

Enterprise & Consumer Technology

AAPL - NASDAQ November 3, 2017

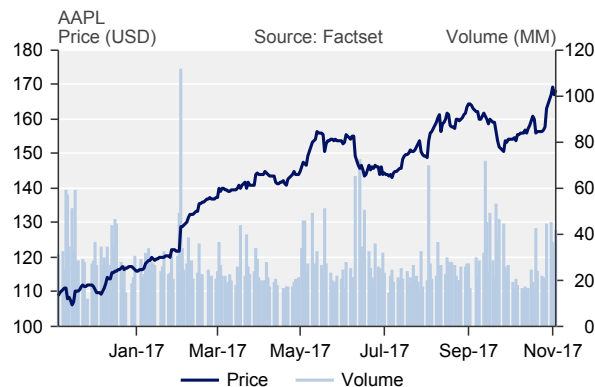
Closing Price 11/2/2017 **\$168.11**
 Rating: Buy
 12-Month Target Price: \$193.00
 52-Week Range: \$104.08 - \$169.94
 Market Cap (M): 868,322
 Shares O/S (M): 5,165.2
 Float: 99.9%
 Avg. Daily Volume (000): 28,568
 Dividend: \$2.52
 Dividend Yield: 1.50%
 Risk Profile: Low
 Fiscal Year End: September

Revenue (\$M)

	2017A	2018E	2019E
1Q	78,351.0	86,095.5	91,829.2
2Q	52,896.0	80,139.1	59,952.8
3Q	45,408.0	62,547.6	55,804.5
4Q	52,579.0	63,320.9	60,965.7
FY	229,234.0	292,103.1	268,552.2
Prior	227,348.2	285,517.4	262,766.2

GAAP EPS

	2017A	2018E	2019E
1Q	3.36	3.79	3.84
2Q	2.10	3.79	2.56
3Q	1.67	2.81	2.31
4Q	2.07	2.91	2.63
FY	9.21	13.33	11.36
Prior	9.02	13.28	—



Apple Inc.

Buy

Bottom Line Power of iPhone X May Become Apparent with Dec Q Results, Most Likely with Mar Q Results

Summary

- Four percent Sept Q beat driven by non-iPhone related products and services.
- Dec Q results may, Mar Q results will most likely demonstrate the bottom line power of the iPhone X.
- We continue to model erosion of the iPhone X price premium in FY19, leading us to continue to utilize normalized valuation.
- Maintaining 12-month price target of \$193 and Buy rating.

Details

Four percent Sept Q beat driven by non-iPhone related products and services.

AAPL reported September quarter (F4Q17) revenue of \$52.6B (up 12% y/y, 16% q/q), above both the consensus estimate of \$50.7B and the guidance range of \$49B-\$52B. The revenue beat was largely driven by higher-than-expected revenue from iPads (up 14% y/y), Macs (up 25% y/y), services (up 24% y/y excluding one-time items), and other products (up 36% y/y), which includes sales of the Apple Watch (greater than 50% unit growth y/y). EPS was \$2.07, up 24% y/y and 10% above the consensus estimate of \$1.87. iPhone units on a sell-out basis was 45.4M units (above our estimate of 44.8M units), up 5% y/y and compares to June Q iPhone unit sell-out of down 1% y/y.

Dec Q results may, Mar Q results will most likely demonstrate the bottom line power of the iPhone X.

AAPL provided guidance for December quarter (F1Q18) revenue of \$84B-\$87B, the midpoint of which was slightly above the consensus estimate of \$85.2B. We adjusted our F1Q18 revenue estimate to \$86.1B as a result of ASP accretion for iPads and Macs, as well as a slight shift in iPhone units from the March quarter to the December quarter. We expect gross margin accretion to occur as a result of the higher price for the iPhone X model, which we expect will be only \$20-\$30 more expensive to produce than the iPhone 8 at mature yields. However, given the purported year problems with the initial few weeks of assembly of the iPhone X as well as general yield curve learnings, we expect GM accretion to be realized in the Mar Q instead of the Dec Q. For FY18E, we expect iPhone GM to increase from ~43.7% in FY17 to 47.5% in FY18E. Additionally, management guidance is for F1Q18 gross margin of 38%-38.5%, slightly below the consensus estimate of 38.6%. For F1Q18, we are projecting EPS of \$3.77, slightly above the consensus estimate of \$3.75.

We continue to model erosion of the iPhone X price premium in FY19, leading us to continue to utilize normalized valuation. We continue to believe AAPL's Face ID for the iPhone X will remain superior to alternatives for the next 6-12 months, at which point we model pricing erosion of the iPhone X by \$100 to a \$900 starting price in FY19E due to Android-based competitors largely replicating the Face ID functionality enabled by an IR depth sensing module.

Maintaining 12-month price target of \$193 and Buy rating. Our 12-month price target is based on 16x our normalized earnings estimate of \$11.36 that our FY19E estimates are synched to. We discount that back by one year at a 12% discount rate and add back the \$30/share in net cash AAPL had at the end of the Sept Q. We reiterate our Buy rating as we believe AAPL is at the eve of a super-cycle driven by ASP appreciation, and thus margin expansion too.

Nehal Chokshi
 (212) 895-3642
 nchokshi@maximgrp.com

Figure 1.

	FY17	FY18	FY19
Previous modelled iPhone ASP	652	774	714
iPhone X ASP	1050	1050	950
iPhone X mix	0%	25%	21%
iPhone leading edge ASP	650	700	650
iPhone leading edge mix	36%	21%	25%
iPhone + leading edge ASP	770	870	820
iPhone + leading edge mix	34%	24%	24%
iPhone 1 gen old ASP	608	691	633
iPhone 1 gen old mix	17%	17%	17%
iPhone 2 gen old ASP	508	591	533
iPhone 2 gen old mix	5%	5%	5%
iPhone SE ASP	350	350	350
iPhone SE mix	8%	8%	8%
New iPhone ASP	653	793	721
Mix check	100%	100%	100%
<i>New iPhone ASP y/y</i>		22%	(9%)

Source: Maxim Group LLC estimates

Apple Inc. Key Sep 2017 Q Estimates

(\$ millions, except per share amount)

	Sep Q 17		Sep Q 17 Est	Difference		Q/Q Comp		Y/Y Comp		TIR Analysis/Comment
	New	% of Rev.		\$	%	Jun Q	Δ	Sep Q 16	Δ	
Sell Out - Units (000s)										
iPhones	45,377		44,751	626	1%	44,126	3%	43,013	5%	
iPads	10,282		10,282	0	0%	11,424	(10%)	9,350	10%	
Units (000s)										
iPhones	46,677		46,751	(74)	(0%)	41,026	14%	45,513	3%	Streetaccount consensus was 46.36M
iPad	10,326		10,379	(53)	(1%)	11,424	(10%)	9,267	11%	Streetaccount consensus was 10.02M
Computers	5,386		4,984	402	8%	4,292	25%	4,886	10%	Streetaccount consensus was 4.98M
Revenue by segment										
iPhones	28,846	54.9%	30,372	(1,526)	(5%)	24,846	16%	28,160	2%	Streetaccount consensus was \$29.81B
iPads	4,831	9.2%	4,289	542	13%	4,969	(3%)	4,255	14%	Streetaccount consensus was \$4.36B
Computers	7,170	13.6%	6,029	1,141	19%	5,592	28%	5,739	25%	Streetaccount consensus was \$6.23B
Services	8,501	16.2%	7,274	1,227	17%	7,266	17%	6,325	34%	Streetaccount consensus was \$7.56B
Other	3,231	6.1%	2,729	502	18%	2,735	18%	2,373	36%	
Total revenue	52,579	100.0%	50,693	1,886	4%	45,408	16%	46,852	12%	Consensus is \$50.69B; Guidance is \$49B to \$52B
COGS	32,648	62.1%	31,398	1,250	4%	27,920	17%	29,039	12%	
Gross Profit	19,931	37.9%	19,295	636	3%	17,488	14%	17,813	12%	
Gross Margin %	37.9%		38.1%		-0.2%	38.5%	(1%)	38.0%	(0%)	Consensus was 38%; Guidance is 37.5% to 38%
SG&A	3,814	7.3%	3,869	(55)	(1%)	3,783	1%	3,482	10%	
R&D	2,997	5.7%	2,882	115	4%	2,937	2%	2,570	17%	
Operating income (EBIT)	13,120	25.0%	12,544	576	5%	10,768	22%	11,761	12%	
Net Interest Expense & Other	797	1.5%	497	300	60%	540	48%	427	87%	
EBT	13,917	26.5%	13,041	876	7%	11,308	23%	12,188	14%	
Tax rate	23.0%		25.5%			0		0		
Net Income, excl. 1x items	10,714	20.4%	9,716	998	10%	8,717	23%	9,014	19%	
Dil. EPS, excl. 1x items	\$2.07		\$1.87	\$0.19	10%	\$1.67	24%	\$1.67	24%	Consensus was \$1.87
Diluted shares outstanding	5,183.6		5,184.5	(0.9)	(0%)	5,233.5	(1%)	5,393.3	(4%)	

Source: Company data and Maxim Group LLC estimates

Apple Inc. Key Dec 2017 Q Estimates

(\$ millions, except per share amount)

	Dec Q 17		Dec Q 17 Est	Difference		Q/Q Comp		Y/Y Comp		TIR Analysis/Comment
	New	% of Rev.		\$	%	Sept Q	Δ	Dec Q 16	Δ	
Sell Out - Units (000s)										
iPhones	66,464		63,464	3,000	5%	45,377	46%	77,090	(14%)	
iPads	14,908		14,908	0	0%	10,282	45%	13,781	8%	
Units (000s)										
iPhones	72,699		68,368	4,331	6%	46,677	56%	78,290	(7%)	Streetaccount consensus w as 80.46M
iPad	14,651		14,651	0	0%	10,326	42%	13,081	12%	Streetaccount consensus w as 13.7M
Computers	5,804		5,481	322	6%	5,386	8%	5,374	8%	Streetaccount consensus w as 5.24M
Revenue by segment										
iPhones	58,574	68.0%	55,084	3,489	6%	28,846	103%	54,378	8%	
iPads	6,197	7.2%	5,577	620	11%	4,831	28%	5,533	12%	
Computers	8,449	9.8%	7,389	1,061	14%	7,170	18%	7,244	17%	
Services	8,248	9.6%	8,248	0	0%	8,501	(3%)	7,172	15%	
Other	4,628	5.4%	12,456	(7,828)	(63%)	3,231	43%	4,024	15%	
Total revenue	86,095	100.0%	80,926	5,170	6%	52,579	64%	78,351	10%	Consensus is \$85.16B, guidance of \$84B to \$87B
COGS	52,970	61.5%	48,195	4,775	10%	32,648	62%	48,175	10%	
Gross Profit	33,126	38.5%	32,731	395	1%	19,931	66%	30,176	10%	
Gross Margin %	38.5%		40.4%		-2.0%	37.9%	1%	38.5%	(0%)	Consensus w as 38.6%; guidance of 38% to 38.5%
SG&A	4,434	5.2%	4,076	358	9%	3,814	16%	3,946	12%	
R&D	3,315	3.9%	2,965	349	12%	2,997	11%	2,871	15%	Operating Expenses Guidance of \$7.65B to \$7.75B
Operating income (EBIT)	25,377	29.5%	25,690	(313)	(1%)	13,120	93%	23,359	9%	
Net Interest Expense & Other	600	0.7%	457	143	31%	797	(25%)	821	(27%)	
EBT	25,977	30.2%	26,147	(170)	(1%)	13,917	87%	24,180	7%	
Tax rate	25.0%		25.0%			0		0		
Net Income, excl. 1x items	19,483	22.6%	19,610	(128)	(1%)	10,714	82%	17,891	9%	
Dil. EPS, excl. 1x items	\$3.79		\$3.82	(\$0.02)	(1%)	\$2.07	84%	\$3.36	13%	Consensus is \$3.75
Diluted shares outstanding	5,134.6		5,135.5	(0.9)	(0%)	5,183.6	(1%)	5,328.0	(4%)	

Source: Company data and Maxim Group LLC estimates

Apple FY18 Key Estimate Changes

(\$ millions, except per share amount)

	FY18E	% of	FY18E	Difference		Y/Y Comp		Maxim Analysis/Comment
	New	Rev.	Old	\$	%	FY17	Δ	
Sell Out - Units (000s)								
iPhones	247,267		246,482	785	0%	218,556	13%	
Greater China	51,806		51,322	485	1%	37,718	37%	
non- Greater China	195,461		195,161	300	0%	180,838	8%	
iPads	48,174		48,174	0	0%	44,409	8%	
Units (000s)								
iPhones	250,198		248,713	1,485	1%	216,756	15%	
iPads	46,393		46,446	(53)	(0%)	43,753	6%	
Computers	20,212		19,226	987	5%	19,251	5%	
iPods	6,612		6,612	0	0%	8,136	(19%)	
Revenue by segment								
iPhones	193,554	66.3%	194,278	(723)	(0%)	141,319	37%	
iPads	20,353	7.0%	18,755	1,597	9%	19,222	6%	
Computers	28,734	9.8%	25,204	3,530	14%	25,850	11%	
Services	34,477	11.8%	33,066	1,411	4%	29,980	15%	
Other	14,792	5.1%	14,215	577	4%	12,863	15%	
Total revenue	291,910		285,517	6,393	2%	229,234	27%	Consensus is \$267.85B
COGS	171,189	58.6%	165,129	6,060	4%	141,048	21%	
Gross Profit	120,721	41.4%	120,389	333	0%	88,186	37%	
Gross Margin %	41.4%		42.2%		(0.81%)	38.5%	2.89%	Consensus is 38.7%
SG&A	18,863	6.5%	18,636	227	1%	15,261	24%	
R&D	14,580	5.0%	14,138	442	3%	11,581	26%	
Operating income (EBIT)	87,279	29.9%	87,615	(336)	(0%)	61,344	42%	
Net Interest Expense & Other	2,613	0.9%	1,997	615	31%	2,745	(5%)	
EBT	89,891	30.8%	89,612	279	0%	64,089	40%	
Tax rate	25.0%		25.0%			0		
Net Income, excl. 1x items	67,418	23.1%	67,209	210	0%	48,351	39%	
Dil. EPS, excl. 1x items	\$13.32		\$13.28	\$0.04	0%	\$9.21	45%	Consensus is \$11.20

Source: Company data and Maxim Group LLC estimates

Apple FY19 Key Estimate Changes

(\$ millions, except per share amount)

	FY19E	% of	FY19E	Difference		Y/Y Comp		Maxim Analysis/Comment
	New	Rev.	Old	\$	%	FY18	Δ	
Sell Out - Units (000s)								
iPhones	227,004		227,004	0	0%	218,556	4%	
Greater China	37,671		37,671	0	0%	37,718	(0%)	
non- Greater China	189,333		189,333	0	0%	180,838	5%	
iPads	52,323		52,323	0	0%	44,409	18%	
Units (000s)								
iPhones	227,316		227,316	0	0%	216,756	5%	
iPads	46,393		46,446	(53)	(0%)	43,753	6%	
Computers	20,617		19,610	1,006	5%	19,251	7%	
iPods	5,372		5,372	0	0%	8,136	(34%)	
Revenue by segment								
iPhones	162,231	60.4%	163,930	(1,699)	(1%)	141,319	15%	
iPads	20,353	7.6%	18,755	1,597	9%	19,222	6%	
Computers	29,309	10.9%	25,708	3,601	14%	25,850	13%	
Services	39,649	14.8%	38,026	1,623	4%	1,296	2960%	
Other	17,011	6.3%	16,347	664	4%	41,547	(59%)	
Total revenue	268,552		262,766	5,786	2%	229,234	17%	Consensus is \$272.7B
COGS	167,312	62.3%	161,489	5,822	4%	141,048	19%	
Gross Profit	101,240	37.7%	101,277	(37)	(0%)	88,186	15%	
Gross Margin %	37.7%		38.5%		(0.84%)	38.5%	(0.77%)	Consensus is 38.8%
SG&A	17,131	6.4%	16,883	248	1%	15,261	12%	
R&D	13,236	4.9%	12,775	461	4%	11,581	14%	
Operating income (EBIT)	70,873	26.4%	71,619	(746)	(1%)	61,344	16%	
Net Interest Expense & Other	2,810	1.0%	2,117	693	33%	2,745	2%	
EBT	73,683	27.4%	73,736	(53)	(0%)	64,089	15%	
Tax rate	25.0%		25.0%			0		
Net Income, excl. 1x items	55,262	20.6%	55,302	(40)	(0%)	48,351	14%	
Dil. EPS, excl. 1x items	\$11.36		\$11.36	(\$0.01)	(0%)	\$9.21	23%	Consensus is \$11.71

Source: Company data and Maxim Group LLC estimates

Apple Inc. Quarterly Earnings Model																		
Date								Dec-16	Mar-17	Jun-17	Sep-17		Dec-17	Mar-18	Jun-18	Sep-18		
Fiscal period	FY10	FY11	FY12	FY13	FY14	FY15	FY16	F1Q17	F2Q17	F3Q17	F4Q17	FY17	F1Q18E	F2Q18E	F3Q18E	F4Q18E	FY18E	FY19E
Total Revenue	65225	108249	156508	170910	182795	233715	215639	78351	52896	45408	52579	229234	86095	80139	62548	63321	292103	268552
Total COGS	39541	64431	87946	106606	112258	140089	131376	48175	32305	27920	32648	141048	52970	45953	35584	36964	171371	167312
Total Gross Profit	25684	43818	68662	64304	70537	93626	84263	30176	20591	17488	19931	88186	33126	34286	26964	26357	120732	101240
SG&A	5517	7599	10040	10830	11993	14329	14194	3946	3718	3783	3814	15261	4434	5232	4898	4277	18841	17131
R&D	1762	2429	3381	4475	6041	8067	10045	2871	2776	2937	2997	11581	3315	3965	3858	3419	14557	13236
Total Opex	7299	10028	13421	15305	18034	22396	24239	6817	6494	6720	6811	26842	7749	9198	8756	7636	33398	30367
Operating Income (EBIT)	18385	33790	55241	48999	52503	71230	60024	23359	14097	10768	13120	61344	25377	25088	18208	18661	87334	70873
Net Interest Income (Expense)	155	415	522	1156	980	1285	1348	821	587	540	797	2745	600	641	685	689	2615	2810
Other Non-Operating Income (Expense)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minority Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Income Before Taxes and 1x Items	18540	34205	55763	50155	53483	72515	61372	24180	14684	11308	13917	64089	25977	25729	18893	19350	89949	73683
Tax Expense (credit)	4527	8283	14030	13118	13973	19121	15685	6289	3655	2591	3203	15738	6494	6432	4723	4838	22487	18421
Net Income (Before 1x Items)	14013	25922	41733	37037	39510	53394	45687	17891	11029	8717	10714	48351	19483	19297	14170	14513	67462	55262
EPS, diluted (Before 1x items)	2.16	3.95	6.31	5.68	6.45	9.22	8.31	3.36	2.10	1.67	2.07	9.21	3.79	3.79	2.81	2.91	13.33	11.36
Non-Recurring expenses, Net of Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAAP Net Income	14013	25922	41733	37037	39510	53394	45687	17891	11029	8717	10714	48351	19483	19297	14170	14513	67462	55262
EPS, GAAP	2.16	3.95	6.31	5.68	6.45	9.22	8.31	3.36	2.10	1.67	2.07	9.21	3.79	3.79	2.81	2.91	13.33	11.36
Shares outstanding, diluted	6473	6556	6618	6522	6123	5793	5500	5328	5262	5233	5184	5252	5135	5086	5037	4988	5061	4865
FCF per share	2.56	5.07	6.43	6.98	8.19	12.09	9.65	4.45	1.81	1.16	2.27	9.74	5.05	5.47	1.96	1.79	14.34	14.09
Margin Analysis	FY10	FY11	FY12	FY13	FY14	FY15	FY16	Dec-16	Mar-17	Jun-17	Sep-17	FY17	Dec-17	Mar-18	Jun-18	Sep-18	FY18E	Sep-19
GM	39.4%	40.5%	43.9%	37.6%	38.6%	40.1%	39.1%	38.5%	38.9%	38.5%	37.9%	38.5%	38.5%	42.8%	43.1%	41.6%	41.3%	37.7%
SG&A	8.5%	7.0%	6.4%	6.3%	6.6%	6.1%	6.6%	5.0%	7.0%	8.3%	7.3%	6.7%	5.2%	6.5%	7.8%	6.8%	6.5%	6.4%
R&D	2.7%	2.2%	2.2%	2.6%	3.3%	3.5%	4.7%	3.7%	5.2%	6.5%	5.7%	5.1%	3.9%	4.9%	6.2%	5.4%	5.0%	4.9%
EBIT	28.2%	31.2%	35.3%	28.7%	28.7%	30.5%	27.8%	29.8%	26.7%	23.7%	25.0%	26.8%	29.5%	31.3%	29.1%	29.5%	29.9%	26.4%
Tax rate	24.4%	24.2%	25.2%	26.2%	26.1%	26.4%	25.6%	26.0%	24.9%	22.9%	23.0%	24.6%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Net income (excl. 1x items)	21.5%	23.9%	26.7%	21.7%	21.6%	22.8%	21.2%	22.8%	20.9%	19.2%	20.4%	21.1%	22.6%	24.1%	22.7%	22.9%	23.1%	20.6%
FCF	25.4%	30.7%	27.2%	26.6%	27.4%	30.0%	24.6%	30.3%	18.1%	13.4%	22.4%	22.3%	30.1%	34.7%	15.8%	14.1%	24.8%	25.5%
Growth - y/y %	FY10	FY11	FY12	FY13	FY14	FY15	FY16	Dec-16	Mar-17	Jun-17	Sep-17	FY17	Dec-17	Mar-18	Jun-18	Sep-18	FY18E	Sep-19
Total Revenue	52.0%	66.0%	44.6%	9.2%	7.0%	27.9%	(7.7%)	3.3%	4.6%	7.2%	12.2%	6.3%	9.9%	51.5%	37.7%	20.4%	27.4%	(8.1%)
SG&A	33.0%	37.7%	32.1%	7.9%	10.7%	19.5%	(0.9%)	2.5%	8.6%	9.9%	9.5%	7.5%	12.4%	40.7%	29.5%	12.1%	23.5%	(9.1%)
R&D	33.7%	36.3%	39.2%	32.4%	35.0%	33.5%	24.5%	19.4%	10.6%	14.7%	16.6%	15.3%	15.5%	42.8%	31.4%	14.1%	25.7%	(9.1%)
Operating expenses	33.1%	37.4%	33.8%	14.0%	17.8%	24.2%	8.2%	9.0%	9.4%	12.0%	12.5%	10.7%	13.7%	41.6%	30.3%	13.0%	24.4%	(9.1%)
EBIT	56.6%	83.8%	63.5%	(11.3%)	7.2%	35.7%	(15.7%)	(3.4%)	0.8%	6.6%	11.6%	2.2%	8.6%	78.0%	69.1%	42.2%	42.4%	(18.8%)
Net income	70.2%	85.0%	61.0%	(11.3%)	6.7%	35.1%	(14.4%)	(2.6%)	4.9%	11.8%	18.9%	5.8%	8.9%	75.0%	62.6%	35.5%	39.5%	(18.1%)
EPS	66.9%	82.6%	59.5%	(9.9%)	13.6%	42.8%	(9.9%)	2.3%	10.4%	16.9%	23.7%	10.8%	13.0%	81.0%	68.9%	40.8%	44.8%	(14.8%)
FCF	84.0%	100.5%	27.9%	6.9%	10.2%	39.6%	(24.2%)	(0.5%)	3.1%	(22.2%)	(2.9%)	(3.7%)	9.4%	191.3%	62.0%	(24.2%)	41.8%	(5.5%)
Growth - q/q %	FY10	FY11	FY12	FY13	FY14	FY15	FY16	Dec-16	Mar-17	Jun-17	Sep-17	FY17	Dec-17	Mar-18	Jun-18	Sep-18	FY18E	Sep-19
Revenue								67.2%	(32.5%)	(14.2%)	15.8%		63.7%	(6.9%)	(22.0%)	1.2%		
Operating expenses								12.6%	(4.7%)	3.5%	1.4%		13.8%	18.7%	(4.8%)	(12.1%)		
EBIT								98.6%	(39.7%)	(23.6%)	21.8%		93.4%	(1.1%)	(27.4%)	2.5%		
Net income								98.5%	(38.4%)	(21.0%)	22.9%		81.8%	(1.0%)	(26.6%)	2.4%		
EPS								100.9%	(37.6%)	(20.5%)	24.1%		83.6%	(0.0%)	(25.9%)	3.4%		
FCF								95.3%	(59.8%)	(36.3%)	93.7%		120.0%	7.2%	(64.6%)	(9.3%)		
Key Balance Sheet Metrics	FY10	FY11	FY12	FY13	FY14	FY15	FY16	Dec-16	Mar-17	Jun-17	Sep-17	FY17	Dec-17	Mar-18	Jun-18	Sep-18	FY18E	Sep-19
Net cash	51011	81570	121251	129801	119944	141204	150553	158541	158319	153177	153215	153215	171222	191132	193117	188167	188167	216734
Debt to Equity Ratio	0.00	0.00	0.00	0.14	0.32	0.54	0.68	0.66	0.73	0.82	0.86	0.86	0.79	0.74	0.71	0.68	0.68	0.61
Cash Conversion Cycle	(50)	(52)	(52)	(45)	(49)	(53)	(67)	(50)	(65)	(65)	(75)	(76)	(53)	(65)	(65)	(75)	(68)	(66)
Working Capital	20956	17018	19111	29628	5083	8768	27863	19202	28648	31573	27831	27831	42405	55346	63982	65191	65191	88371
Net interest income (expense) rate	0.3%	0.5%	0.4%	0.8%	0.6%	0.6%	0.6%	0.3%	0.2%	0.2%	0.3%	1.0%	0.2%	0.2%	0.2%	0.2%	0.9%	0.8%
Key Cash Flow Metrics	FY10	FY11	FY12	FY13	FY14	FY15	FY16	Dec-16	Mar-17	Jun-17	Sep-17	FY17	Dec-17	Mar-18	Jun-18	Sep-18	FY18E	Sep-19
Cash from operations	18595	37529	50856	53666	59713	81266	65824	27056	12523	8363	15656	63598	29605	32722	13307	13909	89543	84866
Capex	2005	4260	8295	8165	9571	11247	12734	3334	2975	2277	3865	12451	3664	4908	3449	4971	16992	16326
FCF	16590	33269	42561	45501	50142	70019	53090	23722	9548	6086	11791	51147	25941	27814	9858	8938	72551	68540
FCF/Sales	25.4%	30.7%	27.2%	26.6%	27.4%	30.0%	24.6%	30.3%	18.1%	13.4%	22.4%	22.3%	30.1%	34.7%	15.8%	14.1%	24.8%	25.5%
Cash from Investing Activities	(13854)	(40419)	(48227)	(33774)	(22579)	(56274)	(45977)	(19122)	(14202)	(3180)	(9942)	(46446)	(3664)	(4908)	(3449)	(10471)	(22492)	(21826)
Cash from Financing Activities	1257	1444	(1698)	(16379)	(37549)	(17716)	(20483)	(12047)	465	(1769)	(3996)	(17347)	(7935)	(7904)	(7873)	(8387)	(32099)	(34473)

Source: Company reports and the Maxim Group LLC estimates

DISCLOSURES

Apple Inc. Rating History as of 11/02/2017

powered by: BlueMatrix



Maxim Group LLC Ratings Distribution		As of: 11/02/17	
		% of Coverage Universe with Rating	% of Rating for which Firm Provided Banking Services in the Last 12 months
Buy	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to outperform its relevant index over the next 12 months.	80%	38%
Hold	Fundamental metrics are currently at, or approaching, industry averages. Therefore, we expect this stock to neither significantly outperform nor underperform its relevant index over the next 12 months.	17%	18%
Sell	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to underperform its relevant index over the next 12 months.	2%	25%

*See valuation section for company specific relevant indices

I, Nehal Chokshi, attest that the views expressed in this research report accurately reflect my personal views about the subject security and issuer. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report.

The research analyst(s) primarily responsible for the preparation of this research report have received compensation based upon various factors, including the firm's total revenues, a portion of which is generated by investment banking activities.

Maxim Group makes a market in Apple Inc.

AAPL: We use the NASDAQ (IXIC) as the relevant benchmark index for Apple.

Valuation Methods

AAPL: We use a multiple on net income or free cash flow for our large-cap IT coverage universe.

Price Target and Investment Risks

AAPL: Aside from general market and other economic risks, risks particular to our price target and rating for AAPL include: (1) loss of pricing power for the iPhone with telecom carriers; (2) loss of premium brand status with consumers; and (3) history of navigating industry transitions is no guarantee that AAPL will continue to successfully do so.

RISK RATINGS

Risk ratings take into account both fundamental criteria and price volatility.

Speculative – Fundamental Criteria: This is a risk rating assigned to early-stage companies with minimal to no revenues, lack of earnings, balance sheet concerns, and/or a short operating history. Accordingly, fundamental risk is expected to be significantly above the industry. **Price Volatility:** Because of the inherent fundamental criteria of the companies falling within this risk category, the price volatility is expected to be significant with the possibility that the investment could eventually be worthless. Speculative stocks may not be suitable for a significant class of individual investors.

High – Fundamental Criteria: This is a risk rating assigned to companies having below-average revenue and earnings visibility, negative cash flow, and low market cap or public float. Accordingly, fundamental risk is expected to be above the industry. **Price Volatility:** The price volatility of companies falling within this category is expected to be above the industry. High-risk stocks may not be suitable for a significant class of individual investors.

Medium – Fundamental Criteria: This is a risk rating assigned to companies that may have average revenue and earnings visibility, positive cash flow, and is fairly liquid. Accordingly, both price volatility and fundamental risk are expected to approximate the industry average.

Low – Fundamental Criteria: This is a risk rating assigned to companies that may have above-average revenue and earnings visibility, positive cash flow, and is fairly liquid. Accordingly, both price volatility and fundamental risk are expected to be below the industry.

DISCLAIMERS

Some companies that Maxim Group LLC follows are emerging growth companies whose securities typically involve a higher degree of risk and more volatility than the securities of more established companies. The securities discussed in Maxim Group LLC research reports may not be suitable for some investors. Investors must make their own determination as to the appropriateness of an investment in any securities referred to herein, based on their specific investment objectives, financial status and risk tolerance.

This communication is neither an offer to sell nor a solicitation of an offer to buy any securities mentioned herein. This publication is confidential for the information of the addressee only and may not be reproduced in whole or in part, copies circulated, or disclosed to another party, without the prior written consent of Maxim Group, LLC (“Maxim”).

Information and opinions presented in this report have been obtained or derived from sources believed by Maxim to be reliable, but Maxim makes no representation as to their accuracy or completeness. The aforementioned sentence does not apply to the disclosures required by FINRA Rule 2241. Maxim accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that such liability arises under specific statutes or regulations applicable to Maxim. This report is not to be relied upon in substitution for the exercise of independent judgment. Maxim may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and Maxim is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment at its original date of publication by Maxim and are subject to change without notice. The price, value of and income from any of the securities mentioned in this report can fall as well as rise. The value of securities is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities. Investors in securities such as ADRs, the values of which are influenced by currency volatility, effectively assume this risk. Securities recommended, offered or sold by Maxim: (1) are not insured by the Federal Deposit Insurance Company; (2) are not deposits or other obligations of any insured depository institution; and (3) are subject to investment risks, including the possible loss of principal invested. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances, you may be required to pay more money to support these losses.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST



Corporate Headquarters

The Chrysler Building
405 Lexington Ave., 2nd FL
New York, NY 10174
Tel: 212-895-3500

Capital Markets/Syndicate: 212-895-3695

Corporate Finance: 212-895-3811

Equity/Options Trading: 212-895-3790

Equity Research: 212-895-3736

Event Driven/Risk Arb Group: 212-895-3878

Fixed Income Trading: 212-895-3875

Global Equity Trading: 212-895-3623

Institutional Sales: 212-895-3745

Institutional Sales Trading: 212-895-3873

Prime Brokerage: 212-895-3755

Wealth Management: 212-895-3624

Woodbury, Long Island

20 Crossways Park Drive North
Suite 304
Woodbury, NY 11797
Tel: 516-393-8300

Red Bank, New Jersey

246 Maple Avenue
Red Bank, NJ 07701
Tel: 732-784-1900

San Francisco, Bay Area

Lafayette, California
3732 Mt. Diablo Blvd
Suite 158
Lafayette, CA 94549
Tel: 415-762-0114

Boca Raton, Florida

7900 Glades Road
Suite 505
Boca Raton, FL 33434
Tel: 561-465-2605