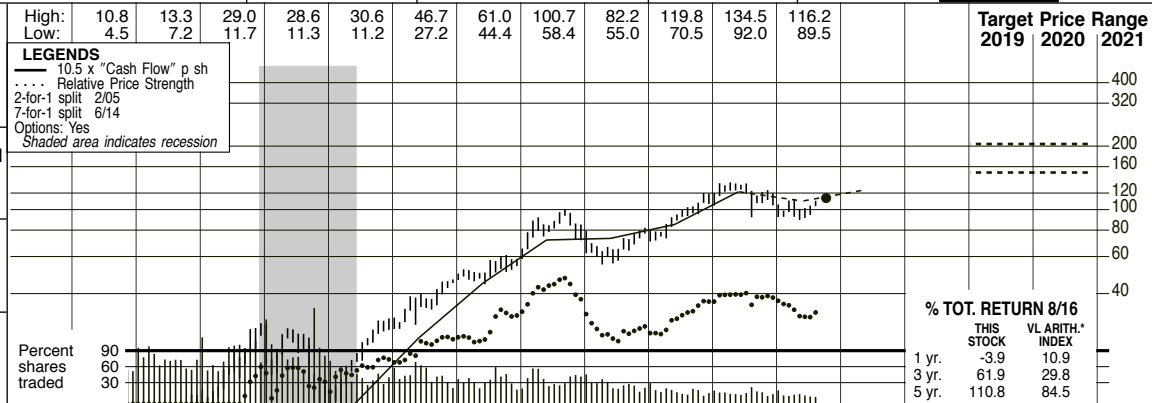


# APPLE INC. NDAQ:AAPL

RECENT PRICE **113.57** P/E RATIO **13.3** (Trailing: 13.3 Median: 15.0) RELATIVE P/E RATIO **0.73** DIV'D YLD **2.1%** VALUE LINE

**TIMELINESS 5** Lowered 6/17/16  
**SAFETY 2** Lowered 7/3/15  
**TECHNICAL 4** Raised 9/9/16  
 BETA .95 (1.00 = Market)



**2019-21 PROJECTIONS**  
 Ann'l Total  
 Price Gain Return  
 High 205 (+80%) 18%  
 Low 150 (+30%) 10%

**Insider Decisions**  
 N D J F M A M J J  
 to Buy 0 0 0 0 0 0 0 0  
 Options 0 0 0 8 4 9 1 2  
 to Sell 2 0 0 1 2 1 3 2

**Institutional Decisions**  
 4Q2015 1Q2016 2Q2016  
 to Buy 1242 1259 1115  
 to Sell 1001 1052 1158  
 Hlds(000)321474732968593055784

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
1.70	1.09	1.14	1.21	1.51	2.38	3.23	3.93	5.22	5.80	10.17	16.64	23.81	27.15	31.16	41.89	<b>40.00</b>	<b>42.85</b>	Sales per sh <sup>A</sup>	<b>58.00</b>
.15	.00	.05	.04	.08	.25	.37	.62	.85	1.02	2.35	4.26	6.85	6.96	8.09	11.59	<b>10.45</b>	<b>11.85</b>	"Cash Flow" per sh	<b>16.75</b>
.12	d.02	.02	.01	.05	.21	.32	.56	.77	.90	2.16	3.95	6.31	5.66	6.45	9.22	<b>8.25</b>	<b>9.50</b>	Earnings per sh <sup>B</sup>	<b>13.75</b>
--	--	--	--	--	--	--	--	--	--	--	--	.38	1.63	1.81	1.98	<b>2.18</b>	<b>2.38</b>	Div'ds Decl'd per sh <sup>F</sup>	<b>4.00</b>
.02	.05	.03	.03	.03	.04	.11	.12	.18	.18	.31	.65	1.26	1.30	1.63	2.02	<b>2.15</b>	<b>2.25</b>	Cap'l Spending per sh	<b>2.50</b>
.86	.80	.81	.82	.93	1.28	1.67	2.38	3.38	4.42	7.45	11.78	17.98	19.63	19.02	21.39	<b>23.90</b>	<b>26.05</b>	Book Value per sh <sup>E</sup>	<b>34.40</b>
4699.5	4912.9	5025.4	5134.2	5480.2	5845.1	5986.8	6106.3	6218.3	6298.6	6411.8	6504.9	6574.5	6294.5	5866.2	5578.8	<b>5400.00</b>	<b>5300.00</b>	Common Shs Outst'g <sup>C</sup>	<b>5000.00</b>
30.8	--	NMF	NMF	38.0	26.2	29.1	26.3	30.4	19.2	15.2	12.4	12.0	12.3	13.0	12.8	<b>11.00</b>	<b>11.00</b>	Avg Ann'l P/E Ratio	<b>13.0</b>
2.00	--	NMF	NMF	2.01	1.40	1.57	1.40	1.83	1.28	.97	.78	.76	.69	.68	.65	<b>0.65</b>	<b>0.65</b>	Relative P/E Ratio	<b>.80</b>
--	--	--	--	--	--	--	--	--	--	--	--	.5%	2.3%	2.2%	1.7%	<b>1.7%</b>	<b>1.7%</b>	Avg Ann'l Div'd Yield	<b>2.2%</b>

**CAPITAL STRUCTURE as of 6/25/16**  
 Total Debt \$84935 mill. Due in 5 Yrs \$25000 mill.  
 LT Debt \$68939 mill. LT Interest \$3000 mill.  
 (35% of Cap'l)  
 Leases, Uncapitalized Annual rentals \$772 mill.

**No Defined Benefit Pension Plan**  
 Pfd Stock None

**Common Stock** 5,388,443,000 shs.  
 as of 7/15/16

**MARKET CAP: \$612 billion (Large Cap)**

19315	24006	32479	36537	65225	108249	156508	170910	182795	233715	<b>216000</b>	<b>227000</b>	Sales (\$mill) <sup>A</sup>	<b>290000</b>
13.9%	19.7%	20.8%	22.9%	29.8%	32.9%	37.4%	32.6%	33.1%	35.3%	<b>33.0%</b>	<b>34.5%</b>	Operating Margin	<b>36.0%</b>
225.0	317.0	473.0	703.0	1027.0	1814.0	3277.0	6757.0	7946.0	11257	<b>11800</b>	<b>12400</b>	Depreciation (\$mill) <sup>D</sup>	<b>15000</b>
1989.0	3496.0	4834.0	5704.0	14013	25922	41733	37037	39510	53394	<b>44550</b>	<b>50350</b>	Net Profit (\$mill)	<b>68800</b>
29.4%	30.2%	29.9%	28.6%	24.4%	24.2%	25.2%	26.2%	26.1%	26.4%	<b>25.5%</b>	<b>25.5%</b>	Income Tax Rate	<b>26.5%</b>
10.3%	14.6%	14.9%	15.6%	21.5%	23.9%	26.7%	21.7%	21.6%	22.8%	<b>20.6%</b>	<b>22.2%</b>	Net Profit Margin	<b>23.7%</b>
8038.0	12657	20598	16983	20956	17018	19111	29628	5083.0	8768.0	<b>20000</b>	<b>22000</b>	Working Cap'l (\$mill)	<b>25000</b>
--	--	--	--	--	--	--	16960	28987	53463	<b>70000</b>	<b>70000</b>	Long-Term Debt (\$mill)	<b>75000</b>
9984.0	14532	21030	27832	47791	76615	118210	123549	111547	119355	<b>129000</b>	<b>138000</b>	Shr. Equity (\$mill) <sup>E</sup>	<b>172000</b>
19.9%	24.1%	23.0%	20.5%	29.3%	33.8%	35.3%	26.5%	28.4%	31.3%	<b>23.5%</b>	<b>25.0%</b>	Return on Total Cap'l	<b>28.5%</b>
19.9%	24.1%	23.0%	20.5%	29.3%	33.8%	35.3%	30.0%	35.4%	44.7%	<b>34.5%</b>	<b>36.5%</b>	Return on Shr. Equity	<b>40.0%</b>
19.9%	24.1%	23.0%	20.5%	29.3%	33.8%	33.2%	21.4%	25.4%	35.0%	<b>25.5%</b>	<b>27.5%</b>	Retained to Com Eq	<b>28.5%</b>
--	--	--	--	--	--	6%	29%	28%	22%	<b>26%</b>	<b>25%</b>	All Div'ds to Net Prof	<b>29%</b>

CURRENT POSITION (\$MILL.)	2014	2015	6/25/16
Cash Assets	25077	41601	61756
Receivables	17460	16849	11714
Inventory (FIFO)	2111	2349	1831
Other	23883	28579	18460
Current Assets	68531	89378	93761
Accts Payable	30196	35490	26318
Debt Due	6308	10999	15996
Other	26944	34121	29172
Current Liab.	63448	80610	71486

**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, the *iPhone* smartphone, and the *Apple Watch*, 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 26, 2015, Apple operated a total of 463 retail outlets, with lease terms ranging from five to 20 years. R&D: 3.5% of '15 sales. Has about 110,000 employees. Off./dir. own less than 1.0% of common; Vanguard, 6.0%; BlackRock, 5.7% (1/16 Proxy). CEO: Tim Cook. Inc.: CA. Addr.: 1 Infinite Loop, Cupertino, CA 95014. Tel.: 408-996-1010. Internet: www.apple.com.

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15
of change (per sh)	10 Yrs.	5 Yrs.	to '19-'21
Sales	34.5%	36.5%	9.5%
"Cash Flow"	54.0%	44.5%	11.0%
Earnings	55.0%	41.0%	11.5%
Dividends	--	--	14.0%
Book Value	35.0%	31.5%	9.5%

**Apple shares have enjoyed decent investor support lately.** The Dow stock has rallied over 15% in value since our last full-page review in early July, bolstered by better-than-anticipated results for the third quarter of fiscal 2016 (year ended September 24th) and hopes that the company will soon return to a sustainable growth track. For the third period, share net came in at \$1.42, a nickel above our estimate and \$0.02 ahead of the consensus view. The earnings beat was a quality one, too, as sales (of \$42.4 billion) and *iPhone* shipments (of 40.4 million) topped expectations. The *iPhone SE*, a low-cost device with a smallish 4-inch display, performed especially well during the interim, despite arriving to little fanfare back in March. Indeed, the entry-level smartphone went a long way toward helping Apple to attract new customers — in both developed and emerging countries — and broaden its ecosystem of hardware and services.

global market-share trends at a time of intense competition. Moreover, given the large installed base at present, as well as the good press and encouraging early sales data for the just-debuted *iPhone 7* and *7 Plus*, we think that a powerful upgrade cycle is now at hand. This augurs well for fiscal 2017, when we see earnings staging a double-digit rebound. (For fiscal 2016, we still envision share net of \$8.25, notwithstanding the solid third-quarter showing.) In the meantime, the company should continue to return cash to shareholders via dividends and stock buybacks. Apple grabbed headlines recently when the European Union served it with a hefty \$14.5 billion tax bill. The controversial move will almost certainly be appealed (a process that could take years), however, and we do not expect any material long-term impact on the company's business.

Fiscal Year Ends	Dec.	Mar.	Jun.	Sep.	Per	Full Fiscal Year
2013	54512	43603	35323	37472		170910
2014	57594	45646	37432	42123		182795
2015	74599	58010	49605	51501		233715
2016	75872	50557	42358	<b>47213</b>		<b>216000</b>
2017	<b>74500</b>	<b>55500</b>	<b>46000</b>	<b>51000</b>		<b>227000</b>

**The iPhone should remain a major growth catalyst for years to come.** The *iPhone 6* offerings have not reached blockbuster status (by the company's own very high standards), but they have bolstered

**The stock does not score well (5) in our Timeliness system.** Still, we continue to like the shares for the patient buy-and-hold crowd, thanks to Apple's excellent finances and improving prospects. The valuation is attractive, as well.

*Justin Hellman* September 30, 2016

Fiscal Year Ends	Dec.	Mar.	Jun.	Sep.	Per	Full Fiscal Year
2013	1.97	1.44	1.07	1.18		5.66
2014	2.07	1.66	1.28	1.42		6.45
2015	3.08	2.33	1.85	1.96		9.22
2016	3.28	1.90	1.42	<b>1.65</b>		<b>8.25</b>
2017	<b>3.15</b>	<b>2.35</b>	<b>1.85</b>	<b>2.15</b>		<b>9.50</b>

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	--	--	.379	.379	.76
2013	.379	.436	.436	.436	1.69
2014	.436	.47	.47	.47	1.85
2015	.47	.52	.52	.52	2.03
2016	.52	.57	.57		

(A) Fiscal year ends last Saturday in September. (B) Diluted earnings. Quarters may not add to total due to rounding. Excludes non-recurring gains: '00, 3c; '01, 1c; '05, 2c; loss: '02, 1c. Next earnings report due late October. (C) In mill., adjusted for splits. (D) Depreciation on accelerated basis. (E) Includes intangibles. In 2015, \$9009 mill., \$1.61 a share. (F) New dividend policy adopted 3/12. Payments typically made in February, May, August, and November.

Company's Financial Strength	A++
Stock's Price Stability	65
Price Growth Persistence	90
Earnings Predictability	60