



# Apple Incorporated, AAPL

**Valuation Date:** 9/17/18  
**Current Price:** \$217.88  
**Ticker:** AAPL

**Recommendation:** SELL  
**Target Price:** \$205.55  
**Downside:** 5.66%

**Stock Exchange:** (NASDAQ)  
**Sector:** INFORMATION TECH  
**Industry:** TELECOM

## Investment Summary

We recommend a SELL for Apple Inc., with a one-year target price of \$205.55 which represents a downside of 5.66%, from the closing price on September 17, 2018. Our target price is based on a 70/30 split between a 5-year Discounted Cash Flow (DCF) Model and an EV/EBITDA Multiple Model, respectively. The primary drivers behind our sell recommendation are; the maturing smartphone market, the technology S curve, and the macro effect that increasing tariffs are having on Apple's profitability. Slightly offsetting these negative drivers are; Apple's recurring revenue, the ability to generate ancillary revenue (service revenue), and the positive effect of rising interest rates for Apple's cash and short-term assets. The Drivers portion of this analysis will further explain the impact of each. While we believe Apple is a good company, with solid human capital and financial metrics, we do not believe the stock is a buy today. With a one-year target price yielding negative 5.66% we recommend a sell for Apple, believing that money could be better invested in risk free assets or less volatile investments during the late stage of the current bull market.

## Business Description

Apple Inc. (AAPL) is a leading company in designing, manufacturing, and marketing mobile communication devices, computers, and related hardware. They also sell software, services, applications, and third-party digital content. Apple Inc. sells its products to a diverse customer base ranging from individuals, government entities, large corporations, and everything in between. They were founded in 1977 in Cupertino, CA and have grown exponentially since Steve Jobs began selling handmade personal computer kits in the late 1970's. AAPL was the first stock in history to reach \$1 trillion in market capitalization.

## Corporate Governance

The company operates with three committees: Audit and Finance Committee, Compensation Committee, and Nominating and Corporate Governance Committee. Tim Cook currently serves as the Chief Executive Officer, since August 2011, and previously served as Apple's Chief Operating Officer. The company consists of thirty-one executives and board members, of which twenty-four serve as the management team and eight as a board of directors. To determine whether the Board and its committees are functioning effectively, each committee conducts an annual self-evaluation and reports the results to the Board. Along with the self-evaluations, the Chairman conducts a one-on-one discussion with each director to obtain their assessment of Board effectiveness.

**Independence:** AAPL has seven directors on the board that are independent from company operations, resulting in 88% of the board being independent. Tim Cook, CEO of Apple, serves on the board which could potentially result in conflict when addressing the evolving needs and best interests of the shareholders.

**Compensation:** Apple Inc.'s executive compensation is intended to be simple, effective, and linked to performance, while reflecting the size, scope, and success of the business. As of Q417, Tim Cook's annual base salary was \$3 million with each other executive receiving \$1 million. Executives also receive annual cash incentives of up to 400% of base salary as well as performance-based equity awards. A breakdown of the 2017 Executive compensation package can be seen in the figure to the left.

**Governance Assessment:** For assessing the structure and makeup of Apple's corporate governance structure, the OECD model was used. The final score for AAPL was a seven of a

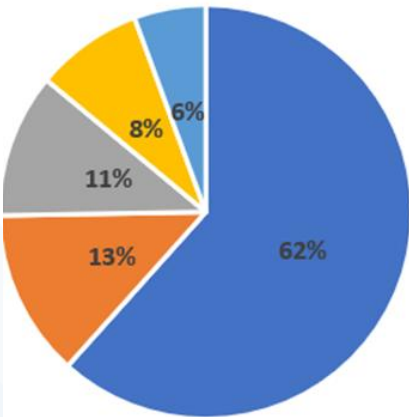
### Valuation Results:

DCF Results:	\$ 195.66
EV/EBITDA Results:	\$ 228.61
Current Price:	\$ 217.88
Consensus Valuation:	\$ 205.55
Upside Potential:	-5.66%
Recommendation	SELL

Source: Team Analysis

### 2017 Revenue by Segment

- iPhone
- Services
- Mac
- iPad
- Other Products



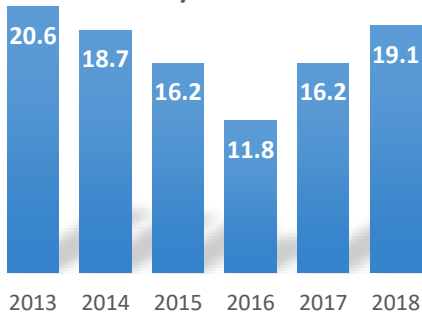
Source: Company Data



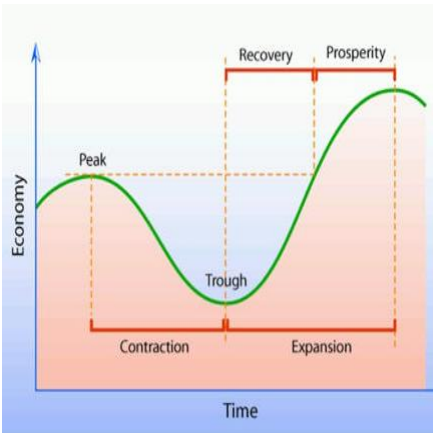
Source: Company Data



## P/E Value

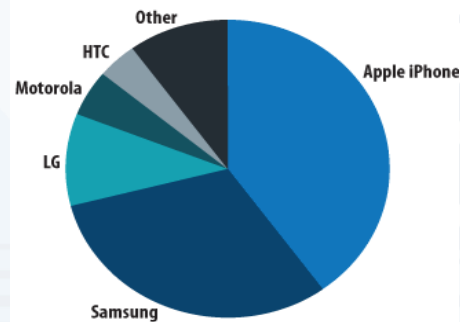


Source: Company Data

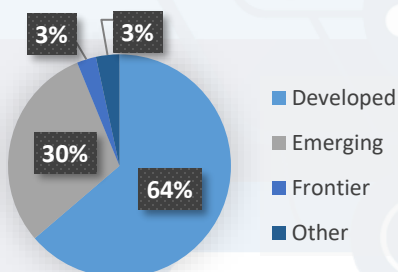


## Smartphone Brand Market Share

Smartphone Owners in U.S.  
Broadband Households



## Revenue by Economy



Source: Company Data

maximum 10 points. The score reflects Apple's experienced leadership, with the risk of minimal diversity and ineffective executive reviewing processes. For a breakdown of the score, refer to AAPL Corporate Governance Assessment, Appendix Three.

## Industry Overview and Competitive Positioning

Apple Inc. is a leading player in the information technology sector, making up roughly 16% of this sector's market capitalization alone. Other large companies operating within this same sector include Facebook, Microsoft, Alphabet, and Visa. As of September 24th however, the S&P 500 will be creating a new communications sector, and will remove Alphabet, Facebook, Twitter, PayPal, and Activision Blizzard from the technology sector, further increasing the percentage of impact Apple has over the technology sector to 20%.

**Telecommunication Industry:** Within the technology sector, Apple leads the telecommunications equipment industry. Other key players that operate within this same industry include Qualcomm, Harris Corporation, and CommScope Holdings. From a macroeconomic level, the telecommunications industry has been performing well, realizing an average of 7% growth year over year since a major industry acceleration in sales in 2013. Profit margins within this industry tend to be between 30% and 40%, and with sales expecting to increase, earnings per share is expected to grow, boding well for shareholders. P/E ratios tend to be inflated for the information technology sector due to companies typically carrying large amounts of short-term debt while also realizing high research and development expenditures to stay competitive within the industry. In the telecommunications industry however, P/E ratios have normalized to slightly above the S&P 500 average of roughly 18 at 19.1, indicating that most companies are valued correctly when compared to the market.

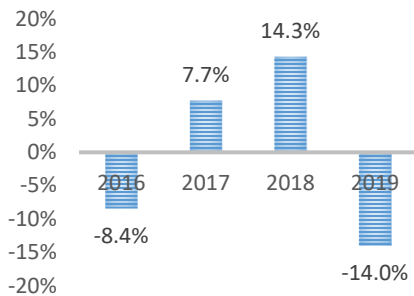
**Economic Outlook:** As times of economic change are in gear, some factors may impact the telecom industry, with the United States moving towards the later stages of the business cycle. Rising interest rates, trade tariffs, and consumer spending trends could all have a large impact on the future of the industry in which Apple operates. Rising interest rates are evident in the future considering they have virtually been frozen since the great recession of 2008. This could potentially have a negative impact on the technology sector specifically due to the large amounts of debt many companies carry while expanding in this market. Companies will need to rely on short term assets and cash to expand in the future. Trade tariffs will have a short term and direct negative impact on this sector seeing that many companies in the telecom industry import and export products internationally. Finally, consumer spending trends have increased over the past several periods in times of economic prosper, but as the United States moves to the later stages of the business cycle, we would expect consumer spending to stagnate or decline soon.

**Core Competitors:** Apple operates in a highly competitive industry with key competitors being; Samsung Electronics, HP, Nokia, Sony, Alphabet and Microsoft. From a financial aspect, Apple is dominating the industry leading in almost all financial metrics, but also offers limited product lines when compared to competitors such as Alphabet and Samsung. Over the past several years, Apple and Samsung have been direct competitors, rivaling each other with the latest technology in the mobile phone market. Alphabet is a more recent, but powerful player, entering the market in 2010 with Google phones, further chipping away at the market share of the two major players.

**Future:** As analysts, we believe this market to be saturated because of the number of participants, and the extraordinarily high number of consumers using cell phones or technology products already. With the rapid sale of cellphones in the 2000's, we would anticipate this market to plateau soon along with seeing telecommunication companies, specializing in the phone market, to expand to new technology and new product lines. Apple is competitively positioned, but with over 60% of sales being generated through the iPhone, we see a potential product diversification risk in the future.

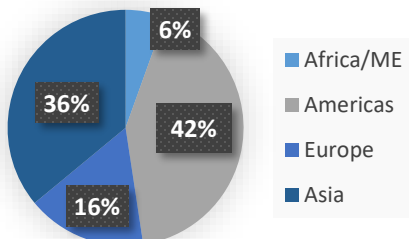


## EPS GROWTH



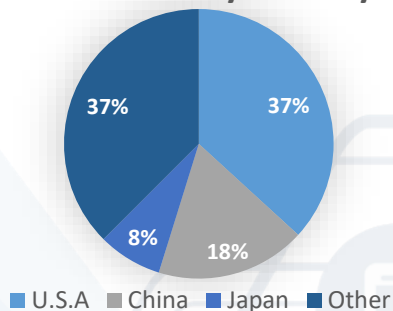
Source: Team Analysis

## Revenue by Region



Source: Company Data

## Revenue by Country



Source: Company Data

Apple Inc. Peer Group	
Company:	EV/EBITDA
HP	7.43
Samsung Electronics	2.93
Alphabet A	18.53
Microsoft	18.13
Nokia	12.08
Sony	4.74
QUALCOMM	14.77
Harris	15.86
CommScope Holding	10.75

Source: Team Analysis

## Financial Analysis

Apple Inc. has shown uncanny financials over the past several periods, recently reaching an unprecedented market capitalization of \$1 trillion. When performing a ratio analysis, we found Apple to be financially healthy. Some highlights were the low P/E ratio when compared to the S&P 500 of 16.73 in 2017. Since declining from a high P/E ratio of 28.99 in 2009, Apple's P/E has begun to creep slightly higher over the past three years and we would expect this trend to continue throughout 2018 into 2019. Apple's shareholders have been content over the last several fiscal periods realizing an average EPS of \$7.76 over the past 5 years while also gaining a total return of 34.11%, 2400 basis points higher than the growth of the S&P 500. Apple's profit margin has remained consistently around 38% over the past 10 years showing strong profitability without offering discounts to consumers. However, in 2016 Apple saw its first decline in sales in over 15 years due to consumer's conception of the iPhone 7 and Apple watch series 2. With over 60% of sales coming from the iPhone, Apple faces a risk that when releasing a new product, consumer trends could heavily influence the bottom line. Apple had a promising third quarter of 2018 posting a 17.3% growth due to an acceleration of iPhone revenue and an increased average selling price of \$724.12 further driving up earnings.

**Additional Financials:** Other financial ratios indicated solid financials year over year such as a high inventory turnover of 40.56 times per year showing that they are moving products frequently as well as a quick ratio of 1.23 indicating that they have high liquidity to counteract times of economic despair. They also hold a large amount of cash at \$74.18 billion. One aspect that could be negative moving forward is that their current ratio of 1.28 is lower than expected while carrying a massive amount of cash but increased short and long-term debt by \$29 billion. Apple operates globally and while headquartered in Cupertino, California, most of their manufacturing is outsourced to companies around the globe while most of their products are assembled in China by Foxconn and Pegatron. Their revenue breakdown globally is dominated by the Americas and Asian markets accounting for 42.1% and 36% respectively. Europe accounts for 16.4% of revenue while Africa and the Middle East make up a small portion at 5.5%. Having large portions of revenue dominated in two locations, could be troublesome and heavily affected by the positive or negative economic conditions in those regions. Further breaking down revenue geographically, the United States accounts for 36.8% of total revenue and China accounts for 18% of total revenue indicating over half is dominated by two countries, showing little global diversification. Apple could be heavily affected by economic events but has proven to have the liquidity to withstand a decline in sales.

**Outlook:** We anticipate Apple to continue to perform well financially into 2019 but with a maturing product line, increased expenditures into service products, and reliance on economic prosperity in two countries, Apple Inc. faces some risk.

## Valuation

To value Apple we utilized a 70/30 split between a 5-year DCF model, which reflects our investment thesis assumptions, and a forward EV/EBITDA multiple to compare them to peers. The higher weight was given to the DCF model because we believe it to accurately reflect our core assumptions and the difficulty of selecting a peer group with AAPL due to the high growth they have been experiencing in recent years.

**Drivers:** Through team analysis, we identified four specific drivers that would affect Apple's performance in the future. These four drivers are complimented by two macroeconomic factors; rising interest rates and increased tariffs. Together by combining the primary drivers and macroeconomic factors we were able to begin the valuation process for Apple, Inc.

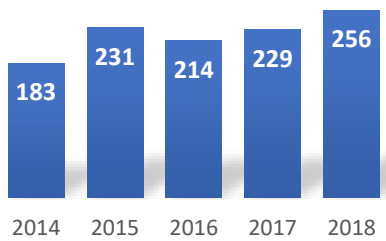
**Maturing Smart Phone Market:** The first iPhone was released in 2007 and was a hit from the start. As time progressed more and more consumers owned smartphones. Today Apple iPhones are widely used, and baby boomers and other older generations have already purchased an iPhone if they ever wanted to own one. These older generations typically don't upgrade every year or as frequent as millennials and we believe with the elimination of one-time smart phone buyers will adversely affect iPhone sales moving forward.





## Historic Revenue

In Millions



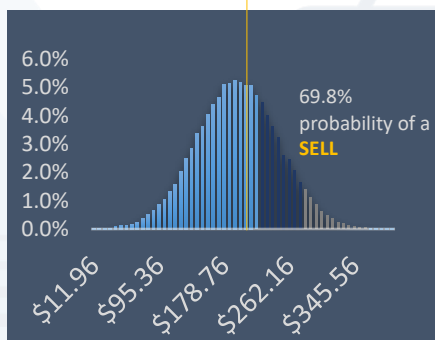
Source: Company Data

## Simulation Data

Trials	50,000
Base Case	\$205.55
Mean	\$192.61
Median	\$192.51
Standard Deviation	52.64
Variance	2770.64
Skewness	0.00227
Min	\$5.02
25th Percentile	157.00
75th Percentile	228.09
Max	\$422.93

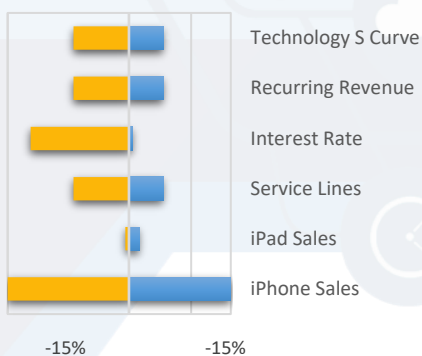
Source: Team Analysis

Target Price: \$205.55



Source: Team Analysis

## Tornado Chart



Source: Team Analysis

**Technology S Curve:** Technology took a huge step with the creation of the iPhone, a hand-held computer available anywhere, at any time. Since the technology has been introduced the improvements have been slowing, now down to slight changes in screen sizes and moderate other changes to reflect consumer preference. Without the introduction of rapidly advancing technology, we believe there is less incentive to upgrade models as often and this will adversely impact sales moving forward for the iPhone and Macintosh (Mac).

**Recurring Revenue:** Many Apple users are loyal customers and will buy the newest Apple product as soon as it is released. This is especially prominent among millennials and other younger user groups. This recurring revenue benefits Apple every time they release a new product.

**Ancillary Revenue:** Apple has been able to derive a significant amount of revenue from services they offer such as Apple Pay, Apple Care, iCloud, iWork, and various other services. These services are growing in popularity and helping augment Apple's core earnings.

**Tariffs:** Apple produces most of its products overseas, due to increasing tariffs in recent times, this makes bringing the product back to the United States more expensive. This negatively impacts Apple's bottom line with having to pay more to get their product to their consumer than ever before.

**Rising Interest Rates:** Apple has more cash and short-term assets than any other public company world-wide. The rising interest rates in the short term help the yields on the short-term investments for Apple, ultimately, improving their interest income.

**Intrinsic Valuation:** A 5-year free cash flow to the firm model was selected due to the model's ability to include our primary drivers to determine the true value of AAPL. The DCF model is broken down by two stages of growth. The first stage of growth had specific cash flows calculated for each individual year compared to the second stage of growth that used a terminal growth value. The results of our intrinsic valuation were a one-year target price of \$195.66, see Appendix One for the valuation calculations.

**Terminal Growth Rate:** We selected a 4% terminal growth rate for Apple which still represented in a sell recommendation for the company. In the long run, the growth rate should be equal to Gross Domestic Product (GDP) and we believe a 4% perpetuity growth is rational due to the company's past rapid growth, and then eventually slowing down to a normalized level of around 2%.

**Weighted Average Cost of Capital "WACC":** AAPL has a capital structure that can be broken down 88.7% equity and 11.3% debt. The 11.3% of debt is higher than historic averages for Apple and they are taking advantage of the low interest rates when locking this in. We believe that in the future the capital structure of Apple will shift even higher into equity which is why a 9.5% WACC was selected, and we believe to be accurate, for the timeframe of the model. The 9.5% represents a higher WACC than consensus analyst estimates, but a lower WACC than if Apple is funded by all equity, which is why we believe 9.5% is a rational number.

**Relative Valuation:** To compare Apple Inc to peers we selected an EV/EBITDA multiple model. This model was selected because of its ability to take capital structure into place with Apple having relatively low amounts of debt when compared with their competitors. We selected peers from both the information technology sector, and from the telecommunications industry to come up with peer group that best resembled Apple in the competitive environment, product offerings, and business risks that they face. Based on team analysis of our peer group selection, Apple Inc should trade at a 10% premium, but they currently are trading at an 18.65% premium. This forward EV/EBITDA Multiple Model results in a one-year target price of \$228.61 for Apple Inc. See Appendix One for the valuation calculations.

**Montecarlo Simulation:** To test the sensitivity of our valuation we conducted a Montecarlo simulation with 50,000 trials. The simulation resulted in a 69.8% chance of a sell recommendation for Apple, with the median result indicating a price of \$192.51 while the 25<sup>th</sup> and 75<sup>th</sup> percentiles had results of \$157.00 and \$228.09, respectively. The results of the simulation further enforce our sell recommendation, see Appendix Two for support.



## Investment Risks

### Market Risk:

**MK1:** Rising Interest Rates: (Impact: Low/Probability: High) Interest rates have been steadily increasing since December 2015, and with the appointment of Jerome Powell as new chairman of the Federal Reserve, the trend is expected to continue. This will impact the variable interest rates that Apple Inc. relies on for its increasing long-term debt and could increase the cost of financing in future years.

**MK2:** Strengthening of Dollar to Yuan: (Impact: High/Probability: Medium) The U.S. dollar is predicted to strengthen, particularly against the Chinese Yuan, putting pressure on the international revenue for Apple Inc. Apple's "Greater China" revenue segment is currently around 22% of total revenue, making it essential to replace hedging contracts, which will only get trickier in the future.

**MK3:** Increasing Trade Tariffs: (Impact: Medium/Probability: Medium) Recent talks between the Chinese and U.S. Governments have imposed significant fear of increasing trade tariffs between the two countries. This will negatively impact Apple by increasing the cost to produce products in China.

### Financial Risk:

**FR1:** Dependency upon Labor Costs: (Impact: Low/Probability: High) Apple Inc. relies on foreign countries to manufacture its products, of which 95% are in China. China's labor costs have been steadily increasing since 2008, which will decrease profitability to AAPL for products produced.

**FR2:** Changing Customer Demand: (Impact: Medium/Probability: High) The technology industry is highly competitive and volatile in nature, making it essential for Apple to continually introduce new products, services and technologies as well as enhance existing products and services. If Apple fails to do so, this will negatively impact the sales of their products and increase inventory costs for the company.

**FR3:** Foreign Exchange Risk: (Impact: High/Probability: Medium) If the U.S. Dollar does strengthen relative to other currencies, this will pose high costs for Apple to convert its cash into U.S. Dollars. It is reported that around 94% of Apple's cash is held overseas, posing high risks of currency exchange for the company.

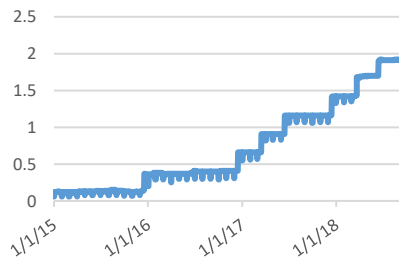
### Business/Operations Risk:

**BR1:** Product and Service Quality Problems: (Impact: High/Probability: Medium) Apple relies on consumer loyalty and brand recognition to profit from recurring products. If unexpected problems arise with any products or the quality of services are not to customer expectations, there may be a decrease in predicted sales.

**BR2:** Demand for Key Personnel: (Impact: High/Probability: Low) Much of the company's future success depends on the continued availability and service of key personnel. Experienced personnel in the technology industry are in high demand and competition is intense, especially in Silicon Valley, where most of the company's personnel is located. This could potentially cause future disruption, loss of productivity, and customer dissatisfaction.

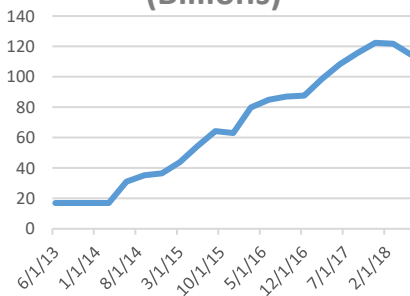
**BR3:** Rapid Technological Change: (Impact: High/Probability: High) Global markets for the company's products and services are highly competitive and subject to rapid technological change. If the company is unable to effectively compete in these markets and introduce innovative products in a timely manner, Apple could experience unexpected decreases in sales.

### Fed Funds Rate

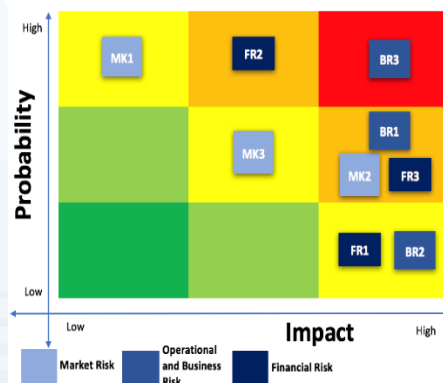


Source: Macrotrends

### Long-Term Debt (Billions)



Source: Company Data



Source: Team Analysis



# Appendix One: Valuation Calculations

REVENUE PROJECTIONS						
	2018	2019	2020	2021	2022	2023
iPhone	\$ 172,685	\$ 155,417	\$ 139,875	\$ 131,483	\$ 123,594	\$ 121,122
Services	\$ 36,279	\$ 39,181	\$ 42,315	\$ 45,701	\$ 49,357	\$ 53,305
Macintosh	\$ 24,097	\$ 23,856	\$ 23,618	\$ 23,382	\$ 23,148	\$ 22,916
iPad	\$ 19,621	\$ 19,222	\$ 19,222	\$ 19,222	\$ 19,222	\$ 19,222
Other Products	\$ 1,757	\$ 1,898	\$ 2,050	\$ 2,214	\$ 2,391	\$ 2,582
Total Revenue By Service Line	\$ 254,440	\$ 239,574	\$ 227,080	\$ 222,001	\$ 217,711	\$ 219,147
Adjustment for Technology S Curve	\$ 246,807	\$ 232,387	\$ 220,268	\$ 215,341	\$ 211,180	\$ 212,573
Adjustment for Recurring Revenue	\$ 256,679	\$ 241,682	\$ 229,078	\$ 223,954	\$ 219,627	\$ 221,076
Additional Interest Income	\$ -	\$ 287	\$ 302	\$ 317	\$ 332	\$ 349
Total Revenue	\$ 256,679	\$ 241,969	\$ 229,380	\$ 224,271	\$ 219,959	\$ 221,425
Gross Profit	\$ 98,354	\$ 93,235	\$ 88,236	\$ 85,073	\$ 82,815	\$ 85,470
Operating Income	\$ 68,086	\$ 63,617	\$ 61,045	\$ 63,112	\$ 63,122	\$ 65,171
Free Cash Flow	\$ 56,365	\$ 52,617	\$ 50,569	\$ 46,575	\$ 46,478	\$ 50,169

## DCF Calculations:

Free Cash Flow at Year 5	\$ 49,246
WACC	9.5%
Perpetuity Growth Rate	4.0%
Perpetuity Value at End of Year 5	\$ 931,197
Present Value of Perpetuity	\$ 591,522
Present Value of Free Cash Flows	\$ 200,318
Current Enterprise Value	\$ 791,840
Short Term Debt	\$ 18,473
Long Term Debt	\$ 97,207
Cash and Marketable Securities	\$ 268,895
Equity Value	\$ 945,055
Shares outstanding	4,830
Estimated Value per Share (USD)	\$ 195.66
Current Price (USD)	\$ 217.88
Estimated Upside	-10.20%

## Relative Valuation

Peer Group Average	11.69
Apple Premium	18.65%
Should be 10% Premium	12.86
1 Year Forward EBITDA	\$ 73,952
Enterprise Value	\$ 950,986
Debt	\$ 115,680
Cash	\$ 268,895
Equity Value	\$ 1,104,201
Shares outstanding	\$ 4,830
Value Per Share	\$ 228.61

Source: Team Analysis

Both valuations represent a one-year target price for Apple Inc. The valuation results are derived from our investment thesis. All material changes were noted in the *Drivers* sections of the paper. The base case revenue projections were derived from consensus analyst projections and then adjusted accordingly. For the five year DCF model the last quarter of 2018 was used and then the first three quarters of 2023.

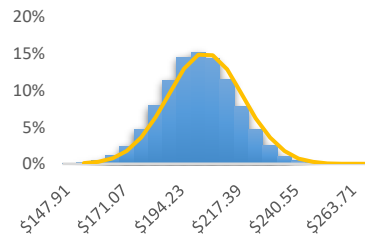


# Appendix Two: Montecarlo Simulation

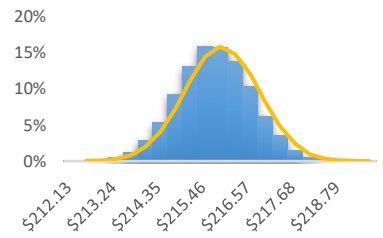
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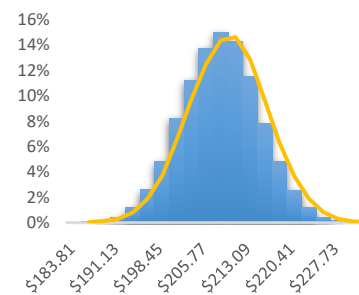
### iPhone Sales



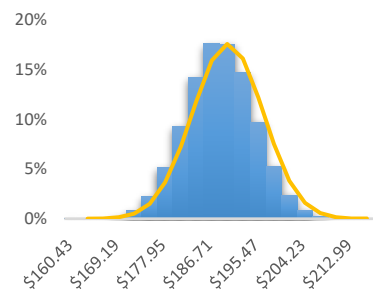
### iPad Sales



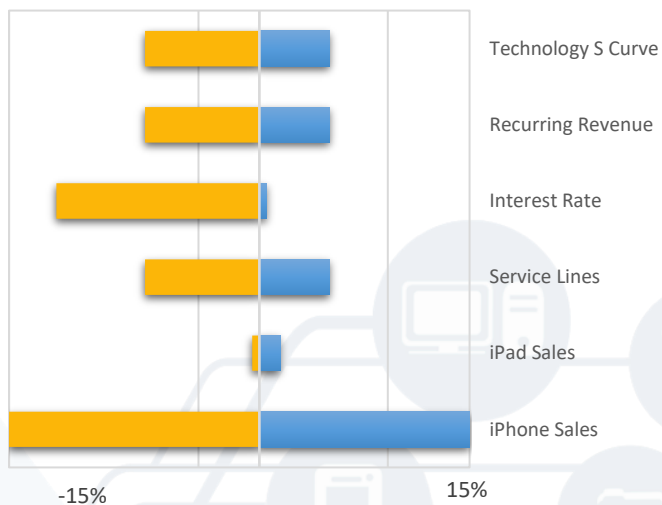
### Service Revenue



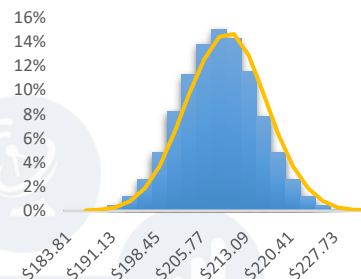
### Interest Rate



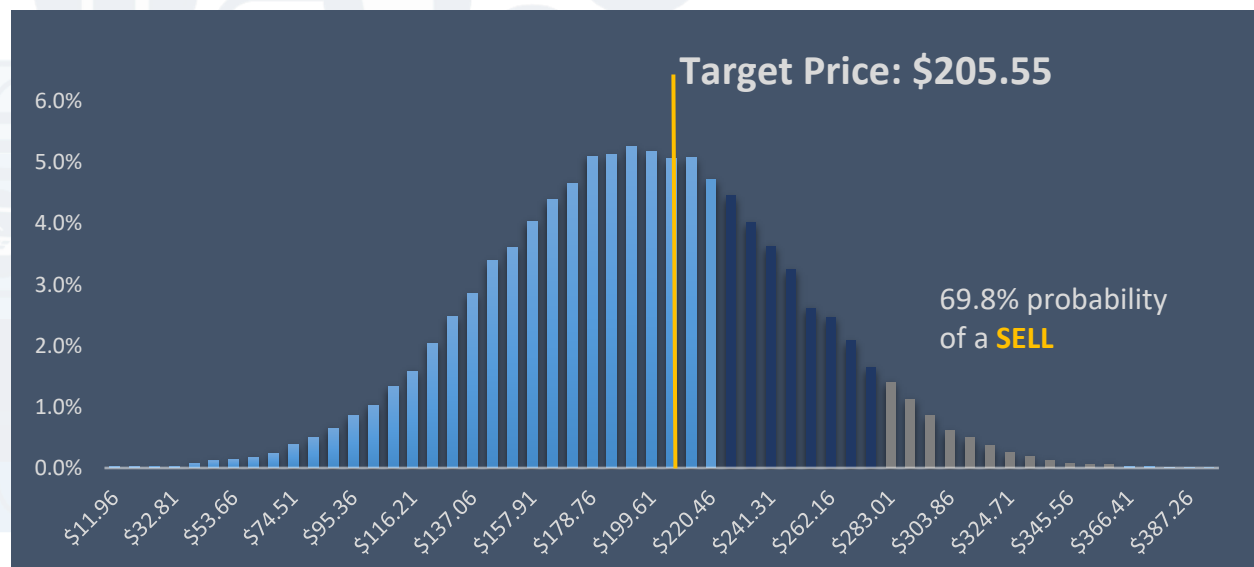
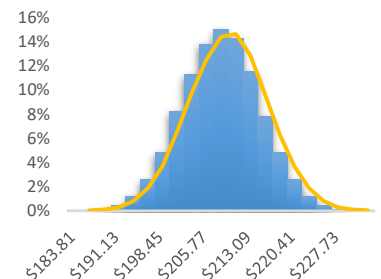
## Tornado Chart



### Recurring Revenue



### Technology S Curve





## Appendix Three: Corporate Governance Assessment

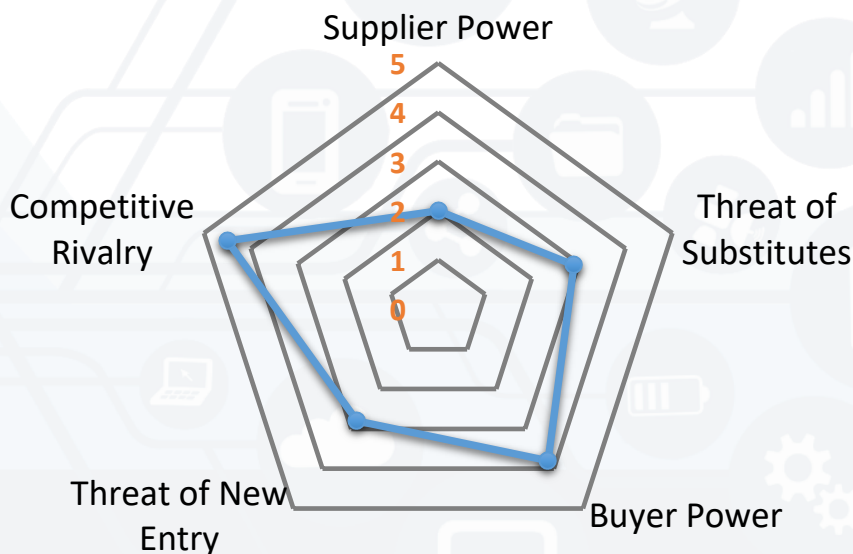
Corporate Governance Assessment: For measuring the overall corporate governance of AAPL, we utilized the Principles of Corporate Governance in accordance to the Organization for Economic Cooperation and Development (OECD). The breakdown of the different metrics used to score Corporate Governance are shown below.

Marcus Corporation Governance Assesment	Weight	Score	Points
Ensuring the basis for an effective corporate governance framework	10%	7	0.7
The rights and equitable treatment of shareholders and key ownership functions	20%	6	1.2
Institutional investors, stock markets, and other intermediaries	20%	6	1.2
The role of stakeholders in corporate governance	10%	9	0.9
Disclosure and transparency	20%	8	1.6
The responsibilities of the board	20%	7	1.4
Totals	100%	43	7

Source: Team Analysis and the OECD

Each of the categories are judged on a 1-10 scale and weighted according to the table/graph shown above. Overall, AAPL scored a 7/10, which is a relatively high Corporate Governance score. AAPL has efficient reviewing procedures, qualified leadership, and proper stakeholders, which leads them to be an overall transparent company with an effective Corporate Governance framework.

## Appendix Four: Porters Five Forces



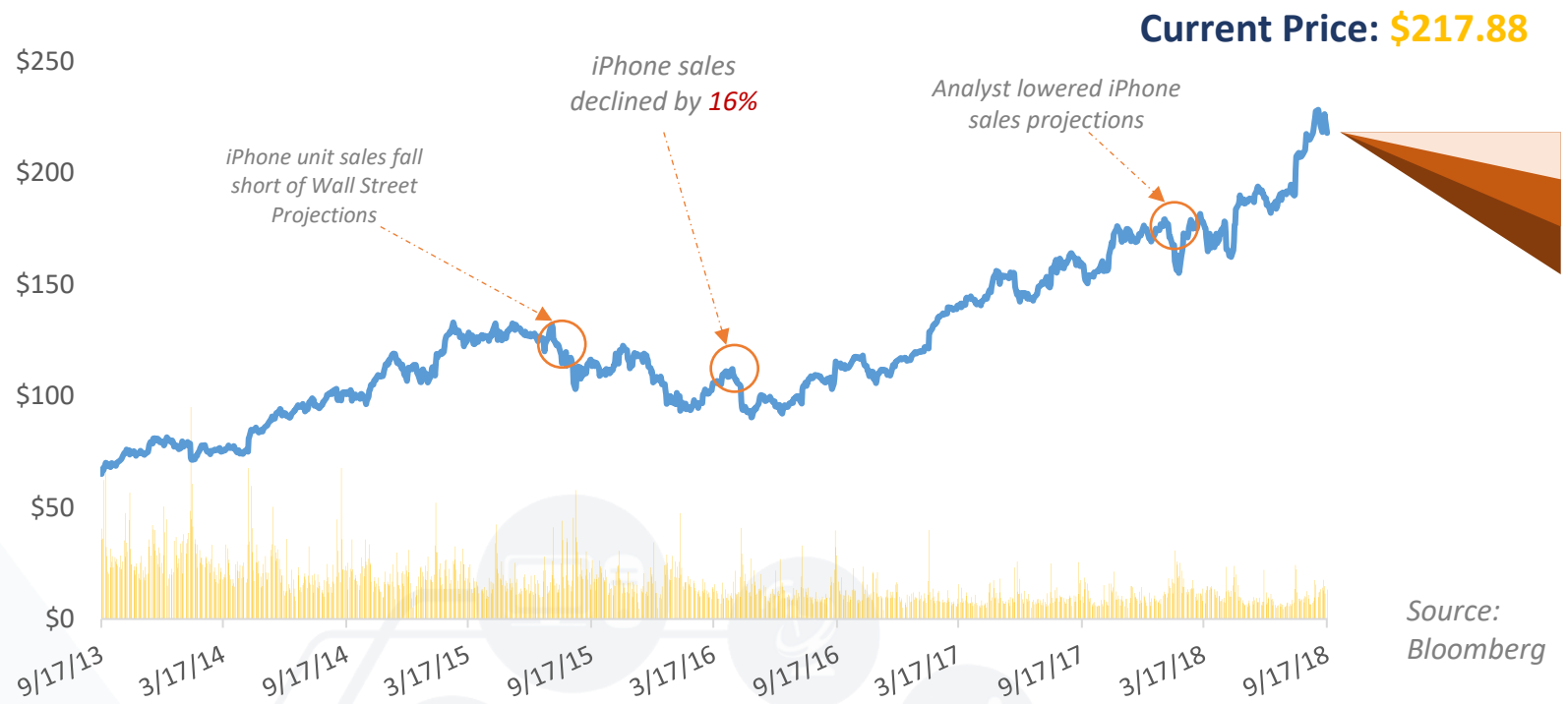
After analysis, we evaluated competitive rivalry as the largest competitive force to Apple. Some key factors were; the availability of comparable products in the industry and the rapid expansion of product development from direct competitors. The second most relevant competitive force is buyer power. We consider buyer power to be high due to the saturated smart phone market and the high number of consumers already using smart phones in developed countries.

Source: Team Analysis





## Appendix Five: Historic Stock Performance



## Appendix Six: Performance Compared to S&P 500





## Appendix Seven: SMIFC Specific Data

### What special business niches has AAPL developed over time?

- Apple specializes in the iPhone, which is where they derive most of their revenue from. See *Business Description* for further discussion of Apple's business.

### How well diversified is AAPL in terms of exposure to regional national, and international economic problems?

- Apple is sensitive to economic indicators, especially consumer spending and preference changes. While Apple doesn't technically compete in the Consumer Discretionary sector, they could potentially face risk if consumers begin spending less on Apple's products in the market, or economic conditions change. See *Competitive Positioning and Industry Overview* for further explanation.

### Is the firm's asset portfolio heavily invested in assets that are likely to be affected by sharp regional, national or international economic, financial or political, changes?

- Apple holds most of its cash assets overseas; however, they can move their liquid assets at management's discretion. With Apple's balance sheet being much more liquid than peers, they are less volatile to political, economic, and financial changes.

### What are the financial strengths and weaknesses of Apple? Use financial ratios to answer this question.

- Apple has a very healthy balance sheet, as well as healthy margins. See the *Financial Analysis* section of this paper for further support.

### How well have the stockholders of AAPL fared over the last three to five years? Compare AAPL's stock performance to the Dow Jones Industrial Average or other market index and to its peers

- Apple's stock is up approximately 102% and 264% over the past three, and five years respectively. This fares well compared to the Dow Jones Industrial Average, which is only up 60% and 70% over the same timeframe. The stockholders of AAPL have outperformed the market over the past three and five years.

### What is the intrinsic value (target price) of AAPL's stock relative to its market value? Is the stock overvalued or undervalued?

- The intrinsic value of Apple's stock is \$195.66; however, we combined our intrinsic valuation with a relative valuation to compare them to peers. The relative valuation had a target price of \$228.61. Taking a 70/30 split, 70% weight for the intrinsic valuation and 30% weight for the relative valuation, we arrived at a one-year target price of \$205.55. This results in Apple's stock currently being overvalued. See Appendix One for our valuation calculations.

### Would you recommend purchasing the stock?

- No, we recommend a sell for Apple Inc. See *Investment Thesis*.