

# APPLE INC. NDQ-AAPL

RECENT PRICE **158.73** P/E RATIO **16.2** (Trailing: 18.0 Median: 13.0) RELATIVE P/E RATIO **0.84** DIV'D YLD **1.7%** VALUE LINE

**TIMELINESS** 3 Raised 1/20/17  
**SAFETY** 2 Lowered 7/3/15  
**TECHNICAL** 2 Raised 9/29/17  
**BETA** .95 (1.00=Market)

High: 13.3 29.0 28.6 30.6 46.7 61.0 100.7 82.2 119.8 134.5 118.7 164.9  
 Low: 7.2 11.7 11.3 11.2 27.2 44.4 58.4 55.0 70.5 92.0 89.5 114.8

**LEGENDS**  
 — 10.5 x "Cash Flow" p sh  
 ... Relative Price Strength  
 2-for-1 split 2/05  
 7-for-1 split 6/14  
 Options: Yes  
 Shaded area indicates recession

**2020-22 PROJECTIONS**

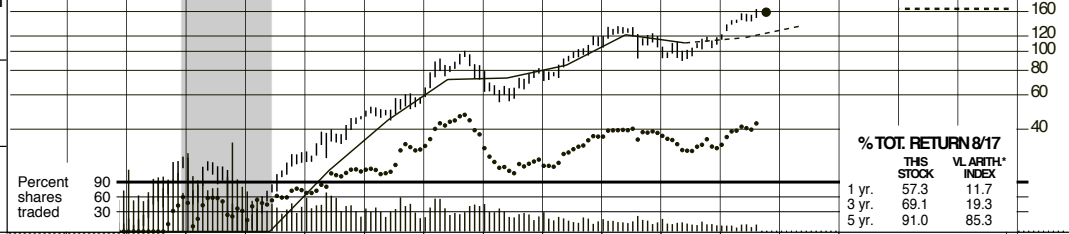
	Price	Gain	Ann'l Total Return
High	225	(+40%)	11%
Low	165	(+5%)	3%

**Insider Decisions**

	N	D	J	F	M	A	M	J	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	8	1	10	3	1	0
to Sell	3	2	3	8	1	2	6	2	1

**Institutional Decisions**

	4Q2016	1Q2017	2Q2017
to Buy	1060	900	953
to Sell	1248	1454	1407
Hld's(000)	311801835568813448817		



2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
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	40.41	44.25	49.90	Sales per sh <sup>A</sup>	62.50
.00	.05	.04	.08	.25	.37	.62	.85	1.02	2.35	4.26	6.85	6.96	8.09	11.59	10.53	11.20	12.95	"Cash Flow" per sh	18.15
d.02	.02	.01	.05	.21	.32	.56	.77	.90	2.16	3.95	6.31	5.68	6.45	9.22	8.31	9.05	10.55	Earnings per sh <sup>B</sup>	15.00
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.05	.03	.03	.03	.04	.11	.12	.18	.18	.31	.65	1.26	1.30	1.63	2.02	2.39	2.50	2.60	Cap'l Spending per sh	3.00
.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	24.03	25.85	31.10	Book Value per sh <sup>E</sup>	50.00
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	5336.2	5150.0	5050.0	Common Shs Outst'g <sup>C</sup>	4800.0
--	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	12.6	12.6	12.6	Avg Ann'l P/E Ratio	13.0
--	NMF	NMF	2.01	1.40	1.57	1.40	1.83	1.28	.97	.78	.76	.69	.68	.64	.66	.66	.66	Relative P/E Ratio	.80
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**CAPITAL STRUCTURE as of 7/1/17**  
 Total Debt \$108339 mill. Due in 5 Yrs \$50000 mill.  
 LT Debt \$89864 mill. LT Interest \$4500 mill. (40% of Cap'l)  
**Leases, Uncapitalized** Annual rentals \$929 mill.  
**No Defined Benefit Pension Plan**  
 Pfd Stock None  
**Common Stock** 5,165,228,000 shs. as of 7/21/17  
**MARKET CAP: \$820 billion (Large Cap)**

24006	32479	36537	65225	108249	156508	170910	182795	233715	215639	228000	252000	Sales (\$mill) <sup>A</sup>	300000
19.7%	20.8%	22.9%	29.8%	32.9%	37.4%	32.6%	33.1%	35.3%	32.7%	32.0%	32.5%	Operating Margin	35.5%
317.0	473.0	703.0	1027.0	1814.0	3277.0	6757.0	7946.0	11257	10505	11000	12000	Depreciation (\$mill) <sup>D</sup>	15000
3496.0	4834.0	5704.0	14013	25922	41733	37037	39510	53394	45687	46600	53300	Net Profit (\$mill)	72000
30.2%	29.9%	28.6%	24.4%	24.2%	25.2%	26.2%	26.1%	26.4%	25.6%	25.5%	25.5%	Income Tax Rate	26.0%
14.6%	14.9%	15.6%	21.5%	23.9%	26.7%	21.7%	21.6%	22.8%	21.2%	20.4%	21.2%	Net Profit Margin	24.0%
12657	20598	16983	20956	17018	19111	29628	5083.0	8768.0	27863	32000	34000	Working Cap'l (\$mill)	40000
--	--	--	--	--	--	16960	28987	53463	75427	90000	90000	Long-Term Debt (\$mill)	100000
14532	21030	27832	47791	76615	118210	123549	111547	119355	128249	133000	157000	Shr. Equity (\$mill) <sup>E</sup>	240000
24.1%	23.0%	20.5%	29.3%	33.8%	35.3%	26.5%	28.4%	31.3%	23.2%	22.0%	22.5%	Return on Total Cap'l	22.0%
24.1%	23.0%	20.5%	29.3%	33.8%	35.3%	30.0%	35.4%	44.7%	35.6%	35.0%	34.0%	Return on Shr. Equity	30.0%
24.1%	23.0%	20.5%	29.3%	33.8%	33.2%	21.4%	25.4%	35.0%	26.2%	25.5%	25.5%	Retained to Com. Eq	22.0%
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**CURRENT POSITION (\$MILL.)**

	2015	2016	7/1/17
Cash Assets	41601	67155	76759
Receivables	16849	15754	12399
Inventory (FIFO)	2349	2132	3146
Other	28579	21828	20571
Current Assets	89378	106869	112875
Accts Payable	35490	37294	31915
Debt Due	10999	11605	18475
Other	34121	30107	30912
Current Liab.	80610	79006	81302

**BUSINESS:** Apple Inc. is one of the world's largest makers of PCs and peripheral and consumer products, such as the iPad 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 2016, Apple operated a total of around 488 retail outlets in 20 countries, with lease terms ranging from five to 20 years. R&D: 4.7% of '16 sales. Has about 116,000 employees. Off./dir. own less than 1.0% of common; Vanguard, 6.1%; BlackRock, 6.0% (1/17 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 '14-'16 of change (per sh)

	10 Yrs.	5 Yrs.	Est'd '14-'16
Sales	32.0%	28.5%	8.5%
"Cash Flow"	46.0%	31.5%	10.5%
Earnings	45.0%	28.0%	11.0%
Dividends	--	--	12.5%
Book Value	32.5%	22.0%	15.0%

**QUARTERLY SALES (\$mill.)<sup>A</sup>**

Fiscal Year Ends	Dec.	Per	Mar.	Jun.	Sep.	Per	Full Fiscal Year
2014	57594	45646	37432	42123	42123	182795	182795
2015	74599	58010	49605	51501	51501	233715	233715
2016	75872	50557	42358	46852	46852	215639	215639
2017	78351	52896	45408	51345	51345	228000	228000
2018	86400	58300	50600	56700	56700	252000	252000

**EARNINGS PER SHARE<sup>A, B</sup>**

Fiscal Year Ends	Dec.	Per	Mar.	Jun.	Sep.	Per	Full Fiscal Year
2014	2.07	1.66	1.28	1.42	1.42	6.45	6.45
2015	3.08	2.33	1.85	1.96	1.96	9.22	9.22
2016	3.28	1.90	1.42	1.67	1.67	8.31	8.31
2017	3.36	2.10	1.67	1.92	1.92	9.05	9.05
2018	3.80	2.40	2.00	2.35	2.35	10.55	10.55

**QUARTERLY DIVIDENDS PAID<sup>F</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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	.57	2.23
2017	.57	.63	.63		

**Apple shares have remained stand-outs since our last full-page review in June, rallying about 9% in value during the three-month stretch.** The tech giant posted solid results for the third quarter of fiscal 2017 (year ends September 30th), with share net coming in at \$1.67 versus our \$1.59 call. But investor excitement for new products, including the 10th anniversary iPhone, seems to be driving the stock these days.

**The company, notably, just held a big press event where it unveiled a host of new devices, highlighted by its cash-cow smartphones.** The premium-tier model, dubbed the iPhone X, will retail at hefty price points (starting at \$999), prompting some to wonder whether Apple is catering too much to high-end consumers. The global luxury market is booming, however, suggesting that there will be plenty of demand for the iPhone X, which features facial recognition technology and a new edge-to-edge OLED display. (The product also establishes a foundation for the company to enter the promising augmented and virtual reality spheres.) Plus, the iPhone X series will likely carry very high gross margins, which will be good news for the bottom line. And Apple is not forgetting the mainstream market, where the more affordable iPhone 8 and 8 Plus will compete. In fact, these new smartphones, equipped with better cameras and faster chips than their immediate predecessors, will probably account for the bulk of customer upgrades in the coming quarters. And they ought to help the company regain lost share in the important Greater China market, where lower-cost local competitors like Xiaomi have been making considerable strides.

**We see earnings growing at a double-digit average annual pace to 2020-2022.** Aside from a robust iPhone replacement cycle, the company should benefit from a booming services business and new additions to the Apple Watch and Apple TV lines. Deeper inroads in emerging geographies should be positives, as well.

**At current levels, this issue still offers decent risk-adjusted long-term returns.** These should be bolstered by regular dividend increases and further actions on the stock-buyback front.

Justin Hellman September 29, 2017

(A) Fiscal year ends last Saturday in September. (B) Diluted earnings. Quarters may not add to total due to rounding. Excludes non-recurring gains: '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 2016, \$8620 mill., \$1.62 a share. (F) New dividend policy adopted 3/12. Payments typically made in February, May, August, and November.

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**Company's Financial Strength** A++  
**Stock's Price Stability** 60  
**Price Growth Persistence** 85  
**Earnings Predictability** 60

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