

APPLE INC
Form 10-Q
April 24, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 29, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission File Number: 000-10030

APPLE INC.

(Exact name of Registrant as specified in its charter)

Edgar Filing: APPLE INC - Form 10-Q

California
(State or other jurisdiction)

94-2404110
(I.R.S. Employer Identification No.)

of incorporation or organization)

1 Infinite Loop

Cupertino, California
(Address of principal executive offices)

95014
(Zip Code)

(408) 996-1010

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

861,381,000 shares of common stock, par value \$0.00001, issued and outstanding as of April 11, 2014

Table of Contents

Apple Inc.

Form 10-Q

For the Fiscal Quarter Ended March 29, 2014

TABLE OF CONTENTS

	Page
<u>Part I</u>	
Item 1. <u>Financial Statements</u>	3
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	37
Item 4. <u>Controls and Procedures</u>	37
<u>Part II</u>	
Item 1. <u>Legal Proceedings</u>	38
Item 1A. <u>Risk Factors</u>	39
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	49
Item 3. <u>Defaults Upon Senior Securities</u>	49
Item 5. <u>Other Information</u>	49
Item 6. <u>Exhibits</u>	50

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****APPLE INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

(In millions, except number of shares which are reflected in thousands and per share amounts)

	Three Months Ended		Six Months Ended	
	March 29, 2014	March 30, 2013	March 29, 2014	March 30, 2013
Net sales	\$ 45,646	\$ 43,603	\$ 103,240	\$ 98,115
Cost of sales	27,699	27,254	63,447	60,706
Gross margin	17,947	16,349	39,793	37,409
Operating expenses:				
Research and development	1,422	1,119	2,752	2,129
Selling, general and administrative	2,932	2,672	5,985	5,512
Total operating expenses	4,354	3,791	8,737	7,641
Operating income	13,593	12,558	31,056	29,768
Other income/(expense), net	225	347	471	809
Income before provision for income taxes	13,818	12,905	31,527	30,577
Provision for income taxes	3,595	3,358	8,232	7,952
Net income	\$ 10,223	\$ 9,547	\$ 23,295	\$ 22,625
Earnings per share:				
Basic	\$ 11.69	\$ 10.16	\$ 26.31	\$ 24.09
Diluted	\$ 11.62	\$ 10.09	\$ 26.16	\$ 23.90
Shares used in computing earnings per share:				
Basic	874,757	939,629	885,415	939,273
Diluted	879,528	946,035	890,490	946,626
Cash dividends declared per common share	\$ 3.05	\$ 2.65	\$ 6.10	\$ 5.30

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**APPLE INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**

(In millions)

	Three Months Ended		Six Months Ended	
	March 29, 2014	March 30, 2013	March 29, 2014	March 30, 2013
Net income	\$ 10,223	\$ 9,547	\$ 23,295	\$ 22,625
Other comprehensive income/(loss):				
Change in foreign currency translation, net of tax	(19)	(51)	(86)	(77)
Change in unrecognized gains/losses on derivative instruments:				
Change in fair value of derivatives, net of tax	(109)	457	104	603
Adjustment for net (gains)/losses realized and included in net income, net of tax	(13)	42	59	154
Total change in unrecognized gains/losses on derivative instruments, net of tax	(122)	499	163	757
Change in unrealized gains/losses on marketable securities:				
Change in fair value of marketable securities, net of tax	235	(52)	193	(118)
Adjustment for net (gains)/losses realized and included in net income, net of tax	(39)	(44)	(50)	(97)
Total change in unrealized gains/losses on marketable securities, net of tax	196	(96)	143	(215)
Total other comprehensive income/(loss)	55	352	220	465
Total comprehensive income	\$ 10,278	\$ 9,899	\$ 23,515	\$ 23,090

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**APPLE INC.****CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**

(In millions, except number of shares which are reflected in thousands)

	March 29, 2014	September 28, 2013
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 18,949	\$ 14,259
Short-term marketable securities	22,401	26,287
Accounts receivable, less allowances of \$88 and \$99, respectively	9,700	13,102
Inventories	1,829	1,764
Deferred tax assets	4,014	3,453
Vendor non-trade receivables	6,120	7,539
Other current assets	7,528	6,882
Total current assets	70,541	73,286
Long-term marketable securities	109,239	106,215
Property, plant and equipment, net	15,120	16,597
Goodwill	2,055	1,577
Acquired intangible assets, net	3,928	4,179
Other assets	5,106	5,146
Total assets	\$ 205,989	\$ 207,000
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 18,914	\$ 22,367
Accrued expenses	15,984	13,856
Deferred revenue	8,310	7,435
Total current liabilities	43,208	43,658
Deferred revenue - non-current	3,164	2,625
Long-term debt	16,962	16,960
Other non-current liabilities	22,476	20,208
Total liabilities	85,810	83,451
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, \$0.00001 par value: 1,800,000 shares authorized; 861,745 and 899,213 shares issued and outstanding, respectively	21,496	19,764
Retained earnings	98,934	104,256
Accumulated other comprehensive income/(loss)	(251)	(471)
Total shareholders' equity	120,179	123,549

Edgar Filing: APPLE INC - Form 10-Q

Total liabilities and shareholders' equity	\$	205,989	\$	207,000
--	----	---------	----	---------

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

APPLE INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In millions)

	Six Months Ended	
	March 29, 2014	March 30, 2013
Cash and cash equivalents, beginning of the period	\$ 14,259	\$ 10,746
Operating activities:		
Net income	23,295	