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Abstract of Diploma Thesis

Economic analysis of Apple Inc.

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1 Introduction

Today the American company Apple Inc. is one of the most famous corporations. Its products are known throughout the world, and it's not just computers. Nowadays the company manufactures mobile phones, tablet computers, music players and software. The high popularity of products under the trademark of Apple explained, first of all, by the company's own innovative technologies. Apple products have been and remain very popular and valued in many countries. In fact, Apple Corporation in the consumer electronics market had managed to build so great reputation that it can be considered as a cult one. Now due to market capitalization company is estimated to be worth in excess of \$ 500 billion. It is one of the most expensive companies in the world. Main Apple's competitor in the IT field is the company Microsoft.

In the current economic conditions every enterprise is the subject of attention of the vast range of participants of market relations, interested in the results of its activity. Economic analysis is an analysis of the general economic conditions, which is performed in order to assess the status and prospects of the company and evaluation of its emitted securities. It and its integral part - the financial analysis are an integral part of the preparation of virtually all types of business plans and management of finance as a whole. Almost all users of financial statements are using the methods of economic analysis for decision making to optimize their interests.

2 Key words

Economic analysis, Apple, stock, financial position, financial indicators.

3 Objectives

Objectives of the diploma thesis are to evaluate the effectiveness of the financial and economic activity of Apple Inc., to characterize its properties and financial position in the current market, specifically for the stocks of Apple Inc, compare its stock with stocks of main competitors, to evaluate market share of company on global market of smartphones, to forecast the future price changes of Apple Inc. stock.

4 Methodology

Literature review is conducted using methods of synthesis, induction, deduction and extraction of related articles and literature. Analytical section is done through quantitative, qualitative, economic and mathematical analysis methods based on - quantitative comparisons, technical analysis of stock, measurement and comparison of financial indicators such as liquidity ratios, asset turnover ratios, financial leverage ratios, profitability ratios with average of industry and comparison of company stock with its main competitors in same industry –Microsoft Corporation, Google Inc., Facebook Inc. and Sony Corp.

Time period for technical analysis was chosen March, 2013 – March, 2016 and for fundamental analysis was used data of annual company reports of fiscal years 2013 - 2015.

5 Main findings

Vertical analysis determined that share of total current assets grew comparing to 2014 and in 2015 it was 30.77% so biggest part of assets is still long-term investments which held 58.48 % of total assets, it share is growing year after year.

In 2015 total assets were formed mostly by liabilities – 58.91 % whereas in 2013 it was basically by total equity – 59.69 % what was better for company.

Through vertical analysis of income statement it was defined that cost of sales is accounted about 60% of total revenue and this amount has regressive dynamic whereas the share on net income as well as EBIT was growing comparing to 2013 and 2014 years.

Operating margin of Apple is increasing and in 2015 was almost 3 times more than average of industry as well as net profit margin, ROA and ROE. Gross profit margin also has positive result which in 2015 was 40.06 % while industry average is just 26.36%.

Most of Apple Inc. assets are financed by the debts, so company became more dependent on its creditors. There was also the large decreasing of interest coverage by 3 times, it means that enterprise is spending more money on interest to shareholders year after year while its EBIT is increasing by a slower pace.

Due to review of global market it was found that in 2015 91% of global revenue from sales of smartphones got Apple with iPhone's market share just about 17%.

As a result of technical analysis most indicators - SMA, Bollinger Bands, RSI and Money Flow Index analysis by 21 March, 2016 shareholders are recommended to sell their Apple Inc. stock because of expectations of price decreasing in future periods while due to ROC there is still possibility to price growth.

6 Conclusion

According to results of economic analysis it was determined that Apple Inc. has very sufficient position in industry because it amounts the largest market capitalization on exchange market among all industries and its net profit margin much higher than average of industry but its assets are still secured mostly by liabilities and therefore company is very depended on its creditors. Through the technical analysis it was investigated the price development of company stock and evaluated its position on exchange market. By analysis of most technical indicators and charts from it was found out that shareholders should sell their stocks but due to ROC there is still small possibility to price growth.

7 References

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