SLUG FUND INVESTMENT GROUP

Apple vs Microsoft

Reading Financial Statements Like an Investor

Learn the four statements through a peer comparison — then use the same framework to generate stock ideas in your sector.

APPLE

U.S. GAAP • FY ended Sep. 27, 2025

MICROSOFT

U.S. GAAP • FY ended Jun. 30, 2025

Presenter sections: Kiva • Sushane • Tosh • Aiden

Sources: Apple FY2025 Form 10-K; Microsoft FY2025 Annual Report / Form 10-K. Both report under U.S. GAAP in USD.

WHY THIS FORMAT

Financial statements become useful when you compare peers

One company tells you what they have done. Two similar companies tell you how differing choices affect financials.

1

Read

Understand what each statement is designed to show.

2

Normalize

Turn raw figures into margins, ratios and percentages.

3

Compare

Ask why two competitors look different.

4

Analyze

Ask what these differences mean, and how they can affect future performance.

Investor mindset

“Which business has better economics — and what in the statements proves it?”

Peer analysis is the foundation of comparable-company work: benchmark similar businesses using growth, margins, balance-sheet structure and cash generation.

WHY THESE TWO

Apple and Microsoft: Different Businesses But Recognizable Names

Both use U.S. GAAP and report in U.S. dollars — important when comparing financial statements

ACCOUNTING STANDARD

Apple: U.S. GAAP

Microsoft: U.S. GAAP

CURRENCY

Apple: U.S. dollars

Microsoft: U.S. dollars

REPORTING PERIOD

Apple FY2025 ended Sep. 27

Microsoft FY2025 ended Jun. 30

BUSINESS MIX

Apple: devices + services

Microsoft: cloud + software + devices

The fiscal year-ends differ by about three months, but the same accounting standard and currency make the financial-statement comparison clean and simple.

Sources: Apple 2025 Form 10-K; Microsoft 2025 Annual Report / Form 10-K. Microsoft explicitly states its statements are prepared under U.S. GAAP.

01 • INCOME STATEMENT

Did the company make money?

The income statement shows revenue, the costs required to earn it, and the profit left over.

START	LESS	EQUALS	LESS	ENDS WITH
Revenue	Cost of sales	Gross profit	Operating costs	Net income

What investors look for

- Growth
- Margins
- Expense control
- Earnings quality

Presenter: Kiva Stephen • Compare profitability before comparing valuation.

INCOME STATEMENT

Same statement — very different profit profile

Official FY2025 filing figures, simplified for readability. USD billions.

APPLE

APPLE

Net sales	**$416.2**
Cost of sales	(221.0)
Gross profit	**195.2**
Operating expenses	(62.2)
Operating income	**133.1**
Other + income taxes	(21.0)
Net income	**$112.0**

Apple FY2025 Form 10-K

MICROSOFT

MICROSOFT

Revenue	**$281.7**
Cost of revenue	(87.8)
Gross profit	**193.9**
Operating expenses	(65.4)
Operating income	**128.5**
Other + income taxes	(26.7)
Net income	**$101.8**

Microsoft FY2025 Annual Report / Form 10-K

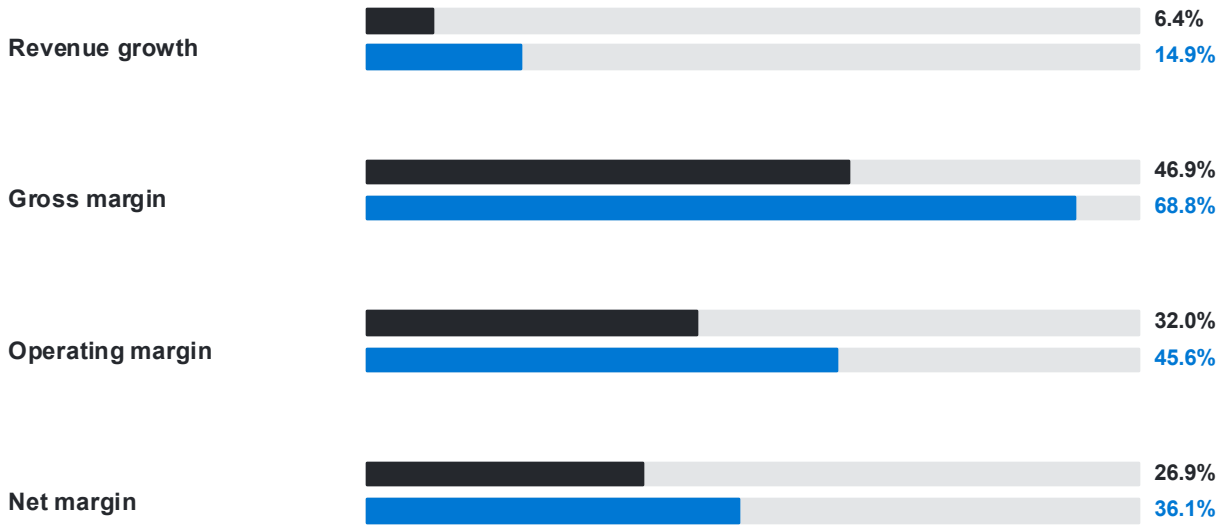
Do not stop at the dollar totals — convert them into margins to compare business economics.

Sources: Apple FY2025 Form 10-K; Microsoft FY2025 Annual Report / Form 10-K income statements.

INCOME STATEMENT

Microsoft leads on growth and margins

Apple is larger by revenue, but Microsoft converted more of each sales dollar into profit in FY2025.



INVESTOR TAKEAWAY

Microsoft has the stronger margin structure.

Microsoft grew revenue 14.9% and posted a 45.6% operating margin, versus Apple's 6.4% growth and 32.0% operating margin.

Question to ask next:

What business-model differences explain that gap?

Ratios calculated from FY2025 reported figures. Revenue growth compares FY2025 with FY2024.

02 • SHAREHOLDERS' EQUITY

Who gets claim to the capital?

Equity changes because of profits, dividends, buybacks, share issuance and other comprehensive income.

BEGINNING	PLUS	MINUS	MINUS	EQUALS
Equity	**Profit**	**Dividends**	**Buybacks**	**Ending equity**

Why investors care

This statement shows what management does with the value the business creates — retain it, reinvest it, or return it to shareholders.

Presenter: Sushane • Equity is a capital-allocation statement, not just an accounting leftover.

SHAREHOLDERS' EQUITY

Apple returns far more capital to shareholders

FY2025 values in USD billions. Both companies report under U.S. GAAP.

APPLE

APPLE

Beginning equity	**$57.0**
Net income	+112.0
Dividends declared	(15.4)
Common stock repurchased	(90.1)
Other equity changes	+10.2
Ending equity	**$73.7**

Simplified from Apple 2025 statement of shareholders' equity

Capital returned ≈ 94% of net income

MICROSOFT

MICROSOFT

Beginning equity	**$268.5**
Net income	+101.8
Dividends declared	(24.7)
Common stock repurchased	(18.4)
Other equity changes	+16.3
Ending equity	**$343.5**

Simplified from Microsoft FY2025 stockholders' equity statement

Capital returned ≈ 42% of net income

Capital return uses declared dividends + common stock repurchases from each company's FY2025 equity statement.

SHAREHOLDERS' EQUITY

Capital allocation tells you what management prioritizes

Neither approach is automatically better — it depends on the returns the company can earn on retained capital.

APPLE

+29.5%

Equity growth

$57.0B → $73.7B ending equity

MICROSOFT

+27.9%

Equity growth

$268.5B → $343.5B ending equity

THE QUESTION

Return cash or reinvest it?

Apple is more aggressive with buybacks. Microsoft retains more capital while funding cloud and AI infrastructure.

Investor test

If a company keeps more cash, can it reinvest that capital at an attractive return? If not, shareholders may prefer dividends or buybacks.

Equity analysis connects profitability to management's capital-allocation choices.

03 • BALANCE SHEET

What does the company own — and what does it owe?

The balance sheet is a snapshot of financial position at one date.

ASSETS

Cash
Receivables
Inventory
PP&E
Investments

=

LIABILITIES

Payables
Debt
Accruals
Other obligations

+

EQUITY

The residual claim belonging to shareholders

For peer comparisons, the balance sheet reveals liquidity, leverage and how capital-intensive the business model is.

Presenter: Tosh Jowdy • Balance sheet equation: Assets = Liabilities + Equity.

BALANCE SHEET

Both are huge — but their asset structures are completely different

FY2025 values in USD billions.

APPLE

MICROSOFT

APPLE	
Current assets	$148.0
Cash + current investments	54.7
Property, plant & equipment	49.8
Total assets	**359.2**
Total liabilities	285.5
Shareholders' equity	**73.7**

Apple balance sheet at Sep. 27, 2025

MICROSOFT	
Current assets	$191.1
Cash + short-term investments	94.6
Property & equipment	205.0
Total assets	**619.0**
Total liabilities	275.5
Stockholders' equity	**343.5**

Microsoft balance sheet at Jun. 30, 2025

Sources: Apple FY2025 Form 10-K balance sheet; Microsoft FY2025 Annual Report / Form 10-K balance sheet.

BALANCE SHEET

The business model is visible in the ratios

Microsoft is far more capital-intensive; Apple runs with a much more liability-heavy balance sheet.



WHAT IT MEANS

Microsoft is now much more infrastructure-heavy.

Microsoft's PP&E is ~33% of assets versus ~14% for Apple, reflecting heavy data-center and AI investment. Apple's liability-heavy structure partly reflects years of buybacks and capital returns.

Different ≠ weak.

Current ratio = current assets ÷ current liabilities. PP&E and liabilities shown as % of total assets.

04 • STATEMENT OF CASH FLOWS

Where did the cash actually go?

The cash flow statement separates cash from operations, investing and financing.

OPERATING

Core business

Can the business generate cash from normal operations?

INVESTING

Long-term assets

How much cash is being reinvested in equipment, acquisitions and securities?

FINANCING

Capital structure

Is cash going to debt, dividends, buybacks or new financing?

Free cash flow is not a separate GAAP statement. A common investor shortcut is: operating cash flow − capital expenditures.

Presenter: Aiden • Profit is an accounting measure; cash flow shows actual cash movement.

CASH FLOW

Microsoft generates more operating cash — then reinvests aggressively

FY2025 values in USD billions. Free cash flow uses operating cash flow minus capital expenditures.

APPLE

APPLE

Operating cash flow	**$111.5**
Capital expenditures	(12.7)
Free cash flow	**$98.8**
Investing cash flow	+15.2
Financing cash flow	(120.7)
Ending cash	$35.9

Free cash flow = operating cash flow − capex

FCF margin: 23.7% • Capex / sales: 3.1%

MICROSOFT

MICROSOFT

Operating cash flow	**$136.2**
Capital expenditures	(64.6)
Free cash flow	**$71.6**
Investing cash flow	(72.6)
Financing cash flow	(51.7)
Ending cash	$30.2

Free cash flow = operating cash flow − additions to property & equipment

FCF margin: 25.4% • Capex / sales: 22.9%

Sources: Apple FY2025 Form 10-K cash flow statement; Microsoft FY2025 Annual Report / Form 10-K cash flow statement.

CASH FLOW

Cash flow completes the business-model picture

The income statement showed margins. The balance sheet showed capital intensity. Cash flow shows the cost of sustaining the m odel.

APPLE

23.7%

Free cash flow margin

$98.8B FCF on $416.2B revenue

MICROSOFT

25.4%

Free cash flow margin

$71.6B FCF on $281.7B revenue

CAPITAL INTENSITY

Apple: 3.1% of sales to capex

Microsoft: 22.9% of sales to capex

Investment question

Which company earns the better return on the capital it must keep reinvesting — and is the stock price already reflecting that quality?

Better business economics do not automatically mean a better stock at every price. Financial quality is the first filter, not the final buy decision.

YOUR TURN

Sector comps challenge

Use the exact same framework on two similar companies your group has already researched.

1 **PAIR PEERS**

Choose two companies in the same sector with similar models — and the same accounting standard when possible.

2 **PULL 6 METRICS**

Use the latest annual financial statements or your research notes.

3 **EXPLAIN THE GAP**

Do not just say which number is higher — explain why the companies differ.

4 **PICK A NAME**

Choose which company deserves deeper investment research and name one risk.

Suggested timing: 8–10 minutes to compare • 45 seconds per group to pitch the better research idea

Goal: leave the meeting with a short list of peer-tested stock ideas for each sector/corner.

ACTIVITY WORKSHEET

Six numbers. One conclusion.

Fill this in for your two peer companies.

METRIC / QUESTION		COMPANY A	COMPANY B
Revenue growth	Income statement		
Operating margin	Income statement		
Current ratio	Balance sheet		
Liabilities / assets	Balance sheet		
Free cash flow margin	Cash flow		
Capital return / allocation	Equity + cash flow		

Conclusion: Which company deserves deeper research — and what is the single biggest risk to your thesis?

Optional next step after the meeting: add valuation (P/E, EV/EBITDA, FCF yield) before turning the idea into a full stock pitch.

SHARE-OUT

Turn peer comparisons into the next research list

Each group gets 45 seconds: two tickers, two numbers, one winner, one risk.

TECH

A: _____ vs. B: _____

Winner / watchlist idea: _____

HEALTHCARE / BIOTECH

A: _____ vs. B: _____

Winner / watchlist idea: _____

ENERGY / MATERIALS

A: _____ vs. B: _____

Winner / watchlist idea: _____

CONSUMER

A: _____ vs. B: _____

Winner / watchlist idea: _____

The output is not “buy this now.” The output is a better shortlist of companies worth a full pitch, valuation check and catalyst review.