

Apple Equity Research Report

November

22

2011



US Sector

Macic 2011/2012



Apple Equity Research Report

US Sector
 Date: Nov/23/2011
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Stock Rating:
Overweight

Sector Weighting:
Hold

Today's Date: \$369.42
 Price Target: \$400.00
 Target Price Date: 01/17/2012

COMPANY MARKET STATISTICS

Ticker: NYSE:AAPL	
Exchange: New York Stock Exchange	
Fiscal Year End	September
52-week range (High/Low)	426.70/305.87
Shares Outstanding	929.41M
Avg. Daily Trading Vol.	18.34M
Market Capitalization	\$349.93
Annual Dividend	\$0
Dividend Yield	%
Price/Earnings	13.61
Price to Book	4.57
BETA	1.07

REVENUE BREAKDOWN

Mac Computers: 43%
 IPOD/iPAD: 34
 Other Music/Hardware/Software: 20%
 iPHONE: 3%

ANNUAL EARNINGS PER SHARE (EPS)

Current Year	\$28.05
2010	\$15.41
2009	\$9.22
2008	\$6.94

HIGHLIGHTS

- Steve Job's widow might sell off around \$7 Billion of Apple shares due to the opportunity of avoiding capital gains taxes from the passing of her husband.
- Will announce earnings on January 18, 2011.

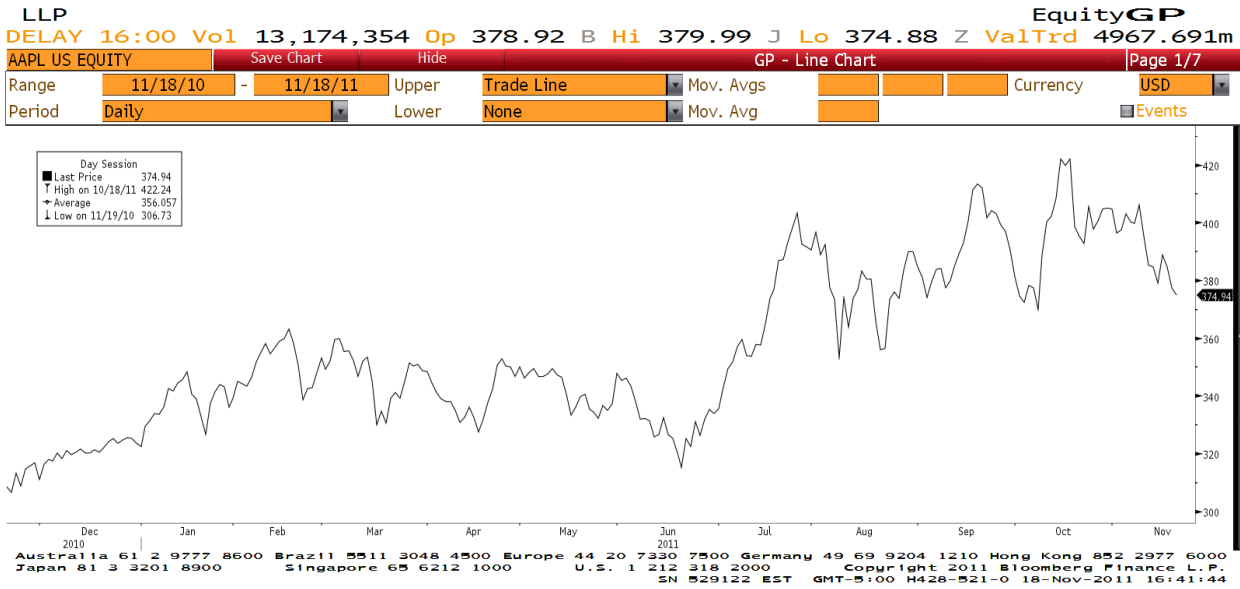
OVERVIEW

Apple Inc. (Apple) designs, manufactures and markets a range of personal computers, mobile communication and media devices, and portable digital music players, and sells a range of related software, services, peripherals, networking solutions, and third-party digital content and applications. It's products and services include Macintosh (Mac) computers, iPhone, iPad, iPod, Apple TV, Xserve, a portfolio of consumer and professional software applications, the Mac OS X and iOS operating systems, third-party digital content and applications through the iTunes Store, and a range of accessory, service and support offerings. The Company sells its products globally through its retail stores, online stores, and direct sales force and third-party cellular network carriers, wholesalers, retailers, and value-added resellers. As of September 25, 2010, the Company had opened a total of 317 retail stores, including 233 stores in the United States and 84 stores internationally.

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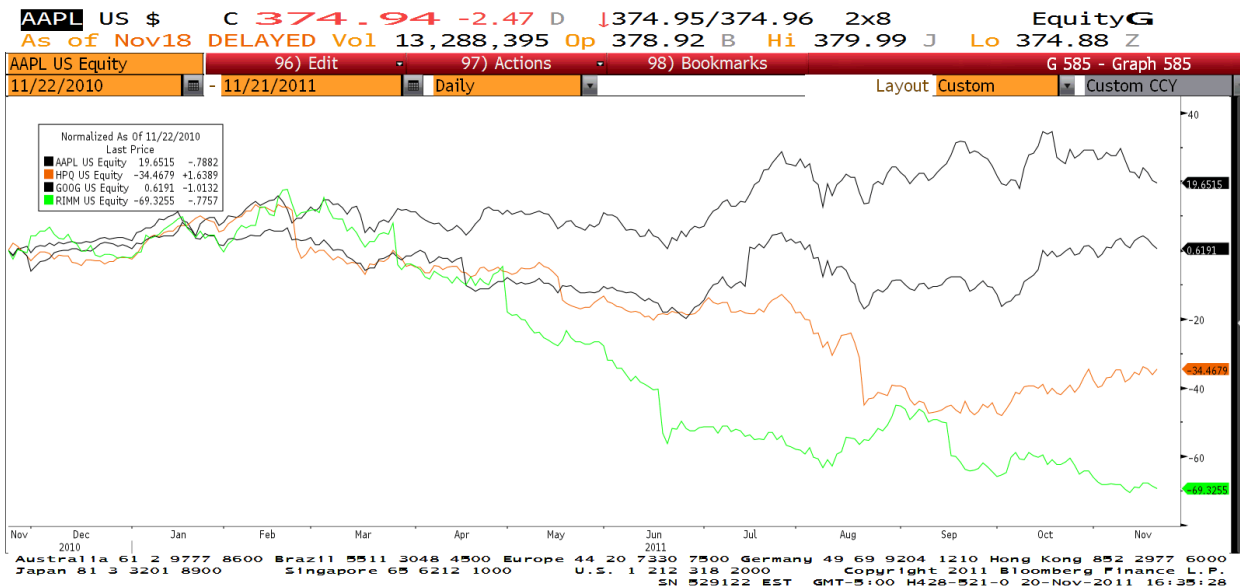


PRICE CHART



Clearly the company has an upward trend and we believe this is due to rapidly increasing earnings and revenue growth that far exceeds the industry.

Peer Comparison Chart



Apple is among the top competitors among the industry and has demonstrated this with its share value.

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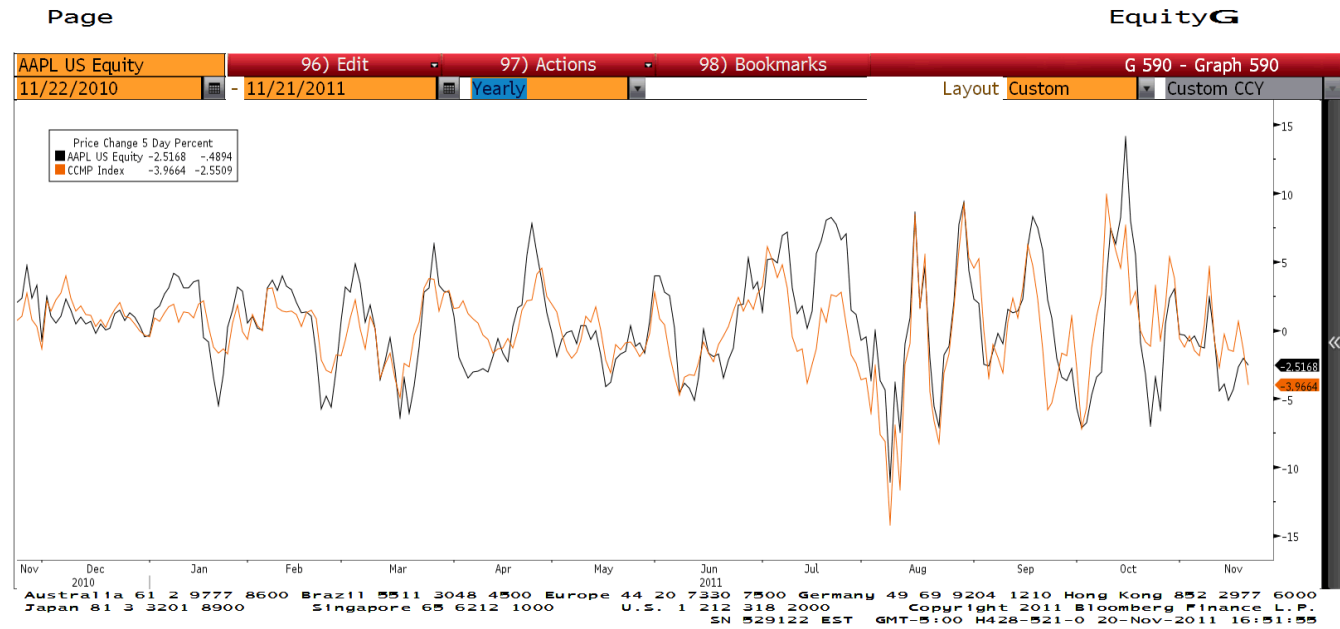
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Apple vs. Composite Index



Apple has outperformed the markets for a while and is expected to do so moving into the future. As long as earnings and revenue continue with their rapid growth, this company cannot be effective by much other than a double-dip recession.

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NEWS AND EVENTS

- iPad sales over 14 Million in initial months of release and continue to sell with new models in production.
- Estimates for quarterly EPS at \$9.76 compared to previous year of \$6.43, representing an expected growth rate year over year (YOY) of around 52%.

COMPANY RISK

Apple has the strongest credit rating available which allows it to access capital cheaper than competitors, while at the same time having over \$26 Billion in available cash on the balance sheet. The debt amount of this company is not high when considering the profit that is made from the borrowed money. Overall this company's only major risk in terms of share price is a double-dip recession.

Credit Rating	Moody's Recommendation	Volatility
AAA	WR	31.81%
WACC	BETA	
11.62%	1.22	

PEER COMPARISON

Ticker	Market Cap	Price	Div. Yield	Trailing P/E	Forward P/E	Annual Revenue	1-Mo Return	3-Mo Return	1-Yr Return
AAPL	\$364B	\$376.51	0	13.61	10.83	\$108B	-4.16%	5.65%	20.15%
IBM	\$222B	\$181.31	1.65%	13.99	13.55	\$107B	-0.18%	14.05%	24.71%
MSFT	\$216B	\$24.79	3.23%	9.18	8.97	\$70B	-8.73%	3.83%	-3.65%
GOOG	\$195B	\$580	0	19.77	15.79	\$29.3B	-1.78%	16.45%	-1.90%
ORCL	\$156B	\$29.81	0.81%	16.11	12.33	\$35.6B	-7.14%	18.95%	6.27%
INTC	\$123B	\$23.24	3.61%	9.85	9.39	\$54.7B	-3.29%	14.42%	4.36%

Apple pays no dividend which allows the company to use all cash for future expansion or research and development of new products. The P/E is relatively low compared to the industry when their growth is taken into consideration. They are the largest and most dominate company in the tech sector and 2nd largest publicly traded company, globally.

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REVENUE AND EARNINGS

Revenue and net income are dramatically increasing year over year (YOY) and show no signs of slowly down. With the type of increases this company has, there is no reason that is seen that will hurt this company financially since the large recession didn't even slow sales. This company seems recession proof since they have consistently outperformed and expanded internationally.

Revenue (Billions)

	Q1	Q2	Q3	Q4	Total
Current	26.70	24.70	28.60	28.30	108.30
2010	15.70	13.50	15.70	20.30	65.20
2009	11.90	9.10	9.70	12.20	42.90
2008	10.40	8.00	7.60	11.50	37.50

Net Income (Billions)

	Q1	Q2	Q3	Q4	Annual Total
Current	6.00	6.00	7.30	6.60	25.90
2010	3.40	3.10	3.30	4.30	14.10
2009	2.30	1.60	1.80	2.50	8.20
2008	1.60	1.10	1.10	2.20	6.00

EPS

	Q1	Q2	Q3	Q4	Total
Current	6.56	6.49	7.89	7.13	28.07
2010	3.74	3.39	3.57	4.71	15.41
2009	2.54	1.82	2.05	2.82	9.23
2008	1.87	1.25	1.28	2.53	6.93

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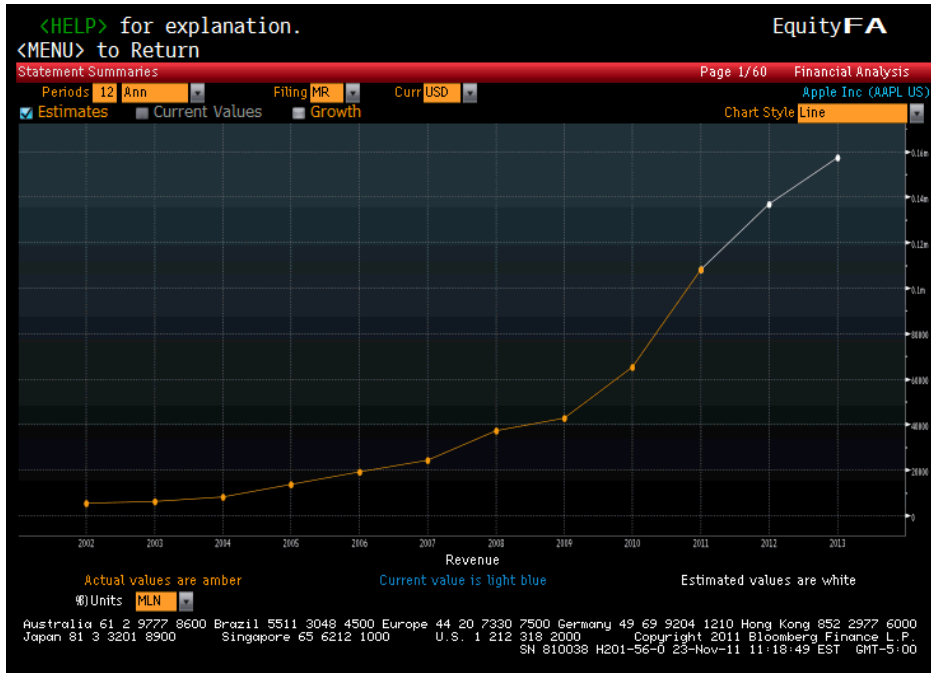
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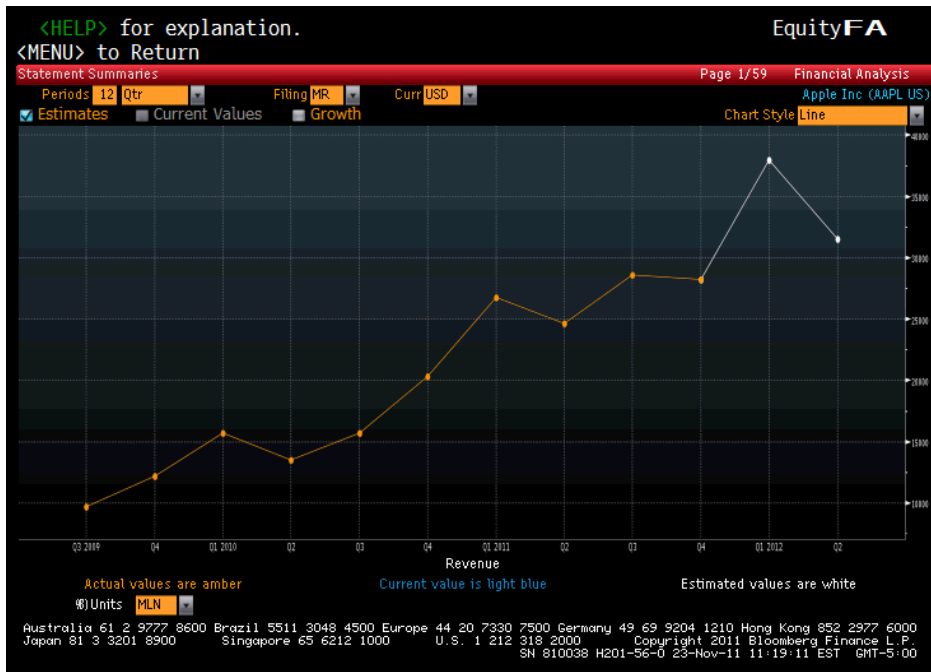
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Revenue Annually



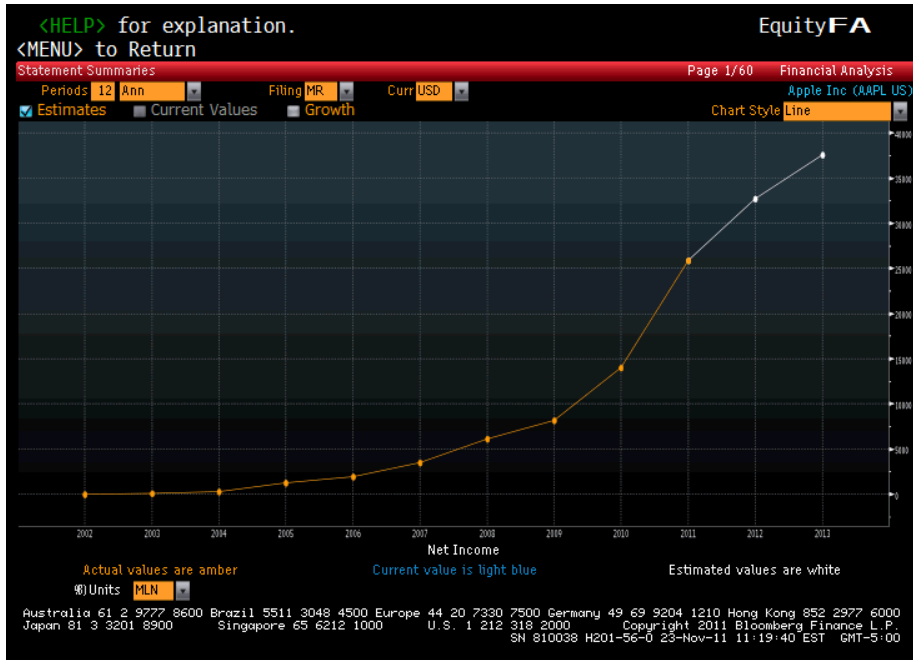
Revenue Quarterly



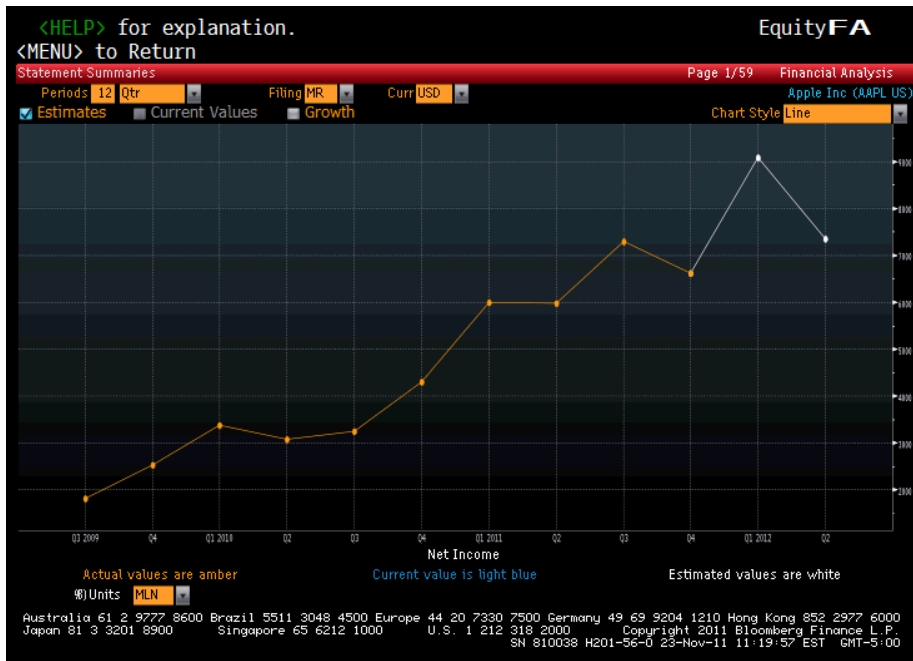
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Income Annually



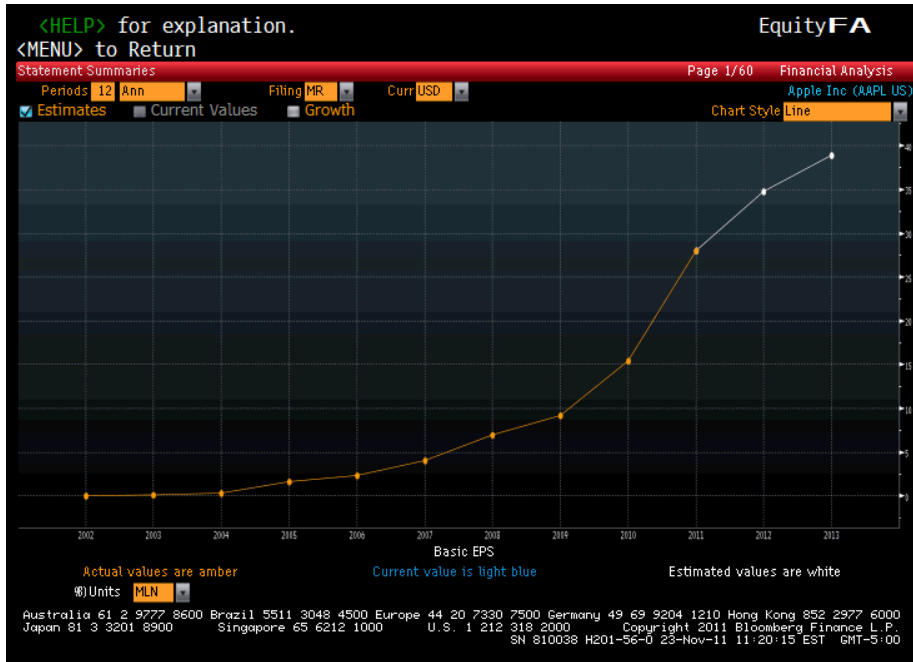
Income Quarterly



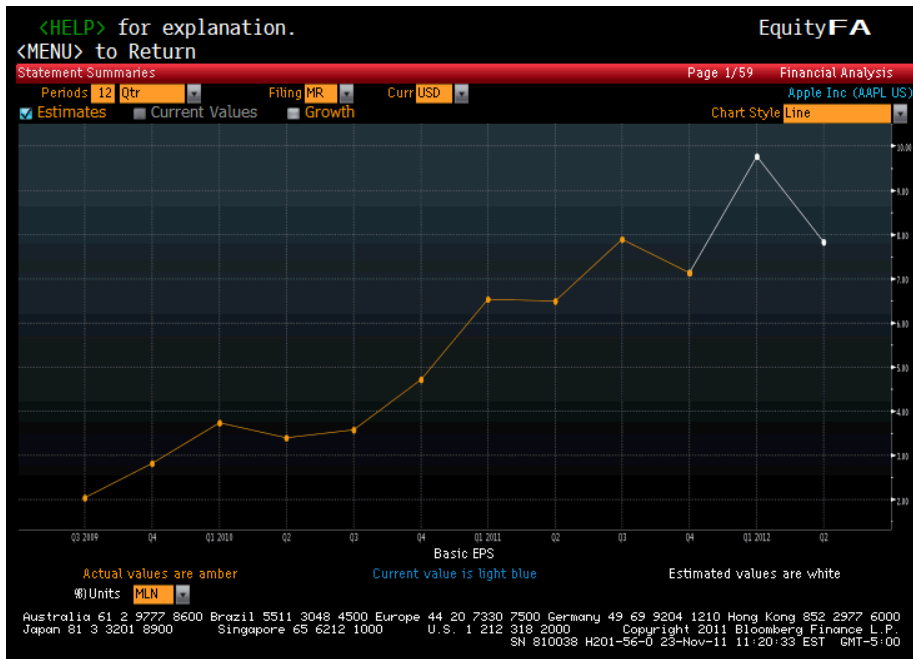
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EPS Annually



EPS Quarterly



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FUNDAMENTAL RATIO ANALYSIS

All the fundamentals of this company show strong and consistent growth. The P/E ratio shows a strong indication of support from investors, however, with the rapid growth this company has, we expect an higher P/E in expectation of next quarter's earnings.

Revenue Growth	ROE	Current Ratio	Price to Book
38.97%	33.83%	1.61	4.9
Gross Margin	ROA	Quick Ratio	
40.25%	27.06%	1.12	
Net Margin	P/E	Debt/Capital	
23.43%	14.61	0	

CASH FLOW ANALYSIS

The company has over \$26 Billion in cash and short term investments. The company also has access to cheap capital since they have a AAA rating. Cash is no problem when it comes to Apple.

Net Cash Position	Dividend	Div. Growth Rate	Price/Cash Flow
\$ 9,815.00	\$ -	0	9.96
FCF Per Share	Dividend Yield	OCF Ratio	Dividend Payout
\$ 9.46	0	10429	0

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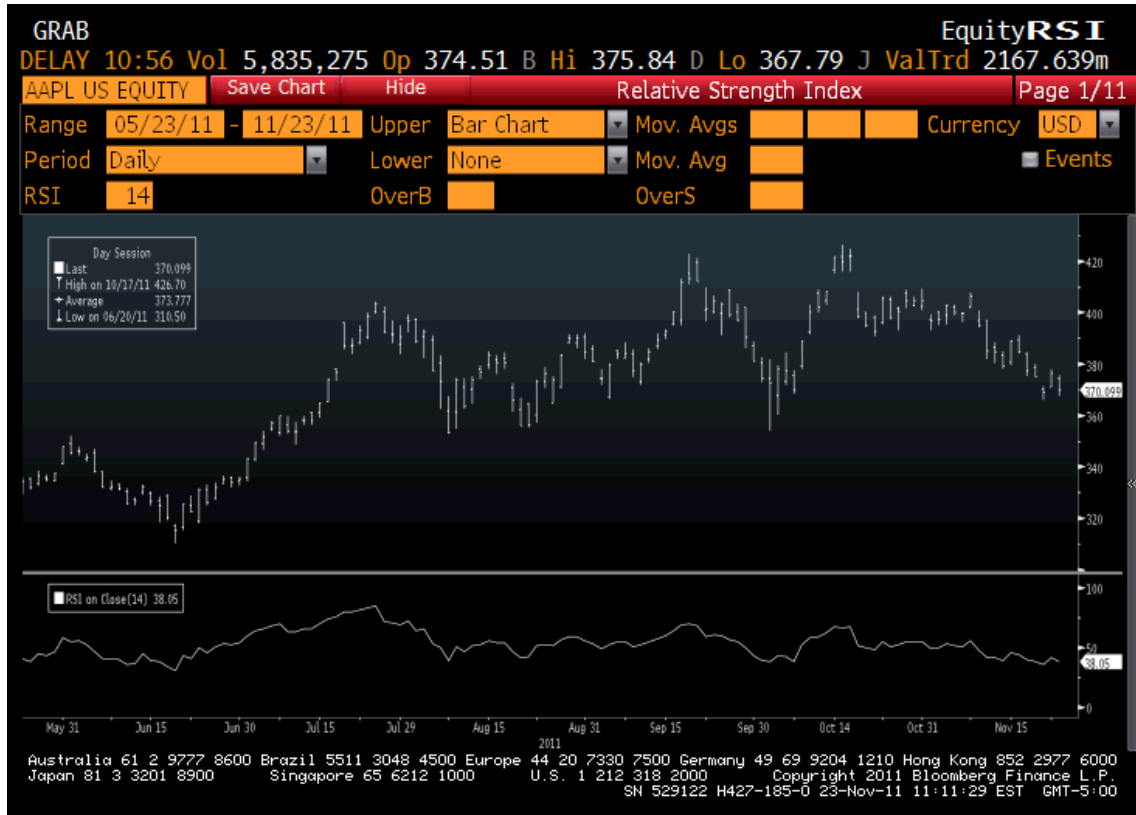


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TECHNICAL ANALYSIS

RSI

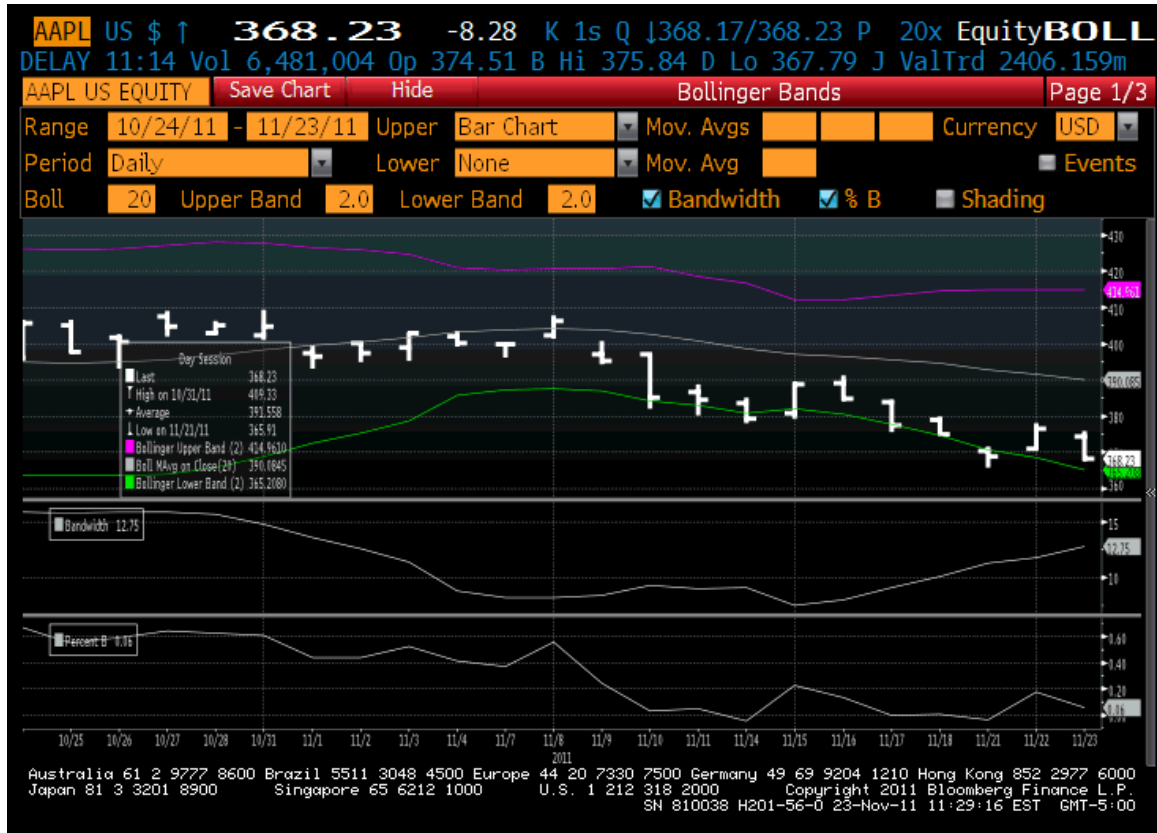


The RSI for Apple is 38.05 and the stock price dropped the next day which would lower it further. An RSI close to 30 means the stock price is oversold and this is very close. The RSI is indicating that the stock is due for a rebound and has an upward indication.

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Bollinger Bands

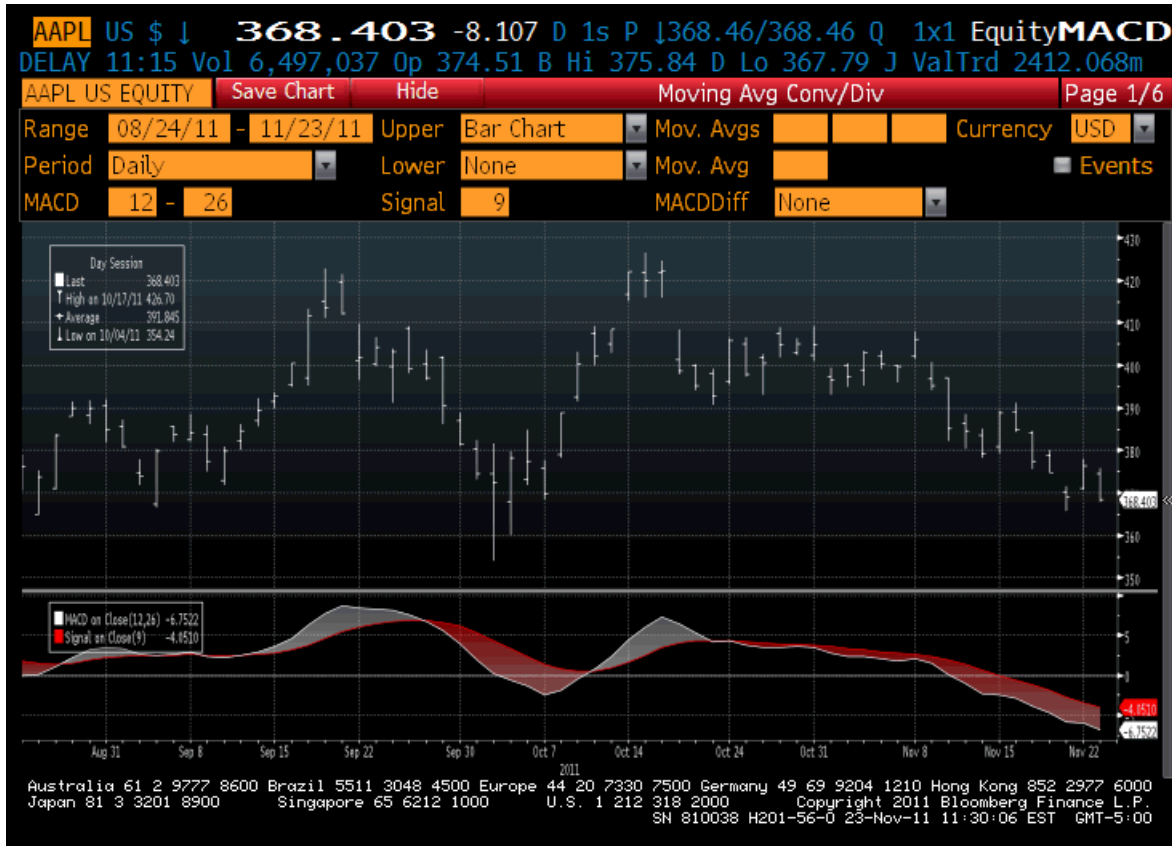


Apple's stock price is very close to the lower band and looks like it should begin to turn around. This indicator shows an upward indication. The higher band is priced at \$414, which is above our sell target. The price of the stock has a likely possibility of hitting our target within the time frame.

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MACD



When the white line of the MACD crosses the red line, it indicates momentum in a certain direction. The white line is well below currently and when it turns around and crosses the red, it will signal a buying opportunity. We recommend buying now before this takes place.

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SELECTION METHODOLOGY

Apple is a well known brand around the world and is continuously growing. Within the past week to ten days the markets have tanked over 500 points (Dow Jones Industrial Average) and this signals a buying opportunity in the market. All technicals show that Apple is strong and the fundamentals are even stronger with a low P/E and strong earnings expectations. Our recommendation is to buy this stock currently at market and be ready to sell right before earnings because the expectations are really high. Last quarter Apple announced earnings that were 89% higher year over year, however, they missed estimates by \$0.25 and this caused the price to drop over \$27 that day. We don't want any chance of this happening to us, we just want the anticipation of high earnings to help push the stock price up and we will sell before any news comes out.

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