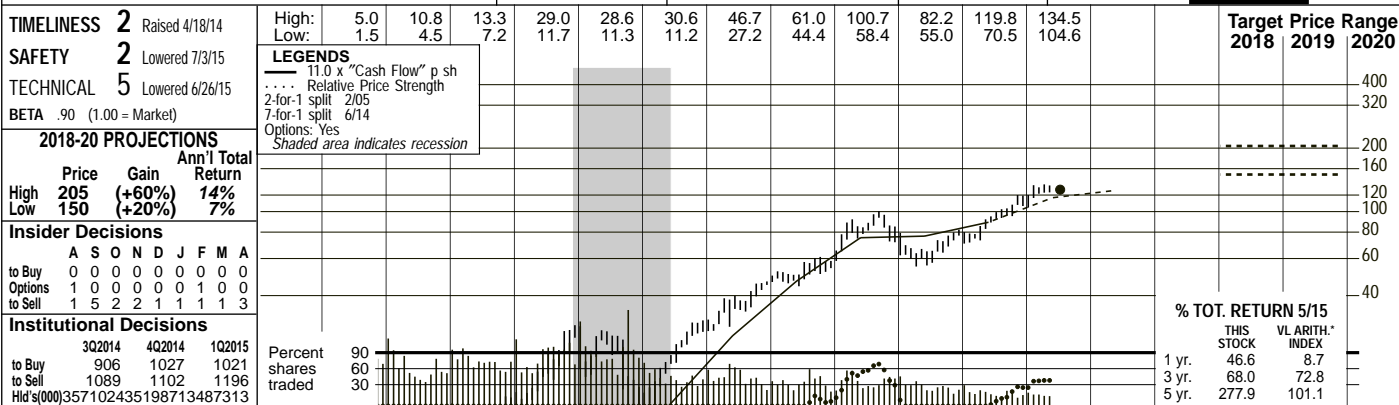


# APPLE INC. NDAQ:AAPL

RECENT PRICE **127.03** P/E RATIO **13.7** (Trailing: 15.7; Median: 18.0) RELATIVE P/E RATIO **0.71** DIV'D YLD **1.7%**

**VALUE LINE**



| 1999   | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   | 2007   | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   | 2016           | © VALUE LINE PUB. LLC             | 18-20          |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--|----------------|-----------------------------------|----------------|
| 1.36   | 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  | <b>40.60</b>                                 | <b>43.95</b>   | Sales per sh <sup>A</sup>         | <b>58.00</b>   |
| .11    | .15    | .00    | .05    | .04    | .08    | .25    | .37    | .62    | .85    | 1.02   | 2.35   | 4.26   | 6.85   | 6.96   | 8.09   | <b>10.60</b>                                 | <b>11.50</b>   | "Cash Flow" per sh                | <b>16.35</b>   |
| .09    | .12    | d.02   | .02    | .01    | .05    | .21    | .32    | .56    | .77    | .90    | 2.16   | 3.95   | 6.31   | 5.66   | 6.45   | <b>9.00</b>                                  | <b>9.70</b>    | Earnings per sh <sup>B</sup>      | <b>13.75</b>   |
| --     | --     | --     | --     | --     | --     | --     | --     | --     | --     | --     | --     | --     | .38    | 1.63   | 1.81   | <b>1.98</b>                                  | <b>2.18</b>    | Div'ds Decl'd per sh <sup>F</sup> | <b>4.00</b>    |
| .01    | .02    | .05    | .03    | .03    | .03    | .04    | .11    | .12    | .18    | .18    | .31    | .65    | 1.26   | 1.30   | 1.63   | <b>1.75</b>                                  | <b>1.85</b>    | Cap'l Spending per sh             | <b>2.25</b>    |
| .66    | .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  | <b>23.05</b>                                 | <b>25.20</b>   | Book Value per sh <sup>E</sup>    | <b>36.60</b>   |
| 4502.4 | 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 | <b>5700.0</b>                                | <b>5600.00</b> | Common Shs Outst'g <sup>C</sup>   | <b>5000.00</b> |
| 17.3   | 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   | <i>Bold figures are Value Line estimates</i> |                | Avg Ann'l P/E Ratio               | <b>13.0</b>    |
| .99    | 2.00   | --     | NMF    | NMF    | 2.01   | 1.40   | 1.57   | 1.40   | 1.83   | 1.28   | .97    | .78    | .76    | .69    | .69    |  |                | Relative P/E Ratio                | <b>.80</b>     |
| --     | --     | --     | --     | --     | --     | --     | --     | --     | --     | --     | --     | --     | .5%    | 2.3%   | 2.2%   |  |                | Avg Ann'l Div'd Yield             | <b>2.2%</b>    |

| CAPITAL STRUCTURE as of 3/28/15                               |  |  |  |  |        |        |        |        |        |        |        |        |              |               |                 |                                    |                         |            |  |  |  |
|---|--|--|--|--|--------|--------|--------|--------|--------|--------|--------|--------|--------------|---------------|-----------------|------------------------------------|-------------------------|------------|--|--|--|
| Total Debt \$43871 mill. Due in 5 Yrs \$15000 mill.           |  |  |  | 13931  | 19315  | 24006  | 32479  | 36537  | 65225  | 108249 | 156508 | 170910 | 182795       | 231500        | 246000          | Sales (\$mill) <sup>A</sup>        | 290000                  |            |  |  |  |
| LT Debt \$40072 mill. LT Interest \$2000 mill. (24% of Cap'l) |  |  |  | 13.1%  | 13.9%  | 19.7%  | 20.8%  | 22.9%  | 29.8%  | 32.9%  | 37.4%  | 32.6%  | 33.1%        | <b>33.5%</b>  | <b>33.5%</b>    | Operating Margin                   | <b>35.0%</b>            |            |  |  |  |
| Leases, Uncapitalized Annual rentals \$662 mill.              |  |  |  | 179.0  | 225.0  | 317.0  | 473.0  | 703.0  | 1027.0 | 1814.0 | 3277.0 | 6757.0 | 7946.0       | 9000          | 10000           | Depreciation (\$mill) <sup>D</sup> | 13000                   |            |  |  |  |
| No Defined Benefit Pension Plan Pfd Stock None                |  |  |  | 1254.0   | 1989.0 | 3496.0 | 4834.0 | 5704.0 | 14013  | 25922  | 41733  | 37037  | 39510        | 51300         | 54300           | Net Profit (\$mill)                | 68800                   |            |  |  |  |
| Common Stock 5,761,030,000 shs. as of 4/10/15                 |  |  |  | 30.9%  | 29.4%  | 30.2%  | 29.9%  | 28.6%  | 24.4%  | 25.2%  | 26.2%  | 26.1%  | <b>26.0%</b> | <b>26.0%</b>  | Income Tax Rate | <b>26.0%</b>                       |                         |            |  |  |  |
| Market Cap: \$732 billion (Large Cap)                         |  |  |  | 9.0%   | 10.3%  | 14.6%  | 14.9%  | 15.6%  | 21.5%  | 23.9%  | 26.7%  | 21.7%  | 21.6%        | <b>22.2%</b>  | <b>22.1%</b>    | Net Profit Margin                  | <b>23.7%</b>            |            |  |  |  |
| CURRENT POSITION (SMILL.)                                     |  |  |  | 6816.0   | 8038.0 | 12657  | 20598  | 16983  | 20956  | 17018  | 19111  | 29628  | 5083.0       | 9000          | 12000           | Working Cap'l (\$mill)             | 30000                   |            |  |  |  |
| Cash Assets   |  |  |  | --   | --     | --     | --     | --     | --     | --     | --     | --     | 16960        | 28987         | 40000           | 40000                              | Long-Term Debt (\$mill) | 50000      |  |  |  |
| Receivables   |  |  |  | 7466.0   | 9984.0 | 14532  | 21030  | 27832  | 47791  | 76615  | 118210 | 123549 | 111547       | <b>131500</b> | <b>141000</b>   | Shr. Equity (\$mill) <sup>E</sup>  | 183000                  |            |  |  |  |
| Inventory (FIFO)  |  |  |  | 16.8%  | 19.9%  | 24.1%  | 23.0%  | 20.5%  | 29.3%  | 33.8%  | 35.3%  | 26.5%  | 28.4%        | <b>30.5%</b>  | <b>30.5%</b>    | Return on Total Cap'l              | <b>30.0%</b>            |            |  |  |  |
| Other   |  |  |  | 16.8%  | 19.9%  | 24.1%  | 23.0%  | 20.5%  | 29.3%  | 33.8%  | 35.3%  | 30.0%  | 35.4%        | <b>39.0%</b>  | <b>38.5%</b>    | Return on Shr. Equity              | <b>37.5%</b>            |            |  |  |  |
| Current Assets  |  |  |  | 16.8%  | 19.9%  | 24.1%  | 23.0%  | 20.5%  | 29.3%  | 33.8%  | 33.2%  | 21.4%  | 25.4%        | <b>30.5%</b>  | <b>30.0%</b>    | Retained to Com Eq                 | <b>26.5%</b>            |            |  |  |  |
| Accts Payable   |  |  |  | --   | --     | --     | --     | --     | --     | --     | --     | 6%     | 29%          | 28%           | <b>22%</b>      | <b>22%</b>                         | All Div'ds to Net Prof  | <b>29%</b> |  |  |  |
| Debt Due  |  |  |  | <b>BUSINESS:</b> 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 27, 2014, Apple operated a total of 437 retail outlets, including 259 stores in the U.S. and 178 in international markets. R&D: 3.3% of '14 revenues. Has 92,600 employees. Off./dir. own less than 1.0% of common; BlackRock, 5.5% (1/15 Proxy). CEO: Tim Cook. Inc.: CA. Addr.: 1 Infinite Loop, Cupertino, CA 95014. Tel.: 408-996-1010. Internet: www.apple.com. |        |        |        |        |        |        |        |        |              |               |                 |                                    |                         |            |  |  |  |
| Other   |  |  |  |  |        |        |        |        |        |        |        |        |              |               |                 |                                    |                         |            |  |  |  |
| Current Liab.   |  |  |  |  |        |        |        |        |        |        |        |        |              |               |                 |                                    |                         |            |  |  |  |

**Apple remains in a strong growth mode.** The new Dow component has been rangebound since our last full-page review in April, mostly trading between \$120 and \$130. We attribute this to questions about the *Apple Watch*, which is just now hitting the company's retail stores. While some investors expect the wearable device to be another huge hit, drawing in low-tech, fashion-conscious customers, others question whether the initial strong demand for the product will be sustainable without a more developed application ecosystem. (Popular third-party apps are what made the *iPhone* a must-have for many consumers.) Still, questions about the watch aside, Apple will probably continue to grow rapidly. In fact, we look for share net to surge to \$9.00 in fiscal 2015 (ends September 26th), mainly thanks to renewed smartphone momentum.

| ANNUAL RATES | Past 10 Yrs. | Past 5 Yrs. | Est'd '12-'14 to '18-'20 |   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|--------------|--------------|-------------|--------------------------|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Sales        | 36.0%        | 40.5%       | 13.5%                    | <b>Apple remains in a strong growth mode.</b> The new Dow component has been rangebound since our last full-page review in April, mostly trading between \$120 and \$130. We attribute this to questions about the <i>Apple Watch</i> , which is just now hitting the company's retail stores. While some investors expect the wearable device to be another huge hit, drawing in low-tech, fashion-conscious customers, others question whether the initial strong demand for the product will be sustainable without a more developed application ecosystem. (Popular third-party apps are what made the <i>iPhone</i> a must-have for many consumers.) Still, questions about the watch aside, Apple will probably continue to grow rapidly. In fact, we look for share net to surge to \$9.00 in fiscal 2015 (ends September 26th), mainly thanks to renewed smartphone momentum. |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| "Cash Flow"  | 63.5%        | 54.5%       | 14.5%                    |   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Earnings     | 70.5%        | 52.5%       | 14.5%                    |   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Dividends    | --           | --          | 21.0%                    |   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Book Value   | 36.5%        | 41.0%       | 11.5%                    |   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

| Fiscal Year Ends | QUARTERLY SALES (\$mill.) <sup>A</sup> |              |              |              | Full Fiscal Year |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|------------------|--|--------------|--------------|--------------|------------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
|                  | Dec.                                   | Mar.         | Jun.         | Sep.         |                  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2012             | 46333                                  | 39186        | 35023        | 35966        | 156508           |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2013             | 54512                                  | 43603        | 35323        | 37472        | 170910           |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2014             | 57594                                  | 45646        | 37432        | 42123        | 182795           |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2015             | 74599                                  | 58010        | <b>47391</b> | <b>51500</b> | <b>231500</b>    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2016             | <b>79300</b>                           | <b>61600</b> | <b>50400</b> | <b>54700</b> | <b>246000</b>    |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Fiscal Year Ends | EARNINGS PER SHARE <sup>A,B</sup>      |              |              |              | Full Fiscal Year |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|                  | Dec.                                   | Mar.         | Jun.         | Sep.         |                  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2012             | 1.98                                   | 1.76         | 1.33         | 1.24         | 6.31             |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2013             | 1.97                                   | 1.44         | 1.07         | 1.18         | 5.66             |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2014             | 2.07                                   | 1.66         | 1.28         | 1.42         | 6.45             |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2015             | 3.06                                   | 2.33         | <b>1.70</b>  | <b>1.91</b>  | <b>9.00</b>      |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2016             | <b>3.30</b>                            | <b>2.50</b>  | <b>1.85</b>  | <b>2.05</b>  | <b>9.70</b>      |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Calendar         | QUARTERLY DIVIDENDS PAID <sup>F</sup>  |              |              |              | Full Year        |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|                  | Mar.31                                 | Jun.30       | Sep.30       | Dec.31       |                  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2011             | --                                     | --           | --           | --           | --               |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2012             | --                                     | --           | .379         | .379         | .76              |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2013             | .379                                   | .436         | .436         | .436         | 1.69             |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2014             | .436                                   | .47          | .47          | .47          | 1.85             |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2015             | .47                                    | .52          |              |              |                  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

**iPhone shipments were up 40% during the March period.** This strength will probably persist for a while, too, given the power of the *iPhone 6/6 Plus* upgrade cycle (pent-up demand remains high by all accounts) and the favorable market-share trends of late (the larger screen sizes are helping in this regard). Apple is also gaining considerable ground in China and the other BRIC geographies, where it's been inking distribution deals with wireless carriers and encouraging local developers to write apps. This suggests that the smartphone franchise will remain a cash cow for years to come. Meanwhile, the struggling *iPad* tablet line ought to benefit from new business apps that are being developed in partnership with IBM. And *Mac* sales are still rising at a healthy clip, despite pressure across the broader PC space. **The company is returning more money to shareholders.** The board has voted to expand the capital return program from \$130 billion to \$200 billion (through March of 2017). This includes a \$140 billion share-buyback authorization and a new quarterly dividend rate of \$0.52 a share. The tech giant, notably, currently has around \$194 billion in cash assets. **We recommend this timely issue for most accounts.** The stock still seems like a relative bargain, and success of the *Apple Watch* would likely prompt us to raise our projections out to 2018-2020.