CFRA

Apple Inc.

Recommendation BUY ★★★★★

Price
USD 192.53 (as of market close Dec 29, 2023)

12-Mo. Target Price
USD 210.00

Report Currency
USD

Investment Style
Large-Cap Growth

Equity Analyst Angelo Zino, CFA

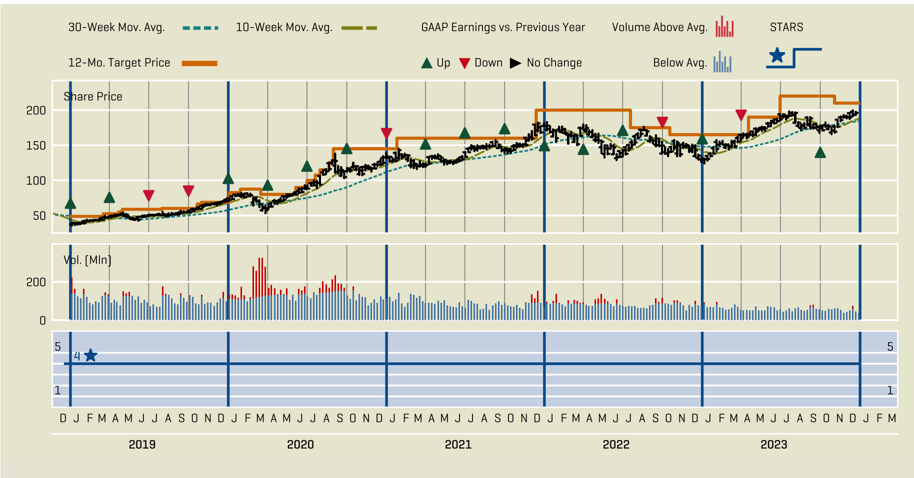
GICS Sector Information Technology
Sub-Industry Technology Hardware, Storage and Peripherals

Summary Apple is a prominent provider of consumer computing devices, including the iPhone, iPad tablets, Mac computers, and wearables.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	**USD 199.62 - 124.17**	Oper.EPS2024**E**	**USD 6.56**	Market Capitalization[B]	**USD 3010.7**	Beta	**1.31**
Trailing 12-Month EPS	**USD 6.12**	Oper.EPS2025**E**	**USD 7.20**	Yield [%]	**0.5**	3-yr Proj. EPS CAGR[%]	**10**
Trailing 12-Month P/E	**31.46**	P/E on Oper.EPS2024**E**	**29.35**	Dividend Rate/Share	**USD 0.96**	SPGMI's Quality Ranking	**A+**
USD 10K Invested 5 Yrs Ago	**51,358.0**	Common Shares Outstg.[M]	**15,550.00**	Trailing 12-Month Dividend	**USD 0.95**	Institutional Ownership [%]	**55.0**

Price Performance



Source: CFRA, S&P Global Market Intelligence
Past performance is not an indication of future performance and should not be relied upon as such.
Analysis prepared by **Angelo Zino, CFA** on Nov 06, 2023 08:36 AM ET, when the stock traded at **USD 176.65**.

Highlights

- We expect sales to rise 2.3% in FY 24 (Sep.) and 8.9% in FY 25 (-2.8% seen in FY 23). We believe iPhone revenue continues to hold up well (+3% in Sep-Q) while Services (+16% in Sep-Q) is seeing good momentum from the App Store/ subscription offerings and benefiting from a higher installed base. Despite China's concerns about competitive pressures/state bans, we note China grew +4% CC in Sep-Q (-2% actual) and see regional sales growing in line with the broader market. For Dec-Q, we see the M3 silicon chip release aiding Mac sales while tough comps and lack of product upgrades result in sharply lower iPad/Wearables revenue. The greater wealth effect in emerging regions like India, where AAPL is heavily investing, is poised to reap higher revenue.
- We forecast gross margin to be at 45% to 46% in FY 24 and FY 25, above FY 23's 44.1% margin (43.3% in FY 22). We like Services margins (70.9% in Sep-Q), which will likely support better mix, while pricing power and cost component improvements should improve hardware margins.
- We note AAPL's net cash position of $51B (aims to be net cash neutral over time), with our view of annual free cash flow (FCF) potential of + $100B driving aggressive share repurchases.

Investment Rationale/Risk

- Our Buy rating reflects our view of AAPL's ecosystem, high customer retention rates, and expanding addressable market. Despite macro uncertainty, we think AAPL's premium valuation is warranted given stable FCF generation, aggressive capital allocation strategy, and management's ability to execute. We forecast further upside to average selling prices in the coming years (e.g., foldable phones) while ongoing growth within the installed base should keep services expansion intact (e.g., advertising, gaming, bundling). Margins could offer upside ahead, on better mix and declining component prices. We like AAPL's attractive pipeline (e.g., spacial computing, Apple car, health care, shift towards hardware as a service) while switcher rates remain high.
- Risks to our recommendation and target price include less success with product launches/ innovations, longer-than-expected hardware replacement cycles, and regulatory scrutiny within its Services business.
- Our 12-month target of $210 is based on a P/E of 28.4x our CY 25 EPS estimate of $7.39, above peers. We think an aging and growing installed base of +1B phones (+2B total devices) will allow AAPL to see growth and support greater penetration for Services.

Analyst's Risk Assessment

LOW | MEDIUM | HIGH

Our risk assessment reflects our view of Apple's ability to shift towards higher-margin and more recurring Services offerings, which reduce the future earnings volatility of the company. In addition, we have a favorable view of the company's scale, enormous cash position, and free cash flow potential. Despite a seemingly ever-evolving market for consumer-oriented technology products and the company's need to rely on the success of product innovations, we forecast Apple's ecosystem will continue to sustain retention rates higher than 90%.

Revenue/Earnings Data

Revenue (Million USD)

	1Q	2Q	3Q	4Q	Year
2025	**E** 131,020	**E** 103,174	**E** 92,035	**E** 100,747	**E** 426,976
2024	**E** 117,474	**E** 95,782	**E** 85,111	**E** 93,874	**E** 392,241
2023	117,154	94,836	81,797	89,498	383,285
2022	123,945	97,278	82,959	90,146	394,328
2021	111,439	89,584	81,434	83,360	365,817
2020	91,819	58,313	59,685	64,698	274,515

Earnings Per Share (USD)

	1Q	2Q	3Q	4Q	Year
2025	**E** 2.35	**E** 1.70	**E** 1.50	**E** 1.65	**E** 7.20
2024	**E** 2.09	**E** 1.58	**E** 1.34	**E** 1.54	**E** 6.56
2023	1.88	1.52	1.26	1.46	6.13
2022	2.10	1.52	1.20	1.29	6.11
2021	1.68	1.40	1.30	1.24	5.61
2020	1.25	0.64	0.64	0.73	3.28

Fiscal Year ended Sep 30. EPS Estimates based on CFRA's Operating Earnings; historical earnings are adjusted. In periods where a different currency has been reported, this has been adjusted to match the current quoted currency.

Dividend Data

Amount (USD)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.2400	Nov 02	Nov 10	Nov 13	Nov 16 '23
0.2400	Aug 03	Aug 11	Aug 14	Aug 17 '23
0.2400	May 04	May 12	May 15	May 18 '23
0.2300	Feb 02	Feb 10	Feb 13	Feb 16 '23

Dividends have been paid since 1987 . Source: Company reports
Past performance is not an indication of future performance and should not be relied as such.
Forecasts are not a reliable indicator of future performance.
Dividends paid in currencies other than the Trading currency have been accordingly converted for display purposes.

Apple Inc.

Business Summary Nov 06, 2023

CORPORATE OVERVIEW. Apple (AAPL) makes smartphones, tablet devices, computers, and portable digital media players, and sells a variety of related software, services, and accessories.

AAPL's iPhone directly accounted for 52% of FY 23 revenues, with iPhone sales increasing 7%, led by higher prices. In September 2023, AAPL unveiled the iPhone 15 (two Pro versions), ditching the Lightning port in favor of USB-C (we see consumers embracing) and getting modest internal upgrades, camera enhancements, and new colors. The Pros have a new action button replacing the mute switch, a lighter titanium design, and faster A17 based on 3nm. AAPL boosts the premium 15 Pro Max price by $100 to $1,199, justifying it through more pronounced camera upgrades (5x optical zoom) and double the memory. Sustaining the Pro price at $999 (we thought AAPL would also raise by $100) while still adding the best features to its two premium phones likely incites more consumers to pay up, supporting ASPs. We think easy comps, along with healthy iPhone pricing strategy, will drive growth in FY 24 (Sep.), despite recent China concerns and extending replacement cycles.

Released in April 2010, the iPad quickly became the best-selling tablet computer by far. Before the iPad, unit sales for similar computing devices were less than 200,000 units, according to market researchers. In FY 10, the first year of availability, AAPL sold over 7 million iPads, accounting for around 8% of total revenues. During FY 23, iPad sales (7% of revenue) fell 3%, partly still hurt by digestion of consumer purchases following surging demand during the pandemic.

Sales of AAPL's computers, commonly known as Macs, made up 8% of revenues in FY 22, with revenue decreasing 27%. Macs were hurt by extremely difficult comparisons, lapping product launches from AAPL's internally designed M1/M2 processors. However, we expect the M3 unveiling in October 2023 to allow AAPL's Mac segment to return to growth in FY 24. More important, the chips give AAPL a strategic advantage (will be leveraged in iPads/Vision Pro devices).

Revenue from Wearables, Home, and Accessories products (10% of FY 23 revenue fell 3%) include sales of the Apple TV, Apple Watch, AirPods, Beats products, HomePod, and iPod as well as Apple-branded and third-party accessories.

We note Services were 22% of FY 23 sales and grew a healthy 9%. Services includes revenue from the App Store, iCloud, Apple TV+, AppleCare, licensing, and other services. The company also offers its Apple Fitness+ ($9.99 per month or $79.99 per year) and its Apple One Subscription Plan (priced from $16.95-$29.95 monthly), which offers bundling options for a host of its services. We believe AAPL's bundle strategy will provide greater recurring revenue opportunities.

COMPETITIVE LANDSCAPE. AAPL primarily competes in the handset, tablet, computer, and media player markets. We think AAPL uses its ability to design and develop its own operating system, hardware, application software, and services to differentiate itself from competitors. We see the appeal behind the products having a lot to do with its stated goal of providing customers with products that have superior ease of use, seamless integration, and innovative industrial design. Reflecting what we view as AAPL's perceived quality and notable cachet, the company is able to compete in the middle to high-end segments of its target markets and charge above-average prices for its products.

AAPL has a substantial hardware presence across key categories, and we think this helps garner interest from third-party application developers who continue to produce content and applications for the iPhone and iPad. We think AAPL's application business is one of the key elements that help differentiate its devices from other products, and is very important to future sales growth and pricing power. Further, we view the App Store as an effective way of not only distributing content effectively, but also keeping the customer base entrenched. We think iCloud functionality encourages customers to buy more AAPL products and use them more regularly.

LEGAL/REGULATORY ISSUES. On September 10, 2021, Federal Judge Yvonne Gonzalez Rogers gave her decision on the Apple-Epic Games trial, in what we view to be a mixed outcome. While the court said AAPL is not a monopolist, it concluded that AAPL's anti-steering provisions hide critical information from consumers and stifle choice. Given this, the court issued an injunction that said AAPL can't keep developers from providing links directing users away from Apple in-app purchasing, which goes into effect in December (will go through an appeals process). Although AAPL's 30% fee structure remains intact and didn't violate any antitrust law, it could set the stage for future cases from other developers/U.S. antitrust authorities.

FINANCIAL TRENDS. Although AAPL's sales are affected by broader macroeconomic conditions, we think the company has generally been less cyclical than peers, given its strong brand, innovative and high-quality products, loyal customer base, and exposure to fast-growing markets. Thus, AAPL has been able to command significant pricing power for its offerings and has over time successfully increased prices for most of its product lines. We see 5G supporting iPhone shipments and substantial growth potential within AAPL's Wearables business.

AAPL has what we view as a very strong balance sheet, with about $162 billion in cash and investments, and about $111 billion in debt as of September 2023. AAPL boasts return metrics, such as return on equity, that are relatively high compared with other large/mega-cap hardware and software companies. As of September 2023, we calculate AAPL has returned more than $775 billion of cash to shareholders and note the company began returning cash in calendar year 2012. On March 4, 2023, Apple announced a new $90 billion share authorization program and hiked its dividend by 4%. We expect AAPL to remain aggressive with buybacks (we see 0.5%-0.75% quarterly share reduction; share count down 40% since 2012).

AAPL executed a 4-for-1 stock split in August 2020 (its first since August 2014), which we expect will help support liquidity and attract new investors.

Corporate information

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Officers

Independent Non-Executive Chairman of the Board
A. D. Levinson

Chief Technology Officer
J. Wilson

Chief Operating Officer
J. E. Williams

CEO & Director
T. D. Cook

Senior Director of Corporate Accounting
C. Kondo

Senior VP, General Counsel & Secretary
K. L. Adams

CFO & Senior VP
L. Maestri

Board Members

A. A. Gore
A. D. Levinson
A. Gorsky
A. Jung
J. A. Bell
M. C. Lozano
R. D. Sugar
S. L. Wagner
T. D. Cook

Domicile
California

Auditor
Ernst & Young LLP

Founded
1976

Employees
161,000

Stockholders
23,763

CFRA

Apple Inc.

Quantitative Evaluations

Fair Value Rank		1 (selected) | 2 | 3 | 4 | 5 LOWEST ... HIGHEST Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).
Fair Value Calculation	**USD 132.62**	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that AAPL is overvalued by USD 59.91 or 31.12%
Volatility		LOW (selected) | AVERAGE | HIGH
Technical Evaluation	**BULLISH**	Since January, 2023, the technical indicators for AAPL have been BULLISH"
Insider Activity		UNFAVORABLE (selected) | NEUTRAL | FAVORABLE

Expanded Ratio Analysis

	2023	2022	2021	2020
Price/Sales	7.06	6.23	6.77	7.17
Price/EBITDA	21.52	18.81	20.61	25.45
Price/Pretax Income	23.80	20.62	22.69	29.33
P/E Ratio	27.93	24.62	26.19	34.23
Avg. Diluted Shares Outstg. (M)	15,813	16,326	16,865	17,528

Figures based on fiscal year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years
Net Income	NM	19.10	10.26
Sales	-2.80	11.77	7.61
Ratio Analysis (Annual Avg.)			
Net Margin (%)	25.31	25.50	23.73
% LT Debt to Capitalization	51.21	53.30	51.75
Return on Equity (%)	171.95	164.95	124.89

Company Financials Fiscal year ending Sep 30

Per Share Data (USD)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Tangible Book Value	4.00	3.18	3.84	3.85	5.09	5.63	6.54	5.60	4.94	4.38
Free Cash Flow	6.33	6.87	5.57	4.23	3.19	3.23	2.48	2.44	3.03	2.05
Earnings	6.13	6.11	5.61	3.28	2.97	2.98	2.30	2.08	2.30	1.61
Earnings (Normalized)	6.13	6.11	5.61	3.28	2.97	2.98	2.30	2.08	2.30	1.61
Dividends	0.94	0.90	0.85	0.80	0.75	0.68	0.60	0.54	0.50	0.46
Payout Ratio (%)	15.49	14.87	15.28	24.53	25.55	23.03	26.41	26.59	21.65	28.16
Prices: High	198.23	182.94	157.26	137.98	58.37	57.42	41.24	30.96	33.64	25.94
Prices: Low	124.17	129.04	107.32	53.15	35.50	37.56	26.02	22.37	23.00	16.94
P/E Ratio: High	32.30	29.90	28.00	42.10	19.60	19.30	17.90	14.90	14.60	16.10
P/E Ratio: Low	20.30	21.10	19.10	16.20	11.90	12.60	11.30	10.80	10.00	10.50
Income Statement Analysis (Million USD)										
Revenue	383,285	394,328	365,817	274,515	260,174	265,595	229,234	215,639	233,715	182,795
Operating Income	114,301	119,437	108,949	66,288	63,930	70,898	61,344	60,024	71,230	52,503
Depreciation + Amortization	11,519	11,104	11,284	11,056	12,547	10,903	10,157	10,505	11,257	7,946
Interest Expense	3,933	2,931	2,645	2,873	3,576	3,240	2,323	1,456	733.00	384.00
Pretax Income	113,736	119,103	109,207	67,091	65,737	72,903	64,089	61,372	72,515	53,483
Effective Tax Rate	14.70	16.20	13.30	14.40	15.90	18.30	24.60	25.60	26.40	26.10
Net Income	96,995	99,803	94,680	57,411	55,256	59,531	48,351	45,687	53,394	39,510
Net Income (Normalized)	71,085	74,439	68,254	41,932	41,086	45,564	40,056	38,358	45,322	33,427
Balance Sheet and Other Financial Data (Million USD)										
Cash	61,555	48,304	62,639	90,943	100,557	66,301	74,181	67,155	41,995	25,158
Current Assets	143,566	135,405	134,836	143,713	162,819	131,339	128,645	106,869	89,378	68,531
Total Assets	352,583	352,755	351,002	323,888	338,516	365,725	375,319	321,686	290,345	231,839
Current Liabilities	145,308	153,982	125,481	105,392	105,718	115,929	100,814	79,006	80,610	63,448
Long Term Debt	95,281	98,959	109,106	98,667	91,807	93,735	97,207	75,427	53,329	28,987
Total Capital	186,076	183,152	199,612	187,617	198,535	221,630	249,727	215,281	183,696	146,842
Capital Expenditures	10,959	10,708	11,085	7,309	10,495	13,313	12,451	12,734	11,247	9,571
Cash from Operations	110,543	122,151	104,038	80,674	69,391	77,434	64,225	66,231	81,266	59,713
Current Ratio	0.99	0.88	1.07	1.36	1.54	1.13	1.28	1.35	1.11	1.08
% Long Term Debt of Capitalization	51.20	54.00	54.70	52.60	46.20	42.30	38.90	35.00	29.00	19.70
% Net Income of Revenue	25.30	25.30	25.90	20.90	21.20	22.40	21.10	21.20	22.80	21.60
% Return on Assets	20.26	21.21	20.18	12.51	11.35	11.96	11.00	12.26	17.05	14.96
% Return on Equity	171.90	175.50	147.40	73.70	55.90	49.40	36.90	36.90	46.20	33.60

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Apple Inc.

Sub-Industry Outlook

Our fundamental outlook for the Technology Hardware, Storage & Peripherals sub-industry for the next 12 months is neutral. The hardware space has had to contend with several headwinds in the intermediate term, including slowing macroeconomics, ongoing shift of consumer spend to services from goods, and the need to normalize demand across a host of end markets in a post-pandemic environment (e.g., PCs). That said, we see healthy cloud spend, adoption of wearables, and emerging themes like the metaverse driving long-term sales.

We project a 4% decline for smartphone units in '23 after our view of a 6%-7% decline in '22 (-14% from '16 peak), which would mark the sixth decline in seven years, hurt by extending replacement cycles. For '23, we expect iPhones to see a year of no unit growth, but expect overall iPhone revenue to increase modestly on higher selling prices. Although we still expect Android-based phones to struggle, declining by a low-single-digit percentage on tough macro conditions, a reopening in China could offer upside. We still see room for growth at the high end of the market where Apple dominates, as the wealth effect across a host of key geographic regions helps support long-term demand. For '24, units are seen rebounding 2%-4% off of anemic levels.

We see combined PC/tablet units declining about 14% in '23 but rebounding 4% in '24, after a 17% drop in '22. The decline the last two years was initially driven by the low-end consumer market that subsequently trickled into the high-end consumer and commercial markets. We expect macro headwinds and a lack of catalysts in the space to result in muted demand this year, but easy comparisons should provide some support into '24. We still believe that the PC space is in much better shape than pre-pandemic as the installed base has grown significantly, driven by greater adoption on the education side that should see some upgrades take place in '24. We also think inventory levels are normalizing and should see further improvement through '23.

CFRA anticipates shipments for wearable devices to increase at a mid-single-digit percentage basis in '23, as we see future growth driven by greater adoption of smartwatches. Greater focus on health care initiatives will likely support long-term demand and open greater opportunities coming from corporate wellness programs, in our view. We think the metaverse will create an inflection within the AR/VR headset arena. Although the concept of the metaverse is not new, we believe device sales related to AR/VR will grow significantly in '23 and see ongoing adoption over the next three years, given the commitment by Meta Platforms to drive consumer awareness along with Apple's Vision Pro reality headset unveiled in '23.

Demand for data storage will be driven by content digitization of old media, growing data center workloads, and longer record retention for compliance with government regulations, in our view. We think the storage software market will be driven by business continuity and disaster recovery efforts, compliance and risk management activities, and the increasing prevalence of data mining and Generative AI. We see products related to all-flash arrays gaining momentum in the data center space.

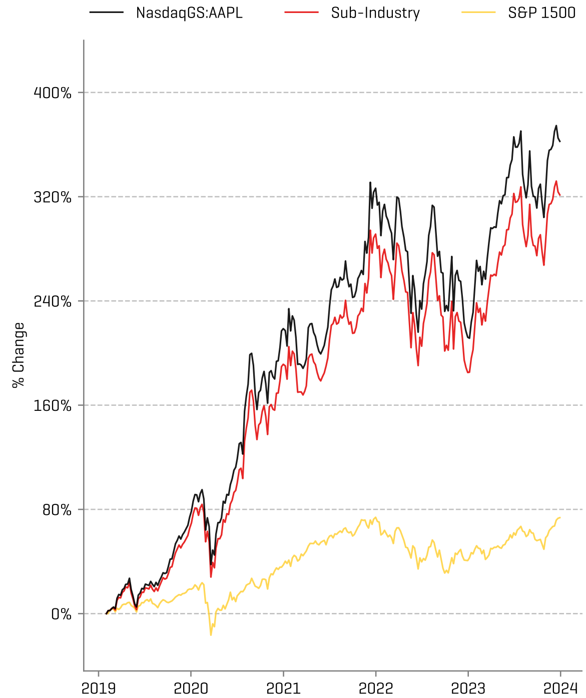
YTD through October 20, the S&P 1500 Technology Hardware, Storage & Peripherals Index increased 32.4%, while the S&P 1500 rose 8.9%. For full-year 2022, the S&P 1500 Technology Hardware, Storage & Peripherals Index fell 27.2% while the S&P 1500 declined 19.1%.

/ Shreya Gheewala

Industry Performance

GICS Sector: **Information Technology**
Sub-Industry: **Technology Hardware, Storage and Peripherals**

Based on S&P 1500 Indexes
Five-Year market price performance through Dec 30, 2023



NOTE: A sector chart appears when the sub-industry does not have sufficient historical index data.

All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: CFRA, S&P Global Market Intelligence

Sub-Industry: Technology Hardware, Storage and Peripherals

Peer Group*: Technology Hardware, Storage and Peripherals

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. (M)	30-Day Price Chg. (%)	1-Year Price Chg. (%)	P/E Ratio	Fair Value Calc.	Yield (%)	Return on Equity (%)	LTD to Cap (%)
Apple Inc.	**AAPL**	**NasdaqGS**	**USD**	**193.58**	**3,010,702.0**	**1.7**	**53.6**	**32.0**	**132.62**	**0.5**	**171.9**	**51.2**
Dell Technologies Inc.	DELL	NYSE	USD	76.68	54,566.0	3.6	97.8	11.0	53.42	1.9	-89.0	63.8
HP Inc.	HPQ	NYSE	USD	30.18	29,905.0	5.4	13.7	9.0	29.79	3.7	-159.4	95.6
Hewlett Packard Enterprise Company	HPE	NYSE	USD	17.17	22,315.0	10.6	10.3	8.0	17.23	3.0	9.8	21.8
IonQ, Inc.	IONQ	NYSE	USD	13.23	2,708.0	8.4	324.0	NM	N/A	N/A	-25.0	N/A
Logitech International S.A.	LOGI	NasdaqGS	USD	94.51	14,805.0	11.6	55.2	28.0	N/A	1.3	18.0	N/A
NetApp, Inc.	NTAP	NasdaqGS	USD	88.21	18,174.0	12.9	51.6	16.0	68.43	2.3	70.2	58.0
Pure Storage, Inc.	PSTG	NYSE	USD	36.04	11,388.0	0.5	37.1	25.0	18.51	N/A	7.1	7.0
Seagate Technology Holdings plc	STX	NasdaqGS	USD	86.79	18,155.0	12.8	70.0	NM	N/A	3.2	72.3	142.9
Super Micro Computer, Inc.	SMCI	NasdaqGS	USD	291.45	16,278.0	2.0	261.6	25.0	215.09	N/A	32.3	4.5
Western Digital Corporation	WDC	NasdaqGS	USD	52.93	17,162.0	12.9	75.2	NM	N/A	N/A	-20.9	30.5

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.
NA-Not Available; NM-Not Meaningful.
Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Analyst Research Notes and other Company News

December 21, 2023
07:52 AM ET... CFRA Maintains Buy Opinion on Shares of Apple Inc. (AAPL 194.83****):
AAPL is set to stop selling the Apple Watch Series 9 and Ultra 2 after 12/24 as it complies with an ITC import ban given the patent dispute with medical device maker Masimo over its SpO2 (pulse oximeter) sensor. We estimate Apple Watch sales are 4%-5% of revenue, with the impact on Dec-Q revenue to be negligible (already benefited from holiday selling season) but has the potential to hurt Mar-Q sales by about 2% if it can't get the devices back on the shelves. AAPL will still be able to sell the lower-priced SE, while international sales will be unaffected. Barring a veto of the ban from the Biden administration, AAPL will likely look to rely on legal/technical options to get the devices back on the market. This could include an appeal in the Federal Circuit and potential software updates (Masimo says this shouldn't work as it's a hardware/software issue). Although the Watch is an important device for AAPL and garnering greater consumer adoption (2/3 of sales still 1st time buyers), AAPL can weather the storm. / Angelo Zino, CFA

November 03, 2023
12:49 AM ET... CFRA Maintains Buy Opinion on Shares of Apple Inc. (AAPL 177.57****):
We adjust our 12-month target to $210 from $220 based on a P/E of 28.4x our CY 25 EPS estimate of $7.39, above peers given AAPL's installed base/financial position. We hold our FY 24 (Sep.) EPS at $6.56 and FY 25 at $7.20. We believe results provide ammunition for bulls and bears (see prior note for Sep-Q color). On the negative side, AAPL offers conservative Dec-Q guide (flat sales Y/Y vs. +5% view) to partly reflect a shortened week vs. a year ago. AAPL also pointed to more pronounced declines on the iPad and Wearables front to reflect the timing of product launches. On the positive, iPhone revenue is holding up while Services sees strong momentum from the App Store and subscriptions. China was the biggest question and while the -2% was a miss, AAPL points to a 600-bp forex headwind (+4% CC) and remains optimistic about prospects. We stay constructive on AAPL given the improving margin profile, Services upside, and attractive pipeline, but investors will likely need to contend with China/regulatory unknowns. / Angelo Zino, CFA

November 02, 2023
05:21 PM ET... CFRA Maintains Buy Opinion on Shares of Apple Inc. (AAPL 177.57****):
AAPL posted Sep-Q EPS of $1.46 vs. $1.29, beating the $1.39 consensus. Sales fell 1%, near expectations, with iPhone growth of 3%, which matched our forecast. We believe the biggest negative from the results was the 2% Y/Y decline in China, worse than we expected, as we look for greater clarity about AAPL's outlook for the region in the Dec-Q, given concerns about increasing competitive pressures in the region. That said, growth of 16% from AAPL's higher margin Services business was a bright spot (beating our 10% growth forecast), an acceleration from the 8% pace in Jun-Q and 5% in Mar-Q. This supported a wider-than-projected gross margin of 45.2% vs. 42.3% a year earlier (we were looking for 44.5%). We note that Macs plunged a worse-than-expected 34% (potentially reflecting AAPL clearing channel inventory), while iPads were down 10%. We believe the biggest question heading into the call surrounds AAPL's China business and we will provide more clarity about our expectations after its earnings call today. / Angelo Zino, CFA

October 31, 2023
01:06 AM ET... CFRA Maintains Buy Opinion on Shares of Apple Inc. (AAPL 170.29****):
At its "Scary Fast" virtual event on Halloween eve, AAPL announces three new processors with the M3 chip family (M3, M3 Pro, M3 Max), upgraded 14- and 16-inch MacBook Pro laptops, and a new iMac. The M3 line-up based on 3nm offers considerably faster speeds/greater unified memory (up to 128GB) and better graphics (e.g., ray tracing; up to 2.5x faster GPU rendering). While most upgrades are internal in nature, the new MacBook Pro has an attractive-looking space black color option that should appeal to consumers. The 14-inch MacBook Pro w/M3 starts at $1,599 (M2 Pro version previously started at $1,999), while the 16-inch version has only M3 Pro and M3 Max options. The iMac w/M3 starts at $1,299 and Macs expected in stores 11/7. We think timing of the new Macs will allow AAPL's Mac segment to return to growth in the Dec-Q (we project +6% growth; Macs about 8% of sales) after 4 straight Qs of Y/Y declines. More importantly, the chips give AAPL a strategic advantage (will be leveraged in iPads/Vision Pro devices). / Angelo Zino, CFA

October 16, 2023
12:14 AM ET... CFRA Maintains Buy Opinion on Shares of Apple Inc. (AAPL 178.85****):
Our 12-month target price of $220 is based on a P/E of 29x our CY 25 EPS estimate of $7.59, above peers given AAPL's installed base and financial position. We hold our FY 23 (Sep.) EPS estimate at $6.01 while tweaking FY 24 to $6.56 from $6.61 and FY 25 to $7.20 from $7.30. Ahead of Sep-Q results set to be released after the close on 11/2, we look for EPS of $1.39 on revenue of $89.3B. We believe that Services (+8% Jun-Q/+5% Mar-Q) will accelerate in the Sep-Q/Dec-Q (+10%), benefiting from a higher installed base, China momentum, and improving app store/gaming/digital ad growth. We forecast iPhone sales will rise 2%-3% in the Sep-Q and 7% in the Dec-Q, on iPhone 15 momentum, higher Pro Max pricing, and given easier comps from sharp declines across hardware last year (ex. iPads). Geographic commentary, specifically in China, will be important to monitor, but we think concerns about iPhone 15 competitive pressures/state bans are unwarranted. We see an M3 silicon chip release in CY 24 helping Mac sales rebound. / Angelo Zino, CFA

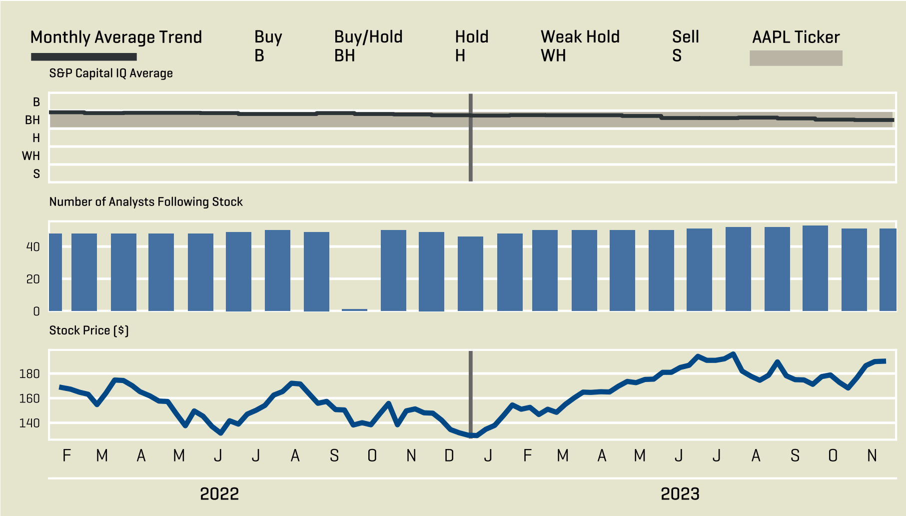
September 13, 2023
06:20 AM ET... CFRA Maintains Buy Opinion on Shares of Apple Inc. (AAPL 176.30****):
AAPL unveils the iPhone 15 (two Pro versions), Apple Watch Series 9, and updated AirPods Pro. All phones have AAPL ditching the Lightning port in favor of USB-C (we see consumers embracing) and getting modest internal upgrades, camera enhancements, and new colors. The Pros have a new action button replacing the mute switch, a lighter titanium design, and faster A17 based on 3nm. AAPL boosts the premium 15 Pro Max price by $100 to $1,199, justifying it through more pronounced camera upgrades (5x optical zoom) and double the memory. The move could support modest upside (2%-3%) to our iPhone 15 revenue assumptions but we conservatively keep estimates unchanged. Sustaining the Pro price at $999 (we thought AAPL would also raise by $100) while still adding the best features to its two premium phones likely incites more consumers to pay up, supporting ASPs. We think easy comps along with healthy iPhone pricing strategy will drive growth in FY 24 (Sep.), despite recent China concerns and extending replacement cycles. / Angelo Zino, CFA

September 07, 2023
03:08 PM ET... CFRA Maintains Buy Opinion on Shares of Apple Inc. (AAPL 176.70****):
AAPL shares are being pressured on two concerns: 1) China seeking to broaden an iPhone ban to state firms/agencies; and 2) greater competitive pressures after a well-received launch of Huawei's Mate 60 Pro. On the first, we see low risk of significant revenue loss or a full-blown ban in China from these moves as AAPL has a good relationship with the gov't and is extremely critical to the local supply chain. We view the latter as the bigger threat, as AAPL has benefited from Huawei bans and the inability of other China vendors to step up at the high end of the market. Although we expect the iPhone 15 (to be unveiled 9/12) to be superior to the Mate 60, we note Huawei's "Made in China" brand could pose a risk to AAPL's share (2/3 at the high end of China's market) given a now-viable alternative. But, like others, we ask whether the SMIC/Huawei relationship violated U.S. sanctions and see a higher likelihood (>50%) that the U.S. will look to increase chip restrictions on the two firms (would be a plus for AAPL). / Angelo Zino, CFA

Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

Apple Inc.

Analysts Recommendations



	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	20	39	20	22
Buy/Hold	8	16	8	8
Hold	14	27	14	12
Weak hold	2	4	2	2
Sell	1	2	1	1
No Opinion	6	12	6	7
Total	51	100	51	52

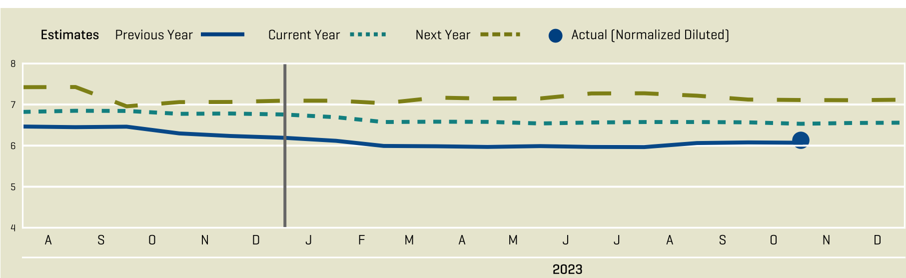
Wall Street Consensus Opinion

Buy/Hold

Wall Street Consensus vs. Performance

For fiscal year 2024, analysts estimate that AAPL will earn USD 6.56. For fiscal year 2025, analysts estimate that AAPL's earnings per share will grow by 8.52% to USD 7.12.

Wall Street Consensus Estimates



Fiscal Year	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2025	7.12	7.63	6.09	36	27.19
2024	6.56	7.14	5.60	43	29.51
2025 vs. 2024	**▲ 9%**	**▲ 7%**	**▲ 9%**	**▼ -16%**	**▼ -8%**
Q1'25	2.29	2.41	2.12	12	84.71
Q1'24	2.10	2.17	2.03	34	92.16
Q1'25 vs. Q1'24	**▲ 9%**	**▲ 11%**	**▲ 4%**	**▼ -65%**	**▼ -8%**

Forecasts are not reliable indicator of future performance.
Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.
Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Glossary

STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (MSCI AC Asia Pacific Index, MSCI AC Europe Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to help investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and S&P Capital IQ Earnings & Dividend Rankings stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A	Above	C	Lowest
B+	Average	D	In Reorganization
NC	Not Ranked		

EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

Abbreviations Used in Equity Research Reports

CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation & Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG Ratio - P/E-to-Growth Ratio
PV - Present Value
R&D - Research & Development
ROCE - Return on Capital Employed
ROE Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ **5-STARS (Strong Buy):**
Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy):**
Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months.

★★★☆☆ **3-STARS (Hold):**
Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months.

★★☆☆☆ **2-STARS (Sell):**
Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months.

★☆☆☆☆ **1-STAR (Strong Sell):**
Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the MSCI AC Europe Index and the MSCI AC Asia Pacific Index, respectively.

Disclosures

Stocks are ranked in accordance with the following ranking methodologies:

STARS Stock Reports:
Qualitative STARS rankings are determined and assigned by equity analysts. For reports containing STARS rankings refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

Quantitative Stock Reports:
Quantitative rankings are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative rankings refer to the Glossary section seof the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of September 30, 2023

Ranking	North America	Europe	Asia	Global
Buy	36.8%	34.5%	41.6%	37.4%
Hold	53.8%	51.2%	50.3%	52.6%
Sell	9.4%	14.3%	8.1%	10.1%
Total	100.0%	100.0%	100.0%	100.0%

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Apple Inc.

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