:	42,117	43,715	45,680	46,419	50,458	59,375	63,437	64,253	62,955
Net Other Operating Assets:									
Operating leases (right-of-use)	10,417	10,661	10,234	10,400	11,304	13,302	14,212	14,395	14,104
Total Net Other Operating Assets:	10,417	10,661	10,234	10,400	11,304	13,302	14,212	14,395	14,104
Total Other Operating Liabilities	-	-	-	-	-	-	-	-	-
Invested Capital (IC):	91,254	88,699	89,970	96,124	106,714	120,652	128,566	132,379	133,419
Free Cash Flow (FCF):									
NOPLAT	99,032	95,192	92,030	108,982	115,200	123,284	129,929	137,604	145,824
Change in IC	9,969	(2,555)	1,271	6,154	10,591	13,938	7,914	3,812	1,040
FCF	89,064	97,747	90,759	102,828	104,610	109,346	122,015	133,791	144,784
Return on Invested Capital (ROIC):									
NOPLAT	99,032	95,192	92,030	108,982	115,200	123,284	129,929	137,604	145,824
Beginning IC	81,285	91,254	88,699	89,970	96,124	106,714	120,652	128,566	132,379
ROIC	121.83%	104.32%	103.76%	121.13%	119.85%	115.53%	107.69%	107.03%	110.16%
Economic Profit (EP):									
Beginning IC	81,285	91,254	88,699	89,970	96,124	106,714	120,652	128,566	132,379
x (ROIC - WACC)	112.07%	94.55%	93.99%	111.37%	110.08%	105.76%	97.93%	97.27%	100.39%
EP	91,097	86,283	83,370	100,199	105,816	112,866	118,150	125,052	132,900

Apple Inc.

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	4.00%
Beta	1.18
Equity Risk Premium	5.00%
Cost of Equity	9.92%

ASSUMPTIONS:

10-year Treasury bond
Average of 2, 3, 4, and 5-year weekly beta
Henry Fund Estimate

Cost of Debt:

Risk-Free Rate	4.00%
Implied Default Premium	1.19%
Pre-Tax Cost of Debt	5.19%
Marginal Tax Rate	16.55%
After-Tax Cost of Debt	4.33%

10-year Treasury bond

YTM on company's 37-year corporate bond

Market Value of Common Equity:

Total Shares Outstanding	14,840
Current Stock Price	\$262.82
MV of Equity	3,900,351

MV Weights

97.20%

Market Value of Debt:

Short-Term Debt	9,923
Current Portion of LTD	9,345
Long-Term Debt	82,430
PV of Operating Leases	10,680
MV of Total Debt	112,378

Q3 2025 10-Q

2.80%

Market Value of the Firm

4,012,729

100.00%

Estimated WACC

9.76%

Apple Inc.*Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models*

Key Inputs:

CV Growth of NOPLAT	6.00%
CV Year ROIC	110.16%
WACC	9.76%
Cost of Equity	9.92%

Fiscal Years Ending Sep. 27	2025E	2026E	2027E	2028E	2029E	2030E
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DCF Model:

Free Cash Flow (FCF)	102,828	104,610	109,346	122,015	133,791	144,784
Continuing Value (CV)						3,664,372
PV of FCF	93,682	86,828	82,687	84,060	83,976	2,299,983

Value of Operating Assets:	2,731,216
Non-Operating Adjustments:	
Excess Cash	6,494
Marketable Securities	126,707
Other non-current assets	74,834
Less: Total debt	(112,378)
Less: Other non-current liabilities	(45,888)
Less: ESOP	(14,800)
Value of Equity	2,766,186
Shares Outstanding	14,840
Intrinsic Value of Last FYE	\$ 186.40
Implied Price as of Today	\$ 205.57

EP Model:

Economic Profit (EP)	100,199	105,816	112,866	118,150	125,052	132,900
Continuing Value (CV)						3,531,993
PV of EP	91,287	87,830	85,349	81,398	78,490	2,216,894

Total PV of EP	2,641,247
Invested Capital (last FYE)	89,970
Value of Operating Assets:	2,731,216
Non-Operating Adjustments:	
Excess Cash	6,494
Marketable Securities	126,707
Other non-current assets	74,834
Less: Total debt	(112,378)
Less: Other non-current liabilities	(45,888)
Less: ESOP	(14,800)
Value of Equity	2,766,186
Shares Outstanding	14,840
Intrinsic Value of Last FYE	\$ 186.40
Implied Price as of Today	\$ 205.57

Apple Inc.*Dividend Discount Model (DDM) or Fundamental P/E Valuation Model*

Fiscal Years Ending	2025E	2026E	2027E	2028E	2029E	2030E
EPS	\$ 7.39	\$ 7.99	\$ 8.70	\$ 9.34	\$ 10.07	\$ 10.87

Key Assumptions

CV growth of EPS	6.00%
CV Year ROE	98.46%
Cost of Equity	9.92%

Future Cash Flows

P/E Multiple (CV Year)						23.96
EPS (CV Year)						\$ 10.87
Future Stock Price						\$ 260.53
Dividends Per Share	1.03	1.07	1.11	1.16	1.20	1.25
Discounted Cash Flows	0.94	0.89	0.84	0.79	0.75	162.36

Intrinsic Value as of Last FYE	\$ 166.57
Implied Price as of Today	\$ 183.71

Apple Inc.*Relative Valuation Models*

Ticker	Company	Price	EPS 2025E	EPS 2026E	P/E 25	P/E 26	Enterprise Value (M)	EBITDA 2025E	EBITDA 2026E	EV/EBITDA 2025	EV/EBITDA 2026
AMZN	Amazon	\$226.97	\$6.69	\$7.62	33.93	29.79	2,415,564	175,430	207,761	13.77	11.63
DELL	Dell	\$162.19	\$9.53	\$11.24	17.02	14.43	131,709	11,932	13,354	11.04	9.86
GOOGL	Alphabet	\$269.27	\$9.90	\$10.77	27.20	25.00	3,164,948	176,266	206,331	17.96	15.34
HPQ	HP	\$27.92	\$3.11	\$3.39	8.98	8.24	33,728	4,943	5,069	6.82	6.65
META	Meta	\$750.82	\$28.28	\$30.16	26.55	24.89	1,924,287	119,966	139,687	16.04	13.78
MSFT	Microsoft	\$531.52	\$15.56	\$18.30	34.16	29.04	3,870,888	192,543	222,659	20.10	17.38
NFLX	Netflix	\$1,094.56	\$25.47	\$32.32	42.97	33.87	479,230	13,848	17,222	34.61	27.83
NVDA	Nvidia	\$191.49	\$2.99	\$4.52	64.04	42.37	4,522,309	129,442	188,018	34.94	24.05
Average					31.86	25.95				19.41	15.82

AAPL	Apple Inc.	\$262.82	\$7.39	\$7.99	35.6	32.9	4,012,729	143,885	154,292	27.89	26.01
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Implied Relative Value:

P/E (EPS25)	\$ 235.31
P/E (EPS26)	\$ 207.39
EV/EBITDA (EBITDA 25)	\$ 180.61
EV/EBITDA (EBITDA 26)	\$ 156.86

Apple Inc.
Sensitivity Tables

Cost of Services as % of Service Sales 2026-20230	DCF	WACC						
	205.57	9.01%	9.26%	9.51%	9.76%	10.01%	10.26%	10.51%
20.12%	274.09	253.18	235.25	219.55	206.11	194.10	183.43	
22.12%	268.21	247.77	230.24	214.89	201.75	190.01	179.57	
24.12%	262.33	242.36	225.23	210.23	197.39	185.92	175.72	
26.12%	256.46	236.95	220.22	205.57	193.03	181.82	171.86	
28.12%	250.58	231.54	215.21	200.91	188.67	177.73	168.01	
30.12%	244.70	226.13	210.20	196.25	184.31	173.64	164.15	
32.12%	238.82	220.72	205.19	191.59	179.95	169.54	160.30	

R&D Annual Growth Rate 2026-2030	DCF	CV Growth of NOPLAT						
	205.57	5.25%	5.50%	5.75%	6.00%	6.25%	6.50%	6.75%
-0.30%	193.09	201.95	211.91	223.20	236.09	250.95	268.29	
-0.10%	188.14	196.73	206.39	217.33	229.84	244.26	261.07	
0.10%	183.18	191.50	200.87	211.47	223.59	237.56	253.85	
0.30%	178.19	186.25	195.31	205.57	217.30	230.82	246.59	
0.50%	173.27	181.06	189.82	199.75	211.09	224.17	239.41	
0.70%	168.31	175.84	184.30	193.89	204.84	217.47	232.19	
0.90%	163.35	170.61	178.78	188.02	198.59	210.77	224.98	

Cost of Equity	DDM	CV Growth of EPS						
	183.71	5.25%	5.50%	5.75%	6.00%	6.25%	6.50%	6.75%
8.42%	241.11	260.66	283.87	311.87	346.33	389.75	446.18	
8.92%	204.98	219.05	235.33	254.40	277.04	304.35	337.96	
9.42%	177.59	188.13	200.10	213.82	229.70	248.30	270.39	
9.92%	156.16	164.31	173.43	183.71	195.39	208.78	224.29	
10.42%	138.88	145.33	152.46	160.40	169.30	179.33	190.72	
10.92%	124.72	129.93	135.64	141.93	148.89	156.64	165.32	
11.42%	112.90	117.18	121.83	126.91	132.48	138.62	145.41	

Cost of Products as a % of Product Sales 2026-2030	DDM	Q1 2026 iPhone Sales						
	183.71	39.33%	44.33%	49.33%	54.33%	59.33%	64.33%	69.33%
53.91%	196.23	198.37	200.52	202.66	204.80	206.94	209.08	
55.91%	190.35	192.35	194.34	196.34	198.33	200.33	202.33	
57.91%	184.47	186.32	188.17	190.02	191.87	193.72	195.57	
59.91%	178.59	180.29	182.00	183.71	185.41	187.12	188.83	
61.91%	172.70	174.26	175.82	177.38	178.95	180.51	182.07	
63.91%	166.81	168.23	169.65	171.07	172.49	173.90	175.32	
65.91%	160.93	162.20	163.48	164.75	166.02	167.30	168.57	

Mac Q1 2028-2030 Growth Rate	DCF	iPhone Q1 2028-2030 Growth Rate						
	205.57	-3.25%	-2.75%	-2.25%	-1.75%	-1.25%	-0.75%	0.25%
0.75%	201.36	202.45	203.56	204.69	205.82	206.97	209.32	
1.25%	201.65	202.74	203.85	204.98	206.11	207.26	209.61	
1.75%	201.94	203.04	204.15	205.27	206.41	207.56	209.90	
2.25%	202.24	203.34	204.45	205.57	206.71	207.86	210.20	
2.75%	202.55	203.65	204.76	205.88	207.02	208.17	210.51	
3.25%	202.86	203.96	205.07	206.19	207.33	208.48	210.82	
3.75%	203.18	204.28	205.39	206.51	207.65	208.80	211.14	

Risk-Free Rate	DCF	Forecasted Effective Tax Rate						
	205.57	13.00%	14.55%	15.55%	16.55%	17.55%	18.55%	19.55%
3.70%	233.55	228.81	225.75	222.69	219.62	216.56	213.49	
3.80%	227.24	222.63	219.65	216.67	213.69	210.71	207.72	
3.90%	221.26	216.77	213.87	210.98	208.07	205.17	202.26	
4.00%	215.59	211.22	208.40	205.57	202.74	199.91	197.08	
4.10%	210.37	206.10	203.35	200.59	197.83	195.07	192.31	
4.20%	205.24	201.08	198.39	195.70	193.01	190.32	187.63	
4.30%	200.22	196.16	193.54	190.92	188.29	185.66	183.04	

Apple Inc.*Valuation of Options Granted under ESOP*

Current Stock Price	\$262.82
Risk Free Rate	4.00%
Current Dividend Yield	0.40%
Annualized St. Dev. of Stock Returns	27.19% Bloomberg 5-year average

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	150	187.82	2.60	\$ 98.68	\$ 14,800
Total	150	\$ 187.82	2.60	\$ 101.09	\$ 14,800

Apple Inc.*Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding*

Number of Options Outstanding (shares):	150
Average Time to Maturity (years):	2.60
Expected Annual Number of Options Exercised:	58

Current Average Strike Price:	\$ 187.82
Cost of Equity:	9.92%
Current Stock Price:	\$262.82

<i>Fiscal Years Ending Sep. 27</i>	2025E	2026E	2027E	2028E	2029E	2030E
Increase in Shares Outstanding:	58	58	35	0	0	0
Average Strike Price:	\$ 187.82	\$ 187.82	\$ 187.82	\$ 187.82	\$ 187.82	\$ 187.82
Increase in Common Stock Account:	10,834	10,834	6,500	-	-	-
Share Repurchases (\$)	95,291	95,634	95,978	96,324	96,670	97,018
Expected Price of Repurchased Shares:	\$ 262.82	\$ 287.84	\$ 315.24	\$ 345.25	\$ 378.11	\$ 414.11
Number of Shares Repurchased:	363	332	304	279	256	234
Shares Outstanding (beginning of the year)	15,116	14,811	14,536	14,267	13,988	13,732
Plus: Shares Issued Through ESOP	58	58	35	0	0	0
Less: Shares Repurchased in Treasury	363	332	304	279	256	234
Shares Outstanding (end of the year)	14,811	14,536	14,267	13,988	13,732	13,498

Apple Inc.*Key Management Ratios*

Fiscal Years Ending Sep. 27	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
Liquidity Ratios:									
Current Ratio (Current Assets/Current Liabilities)	0.88	0.99	0.87	0.88	0.92	0.94	0.97	1.03	1.11
Cash Ratio (Cash/Current Liabilities)	0.15	0.21	0.17	0.10	0.14	0.16	0.19	0.24	0.33
Net Working Capital to Revenue Ratio (NWC/Revenue)	(0.05)	(0.00)	(0.06)	(0.05)	(0.03)	(0.02)	(0.01)	0.01	0.05
Asset-Management Ratios:									
Net Working Capital Ratio (Revenue/Net Working Capital)	(21.23)	(220.03)	(16.71)	(20.33)	(30.94)	(43.46)	(77.71)	95.03	21.96
Cash Turnover Ratio (Revenue/Cash)	16.68	12.79	13.06	24.62	17.64	14.95	12.92	9.93	7.39
Asset Turnover Ratio (Revenue/Average Total Assets)	1.12	1.09	1.09	1.12	1.13	1.09	1.05	1.01	0.96
Financial Leverage Ratios:									
Debt Ratio (Total Debt/Total Assets)	0.37	0.35	0.32	0.34	0.34	0.34	0.34	0.33	0.33
Debt-to-Equity Ratio (Total Debt/Total Equity)	2.57	1.96	2.06	1.70	1.52	1.36	1.25	1.11	0.96
LT Debt/Total Assets	0.28	0.27	0.23	0.25	0.25	0.26	0.26	0.25	0.25
Profitability Ratios:									
Return on Equity (NI/Beg TSE)	158.19%	191.42%	150.83%	194.08%	171.40%	147.21%	125.62%	112.39%	98.46%
Return on Assets (NI/Avg Total Assets)	28.36%	27.50%	26.13%	29.80%	29.55%	28.69%	27.69%	26.97%	26.21%
Gross Margin ((Revenue - COGS)/Revenue)	43.31%	44.13%	46.21%	46.66%	46.68%	47.38%	47.78%	48.50%	49.44%
Payout Policy Ratios:									
Dividend Payout Ratio (Dividend/EPS)	14.79%	15.42%	16.21%	13.94%	13.40%	12.80%	12.41%	11.97%	11.52%
Total Payout Ratio ((Divs. + Repurchases)/NI)	104.45%	95.44%	117.55%	100.16%	94.96%	89.37%	85.45%	81.24%	77.06%