APPLE INC. NDQ-AAPL

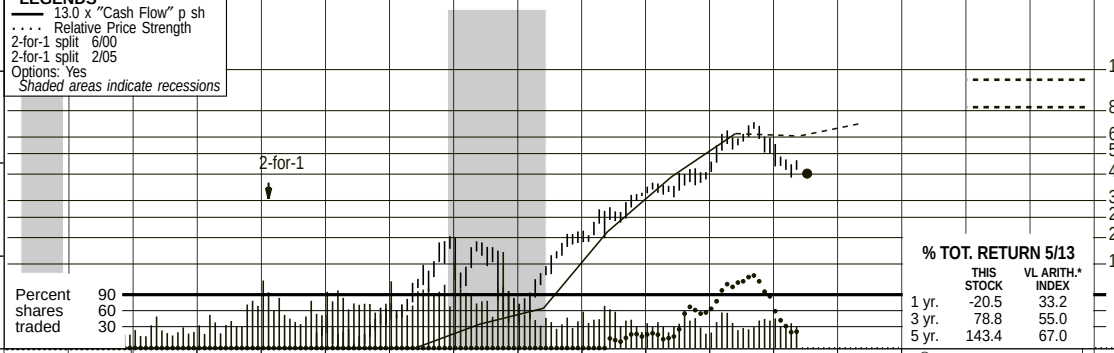
RECENT PRICE **402.63** | P/E RATIO **10.3** (Trailing: 9.6 / Median: 25.0) | RELATIVE P/E RATIO **0.62** | DIV'D YLD **3.0%** | VALUE LINE

TIMELINESS 5 Lowered 4/5/13
SAFETY 2 Raised 4/9/10
TECHNICAL 3 Raised 5/10/13
BETA 1.00 (1.00 = Market)

High:	13.1	12.5	34.8	75.5	93.2	203.0	200.3	214.0	326.7	426.7	705.1	555.0
Low:	6.7	6.4	10.6	31.3	50.2	81.9	79.1	78.2	190.3	310.5	409.0	385.1

Target Price Range
2016 | 2017 | 2018

LEGENDS
— 13.0 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 6/00
2-for-1 split 2/05
Options: Yes
Shaded areas indicate recessions



2016-18 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	1120	(+180%)	*31%*
Low	830	(+105%)	*22%*

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	2	0	0	0	0	0
Options	1	0	0	0	0	1	0	0	0
to Sell	2	1	1	6	0	0	0	0	1

Institutional Decisions

	3Q2012	4Q2012	1Q2013
to Buy	769	1067	1135
to Sell	983	856	767
Hld's(000)	611923	588126	572802

% TOT. RETURN 5/13

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-20.5	33.2
3 yr.	78.8	55.0
5 yr.	143.4	67.0

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC	16-18
13.84	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	*185.15*	*214.45*	Sales per sh A	*305.90*
d.51	.73	.79	1.04	.03	.33	.26	.54	1.72	2.59	4.37	5.97	7.12	16.42	29.85	47.92	*46.70*	*53.80*	"Cash Flow" per sh	*75.65*
d.75	.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*	*46.00*	Earnings per sh B	*65.00*
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2.65	*11.40*	*12.20*	Div'ds Decl'd per sh F	*20.00*
.10	.09	.07	.16	.33	.24	.22	.22	.31	.77	.84	1.23	1.27	2.19	4.58	8.83	*9.25*	*10.00*	Cap'l Spending per sh	*11.75*
2.05	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	*163.45*	*187.80*	Book Value per sh E	*235.30*
511.80	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	*930.00*	*900.00*	Common Shs Outst'g C	*850.00*
--	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	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
--	.69	.99	2.00	--	3.36	4.78	2.00	1.40	1.57	1.40	1.83	1.28	.97	.78	.75	*Value Line*		Relative P/E Ratio	*1.00*
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	.5%	*estimates*		Avg Ann'l Div'd Yield	*2.1%*

CAPITAL STRUCTURE as of 3/30/13

Total Debt None

Leases, Uncapitalized Annual rentals $516 mill.

No Defined Benefit Pension Plan
Pfd Stock None

Common Stock 938,649,000 shs.
as of 4/12/13

Market Cap: $378 billion (Large Cap)

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		16-18
6207.0	8279.0	13931	19315	24006	32479	36537	65225	108249	156508	*172200*	*193000*	Sales ($mill) A	*260000*
2.2%	5.7%	13.1%	13.9%	19.7%	20.8%	22.9%	29.8%	32.9%	37.4%	*32.0%*	*32.0%*	Operating Margin	*32.0%*
113.0	150.0	179.0	225.0	317.0	473.0	703.0	1027.0	1814.0	3277.0	*6500*	*7000*	Depreciation ($mill) D	*9000*
76.0	276.0	1254.0	1989.0	3496.0	4834.0	5704.0	14013	25922	41733	*36950*	*41400*	Net Profit ($mill)	*55300*
26.2%	27.9%	30.9%	29.4%	30.2%	29.9%	28.6%	24.4%	24.2%	25.2%	*26.0%*	*26.0%*	Income Tax Rate	*26.0%*
1.2%	3.3%	9.0%	10.3%	14.6%	14.9%	15.6%	21.5%	23.9%	26.7%	*21.5%*	*21.5%*	Net Profit Margin	*21.3%*
3530.0	4375.0	6816.0	8038.0	12657	20598	16983	20956	17018	19111	*28000*	*30000*	Working Cap'l ($mill)	*40000*
--	--	--	--	--	--	--	--	--	--	*17000*	*17000*	Long-Term Debt ($mill)	*20000*
4223.0	5076.0	7466.0	9984.0	14532	21030	27832	47791	76615	118210	*152000*	*169000*	Shr. Equity ($mill) E	*200000*
1.8%	5.4%	16.8%	19.9%	24.1%	23.0%	20.5%	29.3%	33.8%	35.3%	*22.0%*	*22.5%*	Return on Total Cap'l	*25.5%*
1.8%	5.4%	16.8%	19.9%	24.1%	23.0%	20.5%	29.3%	33.8%	35.3%	*24.5%*	*24.5%*	Return on Shr. Equity	*27.5%*
1.8%	5.4%	16.8%	19.9%	24.1%	23.0%	20.5%	29.3%	33.8%	33.2%	*17.5%*	*18.0%*	Retained to Com Eq	*19.0%*
--	--	--	--	--	--	--	--	--	6%	*29%*	*27%*	All Div'ds to Net Prof	*31%*

CURRENT POSITION ($MILL.)	2011	2012	3/30/13
Cash Assets	25952	29129	39137
Receivables	5369	10930	7084
Inventory (FIFO)	776	791	1245
Other	12891	16803	15871
Current Assets	44988	57653	63337
Accts Payable	14632	21175	14912
Debt Due	--	--	--
Other	13338	17367	20596
Current Liab.	27970	38542	35508

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '10-'12 to '16-'18
Sales	29.0%	39.5%	*17.0%*
"Cash Flow"	52.5%	61.0%	*16.0%*
Earnings	58.5%	62.5%	*14.5%*
Dividends	--	--	*NMF*
Book Value	31.0%	47.5%	*18.0%*

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Dec.Per	Mar.Per	Jun.Per	Sep.Per	Full Fiscal Year
2010	15683	13499	15700	20343	65225
2011	26741	24667	28571	28270	108249
2012	46333	39186	35023	35966	156508
2013	54512	43603	*34735*	*39350*	*172200*
2014	*53850*	*47000*	*44150*	*48000*	*193000*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.Per	Mar.Per	Jun.Per	Sep.Per	Full Fiscal Year
2010	3.67	3.33	3.51	4.64	15.15
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	*7.25*	*8.60*	*39.75*
2014	*13.25*	*11.00*	*9.75*	*12.00*	*46.00*

Cal-endar	QUARTERLY DIVIDENDS PAID F Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	--	--	--	--	--
2010	--	--	--	--	--
2011	--	--	--	--	--
2012	--	--	2.65	2.65	5.30
2013	2.65	3.05			

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 29, 2012, Apple operated a total of 390 retail outlets, including 250 stores in the U.S. and 140 in international markets. R&D: 2.2% of '12 revenues. Has about 72,800 full-time employees. Off./dir. own less than 1.0% of common; BlackRock, 5.2%; Fidelity, 5.5% (1/13 Proxy). CEO: Tim Cook. Inc.: CA. Address: 1 Infinite Loop, Cupertino, CA 95014. Telephone: 408-996-1010. Internet: www.apple.com.

Apple appears headed for its first annual earnings decline in a decade. In fact, we have slashed our share-net call for fiscal 2013 (ends September 28th) by $4.75, to $39.75, because of softness in the cash-cow smartphone category and further pressure on the tech giant's gross margin. Smartphone sales are being hampered by heightened competition from archrival Samsung — Samsung's new *Android*-powered *Galaxy S4* phone has been outselling the *iPhone 5* in many cases — and by delays in bringing new devices, including a rumored low-cost *iPhone*, to market. Margins, meanwhile, continue to be squeezed by higher component prices, shorter product cycles, and an unfavorable mix shift toward less profitable tablets, most notably the *iPad Mini*. These pressures ought to persist into fiscal 2014, as Apple's formidable pricing power wanes amid something of an innovation drought.

Bottom-line growth will probably resume by the middle of next year. By then, margins should find a stable footing and the top line will likely be reinvigorated with the aid of several product refreshes. (The company already unveiled upgrades to most of its operating software at its Worldwide Developers Conference in early June.) Aside from a cheaper *iPhone*, which should help Apple to fend off rivals and gain ground in China and other fast-growing international markets, a new flagship *iPhone 5S* should launch in the fall. And a smart television and *iWatch* are likely in the works, as the company looks to expand its product ecosystem and benefit from an even greater "halo effect."

The company plans to return more of its cash hoard to shareholders. To this end, Apple has hiked its quarterly dividend by 15%, from $2.65 to $3.05 a share. (The current yield is around 3%.) It has also increased its stock-buyback program sixfold, from $10 billion to $60 billion. This represents the largest repurchase authorization in corporate history.

Momentum investors are advised to avoid untimely Apple shares. Those with a longer-term horizon may wish to build positions in this quality name, however, given the compelling valuation at present and the likelihood that the company will soon enter another growth phase.

Justin Hellman *July 5, 2013*

(A) Fiscal year ends last Saturday in September. **(B)** Primary earnings through fiscal '97, then diluted. Quarters may not add to total due to rounding. Excludes nonrecurring gains: '98, 4¢; '99, 26¢; '00, 24¢; '01, 8¢; '05, 12¢; losses: '97, $1.32; '02, 8¢. Next earnings report due late July. **(C)** In mill., adjusted for split. **(D)** Depreciation on accelerated basis. **(E)** Includes intangibles. In 2012, $5359 mill., $5.71 a share. **(F)** New dividend policy adopted 3/12. First quarterly payment was made in the September interim.

Company's Financial Strength	A++
Stock's Price Stability	70
Price Growth Persistence	100
Earnings Predictability	70

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