

Apple Inc.

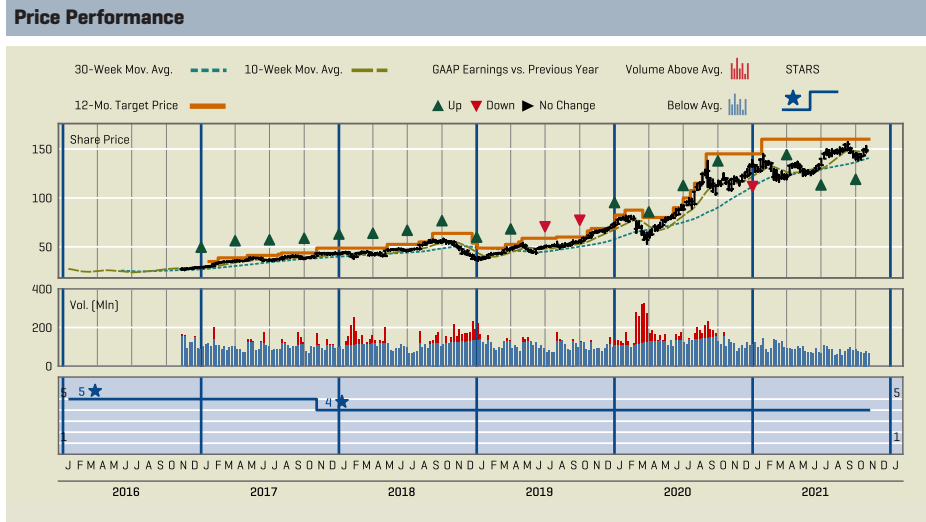
Recommendation **BUY** ★ ★ ★ ★ ★

Price USD 151.28 (as of market close Nov 05, 2021) **12-Mo. Target Price** USD 160.00 **Report Currency** USD **Investment Style** Large-Cap Growth

Equity Analyst Angelo Zino, CFA

GICS Sector Information Technology **Summary** Apple is a prominent provider of consumer computing devices, including the iPhone, iPad tablets, Mac computers, and wearables.
Sub-Industry Technology Hardware, Storage and Peripherals

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)							
52-Wk Range	USD 156.69 - 113.85	Oper.EPS2022E	USD 5.60	Market Capitalization[B]	USD 2478.51	Beta	1.22
Trailing 12-Month EPS	USD 5.61	Oper.EPS2023E	USD 5.90	Yield [%]	0.58	3-yr Proj. EPS CAGR[%]	8
Trailing 12-Month P/E	26.97	P/E on Oper.EPS2022E	27.01	Dividend Rate/Share	USD 0.88	SPGMI's Quality Ranking	A-
USD 10K Invested 5 Yrs Ago	57,200.0	Common Shares Outstg.[M]	16,427.00	Institutional Ownership [%]	53.0		



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 Oct 29, 2021 06:38 AM ET, when the stock traded at **USD 146.71**.

Highlights

- ▶ We expect sales to rise 3.8% in FY 22 (Sep.) and 7.3% in FY 23 after a 33% increase in FY 21. AAPL is seeing extended lead times for the iPhone 13 and while supply issues hurt revenue by \$6B in the Sep-Q (likely to have an even larger impact in the Dec-Q), we expect revenue to be pushed out rather than permanently lost. We think double-digit percentage installed base growth, higher paid subscriptions, and bundling opportunities will allow Services to grow at a 20%-plus clip (up 26% in Sep-Q). Wearables should see growth accelerate (up a paltry 12% in the Sep-Q) given demand for existing (Apple Watch/AirPods/AirTags) and new potential devices (AR headsets/glasses). AAPL posted growth of 21% for iPads and 2% for Macs in Sep-Q.
- ▶ We see the gross margin around 42% in FY 22 and FY 23, near the FY 21 margin. We like Services margin expansion (70.5% in Sep-Q vs. 66.9% a year earlier) and overall improving product mix but think recent hardware margin expansion may be unsustainable (34.3% vs. 29.8% a year earlier).
- ▶ We like AAPL's net cash position of \$66 billion (aims to be net cash neutral over time), with our view of annual free cash flow potential of \$90 billion plus driving share repurchases ahead.

Investment Rationale/Risk

- ▶ Our Buy reflects our view of AAPL's ecosystem, high customer retention rates, and expanding addressable market in Services/Wearables. We see stable replacement cycles from 5G expansion and robust free cash flow aiding growth initiatives/shareholder return. We are impressed by China's growth of 83% in the Sep-Q, as AAPL appears to be benefiting from share gains at the high end of the market. We think AAPL's pipeline remains attractive (e.g., AR glasses, Apple car, health care, shift towards hardware as a service) while Huawei issues create a better competitive landscape. We believe AAPL is managing supply constraints and see issues as transitory while switcher rates and upgraders appear high since the shift to 5G.
- ▶ Risks to our recommendation and target price include less success with product launches/innovations, longer-than-expected hardware replacement cycles, potential higher tax rate, and regulatory scrutiny within its Services business.
- ▶ Our 12-month target of \$160 is based on a P/E of 27x our FY 23 EPS estimate of \$5.90, above peers. We believe an aging and growing installed base of 1 billion-plus phones will allow AAPL to see growth through FY 23 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)	Revenue (Million USD)				
	1Q	2Q	3Q	4Q	Year
2023	E 128,625	E 94,656	E 89,270	E 95,107	E 407,658
2022	E 117,837	E 89,205	E 82,783	E 89,993	E 379,817
2021	111,439	89,584	81,434	83,360	365,817
2020	91,819	58,313	59,685	64,698	274,515
2019	84,310	58,015	53,809	64,040	260,174
2018	88,293	61,137	53,265	62,900	265,595

Earnings Per Share (USD)

Earnings Per Share (USD)	Earnings Per Share (USD)				
	1Q	2Q	3Q	4Q	Year
2023	E 1.90	E 1.35	E 1.26	E 1.39	E 5.90
2022	E 1.77	E 1.31	E 1.18	E 1.33	E 5.60
2021	1.68	1.40	1.30	1.23	5.61
2020	1.25	0.64	0.65	0.74	3.28
2019	1.04	0.62	0.54	0.76	2.97
2018	0.97	0.68	0.58	0.73	2.98

Fiscal Year ended Sep 30. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

Amount (USD)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.2200	Oct 28	Nov 05	Nov 08	Nov 11 '21
0.2200	Jul 27	Aug 06	Aug 09	Aug 12 '21
0.2200	Apr 28	May 07	May 10	May 13 '21
0.2050	Jan 27	Feb 05	Feb 08	Feb 11 '21

Dividends have been paid since 2012. Source: Company reports
Past performance is not an indication of future performance and should not be relied upon 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.

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Apple Inc.

Business Summary Oct 29, 2021

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 47% of FY 21 revenues, with iPhone sales increasing 47%, largely reflecting higher units and average selling prices from the shift to 5G. In September 2021, AAPL announced its next generation of iPhones (4 total), all which will possess 5G capabilities, OLED screens, a new A15 processor, and a host of new colors. The 5.4-inch iPhone 13 mini (\$699 start) and 6.1-inch iPhone 13 (\$799) include internal upgrades (A15 Bionic, longer battery life, double entry level storage at 128GB), more advanced dual-camera system, and new Photographic Styles/Cinematic mode. The 6.1-inch iPhone 13 Pro and 6.7-inch iPhone 13 Pro Max also have internal/camera upgrades and new storage capacity of 1TB.

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 21, iPad sales (9% of revenue) grew 34%, largely reflecting Apple benefiting from a surge in demand from the work from home and learn from home themes during the pandemic.

Sales of AAPL's computers, commonly known as Macs, made up 10% of revenues in FY 21, with revenue increasing 25%. Macs saw a similar benefit amid the pandemic as iPads.

Revenue from Services and other hardware products comprised about 29% of sales in FY 21. Wearables, Home, and Accessories products (10% of FY 21 revenue and grew 25%) 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 19% of FY 21 sales and grew an impressive 27%. 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 \$14.95 to \$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 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.

On April 17, 2019, Apple and QUALCOMM (QCOM) announced an agreement to end all legal issues between the two companies worldwide. QCOM and Apple agreed to a six-year license agreement, effective April 1, 2019, including a two-year option to extend, and a multiyear chipset supply agreement.

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 \$191 billion in cash and investments, and about \$125 billion in debt as of September 2021. 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 2021, we calculate AAPL has returned more than \$580 billion of cash to shareholders and note the company began returning cash in calendar year 2012. On April 28, 2021, Apple announced a new \$90 billion share authorization program and hiked its dividend by 7%.

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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Website

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Officers

CEO & Director

T. D. Cook

CFO & Senior VP

L. Maestri

Senior VP, General Counsel & Secretary

K. L. Adams

Chief Technology Officer

J. Wilson

Independent Non-Executive Chairman of the Board

A. D. Levinson

Chief Operating Officer

J. E. Williams

Senior Director of Corporate Accounting

C. Kondo

Board Members

A. A. Gore

M. C. Lozano

A. D. Levinson

R. D. Sugar

A. Jung

S. L. Wagner

J. A. Bell

T. D. Cook

Domicile

California

Auditor

Ernst & Young LLP

Founded

1977

Employees

154,000

Stockholders

23,502

Apple Inc.

Quantitative Evaluations					
Fair Value Rank	1	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 77.59	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that AAPL is overvalued by USD 73.69 or 48.71%			
Volatility	LOW	AVERAGE	HIGH		
Technical Evaluation	NEUTRAL	Since February, 2021, the technical indicators for AAPL have been NEUTRAL"			
Insider Activity	UNFAVORABLE	NEUTRAL	FAVORABLE		

Expanded Ratio Analysis				
	2021	2020	2019	2018
Price/Sales	6.77	7.17	3.91	4.25
Price/EBITDA	20.61	25.45	13.30	13.80
Price/Pretax Income	22.69	29.33	15.47	15.48
P/E Ratio	26.19	34.23	18.42	18.94
Avg. Diluted Shares Outstg. (M)	16864.92	17528.21	18595.65	20000.44

Figures based on fiscal year-end price

Key Growth Rates and Averages			
Past Growth Rate [%]	1 Year	3 Years	5 Years
Net Income	64.92	16.73	15.69
Sales	33.26	11.26	11.15
Ratio Analysis [Annual Avg.]			
Net Margin [%]	25.88	22.68	22.31
% LT Debt to Capitalization	59.81	54.37	48.86
Return on Equity [%]	147.44	92.35	72.66

Company Financials Fiscal year ending Sep 30										
Per Share Data [USD]	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Tangible Book Value	3.84	3.85	5.09	5.63	6.54	5.60	4.94	4.38	4.68	4.29
Free Cash Flow	5.57	4.23	3.19	3.23	2.48	2.44	3.03	2.05	1.72	1.58
Earnings	5.61	3.28	2.97	2.98	2.30	2.08	2.30	1.61	1.42	1.58
Earnings [Normalized]	4.05	2.39	2.21	2.28	1.91	1.74	1.96	1.36	1.20	1.32
Dividends	0.85	0.80	0.75	0.68	0.60	0.54	0.50	0.46	0.41	0.10
Payout Ratio [%]	15.00	25.00	26.00	23.00	26.00	27.00	22.00	28.00	29.00	6.00
Prices: High	157.26	137.98	58.37	57.42	41.24	30.96	33.64	25.94	24.33	25.18
Prices: Low	107.32	53.15	35.50	37.56	26.02	22.37	23.00	16.94	13.75	12.65
P/E Ratio: High	28.00	42.10	19.70	19.30	17.90	14.90	14.60	16.10	17.10	16.00
P/E Ratio: Low	19.10	16.20	12.00	12.60	11.30	10.80	10.00	10.50	9.70	8.00
Income Statement Analysis [Million USD]										
Revenue	365,817	274,515	260,174	265,595	229,234	215,639	233,715	182,795	170,910	156,508
Operating Income	108,949	66,288	63,930	70,898	61,344	60,024	71,230	52,503	48,999	55,241
Depreciation + Amortization	11,284	11,056	12,547	10,903	10,157	10,505	11,257	7,946	6,757	3,277
Interest Expense	2,645	2,873	3,576	3,240	2,323	1,456	733.00	384.00	136.00	N/A
Pretax Income	109,207	67,091	65,737	72,903	64,089	61,372	72,515	53,483	50,155	55,763
Effective Tax Rate	13.30	14.40	15.90	18.30	24.60	25.60	26.40	26.10	26.20	25.20
Net Income	94,680	57,411	55,256	59,531	48,351	45,687	53,394	39,510	37,037	41,733
Net Income [Normalized]	68,254	41,932	41,086	45,564	40,056	38,358	45,322	33,427	31,347	34,852
Balance Sheet and Other Financial Data [Million USD]										
Cash	62,639	90,943	100,557	66,301	74,181	67,155	41,995	25,158	40,590	29,129
Current Assets	134,836	143,713	162,819	131,339	128,645	106,869	89,378	68,531	73,286	57,653
Total Assets	351,002	323,888	338,516	365,725	375,319	321,686	290,345	231,839	207,000	176,064
Current Liabilities	125,481	105,392	105,718	115,929	100,814	79,006	80,610	63,448	43,658	38,542
Long Term Debt	109,106	98,667	91,807	93,735	97,207	75,427	53,329	28,987	16,960	N/A
Total Capital	199,612	187,617	198,535	221,630	249,727	215,281	183,696	146,842	140,509	118,210
Capital Expenditures	11,085	7,309	10,495	13,313	12,451	12,734	11,247	9,571	8,165	8,295
Cash from Operations	104,038	80,674	69,391	77,434	64,225	66,231	81,266	59,713	53,666	50,856
Current Ratio	1.07	1.36	1.54	1.13	1.28	1.35	1.11	1.08	1.68	1.50
% Long Term Debt of Capitalization	59.80	57.10	46.20	42.30	38.90	35.00	29.00	19.70	12.10	N/A
% Net Income of Revenue	25.90	20.90	21.20	22.40	21.10	21.20	22.80	21.60	21.70	26.70
% Return on Assets	20.18	12.51	11.35	11.96	11.00	12.26	17.05	14.96	15.99	23.61
% Return on Equity	147.40	73.70	55.90	49.40	36.90	36.90	46.20	33.60	30.60	42.80

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 positive. While the hardware space has had to contend with a number of external factors in recent years [e.g., a global pandemic and trade wars], we are encouraged by recent pockets of strength emerging in many areas of the market. We like secular opportunities and prospects for the broader hardware space in through 2022, led by advancements in 5G, demand for wearables, and new services capabilities driving interest for next-generation devices. We also note recent benefits from easier comparables.

We anticipate that smartphone units will increase 4% in 2022 after our outlook for an 8% rise in 2021. We believe that smartphone demand will improve through 2022, reflecting the shift towards 5G devices by manufacturers and greater consumer adoption for these phones as 5G services become more available across the globe. We expect the total market for 5G mobile phones to represent about half the market by the end of next year, with units more than doubling in 2021 and seen growing more than 35% in 2022. We expect 5G to become more readily available at lower price points in 2022 and see replacement cycles stabilizing at current levels after extending from 2016 to 2020 (units declined for four consecutive years).

Rising demand for PCs and tablets from businesses, schools, and consumers in a post-pandemic world has had a permanent positive impact on the installed base for these devices. Although broader supply constraints for semiconductor components and logistic issues have had a negative impact on shipments, the backlog for notebook PCs remain elevated. We see a more tempered demand landscape for Chromebooks and other consumer driven PCs in 2022 following a surge in 2020 and 2021. However, enterprise orders are likely to further improve, which we note command significantly higher price points relative to consumer devices (we estimate about \$1,000 versus \$500). We see

opportunities related to thinner and lighter devices as well as from gaming. We forecast PC unit growth of 18%-20% in 2021 but declining by a low- to mid-single-digit percentage in 2022.

CFRA anticipates shipments for wearable devices to increase at a double-digit percentage basis through 2023, 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 from corporate wellness programs, in our view. We also expect ear-worn devices like AirPods to gain traction with consumers, reflecting the ongoing shift away from wired devices.

Demand for data storage will be driven by content digitization of old media, the growing popularity of social networking websites, 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 related analytics. We see demand for traditional storage offerings declining, while products related to all-flash arrays are seeing momentum in the data center space.

Year-to-date through September 24, 2021, the S&P 1500 Technology Hardware, Storage & Peripherals Index increased 11.2%, while the S&P 1500 rose 18.6%. For 2020, the S&P 1500 Technology Hardware, Storage & Peripherals Index increased 41.6%, while the S&P 1500 rose 15.8%.

/ Angelo Zino, CFA

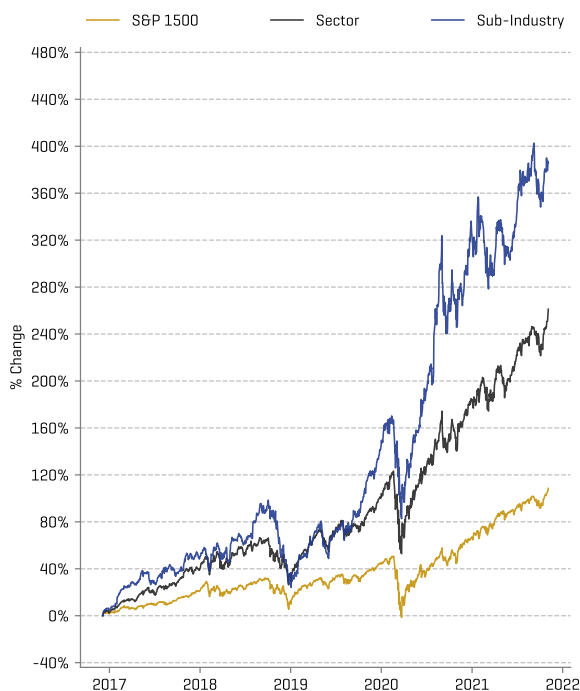
Industry Performance

GICS Sector: Information Technology

Sub-Industry: Technology Hardware, Storage and Peripherals

Based on S&P 1500 Indexes

Five-Year market price performance through Nov 06, 2021



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	150.96	2,476,710.0	7.0	31.3	27.0	77.59	0.6	147.4	59.8
Canon Inc.	CAJ	NYSE	USD	23.14	24,332.0	-2.7	32.6	33.0	N/A	N/A	3.4	2.5
Dell Technologies Inc.	DELL	NYSE	USD	54.57	41,752.0	-48.5	-12.3	13.0	49.78	N/A	65.5	75.2
FUJIFILM Holdings Corporation	FUJIIY	OTCPK	USD	83.57	31,808.0	5.3	61.1	21.0	N/A	N/A	8.7	17.6
HP Inc.	HPQ	NYSE	USD	31.33	36,108.0	10.7	71.4	16.0	32.07	2.5	-166.3	124.7
Hewlett Packard Enterprise Company	HPE	NYSE	USD	15.27	19,974.0	1.6	73.1	NM	14.69	3.1	-1.9	39.5
NetApp, Inc.	NTAP	NasdaqGS	USD	90.70	20,283.0	0.4	100.8	28.0	79.13	2.2	157.5	78.6
Razer Inc.	RZZRY	OTCPK	USD	6.08	19,961.0	58.4	2.6	9507.0	N/A	N/A	0.1	1.1
Seagate Technology Holdings plc	STX	NasdaqGS	USD	95.30	21,217.0	11.9	88.8	18.0	92.75	2.9	108.7	84.5
Western Digital Corporation	WDC	NasdaqGS	USD	55.04	17,147.0	-3.4	46.7	21.0	78.39	N/A	8.1	43.9
Xiaomi Corporation	XIACY	OTCPK	USD	13.24	79,739.0	-1.7	-15.9	103.0	N/A	N/A	19.8	7.8

*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.

Apple Inc.

Analyst Research Notes and other Company News

October 29, 2021

05:57 AM ET... CFRA Keeps Buy Opinion on Shares of Apple Inc. [AAPL 152.57****]: We maintain our 12-month target price of \$160, on P/E of 27x our FY 23 [Sep.] EPS estimate, above peers to reflect AAPL's pipeline and free cash flow potential. We keep our FY 22 EPS [Sep.] estimate at \$5.60 and FY 23 at \$5.90. While AAPL missed Sep-Q consensus revenue by \$1.5B, we believe that supply issues hurt revenue by \$6B and is likely to have an even larger impact in the Dec-Q. While chip shortages are extending lead times for iPhones, specifically for higher-end devices, we expect revenue to be pushed out into the Mar-Q rather than permanently lost. We think investors should come away comfortable about the demand outlook for AAPL's product lines, with any hardware upside capped at the moment. Switcher rates and upgraders are both seeing good traction in China and the U.S. While we expect Services growth to decelerate in the Dec-Q, we expect it to sustain a growth rate of about 20%. AAPL has a net cash position of \$66B and we see annual FCF exceeding \$90B, which should support aggressive repurchases. / Angelo Zino, CFA

October 28, 2021

05:12 PM ET... CFRA Maintains Buy Opinion on Shares of Apple Inc. [AAPL 152.57****]: AAPL posts Sep-Q EPS of \$1.24 vs. \$0.73, matching consensus and our forecast. Sales rose 29%, which was below our expectation and consensus views, with the biggest disappointment coming from the iPhone and Wearables segments. Revenue from iPhones grew a hefty 47% [our forecast was 54%], driven by a combination of higher demand for the iPhone 12/iPhone 13 as well as higher average selling prices. Wearables grew a paltry 12%, as the delayed launch of the Series 7 likely attributed to the underperformance. Services was a bright spot, growing 26% [well ahead of our 20% forecast], supported by its growing installed base. Revenue from iPads grew 21%, while Macs rose 2%. Gross margin of 42.2% was slightly ahead of our view, with Services posting a 70.5% margin compared to 34.3% for hardware products. We are also impressed by China growth of 83%, well ahead of our expectation, as it likely continues to take share at the high end of the market. We await greater clarity from AAPL about supply constraints on the call. / Angelo Zino, CFA

October 19, 2021

04:06 PM ET... CFRA Keeps Buy Opinion on Shares of Apple Inc. [AAPL 148.52****]: Ahead of Sep-Q results set to be released on October 28, we maintain our 12-month target of \$160 on P/E of 27x our FY 23 [Sep.] EPS estimate, which we initiate at \$5.90, above peers to reflect AAPL's pipeline and free cash flow potential (\$90B-plus annually). We keep our FY 21 EPS estimate at \$5.51 [Sep.] and nudge FY 22 to \$5.60 from \$5.50. For the Sep-Q, we see revenue of \$84.6B and EPS of \$1.13. Despite well-known supply constraints and already extended lead times for the recently launched iPhone 13, AAPL is better positioned than most and remains on pace for another blockbuster holiday selling season. Upside to consensus views may be limited in the Dec-Q given constraints, and tough comparisons in the Mar-Q/Jun-Q thereafter could lead to year-over-year revenue declines. However, ongoing mix shift towards Services/Wearables given the growth we see ahead from both categories [about 20% in the Sep-Q and Dec-Q] keeps us constructive on the shares. Regulatory uncertainty remains the biggest risk to our call. / Angelo Zino, CFA

October 18, 2021

03:10 PM ET... CFRA Maintains Buy Opinion on Shares of Apple Inc. [AAPL 145.93****]: At its UnLeashed Event, AAPL introduced two new MacBooks [14-inch and 16-inch versions] based on the M1 Pro and M1 Max [two new internal chip designs offering superior processor/GPU performance]. The devices come with display upgrades [utilizes mini-LEDs], enhanced speaker systems, keyboards changed back to physical from touch, a FaceTime camera, MagSafe for charging, and more ports [SD card reader, HDMI port, headphone jack]. Both devices start shipping on 10/26 and start at \$1,999 and \$2,499. Also, AAPL's third-gen AirPods are redesigned [similar look to AirPods Pro] with spatial audio, sweat/water resistance, and longer battery life [6 hours, 30 hours with charging case]. On a lesser note, AAPL announces the Apple Music Voice Plan [used via voice only] for only \$4.99 per month as well as new HomePod Mini colors [yellow, blue, and orange]. While supply constraints are an issue, we think new Mac offerings are best in class and should allow it to sustain sales at an elevated level/take more PC share. / Angelo Zino, CFA

October 13, 2021

08:59 AM ET... CFRA Maintains Buy Opinion on Shares of Apple Inc. [AAPL 140.55****]: According to an unconfirmed Bloomberg report, AAPL plans to reduce iPhone 13 production by about 10 million units for the remainder of the calendar year [original target was for 90 million units]. The report highlights the inability to obtain specific components from key suppliers Broadcom and Texas Instruments, but we suspect the issue is broader in nature and could be further hampered by the recent power outages in China. While we believe AAPL gets preferential treatment from the supply chain and is best positioned among hardware providers, it is not immune to the component constraints ahead of the holiday selling season. Despite AAPL's ability to launch the iPhone 13 in late September, lead times are extending and the potential cut could reduce our Dec-Q revenue estimate by about 6%-7%. We also acknowledge constraints across other hardware offerings [e.g., iPads, Macs, Watch]. Despite these issues, we note that headwinds are near term/transitory and we remain extremely optimistic about AAPL's pipeline. / Angelo Zino, CFA

September 14, 2021

03:09 PM ET... CFRA Maintains Buy Opinion on Shares of Apple Inc. [AAPL 147.54****]: AAPL hosts its annual September hardware event where it unveiled its next generation iPhone devices, Apple Watch Series 7, and two new iPads. We believe the biggest takeaways are AAPL's pricing strategy, which remains unchanged across all product categories, as well as availability of devices on 9/24. All four iPhone devices return with no notable changes to the aesthetics but include internal upgrades [A15 Bionic, longer battery life, higher entry level storage], an enhanced camera system, and new Photographic Styles/Cinematic mode. The iPhone 13 Pro and iPhone 13 Pro Max will carry a new storage capacity of 1TB. The Apple Watch Series 7 offers 33% faster charging, longer battery life, and more screen area/thinner borders. We also like updates to the iPad mini [A15 Bionic, 5G, Center Stage] and 9th generation low-priced iPad [64GB storage start, 2x predecessor]. Given timing release, AAPL appears on pace to exceed Sep-Q and Dec-Q consensus expectations, but we acknowledge a tough bar starting in the Mar-Q. / Angelo Zino, CFA

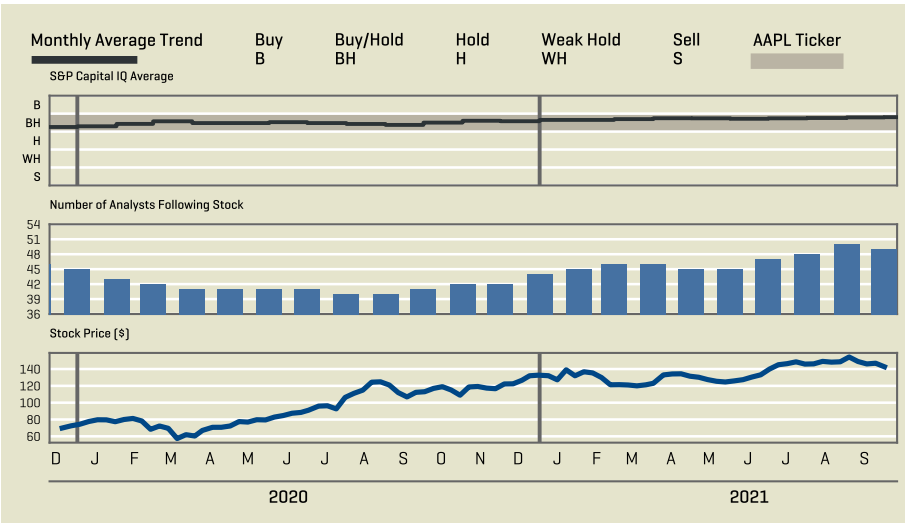
September 13, 2021

01:27 AM ET... CFRA Maintains Buy Opinion on Shares of Apple Inc. [AAPL 148.97****]: AAPL is hosting its annual September event on 9/14 and we expect it to unveil its next-generation iPhone [iPhone 13], Apple Watch Series 7, and potentially AirPods 3. The iPhone 13 will look very similar to the 2020 models, with four devices in the same size, and with potentially a smaller notch at the top being the only design change. Internal upgrades will include a faster A15 processor, a new 5G modem chip, camera enhancements, and better battery life. The Apple Watch Series 7 is seen as having some changes to the aesthetics, likely to include smaller bezels and a flat-edged design. The new AirPods will look like the AirPods Pro but without Active Noise Cancellation so that AAPL can sell them at a lower price point. AAPL's pricing strategy for all devices will be closely watched and while we don't forecast any major increases, it is possible given rising costs. We think the iPhone 13 will return to its typical late September release, with easy comparisons in the Sep-Q/Dec-Q given pandemic delays a year ago. / 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



Wall Street Consensus Opinion

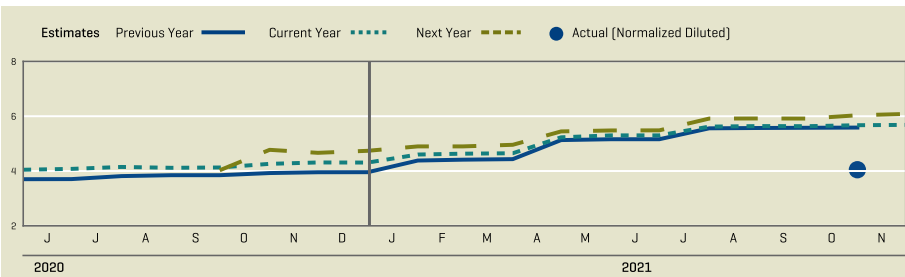
Buy/Hold

Wall Street Consensus vs. Performance

For fiscal year 2022, analysts estimate that AAPL will earn USD 5.69. For fiscal year 2023, analysts estimate that AAPL's earnings per share will grow by 6.57% to USD 6.06.

	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	26	53	26	26
Buy/Hold	7	14	7	7
Hold	8	16	8	7
Weak hold	1	2	1	1
Sell	1	2	1	2
No Opinion	6	12	6	5
Total	49	100	49	48

Wall Street Consensus Estimates



Fiscal Year	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2023	6.06	6.82	5.26	33	24.91
2022	5.69	6.12	5.20	39	26.55
2023 vs. 2022	▲ 7%	▲ 11%	▲ 1%	▼ -15%	▼ -6%
Q1'23	2.00	2.19	1.66	12	75.50
Q1'22	1.87	1.94	1.75	27	80.70
Q1'23 vs. Q1'22	▲ 7%	▲ 13%	▼ -5%	▼ -56%	▼ -6%

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.

Apple Inc.

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 capsize 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 Depositary Receipts (ADRs) and American Depositary 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.

Apple Inc.

Disclosures

Stocks are ranked in accordance with the following ranking methodologies:

STARS Stock Reports:

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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 of the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of March 05, 2021

Ranking	North America	Europe	Asia	Global
Buy	40.3%	32.5%	40.0%	38.7%
Hold	49.6%	57.1%	53.1%	51.7%
Sell	10.1%	10.3%	6.9%	9.6%
Total	100.0%	100.0%	100.0%	100.0%

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Apple Inc.

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