

APPLE INC. NDAQ:AAPL

RECENT PRICE **570.09** P/E RATIO **13.5** (Trailing: 14.3; Median: 25.0) RELATIVE P/E RATIO **0.73** DIV'D YLD **2.1%** VALUE LINE

TIMELINESS **3** Raised 11/8/13
 SAFETY **1** Raised 1/3/14
 TECHNICAL **4** Lowered 12/27/13
 BETA .95 (1.00 = Market)

High: 13.1, 12.5, 34.8, 75.5, 93.2, 203.0, 200.3, 214.0, 326.7, 426.7, 705.1, 575.1
 Low: 6.7, 6.4, 10.6, 31.3, 50.2, 81.9, 79.1, 78.2, 190.3, 310.5, 409.0, 385.1

LEGENDS
 — 13.0 x "Cash Flow" p sh
 ... Relative Price Strength
 2-for-1 split 6/00
 2-for-1 split 2/05
 Options: Yes
 Shaded areas indicate recessions

2016-18 PROJECTIONS
 Price Gain Ann'l Total
 High 1075 (+90%) 19%
 Low 880 (+55%) 13%

Insider Decisions
 F M A M J J A S O
 to Buy 0 0 0 0 0 0 0 0 0 0
 Options 0 0 0 0 0 2 0 0 0 0
 to Sell 0 0 1 0 2 3 3 1 2

Institutional Decisions
 102013 202013 302013
 to Buy 1135 1018 901
 to Sell 767 831 902
 Hlds(000) 572802 551727 539764

Percent shares traded: 90, 60, 30

% TOT. RETURN 11/13
 THIS STOCK VL ARITH. INDEX
 1 yr. -2.6 39.8
 3 yr. 84.8 61.6
 5 yr. 520.6 226.2

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
13.84	10.99	9.54	11.89	7.64	8.00	8.46	10.58	16.68	22.58	27.52	36.56	40.61	71.21	116.49	166.64	190.07	213.70	Sales per sh ^A	305.90
d.51	.73	.79	1.04	.03	.33	.26	.54	1.72	2.59	4.37	5.97	7.12	16.42	29.85	47.92	48.70	52.15	"Cash Flow" per sh	75.65
d.75	.49	.65	.85	d.14	.17	.10	.36	1.44	2.27	3.93	5.36	6.29	15.15	27.68	44.15	39.75	44.15	Earnings per sh ^B	65.00
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.10	.09	.07	.16	.33	.24	.22	.22	.31	.77	.84	1.23	1.27	2.19	4.58	8.83	9.10	9.70	Cap'l Spending per sh	10.60
2.05	2.76	4.59	6.00	5.59	5.70	5.76	6.48	8.94	11.67	16.66	23.67	30.93	52.18	82.45	125.86	137.40	152.25	Book Value per sh ^E	235.30
511.80	540.77	643.20	671.35	701.84	717.92	733.45	782.89	835.02	855.26	872.33	888.33	899.81	915.97	929.28	939.21	899.21	875.00	Common Shs Outst'g ^C	850.00
--	13.3	17.3	30.8	--	61.5	83.8	37.9	26.2	29.1	26.3	30.4	19.2	15.2	12.4	12.0	12.3	--	Avg Ann'l P/E Ratio	15.0
--	.69	.99	2.00	--	3.36	4.78	2.00	1.40	1.57	1.40	1.83	1.28	.97	.78	.75	.69	--	Relative P/E Ratio	1.00
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	.5%	2.3%	--	Avg Ann'l Div'd Yield	2.1%

CAPITAL STRUCTURE as of 9/28/13		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Total Debt	\$16960 mill. Due in 5 Yrs None	6207.0	8279.0	13931	19315	24006	32479	36537	65225	108249	156508	170910	187000	Sales (\$mill) ^A	260000																											
LT Debt	\$16960 mill. LT Interest \$850 mill. (12% of Cap'l)	2.2%	5.7%	13.1%	13.9%	19.7%	20.8%	22.9%	29.8%	32.9%	37.4%	32.6%	31.5%	Operating Margin	32.0%																											
Leases, Uncapitalized	Annual rentals \$610 mill.	113.0	150.0	179.0	225.0	317.0	473.0	703.0	1027.0	1814.0	3277.0	6757.0	7000	Depreciation (\$mill) ^D	9000																											
No Defined Benefit Pension Plan	Pfd Stock None	76.0	276.0	1254.0	1989.0	3496.0	4834.0	5704.0	14013	25922	41733	37037	38630	Net Profit (\$mill)	55300																											
Common Stock	899,738,000 shs. as of 10/18/13	26.2%	27.9%	30.9%	29.4%	30.2%	29.9%	28.6%	24.4%	24.2%	25.2%	26.2%	26.0%	Income Tax Rate	25.5%																											
Market Cap:	\$513 billion (Large Cap)	1.2%	3.3%	9.0%	10.3%	14.6%	14.9%	15.6%	21.5%	23.9%	26.7%	21.7%	20.7%	Net Profit Margin	21.3%																											
CURRENT POSITION (\$MILL.)	2011 2012 9/28/13	3530.0	4375.0	6816.0	8038.0	12657	20598	16983	20956	17018	19111	29628	35000	Working Cap'l (\$mill)	50000																											
Cash Assets	25952	29129	40546	5369	10930	13102	1764	12891	16803	17874	17874	17874	17874	Long-Term Debt (\$mill)	20000																											
Receivables	776	791	1764	12891	16803	17874	17874	17874	17874	17874	17874	17874	17874	Shr. Equity (\$mill) ^E	200000																											
Inventory (FIFO)	44988	57653	73286	44988	57653	73286	73286	73286	73286	73286	73286	73286	73286	Return on Total Cap'l	25.5%																											
Other	14632	21175	22367	14632	21175	22367	22367	22367	22367	22367	22367	22367	22367	Return on Shr. Equity	27.5%																											
Current Assets	14632	21175	22367	14632	21175	22367	22367	22367	22367	22367	22367	22367	22367	Retained to Com Eq	19.0%																											
Accts Payable	14632	21175	22367	14632	21175	22367	22367	22367	22367	22367	22367	22367	22367	All Div'ds to Net Prof	31%																											
Debt Due	14632	21175	22367	14632	21175	22367	22367	22367	22367	22367	22367	22367	22367																													
Other	14632	21175	22367	14632	21175	22367	22367	22367	22367	22367	22367	22367	22367																													
Current Liab.	27970	43652	43658	27970	43652	43658	43658	43658	43658	43658	43658	43658	43658																													

BUSINESS: Apple Inc. is one of the world's largest makers of PCs and peripheral and consumer products, such as the *iPod* digital music player, the *iPad* tablet, and the *iPhone* smartphone, for sale primarily to the business, creative, education, government, and consumer markets. It also sells operating systems, utilities, languages, developer tools, and database software. As of September 28, 2013, Apple operated a total of 416 retail outlets, including 254 stores in the U.S. and 162 in international markets. R&D: 2.6% of '13 revenues. Has about 80,300 full-time employees. Off/dir. own less than 1.0% of common; BlackRock, 5.2%; Fidelity, 5.5% (1/13 Proxy). CEO: Tim Cook. Inc.: CA. Address: 1 Infinite Loop, Cupertino, CA 95014. Telephone: 408-996-1010. Internet: www.apple.com.

Fiscal 2014 (began September 29th) should be a bounce-back year for Apple. Earnings declined 10% in fiscal 2013, to \$39.75 a share, due to gross margin pressures and a deceleration in core *iPhone* sales. (The *iPhone* franchise accounted for 53% of the top-line mix last year.) But profit growth probably resumed during the December interim, thanks to strong shipments of the new *iPhone 5S* and *iPad Air*. These high-end, high-margined mobile devices, launched in limited quantities because of component shortages, have benefited from improved supply in recent weeks, and strength from these products has offset sluggish global demand for the scaled-down *iPhone 5C*. Meanwhile, margins ought to stabilize in the coming quarters as newer products, also including updated *iMac* and *MacBook* lines, ramp into full production. And we see Apple making further inroads in developing markets, especially China, notwithstanding the still-stiff competition from Samsung and other competitors that use Google's *Android* operating system. **The company has inked a multiyear deal to offer the *iPhone* on China**

Mobile's 3G and 4G networks beginning in mid-January. This long-awaited agreement is an important positive for Apple, since China Mobile, with around 760 million customers, is the world's largest wireless carrier. In fact, the tie-up, notably coming on the heels of a major agreement with Japan's NTT Docomo, should go a long way toward helping the company gain ground in the fast-growing Chinese market, where its share is now only in the single digits. In calendar 2014 alone, we estimate that Apple could sell upwards of 20 million *iPhones* to China Mobile. This would likely add at least a few dollars to share net. All in all, given the new product momentum and the watershed China Mobile transaction, we currently envision share net rebounding 11% in fiscal 2014, to \$44.15. This could even prove to be conservative if Apple, as per the urging of activist investor Carl Icahn, gets more aggressive on the stock-buyback front. **This high-quality issue remains a relative bargain, and should provide investors with good risk-adjusted returns through the 2016-2018 period.**

Justin Hellman
 January 3, 2014

Fiscal Year Ends	Dec.	Mar.	Jun.	Sep.	Per	Full Fiscal Year
2010	15683	13499	15700	20343		65225
2011	26741	24667	28571	28270		108249
2012	46333	39186	35023	35966		156508
2013	54512	43603	35323	37472		170910
2014	58400	46000	39600	43000		187000

Fiscal Year Ends	Dec.	Mar.	Jun.	Sep.	Per	Full Fiscal Year
2010	3.67	3.33	3.51	4.64		15.15
2011	6.43	6.40	7.79	7.05		27.68
2012	13.87	12.30	9.32	8.67		44.15
2013	13.81	10.09	7.47	8.26		39.75
2014	14.25	10.75	8.90	10.25		44.15

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	--	--	--	--	--
2011	--	--	--	--	--
2012	--	--	2.65	2.65	5.30
2013	2.65	3.05	3.05	3.05	
2014					