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|--|-----------|--------------|-----------------|----------------------|-----|
| Company | Apple | | Date | 11/11/16 | |
| Prepared by | Fitts | | Data taken from | BI Stock Data | |
| Where traded | NAS | | Industry | Consumer Electronics | |
| Capitalization --- Outstanding Amounts | Reference | | | | |
| Preferred (\$M) | 0.0 | % Insiders | % Institution | | |
| Common (M Shares) | 5,393.3 | 0.2 | 60.4 | | |
| Debt (\$M) | 87,032.0 | % to Tot Cap | 40.4 | % Pot Dil | 0.5 |

Stock Selection Guide

Symbol: AAPL

1 VISUAL ANALYSIS of Sales, Earnings, and Price



- | | | | |
|-----------------------------------|-------|--|-------|
| (1) Historical Sales Growth | 30.6% | (3) Historical Earnings Per Share Growth | 37.9% |
| (2) Estimated Future Sales Growth | 20.0% | (4) Estimated Future Earnings Per Share Growth | 6.3% |

2 EVALUATING Management

Apple

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Last 5 Year Avg. |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------------------|
| Pre-tax Profit on Sales | 20.9% | 21.2% | 28.1% | 28.4% | 31.6% | 35.6% | 29.3% | 29.3% | 31.0% | 28.5% | 30.7% |
| % Earned on Equity | 25.6% | 22.6% | 25.8% | 29.0% | 33.6% | 37.1% | 29.0% | 31.3% | 40.9% | 35.0% | 34.7% |
| % Debt To Capital | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 12.1% | 24.0% | 35.1% | 40.4% | 22.3% |

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

CLOSING PRICE 108.43 (11/11/16)

HIGH THIS YEAR 119.92

LOW THIS YEAR 89.47

| | A | B | C | D | E | F | G | H |
|------------------------------------|-------|------|-----------|------------------------------------|-----------|-----------|-------------|--------------|
| Year | Price | | Earnings | Price Earnings Ratio | | Dividend | % Payout | % High Yield |
| | High | Low | Per Share | High A / C | Low B / C | Per Share | F / C * 100 | F / B * 100 |
| 2012 | 100.7 | 50.6 | 6.31 | 16.0 | 8.0 | 0.38 | 6.0 | 0.7 |
| 2013 | 96.3 | 55.0 | 5.68 | 17.0 | 9.7 | 1.63 | 28.7 | 3.0 |
| 2014 | 103.7 | 68.3 | 6.45 | 16.1 | 10.6 | 1.81 | 28.1 | 2.7 |
| 2015 | 134.5 | 92.0 | 9.22 | 14.6 | 10.0 | 1.98 | 21.5 | 2.2 |
| 2016 | 123.8 | 89.5 | 8.31 | 14.9 | 10.8 | 2.18 | 26.2 | 2.4 |
| AVERAGE | | 71.1 | | 15.7 | 9.8 | | 22.1 | |
| CURRENT/TTM | | | 8.29 | | | 2.28 | 27.5 | |
| AVERAGE PRICE EARNINGS RATIO: 12.8 | | | | CURRENT PRICE EARNINGS RATIO: 13.1 | | | | |

4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE - NEXT 5 YEARS

Avg. High P/E 16.0 X Estimate High Earnings/Share 11.28 = Forecasted High Price \$ 180.5

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 9.5 X Estimate Low Earnings/Share 8.31 = Forecasted Low Price \$ 78.9

(b) Avg. Low Price of Last 5 Years 71.1

(c) Recent Market Low Price 89.5

(d) Price Dividend Will Support $\frac{\text{Indicated Dividend}}{\text{High Yield}} = \frac{2.18}{2.96\%} = 73.6$

Selected Forecasted Low Price \$ 79.0

C ZONING using 25%-50%-25%

Forecasted High Price 180.5 Minus Forecasted Low Price 79.0 = 101.5 Range. 25% of Range 25.4

Buy Zone 79.0 to 104.4

Hold Zone 104.4 to 155.1

Sell Zone 155.1 to 180.5

Present Market Price of 108.43 is in the **HOLD** Zone

D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price} - \text{Low Price}} = \frac{180.5 - 108.43}{108.43 - 79.0} = \frac{72.03}{29.43} = 2.4$ To 1

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$\frac{\text{High Price} - \text{Closing Price}}{\text{Closing Price}} = \frac{180.5 - 108.43}{108.43} = 1.6643$ X 100 = 166.43 - 100 = 66.4 % Appreciation

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A $\frac{\text{Indicated Annual Dividend}}{\text{Closing Price}} = \frac{2.18}{108.43} = 0.0210 = 2.1\%$ Current Yield

B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{22.1\%}{16.00} = 1.4\%$

AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \frac{22.1\%}{12.75} = 1.7\%$

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 10.7 %
Average Yield 1.4 %
Annualized Rate of Return 12.1 %

COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation 5.8 %
Average Yield 1.7 %
Annualized Rate of Return 7.5 %