

Apple Inc

S&P Capital IQ Recommendation

STRONG BUY ★★★★★

Price
\$95.33 (as of Jun 17, 2016 4:00 PM ET)

12-Mo. Target Price
\$130.00

Report Currency
USD

Investment Style
Large-Cap Growth

S&P Capital IQ Equity Analyst A. Zino-CFA

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, wearables and iPod digital media players.

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

52-Wk Range	\$132.97–89.47	S&P Oper. EPS 2016E	8.28	Market Capitalization(B)	\$531.496	Beta	0.81
Trailing 12-Month EPS	\$8.98	S&P Oper. EPS 2017E	9.59	Yield (%)	2.39	S&P 3-Yr. Proj. EPS CAGR(%)	9
Trailing 12-Month P/E	10.6	P/E on S&P Oper. EPS 2016E	11.5	Dividend Rate/Share	\$2.28	S&P Quality Ranking	B+
\$10K Invested 5 Yrs Ago	\$22,636	Common Shares Outstg. (M)	5,575.3	Institutional Ownership (%)	57		

Price Performance



Analyst's Risk Assessment

LOW MEDIUM HIGH

Our risk assessment reflects our view of a seemingly ever-evolving market for consumer-oriented technology products, potential challenges associated with the company's growing size and offerings and possible changes in the pace or success of product innovations following recent management changes.

Revenue/Earnings Data

Revenue (Million U.S. \$)					
	1Q	2Q	3Q	4Q	Year
2016	75,872	50,557	--	--	--
2015	74,599	58,010	49,605	51,501	233,715
2014	57,594	45,646	37,432	42,123	182,795
2013	54,512	43,603	35,323	37,472	170,910
2012	46,333	39,186	35,023	35,966	156,508
2011	26,741	24,667	28,571	28,270	108,249

Earnings Per Share (U.S. \$)

2016	3.28	1.90	E1.58	E1.81	E8.28
2015	3.06	2.33	1.85	1.96	9.22
2014	2.07	1.66	1.28	1.42	6.45
2013	1.97	1.44	1.07	1.18	5.68
2012	1.98	1.76	1.33	1.24	6.31
2011	0.92	0.91	1.11	1.01	3.95

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

Dividend Data

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.520	Jul 21	Aug 6	Aug 10	Aug 13 '15
0.520	Oct 27	Nov 5	Nov 9	Nov 12 '15
0.520	Jan 26	Feb 4	Feb 8	Feb 11 '16
0.570	Apr 26	May 5	May 9	May 12 '16

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 **A. Zino-CFA** on Apr 27, 2016 11:02 AM, when the stock traded at **\$97.31**.

Highlights

- We project 6.3% revenue growth for FY 17 (Sep.), following our projection for a 4.7% decline in FY 16. Near term, we see headwinds from a challenging macroeconomic landscape, slowing smartphone space and tough comparables. However, we believe AAPL remains well-positioned given a high customer retention rate and one billion active installed base. We remain optimistic about an iPhone 7 launch late this year, and expect the recently announced iPhone SE to help penetrate in the higher-growth potential emerging markets. We anticipate steady Mac sales and see iPad shipments challenged by a more mature market. We positively view long term opportunities through expansion into adjacent markets and see greater contribution from services.
- We see the annual gross margin at 39% in FY 16 and FY 17, below the FY 15 margin of 40%. We see less favorable mix as AAPL generates ramps its lower-priced iPhone SE, but expect higher volume to positively impact overall profitability. However, we see consumer shift towards higher memory phones as a margin tailwind.
- We positively view Android switcher rates.

Investment Rationale/Risk

- Our Strong Buy opinion primarily reflects AAPL's compelling valuation (trading about 10X FY 17 EPS and 7X ex. net cash), our belief that growth will resume following the launch of the iPhone 7, and the company's robust free cash flow generation/cash position. We note AAPL's significant market position in key areas, and high customer satisfaction and switching costs. We believe AAPL's superior ecosystem and new product launches will be enough to sustain high iPhone customer retention rates. We note net cash per share over \$29 and see the balance sheet being increasingly employed for dividends and stock repurchases, as well as small bolt-on acquisitions.
- 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 \$130 is based on a P/E of 13X our FY 17 EPS estimate or 10X excluding net cash, above hardware peers, but below the S&P 500 Technology sector.

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

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Apple Inc

Business Summary April 27, 2016

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 66% of FY 15 revenues, with over 230 million units sold. AAPL sold over 169 million iPhones in FY 14, contributing 56% 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 2015 introductions of the next generation iPhone 6s and the iPhone 6s Plus devices.

Released in April 2010, the iPad quickly became the best-selling tablet computer by far. Before the iPad, unit sales for similar computing devices were less than 200,000 units, according to market researchers. In FY 10, the first year of availability, AAPL sold over 7 million iPads, accounting for around 8% of total revenues. In FY 15, about 55 million iPads were sold (10% of sales), but showed a decline from the 68 million units shipped (17% of sales) the previous fiscal year. We believe the tablet form factor will remain popular as it launches next generation devices, but we see new entrants diluting AAPL's overall market share over time. Nonetheless, we expect AAPL to continue to dominate in the upper part of this fast-growing computing market.

Sales of AAPL's computers, commonly known as Macs, made up 11% of revenues in FY 15 compared to 13% in FY 14. On a unit shipment basis, Macs had grown notably faster than what was reported for the PC industry.

Revenue from Services and other hardware products comprised for about 13% of sales in FY 15. This includes revenue from the iTunes Store, the App Store, the Mac App Store, the iBooks Store, AppleCare, licensing and other services. It also includes sales of Apple TV, Apple Watch, Beats products, iPod and Apple-branded and third-party accessories.

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. Further, we view the iTunes App Store as an effective way of not only distributing content effectively, but also keeping the customer base entrenched. We think iCloud functionality encourages customers to buy more AAPL products and use them more regularly.

FINANCIAL TRENDS. Although AAPL's sales are affected by broader macroeconomic conditions, we 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. However, with anticipated growth in the smartphone and tablet markets, and considering our view that AAPL will largely sustain notable share in these areas, we see increasing shipments of and revenues from iPhones and iPads over the next couple of years.

We 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 over \$200 billion in cash and investments, and about \$53 billion in debt as of FY 15 end. AAPL boasts return metrics, such as return on equity, that are relatively high compared to other large/mega-cap hardware and software companies.

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

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

Corporate Information

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D.B. Sewell

COO
J.E. Williams

Board Members

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

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

Domicile
California

Founded
1977

Employees
110,000

Stockholders
25,924

Apple Inc

Quantitative Evaluations

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

Fair Value Calculation	\$93.90	Analysis of the stock's current worth, based on S&P Capital IQ's proprietary quantitative model suggests that AAPL is fairly valued
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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	NEUTRAL	Since May, 2016, the technical indicators for AAPL have been NEUTRAL.
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Insider Activity	UNFAVORABLE	NEUTRAL	FAVORABLE
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For further clarification on the terms used in this report, please visit www.spcapitaliq.com/stockreportguide

Expanded Ratio Analysis

	2015	2014	2013	2012
Price/Sales	2.61	3.70	3.06	3.21
Price/EBITDA	7.39	11.18	9.37	8.60
Price/Pretax Income	8.41	12.64	10.42	9.02
P/E Ratio	11.42	17.11	14.11	12.06
Avg. Diluted Shares Outstg (M)	5,793.1	6,122.7	6,521.6	6,617.5

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	27.86	13.54	25.83	34.86
Net Income	35.14	8.37	25.08	45.83

Ratio Analysis (Annual Avg.)

	2015	2014	2013	2012
Net Margin (%)	22.85	22.04	23.35	20.76
% LT Debt to Capitalization	30.49	21.06	12.64	7.02
Return on Equity (%)	46.25	36.83	39.00	35.36

Company Financials Fiscal Year Ended Sep. 30

Per Share Data (U.S. \$)	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Tangible Book Value	19.78	17.52	18.71	17.17	11.10	7.28	4.95	3.29	2.32	1.64
Cash Flow	11.16	7.75	6.72	6.80	4.23	2.32	1.41	0.84	0.61	0.36
Earnings	9.22	6.45	5.68	6.31	3.95	2.16	1.30	0.77	0.56	0.32
S&P Capital IQ Core Earnings	NA	NA	NA	6.29	3.94	2.16	1.30	0.77	0.56	0.32
Dividends	1.98	1.82	1.63	0.38	Nil	Nil	Nil	Nil	Nil	Nil
Payout Ratio	21%	28%	29%	6%	Nil	Nil	Nil	Nil	Nil	Nil
Prices:High	134.54	119.75	82.16	100.72	60.96	46.67	30.56	28.61	28.99	13.31
Prices:Low	92.00	70.51	55.01	58.43	44.36	27.18	11.17	11.31	11.70	7.17
P/E Ratio:High	15	19	14	16	15	22	24	37	52	41
P/E Ratio:Low	10	11	10	9	11	13	9	15	21	22

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenue	233,715	182,795	170,910	156,508	108,249	65,225	42,905	32,479	24,006	19,315
Operating Income	82,487	60,449	55,756	58,518	35,604	19,412	12,474	6,748	4,726	2,645
Depreciation	11,257	7,946	6,757	3,277	1,814	1,027	734	473	317	225
Interest Expense	733	384	136	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Pretax Income	72,515	53,483	50,155	55,763	34,205	18,540	12,066	6,895	5,008	2,818
Effective Tax Rate	26.4%	26.1%	26.2%	25.2%	24.2%	24.4%	31.8%	29.9%	30.2%	29.4%
Net Income	53,394	39,510	37,037	41,733	25,922	14,013	8,235	4,834	3,496	1,989
S&P Capital IQ Core Earnings	NA	NA	NA	41,614	25,851	14,013	8,235	4,834	3,496	1,989

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Cash	41,995	25,158	40,590	29,129	25,952	25,620	23,464	24,490	9,352	6,392
Current Assets	89,378	68,531	73,286	57,653	44,988	41,678	31,555	34,690	21,956	14,509
Total Assets	290,479	231,839	207,000	176,064	116,371	75,183	47,501	39,572	25,347	17,205
Current Liabilities	80,610	63,448	43,658	38,542	27,970	20,722	11,506	14,092	9,299	6,471
Long Term Debt	53,463	28,987	16,960	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Common Equity	119,355	111,547	123,549	118,210	76,615	47,791	31,640	21,030	14,532	9,984
Total Capital	175,318	140,534	140,509	118,210	76,615	47,791	31,640	21,705	15,151	10,365
Capital Expenditures	11,247	9,571	8,165	8,295	4,260	2,005	1,144	1,091	735	657
Cash Flow	64,651	47,456	43,794	45,010	27,736	15,040	8,969	5,307	3,813	2,214
Current Ratio	1.1	1.1	1.7	1.5	1.6	2.0	2.7	2.5	2.4	2.2
% Long Term Debt of Capitalization	30.5	20.6	12.1	Nil	Nil	Nil	Nil	Nil	Nil	Nil
% Net Income of Revenue	22.9	21.6	21.7	26.7	24.0	21.5	19.2	14.9	14.6	10.3
% Return on Assets	20.5	18.0	19.3	28.5	27.1	21.7	19.7	14.9	16.4	13.9
% Return on Equity	46.3	33.6	30.6	42.8	41.7	37.1	30.5	27.2	28.5	22.8

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.

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Apple Inc

Sub-Industry Outlook

Our fundamental outlook for the S&P Technology Hardware, Storage & Peripherals sub-industry for the next 12 months is positive. With steadily improving, but decelerating growth, the smartphone landscape is likely to continue to support higher revenue for the technology hardware, storage & peripherals industry. Consumers in Asia and emerging markets will likely see rising penetration for smartphones, while both Apple and Samsung will remain the key innovators of next-generation devices.

We think personal computer (PC) sales will begin to stabilize and see less pronounced pressures related to the cannibalization on lower priced tablet devices. We think hardware vendors will continue their efforts to take costs out of their infrastructures as they strive for profitability despite price competition and rising component costs. Since mid-2010, PC unit sales appear to have suffered from consumers substituting media tablets, which are smaller and less robust than traditional PCs and not generally counted as PCs, for laptop PCs. We, however, believe this substitution effect has likely peaked and should no longer act as a headwind to PC sales.

We think demand for data storage will be driven by content digitization of old media such as paper and film, growing popularity of social networking websites, and longer record retention for compliance with government regulations. We think the storage software market will be driven by business continuity and disaster recovery efforts, compliance and risk management activities, and the increasing prevalence of data mining and related analytics. We think one of the fastest growing sectors is virtualization software, which helps companies improve efficiencies of existing IT infrastructures and lower operating expenses by

allowing servers to run multiple applications, rather than just one.

We see longer-term fundamentals in the hardware and storage space remaining attractive, and expect improving revenue as well as margin trends in the coming quarters. We think a global need for better computing and communications, especially mobile communications, creates an appetite for a wide range of technology products.

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.

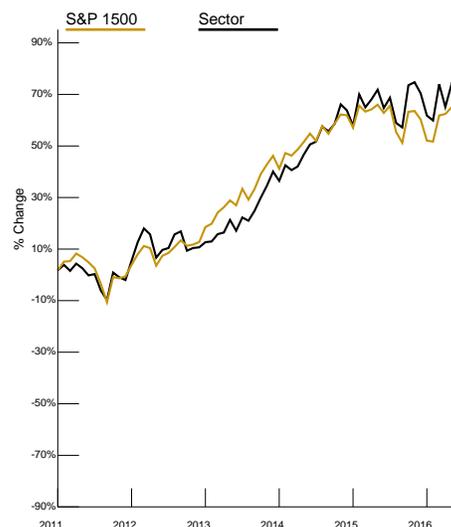
Year-to-date through March 24, 2016, the S&P 1500 Technology Hardware, Storage & Peripherals Index has risen 0.8% compared to a 0.3% decline for the S&P 1500. The S&P 1500 Technology Hardware, Storage & Peripherals Index declined 11.1% in 2015, while the S&P 1500 has fallen 1.0%.

--Angelo Zino, CFA

Industry Performance

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

Based on S&P 1500 Indexes
Five-Year market price performance through
Jun 18, 2016



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

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

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

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Apple Inc	AAPL	531,496	95.33	132.97/89.47	0.81	2.4	11	93.90	B+	99	22.9	30.5
Blackberry Ltd	BBRY	3,652	7.01	9.46/5.96	1.26	Nil	NM	NA	B	17	NA	28.5
Canon Inc ADS	CAJ	31,550	28.89	34.20/26.60	0.77	4.0	18	NA	NR	91	6.1	Nil
Diebold, Inc	DBD	1,657	25.43	37.98/22.84	1.29	4.5	7	NA	B-	87	2.4	57.8
EMC Corp	EMC	55,502	27.40	28.77/22.66	1.39	1.7	27	32.30	B+	98	8.1	19.4
Electronics For Imaging	EFII	2,045	44.50	49.82/35.88	1.54	Nil	71	44.40	B	87	3.8	27.3
FUJIFILM Holdings*ADR	FUJY	17,743	38.91	43.05/34.57	0.77	0.9	18	41.60	NR	90	5.7	11.0
HP Inc	HPQ	23,509	13.12	32.00/8.91	1.50	3.8	7	10.30	B+	82	4.4	41.6
Hewlett Packard Enterprise	HPE	33,003	18.94	19.65/11.62	NA	1.2	16	NA	NR	84	4.7	30.8
Lexmark Intl'A'	LXK	2,317	37.80	47.69/24.11	1.36	3.8	NM	NA	B-	61	NM	48.7
Logitech Intl	LOGI	2,616	16.05	16.62/12.52	1.17	2.1	22	NA	NR	64	6.4	NA
NCR Corp	NCR	4,868	29.20	34.05/18.02	1.17	Nil	NM	NA	B-	54	NM	67.6
NetApp Inc	NTAP	7,582	24.86	34.81/20.66	1.43	3.1	32	29.20	B	95	9.1	30.4
Seagate Technology Plc	STX	6,931	23.22	54.00/18.42	2.65	10.9	23	NA	NR	87	12.7	57.9
Western Digital	WDC	13,112	46.59	91.91/34.99	1.43	4.3	13	52.80	B	94	10.1	18.7

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

June 13, 2016

03:49 pm ET ... S&P GLOBAL MAINTAINS STRONG BUY OPINION ON SHARES OF APPLE INC. (AAPL 97.62****): As expected, AAPL offers updates to all 4 of its major platforms. WatchOS (i.e. new scribble feature) and tvOS (Siri enhanced search capabilities, single sign-on, and new TV remote app) saw incremental updates. The macOS provided a bigger update, with the addition of Siri, picture-in-picture, optimized storage, auto unlock, and copy/paste between devices. Key iOS updates include Siri/Maps/Messages integration with third-party apps, major enhancements to Messages, Music/News revamp, enhancements to Photos, and a new app called "Swift Playgrounds" to help people learn to code. /A. Zino-CFA

June 13, 2016

08:28 am ET ... S&P GLOBAL MAINTAINS STRONG BUY OPINION ON SHARES OF APPLE INC. (AAPL 98.83****): AAPL is hosting its WWDC conference today where we expect it to provide enhancements to the ecosystem. We see modest software upgrades to all platforms (iOS, OS X, watchOS, tvOS) but no major hardware releases. We believe AAPL will introduce new features to Siri, specifically the integration with third-party apps, as well as a person-to-person money transfer with Apple Pay. We think AAPL may announce new security measures and revamp its music platform, among other things. We see the annual conference growing in importance as AAPL looks to better leverage its services business. /A. Zino-CFA

May 18, 2016

07:39 am ET ... S&P GLOBAL MAINTAINS STRONG BUY RECOMMENDATION ON SHARES OF APPLE INC. (AAPL 93.49****): AAPL announces that it plans to open a new app development center in India in early 2017. CEO Tim Cook is also visiting India where he will meet Prime Minister Narendra Modi. We believe greater investments by AAPL in India will be viewed positively among high ranking officials and comes at a time when it is seeking to expand in the region. We view India as a large growth opportunity for AAPL given its low-single digit market share in India and 4G infrastructure build-outs beginning to take place. We see the release of the iPhone SE helping AAPL penetrate in the low-cost region. /A. Zino-CFA

May 16, 2016

09:58 am ET ... S&P GLOBAL MAINTAINS STRONG BUY RECOMMENDATION ON SHARES OF APPLE INC. (AAPL 90.52****): Warren Buffett's Berkshire Hathaway (BRK.B 141 ***) makes a 13-F filing highlighting a new position in AAPL as of March 31, with ownership of 9.81 million shares. Notwithstanding its large position in International Business Machines (148 ***), BRK.B has historically avoided technology stocks. We believe BRK.B's ownership stake will be viewed positively and could influence new investors with a long-term value orientation. We view AAPL as attractively valued, trading less than 7X net cash using our FY 17 (Sep.) EPS estimate, and yielding about 2.5% (dividend recently raised 10%). /A. Zino-CFA

May 16, 2016

09:56 am ET ... S&P GLOBAL KEEPS HOLD OPINION ON CLASS B SHARES OF BERKSHIRE HATHAWAY INC. (BRK.B 141.40****): Published, unconfirmed reports in the NY Times indicate Berkshire may provide financing to a consortium led by Daniel Gilbert in its bid for Yahoo! Inc. (YHOO 37, hold). We view this news as part of BRK's search for investment returns, either directly or through venture capital means. This, plus news BRK has acquired a 9.8M share stake in Apple (AAPL 91, Strong Buy), does not change our view that BRK shares, currently trading at 20.1X our '16 EPS estimate of \$7.04, above the midpoint of their historical range, are fairly valued amid earnings pressure at several core units. /C. Seifert

May 13, 2016

07:15 am ET ... S&P GLOBAL MAINTAINS STRONG BUY RECOMMENDATION ON SHARES OF APPLE INC. (AAPL 90.34****): AAPL is investing \$1B in Didi Chuxing, the primary Chinese competitor to Uber Technologies. We think the investment makes sense as it should help improve AAPL's relationship with the Chinese government amid regulatory concerns (iBooks and iTunes Movies recently blocked in China). Also, we view the connected car space as a major growth opportunity for AAPL and this investment could help the company with those initiatives. The inclusion of Apple Pay within Didi's vehicles is also likely, in our view. We view the use of overseas cash as smart and minimal given AAPL's cash hoard. /A. Zino-CFA

May 12, 2016

Apple has promoted its current sales director Sanjay Kaul, who till date served as the sales director for the company as the new country manager Kaul joined Apple in November 2011 as head of the iPhone business in India. His last designation at Apple, before being made country manager, was Director, Telecom. Prior to joining Apple, he served BlackBerry where he headed the firm's channel sales division.

April 29, 2016

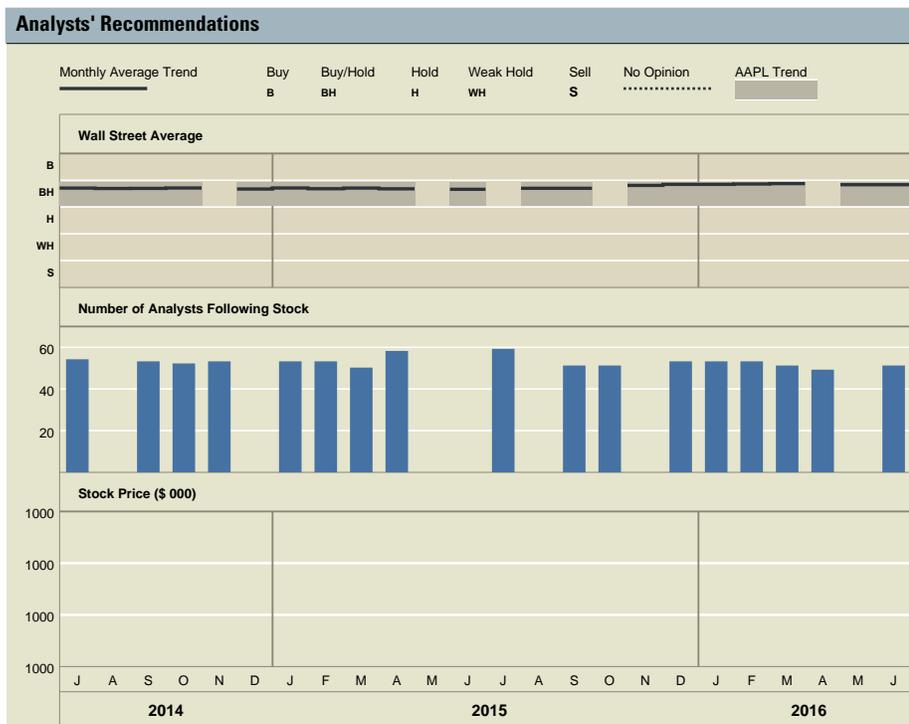
07:38 am ET ... S&P GLOBAL MAINTAINS HOLD OPINION ON SHARES OF SKYWORKS SOLUTIONS INC. (SWKS 71.78***): We reduce our 12-month target price to \$81 from \$89, on peer-average P/E. We cut our FY 16 (Sep.) EPS view to \$5.49 from \$5.90 and FY '17's to \$6.58 from \$6.85. SWKS posts Mar-Q EPS of \$1.25 vs. \$1.15, beating the \$1.24 Capital IQ consensus. Sales rose 1.7% and margins widened, near expectations. We see inventory drawdowns and slower sell-through from Apple (AAPL 95****) hurting Jun-Q results, but see this partly offset by higher demand from Samsung and China. We are optimistic about increasing content in next generation mobile devices and growth within the Internet of Things. /A. Zino-CFA

April 27, 2016

07:49 am ET ... S&P CAPITAL IQ MAINTAINS STRONG BUY OPINION ON SHARES OF APPLE INC. (AAPL 104.35****): We keep our 12-month target price at \$130, on P/E above hardware peers but well below the S&P 500 Technology sector. We cut our FY 16 (Sep.) EPS estimate to \$8.28 from \$9.00 and FY 17's to \$9.59 from \$10.02. With shares down sharply post Mar-Q results, we see AAPL as a compelling risk/reward opportunity. We note near term headwinds including tough comparables, weak iPhone 6S replacement cycle, and decelerating smartphone space. However, we believe an iPhone 7 launch in late September will allow AAPL to return to growth and see its net cash per share over \$29 aiding valuation. /A. Zino-CFA

April 26, 2016

05:01 pm ET ... S&P CAPITAL IQ MAINTAINS STRONG BUY OPINION ON SHARES OF APPLE INC. (AAPL 104.35****): AAPL posts Mar-Q operating EPS of \$1.90 vs. \$2.33, missing the \$2.00 Capital IQ consensus estimate. Sales fell 13% to \$50.6B, on 18% drop in iPhone sales (units fell 16% to 51.2M). Gross margin of 39.4% was near consensus but guidance of 37.5%-38% was well below our view. Revenue outlook of \$41B-\$43B is also well below the consensus of \$47B. Despite weak guidance, which we attribute to a pause ahead of the iPhone 7 launch and soft iPhone 6S cycle, we see the Jun-Q as the trough. We note 10% dividend increase and \$35B increase in its share repurchase program (through March 2018). /A. Zino-CFA



Wall Street Consensus Opinion

BUY/HOLD

Companies Offering Coverage

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

- Accountability Research Corporation
- Arete Research Services LLP
- Argus Research Company
- Atlantic Equities LLP
- BMO Capital Markets Equity Research
- BTIG
- Barclays
- BofA Merrill Lynch
- Brean Capital
- CLSA
- CRT Capital Group
- Canaccord Genuity
- Citigroup Inc
- Cleveland Research Company
- Cowen and Company
- Creative Global Investments LLC
- Credit Suisse
- Daiwa Capital Markets America Inc.
- Daiwa Securities Co. Ltd.
- Deutsche Bank
- Drexel Hamilton
- Erste Group Bank AG
- Eugene Investment & Securities Co Ltd.
- Everbright Securities Co. Ltd.
- FBN Securities, Inc.
- Goldman Sachs
- Hamburger Sparkasse AG
- Hilliard Lyons
- Investcafe
- JP Morgan

Of the total 53 companies following AAPL, 52 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	29	56	29	28
Buy/Hold	12	23	12	12
Hold	8	15	9	7
Weak Hold	0	0	0	0
Sell	1	2	1	1
No Opinion	2	4	2	2
Total	52	100	53	50

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2017	9.15	10.10	7.46	43	10.4
2016	8.34	9.10	7.58	43	11.4
2017 vs. 2016	▲ 10%	▲ 11%	▼ -2%	0%	▼ -9%
Q3'17	1.72	1.96	1.40	26	55.4
Q3'16	1.40	1.50	1.23	34	68.1
Q3'17 vs. Q3'16	▲ 23%	▲ 31%	▲ 14%	▼ -24%	▼ -19%

Wall Street Consensus vs. Performance

For fiscal year 2016, analysts estimate that AAPL will earn US\$ 8.34. For the 2nd quarter of fiscal year 2016, AAPL announced earnings per share of US\$ 1.90, representing 23% of the total annual estimate. For fiscal year 2017, analysts estimate that AAPL's earnings per share will grow by 10% to US\$ 9.15.

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

Since January 1, 1987, S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, S&P Capital IQ Equity Research has ranked Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), S&P Capital IQ equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Capital IQ Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

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

S&P Capital IQ EPS Estimates

S&P Capital IQ earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P Capital IQ EPS estimates reflect either forecasts of 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.

S&P Capital IQ Core Earnings

S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the S&P Capital IQ definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

S&P Capital IQ 12-Month Target Price

The 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.

S&P Capital IQ Equity Research

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Abbreviations Used in S&P Capital IQ Equity Research Reports

CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model

EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG Ratio - P/E-to-Growth Ratio
PV - Present Value
R&D - Research & Development
ROCE - Return on Capital Employed
ROE - Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

S&P Capital IQ Qualitative Risk Assessment

Reflects an 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-STARS (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-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 not anticipated to show a gain.

★☆☆☆☆ 1-STAR (Strong Sell):

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

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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STARS Stock Reports:

S&P Capital IQ Global STARS Distribution as of March 31, 2016

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Buy	30.1%	40.6%	37.8%	33.6%
Hold	50.6%	32.8%	48.7%	46.2%
Sell	19.3%	26.6%	13.5%	20.2%
Total	100%	100%	100%	100%

Quantitative Stock Reports:

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Apple Inc

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