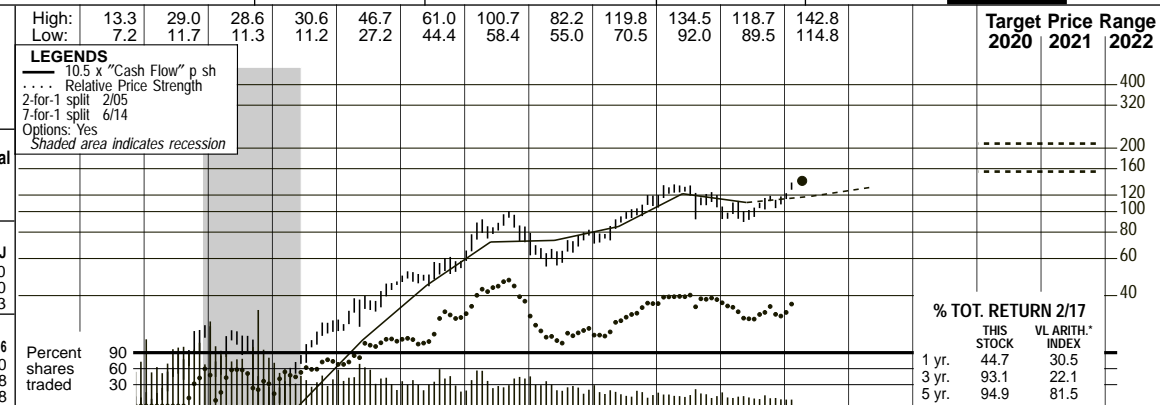


# APPLE INC. NDAQ:AAPL

RECENT PRICE **139.84** P/E RATIO **15.3** (Trailing: 16.7 Median: 13.0) RELATIVE P/E RATIO **0.79** DIV'D YLD **1.7%**

**VALUE LINE**

**TIMELINESS** 3 Raised 1/20/17  
**SAFETY** 2 Lowered 7/3/15  
**TECHNICAL** 4 Lowered 2/17/17  
**BETA** .90 (1.00 = Market)



**2020-22 PROJECTIONS**  
 Price Gain Ann'l Total Return  
 High 210 (+50%) 12%  
 Low 155 (+10%) 5%

**Insider Decisions**  
 M J J A S O N D J  
 to Buy 0 0 0 0 0 0 0 0 0 0  
 Options 1 2 0 5 2 9 0 0 0 0  
 to Sell 3 2 1 8 1 2 3 2 3

**Institutional Decisions**  
 2Q2016 3Q2016 4Q2016  
 to Buy 1115 992 1060  
 to Sell 1158 1259 1248  
 Hlds(000)305578430532803118018

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
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	40.41	<b>44.15</b>	<b>47.45</b>	Sales per sh <sup>A</sup>	60.40
.00	.05	.04	.08	.25	.37	.62	.85	1.02	2.35	4.26	6.85	6.96	8.09	11.59	10.53	<b>11.25</b>	<b>12.50</b>	"Cash Flow" per sh	17.15
d.02	.02	.01	.05	.21	.32	.56	.77	.90	2.16	3.95	6.31	5.68	6.45	9.22	8.31	<b>9.15</b>	<b>10.15</b>	Earnings per sh <sup>B</sup>	14.00
--	--	--	--	--	--	--	--	--	--	--	.38	1.63	1.81	1.98	2.18	<b>2.36</b>	<b>2.52</b>	Div'ds Decl'd per sh <sup>F</sup>	4.00
.05	.03	.03	.03	.04	.11	.12	.18	.18	.31	.65	1.26	1.30	1.63	2.02	2.39	<b>2.50</b>	<b>2.60</b>	Cap'l Spending per sh	3.00
.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	24.03	<b>27.75</b>	<b>32.75</b>	Book Value per sh <sup>E</sup>	46.65
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	5336.2	<b>5200.0</b>	<b>5100.0</b>	Common Shs Outst'g <sup>C</sup>	4800.0
--	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	12.6	<b>12.5</b>	<b>13.0</b>	Avg Ann'l P/E Ratio	13.0
--	NMF	NMF	2.01	1.40	1.57	1.40	1.83	1.28	.97	.78	.76	.69	.68	.64	.66	<b>.64</b>	<b>.66</b>	Relative P/E Ratio	.80
--	--	--	--	--	--	--	--	--	--	--	.5%	2.3%	2.2%	1.7%	2.1%	<b>1.7%</b>	<b>2.1%</b>	Avg Ann'l Div'd Yield	2.2%

**CAPITAL STRUCTURE as of 12/31/16**  
 Total Debt \$87549 mill. Due in 5 Yrs \$40000 mill.  
 LT Debt \$73557 mill. LT Interest \$3500 mill.  
 (36% of Cap'l)

Leases, Uncapitalized Annual rentals \$929 mill.

**No Defined Benefit Pension Plan**  
 Pfd Stock None

Common Stock 5,246,540,000 shs. as of 1/20/17

**MARKET CAP: \$734 billion (Large Cap)**

**CURRENT POSITION (SMILL.)**

	2015	2016	12/31/16
Cash Assets	41601	67155	60452
Receivables	16849	15754	14057
Inventory (FIFO)	2349	2132	2712
Other	28579	21828	26111
Current Assets	89378	106869	103332
Accts Payable	35490	37294	38510
Debt Due	10999	11605	13992
Other	34121	30107	31628
Current Liab.	80610	79006	84130

24006	32479	36537	65225	108249	156508	170910	182795	233715	215639	<b>229500</b>	<b>242000</b>	Sales (\$mill) <sup>A</sup>	290000
19.7%	20.8%	22.9%	29.8%	32.9%	37.4%	32.6%	33.1%	35.3%	32.7%	<b>32.5%</b>	<b>33.0%</b>	Operating Margin	34.5%
317.0	473.0	703.0	1027.0	1814.0	3277.0	6757.0	7946.0	11257	10505	<b>11000</b>	<b>12000</b>	Depreciation (\$mill) <sup>D</sup>	15000
3496.0	4834.0	5704.0	14013	25922	41733	37037	39510	53394	45687	<b>47600</b>	<b>51800</b>	Net Profit (\$mill)	67200
30.2%	29.9%	28.6%	24.4%	24.2%	25.2%	26.2%	26.1%	26.4%	25.6%	<b>25.5%</b>	<b>25.5%</b>	Income Tax Rate	26.0%
14.6%	14.9%	15.6%	21.5%	23.9%	26.7%	21.7%	21.6%	22.8%	21.2%	<b>20.7%</b>	<b>21.4%</b>	Net Profit Margin	23.2%
12657	20598	16983	20956	17018	19111	29628	5083.0	8768.0	27863	<b>20000</b>	<b>25000</b>	Working Cap'l (\$mill)	40000
--	--	--	--	--	--	16960	28987	53463	75427	<b>75000</b>	<b>75000</b>	Long-Term Debt (\$mill)	75000
14532	21030	27832	47791	76615	118210	123549	111547	119355	128249	<b>144200</b>	<b>167100</b>	Share Equity (\$mill) <sup>E</sup>	224000
24.1%	23.0%	20.5%	29.3%	33.8%	35.3%	26.5%	28.4%	31.3%	23.2%	<b>22.5%</b>	<b>22.0%</b>	Return on Total Cap'l	23.0%
24.1%	23.0%	20.5%	29.3%	33.8%	35.3%	30.0%	35.4%	44.7%	35.6%	<b>33.0%</b>	<b>31.0%</b>	Return on Shr. Equity	30.0%
24.1%	23.0%	20.5%	29.3%	33.8%	33.2%	21.4%	25.4%	35.0%	26.2%	<b>24.5%</b>	<b>23.5%</b>	Retained to Com Eq	21.5%
--	--	--	--	--	6%	29%	28%	22%	27%	<b>26%</b>	<b>25%</b>	All Div'ds to Net Prof	29%

**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 2016, Apple operated a total of around 488 retail outlets in 20 countries, with lease terms ranging from five to 20 years. R&D: 4.7% of '16 sales. Has about 116,000 employees. Off/dir. own less than 1.0% of common; Vanguard, 6.1%; BlackRock, 6.0% (1/17 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 '14-'16 to '20-'22

Sales	32.0%	28.5%	8.0%
"Cash Flow"	46.0%	31.5%	9.5%
Earnings	45.0%	28.0%	10.0%
Dividends	--	--	12.5%
Book Value	32.5%	22.0%	14.0%

**Apple appears back in a growth mode, much to the delight of investors.** (The Dow component has appreciated almost 20% in value since our last full-page review three months ago.) After experiencing a rare slowdown last year, growth at the tech behemoth returned in the first quarter of fiscal 2017 (ends September 30th), with share net of \$3.36 surpassing Wall Street's consensus view and coming in \$0.16 ahead of our estimate. Revenues, of \$78.4 billion, were also higher than anticipated, buoyed by a pickup in smartphone unit shipments and further momentum from the high-margined services business. During the December interim, Apple sold a record number of iPhones (78.3 million), easing concerns that the cash-cow franchise was headed for a prolonged slump. As we had hoped . . .

long-term prospects for the smartphone business in China continue to look very bright, despite some recent sales softness in that important country. Meanwhile . . .

**The services segment, including iTunes, iCloud, Apple Pay, and the App Store, continues to expand at a blistering pace.** It generated \$7.2 billion in revenue in the first quarter, an 18% improvement over the year-earlier tally. And the momentum is apt to persist, led by surging Apple Pay transaction volumes. Thus, management believes that services revenue can double over the next four years. All in all, given the host of encouraging signs, we see share earnings climbing at a double-digit clip in both fiscal 2017 and fiscal 2018, and reaching at least the \$14.00 mark by 2020-2022.

**QUARTERLY SALES (\$mill.)<sup>A</sup>**

Fiscal Year Ends	Dec.	Mar.	Jun.	Sep.	Per	Full Fiscal Year
2014	57594	45646	37432	42123		182795
2015	74599	58010	49605	51501		233715
2016	75872	50557	42358	46852		215639
2017	78351	53149	45700	52300		229500
2018	82600	56050	48200	55150		242000

**The next-generation iPhone 7, which debuted in September, seems to have set the stage for a powerful smartphone upgrade cycle.** In fact, the more expensive 7 Plus model, featuring a larger display and more sophisticated camera, is proving to be a runaway hit, which is bolstering both the top and bottom lines. And

**Though not the bargain it once was, we still like this Dow stock for conservative buy-and-hold investors.** The company, in excellent financial shape (it has about \$246 billion in cash when factoring in long-term marketable securities), should continue to enhance shareholder value via dividends and stock buybacks.

**EARNINGS PER SHARE<sup>A,B</sup>**

Fiscal Year Ends	Dec.	Mar.	Jun.	Sep.	Per	Full Fiscal Year
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	1.90	1.42	1.67		8.31
2017	3.36	2.01	1.74	2.04		9.15
2018	3.70	2.25	1.95	2.25		10.15

**Justin Hellman**

**March 31, 2017**

(A) Fiscal year ends last Saturday in September. (B) Diluted earnings. Quarters may not add to total due to rounding. Excludes non-recurring gains: '01, 1c; '05, 2c; loss: '02, 1c. Next earnings report due late April. (C) In mill., adjusted for splits. (D) Depreciation on accelerated basis. (E) Includes intangibles. In 2016, \$8620 mill., \$1.62 a share. (F) New dividend policy adopted 3/12. Payments typically made in February, May, August, and November.

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**Company's Financial Strength** A++  
**Stock's Price Stability** 60  
**Price Growth Persistence** 85  
**Earnings Predictability** 60

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