

# Apple Inc

Recommendation

**STRONG BUY** ★★★★★

Price

\$135.51 (as of Feb 15, 2017 4:00 PM ET)

12-Mo. Target Price

\$155.00

Report Currency

USD

Investment Style

Large-Cap Growth

Equity Analyst **A. Zino-CFA**

**GICS Sector** Information Technology

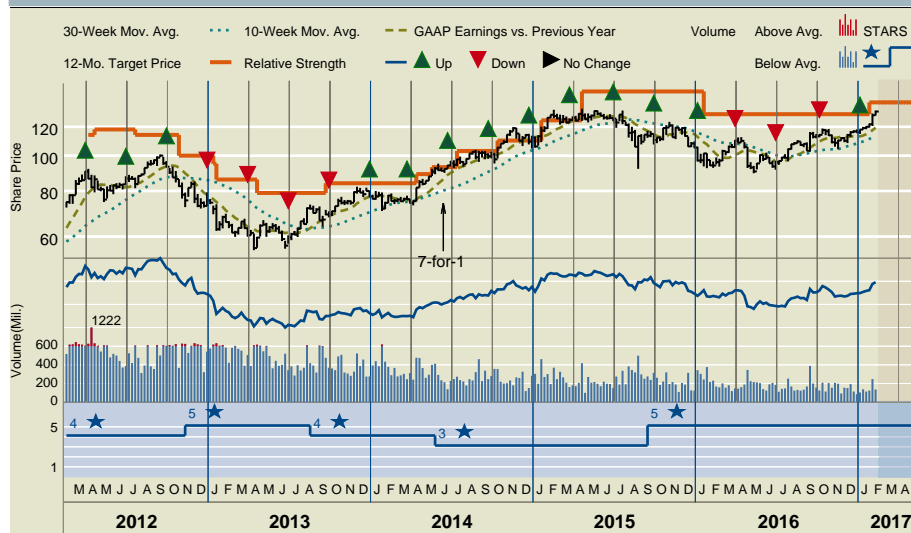
**Sub-Industry** Technology Hardware, Storage & Peripherals

**Summary** This company is a prominent provider of consumer computing devices, including the iPhone, iPad tablets, Mac computers, wearables, and iPod digital media players.

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

52-Wk Range	<b>\$136.27– 89.47</b>	S&P Oper. EPS 2017E	<b>8.91</b>	Market Capitalization(B)	<b>\$755.513</b>	Beta	<b>0.81</b>
Trailing 12-Month EPS	<b>\$8.33</b>	S&P Oper. EPS 2018E	<b>10.21</b>	Yield (%)	<b>1.68</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>6</b>
Trailing 12-Month P/E	<b>16.3</b>	P/E on S&P Oper. EPS 2017E	<b>15.2</b>	Dividend Rate/Share	<b>\$2.28</b>	S&P Quality Ranking	<b>B+</b>
\$10K Invested 5 Yrs Ago	<b>\$20,667</b>	Common Shares Outstg. (M)	<b>5,575.3</b>	Institutional Ownership (%)	<b>56</b>		

**Price Performance**



Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst **A. Zino-CFA** on Feb 15, 2017 10:33 AM, when the stock traded at **\$135.47**.

**Highlights**

- ▶ We project 5.4% revenue growth for FY 17 (Sep.) and 7.6% growth for FY 18, following a 7.7% decline in FY 16. Despite well-known near term softness ahead of the next generation iPhone launch, we still anticipate iPhone 7 demand to surpass the iPhone 6S cycle, aided by an aging/larger iPhone installed base and added features that will appeal to many consumers. We think AAPL is poised to benefit from an improvement in the iPhone replacement cycle during FY 18, with the potential for more favorable selling prices/margins. We expect services growth to remain robust given AAPL's growing installed base and potential to sell original content. We expect a Mac product refresh to improve results but remain wary of recent iPad declines.
- ▶ We see the annual gross margin at 38% to 39% through the end of FY 18, which compares to the 39% margin posted in FY 16. We see the potential for higher volume and better mix from the next generation (fall 2017) iPhone launch, as well as from robust services growth.
- ▶ We see greater contribution from services, as we note over 1 billion active installed base and a high customer retention rate.

**Investment Rationale/Risk**

- ▶ Our Strong Buy opinion primarily reflects AAPL's compelling valuation, superior ecosystem, high customer retention rates, and robust free cash flow generation/cash position. We note AAPL's significant market position in key areas, high customer satisfaction and switching costs. We see a growing installed base benefiting future product replacement cycles. We note net cash per share over \$31 and see the cash increasingly employed for dividends, stock repurchases and small bolt-on acquisitions. We would view AAPL as among the biggest beneficiaries from the possibility of foreign cash repatriation and/or lower tax rate by the new administration.
- ▶ 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 launches/innovations.
- ▶ Our 12-month target price of \$155 is based on a P/E of 15.2X our FY 18 EPS estimate or about 12.1X excluding net cash, above hardware peers, but below the S&P 500 Technology sector.

**Analyst's 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.

**Revenue/Earnings Data**

**Revenue (Million U.S. \$)**

	1Q	2Q	3Q	4Q	Year
2017	78,351	--	--	--	--
2016	75,872	50,557	42,358	46,852	215,639
2015	74,599	58,010	49,605	51,501	233,715
2014	57,594	45,646	37,432	42,123	182,795
2013	54,512	43,603	35,323	37,472	170,910
2012	46,333	39,186	35,023	35,966	156,508

**Earnings Per Share (U.S. \$)**

	2017	2016	2015	2014	2013	2012
3.36	E2.03	E1.61	E1.89	E8.91		
3.28	1.90	1.42	1.67	8.31		
3.06	2.33	1.85	1.96	9.22		
2.07	1.66	1.28	1.42	6.45		
1.97	1.44	1.07	1.18	5.68		
1.98	1.76	1.33	1.24	6.31		

Fiscal year ended Sep. 30. Next earnings report expected: Late April. EPS Estimates based on S&P Capital IQ Operating Earnings; historical GAAP earnings are as reported in Company reports.

**Dividend Data**

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.570	Apr 26	May 5	May 9	May 12 '16
0.570	Jul 26	Aug 4	Aug 8	Aug 11 '16
0.570	Oct 25	Nov 3	Nov 7	Nov 10 '16
0.570	Jan 31	Feb 9	Feb 13	Feb 16 '17

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

Past performance is not an indication of future performance and should not be relied upon as such.

**Business Summary** February 15, 2017

**CORPORATE OVERVIEW.** Apple makes smartphones, tablet devices, computers and portable digital media players, and sells a variety of related software, services, and accessories.

AAPL's iPhone directly accounted for 63% of FY 16 revenues, with over 211 million units sold. AAPL sold over 231 million iPhones in FY 15, contributing 66% of revenues. We note that FY 16 represented the first year-over-year decline ever for the iPhone. 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 2016 introductions of the next generation iPhone 7 and the iPhone 7 Plus devices.

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 16, about 46 million iPads were sold (10% of sales), but showed a decline from the 55 million units shipped (10% of sales) the previous fiscal year. We think the tablet form factor will remain popular as it launches next-generation devices, 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.

Sales of AAPL's computers, commonly known as Macs, made up 11% of revenues in FY 16 compared to 11% in FY 15. On a unit shipment basis, we expect Macs to perform better than the overall PC industry, which we think is in the midst of a secular decline.

Revenue from Services and other hardware products comprised for about 16% of sales in FY 16 versus 13% in FY 15. This includes revenue from the iTunes Store, the App Store, the Mac App Store, the iBooks Store, AppleCare, licensing and other services. It also includes sales of Apple TV, Apple Watch, Beats products, iPod and Apple-branded and third-party accessories. We note Services alone was 11% of FY 16 sales and grew an impressive 22%.

**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 think 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. Further, 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 think 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. However, 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 think iPhones and Mac products 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 over \$237 billion in cash and investments, and about \$75 billion in debt as of FY 16 end. AAPL boasts return metrics, such as return on equity, that are relatively high compared to other large/mega-cap hardware and software companies.

In March 2012, AAPL announced a dividend and a share repurchase plan. In April 2013, it announced a \$50 billion increase in the repurchase program and a 15% increase in the dividend. In April 2014, it announced a \$30 billion buyback and an 8% increase in the dividend. In April 2015, Apple announced a \$200 billion capital allocation strategy (\$140 billion share repurchases and 11% dividend increase).

In June 2014, a 7-for-1 stock split was implemented.

**Corporate Information**

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**CEO**  
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**SVP, Secy & General Counsel**  
D.B. Sewell

**COO**  
J.E. Williams

**Board Members**

J. A. Bell  
A. A. Gore, Jr.  
A. Jung  
R. D. Sugar

T. D. Cook  
R. A. Iger  
A. D. Levinson  
S. L. Wagner

**Domicile**  
California

**Founded**  
1977

**Employees**  
116,000

**Stockholders**  
25,924

# Apple Inc

S&P  
Capital IQ

## Quantitative Evaluations

<b>S&amp;P Capital IQ Fair Value Rank</b>	3+	1	2	3	4	5
		LOWEST				HIGHEST
		Based on S&P Capital IQ's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).				

**Fair Value Calculation** **\$136.10** Analysis of the stock's current worth, based on S&P Capital IQ's proprietary quantitative model suggests that AAPL is fairly valued

**Investability Quotient Percentile** **99**  
 LOWEST = 1 HIGHEST = 100  
 AAPL scored higher than 99% of all companies for which an S&P Capital IQ Report is available.

**Volatility** **LOW** **AVERAGE** **HIGH**

**Technical Evaluation** **BULLISH** Since December, 2016, the technical indicators for AAPL have been BULLISH.

**Insider Activity** **UNFAVORABLE** **NEUTRAL** **FAVORABLE**

## Expanded Ratio Analysis

	2016	2015	2014	2013
Price/Sales	2.95	2.61	3.70	3.06
Price/EBITDA	9.03	7.39	11.18	9.37
Price/Pretax Income	10.38	8.41	12.64	10.42
P/E Ratio	13.94	11.42	17.11	14.11
Avg. Diluted Shares Outstg (M)	5,500.3	5,793.1	6,122.7	6,521.6

Figures based on calendar year-end price

## Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	-7.73	9.89	14.42	30.62
Net Income	-14.43	9.76	10.95	36.37

## Ratio Analysis (Annual Avg.)

	2016	2015	2014	2013
Net Margin (%)	21.19	21.88	22.80	21.50
% LT Debt to Capitalization	36.41	29.18	19.92	11.07
Return on Equity (%)	36.90	38.92	38.05	36.30

## Company Financials Fiscal Year Ended Sep. 30

Per Share Data (U.S. \$)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Tangible Book Value	22.42	19.78	17.52	18.71	17.17	11.10	7.28	4.95	3.29	2.32
Cash Flow	10.22	11.16	7.75	6.72	6.80	4.23	2.32	1.41	0.84	0.61
Earnings	8.31	9.22	6.45	5.68	6.31	3.95	2.16	1.30	0.77	0.56
S&P Capital IQ Core Earnings	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Dividends	2.18	1.98	1.82	1.63	0.38	Nil	Nil	Nil	Nil	Nil
Payout Ratio	NA	21%	28%	29%	6%	Nil	Nil	Nil	Nil	Nil
Prices:High	118.69	134.54	119.75	82.16	100.72	60.96	46.67	30.56	28.61	28.99
Prices:Low	94.37	92.00	70.51	55.01	58.43	44.36	27.18	11.17	11.31	11.70
P/E Ratio:High	NA	15	19	14	16	15	22	24	37	52
P/E Ratio:Low	NA	10	11	10	9	11	13	9	15	21

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenue	215,639	233,715	182,795	170,910	156,508	108,249	65,225	42,905	32,479	24,006
Operating Income	70,529	82,487	60,449	55,756	58,518	35,604	19,412	12,474	6,748	4,726
Depreciation	10,505	11,257	7,946	6,757	3,277	1,814	1,027	734	473	317
Interest Expense	1,456	733	384	136	Nil	Nil	Nil	Nil	Nil	Nil
Pretax Income	61,372	72,515	53,483	50,155	55,763	34,205	18,540	12,066	6,895	5,008
Effective Tax Rate	25.6%	26.4%	26.1%	26.2%	25.2%	24.2%	24.4%	31.8%	29.9%	30.2%
Net Income	45,687	53,394	39,510	37,037	41,733	25,922	14,013	8,235	4,834	3,496
S&P Capital IQ Core Earnings	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Cash	67,883	41,995	25,158	40,590	29,129	25,952	25,620	23,464	24,490	9,352
Current Assets	106,869	89,378	68,531	73,286	57,653	44,988	41,678	31,555	34,690	21,956
Total Assets	321,686	290,479	231,839	207,000	176,064	116,371	75,183	47,501	39,572	25,347
Current Liabilities	79,006	80,610	63,448	43,658	38,542	27,970	20,722	11,506	14,092	9,299
Long Term Debt	75,427	53,463	28,987	16,960	Nil	Nil	Nil	Nil	Nil	Nil
Common Equity	128,249	119,355	111,547	123,549	118,210	76,615	47,791	31,640	21,030	14,532
Total Capital	207,176	175,318	140,534	140,509	118,210	76,615	47,791	31,640	21,705	15,151
Capital Expenditures	12,734	11,247	9,571	8,165	8,295	4,260	2,005	1,144	1,091	735
Cash Flow	56,192	64,651	47,456	43,794	45,010	27,736	15,040	8,969	5,307	3,813
Current Ratio	1.4	1.1	1.1	1.7	1.5	1.6	2.0	2.7	2.5	2.4
% Long Term Debt of Capitalization	36.4	30.5	20.6	12.1	Nil	Nil	Nil	Nil	Nil	Nil
% Net Income of Revenue	21.2	22.9	21.6	21.7	26.7	24.0	21.5	19.2	14.9	14.6
% Return on Assets	14.9	20.5	18.0	19.3	28.5	27.1	21.7	19.7	14.9	16.4
% Return on Equity	36.9	46.3	33.6	30.6	42.8	41.7	37.1	30.5	27.2	28.5

Data as originally reported in Company reports.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Sub-Industry Outlook

Our fundamental outlook for the S&P Technology Hardware, Storage & Peripherals sub-industry for the next 12 months is positive. S&P Capital IQ anticipates that revenue growth for the technology hardware, storage & peripherals industry will reaccelerate in 2017 after a projected decline in calendar year 2016. Slowing end-market demand for smartphones, uncertainty about growth in China, and tough year-over-year comparisons for industry bellwether Apple is driving the decline in 2016, in our view. Nonetheless, we expect growth to pick up in 2017, driven by new product introductions in the space and a still positive smartphone landscape. Consumers in Asia and emerging markets will likely see rising penetration for next-generation smartphones, while both Apple and Samsung will remain the key innovators of next-generation devices. We see smartphone shipments, the largest end-market for the hardware space, increasing 7% in 2017 following our outlook for a 3%-5% increase in 2016.

For the PC space, S&P Capital IQ forecasts a "less bad" scenario in 2017 and thereafter (shipments to be down 2% in 2017 following a projected decline of 10% in 2016), after a more than 25% decline in industry shipments from the peak in 2011, but we expect growth to remain elusive in the near term. Tablets, also in the midst of declining shipments since the end of 2014, are more inclined to see limited growth given the maturation of the market. We see tablet shipments falling 6% in 2016 but flat in 2017. We think the wearables space will see greater adoption and be a growth engine for the industry, as we envision growth of 40% in 2016 and 26% for 2017. We think 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 think demand for data storage will be driven by content digitization of old media such as paper and film, growing popularity of social networking websites, and longer record retention for compliance with government regulations. We think the storage software market will be driven by business continuity and disaster recovery efforts, compliance and risk management activities, and the increasing prevalence of data mining and related analytics. We see demand for traditional storage offerings declining in the foreseeable future while products related to all-flash arrays are seeing growing momentum within the data center space.

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.

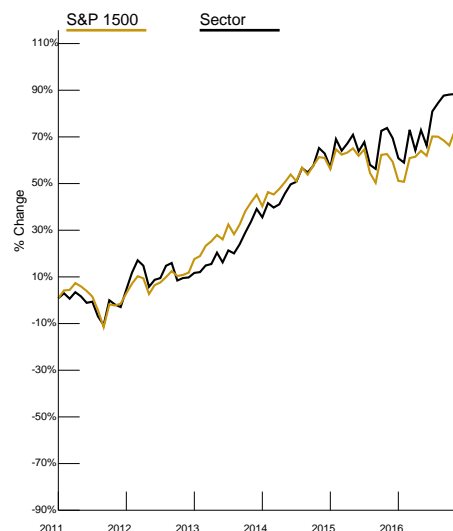
Year-to-date through January 6, 2017, the S&P 1500 Technology Hardware, Storage & Peripherals Index has risen 1.7% compared to an 1.6% increase for the S&P 1500. The S&P 1500 Technology Hardware, Storage & Peripherals Index increased 13.7% in 2016, while the S&P 1500 had risen 10.6%.

--Angelo Zino, CFA

Industry Performance

GICS Sector: Information Technology  
Sub-Industry: Technology Hardware, Storage & Peripherals

Based on S&P 1500 Indexes  
Five-Year market price performance through Feb 15, 2017



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

Past performance is not an indication of future performance and should not be relied upon as such.

Sub-Industry : Technology Hardware, Storage & Peripherals Peer Group\*: Based on market capitalizations within GICS Sub-Industry

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	755,513	135.51	136.27/89.47	0.81	1.7	16	136.10	B+	99	21.2	36.4
3D Systems	DDD	1,947	17.33	19.76/9.09	2.20	Nil	NM	12.10	C	12	NM	NA
Blackberry Ltd	BBRY	3,922	7.40	8.46/6.23	1.26	Nil	NM	NA	B	17	NA	28.5
Canon Inc ADS	CAJ	31,856	29.17	30.93/27.18	0.77	4.3	23	NA	NR	93	4.8	16.0
Diebold Nixdorf	DBD	2,250	29.95	30.60/21.05	1.29	1.3	NM	NA	B-	87	2.4	57.8
Electronics For Imaging	EFII	2,161	47.01	50.09/38.00	1.54	Nil	49	48.80	B	90	3.8	27.3
FUJIFILM Holdings*ADR	FUJIIY	17,125	38.61	43.05/34.69	0.77	1.2	16	44.10	NR	91	5.7	11.0
HP Inc	HPQ	28,634	15.98	16.41/9.95	1.50	3.3	11	NA	B	76	5.5	231.4
Hewlett Packard Enterprise	HPE	42,483	24.38	24.79/12.82	NA	1.1	13	NA	NR	74	6.3	26.9
Logitech Intl	LOGI	4,772	29.51	29.90/14.36	1.17	1.3	25	26.70	NR	70	6.4	NA
NCR Corp	NCR	7,695	46.16	46.95/21.57	1.17	Nil	27	NA	B-	51	NM	67.6
NetApp Inc	NTAP	11,873	38.93	39.90/22.50	1.43	2.0	35	50.00	B	76	4.1	34.1
Seagate Technology Plc	STX	14,213	48.15	48.53/18.42	2.65	5.2	28	47.20	NR	40	2.2	72.2
Western Digital	WDC	21,699	76.01	81.67/34.99	1.43	2.6	NM	86.60	B	69	1.9	54.3
Xerox Corp	XRX	8,308	7.47	11.39/6.46	1.69	4.1	13	NA	B	77	3.1	37.9

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.

## Analyst Research Notes and other Company News

**February 15, 2017**

08:07 am ET ... S&P CAPITAL IQ MAINTAINS STRONG BUY OPINION ON SHARES OF APPLE INC. (AAPL 135.02\*\*\*\*): We up our 12-month target by \$15 to \$155, on above peers P/E of 15.2X our FY 18 (Sep.) EPS view to reflect AAPL's net cash per share over \$31. Berkshire Hathaway more than tripled its stake in AAPL to \$6.6B in the Dec-Q, which we think could spark more interest from value investors. We see upside to FY 18 consensus views, as expectations for the September '17 iPhone launch appear conservative given a larger/aging installed base and new features (e.g. OLED, wireless charging, and augmented reality). We see robust services growth and tax reform/repatriation as potential catalysts. /A. Zino-CFA

**February 9, 2017**

Apple Inc. has appointed Timothy Twerdahl, the former head of Amazon.com Inc.'s Fire TV unit, as a vice president in charge of Apple TV product marketing and shifted the executive who previously held the job to a spot negotiating media content deals. Twerdahl joined Apple in February 2017. He had been general manager and director of Amazon's Fire TV business since 2013. At Apple, Twerdahl reports to Greg Joswiak, a vice president in charge of marketing for the iPhone. Twerdahl's hiring frees Pete Distad, who previously occupied the role, to help lead Apple's content deal efforts, headed by Eddy Cue, the person added. Distad joined Apple in 2013 after serving as a senior vice president of content distribution at video streaming service Hulu.

**February 1, 2017**

08:32 am ET ... S&P CAPITAL IQ MAINTAINS STRONG BUY OPINION ON SHARES OF APPLE INC. (AAPL 121.35\*\*\*\*): We reiterate our 12-month target at \$140, on a P/E of 13.7X our FY 18 (Sep.) EPS view, above peers to reflect AAPL's net cash per share over \$31. We trim our FY 17 EPS estimate to \$8.91 from \$9.05 and keep FY 18's at \$10.21. Despite largely expected near-term softness, we think AAPL should benefit from an improvement in the iPhone replacement cycle in FY 18, with the potential for higher selling prices/margins. We see robust services growth given a growing installed base and potential to sell content. We see foreign cash repatriation and a lower tax rate as possible catalysts. /A. Zino-CFA

**January 31, 2017**

05:21 pm ET ... S&P CAPITAL IQ MAINTAINS STRONG BUY OPINION ON SHARES OF APPLE INC. (AAPL 121.35\*\*\*\*): AAPL posts Dec-Q EPS of \$3.36 vs. \$3.28, beating the \$3.22 Capital IQ consensus. Sales rose 3.3%, better than expected, on higher iPhone sales (units and revenue up 5%). While we were disappointed by a 22% decline in iPad revenue, we were encouraged by higher Mac sales (up 7%) and services growth (up 18%). We believe AAPL benefited from robust demand for the higher priced iPhone 7 Plus, an extra week, and favorable competitive environment. We see softness ahead of a "fall 2017" iPhone device, but are encouraged by margin stabilization. We note cash of \$246B (net cash of \$169B). /A. Zino-CFA

**January 26, 2017**

08:15 am ET ... S&P CAPITAL IQ KEEPS BUY OPINION ON SHARES OF QUALCOMM INC. (QCOM 56.90\*\*\*\*): We reduce our 12-month target price to \$70 from \$80, on a near peer P/E of 14.7X our FY 18 (Sep.) EPS estimate. We adjust our FY 17 EPS estimate to \$4.59 from \$4.75 and FY 18 to \$4.76 from \$4.93. QCOM posts Dec-Q EPS of \$1.19 vs. \$0.97, beating the \$1.18 Capital IQ consensus. Sales rose 4.1% led by favorable trends in China and higher device sales. While we expect pricing declines to moderate, legal issues with Apple (AAPL 122\*\*\*\*) remains a major concern. We see the pending NXP Semiconductor (NXP 98\*\*\*\*) deal providing significant earnings leverage and revenue opportunities. /A. Zino-CFA

**January 24, 2017**

08:50 am ET ... S&P CAPITAL IQ MAINTAINS STRONG BUY OPINION ON SHARES OF APPLE INC. (AAPL 120.00\*\*\*\*): We raise our 12-month target by \$10 of \$140, on an above peers P/E of 13.7X our FY 18 (Sep.) EPS view, given AAPL's superior brand and net cash per share over \$29. We keep our EPS estimates for FY 17 at \$9.05 and FY 18 at \$10.21. Ahead of Dec-Q results set for January 31, we see AAPL aided by strong iPhone 7 Plus sales, the Apple Watch Series 2 launch, and an extra week. We see a potential "air pocket" in iPhone demand due to consumers awaiting a fall '17 iPhone release, but note favorable comps. We see robust services growth and improving Mac sales after a product refresh. /A. Zino-CFA

**January 23, 2017**

08:50 am ET ... S&P CAPITAL IQ MAINTAINS STRONG BUY OPINION ON SHARES

OF APPLE INC. (AAPL 120.00\*\*\*\*): We raise our 12-month target by \$10 of \$140, on an above peers P/E of 13.7X our FY 18 (Sep.) EPS view, given AAPL's superior brand and net cash per share over \$29. We keep our EPS estimates for FY 17 at \$9.05 and FY 18 at \$10.21. Ahead of Dec-Q results set for January 31, we see AAPL aided by strong iPhone 7 Plus sales, the Apple Watch Series 2 launch, and an extra week. We see a potential "air pocket" in iPhone demand due to consumers awaiting a fall '17 iPhone release, but note favorable comps. We see robust services growth and improving Mac sales after a product refresh. /A. Zino-CFA

**January 23, 2017**

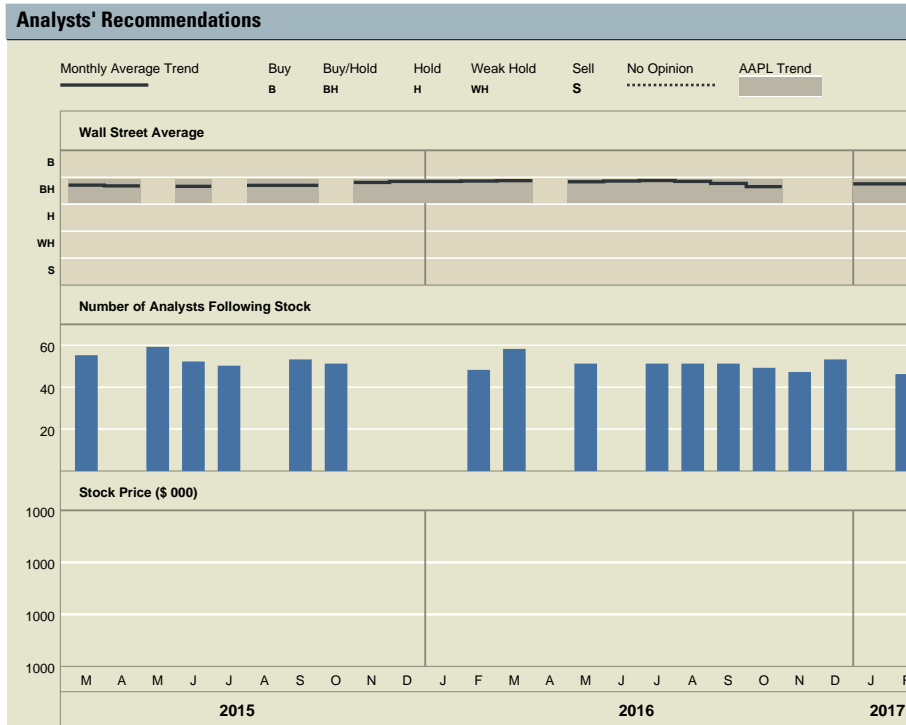
09:23 am ET ... S&P CAPITAL IQ KEEPS BUY OPINION ON SHARES OF QUALCOMM INC. (QCOM 62.88\*\*\*\*): On Friday, Apple (AAPL 120 \*\*\*\*) announced a lawsuit against QCOM, alleging QCOM used its commanding position as a maker of smartphone baseband chips to demand unfair terms for its technology. QCOM commented, stating that it sees the claims as "baseless" while believing AAPL has been actively encouraging regulatory attacks on QCOM's business globally (e.g. South Korea decision and FTC complaint). We think legal issues are a notable headwind and could result in downside pricing risks to patents. We note Intel (INTC 37 \*\*\*\*) as an increasing competitive threat on the mobile side. /A. Zino-CFA

**December 7, 2016**

09:15 am ET ... S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF SQUARE, INC. (SQ 13.27\*\*\*\*): At the Code Commerce conference yesterday, SQ's CEO Jack Dorsey and Apple's (AAPL 109 \*\*\*\*) executive responsible for Apple Pay announced a new partnership. People will be able to add Square Cash to their Apple Wallets, and we see benefits for both offerings and ecosystems. SQ's readers and point-of sale-stands already take Apple Pay, and we see the announcement as an expansion of a key strategic relationship. We wonder whether SQ will continue to work to expand Square Cash's reach and how important it is to the company's longer-term strategy and plans. /S. Kessler

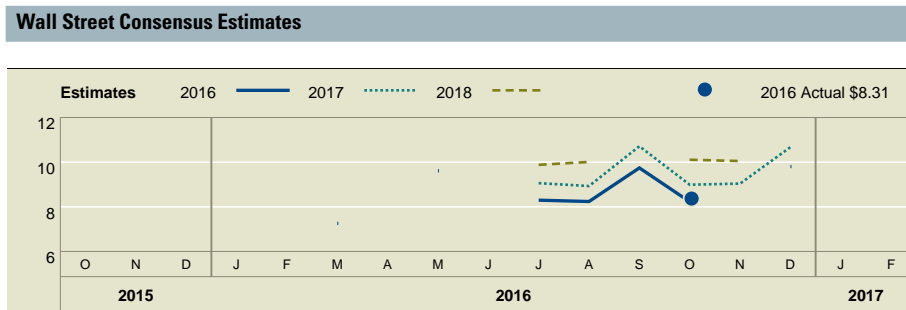
**December 1, 2016**

11:28 am ET ... S&P CAPITAL IQ LOWERS OPINION ON ADSS OF NOKIA CORP TO BUY FROM STRONG BUY (NOK 4.26\*\*\*\*): We lower our 12-month target by \$1 to \$5, 17.9X our '17 earnings per ADS estimate. This multiple is a discount to its five-year historic average P/E of 25.0X, justified by the challenging market environment. We trim our '16 and '17 earnings per ADS estimates by \$0.03 and \$0.06 to \$0.20 and \$0.28. In our view, a recovery of Nokia's primary wireless network market could come in later than expected as the company is guiding for further sales decline and a below-consensus margin for '17. We see a potential near-term catalyst from the Apple (AAPL 110 \*\*\*\*) patent deal renewal. /Jia Man Neoh, /K. Snyder



Of the total 49 companies following AAPL, 48 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	22	46	23	0
Buy/Hold	12	25	13	0
Hold	11	23	11	0
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	3	6	1	0
<b>Total</b>	<b>48</b>	<b>100</b>	<b>48</b>	<b>0</b>



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2018	10.10	11.61	8.63	42	13.4
2017	8.96	9.90	8.53	43	15.1
<b>2018 vs. 2017</b>	<b>▲ 13%</b>	<b>▲ 17%</b>	<b>▲ 1%</b>	<b>▼ -2%</b>	<b>▼ -11%</b>
Q2'18	2.37	2.78	2.00	25	57.2
Q2'17	2.01	2.11	1.91	35	67.4
<b>Q2'18 vs. Q2'17</b>	<b>▲ 18%</b>	<b>▲ 32%</b>	<b>▲ 5%</b>	<b>▼ -29%</b>	<b>▼ -15%</b>

A company's earnings outlook plays a major part in any investment decision. S&P Capital IQ organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

**Wall Street Consensus Opinion**

**BUY/HOLD**

**Companies Offering Coverage**

Over 30 firms follow this stock; not all firms are displayed.

- Accountability Research Corporation
- Arete Research Services LLP
- Argus Research Company
- Atlantic Equities LLP
- BMO Capital Markets Equity Research
- BTIG
- Barclays
- BofA Merrill Lynch
- CLSA
- Canaccord Genuity
- Citigroup Inc
- Cleveland Research Company
- Cowen and Company
- Credit Suisse
- Daiwa Capital Markets America Inc.
- Daiwa Securities Co. Ltd.
- Deutsche Bank
- Drexel Hamilton
- Eugene Investment & Securities Co Ltd.
- FBN Securities, Inc.
- Goldman Sachs
- Guggenheim Securities, LLC
- Hilliard Lyons
- Investcafe
- JP Morgan
- Kaufman Bros., L.P.
- Longbow Research LLC
- Macquarie Research
- Maxim Group
- Mirae Asset Daewoo Securities Co., Ltd.

**Wall Street Consensus vs. Performance**

For fiscal year 2017, analysts estimate that AAPL will earn US\$ 8.96. For the 1st quarter of fiscal year 2017, AAPL announced earnings per share of US\$ 3.36, representing 37% of the total annual estimate. For fiscal year 2018, analysts estimate that AAPL's earnings per share will grow by 13% to US\$ 10.10.

## 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), 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 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 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 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.

### S&P Capital IQ Equity Research

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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).

### S&P Capital IQ Qualitative Risk Assessment

Reflects an 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 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-STAR (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-STAR (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-STAR (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-STAR (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.

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### STARS Stock Reports:

Qualitative STARS recommendations are determined and assigned by equity analysts. For reports containing STARS recommendations refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

### Quantitative Stock Reports:

Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

### STARS Stock Reports and Quantitative Stock Reports:

The methodologies used in STARS Stock Reports and Quantitative Stock Reports (collectively, the "S&P Capital IQ Research Reports" or "Research Reports") reflect different criteria, assumptions and analytical methods and may have differing recommendations. The methodologies and data used to generate the different types of Research Reports are believed by the author and distributor reasonable and appropriate. Generally, CFRA does not generate reports with different ranking methodologies for the same issuer. However, in the event that different methodologies or data are used on the analysis of an issuer, the methodologies may lead to different views or recommendations on the issuer, which may at times result in contradicting assessments of an issuer. CFRA reserves the right to alter, replace or vary models, methodologies or assumptions from time to time and without notice to clients.

### STARS Stock Reports:

#### Global STARS Distribution as of September 30, 2016

Ranking	North America	Europe	Asia	Global
Buy	25.0%	29.3%	16.1%	24.6%
Hold	50.6%	53.7%	77.4%	54.7%
Sell	24.4%	17.0%	6.5%	20.7%
Total	100%	100%	100%	100%

### Analyst Certification

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