

Asset Light and Channel Heavy: the Impact of Industry Characteristics on the Valuation Effect of Financing Structure -- A Comparative Analysis from Apple and McDonald's

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Abstract. This paper focuses on the impact of industry characteristics on corporate financing structure and valuation effect, and takes apple and McDonald's as typical cases to carry out in-depth discussion. As a light asset technology enterprise, Apple's continuous high investment in R&D activities and the active promotion of AI transformation strategy have made its free cash flow and net profit significantly deviate. McDonald's, as a catering enterprise with channel as its core competitiveness, has achieved asset lightweight operation with the innovative mode of "real estate+franchising", and the rental income accounts for nearly 40% of the total income. These two distinct business models fully reflect the differentiated choice of enterprise financing structure under different industry characteristics. Apple mainly relies on internal cash flow and equity financing to support R&D investment, while McDonald's uses asset securitization and franchising to maximize capital efficiency. The research results of this paper provide a new perspective for in-depth understanding of the industry differences of enterprise financing structure.

Keywords: Light Assets, Heavy Channel, Financing Structure, Apple, McDonald's

1. Introduction

Apple's asset liability ratio reached 83.4% at the end of fiscal year 2024, with a market value of more than \$3.4 trillion; McDonald's asset liability ratio exceeded 100% in the same period, owner's equity was negative, but its market value remained around \$230 billion. This contrast suggests that the valuation effect of financing structure may not be universally applicable, but is regulated by industry characteristics.

At the realistic background level, the industry differences in enterprise financing structure are widespread. According to the existing research, enterprises in different industries show a significant differentiation trend in the choice of capital structure [1]. It can be roughly summarized into two typical models: one is the "asset light" model, represented by science and technology enterprises, whose core value comes from technology research and development, brand premium, and ecosystem. Intangible assets are the main asset structure, and fixed assets account for a relatively

low proportion. The second is the "heavy channel" model, represented by chain catering and retail enterprises, whose core value comes from channel network, store layout and supply chain system. Fixed assets account for a relatively high proportion of the asset structure, and these assets often have a stable cash flow creation ability. There are fundamental differences between the two models in financing choice, capital cost and valuation logic.

In the field of science and technology finance, venture capital significantly affects enterprise value creation through resource allocation and governance participation [2]. Mackie Mason has shown that the choice to issue debt or equity has significant tax implications [3]. However, traditional research mainly focuses on the binary choice of debt and equity, ignoring the heterogeneity of financing sources - venture capital (VC), private equity (PE), bank loans, bond financing and other different types of capital, which bundle resources, transmit signals and have different impact mechanisms on valuation. The choice of listing standards has a significant impact on the success rate of IPO, the change of institutional environment and the choice of financing structure of enterprises [4]. Wright and Robbie summarized venture capital and private equity, emphasizing their differences in governance mechanisms and value creation path [5]. Jin pointed out that bank financing can reduce information friction and bring contractual benefits to borrowing companies [6].

This paper takes "asset light" and "channel heavy" as representatives of two typical industry characteristics, trying to answer the following questions: how does the proportion of financing sources affect the valuation of enterprises? Is there a systematic difference in this impact between different industries?

Specifically, this paper selects Apple Inc. and McDonald's Corporation as comparative cases, based on the fact that the two enterprises are the benchmarks of the technology industry and the catering industry, and have formed differentiated asset structures and financing models in their respective fields. As a technology-driven light asset enterprise, Apple's core competitiveness comes from R&D innovation and ecosystem; As a channel-driven heavy channel enterprise, McDonald's core competitiveness comes from store network and brand value. By deeply analyzing the business model, asset structure, cash flow characteristics and financing choices of the two enterprises, this paper attempts to reveal the regulatory mechanism of industry characteristics on the valuation effect of financing structure.

The research objectives of this paper are as follows: first, break through the dual framework of "debt and equity" in the traditional capital structure theory, and emphasize the different sources of financing and their valuation implications. Second, explain why the same source of financing has different valuation meanings in different industries. Third, integrate the two mechanisms of "resource bundling" and "market signal" to provide a richer analytical perspective for understanding the valuation effect of financing structure.

2. Case introduction: business model and financing structure of Apple and McDonald's

2.1. Apple: technology-driven asset-light model

Company Overview and Development Process. Founded in 1976, Apple Inc. is headquartered in Cupertino, Calif. As one of the world's most valuable technology companies, Apple had a market value of \$3.445 trillion and more than 2.35 billion active devices as of August 2025. The company's business covers five major sectors: iPhone, MAC, iPad, wearable devices and services, with a total revenue of \$391 billion in fiscal year 2024, of which the proportion of service business revenue has increased to nearly 30%.

Apple's development process can be divided into several key stages: the start-up period from 1976-1985, with Apple II and Macintosh computers as the core products, established the image of innovators in the field of personal computers; During the adjustment period from 1985 to 1997, it experienced internal power change and market competition pressure; During the Renaissance of 1997-2007, Steve Jobs returned and introduced iMacs, iPods and other products to reshape brand value; During the 2007-2016 outbreak, the release of the iPhone revolutionized the smartphone industry, making apple the world's most valuable company; In the period of ecological deepening and transformation since 2016, service business has become an important growth engine, and the company has increased its strategic investment in cutting-edge areas such as artificial intelligence and spatial computing. This evolution trajectory reflects Apple's transformation from a single hardware manufacturer to an ecosystem operator, and also determines the dynamic changes in its asset structure and financing needs.

Characteristics of Asset Light Mode. Apple's asset-light model is reflected in multiple dimensions. From the perspective of asset structure, the core competitiveness of the company comes from intangible assets such as brands, patents and ecosystems, rather than productive fixed assets. By the end of fiscal year 2024, Apple's total assets were \$365billion, of which the net value of property, plant & equipment was only about \$45.6 billion, accounting for about 12.5% of total assets. Almost all manufacturing links are outsourced. The company focuses on R&D and design, brand marketing and ecosystem operation. This "factory-free manufacturing" mode significantly reduces the intensity of capital expenditure.

From the perspective of operation mode, Apple adopts the "smile curve" strategy - focusing on high value-added links at both ends of the value chain. R&D investment continued to grow. In the first three quarters of fiscal 2025, R&D expenditure reached US \$23.6 billion, accounting for about 7.2% of revenue. The gross profit margin of service businesses (app store, iCloud, apple music, Apple TV+, apple pay, etc.) is as high as 70%, much higher than the gross profit margin of hardware products of about 35%, which has become an important driving force for profit growth. By the third quarter of 2025, Apple had more than 1billion paid subscribers, which constituted a stable recurring revenue base.

However, Apple's asset-light model is facing profound changes. The financial report for the third quarter of fiscal 2025 showed that Apple's capital expenditure reached \$3.462 billion, and its free cash flow was \$27.867 billion, a year-on-year decrease of 8.62%. More notably, the free cash flow (US \$72.281 billion) in the first three quarters of fiscal 2025 was lower than the net profit (US \$84.544 billion), with a difference of US \$12.263 billion (see Table 1). This is the first time in recent years that Apple's free cash flow has continued to lag behind its net profit. Tim Cook, CEO of the company, made it clear in the earnings call that "a large part of the increase in capital expenditure really comes from AI-related investment," including private cloud computing and investment in the first-party data center.

Table 1. Comparison of financial data of Apple in the first three quarters of fiscal 2025

| Index | Amount(USD 100 million) | Explain |
|--|-------------------------|--|
| Net profit | 845.44 | Accumulated from October 2024 to June 2025 |
| Operating cash flow | 817.54 | Ibid |
| Capital expenditure | About 94.5 | Estimated value |
| Free cash flow | About 723 | Operating cash flow less capital expenditure |
| Difference (net profit - free cash flow) | About 122 | |

Data source: Apple Inc. fiscal year 2025 q1-q3 financial report (form 8-K) [7].

This change shows that the competition in the AI era is forcing technology enterprises to transform from the traditional asset-light mode to the mixed mode of "asset light operation + asset heavy infrastructure". AI-related inputs, such as data center and computing infrastructure, are essentially heavy asset investments, which are changing Apple's capital expenditure structure. At the same time, investors' valuation logic for AI enterprises is undergoing reconstruction, and the industry's weight in valuation has increased significantly [8].

Characteristics of Financing Structure. Apple's financing structure reflects the robust characteristics of mature technology enterprises. From the perspective of capital structure, by the end of fiscal year 2024, Apple had total liabilities of \$285.5 billion, owner's equity of \$56.95 billion, and an asset liability ratio of about 83.4% (see Table 2). However, this high debt ratio cannot be simply understood as a financial risk - Apple holds a large amount of cash and securities.

Table 2. Apple's capital structure (as of September 28, 2024)

| Project | Amount (USD 100 million) |
|-----------------------|--------------------------|
| Total assets | 3650 |
| Total liabilities | 2855 |
| Owner's equity | 569.5 |
| Asset liability ratio | 83.4% |
| Cash and securities | 1330 |
| Total debt | 1020 |

Data source: Apple Inc. 2024 annual report (form 10-K), 2025 Q3 financial report [9].

From the perspective of debt structure, Apple mainly relies on long-term debt financing. By the end of fiscal year 2024, long-term debt had reached US \$85.75 billion, while short-term debt was only US \$9.99 billion. This term structure matches the long-term nature of the company's capital expenditure. The main purpose of debt financing is not to fill the operating cash flow gap, but to support shareholder returns. In the first three quarters of fiscal 2025, Apple returned more than \$90billion to shareholders through share repurchases and dividends.

From the perspective of equity structure, Apple is dominated by institutional investors, with a shareholding ratio of more than 60%. Pioneer group, BlackRock, Berkshire Hathaway and other major institutional shareholders. The shareholding ratio of the founding team and management is low, which is consistent with the governance structure of the company at its mature stage. Seeking innovation is not only a problem for enterprises, but also an important strategic goal of economic development and the development concept of national modern enterprises [10].

Valuation Performance. Apple's valuation logic reflects the market's recognition of its asset-light model and ecosystem. As of August 2025, Apple's price earnings ratio (PE) is about 35 times and its price to book ratio (PB) is about 60 times, which are significantly higher than the average level of the S&P 500 index. From the perspective of valuation drivers, the pricing of apple in the market is mainly based on: first, the user stickiness and liquidity potential of the ecosystem - more than 1billion paid subscribers constitute a stable revenue base, and the high gross profit margin of the service business continues to improve the overall quality of earnings; Second, brand premium and pricing power - iPhone's share advantage in the high-end market supports the high gross profit margin of the product.

2.2. McDonald's: channel-driven heavy channel mode

Company Profile and Development History. McDonald's Corporation was founded in 1955 with its headquarters in Chicago, Illinois, USA. As the world's largest fast food chain, McDonald's has more than 43000 stores in more than 100 countries and regions, with a total revenue of 25.92 billion US dollars and a net profit of about 5.9 billion US dollars in 2024.

The development of McDonald's reflects the typical path of the transformation of the fast food industry from direct marketing to franchising. From 1955 to 1960s, McDonald's expanded the U.S. market rapidly by focusing on its direct stores; Since the 1970s, franchising mode has been popularized on a large scale, and the proportion of franchise stores has gradually increased; After the 1980s, the company gradually evolved into a two wheel drive mode of "real estate companies + brand licensors" - by holding properties in high-quality lots, the company collected rent from franchisees and franchise fees at the same time; Since the 2000s, the company has continued to optimize its store network and increased its efforts to expand the international market. By the end of 2024, about 95% of the stores were franchised, and McDonald's had become one of the largest holders of commercial real estate in the world.

Characteristics of Asset Light Mode. McDonald's heavy channel model is reflected in its unique profit structure. On the surface, it is a fast-food enterprise, but the essence of its profit comes from the realization of the value of the channel network. The financial report for 2024 showed that among McDonald's's total revenue of 25.92 billion dollars, the revenue of franchised restaurants was 15.715 billion dollars, accounting for 60.6%; Among them, the rental income is US \$10.017 billion, accounting for 63.8% of the franchise income and 38.6% of the total income; The revenue from franchise fees was US \$5.606 billion, accounting for 21.6%; The income of self-supporting restaurants was US \$10.205 billion, accounting for 39.4% (see Table 3).

Table 3. McDonald's revenue structure in 2024

| Income type | Amount (USD 100 million) | Proportion |
|---------------------------------------|--------------------------|------------|
| Total revenue | 259.20 | 100% |
| Franchise restaurant revenue | 157.15 | 60.6% |
| Rental income | 100.17 | 38.6% |
| Franchise fee | 56.06 | 21.6% |
| Income from self operated restaurants | 102.05 | 39.4% |

Data source: McDonald's Corporation 2024 annual report (form 10-K) [11].

This income structure reveals two meanings: first, McDonald's is essentially a "rent collection company" - nearly 40% of its income comes from rent, and the gross profit margin of rent income is much higher than that of self-operated restaurants; Second, the channel network itself can create cash flow independent of product sales. The value of stores is not only reflected in sales revenue, but also in rent return.

From the perspective of asset structure, McDonald's holds a large number of property assets. By the end of 2024, the total assets were about \$56billion, of which the net property assets were about \$35 billion, accounting for more than 60% of the total assets. Although the company nominally adopts the "asset light" franchise mode, its balance sheet shows that it holds a large number of heavy assets, which is the essence of "channel heavy". By holding store properties, the company has the pricing power and control over the channel network.

Valuation Performance. McDonald's valuation logic is completely different from Apple's. As of March 2025, McDonald's market value is about 230 billion US dollars, the P/E ratio is about 25 times, and the P/B ratio is negative (due to negative equity). Although the owner's equity is negative, the market has not given a discount, but a valuation premium due to its stable cash flow and clear expansion plan.

From the perspective of valuation drivers, the market valuation of McDonald's is mainly based on: first, the stability and sustainability of rental income - franchise contracts usually last for 10-20 years, and rental income is less affected by macroeconomic fluctuations. Second, the certainty of channel expansion - the company clearly plans to have 50,000 stores worldwide by the end of 2027. This "replicable expansion ability" forms the basis of valuation. Third, there is room for optimizing capital efficiency - through asset securitization, such as sale and leaseback, the company will further release the deposited capital value and improve shareholder returns.

It is worth noting that McDonald's valuation is relatively insensitive to fluctuations in its profitability. In the first quarter of 2025, affected by the weakness of the U.S. market, McDonald's revenue fell by 3% year-on-year and its net profit fell by about 5%, but its share price did not fall significantly and remained in the range of \$240-250. This reflects the market's recognition of the certainty of the channel model - short-term business fluctuations will not shake the core value of the channel network.

2.3. Comparative analysis

From the perspective of industry attributes, Apple's technology industry is characterized by fast technology iteration, high R&D investment and a high proportion of intangible assets, and value creation is highly dependent on innovation ability. McDonald's catering industry is characterized by channel network coverage, brand value accumulation and stable cash flow. Value creation is highly dependent on store density and operational efficiency.

From the perspective of asset structure and mortgageability, the difference is particularly significant. Apple's core assets - brand, patent and ecosystem - suffered a significant loss in value at the time of bankruptcy liquidation, making it difficult to obtain debt financing as collateral. McDonald's core asset - store property - has a clear market value and stable cash flow, which can provide reliable collateral for debt financing. This difference explains why McDonald's can bear a debt-to-asset ratio of more than 100%, while Apple still maintains a relatively cautious debt structure while holding a large amount of cash.

From the perspective of cash flow characteristics, Apple's cash flow is highly correlated with the product cycle and technological innovation, and has great volatility. The phenomenon that free cash flow is lower than net profit in fiscal 2025 reflects the squeeze of AI transformation investment on cash flow. McDonald's cash flow is relatively stable, and the contractual nature of rental income makes it highly predictable. This difference leads to different market tolerance for debt financing of the two companies - stable cash flow can support a higher level of leverage.

From the perspective of valuation logic, the pricing of Apple by the market is essentially the pricing of "growth options". The key concern of investors is the capital efficiency of R&D investment. The market pricing of McDonald's is the pricing of "stable cash flow". The certainty of store expansion constitutes the basis of valuation, and the impact of short-term business fluctuations is relatively limited.

3. Conclusion

Through the comparative case study of Apple and McDonald's, this paper discusses the impact mechanism of industry characteristics on the valuation effect of financing structure. The main conclusions are as follows: first, industry characteristics significantly affect the valuation effect of various financing sources by shaping the asset structure and cash flow characteristics of enterprises. Among the light asset technology enterprises represented by apple, the intangible assets account for a high proportion, the assets are less mortgageable, the cash flow is volatile, and the valuation discount of debt financing is more significant; Among the heavy channel consumer enterprises represented by McDonald's, the fixed assets account for a high proportion, the assets are highly mortgaged, the cash flow is stable and predictable, the valuation discount of debt financing is small, and even can support the asset liability ratio of more than 100%. Second, the adjustment mechanism of industry characteristics on the valuation effect of financing structure can be summarized into three paths: asset specificity affects the valuation effect of debt financing; Predictability of cash flow affects leverage tolerance; The growth path affects the choice of financing structure. These three paths jointly explain why the same financing source has different valuation implications in different industries.

The research of this paper has the following limitations: first, the case analysis only selects two enterprises, and the universality of the conclusion needs more samples to verify; Second, the specific impact of VC/PE on the valuation of technology enterprises cannot be measured directly, but can only be inferred indirectly through industry comparison. Future research can be conducted in the following directions: first, expand the sample scope to cover more asset-light technology enterprises and channel heavy consumption enterprises; Second, compare the pricing differences of different capital markets (A-share, Hong Kong stock and US stock) on the financing structure of enterprises in the same industry, and investigate the impact of the institutional environment.

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