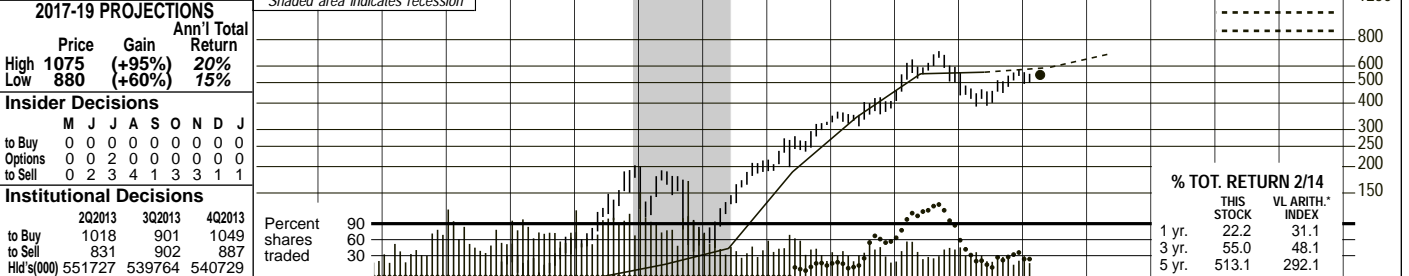


# APPLE INC. NDAQ:AAPL

RECENT PRICE **544.99** P/E RATIO **12.6** (Trailing: 13.5 Median: 22.0) RELATIVE P/E RATIO **0.68** DIV'D YLD **2.2%** **VALUE LINE**

|                                    |  |      |      |      |       |       |       |       |       |       |       |       |  |  |  |  |  |  |                    |      |      |      |  |
|------------------------------------|--|------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|--|--|--|--|--|--|--------------------|------|------|------|--|
| TIMELINESS <b>3</b> Raised 11/8/13 | High: 12.5   | 34.8 | 75.5 | 93.2 | 203.0 | 200.3 | 214.0 | 326.7 | 426.7 | 705.1 | 575.1 | 560.2 |  |  |  |  |  |  | Target Price Range | 2017 | 2018 | 2019 |  |
| SAFETY <b>1</b> Raised 1/3/14      | Low: 6.4   | 10.6 | 31.3 | 50.2 | 81.9  | 79.1  | 78.2  | 190.3 | 310.5 | 409.0 | 385.1 | 493.5 |  |  |  |  |  |  |                    |      |      |      |  |
| TECHNICAL <b>3</b> Lowered 2/28/14 | LEGENDS<br>--- 11.5 x "Cash Flow" p sh<br>... Relative Price Strength<br>2-for-1 split 2/05<br>Options: Yes<br>Shaded area indicates recession |      |      |      |       |       |       |       |       |       |       |       |  |  |  |  |  |  |                    |      |      |      |  |
| BETA .90 (1.00 = Market)           |  |      |      |      |       |       |       |       |       |       |       |       |  |  |  |  |  |  |                    |      |      |      |  |



| 1998   | 1999   | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   | 2007   | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014          | 2015          | © VALUE LINE PUB. LLC             |  | 17-19  |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|-----------------------------------|--|--------|
| 10.99  | 9.54   | 11.89  | 7.64   | 8.00   | 8.46   | 10.58  | 16.68  | 22.58  | 27.52  | 36.56  | 40.61  | 71.21  | 116.49 | 166.64 | 190.07 | <b>205.55</b> | <b>235.10</b> | Sales per sh <sup>A</sup>         |  | 337.50 |
| .73    | .79    | 1.04   | .03    | .33    | .26    | .54    | 1.72   | 2.59   | 4.37   | 5.97   | 7.12   | 16.42  | 29.85  | 47.92  | 48.70  | <b>51.20</b>  | <b>60.00</b>  | "Cash Flow" per sh                |  | 86.25  |
| .49    | .65    | .85    | d.14   | .17    | .10    | .36    | 1.44   | 2.27   | 3.93   | 5.36   | 6.29   | 15.15  | 27.68  | 44.15  | 39.75  | <b>43.25</b>  | <b>51.25</b>  | Earnings per sh <sup>B</sup>      |  | 75.00  |
| --     | --     | --     | --     | --     | --     | --     | --     | --     | --     | --     | --     | --     | --     | 2.65   | 11.40  | <b>12.20</b>  | <b>12.20</b>  | Div'ds Decl'd per sh <sup>F</sup> |  | 20.00  |
| .09    | .07    | .16    | .33    | .24    | .22    | .22    | .31    | .77    | .84    | 1.23   | 1.27   | 2.19   | 4.58   | 8.83   | 9.08   | <b>9.25</b>   | <b>9.50</b>   | Cap'l Spending per sh             |  | 10.50  |
| 2.76   | 4.59   | 6.00   | 5.59   | 5.70   | 5.76   | 6.48   | 8.94   | 11.67  | 16.66  | 23.67  | 30.93  | 52.18  | 82.45  | 125.86 | 137.40 | <b>151.70</b> | <b>173.85</b> | Book Value per sh <sup>E</sup>    |  | 250.00 |
| 540.77 | 643.20 | 671.35 | 701.84 | 717.92 | 733.45 | 782.89 | 835.02 | 855.26 | 872.33 | 888.33 | 899.81 | 915.97 | 929.28 | 939.21 | 899.21 | <b>880.00</b> | <b>860.00</b> | Common Shs Outst'g <sup>C</sup>   |  | 800.00 |
| 13.3   | 17.3   | 30.8   | --     | 61.5   | 83.8   | 37.9   | 26.2   | 29.1   | 26.3   | 30.4   | 19.2   | 15.2   | 12.4   | 12.0   | 12.3   | <b>12.20</b>  | <b>12.20</b>  | Avg Ann'l P/E Ratio               |  | 13.0   |
| .69    | .99    | 2.00   | --     | 3.36   | 4.78   | 2.00   | 1.40   | 1.57   | 1.40   | 1.83   | 1.28   | .97    | .78    | .76    | .69    | <b>2.3%</b>   | <b>2.3%</b>   | Relative P/E Ratio                |  | .80    |
| --     | --     | --     | --     | --     | --     | --     | --     | --     | --     | --     | --     | --     | --     | 5%     |        |               |               | Avg Ann'l Div'd Yield             |  | 2.1%   |

| CAPITAL STRUCTURE as of 12/28/13                             |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | Sales (\$mill) <sup>A</sup> |        | 270000 |        |        |        |        |        |        |        |               |               |                                    |        |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|------------------------------------|--------|
| Total Debt \$16961 mill. Due in 5 Yrs None                   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 8279.0                      | 13931  | 19315  | 24006  | 32479  | 36537  | 65225  | 108249 | 156508 | 170910 | <b>180900</b> | <b>202200</b> | Operating Margin                   | 33.0%  |
| LT Debt \$16961 mill. LT Interest \$850 mill. (12% of Cap'l) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 5.7%                        | 13.1%  | 13.9%  | 19.7%  | 20.8%  | 22.9%  | 29.8%  | 32.9%  | 37.4%  | 32.6%  | <b>32.0%</b>  | <b>32.5%</b>  | Depreciation (\$mill) <sup>D</sup> | 9000   |
| Leases, Uncapitalized Annual rentals \$610 mill.             |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 150.0                       | 179.0  | 225.0  | 317.0  | 473.0  | 703.0  | 1027.0 | 1814.0 | 3277.0 | 6757.0 | <b>7000</b>   | <b>7500</b>   | Net Profit (\$mill)                | 60000  |
| No Defined Benefit Pension Plan                              |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 276.0                       | 1254.0 | 1989.0 | 3496.0 | 4834.0 | 5704.0 | 14013  | 25922  | 41733  | 37037  | <b>38060</b>  | <b>44100</b>  | Income Tax Rate                    | 26.0%  |
| Pfd Stock None   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 27.9%                       | 30.9%  | 29.4%  | 30.2%  | 29.9%  | 28.6%  | 24.4%  | 24.2%  | 25.2%  | 26.2%  | <b>26.0%</b>  | <b>26.0%</b>  | Net Profit Margin                  | 22.2%  |
| Common Stock 891,989,000 shs. as of 1/10/14                  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 4375.0                      | 6816.0 | 8038.0 | 12657  | 20598  | 16983  | 20956  | 17018  | 19111  | 29628  | <b>25000</b>  | <b>25000</b>  | Working Cap'l (\$mill)             | 40000  |
| Market Cap: \$486 billion (Large Cap)                        |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | --                          | --     | --     | --     | --     | --     | --     | --     | --     | 16960  | <b>17000</b>  | <b>17000</b>  | Long-Term Debt (\$mill)            | 20000  |
| CURRENT POSITION (SMILL.)                                    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 5076.0                      | 7466.0 | 9984.0 | 14532  | 21030  | 27832  | 47791  | 76615  | 118210 | 123549 | <b>133500</b> | <b>149500</b> | Shr. Equity (\$mill) <sup>E</sup>  | 200000 |
| Cash Assets  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 5.4%                        | 16.8%  | 19.9%  | 24.1%  | 23.0%  | 20.5%  | 29.3%  | 33.8%  | 35.3%  | 26.5%  | <b>25.5%</b>  | <b>26.5%</b>  | Return on Total Cap'l              | 27.5%  |
| Receivables  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 5.4%                        | 16.8%  | 19.9%  | 24.1%  | 23.0%  | 20.5%  | 29.3%  | 33.8%  | 35.3%  | 30.0%  | <b>28.5%</b>  | <b>29.5%</b>  | Return on Shr. Equity              | 30.0%  |
| Inventory (FIFO)   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 5.4%                        | 16.8%  | 19.9%  | 24.1%  | 23.0%  | 20.5%  | 29.3%  | 33.8%  | 33.2%  | 21.4%  | <b>20.5%</b>  | <b>22.5%</b>  | Retained to Com Eq                 | 22.0%  |
| Other  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | --                          | --     | --     | --     | --     | --     | --     | --     | 6%     | 29%    | <b>28%</b>    | <b>24%</b>    | All Div'ds to Net Prof             | 27%    |

**BUSINESS:** Apple Inc. is one of the world's largest makers of PCs and peripheral and consumer products, such as the iPod digital music player, the iPad tablet, and the iPhone smartphone, for sale primarily to the business, creative, education, government, and consumer markets. It also sells operating systems, utilities, languages, developer tools, and database software. As of September 28, 2013, Apple operated a total of 416 retail outlets, including 254 stores in the U.S. and 162 in international markets. R&D: 2.6% of '13 revenues. Has about 80,300 full-time employees. Off/dir. as a group own less than 1.0% of common; BlackRock, 5.6% (1/14 Proxy). CEO: Tim Cook. Inc.: CA. Address: 1 Infinite Loop, Cupertino, CA 95014. Telephone: 408-996-1010. Internet: www.apple.com.

| ANNUAL RATES       |              |              |              |              |               |  |  |  |  |  |  |  |  |  |  |  | Sales (\$mill) <sup>A</sup>            |        | 270000           |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
|--------------------|--------------|--------------|--------------|--------------|---------------|--|--|--|--|--|--|--|--|--|--|--|--|--------|------------------|--------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|------------|
| of change (per sh) |              |              |              |              |               |  |  |  |  |  |  |  |  |  |  |  | 10 Yrs.                                | 5 Yrs. | Est'd '11-'13    |        |     |     |     |     |     |     |     |     |     |     |     |     | to '17-'19 |
| Sales              |              |              |              |              |               |  |  |  |  |  |  |  |  |  |  |  | 34.5%                                  | 40.5%  | 40.5%            |        |     |     |     |     |     |     |     |     |     |     |     |     | 13.5%      |
| "Cash Flow"        |              |              |              |              |               |  |  |  |  |  |  |  |  |  |  |  | 70.5%                                  | 58.0%  | 12.5%            |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
| Earnings           |              |              |              |              |               |  |  |  |  |  |  |  |  |  |  |  | 96.5%                                  | 57.5%  | 12.5%            |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
| Dividends          |              |              |              |              |               |  |  |  |  |  |  |  |  |  |  |  | --                                     | --     | NMF              |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
| Book Value         |              |              |              |              |               |  |  |  |  |  |  |  |  |  |  |  | 35.0%                                  | 46.0%  | 14.0%            |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
| FISCAL YEAR ENDS   |              |              |              |              |               |  |  |  |  |  |  |  |  |  |  |  | QUARTERLY SALES (\$mill.) <sup>A</sup> |        | Full Fiscal Year |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
|                    |              |              |              |              |               |  |  |  |  |  |  |  |  |  |  |  | Dec.                                   | Mar.   | Jun.             | Per    | Per | Per | Per | Per | Per | Per | Per | Per | Per | Per | Per | Per | Per        |
| 2011               | 26741        | 24667        | 28571        | 28270        | 108249        |  |  |  |  |  |  |  |  |  |  |  |  |        |                  |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
| 2012               | 46333        | 39186        | 35023        | 35966        | 156508        |  |  |  |  |  |  |  |  |  |  |  |  |        |                  |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
| 2013               | 54512        | 43603        | 35323        | 37472        | 170910        |  |  |  |  |  |  |  |  |  |  |  |  |        |                  |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
| 2014               | 57594        | <b>44081</b> | <b>38325</b> | <b>40900</b> | <b>180900</b> |  |  |  |  |  |  |  |  |  |  |  |  |        |                  |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
| 2015               | <b>65100</b> | <b>48900</b> | <b>42800</b> | <b>45400</b> | <b>202200</b> |  |  |  |  |  |  |  |  |  |  |  |  |        |                  |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
| FISCAL YEAR ENDS   |              |              |              |              |               |  |  |  |  |  |  |  |  |  |  |  | EARNINGS PER SHARE <sup>A B</sup>      |        | Full Fiscal Year |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
|                    |              |              |              |              |               |  |  |  |  |  |  |  |  |  |  |  | Dec.                                   | Mar.   | Jun.             | Per    | Per | Per | Per | Per | Per | Per | Per | Per | Per | Per | Per | Per |            |
| 2011               | 6.43         | 6.40         | 7.79         | 7.05         | 27.68         |  |  |  |  |  |  |  |  |  |  |  |  |        |                  |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
| 2012               | 13.87        | 12.30        | 9.32         | 8.67         | 44.15         |  |  |  |  |  |  |  |  |  |  |  |  |        |                  |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
| 2013               | 13.81        | 10.09        | 7.47         | 8.26         | 39.75         |  |  |  |  |  |  |  |  |  |  |  |  |        |                  |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
| 2014               | 14.50        | <b>10.55</b> | <b>8.60</b>  | <b>9.60</b>  | <b>43.25</b>  |  |  |  |  |  |  |  |  |  |  |  |  |        |                  |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
| 2015               | <b>17.50</b> | <b>12.35</b> | <b>10.20</b> | <b>11.20</b> | <b>51.25</b>  |  |  |  |  |  |  |  |  |  |  |  |  |        |                  |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
| Calendar           |              |              |              |              |               |  |  |  |  |  |  |  |  |  |  |  | QUARTERLY DIVIDENDS PAID <sup>F</sup>  |        | Full Year        |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
|                    |              |              |              |              |               |  |  |  |  |  |  |  |  |  |  |  | Mar.31                                 | Jun.30 | Sep.30           | Dec.31 | Per | Per | Per | Per | Per | Per | Per | Per | Per | Per | Per |     |            |
| 2010               | --           | --           | --           | --           | --            |  |  |  |  |  |  |  |  |  |  |  |  |        |                  |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
| 2011               | --           | --           | --           | --           | --            |  |  |  |  |  |  |  |  |  |  |  |  |        |                  |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
| 2012               | --           | --           | 2.65         | 2.65         | 5.30          |  |  |  |  |  |  |  |  |  |  |  |  |        |                  |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
| 2013               | 2.65         | 3.05         | 3.05         | 3.05         | 11.80         |  |  |  |  |  |  |  |  |  |  |  |  |        |                  |        |     |     |     |     |     |     |     |     |     |     |     |     |            |
| 2014               | 3.05         |              |              |              |               |  |  |  |  |  |  |  |  |  |  |  |  |        |                  |        |     |     |     |     |     |     |     |     |     |     |     |     |            |

**Apple appears set to return to a growth mode in fiscal 2014 (ends September 27th).** The large-cap tech shares have been laggards since our last full-page review in early January (they have slipped around 4%), likely due to weaker-than-anticipated iPhone shipments during the December interim. Volumes of the cash-cow smartphone line have still been solid, however, even though supply constraints have been a problem in North America, and the scaled-down iPhone 5C has failed to gain hoped-for traction at home and abroad. In fact, iPhone shipments rose a decent 7% in the first quarter, to 51 million units. And we expect the momentum to build from here, with the iPhone 6 rumored to be launching in late summer. **The next-generation iPhone 6, expected to come with a larger display (4.7-inch and 5.5-inch variations have been speculated on), ought to be a major deal for the company.** It should help Apple to better compete with segment heavyweight Samsung, which has had great success selling phones with larger screens. Indeed, replacement sales will probably be quite strong once the iPhone 6 is released, with results apt to get a nice boost starting in the September period. In the meantime, business with wireless carrier China Mobile, which has been somewhat underwhelming thus far, should steadily gain traction in the coming quarters. All in all, we now see share net rebounding 9% this year (to \$43.25) and a more robust 18% in fiscal 2015 (to \$51.25). **Product innovation remains a top priority, and rollouts will likely be catalysts through decade's end.** CarPlay, a function that allows Apple's mobile devices to work with automakers' built-in in-car systems, has already been introduced. And other new products should include a smart "iWatch" and a branded set-top box to stream video. (Reports indicate that the company is negotiating a streaming deal with cable operator Comcast.) **We like these shares as a long-term play.** The growth story at Apple, while briefly pausing, still looks to have plenty of chapters left. Moreover, the company is in great financial shape, which should enable it to continue enhancing shareholder value via dividends and stock buybacks. *Justin Hellman*  
*April 4, 2014*