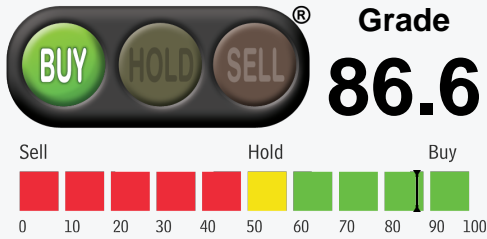


# Apple Inc.

NASD: AAPL - Telecommunications Equipment



Earnings		Quick Facts	
Last Earnings Release	04/28/2015	Dividend Yield	1.49%
Last Qtr. Actual vs. Est.	\$2.33 / \$2.31	52 Wk High	\$133.00
Next Release 07/21/2015	N/A	52 Wk Low	\$84.12
Year Ending 09/30/2015	\$8.94	Short Interest	1% of float
Year Ending 09/30/2016	\$9.57	Market Cap	\$725.9B

**\$126.0**  
05/13/2015

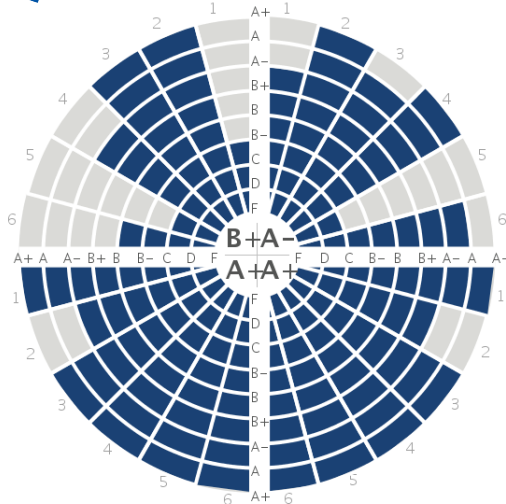
## Overview

### Company Scores Remarkable Fundamental Grades

MarketGrader currently has a BUY rating on Apple Inc. (AAPL), based on a final overall grade of 86.6 scored by the company's fundamental analysis. Apple Inc. scores at the 100th percentile among all 6132 North American equities currently followed by MarketGrader. Our present rating dates to September 25, 2003, when MarketGrader initiated coverage on the stock. With an overall grade of 86.6, Apple Inc. is the highest graded company in the Telecommunications Equipment sub-industry, followed by Ubiquiti Networks, Inc. (UBNT), with an overall grade of 80.2. The stock, up 13.12% in the last six months, has outperformed both the Telecommunications Equipment group, up 7.73% and the S&P 500 Index, which has returned 3.76% in the same period. Please go to pages two and three of this report for a complete breakdown of AAPL's fundamental analysis.

### Fundamental Quadrant

- Growth**
- Market Growth LT (1)
  - Market Growth ST (2)
  - EPS Growth (3)
  - Growth Potential (4)
  - Earnings Imp. (5)
  - Earnings Surprise (6)
- Profitability**
- Asset Utilization (1)
  - Capital Utilization (2)
  - Operating Margins (3)
  - Relative Margins (4)
  - Return on Equity (5)
  - Quality of Revenues (6)



### Value

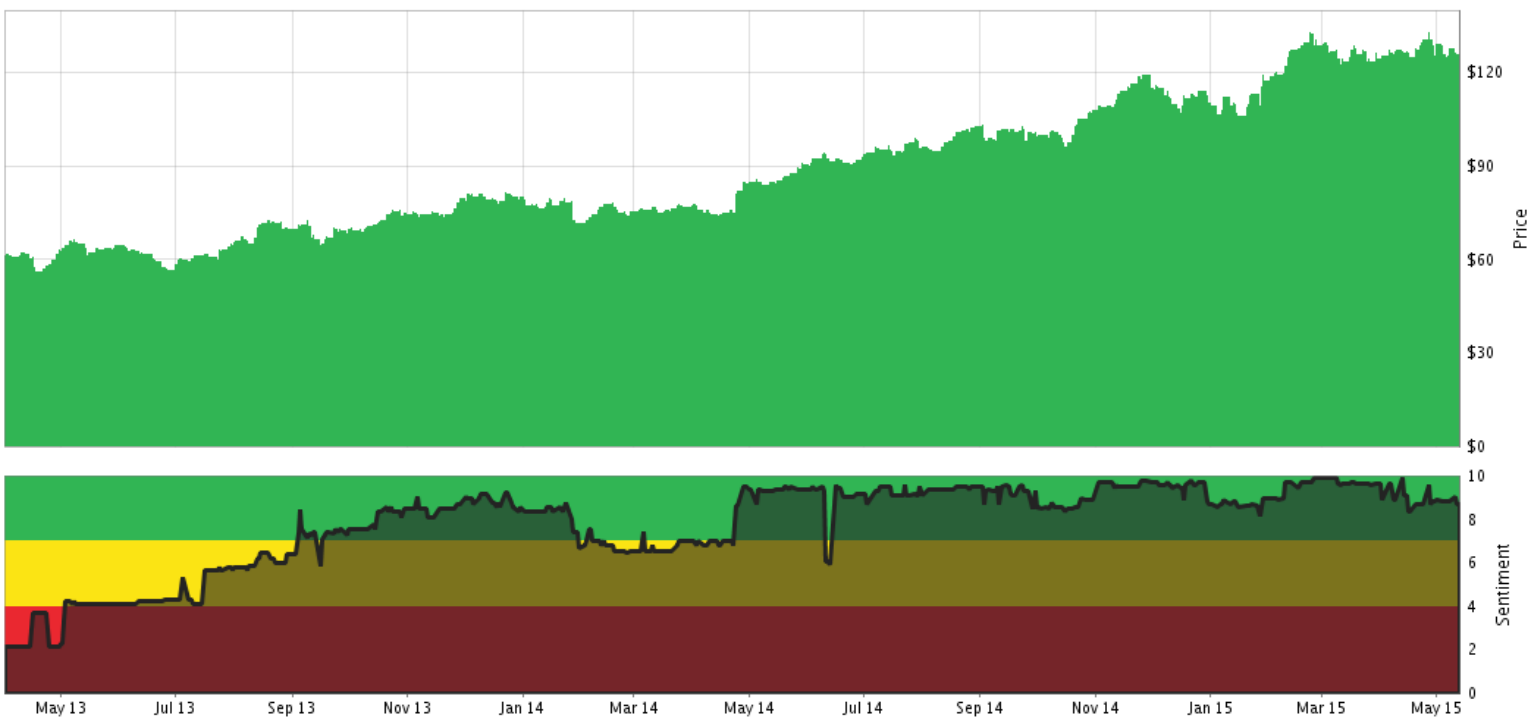
- (1) Capital Structure
- (2) P/E Analysis
- (3) P/Book Ratio
- (4) P/Cash Flow Ratio
- (5) P/Sales Ratio
- (6) Market Value

### Cash Flow

- (1) Cash Flow Growth
- (2) EBITDA Margin
- (3) Debt/CF Ratio
- (4) Interest Coverage
- (5) Economic Value
- (6) Retention Rate

## Price, Rating and Sentiment History - 2 Years

Buy Hold Sell



Positive Neutral Negative

# Apple Inc.



NASD: AAPL - Telecommunications Equipment

## Growth B+

### The Company's Recent Reports Reflect Solid Top and Bottom Line Growth

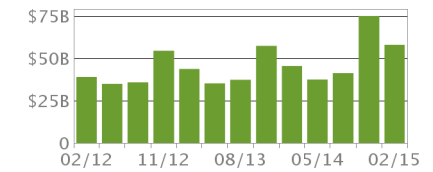
Apple booked \$211.86 billion in total revenue during the 12 month period ended last quarter, 49.11% higher than the equivalent period ended three years ago, when total revenue was \$142.09 billion. This already-healthy top line growth trend seems to have accelerated recently based on the company's revenue of \$58.01 billion reported in its latest quarter, 27.42% above the \$45.53 billion in total sales posted during the same quarter a year earlier. A few more quarters of such strong growth will eventually translate into a higher long term growth rate, positively impacting some of Apple's growth grades. If, on the other hand, growth tapers off moderately, the company's long term sales growth is likely to remain at current levels, not a bad thing at all. It also reported very strong year-

over-year profit growth, but not so when measuring full year profits against results from three years ago, showing very weak growth from a long term perspective despite the latest short term jump. Its net income rose 32.73% to \$13.57 billion in its most recent quarter from \$10.22 billion (excluding extraordinary items) in the year earlier period, while full year profit for the 12 months ended on March 31, 2015 of \$47.81 billion was 23.80% higher than full year net of \$38.62 billion reported three years earlier. During the last quarter the company's cash flow, operating and net margins grew by an average of 6.73% from a year earlier, extending a positive trend from its two previous quarters.

The company reported earnings on April 28, 2015 that were 0.87% higher than the analysts' consensus estimate; however, the stock fell -3.02% following the announcement. Even though this report disappointed investors, it extended a trend of positive earnings surprises, as it has surpassed analysts' estimates by an average of 6.43% in the last six reports.

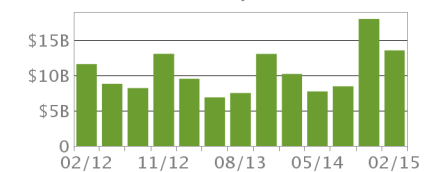
Market Growth LT	B-
Market Growth ST	A+
EPS Growth	A+
Growth Potential	A-
Earnings Momentum	C
Earnings Surprise	B

### Revenue - Quarterly



Revenue Qtrly. 03/31/2015	\$58B
Revenue Qtrly. Year Ago	\$45.5B
Revenue 1 Yr. Chg.	27.42%
Revenue 12 Mo. Tr. Latest	\$211.9B
Revenue 12 Mo. Tr. 3Y Ago	\$142.1B
Revenue 12 Mo. Tr. 3Y Chg.	49.11%

### Net Income - Quarterly



Net Income Qtrly. 03/31/2015	\$13.6B
Net Income Qtrly. Year Ago	\$10.2B
Net Income 1 Yr. Chg.	32.73%
Net Income 12 Mo. Tr. Latest	\$47.8B
Net Income 12 Mo. Tr. 3Y Ago	\$38.6B
Net Income 12 Mo. Tr. 3Y Chg.	23.8%

## Value A-

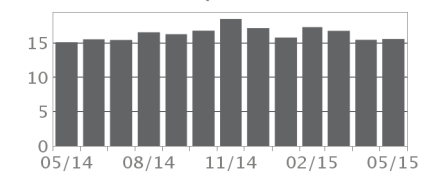
### Company's Shares Are Attractively Priced Considering the Strength of its Overall Fundamentals

Trading currently at 13.75 times forward 12-month earnings per share, Apple's stock is priced inexpensively relative to its EPS growth rate in the last two years. Our indicator looks at the 12-month period ended in each quarter within the last two years and calculates the company's annualized growth rate, which is then used to compute the stock's "optimum" P/E. Based on this analysis, Apple's earnings per share have grown strongly at an annualized rate of 16.27%, which translates into an optimum P/E ratio of 30.04, 54.23% higher than where the stock trades now. The combination of such a high growth rate with an apparent margin expansion probably means the company has been gaining market share in recent quarters without sacrificing financial performance, evidenced by

its superior overall Profitability grade. This combination offers a strong case for future gains in the stock price. The stock also trades at 13.75 times forward earnings estimates for the next four quarters, lower than its trailing P/E and the S&P 500 index's forward P/E of 15.20. By placing a lower multiple on the company's future earnings than it does on the market as a whole, investors may see the company as financially strong but with relatively poor growth prospects. This may offer a valuable opportunity for patient investors willing to wait for future earnings reports.

Investors are currently valuing Apple's shares at 20.61 times their tangible book value (which excludes intangible assets such as goodwill), a relatively healthy valuation. When the company's intangible assets, which represent a modest 6.80% of stockholders' equity, are added back to the rest of its assets, the stock's price to book ratio drops to 5.70. Based on the \$13.05 in cash flow per share generated by the company in the last twelve months, at the current price of \$126.01 the stock trades at 9.66 times cash flow, an attractive valuation considering the strength of its overall fundamentals. Its shares also trade at 3.43 times trailing 12-month sales, a 104.12% premium to its industry average of 1.68. Our final value indicator looks at the relationship between the company's current market capitalization and its operating profits after deducting taxes. From this perspective Apple's market cap of \$725.95 billion, which is only 12.79 times larger than its latest quarterly net income (plus depreciation), seems like an attractive valuation.

### P/E Ratio - Monthly

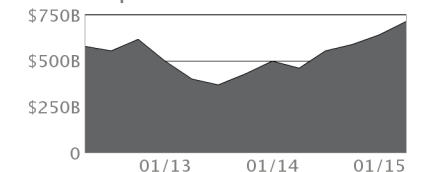


P/E Ratio 12 Mo. Tr. 03/31/2015	15.58
Optimum P/E Ratio	30.04
Forward P/E Ratio	13.75
S&P 500 Forward P/E Ratio	15.20
Price to (Tangible) Book Ratio	6.12
Price-to-Cash Flow Ratio	9.66
Price/Sales Ratio	3.43

### Capital Structure



### Market Cap - 3 Years



# Apple Inc.



NASD: AAPL - Telecommunications Equipment

## Profitability A+

**Company's Profitability Is Remarkable, Reflective of Excellent Operating Conditions and Strong Management**

Apple is a very profitable company with strong overall indicators in this section of our analysis. The company's different measures of return to shareholders and margins are typically above those of its peers. In the last four quarters Apple earned a profit of \$47.81 billion, equivalent to 22.57% of its sales in the period. The Telecommunications Equipment industry had an average operating margin of 10.52% in the period. The company's operating margin of 30.46% exceeded that average by 178.85%. Apple's return on equity, based on trailing 12-month earnings, is not only outstanding at 37.06%, but it's higher than the 31.38% return on equity from the year earlier period. This is an important metric of management efficiency in our grading system, as it measures the amount

earned on an investment in the company's common stock.

Given such strong returns the company's capital structure seems to conservative, especially assuming it could raise debt capital to invest into what is a steady and profitable business. Apple's long term debt accounts for only 23.70% of total capital. Apple's core earnings in the last twelve months grew moderately from the twelve months ended a year earlier. The company's EBITDA for the most recent period was \$74.84 billion, or 29.00% above the \$58.01 billion earned from its core operations in the prior period. EBITDA is used by MarketGrader to measure the company's true earnings power since it includes interest expenses, income taxes, depreciation and amortization, all non-operating expenses, which are nevertheless accounted for in other parts of our analysis that look at EPS gains and net income.

## Cash Flow A+

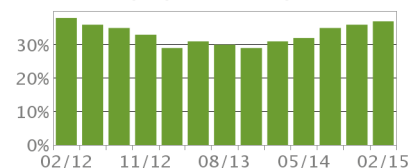
**Outstanding Cash Flow Indicators Show the Company Is Managed Smartly and in the Best Interest of its Shareholders**

Apple reported a 37.11% growth in cash flow during the latest quarter to \$18.47 billion, an impressive increase from the \$13.47 billion in the same period last year. When compared to year-over-year growth in 12-month trailing cash flow of 42.26%, the recent quarterly increase represents a slowdown in the company's operating income growth, which is likely to contribute to lower earnings in coming quarters and pressure the company to cut costs in order to maintain its margins. The company's liquidity is not only remarkable but the current amount of debt it carries relative to the cash flow it generates from its operations is even lower now than it was a year ago. Its net debt (total debt minus cash on hand) at the end of its last quarter was \$10.78 billion, a fraction of its \$21.21 billion in

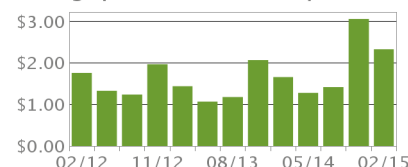
EBITDA. This ratio fell by an impressive 133.02% from the year earlier period, when EBITDA was \$15.85 billion. This situation affords the company many attractive options such as pursuing acquisitions without incurring much debt or rewarding shareholders through dividends or the repurchase of common shares, which would make future earnings more valuable. Despite this reduction in net debt, the company's total debt as a percentage of total capital actually increased over the same twelve month period, while its cash on hand fell. In its last quarter total debt accounted for 25.38% of total capital compared to 12.37% in the year earlier quarter while cash on hand fell from \$41.35 billion to \$33.10 billion, a 19.96% drop. This suggests Apple has been using its cash reserves to pursue strategic purposes such as acquisitions or share repurchases rather than debt reduction, which isn't necessarily a bad option as long as such moves contribute to future growth instead of constraining the company's liquidity.

An important indicator of management efficiency used by MarketGrader is Economic Value Added, or EVA, which measures each company's true return to shareholders after accounting not only for the cost of running the business (operating costs) but also the cost of the capital it employs. By measuring the real cost of capital, both equity and debt, EVA measures the creation of true economic profit. In this case Apple had \$169.08 billion in invested capital in its most recent quarter, a combination of both equity and long term debt. However, the company's weighted cost of equity of 7.13% is much larger than the weighted cost of debt, which is 0.24%. When combined, the two result in a total cost of capital of 7.37%, quite low compared to the company's total return on invested capital of 38.16% based on 12-month trailing operating income. The result is an excellent economic value added of 30.79%, a very high return to investors after all capital costs are covered. The company hiked its quarterly common dividend in its latest quarter, reported on December 31, 2014, to 52.00 cents a share from 47.00 cents, a 10.64% increase. It has now been paying dividends regularly since June 30, 2012 and the stock's current yield is 1.49%. The \$11.24 billion in common dividends paid out by the company in the 12 months ended last quarter accounted for 14.76% of its cash flow and 23.51% of total earnings after taxes. This relatively modest payout was smaller than the 25.10% of earnings paid out in the 12 months ended just a quarter before. Combined with generally favorable fundamentals, the current payout level affords the company flexibility in raising its dividend in the future without eroding its balance sheet should it choose to do so.

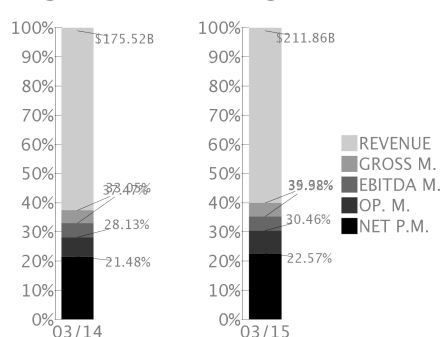
## Return on Equity - Quarterly



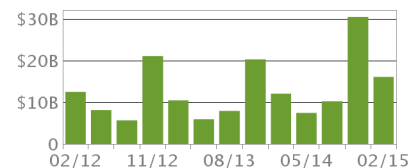
## Earnings per Share - Quarterly



## Margins - 12 Mo. Trailing



## Free Cash Flow - Quarterly

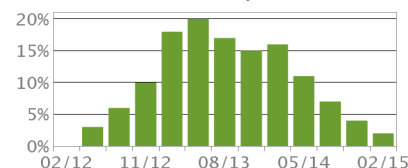


Cash Flow Qtrly. 03/31/2015	\$18.5B
Cash Flow Qtrly Year Ago	\$13.5B
Cash Flow 1 Yr. Chg.	37.11%
Cash Flow 12 Mo. Tr. Latest	\$76.1B
Cash Flow 12 Mo. Tr. 3Y Ago	\$53.1B
Cash Flow 12 Mo. Tr. 3Y Chg.	43.46%
Free Cash Flow Last Qtr.	\$16.1B

## Economic Value

Total Invested Capital	\$172.9B
Return on Inv. Capital	38.16%
Weighted Cost of Equity	7.13%
Weighted Cost of Debt	0.24%
Total Cost of Capital	7.37%
Economic Value Added	30.79%

## Dividend Yield Quarterly



# Apple Inc.



NASD: AAPL - Telecommunications Equipment

## Profile

Apple, Inc. designs, manufactures and markets personal computers and related personal computing, and mobile communication devices. It is engaged in designing of Mac laptops, along with OS X, iLife, iWork and professional software. Apple provides the digital music revolution with its iPods and iTunes online store. The company's products and services include Macintosh computers, iPhone, iPad, iPod, Apple TV, Xserve, a portfolio of consumer and professional software applications, peripherals and iOS operating systems, third-party digital content and applications through the iTunes Store and a variety of accessory, service and support offerings. It sells its products worldwide through its retail stores, online stores, and direct sales force and third-party cellular network carriers, wholesalers, retailers, and value-added resellers to the consumer, small and mid-sized business, education, enterprise, government and creative markets. In addition, the company also sells a variety of third-party Mac, iPhone, iPad and iPod compatible products, including application software, printers, storage devices, speakers, headphones and various other accessories through its online and retail stores. The company was founded by Steven Paul Jobs, Steve Wozniak and Ronald Gerald Wayne on April 1, 1976 and is headquartered in Cupertino, CA.

### Key Facts:

1 Infinite Loop  
Cupertino, CA 95014-2083  
Phone:  
www.apple.com

### Biggest Company in Sub-Industry

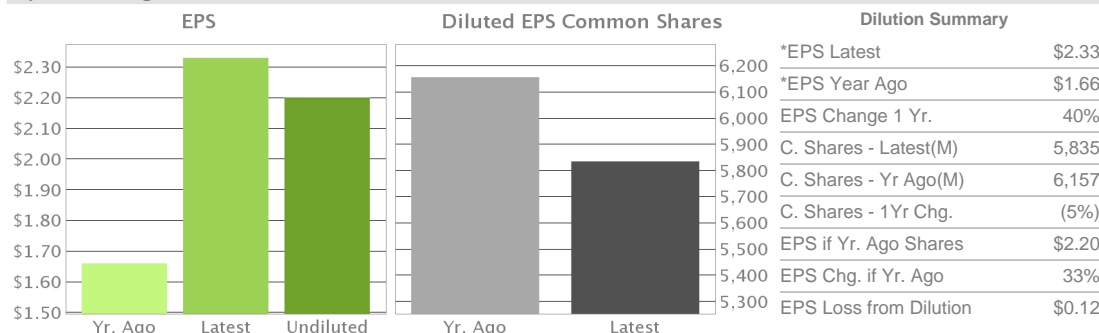
Apple Inc. (AAPL)  
Grade ● 86.6  
Market Cap:\$725.95 billion

### Smallest Company in Sub-Industry

Inventery Global Inc (INVT)  
Grade ● 21.3  
Market Cap:\$0.59 million

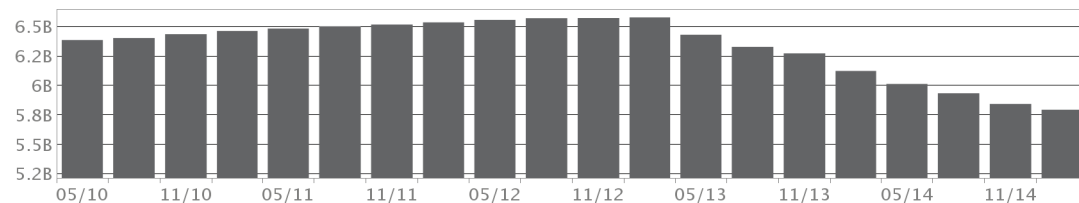
## MarketGrader Dilution Analysis

Impact of Change in Shares on EPS - Q2 2015

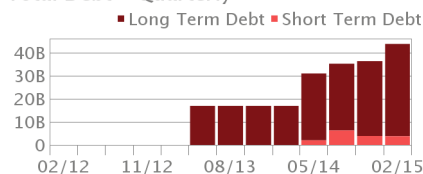


\*Earnings per share are based on fully diluted net income per share excluding extraordinary items. This number may not match the headline number reported by the company.

Common Shares Used for Diluted EPS - 5 Yrs. Quarterly (in Millions)

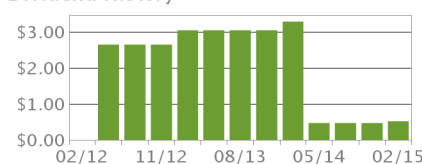


### Total Debt - Quarterly



Total Assets	\$261.2B
Intangible Assets	\$8.8B
Long Term Debt	\$40.1B
Total Debt	\$43.9B
Book Value	\$129.0B
Enterprise Value	\$10.8B

### Dividend History



	'10	'11	'12	'13	'14	'15
Qtr 1	0.00	0.00	0.00	3.05	3.29	0.52
Qtr 2	0.00	0.00	2.65	3.05	0.47	
Qtr 3	0.00	0.00	2.65	3.05	0.47	
Qtr 4	0.00	0.00	2.65	3.05	0.47	

### Income Statement

	Last Qtr (03/2015)	12 Mo. Trailing
Revenue	\$58.0B	\$211.9B
Op. Income	\$18.3B	\$64.5B
Net Income	\$13.6B	\$47.8B
*EPS	\$2.33	0

\*Earnings per share are based on fully diluted net income per share excluding extraordinary items. This number may not match the headline number reported by the company.

### Balance Sheet

	Latest
Total Assets	\$261.2B
Total Debt	\$43.9B
Stockholders Eq.	\$129.0B

All numbers in millions except EPS

### Ratios

Price/Earnings (12 mo. trailing)	15.58
Price/Tangible Book	6.12
Price/Cash Flow	9.66
Price/Sales	3.43
Debt/Cash Flow	57.63
Return on Equity	37.06%
Gross Margin (12 mo. trailing)	40.78%
Operating Margin (12 mo. trailing)	30.46%
Net Profit Margin (12 mo. trailing)	22.57%



# Apple Inc.



86.6



NASD: AAPL - Telecommunications Equipment

## Top Down Analysis

Sector

### Technology

Stocks in Sector: 845  
Buys: 126 (14.91%)  
Holds: 134 (15.86%)  
Sells: 585 (69.23%)

No. of stocks at:  
52-Wk. High: 25  
52-Wk. Low: 30  
Above 50 & 200-day MA: 309  
Below 50 & 200-day MA: 279

#	Ticker	Grade	Sentiment	Name	Price	Next EPS
1	PERI	● 89.03	N	Perion Network Ltd	\$3.62	08/05/2015
2	TSM	● 86.65	P	Taiwan Semiconductor Manufacturing	\$24.44	07/16/2015
3	AAPL	● 86.57	P	Apple Inc.	\$126.01	07/21/2015
4	UEPS	● 82.04	P	Net 1 UEPS Technologies, Inc.	\$13.75	08/20/2015
5	INTC	● 81.34	N	Intel Corporation	\$32.64	07/14/2015
6	MEI	● 81.21	P	Methode Electronics, Inc.	\$46.33	06/25/2015
7	UBNT	● 80.22	N	Ubiquiti Networks, Inc.	\$29.99	08/06/2015
8	SWKS	● 79.86	P	Skyworks Solutions, Inc.	\$96.65	07/16/2015
9	NTES	● 79.41	P	NetEase, Inc. Sponsored ADR	\$130.00	08/12/2015
10	VDSI	● 79.23	N	VASCO Data Security International, Inc.	\$25.76	07/23/2015

Price Trend  
Neutral

Sub-Industry

### Telecommunications Equipment

Stocks in Sub-Industry: 77  
Buys: 9 (11.69%)  
Holds: 6 (7.79%)  
Sells: 62 (80.52%)

No. of stocks at:  
52-Wk. High: 1  
52-Wk. Low: 4  
Above 50 & 200-day MA: 23  
Below 50 & 200-day MA: 39

#	Ticker	Grade	Sentiment	Name	Price	Next EPS
1	AAPL	● 86.57	P	Apple Inc.	\$126.01	07/21/2015
2	UBNT	● 80.22	N	Ubiquiti Networks, Inc.	\$29.99	08/06/2015
3	SVC.CA	● 71.08	P	Sandvine Corporation	\$4.14	07/09/2015
4	PNTR	● 67.65	P	Pointer Telocation Ltd.	\$8.00	08/24/2015
5	AF.CA	● 67.20	N	AlarmForce Industries Inc	\$10.36	06/11/2015
6	QCOM	● 63.67	N	QUALCOMM Incorporated	\$69.73	07/22/2015
7	ARRS	● 61.03	N	ARRIS Group, Inc.	\$33.70	07/29/2015
8	CLRO	● 60.56	P	ClearOne, Inc.	\$12.91	08/11/2015
9	HRS	● 60.12	P	Harris Corporation	\$77.35	07/28/2015
10	IDCC	● 58.16	P	InterDigital, Inc.	\$55.96	07/29/2015

Price Trend  
Positive

Sentiment

1. Price Trend.	B+	2. Price Momentum.	B
3. Earnings Guidance.	A	4. Short Interest.	A+

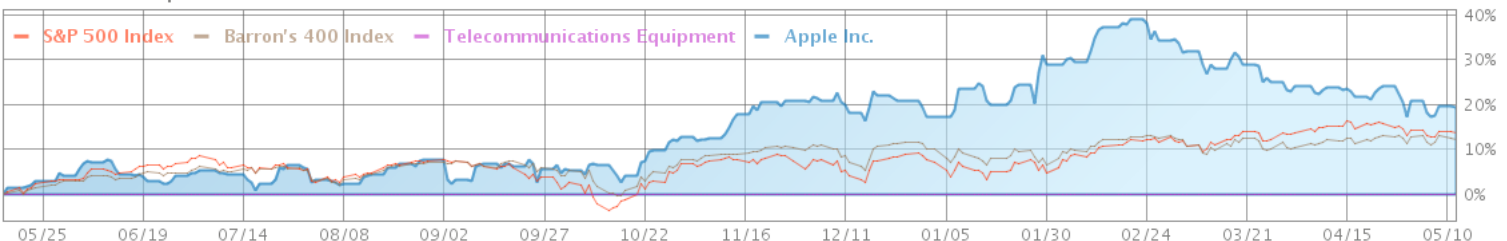


Sentiment  
Positive

AAPL - 1 Years



AAPL - 1 Year Comparison



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