

## 2nd Qtr FY 2021 Quarterly report for Apple

Date: June 12, 2021

- \*Percentage change in Sales from year ago quarter 53.6 %
- \*Percentage change in Earnings per Share from year ago quarter 119.4 %
- \*Is company meeting our target sales & earnings estimates? Yes. Better than most peer 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 28.6.
- \*Where does it fall in my estimated High/low range of PE's? mid-range (High30.8/Low (12.6)
- \*Average PE = (Manifest) 21.3 (my SSG) 17.7
- \*Club cost basis for this stock is \$12.30. Current price is \$127.35 (06/11/21
- \*Current fair value: Morningstar: \$115.00 (29 April 2021) CFRA (S&P): \$74.75 (06/07/21 [overvalued by \$51.14] Value Line 5 yr price range: \$140-\$170 on (03/26/21)

Compound Annual Return with High P/E is 11.9% Using Forecast AVG P/E 4.8%

What will drive future growth:

Per Morningstar Analysts in April 29, 2021: Competitive advantage is packaging hardware, software, services, and third-party applications into sleek, intuitive, and appealing devices. 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.

Per the Apple Earnings Transcript: March results were an all-time high for 2<sup>nd</sup> Quarter. 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)

Per CFRA: "maintains **4-Star Buy** on shares of AAPL." "High customer retention . . . advancements in 5G, demand for wearables, and new services driving next-generation devices." 5G boosting demand, shorten replacement cycles, more features increased selling prices. Rising demand for tablets and PCs for individuals, businesses, and schools driven by working from home and more remote education. Wearable devices will increase with greater opportunities for wellness programs. Increased demand for data storage for longer term record retention, business continuity and disaster recovery efforts.

Additional comments: Manifest PAR is up to 7.9%, in the lower 3<sup>rd</sup> of 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