



Is Apple Stock a Good Buy for Canadians?

Description

Shares of technology heavyweight **Apple** ([NASDAQ:AAPL](#)) continue to derive outsized gains to investors. In 2021, AAPL stock is up 25.3% compared to the S&P 500 gains of 23%. The outperformance has been significantly higher over the long term. For example, Apple has returned over 1,300% to investors in dividend-adjusted gains in the last 10 years compared to the S&P 500 returns of 343% in this period.

There are few stocks on the TSX that have the potential to compete with one of the largest companies in the world, making Apple a top bet for Canadian investors. Let's see why AAPL stock [deserves a place](#) in your portfolio.

iPhone remains a key revenue driver for Apple

Apple is [valued at a market cap](#) of US\$2.70 trillion, making it the largest publicly listed company in the world. Despite its huge size, Apple is forecast to increase revenue from US\$365 billion in fiscal 2021 to almost US\$400 billion in fiscal 2023 ending in September. Comparatively, its adjusted earnings are forecast to expand at an annual rate of 15.4% in the next five years.

Apple has successfully created a robust ecosystem that ensures repeat purchases of its products and strong customer engagement rates for its services. It remains a market leader across verticals that include smartphones, tablets, laptops, and wearables.

While the iPhone still derives a majority of Apple sales, the company now has multiple subscription services, such as Apple Music, Apple TV+, Apple Care, and the Apple Arcade that ensure steady cash flows across business cycles.

Amid global supply chain disruptions, Apple has prioritized production of the iPhone 13, which will remain a key revenue driver in fiscal Q1 of 2022 that coincides with the ongoing holiday season.

According to Wedbush analyst, Dan Ives, demand for the iPhone 13 outpaced supply by 15% just prior to the Black Friday shopping event. Ives expects Apple to sell 40 million iPhones between Black Friday

and Christmas, which will be a new record for the company. In fact, the tech behemoth is projected to sell over 80 million iPhones in the quarter ended in December.

AAPL stock is poised to beat the S&P 500 in 2022

Over the years, Apple has demonstrated an ability to gain traction in almost every business it has entered. The company has been a pioneer in the smartphone segment and also leads the smartwatch product category.

Apple's balance sheet is solid, [as it generated](#) US\$95 billion in net income as well as US\$93 billion in free cash flow in fiscal 2021, allowing it to end the year with a cash balance of US\$190 billion.

These robust metrics provide Apple with the required financial flexibility to enter new markets as well as grow inorganically via acquisitions. In fact, there is a good chance that Apple might enter the electric car business, which will be a key long-term revenue driver for the company in the next few decades.

Apple should continue to increase shareholder wealth in 2022 and beyond, given its strong brand recognition, wide economic moat, improving profit margins, and enviable financials.

CATEGORY

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