

1st Qtr FY 2021 Quarterly report for Apple

Date: February 15, 2021

- *Percentage change in Sales from year ago quarter 21.4 %
- *Percentage change in Earnings per Share from year ago quarter (34.6) %
- *Is company meeting our target sales & earnings estimates? Yes. Better than most companies in corona virus era.
- *Pre-tax Profit on sales trend? (up, even, down) down
- *Return on equity trends? (up, even, down) up
- *Debt? (up, even, down) Up
- *Current PE is 36.7.
- *Where does it fall in my estimated High/low range of PE's? Higher
- *Average PE = 25.0 (Manifest) 17.7 (my SSG)
- *Club cost basis for this stock is \$12.30. Current price is \$135.37 (02/12/21)
(from latest valuation)
- *Current fair value: Morningstar: \$98.00@ Jan 28, 2021 CFRA (S&P): \$76.65 @ Feb 8, 2021 Value Line 5 yr price range: \$130-\$155 on Dec 25, 2020

Compound Annual Return with High P/E is 5.8% Using Forecast AVG P/E 0.4 %
Per Morningstar Analysts in Jan 27, 2021: Results beat expectations led by the iPhone segment (5G). Revenue grew 17% yoy to a record \$65.6b. FV raised from \$85 because of 5G and added work-and learn-from home.
Overvalued. CFRA: Overvalued by 43.95% or \$60.11. **VL:** continued growth, but defer new commitments.

What will drive future growth:

Per the Apple Earnings Transcript: Innovation, new products, led by Wearables, Home and Accessories, and Conversion to Apple processor from Intel; stock buyback; and continued growth in sales of services.

Per Morningstar Analysts: Artificial Intelligence, Personal Health Apps, More Workers at home, **Services**, will drive future growth (now 620 million paid subscribers). High Gross Margins (low 30's for products; mid 60's for services)

Additional comments: According to Manifest the PAR is only 3.8%, the lowest of any stock in our portfolio. However, stock appreciation will probably continue to grow, partially because of continued innovation (auto-drive cars, 5G growth, and customer loyalty. It is currently 13.3% of our portfolio. I suggest some of the position be sold to buy shares of companies with faster growth potential.

Recommend: Buy More _____, Hold X _____, Challenge with a better investment _____, Sell _____

Kathy Emmons