

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

Financial analysis of Apple Inc.

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BACHELOR THESIS ASSIGNMENT

Volodymyr Zubar

Economics and Management

Thesis title

Financial analysis of Apple Inc.

Objectives of thesis

The purpose of this work is to study the theoretical foundations and analysis of the financial performance of the enterprise, as well as to study modern methods of conducting this analysis. Access information about financial flow of Apple Inc. Analyze profitability and risks, market place and future perspective of Apple Inc.

Methodology

Bachelor thesis is divided in two main parts: theoretical and practical

Theoretical part: history of technologies and history of Apple Inc., theoretical aspects of enterprise analysis, the concepts of analysis are examined, and the information base for analysis.

Practical part: PESTLE and SWOT analyzes, liquidity ratio-quick ratio, cash ratio, debt to equity ratio, debt ratio, market value ratio- earnings per share, profitability ratios-gross margin, net margin, ROE, ROA, vertical and horizontal analysis, practical analysis and evaluation of the activities of Apple Inc. and its comparison with other firms.

The proposed extent of the thesis

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Keywords

financial analysis, Apple Inc., balance sheet, SWOT,PESTLE,ROE,ROA,Vertical analysis, Horizontal analysis

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Declaration

I declare that I have worked on my bachelor thesis titled " Financial analysis of Apple Inc. " by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague _____

Signature

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I would like to thank Ing. Petr Procházka, Ph.D., MSc, for advice and support during my work on this bachelor thesis.

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Finanční analýza Apple Inc.

Souhrn

Tato bakalářská práce se zabývá finanční analýzou společnosti Apple Inc. - jedné z předních nadnárodních společností v technologickém průmyslu a nejprve v tržní kapitalizaci na celém světě. Tato práce je založena na hodnocení finanční výkonnosti společnosti Apple Inc. Tato práce je rozdělena do dvou hlavních částí: praktická a teoretická část.

První - teoretická část poskytuje informace o finanční analýze, historii společnosti Apple Inc., vysvětlení rozdílu mezi horizontální a vertikální analýzou, vysvětlení finančních ukazatelů a vysvětlení analýzy SWOT a PESTLE.

Druhá část - praktická popisuje profil společnosti Apple Inc. a je zaměřena na finanční analýzu společnosti. Pro finanční analýzu byla použita horizontální a vertikální analýza účetního výkazu, výpočet poměrů, jako jsou: likvidita, solventnost, poměr ziskovosti apod. V této práci jsou také použity SWOT a PESTLE analýza.

Klíčová slova: finanční analýza, společnost Apple Inc., rozvaha, SWOT, PESTLE, ROE, ROA, vertikální analýza, horizontální analýza

Financial analysis of Apple Inc.

Summary

This bachelor thesis is about financial analysis of Apple Inc. – one of the leading multinational corporations in technology industry and first in market capitalization in the whole world. This thesis is based on evaluation of financial performance of Apple Inc.

This work is divided in two main parts: practical and theoretical part.

First – theoretical part provides information about financial analysis, history of Apple Inc., explanation of difference between horizontal and vertical analysis, explanation of financial indicators and explanation of SWOT and PESTLE analysis.

Second part – practical describes profile of Apple Inc. and is focused on financial analysis of company. For financial analysis were used horizontal and vertical analysis of financial statement, calculation of ratios such as: liquidity, solvency, profitability ratios, etc. Also, in this thesis are used SWOT and PESTLE analysis.

Keywords: financial analysis, Apple Inc., balance sheet, SWOT, PESTLE, ROE, ROA, Vertical analysis, Horizontal analysis

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1. Introduction

The purpose of this bachelor thesis is to give data about one of the biggest technological companies – “Apple Inc.”; it’s comparison with major competitors in technological market and evaluating its position using financial analysis. Financial analysis of the company is one of the primary phases of evaluating company performance. As a source of information about “Apple Inc.” finances were used financial statement of company such as balance sheet and income statement. This bachelor thesis is divided into two main parts theoretical and practical.

Theoretical part consists of history of “Apple Inc.” and overall information about it and it’s production, brief and general history of technologies, explanation of financial analysis – it’s definition, interpretation of its usage, description of main financial indicators and description of different types of users of financial analysis with explanations of their interests in this analysis. Also, theoretical part includes definition and description of such analysis as PESTLE and SWOT, Horizontal and Vertical and External and Internal analysis.

Practical part gives short information of Apple Inc. and it’s products and focused on financial analysis. Financial analysis is done by using all methods which are mentioned in theoretical part, and main financial indicators such as Gross Margin, Net Margin, Roe, ROA, Quick Ratio, Cash ratio, and etc.

2. Objectives of thesis and Methodology

2.1.Objectives

The purpose of this work is to study the theoretical foundations and analysis of the financial performance of the enterprise, as well as to study modern methods of conducting this analysis. Access information about financial flow of Apple Inc. Analyze profitability and risks, market place and future perspective of Apple Inc.

2.2.Methodology

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3. Theoretical part

3.1. Financial analysis

The stable success of an enterprise relies upon an unmistakable and compelling arranging of its exercises, the general gathering and aggregation of data on the condition of the business sectors and its own prospects and openings, which enables it to build up a system and strategies of financial and economic activity.

It is troublesome in the meantime to overestimate the part of the analysis of financial and economic activities that permit to equitably assess the execution of the enterprise in general and its structural units, decide the effect of different outside and inward factors on the primary execution pointers of the venture, and shape the premise of its budgetary approach.

Examination of financial and economic activities is important for the venture to survey the money related state of the associations with which it goes into financial relations.

A definitive objective of the investigation is to give data to administrators and different partners for settling on satisfactory choices, picking the procedure that best fits the eventual fate of the enterprise. During the time spent such examination, it is important to recognize the correspondence of inner assets and the capacities of the enterprise to the assignments of guaranteeing and keeping up upper hands, the tasks of meeting future market needs.

The significance and need of directing an examination of budgetary and monetary action is likewise controlled by an adjustment in the administration worldview in a transitional economy: a continuous progress from a mechanical to an advertising introduction of administration joined with an adjustment in the rationale of arranging. In present day conditions, when enterprises are constrained in the conceivable outcomes of growing the asset potential, an examination of the interior capacities and assets of the enterprise ought to wind up the beginning stage for arranging the exercises of the undertaking.

Investigation of money related and financial action is portrayed by various viewpoints, the expansiveness of which is because of the multifaceted idea of the organization's monetary life. In this association, the arrangement of elements of productivity of creation and monetary exercises mulled over is continually changing as new circumstances emerge affected by outside and inside conditions. Continuing from this, one might say that a particular rundown of pointers, assets and territories of action that must be investigated, changes as the conditions for the working of the endeavor change.

The investigation of the issues of financial analysis is related with the lacking arrangement of money related assets by local enterprises, and, along these lines, there is a pressing requirement for discerning utilization of the undertaking's capital.

Analysis of the financial state of the organization assumes a vital part during the time spent business valuation.

The purpose behind the examination is to distinguish the advancement pattern of the organization before, survey its present position, substantiate its future improvement, decide the level of its business and budgetary dangers.

Deciding the money related state of the organization on a particular date enables to recognize how accurately the organization oversaw budgetary assets amid the period before this date, how she utilized the property, what is the structure of this property, how normally did it join its own and obtained sources, how adequately it utilized its own capital, what is the arrival on the profitable potential, regardless of whether relations with account holders, banks, the financial plan, investors, and so on are ordinary.

The discoveries of financial analysis are used as a part of all ways to deal with business valuation. Investigation of the financial state of the organization incorporates an examination of asset reports and monetary articulations of the organization being assessed for past periods keeping in mind the end goal to recognize inclines in its exercises and decide the primary budgetary markers.

Financial analysis likewise fills in as a reason for understanding the genuine position of the endeavor and the level of money related dangers. The consequences of the money related examination straightforwardly impact the estimating of wages and costs of the undertaking to decide the discount rate used as a part of the marked down income strategy by the measure of multipliers utilized as a part of the near way to deal with valuation.

Financial information can be chosen from different assets. The most effortlessly available data can be found in four essential money related articulations. These incorporate Accounting report, which has the reason to report the monetary position at the specific point in time. The Salary Articulation, additionally called Proclamation of Income, reports the execution of the business. Explanation of Held Income focuses how the installment of profits influences the money related position of the organization and the Announcement of Money Streams which demonstrates inflows and surges of money into three primary classifications: Money Streams from Working Exercises, Money Streams from Contributing Exercises and Money Streams from Financing Exercises. These announcements can be set up anytime, however as a rule are introduced quarterly or toward the finish of the year.

3.2. Financial Statements

3.2.1. The Balance Sheet

The balance sheet sets out the budgetary position of the business at a picked point in time. (Starova, 2017). It is the date to which the Income Statement (Profit and Loss Account) is made. The asset report can likewise be known as the Announcement of monetary position. It is an announcement of aggregate resources, value and liabilities of a substance on specific date, normally the most recent day of the bookkeeping time frame. The most well-known bookkeeping date is the finish of the schedule year.

The initial segment – left half of the announcement records the settled and current resources, though the second part – right side shows how they have been financed; from value – organization claim sources or from liabilities – wellsprings of another person. The last – aggregate sum for each part should be equivalent. (Starova, 2017)

Balance sheet gives information about :

- 1) Financial position of an entity
- 2) Entity's economic resources (assets) and claims against those assets by the owners and creditors
- 3) Investing and financing amounts.

3.2.2. Assets

Assets are plausible future financial advantages got or controlled by a specific element because of past exchanges. Resource is any protest, substantial or immaterial, that is of incentive to its holder. Resources are of numerous sorts. As a rule it either is money or can be transformed into money; exemptions incorporate prepayments, which may speak to installments made for lease, rates, and so forth, in the event that in which time paid for has not lapsed. Record receivable is a benefit made by offering items or cervices using a loan, to clients. Resources likewise can be elusive rights, for example, hose allowed by a patent or copyright. (Starova, 2017)

The assets can be ordered into three group Long-term assets additionally called fixed assets, Current assets otherwise called as short-term assets and other assets. These the gatherings incorporate everything what is claimed by organization or business and has cash esteem. Other conceivable division of benefits can be into substantial or impalpable resources. (Stárová, 2017)

- A) Fixed assets – Fixed assets are not held available to be purchased to clients, but rather organization expects to possess them over one year. Moreover, noncurrent resources will be assets that are obtained for profitable use inside the business as opposed to be sold. Settled resources are normally critical for the organization since they are one of the variables of creation. For the situation that the organization offers them or lose them is not any more conceivable to create new items or administrations.. Fixed assets are deteriorated amid the working life and lose their esteem. A normal for settled resources is that they for the most part stay in the business for drawn out stretch of time and may be sold or rejected when they are of no further use. (Stárová, 2017)

- B) Current asset – Current assets are money and different resources that will be changed over into money amid one working cycle. The working cycle alludes to the succession of purchasing or assembling items, holding the items until deal, offering the items, holding up to gather the receivables from the deals, lastly getting money from clients. This arrangement is the most essential musicality of an organization's activities; it is rehashed again and again. The working cycle might be short, just 60 days or less, or it might be generally long, taking 180 days or more. Resources not specifically required in the working cycle, for example, attractive securities held as impermanent speculations or here and now credits made to representatives, are incorporated into the present resources class on the off chance that they will be changed over into money amid the coming year. (Starova, 2017)
- C) Other assets. Other assets should be represented at a balance sheet as noncurrent.

3.2.3. Liabilities

Are money and different resources that will be changed over into money amid Liabilities speak to a sum owed to lenders, more often than not emerging from buy of stock or materials and providers, not really due or past due. Liabilities are asserts on the benefits of a business; money or different resources that will be later changed over into money will be utilized to pay the liabilities. Obviously, al liabilities of a business ought to be accounted for in its asset report to give an entire photo of the monetary state of a business. Liabilities are likewise wellsprings of advantages. For instance, money increments when a business obtains cash. Stock increments when a business purchases products using a loan and acquires some liabilities that will be paid later. Likewise, ordinarily a business has liabilities for unpaid costs and has not yet utilized money to pay these liabilities. (Stárová, 2017)

3.2.4. The Income Statement

The Income Statement – is a financial statement of a company's financial performance for a specific accounting period. Company's financial performance is estimated by giving a summary of how

3.2.5. Expenses

Expenses can be separated into Working Costs, Monetary Costs and Duty Costs. Working Costs emerge when the assets of the organization are devoured keeping in mind the end goal to make new items. Operating expenses cover utilization of material and vitality, wages, amortization and devaluation of hardware, charges, charges and so forth.

Financial Expenses show up when the organization needs to pay enthusiasm from their bank credit or on account of trade misfortunes.

3.2.6. Net Income

Taxable income minus income tax expense. This is viewed as the organization's "primary concern" as it indicates how much the business made. Net wage has loads of different names, including "net benefit," "income" or "net benefit from proceeding with tasks." (Taparia, 2004)

3.3. Internal and External Analysis

Investigation of any sort of business might be done in two different ways inside or remotely. On account of inside examination, clients have free access to the bookkeeping books and have enough data about the business. While for an outside investigation, examiner isn't associated with the endeavor and the main information accessible are the announcements and such data as the business will reveal.

3.3.1. External analysis

Is finished by individuals or organizations who have no immediate access to data about the organization. They need to take after yearly reports or data which are by and large known. This examination is normally made by speculators, lenders, money related

establishments or by government. In nowadays it is considerably less demanding for them to finish their examination. Organizations are committed to distribute more point by point data as indicated by government controls which help them to direct a nitty gritty investigation. (Sarngadharan and Kumar, 2011)

3.3.2. Internal analysis

Is more exact. Administration of the organization or investigators have more point by point and more exact data, they can utilize bookkeeping books and reports which are not distributed. Consequences of inside investigation are utilized to enhance the basic leadership. Inner investigation can likewise be led by the administration or court on account of vulnerabilities or prosecution. They have the ability to approve individual who will play out this interior investigation from them. (Sarngadharan and Kumar, 2011)

3.4. Horizontal and Vertical Analysis

Horizontal analysis contains information of over one year or in excess of one bookkeeping period and measure the progressions. That is the reason is additionally called dynamic examination. Devices of dynamic investigation are relative monetary articulations and pattern examination.

Vertical analysis contrast figures of the present year and figures of the earlier year or to the base year. (Sarngadharan and Kumar, 2011)

3.5. Comparative financial statements

For creating comparative financial statement can be used three diverse asset The Salary Proclamation, The Accounting report and the Announcement of Money Streams. Similar explanations are valuable for some reasons they can show drifts or uncover the nearness of bookkeeping mistakes. Gives correlation of costs to incomes and changes of various things which can be valuable for bringing down of expenses. This examination might be likewise valuable for formation of expectation of future execution of the organization.

Vertical analysis is intrigued relationship of various things in the budgetary explanations of one bookkeeping period. This investigation is likewise called static examination, uncovers the quantitative connections of figures on a specific date. Basic size monetary articulations and proportion investigation are the instruments utilized for vertical examination. (Sarngadharan and Kumar, 2011)

3.5.1. Financial ratios

Financial ratios are numerical examinations of budgetary explanations records or classes. There connections between the money related proclamations accounts help speculators, loan bosses, and inside organization administration see how well a business is performing and regions of requiring change.

- A) Liquidity ratios – We use Liquidity ratios to measure the ability of a firm to meet its short-term liabilities. The higher the ratio the better is the ability of the company to turn its assets to money and pay its obligations. In this case investors are able to extend short-term credit to a firm. On the other hand, lower Liquidity ratios point to the possibility that the company will not be able to pay its short-term liabilities on time
Between liquidity ratios fall Quick Ratio, Current Ratio, Working Capital Ratio or Times Interest Earned Ratio.
- B) Solvency Ratios – Solvency ratios are used to measure the relative size of a firm's debt loan. Financial analysis uses Solvency ratios to see a firm's ability to pay off the debt.
- C) Activity Ratios – Financial analysis uses activity ratios also called Efficiency ratios to measure effectiveness of a firm to use its assets. In the group of activity ratios we include Total Asset Turnover Ratio, Inventory Turnover, Accounts Receivable Turnover or Working Capital Ratio.
- D) Market value ratios – These ratios are hardly created from financial statements. Market value ratio depends on marketplace data, such as the market price of a company's common stock. Market value ratios measure the market's perception of the future earning power of a company. Between market value ratios are Earnings per Share, Price Earnings Ratio, Dividend Payout Ratio or Dividend Yield Ratio.

3.5.2. Users of financial analysis

Trade creditors are predominantly inspired by association's liquidity position. They need to make sure about the capacity of the organization to meet claims over a brief timeframe.

Suppliers of long term debt, then again, are worried about the association's long haul dissolvability and survival. They examine the association's productivity after some time, its capacity to create money.

Investors, who have put their cash in the association's offers, are most worried about the association's profit since they are paid out of profits. They want to put their cash into firms that show enduring development in income.

Management of the company would be occupied with each viewpoint. It is their general duty to see that the wellsprings of the firm are utilized generally viably.

Trade creditors are mostly intrigued by association's liquidity position. They need to make certain about the capacity of the organization to meet claims over a brief timeframe.

3.6. History of Apple Inc.

March 1976, two young and very energetic engineers Steve Wozniak and Steve Jobs designed a computer that pushed them to create a company for the production of personal computers designed for a mass buyer, not just large corporate structures, and gave start to the scientific and technological revolution in the field of information Technologies. Here are the most important moments in the history of the development of Apple.

Professional management in Apple was organized by its founders - Steve Jobs and Steve Wozniak. However, the last word in making any decisions was always for S. Jobs. The creative personality of Steve Jobs turned Apple Computer into the way we imagine it today - an innovative company that is always on the cutting edge of the field of information

technology. By 1980, the company already dominated the computer market, becoming the leading manufacturer of personal computers. When it became an open joint stock company, its shares instantly dispersed in the stock market. Of course, there were miscalculations and awkward attempts to do something out of the ordinary. For example, the Apple III personal computer model had a floppy disk drive working with errors. The predecessor of the Macintosh line, Lisa's personal computer turned out to be a very expensive "toy", which significantly spoiled the reputation of the company. However, the work of art Jobs - the Macintosh computer in 1984 literally stunned the whole world with its design, construction, and most importantly the interface. But later its closed architecture did not allow quickly to follow the increasing requirements to the technical parameters of personal computers (performance, capacity of information storage), and the company began to quickly give up its market to other PC manufacturers. In May 1985 Jobs was removed from the operational issues, and in September he left the company altogether, which he himself created. A little earlier, at the beginning of the same 1985, the company was abandoned by another of its founders - Steve Wozniak. Thus, by the end of 1984 - the beginning of 1985, the first stage of organizational development - "the era of S. Jobs" was coming to an end in Apple - and a crisis of leadership is coming. Steve Jobs and Steve Wozniak as creative individuals did a lot in terms of product development company, but life showed that they could not cope with managing the business, given all the nuances of the behavior of the modern market.

In the time of John Scully, who was appointed executive director of Apple in 1983, but was able to "turn around" only after leaving the company, Steve Jobs, when making strategic decisions, the managerial approach began to dominate. The technical development of Apple computers, the development of production and sales began to be carried out purposefully, focusing on the specific needs of the market. Scully had a rich marketing experience, which he received, working before joining Apple in PepsiCo. He quickly discovered that it is the closed architecture of Apple's computers that makes them less attractive to users and has eliminated this technical shortcoming. By 1987, Apple's computer again became the "highlight of the season." In addition, Apple began to develop an aggressive sales strategy on a global scale, entering new geographical markets. This strategy has given some positive results, to which, first of all, one can attribute the strong positions of Apple in the world market. However, concentrating on global issues, D. Scully

overlooked the problem of internal efficiency of the company, both in production and management. As a result, by 1990, Apple had come up with extremely expensive computer models and an overly bloated managerial staff. In addition, the Microsoft Windows operating system appears on the market, making the IBM PC user interface close to the interface of Apple's computers, and the pace of technical development in Apple has slowed significantly. In an effort to raise the company on the next wave of scientific and technological development, D. Scully assumes responsibility for the research direction of Apple's activities, and as a result, an electronic notebook Newton appears. This product, in spite of the novelty and originality of the idea that it was supposed to implement (recognizing the handwriting input in real time), in practice turned out to be a technical and marketing failure of Apple.

This was due to the fact that the market was made "unfinished" product. He was attacked by a whole avalanche of criticism, and as a result, the market simply rejected it. Analysis shows that by this time Apple had a second organizational crisis - a crisis of autonomy. D. Scully created a management apparatus in which there was a very high degree of centralization of all decision-making processes. This was justified at first, when the leadership crisis was overcome.

However, now that the geography of Apple's business has significantly expanded, when there was an urgent need for new technical ideas and solutions, the initiative of the middle and lower levels began to be suppressed by the upper ones. The situation with Newton highlighted a new crisis in the company. In 1993, the Apple Board of Directors decided to replace D. Scully at the post of Executive Director Michael Spindler.

3.6.1. The era of M. Spindler

"The era of M. Spindler" in Apple began with the dismissal of 2,500 workers, which was undertaken as a first step towards a new model of low-cost business. Then he organized the release of inexpensive models of Macs to activate the "home" market (in the US) and smooth out possible "roughness" when switching to the production of new promising models of computers for the PowerPC line. However, having reduced production capacity and introducing new promising models of personal computers to the market, M. Spindler, as it turned out, underestimated the possible scale of demand for

them, and in 1995, Apple was unable to satisfy everyone who wanted to buy its products. Fortune turned away from the company again. Became obvious loss of market share, not only desktop PCs, but also laptops. The company began to leave the top managers. The last quarter of 1995 was just a financial disaster. In this period, losses amounted to \$ 69 million. In the hope of reducing prices and increasing sales, M. Spindler again went on to cut 1,300 employees of the company. However, there was a new crisis - a crisis of control, to get out of which could only be improved coordination and interaction of all divisions of the company.

In February 1996 M. Spindler resigned, and Gil Amelio took the post of executive director. He realizes that the restructuring of the company in order to improve the coordination of its links will take quite a long time and that in the process of this reorganization, there may be a significant reduction in production. Therefore, in order to keep Apple's market share, it decides on an unprecedented step in the history of the company - the sale of licenses for the production of Mac-compatible computers and the use of the McOS operating system. This measure gives the planned effect of preserving and even increasing the share of Mac-compatible computers in the computer market. But at the same time, there is a side effect that makes the world public talk about the ability of Apple to survive in the modern world. If in the 4th quarter of 1996 Apple announced a profit of \$ 25 million, then in 1997, based on the results of the first quarter, its losses amounted to \$ 120 million, following the results of the second quarter, losses were \$ 708 million, by the end of 3 Quarter of the loss was reduced to \$ 56 million, but in general, 1997 was completed with a loss of \$ 161 million.

What happened? It should be noted that, first of all, Apple sharply reduced sales from \$ 2.3 billion in 1996 to \$ 1.6 billion in 1997. The sharp drop in sales from Apple was due to the fact that cheaper Mac-compatible computers appeared on the market, to which the company sold the license, in particular, computers of Power Computing company. To stop this process, Apple was forced to buy from Power Computing its license for \$ 24 million. Apple announced that its losses from the activities on the computer market of the company Power Computing were \$ 75 million for 1997. The remaining \$ 62 million of losses were related to ongoing restructuring of the company and production.

Gil Amelio defined Arrele's correct development strategy in the conditions in which it turned out: to concentrate all efforts on two directions - developing a fundamentally new personal computer that beats the models of competing firms in its main technical parameters (the amount of RAM and performance) and the creation of a fundamentally new operating system. Strictly speaking, it was in order to find such a solution that Gil Amelio was invited to Apple. In the circle of top managers with a worldwide reputation, even during his time as Executive Director of National Semiconductor Corp. He was known as the "rescuer of drowning companies." In addition, he was a new person for Apple and could look at the situation with a fresh look. While Apple's management environment has long been in a panic, which could lead to the sale of the company to one of its competitors - Sun Microsystems or even IBM. With the arrival of Gil Amelio, all sorts of talk about the possible sale of Apple were terminated. Moreover, the company Steve Jobs NeXT was acquired. It was a very strong move. Steve Jobs with his company gave Apple not only "fresh blood" for new technical and technological solutions, which accelerated the process of creating new generations of Macs and the new Mac OS 8, but in fact handed it strategic contacts with leading software developers.

3.6.2. Lifestyle of Apple

Apple is a spirit, an ideology and a lifestyle. No computer company has been able to create such strong and united subculture of users. The epithet "poppy-user", in principle, is irrelevant to both hardware and software. This is a way of thinking and a system of values - they need to be understood and felt. This is the "Macintosh Way", Macintosh Way.

The author of this definition is psychologist Guy Kawasaki, a former employee of Apple and the most famous "poppy-evangelist". Macintosh Way - the so-called his book, published in the United States in 1989 and subsequently became a world bestseller. Macintosh Way, "the art of correctly doing the right thing" - the philosophy of Apple and its users.

Work with pleasure. To think otherwise. The focus is on creativity and non-standard approach. The desire and ability to change the world for the better is what the Macintosh Way is.

Apple's iron is perhaps the most acute issue in this whole subject. For more than 10 years, all Apple computers have been built on the Power PC system architecture developed with IBM. With the traditional x86, of course, it had nothing in common. That, however, did not prevent it from remaining competitive - at first it was in no way inferior to analogues from Intel or AMD.

But it became obvious that the development of the platform had reached a dead end. Powerful Power PC G5, the fifth-generation processor, for example, could not be used in laptops - it was too "hot."

Apple did not have an exit. The moment in the market was key - the industry was preparing for a qualitative leap forward. The creation of a new architecture or a cardinal processing of the former would require a huge amount of time and money. And then the company's management decided on a landmark step. In 2006, the transition of Macintosh computers to Intel processors began.

Fans of Apple took this event ambiguously. On the one hand, Mac moved to the most advanced technology base. On the other hand, I changed my basic principle. What kind of intuition, if one foot stepped into Wintel (the etymology of this most terrible word for any ideological mac-user, I think, is quite clear)? Here, in fact, it's not far from sacrilege. Once the processor is Intel, then Windows on the Mac can now be run? And directly, without the emulator?

It is possible, and, moreover, very simple. You need any Mac with an Intel processor, a beta version of the Boot Camp utility (available on Apple's official website), and a Windows distribution. In Mac OS X Leopard, this feature was already available.

Treason? It seems to me, no. Rather, an extension of the target audience. I know many people who do not mind trying the Macintosh, but do not dare to buy it. Now you

can buy an Apple computer safely - if you suddenly radically dislike the Mac OS, you can always replace it with the familiar Windows. In addition, no one really hinders to keep both these operating systems on the PC.

A number of Mac computers have evolved over the years, but have been finalized relatively recently. The budget price segment was occupied by Mac mini (the most affordable Macintosh in the history of the company). In the niche of solutions for home, in the price range from medium to high, are iMac - computers in the monoblock form-factor. The series of professional workstations Mac Pro closes the line.

Apple laptops are also divorced into a professional and consumer line. MacBook Pro (before 2006 - PowerBook) with a diagonal matrix of 15 "and 17" - expensive solutions for true masters of digital art. Thirteen-inch MacBook (iBook in the past) - affordable laptops for all occasions.

3.6.3. Professional Tool

It is believed that the software for the Macintosh is not very much. Fact - software for the PC at times more than for the Mac. There is an obvious and obvious shortage of freeware. All this is one of the main arguments in favor of the PC.

Nevertheless, many professionals in graphic design, video editing and recording traditionally choose the Mac. For example, the famous Adobe software products are developed "for Mac" and only then ported to a PC. In the sleeve of Apple there is another trump card - a line of professional monitors. In exchange for the splendid Apple Cinema Display HD with a diagonal of 30 and a resolution of 2560x1600, many designers would have laid the soul.

The company offers unique software, which is deservedly considered the best in the industry. This is a professional package for editing video Final Cut Studio, and a program for creating music and sound processing Logic Pro, and a powerful tool for 3D animation and digital compositing called Shake. For PC these applications are not released.

3.7.SWOT analysis

S.W.O.T. is an acronym for: Strengths, Weaknesses, Opportunities, and Threats. A SWOT analysis is an organized list of your business's greatest strengths, weaknesses, opportunities, and threats. (Bplans Blog, 2018)

Strengths and weaknesses are inner to the organization (think: notoriety, licenses, area). Strengths and weaknesses can be changed after some time yet not without some work

Opportunities and threats are outside (think: providers, contenders, costs)— they are out there in the market, openings and threats can't transform them. (Bplans Blog, 2018)

Existing organizations can utilize a SWOT examination, whenever, to survey a changing situation and react proactively. Truth be told, I prescribe leading a technique survey meeting in any event once per year that starts with a SWOT investigation. (Bplans Blog, 2018)

New organizations should utilize a SWOT investigation as a piece of their arranging procedure. There is no "one size fits all" plan for your business, and contemplating your new business as far as its remarkable "SWOTs" will put you progressing nicely immediately, and spare you from a great deal of cerebral pains later on. (Bplans Blog, 2018)

3.8.PESTLE analysis

PESTLE analysis, which is sometimes referred as PEST analysis, is an idea in showcasing standards. Besides, this idea is utilized as an apparatus by organizations to track the earth they're working in or are intending to dispatch another undertaking/item/benefit and so on. (PESTLE Analysis, 2018)

PESTLE is a mnemonic which in its expanded form denotes P for Political, E for Economic, S for Social, T for Technological, L for Legal and E for Environmental. It gives

a bird's eye view of the whole environment from many different angles that one wants to check and keep a track of while contemplating on a certain idea or plan. (PESTLE Analysis, 2018)

It is very critical for one to understand the complete depth of each of the letters of the PESTLE. It is as below:

3.8.1. Political

These components decide the degree to which an administration may impact the economy or a specific industry. For instance, an administration may force another expense or obligation because of which whole income producing structures of associations may change. Political elements incorporate assessment approaches, Financial arrangement, exchange levies and so on that an administration may demand around the monetary year and it might influence the business condition (monetary condition) as it were. (PESTLE Analysis, 2018)

3.8.2. Economic

These components are determinants of an economy's execution that specifically impacts an organization and have reverberating long haul impacts. [For example] an ascent in the swelling rate of any economy would influence the way organizations' value their items and administrations. Adding to that, it would influence the acquiring energy of a shopper and change request/supply models for that economy. Monetary components incorporate expansion rate, loan costs, remote trade rates, financial development designs and so forth. It likewise represents the FDI (foreign direct investment) contingent upon certain particular ventures who're experiencing this investigation. (PESTLE Analysis, 2018)

3.8.3. Social

These elements investigate the social condition of the market, and measure determinants like social patterns, socioeconomics, populace examination and so forth. A case for this can be

purchasing patterns for Western nations like the US where there is popularity amid the Christmas season. (PESTLE Analysis, 2018)

3.8.4. Technological

These variables relate to advancements in innovation that may influence the tasks of the business and the market positively or horribly. This alludes to mechanization, innovative work and the measure of mechanical mindfulness that a market has. (PESTLE Analysis, 2018)

3.8.5. Legal

These elements have both outside and interior sides. There are sure laws that influence the business condition in a specific nation while there are sure arrangements that organizations keep up for themselves. Lawful investigation considers both of these edges and after that outlines the techniques in light of these enactments. For instance, purchaser laws, wellbeing models, work laws and etc. (PESTLE Analysis, 2018)

3.8.6. Environmental

These elements incorporate every one of those that impact or are dictated by the encompassing condition. This part of the PESTLE is essential for specific enterprises especially for instance tourism, cultivating, horticulture and so on. Variables of a business ecological investigation incorporate yet are not restricted to atmosphere, climate, land area, worldwide changes in atmosphere, natural balances and so forth. (PESTLE Analysis, 2018)

4. Practical part

4.1. Description of Apple

Apple Inc. is American multinational organization. It was found by Steve Jobs, Steve Wozniak, and Ronald Wayne in April 1, 1976. It's headquartered in Cupertino, California that plans, creates, and offers consumer gadgets, PC programming, and online administrations. The organization's equipment items incorporate the iPhone cell phone, the iPad tablet PC, the Macintosh PC, the iPod convenient media player, the Macintosh Watch - smartwatch, the Mac television advanced media player, and the HomePod savvy speaker. Apple's product incorporates the macOS and iOS working frameworks, the iTunes media player, the Safari web program, and the iLife and iWork imagination and profitability suites, and also proficient applications like Final Cut Pro, LogicPro, and Xcode. Its online administrations incorporate the iTunes Store, the App Store, the Mac App Store, Apple Music, and iCloud.



4.2. Product portfolio

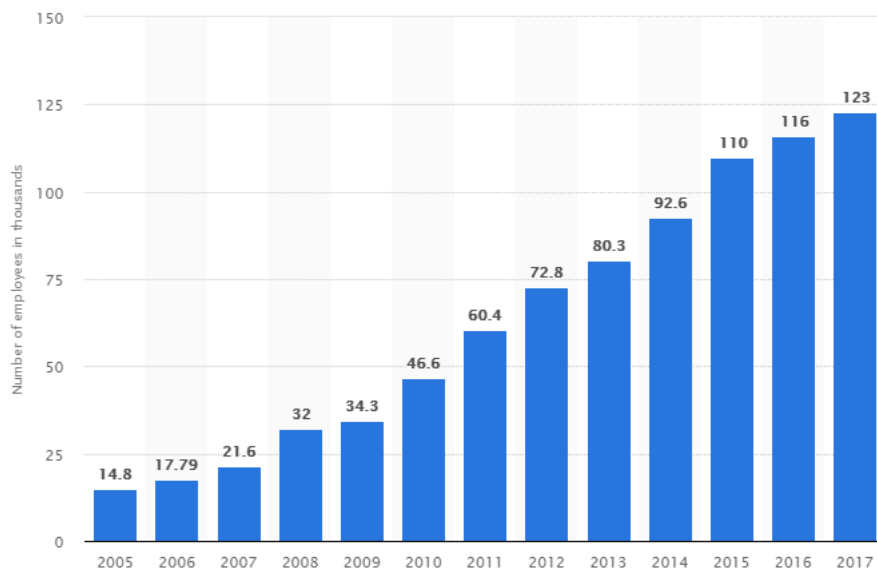
- iPhone - mobile phones;
- iPad - tablet computers;
- iPod shuffle, iPod nano and iPod touch - Portable multimedia players;
- MacBook Pro - professional notebooks;
- MacBook Air - ultra-thin notebooks;
- Mac mini - system blocks of personal computers;
- iMac - PCs "all in one" (monitor, system unit, audio-video peripherals);

- Mac Pro - desktop-class "work station" computers;
- Thunderbolt Display - computer monitors;
- Mac Pro Server, Mac mini Server - servers;
- Its online service includes the iTunes Store, the iOS App Store and Mac App Store, iCloud.

4.3. Employees

It can be seen from table below, amount of Apple Inc. employees is increasing each year. It means that company has stable growth what means that each year they have more customers and to provide their customers best service and support they need more and more people each year.

Figure 1: Apple Inc. employee number 2005-2016



Source: (Statista, 2018)

4.4. Evaluation

In table below we can see that among all top selling platforms IOS platform which is “apple made” platform stands on second place straight after Android platforms. In 2016 year Apple Inc. sold 203.8 million of copies around the world, and got 13,9% of market share what is on 12% lower then they had in previous year. The fall in 2016 can be explained by strong competition from Samsung and other Android platformed telephones. In

2016 Samsung developed new innovative screen for some of their flagman telephone lines. October 9th 2017 Apple Inc introduced brand new Iphone X, which on their thoughts will return them their market share or even increase it. By introducing of Iphone X Apple made a big step to future by changing their iphones from usual style to new which is more interesting and innovative than usual ones. In IphoneX they added a new and unique security system – Face ID. New screen with new security system together with classical and elegant Iphone style made a very good impression on customers. From this we can see that Apple Inc. is not afraid of changes and they are trying to keep their leading position and can do it well. By the prediction of analytics Apple Inc. will not only keep their place on market, they will grow more in case if they will continue creating a new products with innovation like Iphone X. For 2020 year we can wait from Apple Inc. 249.2 millions of sales, growth of market share to 14.2% and annual growth rate – 1.5%

Table 1: Worldwide Smartphone Shipment by OS

Worldwide Smartphone Shipment by OS, Market Share, and Annual Growth (shipment in million)							
Platform	2016 Shipment Volume*	2016 Market Share*	2016 Y/Y Growth*	2020 Shipment Volume*	2020 Market Share*	2020 Y/Y Growth*	5 Year CARG*
Android	1,246.2	85.3%	6.7%	1,507.1	85.7%	4.4%	5.2%
IOS	203.8	13.9%	-12%	249.2	14.2%	3.4%	1.5%
Windows Phone	7,2	0.5%	-75,2%	1,7	0.1%	-23,2%	-43,4%
Others	3,9	0.3%	-56,5%	0.8	0%	-3,9%	-38,7%
Total	1,461.2	100%	1.6%	1,758.8	100%	4,2%	4,1%

Source: (Androidauthority, 2018)

Table 2 shows us shipment of 5 top PC vendors. Apple Inc. has 4,201 thousand units of PC sold in the 1 quarter 2017y. . market share is equal to 6.6% which is higher then shipments and market share of 1 quarter 2017 year on 4.1%.

Table 2: Top 5 Vendors, Worldwide Traditional PC Shipment

Top 5 Vendors, Worldwide Traditional PC Shipment, First Quarter 2017 (Shipments are in thousands of units)					
Vendor	1Q17 Shipment	1Q17 Market Share	1Q16 Shipment	1Q16 Market Share	1Q17/1Q16 Growth
HP Inc	13,143	21.80%	11,621	19.40%	13.10%
Lenovo	12,322	20.40%	12,121	20.20%	1.70%
Dell	9,573	15.90%	9,017	15.00%	6.20%
Apple	4,201	7.00%	4,036	6.70%	4.10%
Acer Group	4,121	6.60%	4,006	6.70%	2.90%
Other	16,967	32%	19,140	31.90%	-11.40%
Total	60,328	100%	59,942	100%	0.60%

Source: (Twitter, 2018)

4.5. Profitability ratios

In table 3 we can see main profitability ratios of Apple Inc.:

Gross Margin is the ratio of the gross profit of the company (Gross Profit) to the revenue of the company (Revenue).

Net Margin is the ratio of net income to revenue . Net margin shows what percentage of revenue is the company's net profit.

ROE (Return on Equity) is a measure of the return on equity of the company, which demonstrates the ratio of net profit to the company's own capital.

ROA shows the percentage of how profitable a company's assets are in generating revenue.

Apple Inc's gross profit margin lost 2% from 2015 to now. **Warren Buffett – one of the richest people in the world think's that** companies can be classified by gross margin:

More than 40% have (long-term competitive advantage)

More than 20% but less than 40% is not sustainable competitive advantage

Less than 20% - no competitive advantage

So from this we can see, that in 2015 Apple Inc. belonged to companies with long-term competitive advantage, but later in 2016 and 2017 year they lost overall 2% of gross profit margin because of new innovation's from opponents. But net profit margin during 2015-2017 was higher than 20%, what means that Apple Inc. still had long-term competitive advantage.

Also ROE and ROA percentage were growing what indicate us that Apple Inc. had a profit growth.

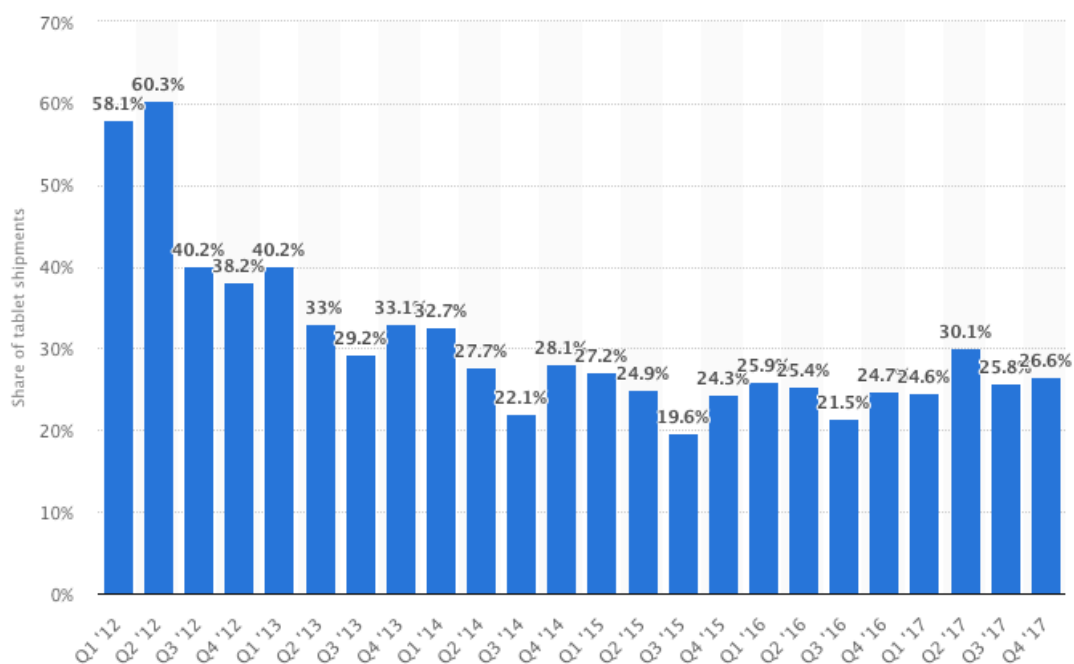
Table 3: Profitability ratios of Apple Inc., 2015 – 2017 (in %)

Period compared	2015	2016	2017
Gross profit margin	40,06%	39,08%	38,47%
Net profit margin	22,85%	21,19%	21,09%
Return on equity (ROE)	36,07%	35,62%	44,74%
Return on assets (ROA)	12,88%	14,20%	18,38%

Source: Own calculations, data from annual reports 2015-2017

In figure below is presented iPad market share of global tablet shipments. In first 2 quarters of 2012 Apple had 58 and 60% of market share, but later they had a significant decreased to 40% and stayed approximately around 40% until 2 quarter of 2013 and from 2 quarter of 2013 and up to 4 quarter of 2017 they were fluctuating between 33%-20%. Those decreases can be explained because of entering new cheap tablets, which were similar to Apple Ipad, but at times worse. Customers who were too price sensitive could purchase cheaper tablet.

Figure 2: Apple's iPad market share of global tablet shipments from 1st quarter 2012 to 4th quarter 2017



Source: (Statista, 2018)

4.6. Vertical analysis of Apple Inc.

Table 4: Apple Inc. Balance Sheet Apple Inc.

Balance Sheet			
September 30, 2017 (values in 000's)			
Current Assets		Current Liabilities	
Cash and Cash Equivalents	\$20,289,000	Accounts Payable	\$49,049,000
Short-Term Investments	\$53,892,000	Short-Term Debt	\$11,977,000
Net Receivables	\$17,874,000	Other Current Liabilities	\$33,290,000
Inventory	\$4,855,000	Total Current Liabilities	\$100,814,000
Other Current Assets	\$13,936,000	Long-Term Debt	\$97,207,000
Other Liabilities			\$36,074,000
Deferred Liability Charges			\$2,840,000
Total Current Assets	\$128,645,000	Total Liabilities	\$241,272,000

Source: Apple annual report 2017

Table 5: Apple Inc. Balance Sheet Apple Inc.

Long-Term Assets		Stock Holder's Equity	
Long-Term Investments	\$194,710,000	Common Stocks	\$35,870,000
Fixed Assets	\$33,783,000	Retained Earnings	\$98,330,000
Goodwill	\$5,717,000	Treasury Stock	\$0
Intangible Assets	\$8,020,000	Other Equity	\$634,000
Other Assets	\$10,160,000	Total Equity	\$134,050,000
Total Assets	\$375,320,000	Total Liabilities & Equity	\$375,320,000

Source: Apple annual report 2017

4.6.1. Liquidity ratios

Quick Ratio - This ratio is essential for suppliers or short term creditors. Ratio speaks to the capacity of the organization to transform its present resources into money inside constrained measure of time, generally in ninety days. The higher the proportion is, the better is the capacity to pay its obligations on time.

$$\text{QR} = \frac{\text{Cash} + \text{Short Term Investments} + \text{Current Receivables}}{\text{Total Current Liabilities}} = \frac{20,289,000 + 53,892,000 + 17,874,000}{100,814,000} = 0.91$$

Apple Inc. may not be able to pay ff their current debts using only quick assets since company has a quick ratio below 1.

Cash Ratio – also called coverage ratio is far more restricted then Quick Ratio. It speaks to the capacity of organization to pay current liabilities using just money.

$$\text{Cash Ratio} = \frac{\text{Cash} + \text{Cash Equivalent}}{\text{Total Current Liabilities}} = \frac{20,289,000}{100,814,000} = 0.2$$

If companies ratio is lower than 1 it means that company is unable to pay all short term liabilities.

We can see that Apple Inc ratio is equal 0.2 so it means that Apple cannot pay all short term liabilities with cash. They are able to pay only 20%of their debt.

Debt to equity ratio – this ratio compares total value of company’s debt with total value of Equity. Debt to equity ratio demonstrates the percentage of financing which goes from shareholders or creditors.

$$\text{Debt to equity ratio} = \text{Total Liabilities} / \text{Total Equity} = 241,272,000 / 134,050,000 = 1.79$$

If this ratio is equal to 1 it means that funds from investors are equal to cash receiving from creditors. When the ratio is bigger than 1, company is based on cash from creditors. We can see that Apple Inc. ratio is 1.79, what means that company is based on cash from creditors.

4.6.2. Solvency ratios

Equity ratio – it measures the amount of leverage that a business employs. It does it by contrasting the total investment in assets to the total amount of equity. If the result of the calculation is high, this means that management has limited the use of debt to fund its asset requirements, which speaks to a preservationist approach to run the entity. On the other hand, a low proportion demonstrates that a lot of obligation was used to pay for the advantages.

To calculate the equity ratio, divide total equity by total assets (both found on the balance sheet). The formula is:

$$\text{Equity ratio} = \text{Total equity} / \text{Total Assets} = 134.050.000 / 375.319.000 = 0.35$$

Table 6: Apple Inc. Income Statement Apple Inc.

Income Statement	
September 24, 2017 (values in 000's)	
Total Revenue	\$229,234,000
Cost of Revenue	\$141,048,000
Gross Profit	\$88,186,000
Operating Expenses	
Research and Develop.	\$11,581,000
Sales and Admin.	\$15,261,000
Operating Income	\$60,024,000
Expense items	\$2,745,000
Interest Expense	\$0
Earnings Before Tax	\$64,089,000
Income Tax	\$15,738,000
Net Income	\$48,351,000

Source: Apple annual report 2017

Debt Ratio – it measures the part of assets which is financed by liabilities. It speaks to the level of resources for deal for covering complete liabilities. Companies which have high Debt Ratio are more hazardous for lenders. If debt ratio is around 0,5 company isn't so unsafe, those organizations as a rule don't have any issue to loan their credits.

$$\text{Debt ratio} = \text{Total liabilities} / \text{Total assets} = 241,272,000 / 375,320,000 = 0.64$$

Apple Debt Ratio is equal to 0,64, what mean's that if Apple Inc. wants to pay all of it's obligations, it will have to sell 64% of all asset.

4.6.3. Market value ratios

Earnings per share - it shows amount of cash earned per one outstanding share.

$$\text{EPS} = (\text{Net Income} - \text{Preferred Dividends}) / (\text{Weighted Average outstanding shares}) = (48,351,000 - 0) / 5,134,312 = 9.4$$

So in 2017 year Apple should pay \$9.4 for 1 outstanding share. Higher earnings per share are rising price of outstanding shares. Annual balance sheet in thousands

Table 7: Annual balance sheet.

Period Ending:	9/30/2017	9/24/2016	9/26/2015
Cash and Cash Equivalents	\$20,289,000	\$20,484,000	\$21,120,000
Short-Term Investments	\$53,892,000	\$46,671,000	\$20,481,000
Net Receivables	\$17,874,000	\$29,299,000	\$30,343,000
Inventory	\$4,855,000	\$2,132,000	\$2,349,000
Other Current Assets	\$13,936,000	\$8,283,000	\$15,085,000
Total Current Assets	\$128,645,000	\$106,869,000	\$89,378,000
Long-Term Investments	\$194,714,000	\$170,430,000	\$164,065,000
Fixed Assets	\$33,783,000	\$27,010,000	\$22,471,000
Goodwill	\$5,717,000	\$5,414,000	\$5,116,000
Intangible Assets	\$2,289,000	\$3,206,000	\$3,893,000
Other Assets	\$10,162,000	\$8,757,000	\$5,422,000
Total Assets	\$375,319,000	\$321,686,000	\$290,345,000
Net Income	\$48,351,000	\$45,687,000	\$53,394,000

Source: Apple Inc. 10K annual report

4.7. Profitability Ratios

Gross profit margin - This ratio of the gross profit of the organization to the organization's revenue. The gross margin indicates what percentage of the revenue stays with the organization after deducting the cost price.

$$\text{Gross Profit Margin} = \text{Total Sales} - \text{Cost of goods sold} = 229,234,000 - 141,048,000 = 88,186,000$$

It shows that Apple Inc. has profit equal to 88,186 billions

Gross Margin Ratio – is a ratio that compares the gross margin of a business to the net sales. This ratio indicates how productive an organization sells inventory or merchandise. Also it can be explained as percentage markup on merchandise from its cost.

$$\text{Gross Margin Ratio} = \text{Gross Profit Margin} / \text{Net Sales} = 88,186,000 / 229,234,000 = 0,38$$

Apple Inc. ratio is $0.38 = 38\%$. So after Apple pay their inventory costs it will have 38% of its revenue to cover expenses.

4.8. Horizontal analysis

Table 8: Annual balance sheet in thousands

Accounts Payable	\$49,050,000	\$37,290,000	\$35,490,000
Short-Term Debt	\$11,980,000	\$8,110,000	\$8,500,000
Other Current Liabilities	\$33,290,000	\$30,110,000	\$34,120,000
Total Current Liabilities	\$100.810,000	\$79,010,000	\$80,610,000
Long-Term Debt	\$97,210,000	\$75,427,000	\$53,329,000
Other Liabilities	\$3,340,000	\$4,290,000	\$4,790,000
Deferred Liability Charges	\$2,840	\$2,930,000	\$3,624,000
Total Liabilities	\$241,270,000	\$193,437,000	\$170,990,000
Common Stocks	\$35,870,000	\$31,251,000	\$27,416,000
Retained Earnings	\$98,330,000	\$96,364,000	\$92,284,000
Treasury Stock	\$0	\$0	\$0
Other Equity	\$634,000	\$634,000	(\$345,000)
Total Equity	\$134,050,000	\$128,249,000	\$119,355,000
Total Liabilities & Equity	\$375,320,000	\$321,686,000	\$290,345,000

Source: Apple Inc. 10K annual report

4.8.1. Liquidity ratio

Table 9: Liquidity ratios

	2017	2016	2015
Quick Ratio	0.91	0.90	0.89
Debt to equity ratio	1.79	1.44	1.43
Cash Ratio	0.20	0.25	0.26

Source: Own calculations, data from Apple Inc. 10K Annual report

From this table we can see that during last three years Apple Inc. had a slow stable growth from 0.89 to 0.91. If this growth will continue a few more years, Apple Inc. ratio will be equal to 1, what means that they will be able to pay their debts on time. But if we'll look at Cash ratio which is stricter than Quick Ratio because it excludes short-term investments and current receivables. We can see that in 2015 year Apple could pay 26% of their debt straight away, but in 2017 they could pay only 20% of debt.

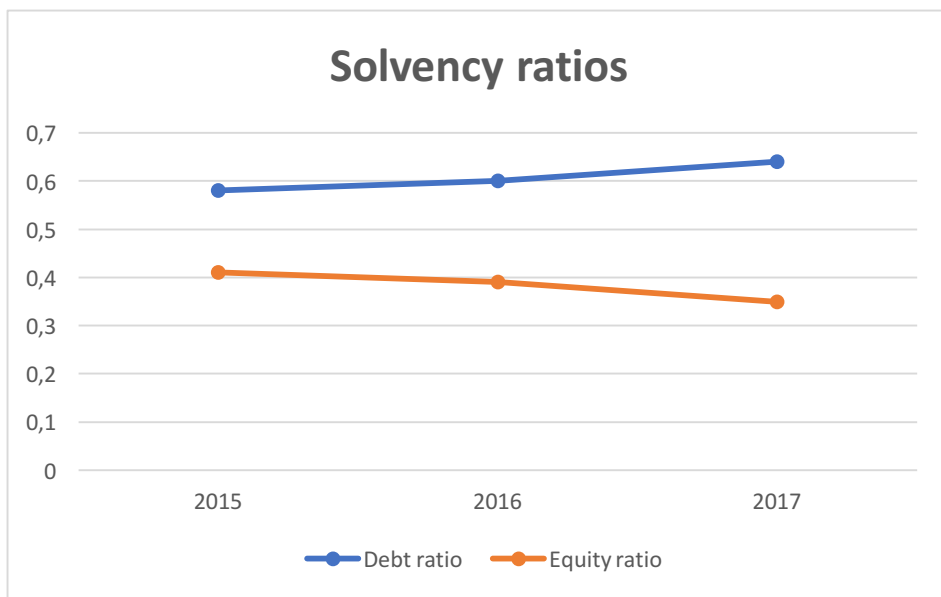
4.8.2. Solvency ratios

Table 9: Solvency ratios

	2017	2016	2015
Debt ratio	0,64	0,60	0,58
Equity ratio	0,35	0,39	0,41

Source: Own calculations, data from NASDAQ.

Figure 3: Solvency ratios of Apple Inc. 2015-2017



Source: Own calculations, data from Apple annual report

The table above shows that Apple Inc. debt ratio was growing from 2015 to 2017 and in 2017 they have to sell 64% of all assets to pay all its obligations. Equity ratio fell to 0,35 what means that now shareholders own 35% of total assets of Apple Inc.

4.8.3. Market value ratios

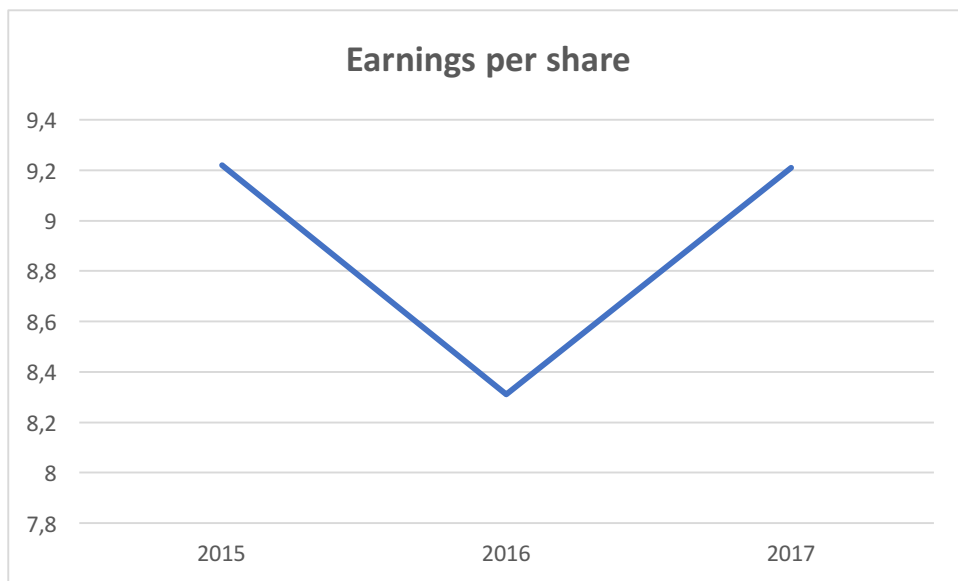
Table 10: Market value ratios.

	2017	2016	2015
Earning per share	9.21	8.31	9.22

Source: Own calculations, date from NASDAQ

Figure below shows that profit of Apple Inc. shares significantly dropped in 2016 because of innovations in market, but Apple Inc. was managed to get their price back in 2017 by launching their brand new Iphone X and improved versions of their PC and laptops.

Figure 4: Market value ratio of Apple Inc. 2015-2017



Source: Own calculations, date from NASDAQ

Also Figure 4 shows that after significant drop in 2016 because of innovations in market, Apple Inc. understood that to get their profit back in 2017 they need to launch something new - their brand new Iphone X and improved versions of their PC and laptops. This decision greatly improved their earning per share .

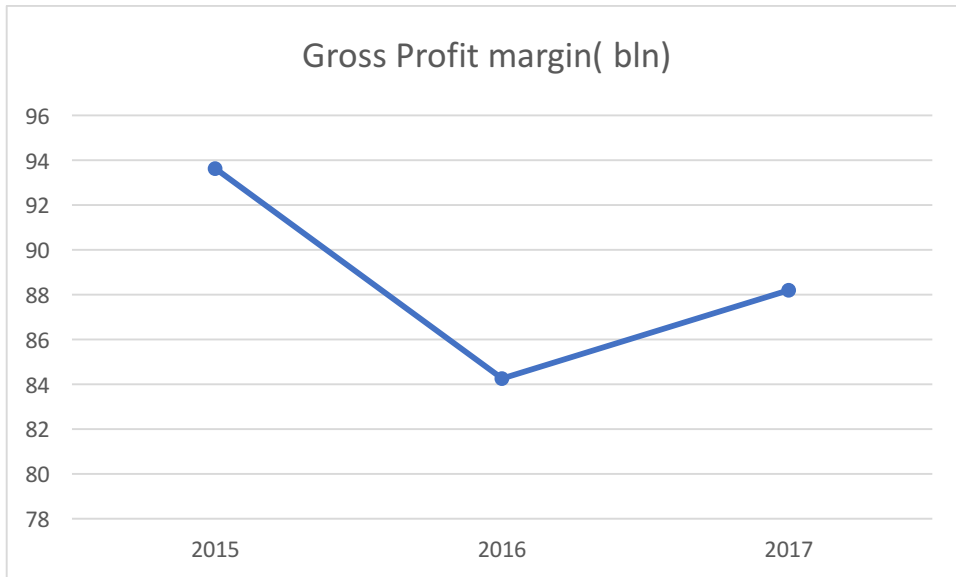
4.8.4. Profitability ratios

Table 11: Profitability ratios

	2015	2016	2017
Gross Profit margin(bln)	93,626	84,263	88,186
Gross Margin Ratio	40%	39%	38%

Source: Own calculations, data from NASDAQ.

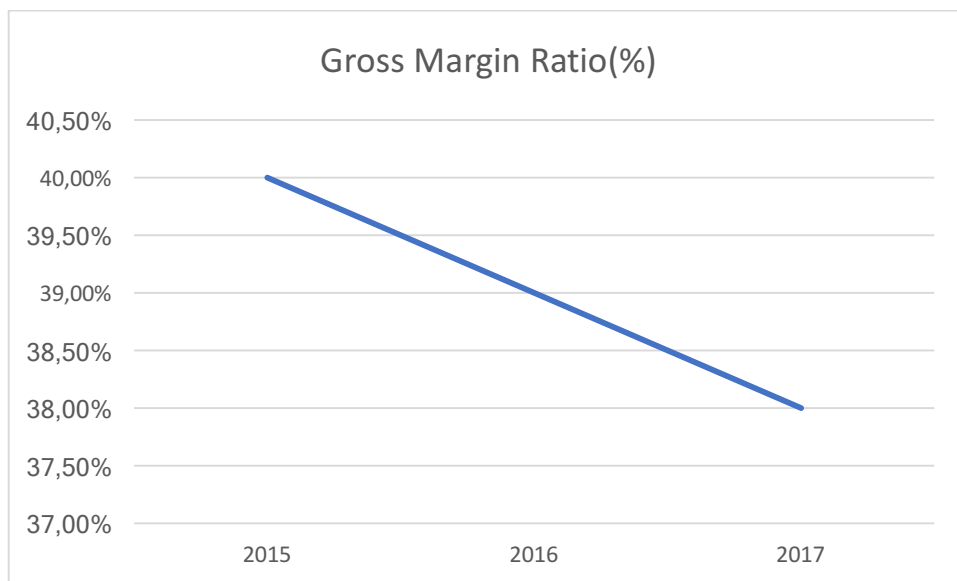
Figure 5: GPM of Apple Inc



Source: Own calculations, data from NASDAQ.

From table above it is seen that Apple Inc. gross profit margin significantly decreased in 2016 year, but in 2017 their GPM started increasing, but its gross profit ratio fell on 0.02% for last two years. Gross profit margin of “Apple Inc.” fell for 2% most likely because of increasing of competition from Samsung and Windows.

Figure 6: GMR of Apple Inc



Source: Own calculations, data from NASDAQ.

Table beyond shows that gross margin ratio of “Apple Inc.” have dropped on 1.5% for last 3 years. What means that productivity of selling “Apple Inc.” merchandise and inventories was slightly falling over last 3 years.

4.9. PESTLE analysis

Apple Inc. (NASDAQ: AAPL) is one of the world’s most visible and recognizable brands. Apple has been an investor favorite for a long time because of its strong revenue growth and high return on investment. Despite its uniqueness, Apple’s business model has been very successful.

4.9.1. Political Factors on Apple

- App Apple is unequivocally subject to bring down cost fabricating in China. Social and political issue in China could upset assembling or increment producing costs in that nation.
- Apple's fight with US Federal Bureau of Investigations (FBI). In particular, Apple's question with FBI about whether it ought to be compelled to hack an iPhone utilized by one of the San Bernardino fear based oppressors transformed into a political level-

headed discussion partitioning people in general into two camps – the individuals who bolster the organization and the individuals who restrict it in regards to this specific issue.

- The measure of political campaigning by the organization speaks to an imperative component of Apple PESTEL examination. The organization has been reliably expanding its yearly political campaigning spending plan amid the previous quite a while to achieve USD 5,46 million out of 2017. Apple's campaigning endeavors are coordinated at improvement of enactments that are positive for the business on long haul point of view.

4.9.2. Economic Factors on Apple

- Expanded work costs in China could take away the cost preferred standpoint of some Apple items. Apple has based its assembling units in China because of cost-effectiveness of assets by and large and less expensive HR specifically. In any case, normal time-based compensations in China achieved USD 3,60 out of 2016, an expansion of 64% since 2011.
- Tax collection rates can be considered an extra monetary factor that influences Apple. Expense changes were recommended by President Trump to make US organizations more focused in the worldwide market. It has been noticed that the arrangement to bring down the statutory corporate rate to from 35% to 20% would generously lift Apple's as of now enormous benefits.
- Stagnating working class earnings in some created nations, including the Assembled States, could abbreviate the potential market for higher-end shopper merchandise, for example, those showcased by Apple.
- A solid position of Joined States dollar could expand trade rates, making it more costly for Apple to work together in key markets like Europe and China.

4.9.3. Social Factors on Apple

- The greatest development in buyer spending's in coming decades will be in territories of the world, for example, Africa where individuals are new to Apple items.

- Buyers in those business sectors and more youthful individuals in Apple's set up business sectors, for example, the Unified States, do not have the forceful enthusiastic connection to Apple items that drive deals.
- There is a hole against costly and sleek items among a few clients in the Assembled States and Europe.
- Moral worries about Apple's assembling in China could constrain its items' allure among socially-cognizant shoppers.
- Apple's nearby relationship with China could annoy some potential clients in different areas, for example, North America and Europe, especially if pressures with China rise.
- Apple's music promoting technique has made soreness and prompted open feedback from real account stars that could discolor the brand's picture.

4.9.4. Technological Factors on Apple

- Contenders, for example, Google and Samsung have shown a solid capacity to copy Apple's items and administrations. It took not as much as a year for Google to present an installment application; Android Pay, with indistinguishable capacities from Apple Pay. This implies a large number of Apple's mark administrations and items are not any more interesting.
- The quantity of new buyer items Apple can bring out is constrained. A significant number of its new offerings, for example, Apple television, will have a constrained market.
- Apple's exclusive working framework can restrain the assortment of use accessible to cell phone clients.

The developing expertise of digital crooks make Apple's frameworks less secure and take away one of its most grounded upper hands: its notoriety for elevated amounts of security and wellbeing

4.9.5. Legal Factors on Apple

- Apple has as of late entered the very directed money related administrations part by means of Apple Pay. This could build the level of control and government supervision it faces.
- News reports show that Apple is intending to enter another exceedingly directed area: vehicle fabricating. Entering the auto business could build administrative, protection and prosecution costs at Apple.
- Apple relies upon an assortment of items secured by licensed innovation laws, for example, programming and music, for a lot of its wage. This leaves the organization profoundly defenseless against both theft and case.

4.9.6. Environmental Factors on Apple

- The greatest natural issue confronting Apple is the transfer of utilized or nonworking electronic gadgets. The cost of discarding gadgets, especially those containing lithium batteries, could be high. Apple could be compelled to expect that cost due to worries about such gadgets in landfills.
- Contamination and other natural reactions from assembling offices in China are a developing concern. This could prompt expanded control and higher assembling costs eventually.
- China's endeavors to cut ozone harming substances and breaking point non-renewable energy source utilize could expand power rates and assembling costs for Apple in that nation.
- Environmental change made by a worldwide temperature alteration could upset transoceanic delivery and Apple's inventory network.
- Worry about vitality utilize and opposite reactions from server farms could prompt expanded control and expenses.

Apple ought to have the capacity to flourish regardless of these difficulties since it has shown a noteworthy capacity to adjust to an evolving domain. Specifically, Apple's examination and outline capacities give it leeway that ought to push its income development for a considerable length of time to come.

4.10.SWOT analysis

SWOT analysis is acronym for:

- 1.Strengths
- 2.Weaknesses
- 3.Opportunities
- 4.Threats

The purpose of SWOT analysis is to enhance company strengths, exclude weaknesses, pursue opportunities and avoid potential threats. Now let's talk about Apple Inc. SWOT:

4.10.1. Strengths

1. Leading innovations among electronic brands
2. Very high brand recognition
3. iTunes Music Store is an excellent source of revenue because of iPod and accessibility on Windows.
4. Apple is expert in developing own software and hardware
5. High quality customer experience

4.10.2. Weaknesses

1. High price
2. Incompatibility of different OS
3. Depended on iPhone and iPad
4. Limited direct sales locations

4.10.3. Opportunities

1. Antivirus solution
2. Downloadable music (easy access to all music)
3. Laptop market
4. Apple pay

4.10.4. Threats

1. Android OS
2. Windows
3. Downloadable music (free sources)
4. Convertible Laptops

5. Conclusion

The main purpose of this bachelor thesis is the financial analysis of “Apple Inc.”. This bachelor thesis begins with the theoretical part which provides introductory information about the company’s history, it’s important milestones, innovations, changes and important people who’s influence shaped “Apple Inc.’s” unique business strategy and helped in turning a small company which was focused on the production of personal computers into one of the biggest technological companies in the world. Also, the theoretical part gives basic information about the financial analysis, it’s importance in evaluating a company, it’s usage together with an explanation and interpretation of the meaning of those indicators and the sources of information through which this analysis must be implemented, and a description of the users of financial analyses.

Second part – practical gives information about quantitative data- real numbers which will be used for financial analysis. The practical part mostly focuses on the calculations of the main indicators of financial analysis and other comparative data and the interpretation of indicators for “Apple Inc.” and the estimation of changes which happened from 2015-2017. After elucidations of the financial indicators in the practical part, the PESTLE and SWOT analysis of “Apple Inc.” in that analysis company position is analyzed through it’s relationship with other countries, political issues, assessment of competitive possibilities and the level of competitiveness in market.

After all the analyses, it is seen that “Apple Inc.’s” position is quite good, and long term debt paying capability is still strong enough even after no significant drops in the last two years. In the case that “Apple Inc.” will continue working on their innovations, they will manage to return their positions in a higher market value. After all it can be said that “Apple Inc.” has managed to hold its stability and respond quickly to innovations in a very competitive market.

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