

Apple Inc

S&P Capital IQ Recommendation



S&P Capital IQ Equity Analyst Scott Kessler

Price

\$123.59 (as of Mar 13, 2015 4:00 PM ET)

12-Mo. Target Price

\$125.00

Report Currency

USD

Investment Style

Large-Cap Growth

UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE COMPANY NEWS SECTION

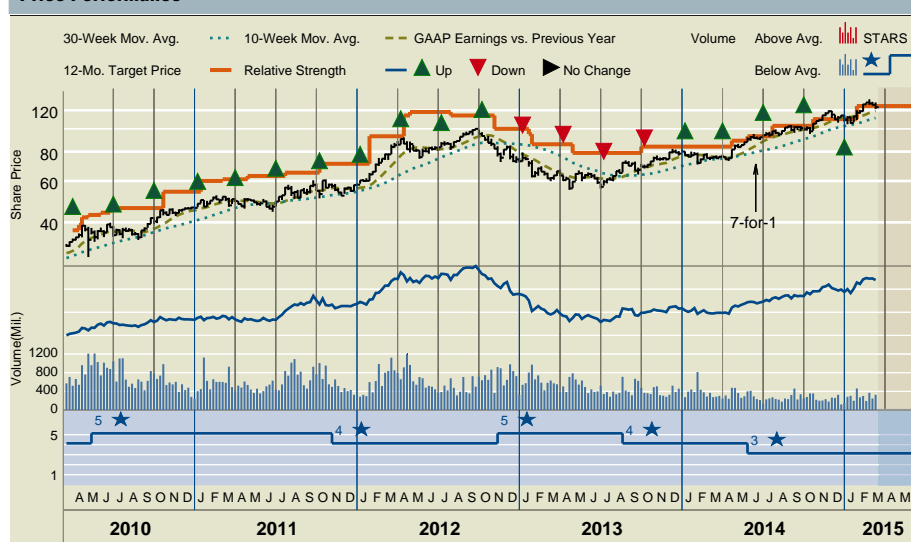
GICS Sector Information Technology
Sub-Industry Technology Hardware, Storage & Peripherals

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 Capital IQ, Vickers, company reports)

52-Wk Range	\$133.60–73.05	S&P Oper. EPS 2015E	8.53	Market Capitalization(B)	\$719.881	Beta	0.92
Trailing 12-Month EPS	\$7.39	S&P Oper. EPS 2016E	8.94	Yield (%)	1.52	S&P 3-Yr. Proj. EPS CAGR(%)	12
Trailing 12-Month P/E	16.7	P/E on S&P Oper. EPS 2015E	14.5	Dividend Rate/Share	\$1.88	S&P Quality Ranking	B+
\$10K Invested 5 Yrs Ago	\$40,476	Common Shares Outstg. (M)	5,824.7	Institutional Ownership (%)	60		

Price Performance



Analyst's Risk Assessment

LOW	MEDIUM	HIGH
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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
2015	74,599	--	--	--	--
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
2011	26,741	24,667	28,571	28,270	108,249
2010	15,683	13,499	15,700	20,343	65,225

Earnings Per Share (U.S. \$)

	2015	2014	2013	2012	2011	2010
3.06	E2.10	E1.66	E1.72	E8.53	6.45	5.68
2.07	1.66	1.28	1.42	6.31	3.95	2.16
1.97	1.44	1.07	1.18	6.31	3.95	2.16
1.98	1.76	1.33	1.24	6.31	3.95	2.16
0.92	0.91	1.11	1.01	3.95	2.16	1.16
0.52	0.48	0.50	0.66	2.16	1.16	1.16

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
7-for-1	Apr 23	Jun 9	Jun 2	Jun 6 '14
0.470	Jul 22	Aug 7	Aug 11	Aug 14 '14
0.470	Oct 20	Nov 6	Nov 10	Nov 13 '14
0.470	Jan 27	Feb 5	Feb 9	Feb 12 '15

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.

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Analysis prepared by Equity Analyst **Scott Kessler** on Jan 28, 2015 06:08 PM, when the stock traded at **\$115.31**.

Highlights

- ▶ We project 21% revenue growth for FY 15 (Sep.), reflecting healthy iPhone revenue growth and some challenges related to the iPad. We see revenues being aided by new offerings across multiple consumer categories, including the iPhone 6, iPhone 6 Plus, and Apple Watch. We project a 4% gain for FY 16.
- ▶ The annual gross margin narrowed to 38% in FY 13 and widened to 39% in FY 14. We project this margin will remain largely stable through FY 16, despite increases in deferred software revenues, reflecting market saturation and competition. We believe iPhone and iPad margins will be aided by efficiencies, offset somewhat by risks related to average selling prices.
- ▶ Our EPS projections assume a consistent tax rate in the mid-20% range and declines in the share count. 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 June 2014, a 7-for-1 stock split was implemented. As of September 2014, AAPL had \$155 billion in cash and investments.

Investment Rationale/Risk

- ▶ We note AAPL's significant market position in key areas, and what we view as high customer satisfaction and switching costs. 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, as well as M&A. In August 2014, AAPL purchased Beats Electronics and Beats Music, to enhance its accessories and music services offerings and businesses, we think, for \$3 billion. In September 2014, the company announced new iPhones, a payments service, and Apple Watch. In October 2014, AAPL announced new iPads.
- ▶ 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 \$125 reflects comparisons with calendar year 2015 P/E and P/E-to-growth multiples of the S&P 1500 Technology sector. AAPL's P/E was recently 8% that of the IT sector.

Please read the Required Disclosures and Analyst Certification on the last page of this report.

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Apple Inc

Business Summary January 28, 2015

CORPORATE OVERVIEW. Apple makes smartphones, tablet devices, computers, and portable digital media players, and sells a variety of related software, services, and accessories. 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 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 some \$155 billion in cash and investments and \$35 billion in debt as of September 2014. 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

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SVP, Secy & General Counsel
D.B. Sewell

COO
J.E. Williams

Board Members

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

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

Domicile
California

Founded
1977

Employees
97,000

Stockholders
26,112

Apple Inc

Quantitative Evaluations

S&P Capital IQ Fair Value Rank	5+	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 **\$158.10** Analysis of the stock's current worth, based on S&P Capital IQ's proprietary quantitative model suggests that AAPL is Undervalued by \$34.51 or 27.9%.

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
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Technical Evaluation **BULLISH** Since January, 2015, the technical indicators for AAPL have been BULLISH.

Insider Activity	UNFAVORABLE	NEUTRAL	FAVORABLE
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For further clarification on the terms used in this report, please visit www.standardandpoors.com/stockreportguide

Expanded Ratio Analysis

	2014	2013	2012	2011
Price/Sales	3.70	3.06	3.21	3.50
Price/EBITDA	11.18	9.37	8.60	10.65
Price/Pretax Income	12.64	10.42	9.02	11.09
P/E Ratio	17.11	14.11	12.06	14.63
Avg. Diluted Shares Outstg (M)	6,122.7	6,521.6	6,617.5	6,556.5

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	6.95	18.06	35.01	36.91
Net Income	6.68	12.13	37.84	51.85

Ratio Analysis (Annual Avg.)

Net Margin (%)	21.61	23.32	23.08	19.37
% LT Debt to Capitalization	20.63	10.90	6.54	3.63
Return on Equity (%)	33.61	35.70	37.16	32.76

Company Financials Fiscal Year Ended Sep. 30

Per Share Data (U.S. \$)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Tangible Book Value	17.52	18.71	17.17	11.10	7.28	4.95	3.29	2.32	1.64	1.26
Cash Flow	7.75	6.72	6.80	4.23	2.32	1.41	0.84	0.61	0.36	0.25
Earnings	6.45	5.68	6.31	3.95	2.16	1.30	0.77	0.56	0.32	0.22
S&P Capital IQ Core Earnings	6.47	5.68	6.29	3.94	2.16	1.30	0.77	0.56	0.32	0.21
Dividends	1.81	1.63	0.38	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Payout Ratio	28%	29%	6%	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Prices:High	119.75	82.16	100.72	60.96	46.67	30.56	28.61	28.99	13.31	10.78
Prices:Low	70.51	55.01	58.43	44.36	27.18	11.17	11.31	11.70	7.17	4.47
P/E Ratio:High	19	14	16	15	22	24	37	52	41	48
P/E Ratio:Low	11	10	9	11	13	9	15	21	22	20

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

Revenue	182,795	170,910	156,508	108,249	65,225	42,905	32,479	24,006	19,315	13,931
Operating Income	60,449	55,756	58,518	35,604	19,412	12,474	6,748	4,726	2,645	1,829
Depreciation	7,946	6,757	3,277	1,814	1,027	734	473	317	225	179
Interest Expense	384	136	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Pretax Income	53,483	50,155	55,763	34,205	18,540	12,066	6,895	5,008	2,818	1,815
Effective Tax Rate	26.1%	26.2%	25.2%	24.2%	24.4%	31.8%	29.9%	30.2%	29.4%	26.4%
Net Income	39,510	37,037	41,733	25,922	14,013	8,235	4,834	3,496	1,989	1,335
S&P Capital IQ Core Earnings	39,643	37,037	41,614	25,851	14,013	8,235	4,834	3,496	1,989	1,259

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

Cash	25,158	40,590	29,129	25,952	25,620	23,464	24,490	9,352	6,392	3,491
Current Assets	68,531	73,286	57,653	44,988	41,678	31,555	34,690	21,956	14,509	10,300
Total Assets	231,839	207,000	176,064	116,371	75,183	47,501	39,572	25,347	17,205	11,551
Current Liabilities	63,448	43,658	38,542	27,970	20,722	11,506	14,092	9,299	6,471	3,484
Long Term Debt	28,987	16,960	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Common Equity	111,547	123,549	118,210	76,615	47,791	31,640	21,030	14,532	9,984	7,466
Total Capital	140,534	140,509	118,210	76,615	47,791	31,640	21,705	15,151	10,365	7,466
Capital Expenditures	9,571	8,165	8,295	4,260	2,005	1,144	1,091	735	657	260
Cash Flow	47,456	43,794	45,010	27,736	15,040	8,969	5,307	3,813	2,214	1,514
Current Ratio	1.1	1.7	1.5	1.6	2.0	2.7	2.5	2.4	2.2	3.0
% Long Term Debt of Capitalization	20.6	12.1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
% Net Income of Revenue	21.6	21.7	26.7	24.0	21.5	19.2	14.9	14.6	10.3	9.6
% Return on Assets	18.0	19.3	28.5	27.1	21.7	19.7	14.9	16.4	13.9	13.6
% Return on Equity	33.6	30.6	42.8	41.7	37.1	30.5	27.2	28.5	22.8	21.3

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.

Apple Inc

Sector Outlook

S&P Capital IQ recommends overweighting the S&P 500 Information Technology sector. Year to date through February 27, 2015, the S&P 500 Information Technology Index, which represented 19.9% of the S&P 500 Index, was up 3.7% in price, compared with a 2.2% gain for the S&P 500. In 2014, this sector index rose 18.2%, versus a price advance of 11.4% for the 500. There are 13 sub-industry indices in this sector. Technology Hardware, Storage & Peripherals is the largest, representing 25.6% of the sector's market value, while Electronic Equipment & Instruments is the smallest, accounting for 0.12% of the sector.

The cap-weighted average of this sector's component company S&P Capital IQ STARS (Stock Appreciation Ranking System) is 3.4 out of 5.0, as compared with a cap-weighted average of 3.4 for the S&P 500. The sub-industries within this sector that currently show the highest average STARS are Internet Software & Services at 4.2, Semiconductors Equipment at 4.1, and Communications Equipment at 3.9. Those with the lowest average STARS are Electronic Components at 2.3, Systems Software at 2.8, and Home Entertainment Software at 2.9. According to Capital IQ, the sector is projected to record a 7.0% year-over-year increase in operating earnings per share in 2015, as compared with the S&P 500's estimated EPS growth of 1.3%. During 2014, this sector is expected to post a 10.5% advance in EPS, versus an increase of 7.4% for the S&P 500. The sector's price-to-earnings ratio of 16.6X, based on consensus 2015 operating EPS estimates, is below the S&P 500's forward P/E of 17.7X. Capital IQ also reports that the consensus long-term EPS growth estimate for this sector is 12.7% versus the S&P 500's 11.1%, giving the sector a P/E-to-projected EPS growth rate (PEG) ratio of 1.3X, which is below the broader market's PEG of 1.5X. Finally, this sector pays a dividend yield of

1.5%, as compared with the yield of 2.0% for the S&P 500.

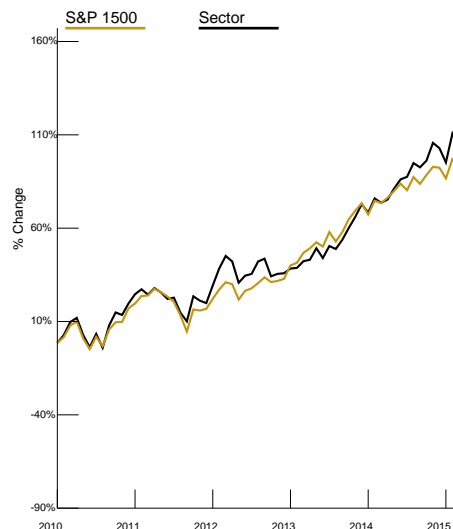
S&P Capital IQ's proprietary technical indicator for this sector currently shows a positive reading. In researching the past market history of prices and trading volume for each company, S&P Capital IQ's computer models apply special technical methods and formulas to identify and project price trends for the sector.

--S. Stovall

Industry Performance

GICS Sector: Information Technology

Based on S&P 1500 Indexes
Five-Year market price performance through Mar 14, 2015



NOTE: A sector chart appears when the sub-industry does not have sufficient historical index data.

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.

Sector : Information Technology Information Technology 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	719,881	123.59	133.60/73.05	0.92	1.5	17	158.10	B+	99	21.6	20.6
3D Systems	DDD	3,028	27.23	69.56/27.00	2.14	Nil	NM	33.40	B-	85	1.8	NA
Blackberry Ltd	BBRY	5,124	9.81	12.63/7.01	1.22	Nil	NM	NA	B	19	NA	31.0
Canon Inc ADS	CAJ	35,987	32.96	33.96/29.47	0.90	3.6	15	32.70	NR	90	7.1	Nil
Diebold, Inc	DBD	2,157	33.34	41.45/30.63	1.27	3.4	19	NA	B-	83	3.8	46.4
EMC Corp	EMC	52,666	26.00	30.92/24.92	1.27	1.8	20	33.60	B+	98	11.1	18.9
FUJIFILM Holdings*ADR	FUJII	16,074	33.34	35.42/24.60	0.83	1.1	15	36.30	NR	90	4.2	11.7
Hewlett-Packard	HPQ	59,479	32.43	41.10/29.23	1.52	2.0	12	33.00	B+	78	4.5	35.0
Lexmark Intl'A'	LXK	2,347	37.70	51.77/37.18	1.40	3.8	30	NA	B	92	2.1	35.6
NCR Corp	NCR	4,763	28.57	37.34/22.83	1.03	Nil	26	NA	B-	48	2.8	63.6
NetApp Inc	NTAP	11,475	36.82	43.75/33.34	1.48	1.8	19	42.60	B	95	10.1	20.8
SanDisk Corp	SNDK	17,855	83.82	108.77/73.11	1.35	1.4	20	86.20	B-	91	15.2	14.0
Seagate Technology Plc	STX	17,651	53.76	69.40/48.49	2.49	4.0	9	57.70	NR	91	11.4	58.1
Stratasys Ltd	SSYS	2,944	57.79	130.83/51.55	1.33	Nil	NM	67.70	NR	73	NA	NA
Western Digital	WDC	22,744	97.19	114.69/80.78	1.33	2.1	15	113.30	B	90	10.7	20.5

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 Capital IQ Analyst Research Notes and other Company News

March 9, 2015

03:27 pm ET ... S&P CAPITAL IQ REITERATES HOLD RECOMMENDATION ON SHARES OF APPLE INC. (AAPL 126.78***): AAPL announces that pre-orders for the Apple Watch will begin April 10 (available April 24). Pricing for the 38mm/42mm Sport (rubber/aluminum) begins at \$349/\$399, 38mm Apple Watch (steel) \$549-\$1,049 (42mm \$50 more), and Apple Watch Edition starts at \$10,000. We still have battery life concerns given possible usage but are encouraged about the capabilities. We think AAPL's brand and customer base positions it well to be a market leader in the wearables space. AAPL also announces the MacBook (\$1,299 start price) and HBO Now, a streamlining service exclusive to Apple devices. /A. Zino-CFA

January 28, 2015

08:39 am ET ... S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF APPLE INC. (AAPL 109.14***): We raise our 12-month target by \$15 to \$125, on revised relative P/E and P/E-to-growth analysis, based on our calendar year '15 EPS estimate. We also increase our EPS estimates for FY 15 (Sep.) to \$8.53 from \$7.71 and FY 16 to \$8.94 from \$8.52. AAPL posts Dec-Q EPS of \$3.06 vs. \$2.07, well above our estimate of \$2.52 and the Capital IQ consensus of \$2.60. Revenues rose 30%, and were much higher than we expected, reflecting iPhone unit sales of 74.5 million and revenue growth of 57%, on strength from iPhone 6 and iPhone 6+. However, iPad saw revenues fall 22% with lower ASPs. /S. Kessler

October 21, 2014

02:49 pm ET ... S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF APPLE INC. (AAPL 102.301***): We raise our 12-month target by \$7 to \$110, on revised relative P/E and P/E-to-growth analysis. We also increase our EPS estimates for FY 15 (Sep.) to \$7.71 from \$7.11 and FY 16 to \$8.52 from \$8.19. AAPL posts Sep-Q EPS of \$1.42 vs. \$1.18, above our estimate of \$1.28 and the Capital IQ consensus of \$1.31. Revenues rose 12% and were higher than expected, with gains of 21% from iPhones and 18% from Macs. However, iPad revenues declined again, falling 14%. Cash/investments fell sequentially to \$155 billion, reflecting \$17 billion in stock repurchases. The dividend yield is 1.8%. /J. Corridore

October 16, 2014

04:50 pm ET ... S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF APPLE INC. (AAPL 96.26***): AAPL announces the iPad Air 2, which is thinner, lighter and more powerful than its predecessors. It also offers faster connectivity, a better display and cameras, and Touch ID technology. The company's new flagship tablet will be priced starting at \$499, and become available for order tomorrow, Friday, October 17 across some 32 geographies with more to come by the end of the month. AAPL also announced the iPad Mini 3 and new Mac computers, and the availability today of the new Yosemite OS X. We did not note any important surprises, and continue to view AAPL as fully valued. /S. Kessler

September 30, 2014

09:24 am ET ... S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF APPLE INC. (AAPL 100.11***): Per to an unconfirmed report from the Wall Street Journal, the iPhone 6 and iPhone 6 Plus will "go on sale in China" on October 17, "after winning final approval from regulators who scrutinized the device[s] security features." China is one of AAPL's largest markets. Additionally, the European Commission suggests that Ireland granted AAPL "unlawful" tax advantages or "State aid," focusing on '91 to '07. AAPL has been dealing with questions related to its domestic and international tax obligations for years, and we note it had \$165 billion in cash/investments as of June. /S. Kessler

September 23, 2014

09:07 am ET ... S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF APPLE INC. (AAPL 101.06***): Yesterday AAPL announced that over 10 million iPhone 6 and iPhone 6 Plus smartphones were sold since they were made available on Friday, September 19. Last year over 9 million iPhone 5s and iPhone 5c devices were sold during the initial weekend. We also note that while last year's launch included China, which accounted for 16% of Jun-Q revenues, this year's introduction did not. We are not sure when the iPhone 6 and iPhone 6 Plus will become available in China. We view the first weekend of sales as strong, but believe much recent positive news is priced into the shares. /S. Kessler

September 12, 2014

11:08 am ET ... S&P CAPITAL IQ INITIATES BUY OPINION ON SHARES OF GT ADVANCED TECHNOLOGIES (GTAT 13.1***): We begin analytical coverage on

shares of this sapphire/solar equipment provider with a Buy. We set our operating EPS estimate at \$0.05 for '14, \$0.64 in '15, and \$1.27 in '16. Our 12-month target price of \$18 is based on 14X our '16 estimate, near peers. We see potential earnings leverage from an Apple (AAPL 101***) supply agreement, as GTAT transitions to sapphire materials production. Despite concerns about the absence of sapphire in the new iPhones (it is in the Apple watch), we see a recent pullback providing an attractive entry. We expect higher solar related sales in '15. /A. Zino-CFA

September 10, 2014

08:27 am ET ... S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF APPLE INC. (AAPL 97.99***): We want to further address the Apple Watch, which we expect to debut in early '15. There will be two sizes and three collections (including Sport and 18-karat gold Edition offerings). It "requires an iPhone 5 or later," and perhaps after setting up with an iPhone, some features/functionality will be available without a companion device, but we are not sure. We wonder about battery life (we are thinking about a day), and pricing beyond the indicated starting point of \$349. We were impressed, but do not necessarily see the Apple Watch, at least initially, as a mass-market product. /S. Kessler

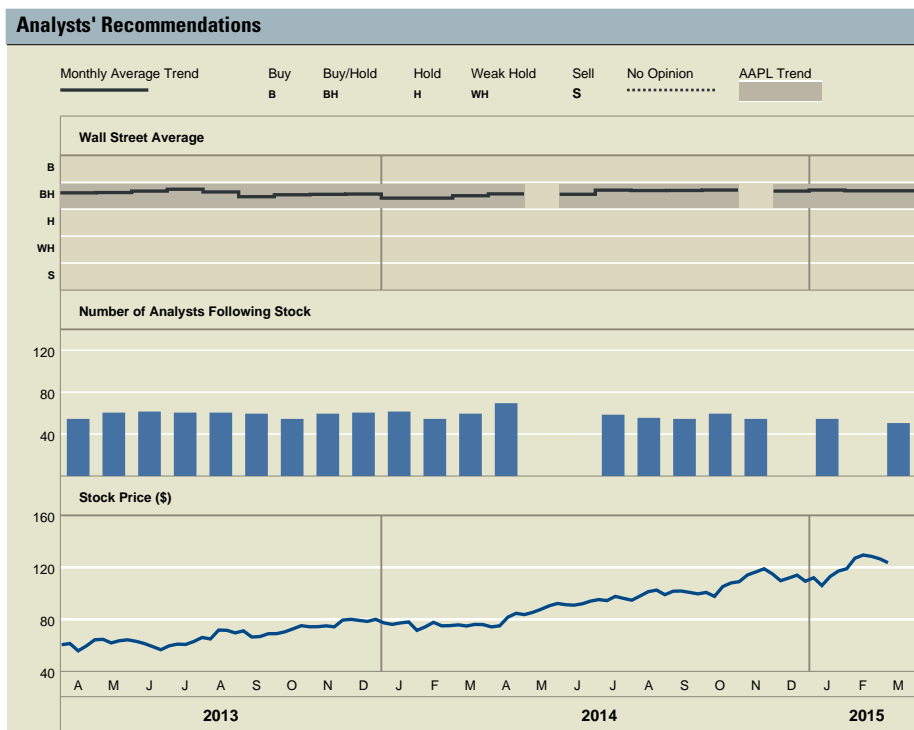
September 9, 2014

06:03 pm ET ... UPDATE - S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF APPLE INC. (AAPL 97.99***): Following AAPL's event from earlier today, we have some further thoughts about what was announced. We believe the iPhone 6 and iPhone 6 Plus will enable AAPL to solidify and potentially strengthen its hold on the high-end smartphone user, especially as some competitors seem weaker since the company announced the iPhone 5s and iPhone 5c about a year ago. We see Apple Pay as innovative and differentiated, but wonder about buy-in from retailers and consumers. Lastly, we wanted to clarify that the Apple Watch will work without an iPhone, but full functionality would be limited. /S. Kessler

September 9, 2014

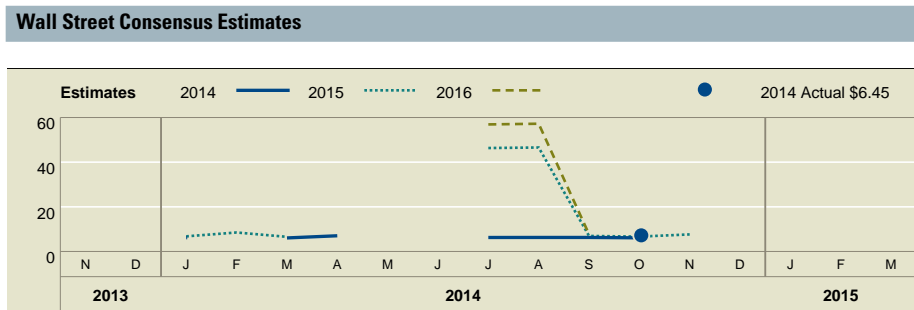
04:36 pm ET ... S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF APPLE INC. (AAPL 97.99***): AAPL announces the iPhone 6 (4.7 inch screen), the larger iPhone 6 Plus (5.5 inch screen), Apple Pay (for mobile point-of-sale and Internet payments), and the highly anticipated Apple Watch. We believe the new phones were largely expected, and note improvements as to the displays and resolution, and faster and more energy-efficient performance. Apple Pay has considerable support from well-known partners, but we think it could take time to gain traction. The Apple Watch's \$349 price, planned early '15 release, and need to work with an iPhone are not strong positives, in our view. /S. Kessler

Apple Inc



Of the total 52 companies following AAPL, 50 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	23	46	0	0
Buy/Hold	13	26	0	0
Hold	11	22	0	0
Weak Hold	0	0	0	0
Sell	1	2	0	0
No Opinion	2	4	0	0
Total	50	100	0	0



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2016	9.28	10.58	6.33	43	13.3
2015	8.53	8.53	8.53	1	14.5
2016 vs. 2015	▲ 9%	▲ 24%	▼ -26%	▲ 4200%	▼ -8%

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, LLC
 - Barclays
 - Berenberg
 - BofA Merrill Lynch
 - CLSA
 - Canaccord Genuity
 - Cantor Fitzgerald & Co.
 - Citigroup Inc
 - Cleveland Research Company
 - Cowen and Company, LLC
 - Credit Suisse
 - Daiwa Capital Markets America Inc.
 - Daiwa Securities Co. Ltd.
 - Deutsche Bank
 - Erste Group Bank AG
 - Evercore ISI
 - Exane BNP Paribas
 - FBN Securities, Inc.
 - Gilford Securities
 - Global Equities Research
 - Goldman Sachs
 - Hamburger Sparkasse AG
 - Hilliard Lyons
 - JMP Securities
 - JP Morgan

Wall Street Consensus vs. Performance

For fiscal year 2015, analysts estimate that AAPL will earn US\$ 8.53. For fiscal year 2016, analysts estimate that AAPL's earnings per share will grow by 9% to US\$ 9.28.

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.

Apple Inc

Glossary

S&P Capital IQ STARS

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A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

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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.

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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 Capital IQ Fair Value.

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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 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 S&P Capital IQ 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.

Apple Inc

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S&P Capital IQ Global STARS Distribution as of December 31, 2014

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Hold	51.6%	48.4%	45.0%	50.4%
Sell	10.7%	26.2%	21.2%	14.4%
Total	100%	100%	100%	100%

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