

Apple Inc

S&P Recommendation BUY ★★★★★

Price
\$520.01 (as of Nov 12, 2013)

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

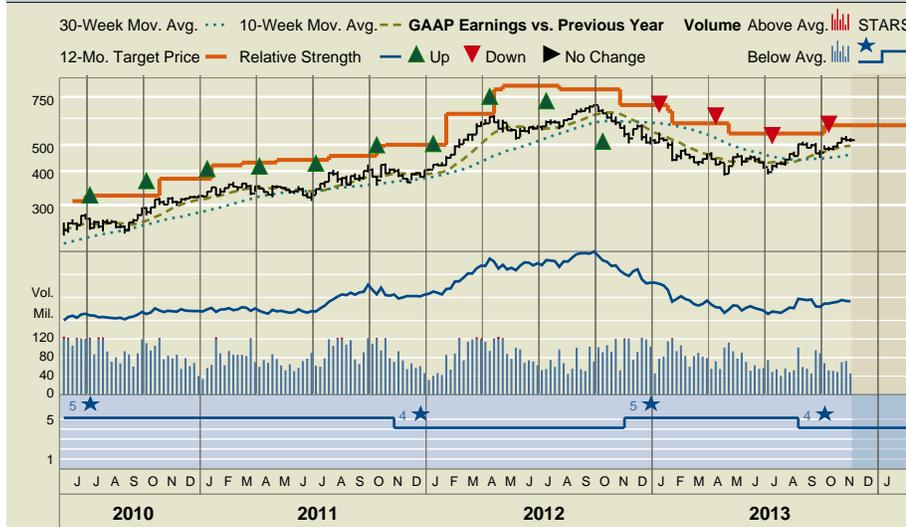
GICS Sector Information Technology
Sub-Industry Computer Hardware

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	\$594.59– 385.10	S&P Oper. EPS 2014E	43.37	Market Capitalization(B)	\$467.873	Beta	0.90
Trailing 12-Month EPS	\$39.75	S&P Oper. EPS 2015E	47.97	Yield (%)	2.35	S&P 3-Yr. Proj. EPS CAGR(%)	7
Trailing 12-Month P/E	13.1	P/E on S&P Oper. EPS 2014E	12.0	Dividend Rate/Share	\$12.20		
\$10K Invested 5 Yrs Ago	\$54,806	Common Shares Outstg. (M)	899.7	Institutional Ownership (%)	62		

Price Performance



Options: ASE, CBOE, P, Ph

Analysis prepared by Equity Analyst **Scott Kessler** on Oct 30, 2013, when the stock traded at **\$524.71**.

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 see Mac revenues declining due in part to cannibalization from tablets, including the iPad. We project 8% revenue growth for FY 14, reflecting re-acceleration in iPad revenue growth.
- The annual gross margin narrowed to 38% in FY 13, after substantial improvement in FY 12. We project this margin will remain relatively stable through FY 15, despite increases in deferred software revenues. 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 around 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 September 2013, the company had some \$147 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. Despite competitive threats, we see high single-digit revenue growth in FY 14 and FY 15. 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.
- 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 2013 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 around almost 20% below that of the Technology sector.

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 STRONG

77
LOWEST = 1 HIGHEST = 99

Revenue/Earnings Data

Revenue (Million U.S. \$)	1Q	2Q	3Q	4Q	Year
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
2008	9,608	7,512	7,464	7,895	32,479

Earnings Per Share (U.S. \$)

2013	13.81	10.09	7.47	8.26	39.75
2012	13.87	12.30	9.32	8.67	44.15
2011	6.43	6.40	7.79	7.05	27.68
2010	3.67	3.33	3.51	4.64	15.15
2009	2.50	1.79	2.01	2.77	9.08
2008	1.76	1.16	1.19	1.26	5.36

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
2.650	01/23	02/07	02/11	02/14/13
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

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

Apple Inc



Business Summary October 30, 2013

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 \$147 billion in cash and investments and no debt as of September 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
27,696

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	\$693.60	Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that AAPL is Undervalued by \$173.59 or 33.4%.
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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	BULLISH	Since October, 2013, the technical indicators for AAPL have been BULLISH.
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Insider Activity	UNFAVORABLE	NEUTRAL	FAVORABLE
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Expanded Ratio Analysis

	2013	2012	2011	2010
Price/Sales	2.83	3.21	3.50	4.57
Price/EBITDA	8.69	8.60	10.65	15.37
Price/Pretax Income	9.66	9.02	11.09	16.09
P/E Ratio	13.08	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	555.00	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, IDC estimates that shipments fell 3% in 2012. We forecast that shipments will decline 10% in 2013 and an additional 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.

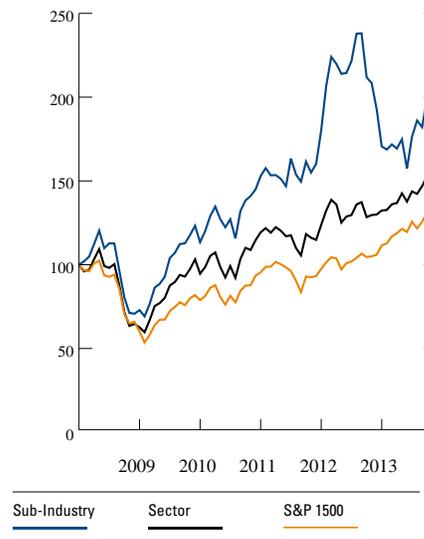
Year to date through October 4, the S&P Computer Hardware Index fell 4.3%, compared to a 19.2% gain for the S&P 1500 Index. In 2012, the S&P Computer Hardware Index rose 20.3%, versus a 13.7% increase in the S&P 1500.

--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 10/31/13



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	467,873	520.01	594.59/385.10	0.90	2.3	13	693.60	B+	99	21.7	12.1
3D Systems	DDD	8,011	77.94	78.10/24.35	1.96	Nil	NM	51.80	B-	89	11.0	14.4
Avid Technology	AVID	308	7.95	8.06/5.20	1.34	Nil	NM	NA	C	12	NA	NA
Concurrent Computer	CCUR	65	7.46	8.95/4.35	1.07	6.4	14	NA	C	8	6.7	NA
Cray Inc	CRAY	871	22.65	28.59/12.40	1.56	Nil	NM	NA	B-	65	38.3	NA
Diebold, Inc	DBD	1,940	30.47	35.40/27.59	0.99	3.8	NM	NA	B-	81	2.7	42.2
Hewlett-Packard	HPQ	50,390	26.22	27.78/11.35	1.26	2.2	NM	NA	B+	38	NM	42.5
NCR Corp	NCR	6,052	36.46	41.63/21.28	1.41	Nil	40	44.70	B-	28	2.4	58.2
Silicon Graphics International	SGI	389	12.19	20.98/7.31	2.15	Nil	NM	NA	C	13	NM	NA
SteelCloud Inc	SCLD	3	0.18	0.25/0.05	2.09	Nil	NM	NA	C	13	NA	NA
Stratasys Ltd	SSYS	4,850	124.27	128.75/59.68	1.34	Nil	NM	59.50	NR	80	4.1	NA
Super Micro Computer	SMCI	585	14.39	14.60/7.88	1.68	Nil	22	NA	NR	73	1.8	1.7
Xplore Technologies	XPLR	37	4.36	5.50/3.05	0.84	Nil	NM	NA	NR	2	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

November 12, 2013

09:23 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF APPLE (AAPL 519.05****): AAPL has started to make the iPad Mini Retina Display available for purchase on its website. When new iPads were announced last month, AAPL indicated the iPad Air would be become available on November 1 and the iPad Mini Retina Display would be become available "later in November." Pricing for the iPad Mini Retina Display starts at \$399, compared with the standard iPad Mini at \$299. We believe the timing of the launch, more than two weeks before Thanksgiving, Black Friday, and Cyber Monday, will contribute to what we expect will be a strong holiday shopping season for AAPL. /S. Kessler

October 29, 2013

UP 0.00 to 529.88... AAPL posts \$8.26 vs. \$8.67 Q4 EPS despite 4.2% sales rise. Capital IQ consensus forecast was \$7.96. Sees Q1 FY 14 revenue of \$55B-\$58B, gross margin of 36.5%-37.5%. S&P Capital IQ reiterates buy...

October 29, 2013

08:59 am ET ... APPLE INC. (AAPL 529.88) UNCHANGED, APPLE (AAPL) Q4 BEATS ESTIMATES. BAIRD UPGRADES TO OUTPERFORM FROM NEUTRAL... Analyst William Power tells salesforce AAPL reported Q4 EPS/revenue above his estimates/consensus. Says with better than expected results now behind us, expects the focus to turn to 2014, which he believes hold more promise. Potential catalysts include a bigger screen iPhone, Apple TV, possible wearable devices and a likely China Mobile launch. Also, believes gross margins should hold steady in 2014. Raises \$43.70 CY 14 EPS estimate to \$44.44. Raises \$525 target to \$620, 14x new CY 14 EPS est. S.Trombino

October 29, 2013

08:46 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF APPLE (AAPL 529.88****): We see momentum for iPhones heading into the key holiday season, with units sold up 26% in the Sep-Q, after the iPhone 5s and 5c became available on Sep 20. We are also optimistic about iPads, with the iPad Air set to become available next week, and the iPad Mini Retina Display likely coming before Thanksgiving. We also note the gross margin was, and will be, affected by significant new software-related revenue deferrals, and this was impactful for iPhones and iPads in the Sep-Q. AAPL also repurchased \$4.9 billion in stock in the Sep-Q, and had \$147 billion in cash/investments. /S. Kessler

October 28, 2013

06:02 pm ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF APPLE (AAPL 529.876****): Following Sep-Q results and Dec-Q guidance, we raise our EPS estimates for FY 14 (Sep.) to \$43.37 from \$41.35, and FY 15's to \$47.97 from \$46.11. AAPL reports Sep-Q EPS of \$8.26, vs. \$8.67, above our estimates of \$7.80. Revenues rose 4%, higher than our forecast, reflecting notably higher iPad and iPhone revenues than we projected. We see new products aiding Dec-Q revenue growth, as the holiday shopping season approaches. We also believe gross margins will remain largely stable. Additionally, we see AAPL continuing to repurchase stock, and its indicated yield is 2.3%. /S. Kessler

October 24, 2013

12:25 pm ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF APPLE (AAPL 531.14****): Carl Icahn releases a letter to CEO Tim Cook, indicating his firm has increased its stake by 22% over the past few weeks, and requesting AAPL "more aggressively buy buy stock by immediately announcing a \$150 billion tender offer" (financed with at least some new debt). In a live interview on CNBC, Icahn states he thinks Cook is doing a "great job", but that the board needs change. Icahn also indicates he would consider assessing the interest in and potential for a proxy fight. We continue to see AAPL as undervalued, and note the company is set to report Sep-Q results on Monday. /S. Kessler

October 24, 2013

12:25 pm ET ... RETRANSMIT - S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF APPLE (AAPL 531.14****): Carl Icahn releases a letter to CEO Tim Cook, indicating his firm has increased its stake by 22% over the past few weeks, and requesting AAPL "more aggressively buy back stock by immediately announcing a \$150 billion tender offer" (financed with at least some new debt). In a live interview on CNBC, Icahn states he thinks Cook is doing a "great job", but that the board needs change. Icahn also indicates he would consider assessing the interest in and potential for a proxy fight. We continue to see AAPL as undervalued, and note the company is set to report Sep-Q results on Monday. /S.

Kessler

October 22, 2013

02:46 pm ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF APPLE (AAPL 517.64****): AAPL announces new iPads. The iPad Air has a smaller bezel (and thus more usable screen area), is thinner, and is lighter than the prior version. The iPad Mini Retina Display has an improved display compared with the iPad Mini. Both new products run on AAPL's new A7 chip with 64-bit architecture, and offer up to 10 hours of battery life and improved Wi-Fi performance. The iPad Air will become available Nov 1, while the new iPad Mini is "coming later in November." Based on a comment from the keynote, we think AAPL sold around 15 million iPads in the Sep-Q, sequentially flat. /S. Kessler

October 15, 2013

09:34 am ET ... S&P REITERATES BUY OPINION ON SHARES OF APPLE (AAPL 496.04****): AAPL announces that Angela Ahrendts, current CEO of Burberry, will be joining AAPL as SVP of Retail and Online Stores. Ahrendts is set to start with AAPL in the spring of 2014. While AAPL indicates this is a new role, the company has basically been trying to find a person to lead its retail operations since Ron Johnson left to become CEO of J.C. Penny about two years ago (John Browett was in place for about half a year in 2012). We think this news is positive for AAPL, as it focuses on growing and improving its key retail operations on a global basis. /S. Kessler

October 15, 2013

Apple announced that Angela Ahrendts, CEO of Burberry, will be joining Apple in a newly created position, as a senior vice president and member of the executive team, reporting to CEO Tim Cook. Ahrendts will have oversight of the strategic direction, expansion and operation of both Apple retail and online stores, which have redefined the shopping experience for hundreds of millions of customers around the world. Ahrendts will join Apple in the spring from Burberry, where she serves as CEO and has led the company through a period of outstanding global growth.

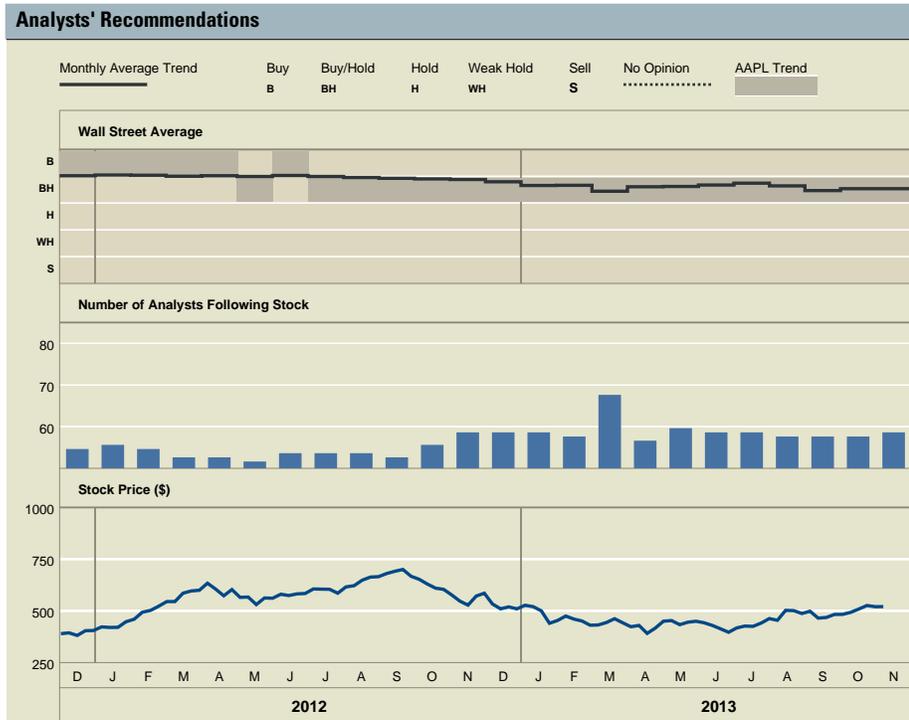
October 7, 2013

UP 7.89 to 490.92... Jefferies upgrades AAPL to buy from hold. AAPL unavailable. ...

October 7, 2013

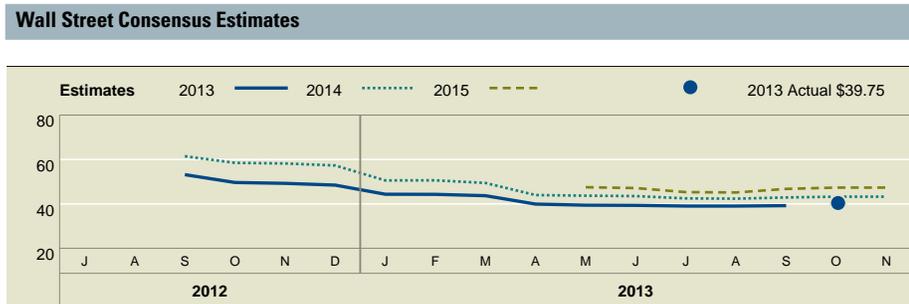
02:05 pm ET ... APPLE INC. (AAPL 491.51) UP 8.48, JEFFERIES UPGRADES APPLE (AAPL) TO BUY FROM HOLD, TARGET TO \$600 FROM \$425... Analyst Peter Misek tells salesforce he spent last week in Asia meeting with AAPL's suppliers who indicated a substantial shift in attitudes toward AAPL. Despite still seeing risk to Q4 and FY 13 revenue, he now believes better gross margins will allow co. to skate by until iPhone 6 launches with its 4.8" screen. Estimates ~50% of smartphone shipments have >4" screens and that iPhone 6 will catalyze a large upgrade cycle. S.Trombino

Apple Inc



Of the total 85 companies following AAPL, 61 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	29	48	28	29
Buy/Hold	12	20	12	13
Hold	12	20	12	12
Weak Hold	1	2	1	0
Sell	4	7	4	3
No Opinion	3	5	3	1
Total	61	100	60	58



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2015	47.57	56.20	36.20	42	10.9
2014	43.47	47.17	40.15	51	12.0
2015 vs. 2014	▲ 9%	▲ 19%	▼ -10%	▼ -18%	▼ -9%
Q1'15	15.69	17.80	14.29	23	33.1
Q1'14	13.98	14.75	13.49	43	37.2
Q1'15 vs. Q1'14	▲ 12%	▲ 21%	▲ 6%	▼ -47%	▼ -11%

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
 - 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.
 - Day By Day

Wall Street Consensus vs. Performance

For fiscal year 2014, analysts estimate that AAPL will earn \$43.47. For fiscal year 2015, analysts estimate that AAPL's earnings per share will grow by 9% to \$47.57.

Glossary

S&P 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 used STARS® methodology to rank Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), S&P 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 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 Fair Value.

Investment Style Classification

Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

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 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.

Qualitative Risk Assessment

The 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 Qualitative Risk Assessment is a relative ranking to the S&P Capital IQ 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.

Quantitative Evaluations

In contrast to our qualitative STARS recommendations, which are assigned by S&P Capital IQ analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P Capital IQ analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking (also known as S&P 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	C Lower
A- Above Average	D Lowest
B+ Average	NR In Reorganization
B Below Average	

S&P Fair Value Rank

Using S&P Capital IQ's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation

The price at which a stock should trade at, according to S&P Capital IQ's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Funds From Operations FFO

FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Investability Quotient (IQ)

The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P Capital IQ proprietary measures.

S&P's IQ Rationale

Apple Inc

	Raw Score	Max Value
Proprietary S&P Measures	41	115
Technical Indicators	23	40
Liquidity/Volatility Measures	20	20
Quantitative Measures	68	75
IQ Total	152	250

Volatility

Rates the volatility of the stock's price over the past year.

Technical Evaluation

In researching the past market history of prices and trading volume for each company, S&P Capital IQ's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank

Apple Inc

Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P Capital IQ's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)

An industry classification standard, developed by S&P Capital IQ in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

S&P Issuer Credit Rating

A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type

ASE - American Stock Exchange; AU - Australia Stock Exchange; BB - Bulletin Board; NGM - Nasdaq Global Market; NNM - Nasdaq Global Select Market; NSC - Nasdaq Capital Market; NYS - New York Stock Exchange; OTN - Other OTC (Over the Counter); OTC - Over the Counter; QB - OTCQB; QX - OTCQX; TS - Toronto Stock Exchange; TXV - TSX Venture Exchange; NEX - NEX Exchange.

S&P Capital IQ Equity Research

S&P Capital IQ Equity Research U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes McGraw-Hill Financial Research Europe Limited trading as Standard & Poor's; Standard & Poor's Equity Research Services Asia includes McGraw-Hill Financial Singapore Pte. Limited's offices in Singapore, Standard & Poor's Investment Advisory Services (HK) Limited in Hong Kong, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

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).

Apple Inc

Required Disclosures

In contrast to the qualitative STARS recommendations covered in this report, which are determined and assigned by S&P Capital IQ equity analysts, S&P Capital IQ ranks stocks in accordance with three other ranking methodologies: (a) S&P's Capital IQ's quantitative evaluations are derived from S&P Capital IQ's proprietary Fair Value quantitative ranking model. The Fair Value Ranking methodology is a relative ranking methodology. As a quantitative model, Fair Value relies on history and consensus estimates and does not introduce an element of subjectivity. (b) Global Markets Intelligence uses two different quantitative methodologies to determine recommendations for the Trade Detector research report. One methodology is based on a target price model, while the other methodology is based on four separate quantitative strategies. The STARS, quantitative evaluations and Trade Detector methodologies reflect different criteria, assumptions and analytical methods and may have differing recommendations.

S&P Capital IQ Global STARS Distribution as of September 30, 2013

Ranking	North America	Europe	Asia	Global
Buy	36.5%	33.5%	32.3%	35.6%
Hold	54.2%	43.5%	59.5%	53.1%
Sell	9.3%	23.0%	8.2%	11.3%
Total	100%	100%	100%	100%

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 is not anticipated to show a gain.

1-STARS (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.

For All Regions:

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S&P Capital IQ Global Quantitative Model Recommendations Distribution as of September 30, 2013

Ranking	North America	Europe	Asia	Global
Buy	40.1%	36.5%	56.4%	46.8%
Hold	20.1%	23.4%	16.9%	19.4%
Sell	39.8%	40.1%	26.7%	33.8%
Total	100%	100%	100%	100%

Trade Detector Recommendations Distribution as of March 31, 2013

The Trade Detector research report was published after March 31, 2013. Ranking distributions will be provided as of June 30, 2013.

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Stephen Biggar (US) stephen.biggar@spcapitaliq.com
 Lorraine Tan (Asia Pacific) lorraine.tan@spcapitaliq.com
 Roger Hirst (Europe) roger.hirst@spcapitaliq.com

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Apple Inc

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