

Apple Inc.

US CORE HOLDING*

Recommended since 24.09.20

09.01.2025



Country	US	Market capitalization (bn)	USD	3708,2
Sector	Technology	Free float		99,9%
Factset	AAPL-US	Closing price	USD	242,70
ISIN	US0378331005	ESG Risk score*	16,8	Low risk

Perf. since reco. (%)	
Apple Inc.	124,3
Sector	120,5



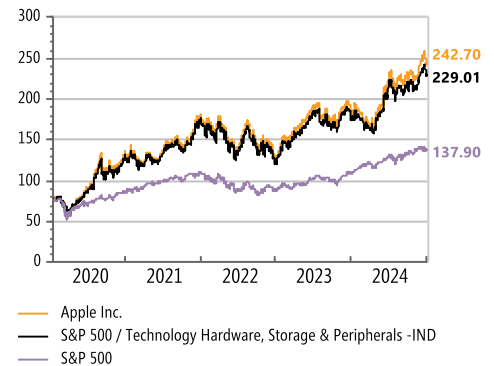
*From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

Profile

Apple designs, manufactures and markets mobile phones, PCs and accessories. In terms of hardware, the iPhone represents the largest share of turnover (52.1% in 2022), the iPad (7.4%), and the Mac (10.2%). Next come accessories (Apple Watch, head-phones, etc.) representing 10.5% of turnover, and Services (App Store, Streaming, AppleCare, iCloud, etc.) with 19.8%. Geographically, the Americas dominate (43% of CA), followed by Europe (24.1%) and China (18.8%).

Market - competition - positions - barriers to entry

The smartphone market declined by -3,6% y/y in 2024 in terms of global volumes. This market is becoming mature: the main market shares (in the Q3-2024) are in the three manufacturers: Samsung, No°1, with ~18,4%; Apple, No°2, 18,1%, and Xiami, No°3, 14%. Barriers to entry: technology and ecosystem, brand reputation (very high retention rates of 83%, with a unique ecosystem on both hardware and software with iOS).



Source: Factset

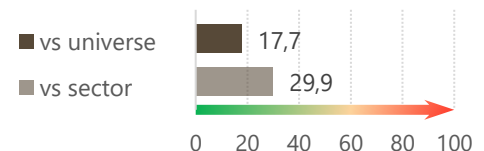
Investment case

- Apple continues to capitalize on its hardware renewal cycle, with the iPhone 16 and 16 Pro integrating AI-powered features for photography, voice recognition, and personalized user experiences. These innovations enhance user engagement while differentiating Apple in a saturated market. With over 1.5 billion active devices, this renewal also drives growth in services and accessories.
- The services segment, representing 25% of revenue and offering high margins, is bolstered by AI integration into applications like Siri, Apple Music (personalized recommendations), and iCloud (storage optimization). These features, combined with products such as Apple Fitness+ and financial services (Apple Pay and Apple Card), further strengthen recurring revenue within the ecosystem.
- Apple's vertical integration strategy, highlighted by its M4 and A17 Bionic chips, delivers advanced on-device AI capabilities. Unlike competitors reliant on cloud-based solutions, Apple prioritizes on-device AI, enhancing privacy and performance while reducing latency. This approach appeals to privacy-conscious customers and aligns Apple with growing market expectations for personalized and secure experiences.
- With the Apple Vision Pro, Apple ventures into mixed reality, blending AI and immersive technologies for professional and consumer applications. These innovations, alongside the development of Apple Home in connected home automation and advancements in medical devices with the Apple Watch, diversify revenue streams while strengthening the ecosystem. Apple positions itself as a leader in integrated and personalized technologies, addressing the rising demand in health and smart home markets.

ESG - risks and key points

- On the ESG standards side, Apple is classified as "Medium risk" because of the number of controversies (tax optimization of cash flow and earnings, anti-competitive behavior [App Store], issues about data encryption [essential for the development of services]).
- European regulations (Digital Market Act) aim to prohibit anti-competitive practices on the App Store.

ESG risk vs. universe & sector (percentile)*



Source: Sustainalytics

Valuation** in USD

Current price	Value Bordier Scenario
243	161

Our scenario assumes a 10-year rate in the USA of 3.5%; normalized sales growth rates at 3% by 2033 and a stable EBIT margin above 33%. We expect a rebound in sales in 2026-2027.

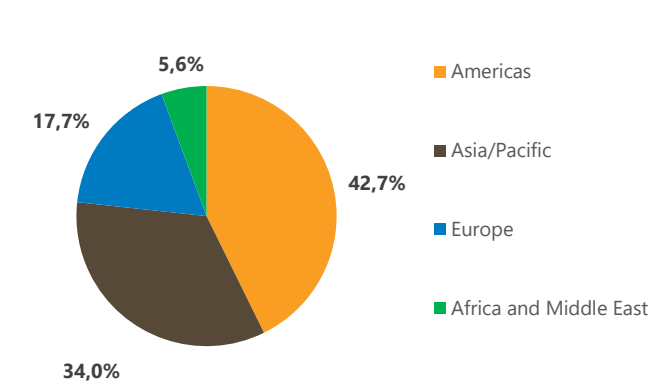
** The theoretical value reflects the company's business model, our baseline growth and profit scenario and market data, exogenous to the company (risk-free rate and equity risk premium). It does not in itself constitute a target price.

"Bordier Core Holding" indicators

In millions of USD	2022	2023	2024e	2025e	2026e
Sales revenue	394 328	383 285	394 784	408 601	422 902
Sales growth %	7,8%	-2,8%	3,0%	3,5%	3,5%
o/w organic	7,8%	-2,8%	3,0%	3,5%	3,5%
EBIT adjusted	119 437	114 301	120 016	129 617	133 506
% of sales	30,3%	29,8%	30,4%	31,7%	31,6%
Net income	99 803	96 995	100 339	108 404	111 670
Adjusted EPS	6,11	6,13	6,73	7,37	7,60
Adjusted EPS growth	8,9%	0,3%	9,8%	9,5%	3,0%
Capex/Sales	2,8%	2,9%	2,9%	2,9%	2,8%
Free cash-flow	111 137	99 584	101 546	110 155	113 772
FCF/Sales	28,2%	26,0%	25,7%	27,0%	26,9%
Dividend per share	0,92	0,94	1,18	1,18	1,18
Dividend yield	0,7%	0,5%	0,5%	0,5%	0,5%
ROCE - WACC	80,8%	82,4%	88,1%	83,6%	65,1%
ROE (%)	197,0%	156,1%	114,7%	91,7%	73,2%
Net debt/Ebitda	47,3%	34,6%	12,9%	-11,0%	-35,5%

Source: Factset, Bordier estimates

Sales breakdown - 09/2024



Governance and ownership structure

Since 01.08.2011 Tim Cook, CEO.

Key shareholders (if any):

The Vanguard Group, Inc 7.09% / Berkshire Hathaway, Inc (investment management) 5.55% / BlackRock Fund Advisors 4.28%.

Any special characteristics of ownership (multiple voting rights, controlling holding company, shareholders' agreements)

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Glossary

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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