

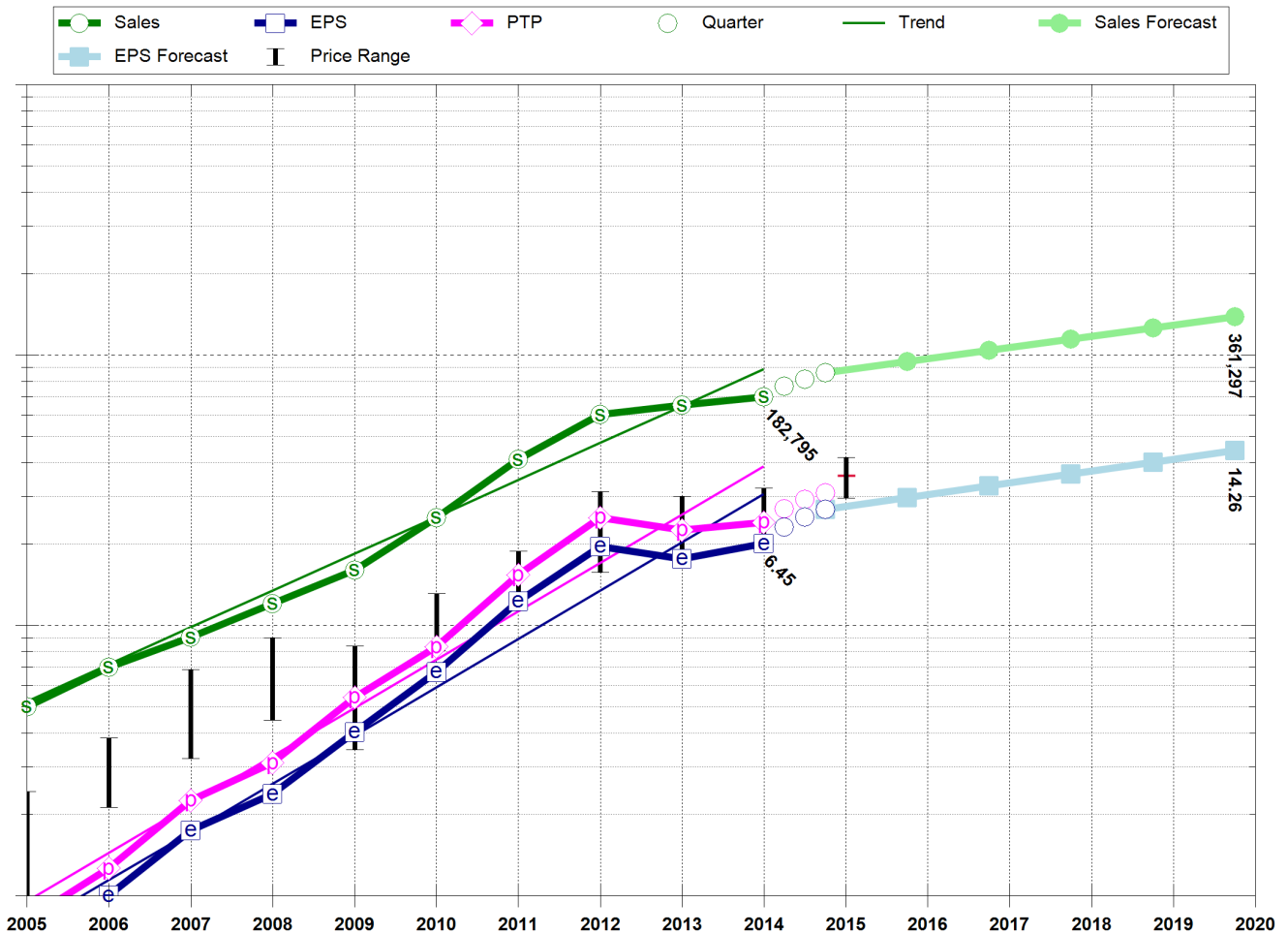
Company	Apple Inc			Date	8/19/2015		
Prepared by	CLEMENTS			Data taken from	BI Stock Data		
Where traded	NAS			Industry	Consumer Electronics		
Capitalization ---	Outstanding Amounts			Reference			
Preferred (\$M)	0.0	% Insiders			% Institution		
Diluted Shares (M)	5,773.1	0.2			62.0		
Debt (\$M)	54,418.0	% to Tot Cap	30.2	% Pot Dil	0.8		

# Stock Selection Guide

Symbol: AAPL

## 1 VISUAL ANALYSIS of Sales, Earnings, and Price

FY2015 Quarter Ending (06/15)	Sales (\$M)	Earnings Per Share
Latest Quarter	49,605.0	1.85
Year Ago Quarter	37,432.0	1.28
Percentage Change	32.5%	44.5%



- |                                   |       |  |       |
|-----------------------------------|-------|--|-------|
| (1) Historical Sales Growth       | 36.9% | (3) Historical Earnings Per Share Growth       | 50.9% |
| (2) Estimated Future Sales Growth | 10.0% | (4) Estimated Future Earnings Per Share Growth | 10.5% |

## 2 EVALUATING Management

Apple Inc

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Last 5 Year Avg.
Pre-tax Profit on Sales	13.0%	14.6%	20.9%	21.2%	28.1%	28.4%	31.6%	35.6%	29.3%	29.3%	30.9%
% Earned on Equity	17.4%	20.8%	25.6%	22.6%	25.8%	29.0%	33.6%	37.1%	29.0%	31.3%	32.0%
% Debt To Capital	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.1%	24.0%	7.2%

## 3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

PRESENT PRICE 115.0

HIGH THIS YEAR 134.54

LOW THIS YEAR 95.18

	A	B	C	D	E	F	G	H	
Year	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield	
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100	
1 2010	42.1	25.9	2.17	19.4	12.0	0.00	0.0	0.0	
2 2011	60.4	39.7	3.95	15.3	10.0	0.00	0.0	0.0	
3 2012	100.7	50.6	6.31	16.0	8.0	0.38	6.0	0.7	
4 2013	96.3	55.0	5.68	17.0	9.7	1.63	28.7	3.0	
5 2014	103.7	68.3	6.45	16.1	10.6	1.81	28.1	2.7	
AVERAGE		47.9		16.7	10.1		20.9		
CURRENT/TTM			8.66			2.08	24.0		
AVERAGE PRICE EARNINGS RATIO 13.4					CURRENT PRICE EARNINGS RATIO 13.3				

## 4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

### A HIGH PRICE - NEXT 5 YEARS

Avg. High P/E 17.00 X Estimate High Earnings/Share 14.26 = Forecasted High Price \$ 242.4

### B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 10.10 X Estimate Low Earnings/Share 6.45 = Forecasted Low Price \$ 65.1

(b) Avg. Low Price of Last 5 Years 47.9

(c) Recent Market Low Price 55.01

(d) Price Dividend Will Support  $\frac{\text{Present Dividend}}{\text{High Yield}} = \frac{2.080}{2.70\%} = 77.0$

Selected Forecasted Low Price \$ 47.9

### C ZONING using 25%-50%-25%

Forecasted High Price 242.4 Minus Forecasted Low Price 47.9 = 194.5 Range. 25% of Range 48.6

Buy Zone 47.9 to 96.5

Hold Zone 96.5 to 193.8

Sell Zone 193.8 to 242.4

Present Market Price of 115.01 is in the **Hold** Zone

### D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price} - \text{Low Price}} = \frac{242.4 - 115.01}{115.01 - 47.9} = \frac{127.41}{67.10} = 1.9$  To 1

### E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$\frac{\text{High Price} - \text{Present Market Price}}{\text{Present Market Price}} = \frac{242.4 - 115.01}{115.01} = 2.11$  X 100 = 210.78 - 100 = 110.8 % Appreciation

## 5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A  $\frac{\text{Present Full Year's Dividend \$}}{\text{Present Price of Stock}} = \frac{2.08}{115.01} = 0.02 = 1.8\%$  Present Yield

### B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{20.9\%}{17.00} = 1.2\%$

### AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \frac{20.9\%}{13.55} = 1.5\%$

### C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 16.1 %  
Average Yield 1.2 %  
Annualized Rate of Return 17.3 %

### COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation 10.9 %  
Average Yield 1.5 %  
Annualized Rate of Return 12.5 %