

International Financial Management

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Introduction

Apple Inc. is an international electronic brand, being one of the top leaders from the industry it was created in the United States of America in 1976 by Steve Jobs, Steve Wozniak and Ronald Wayne who had a visionary thinking over usage and development of technology. Apple is also focusing on delivering unique customer service in stores and have an entire system put in place to offer guidance, assistance and to advertise their products. It is part of their strategy to ensure the customers is satisfied (Myftari, 2017).

Apple is one of the most famous and richest companies in the world, having a brand value that surpasses \$145.3 billion (Forbes, 2015). Apple is an innovative organisation and are always looking to develop new products and services and to maintain competitive advantage. Keeping ahead of the competitors involves important resources for research and development, but also having skilled and talented employees. This way customers are willing to pay more in order to benefit of what Apple delivers (Apple, 2023).

Dividend distribution policy

Dividends have a great importance in the world of finance as it can generate profits for the investors. The financial concepts of dividends can be quite complex and can involve different strategies. Dividends are defined as the distribution of an organisation earnings towards its shareholders as a rewarding system for investing. When a company generates profits, it has the option to allocate a portion of those earnings to its investors as dividends (Arnold, 2012).

A very common dividend form is cash dividends. Through this system the shareholders are receiving monetary payments and it is a tangible method of high interest for the investors because it can be used for reinvestment or any personal uses. Another type of dividends is stock dividends or bonus shares which translates into a distribution of shares towards the shareholders instead of cash. This system is also favourable because it increases the number of shares and the ownership stake. The dividend yield is a very important aspect of this financial concept as it can offer an insight of the income-generating potential of the intended investment. The dividend yield is defined as the measurement which represents “the annual dividend payment relative to the current price of the stock. The significance of dividend yield lies in its ability to guide investors in making informed decisions. A higher dividend yield can be appealing to income-oriented investors seeking regular cash flows, especially in low-interest rate environments. On the other hand, a lower dividend yield

may indicate that the company is reinvesting a larger portion of its earnings into growth opportunities, potentially leading to capital appreciation” (Investopedia, 2023).

Apple’s Dividend distribution policy presents representative elements to the financial landscape of the organisation. Apple has started to use the system of dividends in 2012 in order to add value for its shareholders. Before 2012 Apple has focused on research and development and has invested earnings for growth and expansion. Apple’s decision to introduce dividends has suggested a shift in their financial strategy and the intention to acknowledge their shareholders and the optimisation of its capital allocation. This strategy has been also aimed at attracting more investors (Apple, 2023).

There are different factors that influence Apple’s dividend policy. One of these factors is the financial performance and profitability. Apple is a strong brand name, is a publicly trade company with a tracked record of strong financial performance. Another factor is the cash position and financial reserves, which based on the financial reports it can be observed that Apple is doing well, the company has a considerable cash reserve which confers a cushion of financial security. Apple is also taking in consideration the competition strategy towards distributing dividends. Another factor relates to the market conditions and economic environment and when imposed the organisation might adjust the dividend policy (Apple, 2023).

Therefore since 2012 Apple is paying dividends to their shareholders in a consistent matter which implied a strong confidence in the investors support and its capability to generate sustainable cash flow. The decisions related to the policy are taken by the board of directors and align with the company’s growth strategy. Currently Apple pays a quarterly dividend. Apple has a balanced approach towards rewarding shareholders and investing strategically in research and development, whilst it ensures that the dividend policy is considered to be attractive to investors and is competitive in the market. Providing a reliable and regular payment in dividends allows investors to share the success of the company. Apple’s policy also proves the financial strength of the company and strategy to enhance shareholder value by securing a long-term investor loyalty (Notifyr, 2023).

Efficient market hypothesis theory

The efficient market hypothesis (EMH) or the efficient market theory is defined as “the hypothesis that states that share prices reflect all information and consistent alpha generation is impossible” (Investopedia, 2023).

Based on this hypothesis theory the stocks are trading according to the fair value on exchanges and increases the chances of the investors to make the right purchases of valued stock or sell stock at inflated prices. Further that there are reduced chances to outperform the overall market through expert stock selection or market timing and in order to chase higher returns it should be considered investments with high risk. That is why the theory proposes that the share prices cumulate all information. The supporters of the theory state that investors can benefit from investing in a low-cost, passive portfolio, whilst opponents state that it is possible to beat the market, identifying stocks that will deviate from their fair market values (Apple Podcasts, 2023).

This theory is part of the modern financial theories and it is proposed as a hypothesis. Theoretically, neither technical nor fundamental analysis can produce risk-adjusted excess returns (alpha) consistently, and only inside information can result in outsized risk-adjusted returns. It is a very controversial theory which has faced criticism by proving the impossibility of beating the market. In practice it has been questioned the assumption of markets being efficient and the real benefits of a passive approach and choosing to invest in a low-cost system. The practice of passive funds is a common method, but the challenge comes with the ability of identifying the long term ones.

Market efficiency refers to “how well prices reflect all available information. The efficient markets hypothesis (EMH) argues that markets are efficient, leaving no room to make excess profits by investing since everything is already fairly and accurately priced. This implies that there is little hope of beating the market, although you can match market returns through passive index investing” (Financial Times, 2023).

A market can become more efficient if more participants are engaged as it will contribute to a more complex picture on the price. Apple is a successful organisation who is sharing their earnings to their shareholders and as it trades publicly the information regarding financial reports are easily accessible. Apple is sharing their profits through stock returns (Arnold, 2012).

An evaluation of the market in which Apple operates suggests that is an efficient market, technology is a strong sector and very important for the modern society. Apple is a valuable organisation, one of the market leaders which has similar efficiency of the shares like competitors such as Microsoft or Google. The Covid 19 pandemic has affected the markets worldwide and that

has generated in a deviation from efficiency and the pattern of shares. Apple is an organisation with a high market capitalisation and operates in a growing sectors such as the information technology and communication sectors. The company has a constant focus towards research and development and innovation orientation. The strong position in the market and its position in the FT 500 list is very important for existing and future investors for Apple (Research Gate, 2023).

Methods of appraising projects

Project appraisal is defined as “the procedure to assess the credibility and reliability of a project and to decide whether you would want to be a part of it or not”. It involves a comparison of the viability of the project and is called economic appraisal. It has a great importance internally for the organisation decision making, but also for the investors. Project appraisal is done in a sequence. It includes concept analysis, concept briefing, project management and project approval. Finances also play a significant role in project appraisal and project management.

The methods of appraisal require different techniques according to the elements to be analysed, economic analysis, financial analysis, market analysis, internal analysis and so on.

Projects will need to have approval from the Finance department to check the credibility of the project and evaluate elements related to capital, investment such as: revenue concentration and growth, gross profit margin, net profit margin, operating profit margin, accounts receivables turnovers, equity return, current ratio, liquidity and other financial details. The purpose of these checks is to establish the cash flow and the required investment. Financial appraisal in project management can refer to: Payback analysis, Discounted cash flow, Internal rate of return, Credit appraisal (Pike, Neale, 2012) .

Conclusion

In conclusion Apple has a successful financial strategy, who is based on its capabilities and its performance. The market in which Apple operates presents elements of efficiency and Apple lately has has a stable development regarding the share price. Pandemic has affected the entire world, but markets have started to recover and some have adapted to the challenges and have identified new strategies to surpass the encountered obstacles.

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