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| Apple, Inc. Ticker: AAPL Sector: Consumer Goods Industry: Electronic Equipment | Intrinsic Value: \$ 151 Current Price: \$122.02 Stop Loss: \$ 97.62 Upside Review: \$ 165 | TTM P/E: 16.45 Forward P/E: 13.35 Beta: 1.06 | Market Cap: \$ 711.036 B Dividend Yield: \$1.88 (1.60%) 52 Week Range: \$ 73.05–\$118.70 |
|---|--|--|--|

Business Summary: Apple Inc. designs, manufactures, and markets mobile communication and media devices, personal computers, and portable digital music players worldwide. The company also sells related software, services, accessories, networking solutions, and third-party digital content and applications.

Industry Trends: General trends in the industry include technological advances, deep integration of social and mobile service and e-commerce, “internet of everything” and the undiscovered opportunities in emerging markets. Also, the high involvement of the wearable devices will be a huge trend for the technology industry as well as the consumer goods.

Investment Thesis:

With the deep interaction between business and the technology, people are doing things all from the internet. E-commerce is absolute one of the biggest trend in the future. Apple, as one of the largest electric products manufacturers and providers in the world, always has the capability and innovation to lead people’s life. Also, as the economic expansion continues, people will be willing to buy the new iPhone product because of the brand recognition. These macro factors will benefit the Apple, Inc. Also, the stock is undervalued around 20% based on free cash flow respectively.

Competitive Analysis:

Apple is set apart from its competition by its combination of hardware and software, by the content gate-keeper strategy embodied in iTunes, and by their successful retail strategy. While there are many other reasons in the company’s history for their success in recent years, these are the dominant themes of their astounding success. Companies looking to compete with Apple need to know that it is not impossible, however they will need to pick their battles wisely, innovate on their differentiation, focus heavily on being the best solution in the market for the problems they are trying to solve.

Pros:

- Increase of consumer confidence benefitting America.
- Apple benefits from e-commerce involvement.
- Apple is focusing on the innovative products.

Risk Factors:

- Competitive market for smartphone
- Risks in the R&D of their new products

5 Year Stock Performance:



(Yahoo!)

Total Return Estimates

3 Yr FV Reversion: 19.7%
 5 Yr FV Reversion: 16.77%

Key Valuation Assumptions

Est Revenue Growth: 20%-10%
 WACC: 11.3%
 Expected Inflation: 1.7%
 Terminal Growth Rate: 4%
 10 Yr Risk Free Rate: 2.58%
 Equity Risk Premium: 5.42%
 Tax Rate: 31.00%

Key Financial Data

Est 2014 EPS: \$6.5
 Est 2015 EPS: \$7.90
 3-5 Yr Est EPS Growth: 15.70%
 PEG (TTM): 1.09

Credit Quality: Aa1 (Moody’s)

ROE: 35.15%
 ROA: 15.22%
 Price/Book: 5.66
 Debt/Equity: 29.52%
 Current Ratio: 1.13
 Quick Ratio: 0.95

CSR Characteristics (Apple/Industry)

Human Rights: 1/0 Business Ethics Policy: 1/1
 ESG Disclosure: 47.37/46.82 Equal Opportunity: 0/1
 Emission Reduction: 1/1 Environment Disclosure: 58.33/52.56

Prepared by Yiyang Wang (Feb 8, 2015)

Competitor Comparison:

| | AAPL | BBRY | GOOG | HPQ | Industry |
|-------------------------|---------|----------|---------|---------|----------|
| Market Cap: | 711.00B | 5.19B | 365.43B | 69.50B | 820.14M |
| Employees: | 92,600 | 8,057 | 53,600 | 302,000 | 889.00 |
| Qtrly Rev Growth (yoy): | 0.30 | -0.34 | 0.07 | -0.03 | 0.16 |
| Revenue (ttm): | 199.80B | 3.65B | 66.00B | 111.45B | 560.07M |
| Gross Margin (ttm): | 0.39 | 0.51 | 0.61 | 0.24 | 0.23 |
| EBITDA (ttm): | 67.66B | 696.00M | 21.48B | 13.15B | 23.48M |
| Operating Margin (ttm): | 0.30 | -0.01 | 0.25 | 0.08 | 0.03 |
| Net Income (ttm): | 44.46B | -755.00M | 13.93B | 5.01B | N/A |
| EPS (ttm): | 7.39 | -1.43 | 21.02 | 2.62 | 0.02 |
| P/E (ttm): | 16.53 | N/A | 25.56 | 14.46 | 24.90 |
| PEG (5 yr expected): | 1.09 | -1.21 | 1.53 | 1.94 | 1.26 |
| P/S (ttm): | 3.49 | 1.41 | 5.44 | 0.62 | 1.22 |

Information from: Bloomberg, Value Line, S&P Net Advantage, Yahoo