

APPLE INC. NDAQ:AAPL

RECENT PRICE **106.72** P/E RATIO **11.6** (Trailing: 11.3; Median: 15.0) RELATIVE P/E RATIO **0.64** DIV'D YLD **2.1%**

VALUE LINE

TIMELINESS 3 Lowered 1/15/16
SAFETY 2 Lowered 7/3/15
TECHNICAL 4 Lowered 3/25/16
BETA .95 (1.00 = Market)

High: 10.8 13.3 29.0 28.6 30.6 46.7 61.0 100.7 82.2 119.8 134.5 107.6
 Low: 4.5 7.2 11.7 11.3 11.2 27.2 44.4 58.4 55.0 70.5 92.0 92.4

Target Price Range
 2019 2020 2021

2019-21 PROJECTIONS
 Price Gain Ann'l Total
 High 205 (+90%) 19%
 Low 150 (+40%) 11%

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

Insider Decisions
 M J J A S O N D J
 to Buy 0 0 1 0 0 0 0 0 0 0
 Options 1 0 0 0 2 8 0 0 0 0
 to Sell 3 1 2 0 1 2 2 0 0 0

Percent shares traded
 90
 60
 30

Institutional Decisions
 202015 3Q2015 4Q2015
 to Buy 1045 1174 1242
 to Sell 1102 1016 1001
 Hlds(000)339326632668703214747

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2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	19-21	
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	41.89	42.05	45.65	Sales per sh ^A	58.00
.15	.00	.05	.04	.08	.25	.37	.62	.85	1.02	2.35	4.26	6.85	6.96	8.09	11.59	11.35	12.55	"Cash Flow" per sh	16.75
.12	d.02	.02	.01	.05	.21	.32	.56	.77	.90	2.16	3.95	6.31	5.66	6.45	9.22	9.20	10.25	Earnings per sh ^B	13.75
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.02	.05	.03	.03	.03	.04	.11	.12	.18	.18	.31	.65	1.26	1.30	1.63	2.02	2.15	2.25	Cap'l Spending per sh	2.50
.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	21.39	23.60	25.60	Book Value per sh ^E	34.40
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	5578.8	5450.00	5350.00	Common Shs Outst'g ^C	5000.00
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	12.8			Avg Ann'l P/E Ratio	13.0
2.00	--	NMF	NMF	2.01	1.40	1.57	1.40	1.83	1.28	.97	.78	.76	.69	.68	.65			Relative P/E Ratio	.80
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CAPITAL STRUCTURE as of 12/26/15
 Total Debt \$62963 mill. Due in 5 Yrs \$20000 mill.
 LT Debt \$53204 mill. LT Interest \$2000 mill.
 (29% of Cap'l)
 Leases, Uncapitalized Annual rentals \$772 mill.
No Defined Benefit Pension Plan
 Pfd Stock None
 Common Stock 5,544,583,000 shs.
 as of 1/8/16
 Market Cap: \$592 billion (Large Cap)

19315	24006	32479	36537	65225	108249	156508	170910	182795	233715	229100	244200	Sales (\$mill) ^A	290000
13.9%	19.7%	20.8%	22.9%	29.8%	32.9%	37.4%	32.6%	33.1%	35.3%	34.5%	35.0%	Operating Margin	36.0%
225.0	317.0	473.0	703.0	1027.0	1814.0	3277.0	6757.0	7946.0	11257	11800	12400	Depreciation (\$mill) ^D	15000
1989.0	3496.0	4834.0	5704.0	14013	25922	41733	37037	39510	53394	50150	54800	Net Profit (\$mill)	68800
29.4%	30.2%	29.9%	28.6%	24.4%	24.2%	25.2%	26.2%	26.1%	26.4%	25.5%	25.5%	Income Tax Rate	26.5%
10.3%	14.6%	14.9%	15.6%	21.5%	23.9%	26.7%	21.7%	21.6%	22.8%	21.9%	22.4%	Net Profit Margin	23.7%
8038.0	12657	20598	16983	20956	17018	19111	29628	5083.0	8768.0	5000	7500	Working Cap'l (\$mill)	15000
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9984.0	14532	21030	27832	47791	76615	118210	123549	111547	119355	128500	137000	Shr. Equity (\$mill) ^E	172000
19.9%	24.1%	23.0%	20.5%	29.3%	33.8%	35.3%	26.5%	28.4%	31.3%	28.0%	29.5%	Return on Total Cap'l	28.5%
19.9%	24.1%	23.0%	20.5%	29.3%	33.8%	35.3%	30.0%	35.4%	44.7%	39.0%	40.0%	Return on Shr. Equity	40.0%
19.9%	24.1%	23.0%	20.5%	29.3%	33.8%	33.2%	21.4%	25.4%	35.0%	30.0%	30.5%	Retained to Com Eq	28.5%
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CURRENT POSITION (SMILL.)

	2014	2015	12/26/15
Cash Assets	25077	41601	38074
Receivables	17460	16849	12953
Inventory (FIFO)	2111	2349	2451
Other	23883	28579	22741
Current Assets	68531	89378	76219
Accts Payable	30196	35490	33312
Debt Due	6308	10999	9759
Other	26944	34121	33021
Current Liab.	63448	80610	76092

BUSINESS: 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 26, 2015, Apple operated a total of 463 retail outlets, with lease terms ranging from five to 20 years. R&D: 3.5% of '15 sales. Has about 110,000 employees. Off/dir. own less than 1.0% of common; Vanguard, 6.0%; BlackRock, 5.7% (1/16 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 '13-'15 to '19-'21
of change (per sh)	10 Yrs.	5 Yrs.	to '19-'21
Sales	34.5%	36.5%	9.5%
"Cash Flow"	54.0%	44.5%	11.0%
Earnings	55.0%	41.0%	11.5%
Dividends	--	--	14.0%
Book Value	35.0%	31.5%	9.5%

Apple shares have remained in a holding pattern since our last full-page report in January. The stock continues to be inexpensive on a P/E basis, trading at less than 12 times forward earnings. But the attractive valuation has done little, it seems, to lure investors. Part of this reluctance to commit new funds may be due to the tech giant's dispute with the government over iPhone encryption and customers' privacy rights. Indeed, the disagreement has given rise to some unfavorable press about the company in recent weeks. Still, we do not see the encryption case having a material impact on Apple. What's more of a concern, we think, is the growth trajectory of the company.

softness. iPhone sales, meanwhile, have cooled off a bit lately, climbing just 0.4% during the December interim. This also suggests that results will probably hit a near-term soft patch. That said . . .

QUARTERLY SALES (\$ mill.)^A

Fiscal Year Ends	Dec.	Mar.	Jun.	Sep.	Per	Full Fiscal Year
2013	54512	43603	35323	37472		170910
2014	57594	45646	37432	42123		182795
2015	74599	58010	49605	51501		233715
2016	75872	52628	48300	52300		229100
2017	74500	60700	52400	56600		244200

Recent results have been mixed. Share net of \$3.28 for the first quarter of fiscal 2016 (year ends September 24th) was roughly in line with our \$3.35 call. The top line was on the light side, however, hurt by currency headwinds and tough macro-economic conditions in China and elsewhere overseas. And still-limited visibility on the international front, where Apple does about two-thirds of its business, may well contribute to some lingering revenue

The smartphone franchise ought to return to a healthier expansion mode later in the year. Growth should be fueled by the new smaller-format device, the iPhone SE, and the rollout of the next-generation iPhone 7 line (expected for the holiday season). Additionally, the iPhone should be able to gain further market share at the expense of Android products. And there still appear to be plenty of in-roads to be made in emerging countries. Elsewhere, new services businesses (e.g., Apple Pay, Apple Music, and Apple TV) will likely grow in importance, offsetting weakness in the iPad line and slower Mac sales. All told, after what will probably be a flattish fiscal 2016, share net ought to advance at a double-digit clip next year and reach \$13.75 by 2019-2021.

EARNINGS PER SHARE^{A,B}

Fiscal Year Ends	Dec.	Mar.	Jun.	Sep.	Per	Full Fiscal Year
2013	1.97	1.44	1.07	1.18		5.66
2014	2.07	1.66	1.28	1.42		6.45
2015	3.08	2.33	1.85	1.96		9.22
2016	3.28	2.03	1.80	2.09		9.20
2017	3.65	2.25	2.00	2.35		10.25

We like this issue as a core holding, and encourage investors to take advantage of the current entry point.

Justin Hellman
 April 1, 2016

QUARTERLY DIVIDENDS PAID^F

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2012	--	--	.379	.379	.76
2013	.379	.436	.436	.436	1.69
2014	.436	.47	.47	.47	1.85
2015	.47	.52	.52	.52	2.03
2016	.52				

Company's Financial Strength A++
 Stock's Price Stability 65
 Price Growth Persistence 95
 Earnings Predictability 60

(A) Fiscal year ends last Saturday in September. (B) Diluted earnings. Quarters may not add to total due to rounding. Excludes non-recurring gains: '00, 3¢; '01, 1¢; '05, 2¢; loss: '02, 1¢. Next earnings report due late April. (C) In mill., adjusted for splits. (D) Depreciation on accelerated basis. (E) Includes intangibles. In 2015, \$909 mill., \$1.61 a share. (F) New dividend policy adopted 3/12. Payments typically made in February, May, August, and November.