

# Apple Inc.

**Recommendation** BUY ★ ★ ★ ★ ★

**Price**  
\$168.11 (as of Nov 02, 2017 4:00 PM ET)

**12-Mo. Target Price**  
\$195.00

**Report Currency**  
USD

**Investment Style**  
Large-Cap Growth

**Equity Analyst Angelo Zino**

**GICS Sector** Information Technology

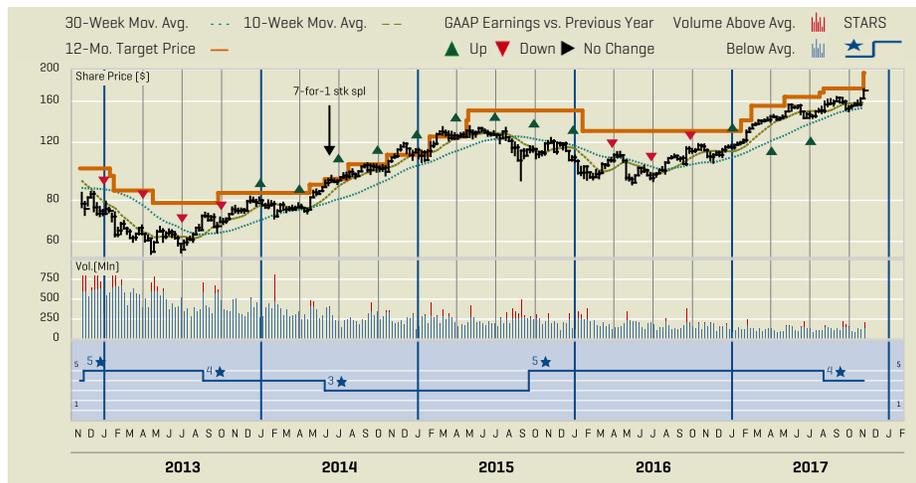
**Summary** This company is a prominent provider of consumer computing devices, including the iPhone, iPad tablets, Mac computers, wearables and iPod digital media players.

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

**Key Stock Statistics** (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)

52-Wk Range	<b>\$164.94 - 104.08</b>	Oper. EPS 2017E	<b>9.02</b>	Market Capitalization(B)	<b>\$868.3</b>	Beta	<b>-0.28</b>
Trailing 12-Month EPS	<b>8.81</b>	Oper. EPS 2018E	<b>11.33</b>	Yield (%)	<b>1.50</b>	3-Yr Proj. EPS CAGR[%]	<b>10</b>
Trailing 12-Month P/E	<b>18.95</b>	P/E on Oper. EPS 2017E	<b>18.50</b>	Dividend Rate/Share	<b>\$2.52</b>	SPGMI's Quality Ranking	<b>B+</b>
\$10K Invested 5 Yrs Ago	<b>\$20,916</b>	Common Shares Outstg.(M)	<b>5,165.2</b>	Institutional Ownership [%]	<b>60</b>		

**Price Performance**



Source: CFRA, S&P Global Market Intelligence

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

Analysis prepared by Equity Analyst Angelo Zino on Nov 03, 2017 11:49 AM, when the stock traded at \$172.46.

**Highlights**

- ▶ We project 18% revenue growth for FY 18 (Sep.) and a 2.4% increase for FY 19, following a 6.3% rise for FY 17. We anticipate iPhone sales rising in FY 18 as consumers upgrade older devices at higher average selling prices from recent product launches, including the iPhone 8/iPhone 8 Plus and highly anticipated iPhone X. We think the higher priced iPhone X will appeal to consumers given features like OLED displays and facial recognition. We are encouraged by a recent acceleration of growth in Services, up 34% in the September quarter (24% ex. one-time favorable impacts), led by the App store and iCloud. We positively view recent Mac/iPad trends but are wary of sustainability. We see other hardware offerings (e.g. Watch, AirPods and HomePod) contributing to growth.
- ▶ We see the annual gross margin steady at 38% to 39% through the end of FY 19. We see iPhone shipments and average selling prices both rising 12% in FY 18, but note rising component costs. We see growth from the higher margin Services business supporting margins.
- ▶ We expect AAPL's higher priced iPhone X to remain supply constrained through the March quarter, given our expectation for robust demand and limited TrueDepth production.

**Investment Rationale/Risk**

- ▶ Our Buy opinion 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 \$30 and see the cash increasingly employed for dividends, stock repurchases, and small bolt-on acquisitions. We expect services growth to remain robust given AAPL's growing installed base (over 1 billion active installed base) and potential to sell original content. We would view AAPL as among the biggest beneficiaries from the possibility of foreign cash repatriation and/or lower tax rate.
- ▶ 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 \$195 is based on a P/E of 16.4X our FY 19 EPS estimate or about 13.9X excluding net cash, above hardware peers, but below the S&P 500 Technology sector.

**Analyst's Risk Assessment**

<b>LOW</b>	<b>MEDIUM</b>	<b>HIGH</b>
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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 as the smartphone space matures.

**Revenue/Earnings Data**

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

	1Q	2Q	3Q	4Q	Year
2018	--	--	--	--	--
2017	78,351	52,896	45,408	--	--
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

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

	1Q	2Q	3Q	4Q	Year
2018	<b>E 3.76</b>	<b>E 2.92</b>	<b>E 2.20</b>	<b>E 2.44</b>	<b>E 11.33</b>
2017	3.36	2.10	1.67	<b>E 1.88</b>	<b>E 9.02</b>
2016	3.28	1.90	1.42	1.68	8.31
2015	3.06	2.33	1.85	1.96	9.22
2014	2.07	1.66	1.28	1.41	6.45
2013	1.97	1.44	1.07	1.18	5.68

Fiscal year ended Sep 30. Next earnings report expected: Early Nov. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

**Dividend Data**

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.57	Oct 25	Nov 03	Nov 07	Nov 10 '16
0.57	Jan 31	Feb 09	Feb 13	Feb 16 '17
0.63	May 02	May 11	May 15	May 18 '17
0.63	Aug 01	Aug 10	Aug 14	Aug 17 '17
0.63	Nov 02	Nov 10	Nov 13	Nov 16 '17

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

Forecasts are not reliable indicator of future performance.

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# Apple Inc.

## Business Summary November 03, 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 62% of FY 17 revenues, with over 216 million units sold. AAPL sold over 211 million iPhones in FY 16, contributing 63% of revenues. We note that iPhone sales grew 3.4% in FY 17 after witnessing its first ever year-over-year decline ever in FY 16. While we expect the rate of growth to slow in the coming years as the business becomes larger and more mature, we still see substantial opportunities related to international, enterprise and education markets. We note the fall 2017 introductions of the next generation iPhone 8 and the iPhone 8 Plus devices as well as release of the iPhone X device, which includes a OLED screen and 3D sensing technology. We note all three devices come with wireless charging capabilities.

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 17, about 44 million iPads were sold (8% of sales), but showed a decline from the 46 million units shipped (10% of sales) the previous fiscal year.

Sales of AAPL's computers, commonly known as Macs, made up 11% of revenues in FY 17, similar to its representation in FY 16. 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 19% of sales in FY 17 versus 16% in FY 16. Other hardware products includes sales of the Apple TV, Apple Watch, AirPods, Beats products, iPod and Apple-branded and third-party accessories. We note Services alone was 13% of FY 17 sales and grew an impressive 23%. Services includes revenue from the App Store, iCloud, AppleCare, licensing and other services.

**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 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 tablets markets, we expect unit shipments and average selling prices for Macs and iPads to trend down over time but note quarterly mix and new product releases could result in volatility. However, with anticipated growth in the smartphone and wearables 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 the Apple Watch 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 the gross margin, as they make up a large percentage of total revenues.

AAPL has what we view as a very strong balance sheet, with about \$269 billion in cash and investments, and about \$116 billion in debt as of the end of September 2017. AAPL boasts return metrics, such as return on equity, that are relatively high compared with other large/mega-cap hardware and software companies. In March 2012, AAPL announced a dividend and a share repurchase plan. Under the existing program (announced May 2017), Apple plans to spend \$300 billion of cash by the end of March 2019 and currently pays a quarterly dividend of \$0.63 per share.

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

## Corporate Information

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408-996-1010

**Website**  
www.apple.com

### Officers

<b>Chrmn</b>	<b>COO</b>
A.D. Levinson	J.E. Williams
<b>CEO</b>	<b>SVP, Secy &amp; General Counsel</b>
T.D. Cook	D.B. Sewell
<b>SVP &amp; CFO</b>	
L. Maestri	

### Board Members

J.A. Bell	A. Jung
T.D. Cook	A.D. Levinson
A.A. Gore, Jr.	R.D. Sugar
R.A. Iger	S.L. Wagner

**Founded**  
1977

**Employees**  
116,000

**Stockholders**  
25,641

# Apple Inc.

Quantitative Evaluations						
Fair Value Rank	5	1	2	3	4	5
		LOWEST				HIGHEST
		Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].				
Fair Value Calculation	\$192.00	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that AAPL is slightly undervalued by \$23.89 or 14.2%.				
Volatility		LOW	AVERAGE	HIGH		
Technical Evaluation	BULLISH	Since October, 2017, the technical indicators for AAPL have been BULLISH.				
Insider Activity		UNFAVORABLE	NEUTRAL	FAVORABLE		

Expanded Ratio Analysis				
	2016	2015	2014	2013
Price/Sales	2.87	2.84	3.37	2.63
Price/EBITDA	8.79	8.06	10.20	8.07
Price/Pretax Income	10.10	9.16	11.53	8.97
P/E Ratio	13.56	12.44	15.62	12.14
Avg. Diluted Shares Outsg. (M)	5500	5793	6123	6522

Figures based on fiscal year-end price

Key Growth Rates and Averages				
Past Growth Rate [%]	1 Year	3 Years	5 Years	
Sales	-7.73	8.06	14.78	
Net Income	-14.43	7.25	12.00	
Ratio Analysis [Annual Avg.]				
Net Margin [%]	NM	NM	NM	
% LT Debt to Capitalization	0.35	0.28	NA	
Return on Equity [%]	36.90	38.92	38.05	

Company Financials Fiscal year ending 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	3.50	2.31
Free Cash Flow	9.56	12.13	8.20	NA	6.33	4.65	2.59	1.43	1.36	0.74
Earnings	8.31	9.22	NA	5.68	6.31	3.95	2.16	1.30	0.97	0.56
Earnings [Normalized]	6.98	7.83	5.46	NA	5.27	3.26	1.79	1.19	0.89	0.50
Dividends	2.18	NA	1.82	NA	0.38	NA	NA	NA	NA	NA
Payout Ratio [%]	27	22	28	29	6	NA	NA	NA	NA	NA
P/E Ratio: High	NA	14.6	16.1	17.0	16.0	15.3	19.4	20.8	29.9	39.4
P/E Ratio: Low	10.8	10.0	10.5	9.7	8.0	9.9	11.9	8.6	17.0	18.5

Income Statement Analysis										
[Million U.S. \$]										
Revenue	215,639	233,715	182,795	170,910	156,508	108,249	65,225	42,905	NA	NA
Operating Income	60,024	71,230	52,503	48,999	55,241	33,790	18,385	11,740	8,327	4,407
Depreciation + Amortization	NA	11,257	7,946	NA	3,277	1,814	1,027	709	469	314
Interest Expense	1,456	733	384	136	NA	NA	NA	NA	NA	NA
Pretax Income	61,372	NA	53,483	50,155	55,763	34,205	18,540	12,066	8,947	5,006
Effective Tax Rate	25.6	26.4	26.1	26.2	25.2	24.2	24.4	31.8	NA	30.2
Net Income	NA	53,394	39,510	37,037	41,733	25,922	14,013	8,235	NA	3,495
Net Income [Normalized]	NA	45,379	33,427	31,347	34,852	21,378	11,588	7,541	5,592	NA

Balance Sheet and Other Financial Data [Million U.S. \$]										
Cash	67,883	41,995	NA	40,590	NA	25,952	25,620	23,464	22,111	15,386
Current Assets	106,869	89,378	68,531	73,286	57,653	44,988	41,678	31,555	30,006	21,956
Total Assets	NA	290,345	NA	NA	NA	116,371	NA	47,501	36,171	25,347
Current Liabilities	79,006	NA	63,448	43,658	38,542	27,970	20,722	11,506	11,361	9,280
Long Term Debt	75,427	53,329	28,987	16,960	NA	NA	NA	NA	NA	NA
Total Capital	215,288	183,696	NA	NA	NA	76,615	NA	31,640	22,297	14,532
Capital Expenditures	12,734	11,247	9,571	8,165	8,295	NA	2,005	1,144	1,091	735
Cash from Operations	65,824	NA	59,713	53,666	50,856	37,529	18,595	10,159	9,596	5,470
Current Ratio	NA	1.11	1.08	1.68	1.50	1.61	2.01	2.74	2.64	2.37
% Long Term Debt of Capitalization	0.004	0.003	0.002	0.001	NA	NA	NA	NA	NA	NA
% Net Income of Revenue	21.2	22.8	21.6	21.7	26.7	NA	21.5	19.2	16.3	14.2
% Return on Assets	12.3	17.1	NA	16.0	23.6	NA	18.7	17.5	16.9	12.9
% Return on Equity	NA	46.2	33.6	30.6	42.8	41.7	35.3	30.5	33.2	28.5

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

# Apple Inc.

## Sub-Industry Outlook

Our fundamental outlook for the technology hardware, storage & peripherals sub-industry for the next 12 months is positive. CFRA anticipates that revenue growth for the technology hardware, storage & peripherals industry will improve through 2018. Slowing end-market demand for smartphones, uncertainty about growth in China, and tough year-over-year comparisons for industry bellwether Apple primarily attributed to the decline in 2016, in our view. Nonetheless, growth has picked 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 and 6% in 2018, following a 3% increase in 2016.

For the PC space, CFRA forecasts a "less bad" scenario in 2017 and 2018 and thereafter, with shipments down 1% to 3% both years following a decline of 7% 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 further declines given the maturation of the market. We see tablet shipments falling by a mid-single digit percentage in 2017 and 2018. We think the wearables space will see greater adoption and be a growth engine for the industry, as we envision growth of 20%-25% in 2017 and

2018. We believe 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 believe 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.

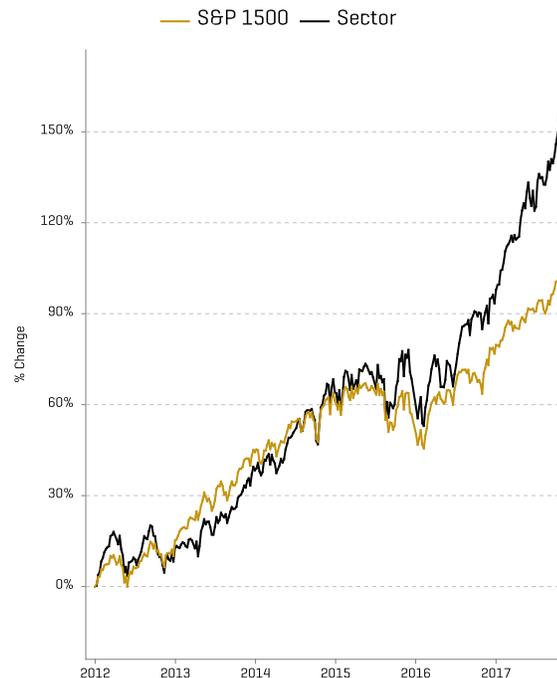
Year to date through September 29, 2017, the S&P 1500 Technology Hardware, Storage & Peripherals Index has risen 30.0% compared to a 12.1% increase for the S&P 1500. The S&P 1500 Technology Hardware, Storage & Peripherals Index increased 13.7% in 2016, while the S&P 1500 rose 10.6%.

/Angelo Zino, CFA

## Industry Performance

### GICS Sector: Information Technology

Based on S&P 1500 Indexes  
Five-Year market price performance through Nov 04, 2017



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.

Source: S&P Global Market Intelligence

## Sub-Industry: Technology Hardware, Storage & Peripherals Peer Group\*: Technology Hardware, Storage & Peripherals

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price (\$)	Stk. Mkt. Cap. (M \$)	30-Day Price Chg. (%)	1-Year Price Chg. (%)	P/E Ratio	Yield (%)	Return on Equity (%)	LTD to Cap (%)
<b>Apple Inc.</b>	<b>AAPL</b>	<b>NasdaqGS</b>	<b>USD</b>	<b>168.11</b>	<b>868,326</b>	<b>8.8</b>	<b>50.6</b>	<b>19</b>	<b>1.5</b>	<b>36.9</b>	<b>35.0</b>
Canon Inc.	CAJ	NYSE	USD	37.73	50,238	9.7	31.5	20	3.6	5.2	16.9
FUJIFILM Holdings Corporation	FUJI.Y	OTCPK	USD	40.14	20,654	2.1	4.7	12	Nil	6.5	NA
HP Inc.	HPQ	NYSE	USD	21.44	35,810	6.7	46.3	16	2.5	22.0	229.3
Hewlett Packard Enterprise Company	HPE	NYSE	USD	13.63	22,073	-7.2	-38.1	NM	1.9	9.7	26.5
Lenovo Group Limited	LVNG.Y	OTCPK	USD	12.00	6,662	7.5	-5.3	23	5.7	14.9	41.6
NetApp, Inc.	NTAP	NasdaqGS	USD	44.25	11,937	-0.3	36.5	21	1.8	18.0	15.2
Seagate Technology plc	STX	NasdaqGS	USD	36.77	10,638	8.0	12.6	14	6.9	52.2	78.6
Seiko Epson Corporation	SEKE.Y	OTCPK	USD	11.97	9,567	-2.6	16.8	21	Nil	10.2	NA
Western Digital Corporation	WDC	NasdaqGS	USD	88.60	26,153	6.7	60.5	18	2.3	3.5	52.6
Xerox Corporation	XRX	NYSE	USD	29.48	7,505	-10.9	-22.5	NM	3.4	8.6	46.7

\*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

**Apple Inc.****Analyst Research Notes and other Company News****November 03, 2017**

08:33 am ET... CFRA MAINTAINS BUY OPINION ON SHARES OF APPLE INC. [AAPL 168.11\*\*\*\*]: We up our 12-month target price to \$195 from \$175, on a P/E of 16.4X our FY 19 [Sep.] EPS view or 13.9X ex. net cash, above peers, but below the S;P 500 Technology sector. We increase our FY 18 EPS estimate to \$11.33 from \$11.08 and start FY 19 at \$11.91. Last night, AAPL posted Sep-Q results and offered Dec-Q guidance that exceeded our expectations. We think AAPL is poised to benefit from higher selling prices through FY 19, on robust iPhone X demand, and an acceleration of growth from its higher-margin services business [up 24% after removing a one-time favorable adjustment]. /Angelo Zino, CFA

**November 02, 2017**

05:35 pm ET... CFRA KEEPS BUY OPINION ON SHARES OF APPLE INC. [AAPL 168.11\*\*\*\*]: AAPL posts Sep-Q EPS of \$2.07 vs. \$1.67, beating the \$1.87 consensus. Sales rose 12.2%, better than expected. iPhone sales grew 2.4%, on a 2.6% increase in unit shipments. We are excited about an acceleration of AAPL's Services business, which grew 34%, while Greater China grew 12% after 6 consecutive quarters of YoY declines. We note 14% growth in iPad sales and a 13% rise in Mac sales, as both businesses benefited from a refresh in product offerings. We are optimistic about iPhone prospects over the next year and believe concerns about supply constraints were likely overdone. /Angelo Zino, CFA

**October 24, 2017**

02:19 pm ET... CFRA MAINTAINS BUY OPINION ON SHARES OF APPLE INC. [AAPL 157.145\*\*\*\*]: We keep our 12-month target of \$175, on a P/E of 15.9X our FY 18 [Sep.] EPS view or 12.9X ex. net cash, above peers, but below the S;P 500 Technology sector. We adjust our FY 17 EPS estimate to \$9.00 from \$9.02 and up FY 18 to \$11.08 from \$10.63. Ahead of Sep-Q results on 11/2, we see EPS of \$1.87 vs. \$1.67. While we assume higher selling prices for FY 18, we see potential push-outs of iPhone X shipments given supply constraints. An unconfirmed Nikkei report says AAPL will ship 20M iPhone X units in the Dec-Q, half of what it originally planned, due to TrueDepth camera issues. /Angelo Zino, CFA

**September 12, 2017**

03:27 pm ET... CFRA MAINTAINS BUY OPINION ON SHARES OF APPLE INC. [AAPL 159.5\*\*\*\*]: AAPL unveils the iPhone X, iPhone 8/iPhone 8 Plus, Series 3 Watch, and 4K Apple TV. While we like features in the iPhone X [e.g., OLED screen, FaceID, animoji] and think the \$999 price is fair, we see 11/3 availability putting Dec-Q estimates at risk. The iPhone 8/8 Plus start at \$699/\$799, with shipments starting 9/22 [same for Series 3 Watch and 4K Apple TV]. All new phones will include all glass designs and wireless charging. The Series 3 Watch is available with 4G connectivity [\$399 with and \$329 without cellular]. AirPower, a wireless charging pad, will be available in '18. /A. Zino-CFA

**August 02, 2017**

08:14 am ET... CFRA REDUCES OPINION ON SHARES OF APPLE INC. TO BUY FROM STRONG BUY [AAPL 150.05\*\*\*\*]: We raise our 12-month target by \$5 to \$175, on an above peers P/E of 16.5X our FY 18 [Sep.] EPS estimate to reflect net cash/share over \$32. After better than expected Jun-Q results, we raise our FY 17 EPS estimate to \$9.02 from \$8.91 and FY 18's to \$10.77 from \$10.63. We set FY 19's at \$11.37. We think Sep-Q guidance [implying 11% sequential revenue growth] likely indicates a new iPhone launch in September after delay speculation. We think further growth acceleration in Services [up 22% in Jun-Q] could result in multiple expansion, and we see upside to consensus estimates. /A. Zino-CFA

**August 01, 2017**

05:11 pm ET... CFRA MAINTAINS STRONG BUY RECOMMENDATION ON SHARES OF APPLE INC. [AAPL 150.05\*\*\*\*]: AAPL posts Jun-Q EPS of \$1.67 vs. \$1.42, beating the \$1.57 consensus. Sales rose 7.2%, better than expected, on gross margin of 38.2%. iPhone sales grew 3.3%, on a 1.6% increase in unit shipments, benefiting from favorable comparables but we think hurt from consumers holding off on purchases ahead of AAPL's 10th anniversary launch. We were most encouraged by an acceleration of Services growth, up 22%, driven by the App store and iCloud storage. We note iPad and Mac sales grew 2% and 7%, respectively. While China sales fell 10%, we see revenue rebounding by

calendar year-end. /A. Zino-CFA

**July 24, 2017**

12:28 pm ET... CFRA MAINTAINS STRONG BUY OPINION ON SHARES OF APPLE INC. [AAPL 151.13\*\*\*\*]: We up our 12-month target price to \$170 from \$165, on above peers P/E of 16X our FY 18 [Sep.] view to reflect its superior financial position. We keep our FY 17 EPS estimate at \$8.91 but up FY 18 to \$10.63 from \$10.34. Ahead of Jun-Q results 8/1, we see EPS of \$1.57, vs. \$1.42, with sales rising 6.2%. Despite potentially disappointing guidance, on 10th anniversary phone production issues, we recommend looking past negativity as estimates are pushed out. We expect 18% Services growth, led by App Store/iCloud, while product refreshes for iMacs/MacBooks/iPad Pros aid segment sales. /A. Zino-CFA

**June 05, 2017**

03:48 pm ET... CFRA MAINTAINS STRONG BUY OPINION ON SHARES OF APPLE INC. [AAPL 153.77\*\*\*\*]: Today Apple held its annual developers conference. We positively view enhancements to iOS and a much smarter Siri. We think the most notable iOS updates are a redesigned App Store, new Map features [e.g., mall floor plans and lane guidance], new camera features, and an augmented reality developer platform [AR Kit]. As to hardware, AAPL reveals a mostly internal refresh to MacBooks and new 10.5 inch iPad Pro. AAPL also unveils HomePod, a new Siri-based home speaker system, at \$349, which we expect to sell well given superior sound quality, despite being priced above peers. /A. Zino-CFA

**May 03, 2017**

08:28 am ET... CFRA MAINTAINS STRONG BUY OPINION ON SHARES OF APPLE INC. [AAPL 147.51\*\*\*\*]: We up our 12-month target by \$10 to \$165, on a P/E of 16X our FY 18 estimate, above peers but below the S;P 500 Technology sector. We keep our FY 17 [Sep.] EPS estimate at \$8.91 but raise FY 18's to \$10.34 from \$10.21. We view Mar-Q results as mixed, with the biggest positive being Services growth of 18%, led by the App Store [up 40%] and iCloud storage demand. We would look past disappointing iPhone sales, as consumers delay purchases ahead of an iPhone X launch [features to include OLED displays, wireless charging, and 3D sensing]. We are optimistic about AAPL's pipeline. /A. Zino-CFA

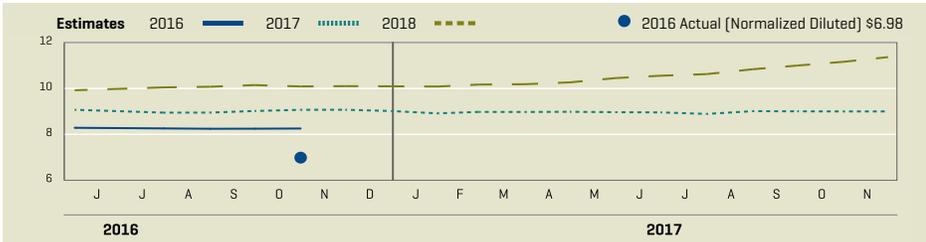
**May 02, 2017**

05:42 pm ET... CFRA MAINTAINS STRONG BUY OPINION ON SHARES OF APPLE INC. [AAPL 147.51\*\*\*\*]: AAPL posts Mar-Q EPS of \$2.10 vs. \$1.90, over the \$2.02 consensus. Sales rose 4.6%, below expectations, on lower than expected iPhone revenue [sales up 1.2% with shipments down 0.8%], as we think consumers delayed purchases before the "iPhone X" launch. Gross margin of 38.7% and 18% services growth matched our expectations. Mac sales rose 14% while iPad sales fell 12%. We positively view the announced 10.5% dividend hike and \$50 billion increase to the capital return program [\$300 billion by March '19]. AAPL had cash of \$257 billion [net cash of \$172 billion or over \$32/share]. /A. Zino-CFA

Note: Research notes reflect S&P Global Market Intelligence's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect S&P Global Market Intelligence's current view on the company.

# Apple Inc.

## Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est	Low Est.	# of Est.	Est. P/E
2018	11.36	13.33	10.39	37	14.8
2017	9.00	9.15	8.90	37	18.7
<b>2018 vs. 2017</b>	<b>▲26%</b>	<b>▲46%</b>	<b>▲17%</b>	<b>0%</b>	<b>▼-21%</b>
Q4'18	2.47	2.98	1.97	30	68.0
Q4'17	1.87	2.01	1.79	32	89.8
<b>Q4'18 vs. Q4'17</b>	<b>▲32%</b>	<b>▲48%</b>	<b>▲10%</b>	<b>▼-6%</b>	<b>▼-24%</b>

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence 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.

**Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.**

## Wall Street Consensus Opinion

**BUY/HOLD**

### Wall Street Consensus vs. Performance

For fiscal year 2017, analysts estimate that AAPL will earn USD \$9.00. For the 3rd quarter of fiscal year 2017, AAPL announced earnings per share of USD \$1.67, representing 18.6% of the total revenue estimate. For fiscal year 2018, analysts estimate that AAPL's earnings per share will grow by 26% to USD \$11.36.

## Apple Inc.

### Glossary

#### STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor 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, we have 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 Global Market Intelligence's 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 Global Market Intelligence'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		

#### EPS Estimates

CFRA's 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, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. 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.

#### 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 Fair Value.

#### CFRA Equity Research

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#### Abbreviations Used in 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 & 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).**

#### 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 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-STARs (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

##### ★★★★★ 4-STARs (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-STARs (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-STARs (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is 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 notable 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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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.

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### STARS Stock Reports:

Global STARS Distribution as of June 30, 2017

Ranking	North America	Europe	Asia	Global
Buy	37.4%	25.9%	36.6%	35.4%
Hold	55.1%	56.1%	39.4%	53.5%
Sell	7.5%	18.0%	24.0%	11.1%
Total	100.0%	100.0%	100.0%	100.0%

### Analyst Certification:

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