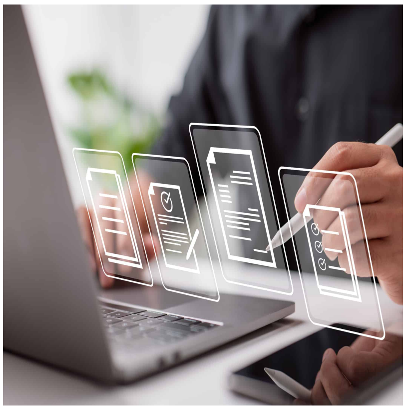

If You Invested $10,000 In Apple for Its IPO In 1980, Here’s How Much You’d Have Now

Description

There’s no sugarcoating the fact that it’s been a dreadful year for professional and everyday investors. Since hitting their respective all-time highs between mid-November and the first week of January, the timeless **Dow Jones Industrial Average**, widely followed **S&P 500**, and growth-driven **Nasdaq Composite** have plunged by as much as 22%, 26%, and 34%. This means all three major U.S. stock indexes are firmly in a bear market.

But when there’s trouble on Wall Street, there’s opportunity. Every double-digit percentage decline in the major indexes has eventually been cleared away by a bull market. The not-so-secret recipe needed to recoup these losses is time.

However, time can work wonders for individual stocks as well. Just ask the shareholders of the largest publicly traded company, **Apple** (NASDAQ:AAPL).

$10,000 invested in Apple on its debut day would have made you rich

On Dec. 12, 1980, “some kind of fruit company,” as Forrest Gump referred to it in the movie *Forrest Gump*, went public at $22/share. The day Apple went public, the benchmark S&P 500 closed at 129.23. Not including dividends paid, the S&P 500 has returned a cool 2,716% in this nearly 42-year stretch, or a little over 8% on an annualized basis. Not too shabby — but a far cry from Apple’s performance over the same stretch.

Since Apple’s initial public offering (IPO), the company has split its shares on five occasions:

- A 2-for-1 split on June 16, 1987
- A 2-for-1 split on June 21, 2000
- A 2-for-1 split on Feb. 28, 2005
- A 7-for-1 split on June 9, 2014

- A 4-for-1 split on Aug. 28, 2020

All told, Apple's IPO price of $22/share has been whittled down to a microscopic $0.09821/share following five stock splits. But what's really eye-popping is how much its original investors have made, or would have made if they held onto their shares.

If you had the luck, wherewithal, and stomach to invest $10,000 into Apple at its IPO price, you would have been able to purchase 454 shares, excluding fractional shares and commission fees. Factoring in the company's five stock splits, these 454 shares would have increased to 101,696 shares, as of today.

With Apple closing last week at $140.09, it means an initial $10,000 investment nearly 42 years ago would now be worth $14,246,593. Keep in mind that this figure doesn't take into account dividends paid. On a nominal basis, Apple's shares have gained 142,537% since their IPO, or about 18.8% on an annualized basis.

Here's how Apple made its original investors millionaires

To begin with, Apple is the most valuable brand in the world, according to a report by Kantar BrandZ. Apple's branding and products are easily recognizable, and the company's customer base is exceptionally loyal. The lines that form outside Apple's stores almost every time a new product is launched is evidence of its draw with consumers.

But even more important than having a well-recognized brand is Apple's innovation. There's no question that the iPhone is the single most important innovation to date for the company. The iPhone has allowed Apple to gobble up approximately half of all U.S. smartphone share. That's an enormous figure, especially considering that people and businesses will be upgrading their devices for years to take advantage of the 5G revolution and faster download speeds.

Interestingly, though, Apple's future isn't as reliant on physical products (iPhone, iPad, and Mac) as you might think. While not abandoning the products that endeared the company to consumers, CEO Tim Cook is overseeing an ongoing operating transformation that's focused on subscription services. Subscription revenue has the opportunity to increase Apple's organic growth rate, further boost customer loyalty, and improve the company's operating margins over time.

Furthermore, as subscription revenue grows into a larger percentage of total sales, the negative sales effect from iPhone product replacement cycles should be diminished.

Apple's success can also be attributed to a robust capital return program, which really kicked into high gear 10 years ago. In 2012, Apple began paying a regular quarterly dividend. Even though the company is yielding just 0.66%, it's doling out close to $14.8 billion each year in payouts. That's one of the largest nominal-dollar dividend payouts in the world.

Apple's board of directors also began approving hefty share buybacks in 2013. Over a nearly nine-year stretch, the company has repurchased in the neighborhood of $520 billion worth of its common stock.

Can Apple withstand bear market headwinds?

Although Apple has been nothing short of spectacular for long-term investors, its performance in 2022 leaves a lot to be desired. While it is outperforming the benchmark S&P 500, shares are still off by an unsightly 21%.

Perhaps the biggest concern for Apple is that it's a cyclical company trying to row against the current. We've seen U.S. gross domestic product decline in back-to-back quarters, and historically high inflation is weighing on the spending power of low earners. Given that Apple still generates the bulk of its revenue from retail sales, the tea leaves would suggest it'll run into the same headwinds as other retailers.

For example, Apple began advancing plans in the first half of the year to expand manufacturing capacity for its next-generation iPhone. At the time, the company believed strong demand for its 5G-capable iPhone would necessitate the added production. However, Apple did a 180 and backed away from a production increase last month after this surge in iPhone demand failed to materialize. It's a somber realization that cyclical stocks *are* cyclical — even the mighty Apple.

The other concern for Apple would be its valuation. With interest rates at or near historic lows for much of the past 14 years, Wall Street and investors haven't been too critical of traditional valuation metrics. But with rates now soaring and Apple's growth rate likely slowing to around 5% to 7%, a forward price-to-earnings ratio of 22 isn't as cheap you might think — especially when the risk of reduced guidance appears to be high.

But in spite of these bear market headwinds, Apple's future is bright. The company is swimming in cash, and it generated more than $118 billion in operating cash flow over the trailing-12-month period. It's survived economic downturns before and can do so again.

While I admit to not being a fan of Apple at its current valuation given its slowing growth potential over the coming year or two, there's no reason to believe it won't generate a positive total return for its shareholders over the next five, 10, or 20 years. Though a 142,000% return over the next four decades is almost certainly out of the question, Apple should be in good hands as long as Tim Cook continues emphasizing subscription services, and the company rewards its shareholders with a healthy dose of dividends and buybacks.

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