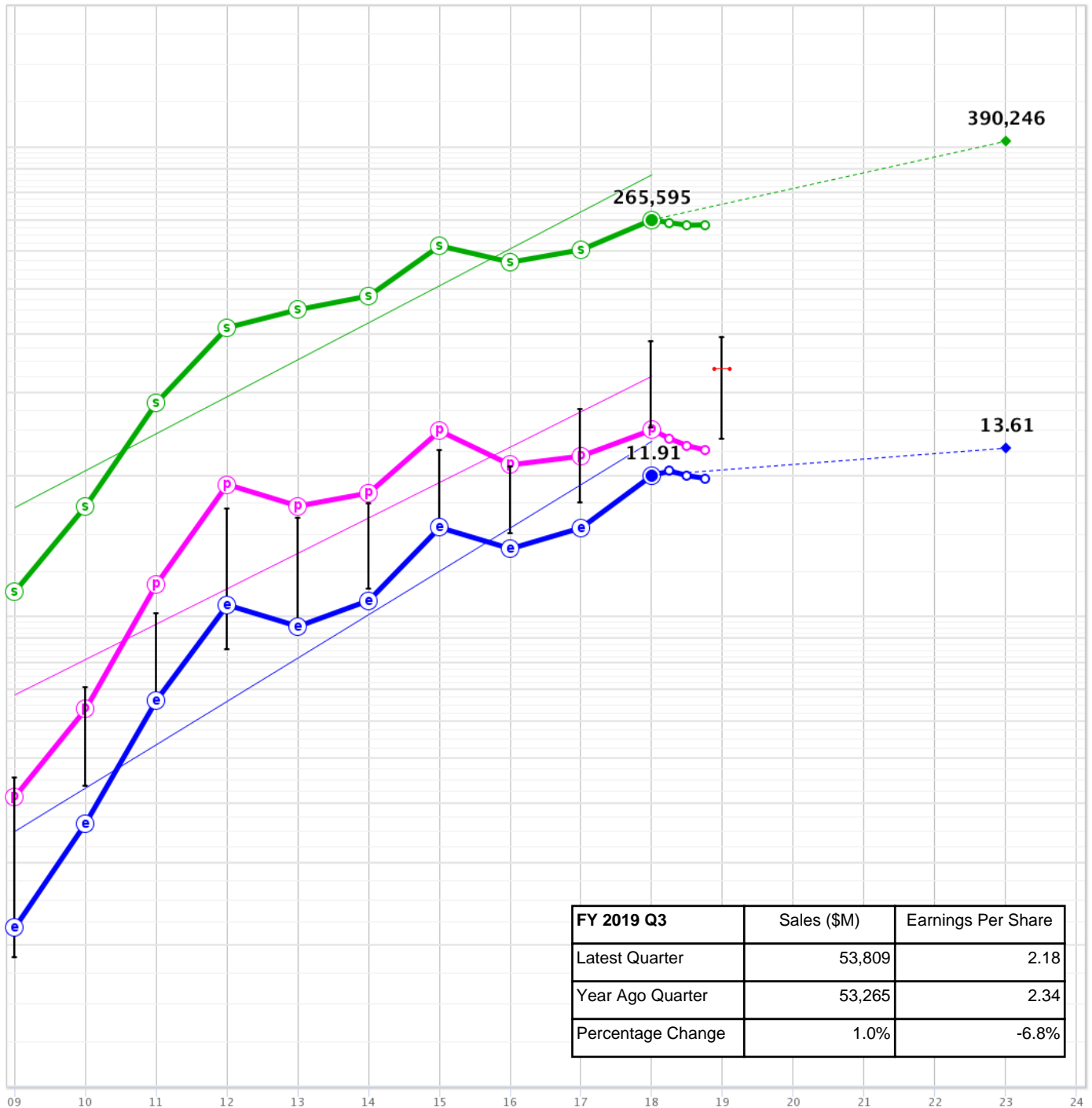


|  |           |              |                 |                      |     |
|--|-----------|--------------|-----------------|----------------------|-----|
| Company                                | Apple     |              | Date            | 08/09/19             |     |
| Prepared by                            | HERMAN    |              | Data taken from | BI Stock Data        |     |
| Where traded                           | NAS       |              | Industry        | Consumer Electronics |     |
| Capitalization --- Outstanding Amounts | Reference |              |                 |                      |     |
| Preferred (\$M)                        | 0.0       | % Insiders   | % Institution   |                      |     |
| Common (M Shares)                      | 4,601.4   | 0.2          | 78.9            |                      |     |
| Debt (\$M)                             | 108,418.0 | % to Tot Cap | 52.9            | % Pot Dil            | 0.7 |

# Stock Selection Guide

Symbol: AAPL

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



- |                                   |       |  |       |
|-----------------------------------|-------|--|-------|
| (1) Historical Sales Growth       | 19.9% | (3) Historical Earnings Per Share Growth       | 23.7% |
| (2) Estimated Future Sales Growth | 8.0%  | (4) Estimated Future Earnings Per Share Growth | 2.7%  |

## 2 EVALUATING Management

Apple

|                         | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | Last 5 Year Avg. |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------------------|
| Pre-tax Profit on Sales | 28.1% | 28.4% | 31.6% | 35.6% | 29.3% | 29.3% | 31.0% | 28.5% | 28.0% | 27.4% | 28.8%            |
| % Earned on Equity      | 25.8% | 29.0% | 33.6% | 37.1% | 29.0% | 31.3% | 40.9% | 35.0% | 35.7% | 49.3% | 38.4%            |
| % Debt To Capital       | 0.0%  | 0.0%  | 0.0%  | 0.0%  | 12.1% | 24.0% | 35.1% | 40.4% | 46.3% | 51.7% | 39.5%            |

## 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.

**CLOSING PRICE** 200.99 (08/09/19)

**HIGH THIS YEAR** 233.47

**LOW THIS YEAR** 142.00

|                                    | 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  |
| 2014                               | 103.7 | 68.3  | 6.45      | 16.1                               | 10.6      | 1.81      | 28.1        | 2.7          |
| 2015                               | 134.5 | 92.0  | 9.22      | 14.6                               | 10.0      | 1.98      | 21.5        | 2.2          |
| 2016                               | 123.8 | 89.5  | 8.31      | 14.9                               | 10.8      | 2.18      | 26.2        | 2.4          |
| 2017                               | 164.5 | 104.1 | 9.21      | 17.9                               | 11.3      | 2.40      | 26.1        | 2.3          |
| 2018                               | 229.7 | 150.2 | 11.91     | 19.3                               | 12.6      | 2.72      | 22.8        | 1.8          |
| AVERAGE                            |       | 100.8 |           | 16.5                               | 11.1      |           | 24.9        |              |
| CURRENT/TTM                        |       |       | 11.73     |                                    |           | 3.08      | 26.3        |              |
| AVERAGE PRICE EARNINGS RATIO: 13.8 |       |       |           | CURRENT PRICE EARNINGS RATIO: 17.1 |           |           |             |              |

## 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 16.5 X Estimate High Earnings/Share 13.61 = Forecasted High Price \$ 224.5

### B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 13.8 X Estimate Low Earnings/Share 11.73 = Forecasted Low Price \$ 161.9

(b) Avg. Low Price of Last 5 Years 100.8

(c) Recent Market Low Price 104.1

(d) Price Dividend Will Support  $\frac{\text{Indicated Dividend}}{\text{High Yield}} = \frac{3.08}{2.65\%} = 116.2$

Selected Forecasted Low Price \$ 161.9

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

Forecasted High Price 224.5 Minus Forecasted Low Price 161.9 = 62.6 Range. 25% of Range 15.7

Buy Zone 161.9 to 177.6

Hold Zone 177.6 to 208.9

Sell Zone 208.9 to 224.5

Present Market Price of 200.99 is in the **HOLD** Zone

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

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price} - \text{Low Price}} = \frac{224.5 - 200.99}{200.99 - 161.9} = \frac{23.53}{39.09} = 0.6$  To 1

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

$\frac{\text{High Price} - \text{Closing Price}}{\text{Closing Price}} = \frac{224.5 - 200.99}{200.99} = 1.1171$  X 100 = 111.71 - 100 = 11.7 % 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**  $\frac{\text{Indicated Annual Dividend}}{\text{Closing Price}} = \frac{2.72}{200.99} = 0.0153 = 1.5\%$  Current Yield

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

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{24.9\%}{16.50} = 1.5\%$

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

$\frac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \frac{24.9\%}{15.15} = 1.6\%$

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

Annualized Appreciation 2.2 %  
Average Yield 1.5 %  
Annualized Rate of Return 3.7 %

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

Annualized Appreciation 0.5 %  
Average Yield 1.6 %  
Annualized Rate of Return 2.2 %