

Apple Inc

S&P Recommendation BUY ★★★★★

Price
\$543.99 (as of Feb 14, 2014)

12-Mo. Target Price
\$590.00

Investment Style
Large-Cap Growth

UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE COMPANY NEWS SECTION

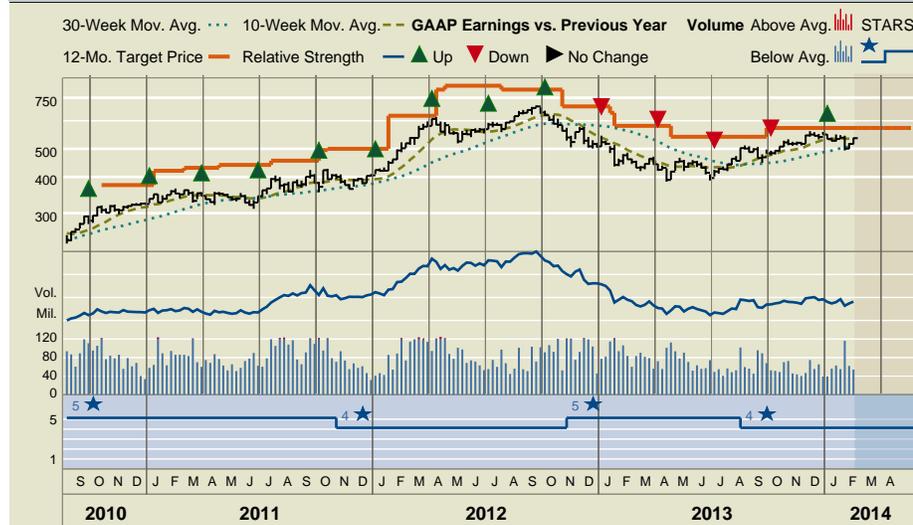
GICS Sector Information Technology
Sub-Industry Computer Hardware

Summary This company is a prominent provider of hardware including iPhone smartphones, iPad tablets, Mac computers, and iPod digital media players.

Key Stock Statistics (Source S&P, Vickers, company reports)

52-Wk Range	\$575.14– 385.10	S&P Oper. EPS 2014E	45.58	Market Capitalization(B)	\$489,449	Beta	0.90
Trailing 12-Month EPS	\$40.23	S&P Oper. EPS 2015E	49.30	Yield (%)	2.24	S&P 3-Yr. Proj. EPS CAGR(%)	11
Trailing 12-Month P/E	13.5	P/E on S&P Oper. EPS 2014E	11.9	Dividend Rate/Share	\$12.20		
\$10K Invested 5 Yrs Ago	\$57,079	Common Shares Outstg. (M)	899.7	Institutional Ownership (%)	59		

Price Performance



Qualitative Risk Assessment

LOW MEDIUM HIGH

Our risk assessment reflects our view of a seemingly ever-evolving market for consumer-oriented technology products, potential challenges associated with the company's growing size and offerings, and possible changes in the pace or success of product innovations following recent management changes.

Quantitative Evaluations

S&P Quality Ranking B+

D C B- B B+ A- A A+

Relative Strength Rank MODERATE

62
LOWEST = 1 HIGHEST = 99

Revenue/Earnings Data

Revenue (Million U.S. \$)	1Q	2Q	3Q	4Q	Year
2014	57,594	--	--	--	--
2013	54,512	43,603	35,323	37,472	170,910
2012	46,333	39,186	35,023	35,966	156,508
2011	26,741	24,667	28,571	28,270	108,249
2010	15,683	13,499	15,700	20,343	65,225
2009	11,880	9,084	9,734	12,207	42,905

Earnings Per Share (U.S. \$)

	2014	2013	2012	2011	2010	2009
14.50	E11.54	E9.43	E10.04	E45.58		
13.81	10.09	7.47	8.26	39.75		
13.87	12.30	9.32	8.67	44.15		
6.43	6.40	7.79	7.05	27.68		
3.67	3.33	3.51	4.64	15.15		
2.50	1.79	2.01	2.77	9.08		

Fiscal year ended Sep. 30. Next earnings report expected: NA. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
3.050	04/23	05/09	05/13	05/16/13
3.050	07/23	08/08	08/12	08/15/13
3.050	10/28	11/06	11/11	11/14/13
3.050	01/27	02/06	02/10	02/13/14

Dividends have been paid since 2012. Source: Company reports.

Analysis prepared by Equity Analyst **Scott Kessler** on Jan 28, 2014, when the stock traded at \$506.50.

Highlights

- FY 13 (Sep.) revenue growth was 9%, driven by a 16% gain in the iPhone segment and a 25% increase in the related iTunes, software and services segment. We project 7% revenue growth for FY 14, reflecting re-acceleration in iPad revenue growth and maturing gains related to the iPhone. We forecast 6% revenue growth for FY 15.
- The annual gross margin narrowed to 38% in FY 13, after substantial improvement in FY 12. We project this margin will gradually narrow through FY 16, despite increases in deferred software revenues, reflecting market saturation and competition. We believe iPhone and iPad margins will be aided by efficiency benefits, offsetting anticipated declines in average selling prices.
- Our EPS projections assume an effective tax rate of 26% and declines in the share count. In March 2012, AAPL announced a dividend and a share repurchase authorization. In April 2013, it announced a \$50 billion increase in the repurchase program and a 15% increase in the dividend. As of December 2013, AAPL had some \$159 billion in cash and investments.

Investment Rationale/Risk

- Considering AAPL's significant market position in key hardware and software areas, what we view as high customer satisfaction and switching costs, and a substantial cash position, we see the stock as an attractive value. Higher volumes, a focus on common components, and a greater emphasis on software and services should aid profitability, in our view. We believe the balance sheet will be increasingly employed for dividends and stock repurchases, and note an activist campaign launched by Carl Icahn.
- Risks to our recommendation and target price include weaker end-market demand, pricing pressures, competitive handset and tablet offerings gaining traction, carrier efforts to reduce or eliminate subsidy payments, and less success with product refreshes/innovations.
- Our 12-month target price of \$590 reflects comparisons with calendar year 2014 P/E and P/E-to-growth multiples of the S&P 500 Information Technology sector, accounting for AAPL's cash and investments. AAPL's P/E was recently 25% below that of the Technology sector.

Apple Inc

Business Summary January 28, 2014

CORPORATE OVERVIEW. Apple makes smartphones, tablet devices, computers, and portable digital media players, and sells a variety of related software, services, peripherals and networking solutions. In early 2013, AAPL reclassified its product-based operating categories with updated shipment and revenue data for FY 11 (Sep.) and FY 12. However, we continue to look at the company based on its major hardware product lines, which are iPhones, iPads, Mac computers, and iPods.

AAPL's iPhone directly accounted for more than half of FY 13 revenues, with over 150 million units sold. AAPL sold over 125 million iPhones in FY 11, contributing 50% of revenues. This was AAPL's fastest-growing segment over the past couple of years, and while we expect the rate of growth to slow as the business becomes larger and more mature, we still see substantial opportunities related to international, enterprise and education markets. We note the fall 2013 introductions of the iPhone 5s and the iPhone 5c.

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. In FY 11, AAPL sold over 32 million iPads, accounting for 18% of revenues. In FY 12, over 58 million iPads were sold, accounting for 20% of revenues. In FY 13, over 71 million iPads were sold, accounting for 19% of revenues. We believe the tablet form factor will become even more popular for the foreseeable future, but we see new entrants diluting AAPL's overall market share over time. Nonetheless, we expect AAPL to continue to dominate in the upper part of this fast-growing computing market, especially with the fall 2013 introductions of the iPad Air and iPad Mini Retina Display.

Sales of AAPL's computers, commonly known as Macs, made up 15% of revenues in FY 12 and 13% of revenues in FY 13. On a unit shipment basis, Macs had grown notably faster than what was been reported for the PC industry. Mac revenues advanced as greater unit shipments offset deteriorating blended average selling prices. However, we believe cannibalization has contributed to recent revenue and shipment declines.

The company's personal media players, iPods, made up around 4% of FY 12 sales and 3% of FY 13 sales. AAPL has indicated it believes it holds over three-quarters of the media player market, but considering that the company has a large majority of this mature category, we believe AAPL will likely continue to face declining unit shipments.

COMPETITIVE LANDSCAPE. The company 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 believe 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 helps differentiate its devices from other products, and is very important to future sales growth and pricing power. Furthermore, we view the iTunes 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.

FINANCIAL TRENDS. Although AAPL's sales are affected by broader macroeconomic conditions, we believe 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. Considering the maturity of the computer and portable media player markets, we expect unit shipments and average selling prices for Macs and iPods to decline. But with anticipated growth in the smartphone and tablet markets, and considering our view that AAPL will largely sustain notable share in these areas, we see increasing shipments of and revenues from iPhones and iPads over the next couple of years.

We believe iPhones and Mac offer margins above the level of the company as a whole, and this should support gross margins, as they make up a large percentage of total revenues. The company should benefit from operating leverage as sales increase faster than costs and expenses, supporting the upward trend of operating margins, which have widened from the single digits to over 30%.

AAPL has what we view as a very strong balance sheet, with some \$159 billion in cash and investments and \$17 billion in debt as of December 2013. AAPL boasts return metrics, such as return on equity (ROE), that are relatively high compared to other large/mega-cap hardware and software companies.

Corporate Information

Investor Contact
P. Oppenheimer (408-974-3123)

Office
1 Infinite Loop, Cupertino, CA 95014.

Telephone
408-996-1010.

Fax
408-996-0275.

Email
investor_relations@apple.com

Website
<http://www.apple.com>

Officers

Chrmn A.D. Levinson	SVP & CFO P. Oppenheimer
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CEO
T.D. Cook

COO
J.E. Williams

Board Members

W. V. Campbell	T. D. Cook
M. S. Drexler	A. A. Gore, Jr.
R. A. Iger	A. Jung
A. D. Levinson	R. D. Sugar

Domicile
California

Founded
1977

Employees
84,400

Stockholders
24,710

Apple Inc

Quantitative Evaluations

S&P Fair Value Rank	5+	1	2	3	4	5
		LOWEST				HIGHEST

Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation	\$729.10	Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that AAPL is Undervalued by \$185.11 or 34.0%.
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Investability Quotient Percentile	99	LOWEST = 1 HIGHEST = 100
		AAPL scored higher than 99% of all companies for which an S&P Report is available.

Volatility	LOW	AVERAGE	HIGH
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Technical Evaluation	BEARISH	Since January, 2014, the technical indicators for AAPL have been BEARISH.
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Insider Activity	UNFAVORABLE	NEUTRAL	FAVORABLE
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Expanded Ratio Analysis

	2013	2012	2011	2010
Price/Sales	3.06	3.21	3.50	4.57
Price/EBITDA	9.37	8.60	10.65	15.37
Price/Pretax Income	10.42	9.02	11.09	16.09
P/E Ratio	14.11	12.06	14.63	21.29
Avg. Diluted Shares Outstg (M)	931.7	945.4	936.6	924.7

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	9.20	38.52	43.71	40.47
Net Income	-11.25	40.38	56.45	68.13

Ratio Analysis (Annual Avg.)

	2013	2012	2011	2010
Net Margin (%)	21.67	24.09	22.59	18.03
% LT Debt to Capitalization	12.07	4.02	2.41	1.34
Return on Equity (%)	30.64	38.38	36.54	31.39

Company Financials Fiscal Year Ended Sep. 30

Per Share Data (U.S. \$)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tangible Book Value	131.00	120.16	77.68	50.99	34.66	23.04	16.27	11.47	8.83	6.36
Cash Flow	47.01	47.61	29.61	16.26	9.89	5.88	4.29	2.52	1.77	0.55
Earnings	39.75	44.15	27.68	15.15	9.08	5.36	3.93	2.27	1.56	0.36
S&P Core Earnings	39.75	44.02	27.60	15.15	9.08	5.36	3.93	2.27	1.47	0.22
Dividends	11.40	2.65	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Payout Ratio	29%	6%	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Prices:High	575.14	705.07	426.70	326.66	213.95	200.26	202.96	93.16	75.46	34.79
Prices:Low	385.10	409.00	310.50	190.25	78.20	79.14	81.90	50.16	31.30	10.59
P/E Ratio:High	14	16	15	22	24	37	52	41	48	98
P/E Ratio:Low	10	9	11	13	9	15	21	22	20	30

Income Statement Analysis (Million U.S. \$)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue	170,910	156,508	108,249	65,225	42,905	32,479	24,006	19,315	13,931	8,279
Operating Income	55,756	58,518	35,604	19,412	12,474	6,748	4,726	2,645	1,829	499
Depreciation	6,757	3,277	1,814	1,027	734	473	317	225	179	150
Interest Expense	136	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	3.00
Pretax Income	50,155	55,763	34,205	18,540	12,066	6,895	5,008	2,818	1,815	383
Effective Tax Rate	26.2%	25.2%	24.2%	24.4%	31.8%	29.9%	30.2%	29.4%	26.4%	27.9%
Net Income	37,037	41,733	25,922	14,013	8,235	4,834	3,496	1,989	1,335	276
S&P Core Earnings	37,037	41,614	25,851	14,013	8,235	4,834	3,496	1,989	1,259	164

Balance Sheet & Other Financial Data (Million U.S. \$)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Cash	40,590	29,129	25,952	25,620	23,464	24,490	9,352	6,392	3,491	2,969
Current Assets	73,286	57,653	44,988	41,678	31,555	34,690	21,956	14,509	10,300	7,055
Total Assets	207,000	176,064	116,371	75,183	47,501	39,572	25,347	17,205	11,551	8,050
Current Liabilities	43,658	38,542	27,970	20,722	11,506	14,092	9,299	6,471	3,484	2,680
Long Term Debt	16,960	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Common Equity	123,549	118,210	76,615	47,791	31,640	21,030	14,532	9,984	7,466	5,076
Total Capital	140,509	118,210	76,615	47,791	31,640	21,705	15,151	10,365	7,466	5,076
Capital Expenditures	8,165	8,295	4,260	2,005	1,144	1,091	735	657	260	176
Cash Flow	43,794	45,010	27,736	15,040	8,969	5,307	3,813	2,214	1,514	426
Current Ratio	1.7	1.5	1.6	2.0	2.7	2.5	2.4	2.2	3.0	2.6
% Long Term Debt of Capitalization	12.1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
% Net Income of Revenue	21.7	26.7	24.0	21.5	19.2	14.9	14.6	10.3	9.6	3.3
% Return on Assets	19.3	28.5	27.1	21.7	19.7	14.9	16.4	13.9	13.6	3.7
% Return on Equity	30.6	42.8	41.7	37.1	30.5	27.2	28.5	22.8	21.3	5.9

Sub-Industry Outlook

Our fundamental outlook for the S&P Computer Hardware sub-industry for the next 12 months is neutral. We think personal computer (PC) sales will be challenged going forward, hurt by cannibalization on lower priced tablet devices.

Personal computers represent a big part of the industry, and global PC unit shipments increased only about 4% in 2009, followed by growth of about 14% in 2010, as tracked by market research firm IDC. PC unit sales were just under 2% in 2011. However, shipments fell 3% in 2012 and witnessed an additional 10% decline for 2013. We forecast that shipments will decline 5% in 2014.

Since mid-2010, PC unit sales appear to have suffered from consumers substituting media tablets, which are smaller and less robust than traditional PCs and not generally counted as PCs, for laptop PCs. While this substitution effect may pressure PC sales, the computer hardware industry overall should benefit from the growth in tablets. Also, the growing popularity of robust mobile computing devices stimulates data traffic to be handled by servers, creating another spur to the industry.

Price competition and a long-term trend toward lower average selling prices for PCs should keep global PC industry revenue growth rates below the pace of unit sales. We think computer hardware vendors will continue their efforts to take costs out of their infrastructures as they strive for profitability despite price competition and rising component costs.

We see longer-term fundamentals in the computer hardware industry remaining attractive, albeit with lively price competition and pressure on margins. We think a global need for better computing and

communications, especially mobile communications, creates an appetite for a wide range of technology products.

We foresee growing demand for Internet-based computing solutions because they offer companies opportunities to reduce costs and improve customer service. Accordingly, servers and data-center computing hardware should benefit from rising demand. However, we also see price competition in servers. We think that hardware vendors have been seeking to offset the negative impact on profits by offering higher-margin services, software, and storage products.

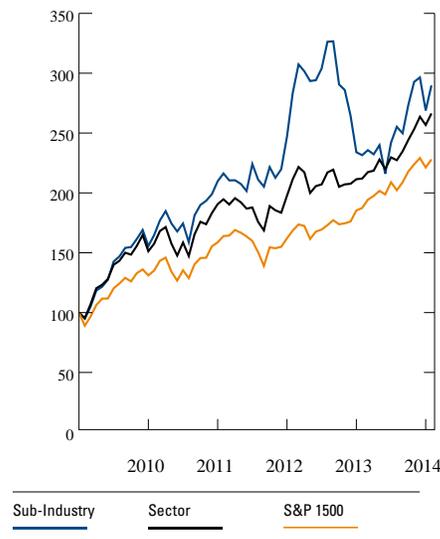
Year to date through February 7, the S&P Computer Hardware Index fell 6.6%, compared to a 2.8% decline for the S&P 1500 Index. In 2013, the S&P Computer Hardware Index rose 12.1%, versus a 30.1% increase in the S&P 1500.

--Angelo Zino, CFA

Stock Performance

GICS Sector: Information Technology
Sub-Industry: Computer Hardware

Based on S&P 1500 Indexes
Month-end Price Performance as of 1/31/14



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

Sub-Industry : Computer Hardware Peer Group*: Computer Hardware - Personal Computers

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Apple Inc	AAPL	489,448	543.99	575.14/385.10	0.90	2.2	14	729.10	B+	99	21.7	12.1
3D Systems	DDD	7,588	73.83	97.28/27.88	1.96	Nil	NM	37.90	B-	89	11.0	14.4
Avid Technology	AVID	266	6.87	8.93/5.20	1.34	Nil	NM	NA	C	9	NA	NA
Concurrent Computer	CCUR	80	8.60	8.95/5.87	1.07	5.6	15	NA	C	13	6.7	NA
Cray Inc	CRAY	1,602	41.66	41.83/16.20	1.56	Nil	NM	29.30	B-	72	38.3	NA
Diebold, Inc	DBD	2,355	37.00	37.27/27.59	0.99	3.1	NM	26.20	B-	80	2.7	42.2
Hewlett-Packard	HPQ	57,693	30.02	30.13/16.57	1.26	1.9	11	NA	B+	38	4.5	33.1
NCR Corp	NCR	5,688	34.18	41.63/25.64	1.41	Nil	13	NA	B-	27	2.4	58.2
Silicon Graphics International	SGI	402	12.58	20.98/11.46	2.15	Nil	NM	9.80	C	7	NM	NA
SteelCloud Inc	SCLD	2	0.11	0.25/0.06	2.09	Nil	NM	NA	C	13	NA	NA
Stratasys Ltd	SSYS	6,028	123.69	138.10/60.20	1.34	Nil	NM	73.40	NR	80	4.1	NA
Super Micro Computer	SMCI	883	21.71	23.54/9.20	1.68	Nil	26	NA	NR	63	1.8	1.7
Xplore Technologies	XPLR	51	6.11	7.40/3.05	0.84	Nil	NM	NA	NR	1	NM	NA

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

S&P Analyst Research Notes and other Company News

February 10, 2014

10:16 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF APPLE (AAPL 519.68****): Late last week, the WSJ cited CEO Tim Cook in an unconfirmed report indicating AAPL repurchased \$14 billion in stock after its earnings results on 1/27, wanting to be "aggressive" and "opportunistic." AAPL bought back \$10 billion in shares in the Sep-Q and Dec-Q combined. Also, per unconfirmed reports from the WSJ and NY Times, proxy advisory firm ISS recommended AAPL shareholders vote against a proposal from Carl Icahn for the repurchase of \$50 billion in stock in FY 14 (Sep.), indicating AAPL has been very focused on related actions over the past 2 years, and we agree. /S. Kessler

January 28, 2014

UP 0.00 to 550.50... AAPL posts \$14.50 vs. \$13.81 Q1 EPS on 6% revenue rise. Sees Q2 revenue between the range of \$42B-\$44B, vs. Capital IQ consensus forecast of \$45.411B. S&P Capital IQ raises estimates, reiterates buy.

January 28, 2014

11:27 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF APPLE (AAPL 511.93****): We maintain our 12-month target price of \$590. However, we are lowering our recently revised EPS estimates slightly to reflect a more conservative gross margin outlook. We are trimming our EPS forecasts for FY 14 (Sep.) to \$45.58 from \$45.78, FY 15's to \$49.30 from \$49.79, and FY 16's to \$53.70 from \$54.25. Despite stabilization and even recent sequential improvement in gross margins, and related performance in the Dec-Q that notably exceeded our forecast, we still see this metric trending lower over time to reflect factors including competition. /S. Kessler

January 28, 2014

08:39 am ET ... APPLE INC. (AAPL 550.50) UNCHANGED, APPLE (AAPL) POSTS Q1. OUTLOOK DISAPPOINTS. COWEN SAYS BUY ON DIP... Analyst Timothy Arcuri tells salesforce \$14.25 Q1 EPS beat his/Street ests, iPhone at 51M were below his/Street estimates, iPad units slightly above. Says Q2 guidance nearly spot in-line with his view (albeit below Street). Says, net/net, if ~10% aftermarket move, to him, represents a unique buying opportunity as ST investors playing in part for some capital return clear out ahead of H2 inflection. Maintains outperform, \$590 target. S.Trombino

January 27, 2014

05:59 pm ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF APPLE (AAPL 550.5****): Following Dec-Q results and Mar-Q guidance provided this afternoon, we are increasing our EPS estimates to \$45.78 from \$43.37 for FY 14 (Sep.) and \$49.79 from \$47.97 for FY 15. We are also setting a FY 16 forecast of \$54.25. AAPL posts Dec-Q EPS of \$14.50, vs. \$13.81, well above our forecast of \$13.80. Revenues rose 6% and were below our forecast, reflecting iPhone and iPad sales that were below our projections. However, gross margins were well above our estimate. We are maintaining our 12-month target price of \$590, based largely on higher IT sector valuations. /S. Kessler

January 27, 2014

09:47 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF APPLE (AAPL 546.07****): Late last week, Carl Icahn tweeted about increasing his stake in AAPL and issued a letter to shareholders describing why he has made the stock his firm's largest investment. He communicated his views about AAPL's attractive valuation, overcapitalization, and new category/product opportunities. Today, the Wall Street Journal has an unconfirmed report indicating AAPL is preparing to pursue a mobile payments service. Later today, AAPL is expected to report Dec-Q results, and we continue to see solid fundamentals, an appealing valuation, and a number of potential positive catalysts. /S. Kessler

January 6, 2014

02:01 pm ET ... APPLE INC. (AAPL 552.77) DOWN 8.25, WELLS FARGO CUTS APPLE (AAPL) TO MARKET PERFORM FROM OUTPERFORM... Analyst Maynard Um says his bullish thesis on AAPL had been predicated on expectation for gross margin (GM) expansion driven by 5s cycle. While he still has conviction in his bullish GM thesis, believes positives of potential NT "s" cycle GM improvements and new products are balanced against potential GM pressure later in the year, limited amount of incremental market cap opportunity in the existing product segments, and a potential balance of power shift back to wireless operators from handset vendors. Maintains \$536-\$581 valuation range. S.Trombino

January 2, 2014

DOWN 8.30 to 552.72... Wells Fargo downgrades AAPL to market perform from outperform.

January 2, 2014

02:01 pm ET ... APPLE INC. (AAPL 552.77) DOWN 8.25, WELLS FARGO CUTS APPLE (AAPL) TO MARKET PERFORM FROM OUTPERFORM... Analyst Maynard Um says his bullish thesis on AAPL had been predicated on expectation for gross margin (GM) expansion driven by 5s cycle. While he still has conviction in his bullish GM thesis, believes positives of potential NT "s" cycle GM improvements and new products are balanced against potential GM pressure later in the year, limited amount of incremental market cap opportunity in the existing product segments, and a potential balance of power shift back to wireless operators from handset vendors. Maintains \$536-\$581 valuation range. S.Trombino

December 30, 2013

08:02 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF APPLE (AAPL 560.09****): Late last week AAPL filed a preliminary proxy with the SEC, announcing its annual shareholder meeting was set for Feb 28. A proposal from Carl Icahn, for AAPL to commit to completing at least \$50B in share repurchases in FY 14 (Sep.) and increase the amount authorized accordingly, is included. AAPL recommends voting against the proposal, indicating it should make related decisions. In April 2013, AAPL announced a buyback program increase to \$60B, and in the 12 months through September it repurchased \$23B in stock. We see AAPL providing an update by April 2014. /S. Kessler

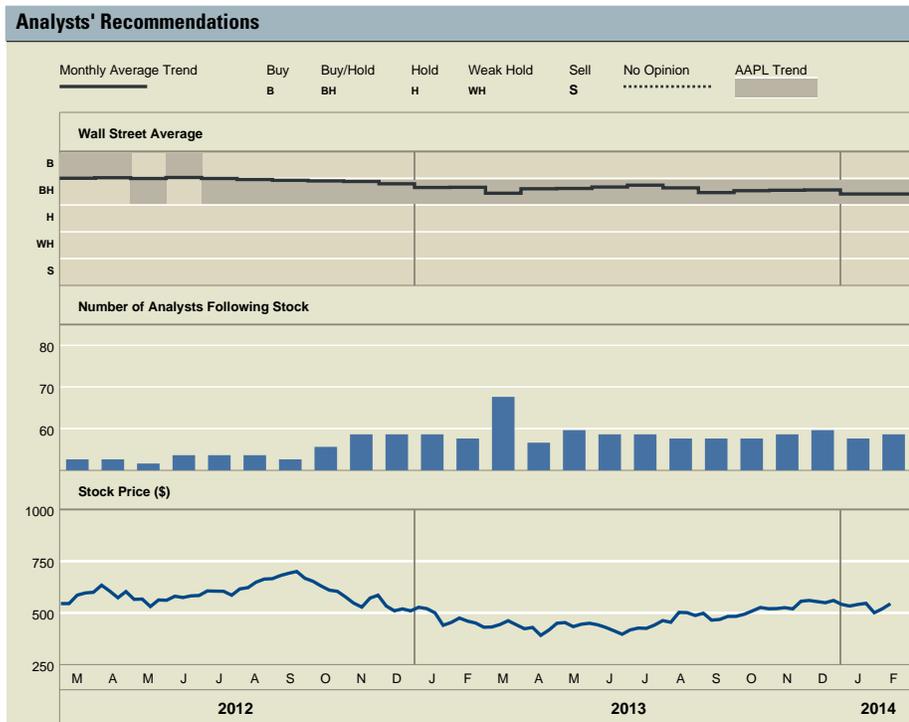
December 23, 2013

UP 0.00 to 549.02... AAPL, CHINA MOBILE announce they have entered into multi-year agreement to bring iPhone to world's largest mobile network. As part of deal, iPhone 5s and iPhone 5c will be available from CHL's expansive network of retail stores as well as AAPL retail stores across mainland China beginning on Jan. 17, '14.

December 23, 2013

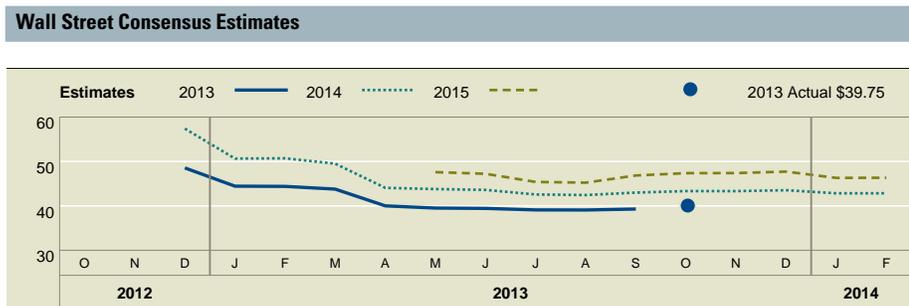
09:20 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF APPLE INC. (AAPL 549.02****): After considerable anticipation and an unconfirmed report from the Wall Street Journal, AAPL announces a multi-year agreement to provide the iPhone 5s and 5c via the network of China Mobile (CHL 52***), which has more than 760 million customers. iPhones will be available for pre-registration on 12/25, and via AAPL and CHL retail stores in China on 1/17. We think this is a significant positive for AAPL, as it looks to grow its base of users and revenues in China, which already was a very large and important market for the company. We see AAPL gaining share in China. /S. Kessler, /D. Cathers

Apple Inc



Of the total 86 companies following AAPL, 60 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	25	42	24	29
Buy/Hold	13	22	13	12
Hold	15	25	15	12
Weak Hold	1	2	1	1
Sell	4	7	4	4
No Opinion	2	3	2	3
Total	60	100	59	61



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2015	46.49	53.45	40.92	49	11.7
2014	42.96	47.04	41.00	52	12.7
2015 vs. 2014	▲ 8%	▲ 14%	▼ -0.2%	▼ -6%	▼ -8%
Q2'15	11.34	13.59	10.37	30	48.0
Q2'14	10.14	11.54	9.66	44	53.6
Q2'15 vs. Q2'14	▲ 12%	▲ 18%	▲ 7%	▼ -32%	▼ -10%

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Wall Street Consensus Opinion

BUY/HOLD

Companies Offering Coverage

- Over 30 firms follow this stock; not all firms are displayed.
- ABG Sundal Collier ASA
 - ACI Research
 - Accountability Research Corporation
 - Arete Research Services LLP
 - Argus Research Company
 - Atlantic Equities LLP
 - Auriga USA LLC
 - Avondale Partners, LLC
 - BMO Capital Markets, U.S. Equity Research
 - BNP Paribas
 - BTIG, LLC, Research Division
 - Barclays
 - Berenberg
 - BofA Merrill Lynch
 - Brigantine Advisors
 - CLSA
 - CLSA Americas LLC
 - Canaccord Genuity
 - Cantor Fitzgerald & Co.
 - Caris & Company
 - Citigroup Inc
 - Cleveland Research Company
 - Collins Stewart LLC
 - Cowen and Company, LLC
 - Creative Global Investments LLC
 - Credit Suisse
 - Cross Research LLC
 - Crowell, Weedon & Co.
 - Daiwa Capital Markets America Inc.
 - Daiwa Securities Co. Ltd.

Wall Street Consensus vs. Performance

For fiscal year 2014, analysts estimate that AAPL will earn \$42.96. For the 1st quarter of fiscal year 2014, AAPL announced earnings per share of \$14.50, representing 34% of the total annual estimate. For fiscal year 2015, analysts estimate that AAPL's earnings per share will grow by 8% to \$46.49.

Glossary

S&P Capital IQ STARS

Since January 1, 1987, 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, S&P Capital IQ Equity Research has ranked Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), S&P Capital IQ 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 (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of 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 Capital IQ Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ's earnings and dividend rankings for common stocks, which are designed to encapsulate 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 Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

S&P Capital IQ EPS Estimates

S&P Capital IQ 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, S&P Capital IQ EPS estimates reflect either forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. 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.

S&P Capital IQ Core Earnings

S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the S&P Capital IQ definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

S&P Capital IQ 12-Month Target Price

The S&P Capital IQ 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 S&P Capital IQ Fair Value.

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Abbreviations Used in S&P Capital IQ 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 and 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).

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Reflects an S&P Capital IQ 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 S&P Capital IQ Qualitative Risk Assessment is a relative ranking to the S&P 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 wide 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, with shares rising in price on an absolute basis.

★★★☆☆ 3-STARS (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★★☆☆ 2-STARS (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★★☆☆☆ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a wide 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 S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

Apple Inc

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STARS Stock Reports:

S&P Capital IQ Global STARS Distribution as of December 31, 2013

Ranking	North America	Europe	Asia	Global
Buy	36.4%	37.1%	34.4%	36.3%
Hold	54.1%	41.3%	59.2%	52.5%
Sell	9.5%	21.6%	6.4%	11.2%
Total	100%	100%	100%	100%

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