



Should All Canadians Own Apple Stock?

Description

Apple ([NASDAQ:AAPL](#)) is currently the most valuable company in the world, trading at [a market cap](#) of \$2.46 trillion. In the last two decades, AAPL stock has returned over 47,000% in dividend-adjusted returns to investors. It suggests an investment of \$1,000 in Apple stock in September 2001 would be worth \$470,000 today. Comparatively, the **S&P 500** and **TSX** have returned just 473% and 367%, respectively, in this period.

While past returns don't matter much to current investors, let's see if this technology giant should be part of your portfolio right now.

Can Apple continue to fire on all cylinders?

Apple is one of the most popular consumer technology brands in the world. Some of the most iconic products it launched in the last 20 years include the iPhone, the Apple Watch, the iPad, and the iPod.

While Steve Jobs has been hailed as a visionary CEO by many, Apple has continued to make even greater strides under the leadership of Tim Cook. Apple stock was first valued at a market cap of a trillion dollars in October 2018 and has more than doubled its valuation in fewer than three years.

Investors might be worried about Apple's reliance on the iPhone that rakes in the majority of sales. In the first three quarters of fiscal 2021, the [iPhone accounted for](#) 54% of total sales. Revenue from Apple's flagship business was trending higher, as users transitioned towards 5G-enabled devices last year. But the newly launched iPhone 13 might attract a lower customer base, as the device might not warrant an upgrade.

The rising competition for Apple from **Samsung** and several other lower-priced Chinese manufacturers might also weigh on the company's top-line growth. Another reason for concern is Apple's dependence on China — a region that generated one-fifth of total sales in the last three quarters. The rising tensions between China and the West as well as the ongoing trade war, coupled with the country's unpredictable regulations, might all weigh heavily on APPL stock.

Apple's ecosystem is key

Apple has managed to build a robust ecosystem of its products, which ensures repeat purchases of these devices. While AAPL stock price is largely dependent on iPhone sales, the company is diversifying into verticals including electric cars and segmented reality devices.

While Apple has spent billions of dollars on share buybacks and dividend payments, the company ended the June quarter with \$193.6 billion in cash and marketable securities, providing it with enough liquidity to grow via acquisitions. Apple also increased its balance-sheet debt due to a low interest rate environment providing the company access to cheap capital.

Apple's Services business offers several subscription products to consumers that include Apple Music, Apple Arcade, Apple TV+, and Apple Care. These subscription products will generate a steady stream of cash flows for AAPL across business cycles, making them recession-proof while helping to offset cyclicity in device sales. Apple currently serves a whopping 700 million subscribers all around the world, successfully expanding the ecosystem that Steve Jobs always envisioned.

Should you own AAPL stock right now?

Despite its market-beating gains, AAPL stock continues to trade at an acceptable valuation. Its forward price-to-fiscal-2022-sales multiple is 6.5 while its forward price-to-earnings multiple is 26. Analysts tracking AAPL stock have a 12-month average price target of \$167, which is 13% above its current trading price.

In a nutshell, it makes perfect sense to own shares of the largest company on the planet given its leadership position, expanding portfolio of products and solutions, as well as reasonable valuation.

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