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Equity Research Apple Inc.

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Abstract

In this part, I continue to analyze the estimated revenues of Apple. I start by analyzing the wearables which I think it will be one of the main drivers of Apple revenues in the following years. Next, I analyze the services and their role in Apple's long-term survival. As discussed below, I think that it will not be only a source of a great income by itself but will also be the reason for products to continue to sell so well. After, I briefly discuss some additional factors that in the future may became a portion of the revenues. Following that I explain how the valuation of Apple is made in this report (using a discounted cash flow) and point two crucial factors of the valuation: the weighted average cost of capital and the long term growth rate. To finalize I make a quick analysis using the Porter 5 Forces structure and conclude about the valuation in general.

Services
Healthcare
Virtual Reality
Innovation

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Wearables Home and Accessories

Smartwatch

The reaction to Apple's first smartwatch was mixed following its launch, but nowadays it is adopted by almost every consumer particularly interested in watches. This watch has changed a historical industry[1].

In 2020, Apple shipped more watches than the entire Swiss watch industry put together. The success of this product is related not only with perceived wellness benefits but also to the convenience of easy access to information on our wrists. Being responsible for a 55% share in the smartwatch market, this device has proven to be an authentic 'game-changer' within this industry. Due to the variety of apps currently available, the Apple Watch is highly versatile since, depending on the apps used. It can agglomerate every segment of the smartwatch such as personal assistance, wellness and Fitness, Sports and Adventure and Medical / Healthcare. In keeping with current trends in the wearables segment, the major impact that can be predicted will be in the healthcare industry[2]. The new Apple Watch can make perform an EGC, sleep tracking and measure oxygen levels in our blood. A Stanford University study showed that the Apple Watch can prevent the risk of strokes with 84% accuracy[3]. There is also the potential for other additions, such as diabetes tracking devices that can provide users with the real time values of their glucose levels. This capacity for prevention of such prevalent health problems and the collection of biometric data, will surely have an impact not only on the health of the general population, but also on healthcare industry revenues by reducing the need for face-to-face medical appointments or reducing sleep medication by taking sleep metrics. More and more consumers are sharing their smartwatch data with healthcare providers and insurance companies for ongoing health valuation. For the insurers, this monitoring can drive down insurance costs for those who actively use wearables as a means of increasing customer life value.

Smartwatch potential within the fitness sector is also potentially enormous, since there are more than 500 million fitness app users. This sector has witnessed a 53.2% increase in response to the Covid-19 pandemic and is forecast to be worth US$30 Billion in 2030. Such developments represent a major opportunity for Apple, for example through the launch of Apple Fitness + since there are more than 100 million Apple watch users[4].

Companies are also recognising the benefits of offering wearable healthcare to their employees. These devices can improve staff productivity and reduce employee turnover since they are healthier and, consequently, happier.

The Covid-19 pandemic has raised general awareness of health issues among the population and the importance of tracking our biometric data. Apple Wearables grew by 57% from 2019 to 2021, confirming the surge in demand for health tracking devices during this period. We believe that Apple will remain the clear market leader in coming years. Not only as a result of increasing health and wellness concerns, but also because most of the innovation in this sector is being delivered by Apple[5].

[1] Allied Market Research
[2] Business Insider Tech
[3] Stanford University Study
[4] NXP – Wearables Industry Trends
[5] Forbes – Key Wearables Trends

The ability for any brand of smartwatch to connect with Apple's ecosystem will undoubtedly be one of the key criteria when consumers consider purchasing a smartwatch. Even so, we believe that Apple's major focus will be concerned with Apple Watch connectivity with Android. Android Wear generates far less revenue than the Apple Watch, this might sound impossible, but Apple did the same with Windows PCs when iPod was introduced: iTunes was available on Windows . Similarly, Apple Watch has the potential to convince android users that Apple's product is far superior and steadily persuade them to use more Apple products in the future. Currently, with Android Wear accounting for almost 40% of the smartwatch units sold, there is massive potential here to further extend Apple's lead in this sector[6].

Hearables

This is one of the most important products for Apple. The AirPods segment alone would be ranked 32nd in the Fortune500 list[7]. Over recent years, Apple has been focusing on offering a wireless audio product provider through its AirPods, making advances in noise cancelling, spatial audio and voice isolation. This has resulted in a better listening and audio experience for its users.

That being said, we believe Apple will start shifting its focus to the wellness side of this product. This is precisely what Apple did with the Apple Watch. Using AirPods to track potential health problems has the potential to impact massively on the sales of this product. Moreover, as a direct result of the Covid-19 pandemic, there has been a surge in demand for audible therapies and therapeutic material in order to mitigate stress, anxiety and other health issues, and this will certainly contribute to increasing demand for AirPods.

Furthermore, by redeveloping AirPods as a hearable (smart-micro audio device) it can start to offer sound enhancing qualities. Functionalities such as improving sleep quality and work productivity are some of the upcoming features that Apple AirPods models will offer. Considering the above points, AirPods are likely to position themselves in the healthcare industry with the objective of conquering a share of pharmaceutical revenues and revenues associated with expensive medical treatments. This development has been fuelled by the Covid-19 pandemic which has fostered increasing concern among consumers about the importance of tracking our health. For the past few years, Apple has revealed an interest in the health area, for example, by equipping the Apple Watch with several wellness features and by investing in this area. Apple R&D is three times higher than the average SP500 company[8].

To Conclude we believe that Wearables will be one of the main products that will make Apple grow. Specially due to their healthcare and wellness benefits that positions Apple into the best possible position in terms of market leadership in this devices. Although, we believe that the industry growth by itself, already reflects the expected growth in our forecasted revenues. We also expect, an increase in competition that we believe would have a negative 3% impact in our forecasted revenues.

Services

Apple Services. Or as we believe, just Apple in a few years. Yes, we are of the opinion that the main revenue in the future will come from services and not anymore from selling products directly. It is easy to understand this by looking to how Apple has been evolving in the last years. But before

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that, let us introduce you the main services Apple offers. We can divide them essentially in two: the subscription-based services and the non-subscription ones. Regarding the first-ones, Apple offers the iCloud (Data Storage), the Apple TV+ (Shows and Movies Streaming Platform), the Apple Music (Music Streaming Platform), the Apple Arcade (Gaming Download Platform), the Apple Fitness+ (Exercise Videos Platform), the Apple News+ (News Aggregator Platform) and the Apple Care (Apple Insurance Program).

About the non-subscription ones, Apple offers other several services. From these ones, we highlight Apple Maps (Navigation App), Apple Pay (Digital Payment System), Apple Card (Credit Card), Siri (Virtual Assistant), the App Store (Online Apple Applications Store), iMessage (Messaging Service), FaceTime (Video and Audio Call System), Find My (Location system to Lost Devices), AirPlay (System to Share instantaneously all type of Files between Apple Devices) and others related with licensing (e.g. Google as the default search engine on Apple Devices).

However, contrary to what someone can expect, Apple makes money not only with the subscription-based services but also with the others. For instance, Apple in 2018 received US$ 9,5 billion from Google just for being the default search engine on Apple devices[9]. This amount represented one third of the total service revenues in this same year and it had no cost to the end users of the Apple device owners. Also, a big portion of the services' revenues come from the App Store paid apps (not actually a subscription) and in-app purchases and subscriptions (in which Apple takes roughly 30% of the revenue). For example, in 2020 it was estimated that the App Store revenue reached US$ 22,7 billion, accounting for almost 50% of the total services' revenues.

Regarding the subscription-based services, we can observe a big discrepancy in revenues between them. For instance, Apple Music and iCloud together generate more revenue than all the others combined. Nonetheless, looking at the release date of the services, it is easy to understand why. What is also easy, is to realize the potentiality of the Apple services. Most of them were launched from the end of 2019 onwards, are still in development (e.g. Apple is still creating originals for Apple TV+) and they already account for 15% of the total services' revenue – about US$ 10 billion. Now that the services are already introduced, let us go back to our initial affirmation – Apple future is to be a services' provider.

We believe that the services will be essential for Apple survival. As we know, products have their life cycle and at some point, they reach maturity and are naturally replaced. For that same reason, it is very unpredictable the future of a product selling company (specially a technology one).

On the other hand, it is very difficult to replace an "ecosystem". And by ecosystem, we mean the functionalities and integration of hardware along with software. Apple seems to know this better than anyone. Apple has been developing a completely unique user experience where all the devices, together with its services, work perfectly between each other. Nowadays, we can actually notice a strong "correlation" between Apple products and Apple services revenues. For instance, if someone buys an Apple product will certainly use and subscribe some service and oppositely, if someone wants to have access to an Apple service, will definitely buy an Apple product in order to have the best experience possible. This particular and unique relationship allows Apple to "push for any of the sides" and have a positive outcome at both levels.

[9] Goldman Sachs Report

This particular characteristic will surely be extremely important regarding the product sales in the following years. The market is increasingly saturated, and it is more and more difficult to innovate. Except for Apple computers (which with the M1 processor are well ahead of the market), all the other products that Apple sells have direct competitors with at least very similar features. Then we believe that this will be the reason for the consumers to choose Apple products instead of the competition offer.

However, services will give much more to Apple than the indirect impact in product sales. The services itself will be one of the biggest, if not the biggest one, source of revenues in the future. We can state this by looking both for the available services Apple already offers and by its implicit strategy. For example, let us look to these three recently launched services: Apple Arcade, Apple Fitness+ and AppleTV+. We are talking about 3 giant industries: Gaming industry which was valued in US$ 173,70 billion in 2020 and it is expected to value US$ 314,40 billion in 2026[10]; Health and Fitness industry which was valued in US$ 81 billion in 2020 and it is projected to witness a CAGR of 7,21% during the following years[11]; and Entertainment and Media market which was valued in US$ 2,1 trillion in 2019 and is expected to value US$ 2,5 trillion in 2024[12].

Looking at these, there is no doubt that one of the main criteria for Apple is to “bet” on existing promising markets, with profitable and plentiful demand. Also, by experiencing the services we can deduct and confirm Tim Cook’s idea behind Apple services: “ease of use, attention to detail, privacy and security, personalization, and family sharing” (Tim Cook during the 2019 Services event). This strategy allowed Apple to reach the 660 million subscribers in just a few years, of which 40 million in the last quarter of 2020[13]. Looking forward, we can expect an even higher increase in subscriptions of the available services as they develop even further, and also the launch of a new services like Health+ (Health-centric service), Stocks+(Investment accounts), Mail+(Automated management of daily tasks) and Maps+ (The operational center of an expected Apple car). Although it is very unpredictable how and what these services will actually offer, we can expect three things for sure: they will add unique value to the existing hardware/software offering; they will certainly improve the Apple ecosystem with deeper integration; and as always, they will generate high margin, recurring revenue[14].

Despite the services itself seem just good news, we also need to highlight some risks associated especially with AppStore, licensing revenues, and competition.

In fact, Apple is known for having very unfair commissions for developers. For instance, Apple used to charge a 15 or 30 percent take rate (depending on if it was a subscription or an one-time purchase) in all of purchases made through iTunes. Furthermore, it did not allow the apps to link external pages, so the user to be obligated to subscribe in the app. For example, from the US$ 853 million Netflix made through the App Store in 2018, Apple took US$ 127 million. This made Netflix discontinue iTunes as a payment method in 2019 and not allow the users to subscribe in-App anymore. Like Netflix, other companies may follow the same path. For now, the only answer from Apple was to reduce the take rate to 15 percent for developers that earn less than US$ 1

[10] Mordor Intelligence Gaming Industry Report
[11] Mordor Intelligence Health & Fitness Industry Report
[12] Statista – Global Entertainment Market
[13] Luca Maestri – Apple CFO in a conference
[14] Loup

million per year[15]. Having such an important weight in the service's revenue, this represents a big risk.

Regarding Licensing, the main source of the revenues is also at risk. Google is facing some legal challenges regarding its broader traffic acquisition strategy and this can have a negative impact of about 2-3% in Apple licensing revenue.

At last, the competition is also a factor to be considered.

Like Apple, it is expected that direct competitors try to do the same thing – create an ecosystem to retain consumers. However, we do not think that the competition will ever be able to compete with Apple in this aspect. The fact that Apple controls everything from hardware to software enables an unique integration and fluidity not replicable by any player in the market.

Regarding direct competition of each service (e.g. Netflix to AppleTV+ or Spotify to AppleMusic), we also think that in the short-run Apple will surpass them. That is easy to predict much because of Apple bundle offer. I mean, if one look at the quantity of services offered nowadays and start to do some math about how much it will cost to subscribe a multimedia service, a music streaming service, a news service and so on, you will understand how costly it is to have so many subscriptions. And that is where Apple enters: the Apple One. The Apple One is not much more than the subscription of a bundle of services together for a better price (than subscribing them individually).

As at today Apple offers Apple one (including Apple Music, Apple TV+, Apple Arcade and iCloud) for US$14,95\month or for US$19,95/month for all your family (up to 6 people). So for example, instead of subscribing Spotify and Netflix individually, you can subscribe a bundle of services (including multimedia and music streaming services) for the same price or even less.Taking all this in consideration, we think that is a question of time for Apple to change from a "hardware company that does some services into one that is services backed up by some hardware"[16].

This will allow Apple to continue to sell the products as it has been selling for years and to have a new income source, much more predictable and powerful than the products. It is important to note that this new income source will also have a much higher gross margin than the products. For a reference purpose, in 2021 Apple services had a 70% of gross margin against the 35% of the products.

Summing up, we can expect three great additional impacts from services that are not contemplated by the value drivers: The indirect impact that they have in the other Apple's products sales and vice-versa (5% per year); the additional revenues from Apple's constant entry into new industries and its outperformance (we expect it to have an additional positive impact of 15% per year); and the increasing gross margin (we estimate it as an 1,5% increase per year).

To finish we let you with a quotation that we could not agree more (Murphy and Stokman 2020) - "The recent acceleration in Services growth is indicative of an acceleration in a much broader digital transformation," - the note concludes - "Apple is powering this transformation around the world, changing how we live, work, and play. New services will make Apple's impact on our lives even deeper and broader, capturing value in new ways and driving the company toward a US$ 3 trillion market cap."

[15] The Verge and Apple
[16] Apple Insider

Others

Virtual Reality

Apple introduced spatial Audio (surround systems related to the direction the user is facing) and this has become a key feature in augmented reality glasses, since it enhances real life sound. Apple has been building more advanced AR tools into iPhones and iPads, probably setting the stage for something more like a VR headset or even smart glasses in the future. Several strategic acquisitions have been carried out in this field, the most recent being NextVR a media-streaming company in 2020. It is thought that Apple will first launch a high-end VR headset, to compete with Facebook's Oculus Quest. Launching such a VR Headset would be a logical step for Apple, since the company's strategy has consistently been to launch products with the ability to add value and integrate with existing Apple products. In the near future, it is likely that we will be gaming and watching fitness classes with VR Headsets. The VR market is expected to grow at a 18% CAGR until 2028, reaching US$ 60 billion that year[17]. Nevertheless, in this context, Apple's strategy is not to create an iPhone-like 'hit' for its first headset. Instead, the company is in the process of building a niche product that will prepare special high-end consumers for more mainstream AR glasses. Furthermore, the fact that Apple has already registered a patent for optical subassembly is not only a convincing indicator that Apple intends to launch its own Smart glasses, but also underlines the importance of this major innovation in healthcare. Investors should look forward to an increase in revenues when this product is launched. This is likely to be a major success, further increasing Apple's valuation.

Metaverse

With the introduction of VR glasses, Apple is taking a further step towards the metaverse – the combination of multiple technologies in a digital world. Users will be working, playing and chatting with friends through VR. Put simply, it is an online universe. Giants such as Facebook and Microsoft are already positioning themselves in this market, but we believe none of these companies match Apple's potential in this area. Apple is the only company that connects billions of people and businesses across physical and digital spaces, especially in a country such as China. We believe this region is too big to ignore, with China having three times the number of internet users that the United States has. Moreover, Facebook and Microsoft do not have a significant consumer electronic business when compared to Apple. There are over a billion users deeply connected to Apple products that are becoming more integrated with the human body, while the human mind is benefitting from a more immersive experience with Apple products. It is estimated that the current metaverse market is worth about US$360 billion, consisting of a mix of software and hardware. We believe that Apple's stake in this market will, no doubt, consist of an amalgam of software, hardware and services. While it would be premature to measure the impact that this new virtual world will have on Apple revenues, it is known that this market is estimated to reach the value of approximately US$ 1 trillion dollars by 2030. Apple could easily attain a 30% share of this market, representing an upside of US$300 billion.

Apple Car

Apple confirms that it is in the process of developing an electric Car. "Project Titan" began in 2014

[17] Grand View Research – VR Market Report

with more than 1000 car experts and engineers. Senior Apple employees, such as the creator of the Apple Watch, currently integrate this team. Moreover, Apple is working on securing partnerships with automakers to produce their car parts and components, although it is expected that the silicon chips for this vehicle will be manufactured by Apple itself. Apple is focusing on building a level 5 autonomous vehicle, meaning that the vehicle would boast complete autonomy. Currently there are no level 5 vehicles, with Tesla's cars attaining level 4 (high level autonomy). Entering this business sector, could have a huge impact on Apple's valuation. Recently created electric vehicle companies such as Rivian and Lucid, with a combined market cap of US$170 billion, still haven't sold a single vehicle. We believe that Apple has a huge advantage over these automakers since the most significant experience in using autonomous vehicles will not be the driving of the car itself but, rather, the entertainment system. Apple will certainly not overlook this this opportunity to equip their cars with Apple 'screens' and devices. It is not known how long it will take for Apple to officially launch their autonomous vehicle, but it is likely to happen by 2025. Over the next few years, consumers can look forward to the confirmation of this new product that will predictably raise the value of Apple shares to unprecedented heights.

Excess Cash

Apple presently benefits from a large quantity of excess cash. In Q1 of 2021, Apple's cash and investment reached a value of US$204 billion. We believe that due to the current dearth of investment opportunities, Apple is still considering how to best capitalise on this cash surplus. Even after making enormous investments in R&D and Capex, Apple is still faced by this problem. Moreover, the repurchasing of stock is currently being used as a method of investing surplus cash. Currently Apple owns US$134.5 billion in long-term marketable securities such as US treasury Bonds, and the 10 year Yield is currently at just 1.62%. This means that 1.62% on all cash (US$204 billion) is equivalent to US$3.3 a year in interest. Investing the same amount in Apple stock one year ago would represent a gain of US$174 billion. Investors should expect this buy back to continue, representing a better investment opportunity for the company compared to fixed income markets.

Valuation

After taking into consideration both the evolution of the value drivers and our personal analysis, we conclude that Apple should be trading today at a discount. For this valuation we used a discounted cash flow model. Having used this model, we needed to pay special attention both to the weighted average cost of capital (WACC) and especially to the long-term growth rate (LTG) used to calculate the terminal value. Regarding the former, we observed the yields of the outstanding long-term bonds (and accounted with the respective probability of default and recovery rate) for the cost of debt and we computed the cost of equity using the CAPM (using the S&P500 as a reference of the Market). Concerning the latter, LTG, we assumed a growth similar to the expected nominal growth of the global domestic product. We had to make this assumption due to the unpredictability of Apple long term growth - although it may seem a mature company, the constant innovation, the constant entry in disruptive industries and its unprecedented strategy of controlling everything (from hardware to software) make it impossible for the growth rate to stabilize. Thereat we preferred to be conservative and assume the same growth as the economy.

For this same reason, it is important to note that is possible that Apple's true share value is a bit higher of the estimated one, since Apple has demonstrating to growth faster than the market. Thus, we decided to make a sensitive analysis both for the WACC and LTG so we know what we can expect in the case of an inaccuracy in any of them. Please consult the figures 31 to 33 in the appendix of this equity report.

In order to confirm our valuation , we also computed an APV Model valuation in which we achieved a share price of US$ 192.

Multiples

Market multiples provide a fast, insightful picture of Apple's valuation in comparison to similar companies in the industrial segments where Apple operates. Analysing and comparing our estimates with the forecasted indicators of the major technological companies, Apple currently trades at a discount using a P/EBITD and P/E basis ratio. While a higher than average P/S ratio can imply that a stock is overvalued, we believe that this is because it is difficult to find the right companies suited to making direct comparisons with Apple. If we compare Apple directly with Microsoft, then Apple stock is trading at a discount. However, we believe owning Apple is much more valuable than owning Microsoft shares. This leads us to conclude that Apple is undervalued.

Risks

Being a global company, Apple is definitely subject to many risks. The following major risks should be highlighted:

China Tariffs Trade War

Recent tensions with China began with the ex-President Trump imposing new laws that penalize imports from this region. The majority of Apple suppliers are from this region, so almost every product pays a tariff to enter the United States. This represents big additional costs for Apple, despite some tariff relief being provided by the US government. The Biden Presidency has not yet done much to address this matter, so investors should expect an increase in prices when or if new tariffs are introduced by either US or China.

Supply chain and Foreign Exchange Risks

Apple is a global business. The company's global supply chain is large and very complex, with almost all manufacturing facilities being located outside the US. As a result, Apple's operation depends largely on economies in other regions. With the Covid-19 pandemic, Apple found itself struggling, especially with the microchip shortage and factories closing as a result of this pandemic. In this Q4 of 2021, this supply chain crisis is predicted to have a US$6 billion impact on sales, especially during the Christmas season when Apple's sales normally increase. We also believe that Apple is highly vulnerable to the fluctuation of currencies such as the Euro, Yen and Yuan. These currencies represent a 50% weight in overall revenues. Any loss of value against the US Dollar can have a dramatic impact on revenues. Apple has been using derivatives to offset this exposure to foreign currencies.

App Store Law Suits

Epic Games, a major game developer, has sued Apple for practices in the iOS App Store. Firstly, Epic Games did not accept the 30% commission that Apple levies on developers in order to sell their Apps on the Store. Secondly, Apple also applies this fee to in-app purchases. Several developers and anti-trust regulators have backed Epic Games's position. As a consequence, Apple has reduced its fee to 15% for those companies making less than US$ 1 million per year. Investors should expect increasing pressure from developers while Apple will likely, over time, reduce their fee percentage.

Porter 5 Forces

Industry Competition

The number of competitors in this market is high. We believe Apple is in direct competition with Google, HP, Amazon, Microsoft and Samsung. All of these companies spend significant amounts of money on R&D, but not quite as much as Apple, since it spends three times more the average SP500 company. One of the reasons why this industry is so competitive is due to low switching costs. Consumers are not obliged to spend large amounts of money in order to switch from a Google Pixel Phone to an iPhone. Apple addresses this reality by constantly innovating through unique products, while market share is not at the top of Apple's priorities.

Bargain Power of Buyers

Low switching costs – as referred to above – reinforce the bargaining power of the consumer as a key factor for Apple to take into consideration. Because of this, it is essential to analyse not only the bargaining power of consumers as individuals, but also their collective bargaining power. Individual bargaining power *per se* is a weak force, since the potential loss of any one consumer is insignificant in terms of revenue. Nevertheless, the collective bargaining power of customers – namely the potential for a significant number of customers to switch to other competitors – is a powerful force. Apple pre-empts this threat by committing itself to on-going consumer satisfaction through the regular development of innovative products and by building significant brand loyalty. As a result, Apple has ensured a large customer base that will rarely switch to any competitor.

Bargaining Power of Suppliers

By comparison to consumer buying power, the bargaining power of suppliers is a relatively weak force. There are a large number of potential suppliers and Apple is free to choose from this extensive list. The industry of computer processors and electronic parts is highly competitive. For Apple, the costs involved in switching suppliers are relatively low and do not pose a major challenge. Moreover, major suppliers are averse to losing a client company like Apple. This increases Apple's leverage when negotiating with suppliers, weakening their bargaining position. This bargaining power is not very significant for other competitors in this industry.

Threat of New Entrants

We consider this threat to be relatively low for Apple. The costs involved in establishing a company like Apple are extremely high and, more importantly, building a brand name and reputation is a vast undertaking. Any newcomer to this market would be obliged to invest enormous amounts of money in R&D and manufacturing in order to produce something innovative and eventually begin to generate revenue. Currently all Apple competition is comprised of well established companies, so any new entrants to this market would have to compete with such rivals. Despite the negligible threat of new competitors entering this market, it remains important for Apple to consolidate its competitive edge not only through innovation but, also, through brand loyalty.

Threat of Substitutes

These are not products that compete directly with the Apple products, but which could eventually become possible substitutes for them. For example, a potential substitute for AirPods might be a wired headset. This risk is relatively low for Apple because, currently, most substitute products have limited capabilities. Moreover, Apple products in themselves comprise the latest generation of these products which, thanks to continuous innovation, present improved features and capabilities.

Conclusion

Comparing the actual value of Apple's share and its true value we conclude that this difference is due to the fact that some factors have not yet been incorporated in the share's price, such as the potentiality of Apple's new services, the Apple Silicon promising technology, Apple impact on the Healthcare Industry, the future Covid-19 impact, and especially the power of Apple Ecosystem. One should note that we should expect this adjustment in the near future and probably an even higher increase in price when the matters discussed at the end of this report (e.g. Apple Car, Metaverse, Virtual Reality, Excess Cash) begin to be integrated into the share price. Those were not accounted in our model due to its unpredictable value and lack of certainty regarding, for example, the release date of Apple Car or even the integration of the metaverse technology in Apple Products. However, as we get closer and more information comes out, the share price will reflect its value for sure.