

Apple Inc.

HOLD (AAPL, \$97.53)

APPLE EARNINGS REVIEW: EXCITEMENT OVER 6% GROWTH

Haiku: The second quarter, of declining iPad sales, is an adverse trend.

Shares of Apple are trading up approximately 3% after June quarter earnings that accelerated the trends that materialized in the March quarter. iPhone unit sales slowed to +13%, compared to the broader market that is likely growing over 25% YoY. Revenue from iPhone unit sales grew at an even slower pace at 10% YoY, as customers opted for older models at lower prices. Average selling price declined \$35 sequentially and \$76 from the December quarter. ASPs of \$561 are still materially above the expected industry average of \$314 in 2014 according to IDC. While Apple is currently enjoying success selling its old model phones into emerging markets, one has to question the long term viability as competition becomes more aggressive in the mid and entry markets, offering consumers current model phones at similar or lower price points, and with a willingness to capture less gross margin. The mix shift to the older model Apple phones resulted in gross margins of 39.4%, above the company guidance of 37-38%, and 250 basis points above the prior year June quarter. We expect the favorable gross margin trends to reverse starting in the current quarter as the next generation iPhone should have a lower margin profile particularly if the phone has a sapphire screen.

iPad. The company saw its second consecutive quarter of decline in iPad units sold on a YoY basis. Unit sales at 13.3 million were approximately half of the December quarter unit sales. While investors have largely glossed over the decline in iPad revenue, we mention it is a distinct possibility that Apple may experience declines in iPhone unit sales after the next upgrade cycle, if consumers lengthen the life span for smartphones as core features such as LTE, fingerprint scanning, and larger screens have the potential to satiate the typical customer. Our estimates for the coming upgrade cycle include some larger numbers such as 59.5 million phones in the December quarter, a number that may be hard to eclipse in the December 2015 quarterly results.

Channel inventory. We estimate that iPhone channel inventory was kept near record levels at 15.25 million units, a small decline of 150k units from the March quarter. We also mention that while the company disclosed the change in channel inventory, it stopped providing the absolute number. For comparison, the company reduced channel inventory by 600K units in the prior year June quarter to 11 million units. The growth of channel inventory at 39% YoY meaningfully outpaces the unit sales volume of 10% YoY. Using 13 weeks in the quarter, and based on the 35.203 million units sold in the quarter (a pace of 2.7 million units per week), we note that 15.25 million units in the channel represents approximately 5.5 weeks on inventory. We find it interesting that the company is maintaining channel inventory at the high end of its 4-6 week range given a product refresh is likely coming.

Apple reported June quarter revenue of \$37.4B. Revenue grew 6% YoY. International sales accounted for 59% of total revenue. Apple returned over \$8B to its shareholders in the June quarter. **iPhone:** The company sold 35.2M (+12.7% YoY) units in the June quarter. **Macintosh:** Apple sold 4.4M (+17.6% YoY) Macs during the quarter.

Company guidance for the fiscal 2014 fourth quarter is \$37-\$40B in revenue, gross margin of 37-38%, tax rate to be 26.1%, and operating expense of \$4.75-\$4.85B.

Balance Sheet: AAPL has \$164.5B in cash (\$27.18 / share) and \$29B long-term debt as of June 28, 2014. The company generated \$10.2B in cash from operations. Cash increased by \$14B in the June quarter from \$150.5B on March 29, 2014 to \$164.5B on June 28, 2014. We increase our FY14 and FY15 estimates, maintain our HOLD rating on shares of Apple Inc. Our price target goes to \$98 from \$87.

See page 9 for important disclosures and disclaimers

PRICE PERFORMANCE CHART



Source: finance.yahoo.com

Company Data

Price (\$)	97.53
52-Week Range (\$)	59.82 - 97.10
Mkt Cap (\$ B)	571
Price Target (\$)	98
Diluted Shares Out (M)	6,051.7
Avg. daily vol. (3mo)	64,189,500

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Apple Inc.

	2013A	2014E	2015E
EPS Reported (\$)			
Q1 (Dec)	1.97	2.07	2.25
Q2 (Mar)	1.44	1.66	1.73
Q3 (Jun)	1.07	1.28	1.32
Q4 (Sep)	1.18	1.35	1.42
FY (Fiscal Sep)	5.68	6.36	6.71
Bloomberg EPS FY (\$)	5.68	6.30	6.89

	2013A	2014E	2015E
Revenue Reported (\$M)			
Q1 (Dec)	54,512	57,594	62,086
Q2 (Mar)	43,603	45,646	49,268
Q3 (Jun)	35,323	37,432	40,052
Q4 (Sep)	37,472	39,945	41,942
FY (Fiscal Sep)	1,70,910	1,80,617	1,93,349
Bloomberg Revenue FY (\$)	1,70,910	1,81,577	1,94,495

Source: Company data, Bloomberg, BGC Financial estimates. Note: F14 and FY15 estimates may include adjustments. FY total may not add up due to rounding. 'Bloomberg' above denotes Bloomberg consensus estimates.

Recommendation

We maintain our HOLD rating and increase our price target to \$98 from \$87 on shares of Apple Inc.

Estimates and Valuation

We increase our FY2014 estimates to:

\$6.36 eps and \$181B in net revenue

From

\$6.24 eps and \$181B in net revenue

Our estimates represent YoY revenue growth of 5.7%. This compares to consensus revenue of \$181.5B. Our earnings estimate is \$6.36 (post-split) EPS, which compares to \$5.68 in the prior year, growth of 12%. Consensus EPS is \$6.30.

We increase our FY2015 estimates to:

\$6.71 eps and \$193B in net revenue

From

\$6.55 eps and \$191B in net revenue

Our estimates represent YoY revenue growth of 7%. This compares to consensus revenue of \$194B. Our earnings estimate is \$6.71 (post-split) EPS, which compares to \$6.36 in the prior year, growth of 5.4%. Consensus EPS is \$6.89.

The company operates on a fiscal September year.

Based on our \$6.36 (post-split) EPS estimate for FY2014 and using a 15x multiple, in line with its peers, we determine a 12-month price target for AAPL of \$98. Our previous target was \$87.

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Short Interest – note the increase is driven the 7-1 stock split

Settlement Date	Short Interest	Average Daily Share Volume	Days to Cover
6/30/2014	112,308,789	45,575,617	2.46
6/13/2014	125,894,855	70,638,571	1.78
5/30/2014	117,636,169	76,697,481	1.53
5/15/2014	118,004,173	60,836,391	1.94
4/30/2014	130,394,327	97,350,141	1.34
4/15/2014	138,978,126	57,817,011	2.40
3/31/2014	155,117,039	62,638,366	2.48
3/14/2014	20,621,174	8,105,424	2.54
2/28/2014	22,980,397	10,452,727	2.20
2/14/2014	26,403,466	11,705,531	2.26
1/31/2014	16,538,870	18,191,886	1.00
1/15/2014	15,231,209	11,869,905	1.28
12/31/2013	14,158,050	11,021,590	1.28
12/13/2013	16,032,758	13,346,337	1.20
11/29/2013	17,038,304	10,161,944	1.68
11/15/2013	19,388,272	9,434,658	2.06
10/31/2013	17,785,876	14,214,733	1.25
10/15/2013	18,279,959	11,299,346	1.62
9/30/2013	17,493,461	15,821,188	1.11
9/13/2013	17,870,393	16,375,704	1.09
8/30/2013	17,573,332	12,205,599	1.44
8/15/2013	20,435,838	15,045,415	1.36
7/31/2013	21,029,731	10,519,619	2.00
7/15/2013	26,042,120	11,691,065	2.23

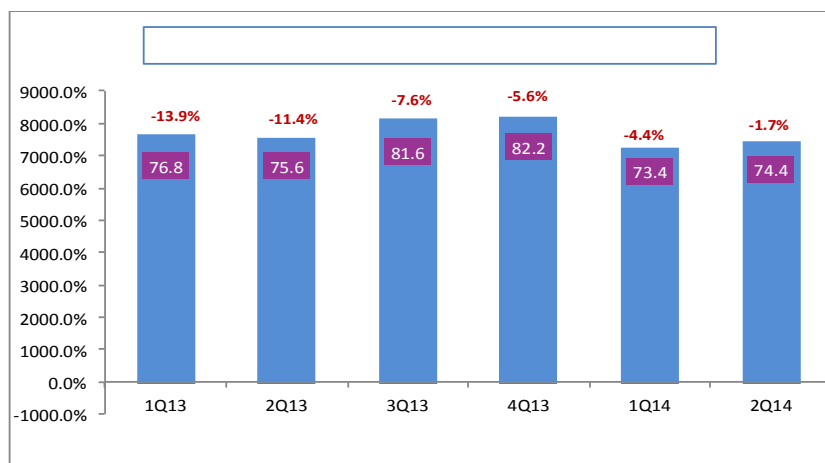
Source: www.nasdaqtrader.com

Share Performance during Earnings

Apple Inc. (AAPL)	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14
Date of Earnings Release	23-Jan-13	23-Apr-13	23-Jul-13	28-Oct-13	27-Jan-14	23-Apr-14
Stock Price on Date of Earnings Release	73.43	58.02	59.86	75.70	78.64	74.96
Stock Price a Day After Earnings Release	64.36	57.92	62.93	73.81	72.36	81.11
% Change	-12.4%	-0.2%	5.1%	-2.5%	-8.0%	8.2%

Source: MSN and BGC Financial

PC Market Data



Source: IDC Worldwide Quarterly PC Tracker. Quarterly data shown is tied to Microsoft's Fiscal June year.

Top 5 Vendors, Worldwide PC Shipments

Second Quarter 2014 (Preliminary) (Units Shipments are in thousands)

Rank	Vendor	2Q14 Shipments	2Q14 Market Share	2Q13 Shipments	2Q13 Market Share	2Q14/2Q13 Growth
1	Lenovo	14,563	19.6%	12,648	16.7%	15.1%
2	HP	13,644	18.3%	12,377	16.4%	10.2%
3	Dell	10,448	14.0%	9,230	12.2%	13.2%
4	Acer Group	6,120	8.2%	6,273	8.3%	-2.5%
5	ASUS	4,614	6.2%	4,466	5.9%	3.3%
	Others	24,974	33.6%	30,661	40.5%	-18.5%
	Total	74,362	100.0%	75,656	100.0%	-1.7%

Source: IDC Worldwide Quarterly PC Tracker, BGC Financial

Top 5 Vendors, Worldwide Tablet Shipments, First Quarter 2014 (Preliminary) (Units Shipments are in millions)

Vendor	1Q14 Shipments	1Q14 Market Share	1Q13 Shipments	1Q13 Market Share	1Q14/1Q13 Growth
Apple	16.4	32.5%	19.5	40.2%	-16.1%
Samsung	11.2	22.3%	8.5	17.5%	32.0%
ASUS	2.5	5.0%	2.6	5.4%	-2.8%
Lenovo	2.1	4.1%	0.6	1.3%	224.3%
Amazon.com Inc.	1.0	1.9%	1.8	3.7%	-47.1%
Others	17.2	34.2%	15.5	31.8%	11.5%
All Vendors	50.4	100.0%	48.6	100.0%	3.9%

Source: IDC

Smartphone

Top Five Smartphone Vendors, Shipments, and Market Share, 2014 Q1 (Units in Millions)

Vendor	1Q14 Unit Shipments	1Q14 Market Share	1Q13 Unit Shipments	1Q13 Market Share	Year-over-year Change
Samsung	85.0	30.2%	69.7	31.9%	22.0%
Apple	43.7	15.5%	37.4	17.1%	16.8%
Huawei	13.7	4.9%	9.3	4.3%	47.3%
Lenovo	12.9	4.6%	7.9	3.6%	63.3%
LG	12.3	4.4%	10.3	4.7%	19.4%
Others	113.9	40.5%	84.2	38.5%	35.2%
Total	281.5	100.0%	218.8	100.0%	28.6%

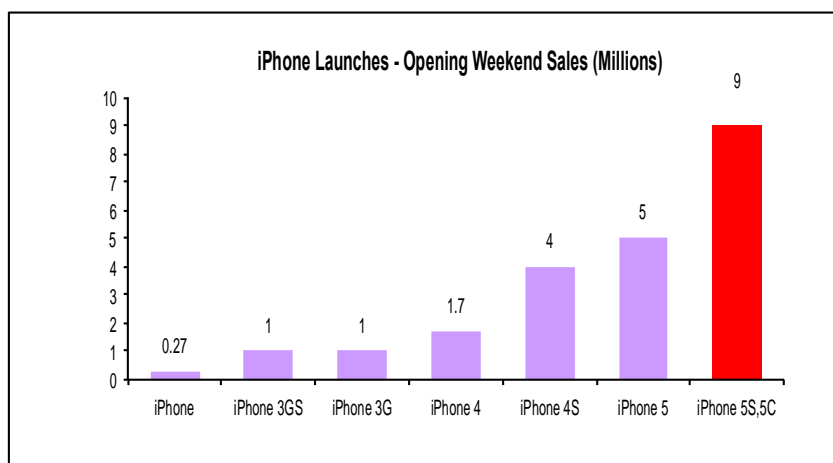
Source: IDC

iPhone History

- 2007: **iPhone** released.
- 2008: **iPhone 3G** released. **1M** units sold over first weekend.
- 2009: **iPhone 3GS** released. **1M** units sold over first weekend.
- 2010: **iPhone 4** released. **1.7M** units sold in first three days.
- 2011: **iPhone 4S** released. **4M** units sold in first three days.
- 2012: **iPhone 5** released. **5M** units sold in first three days.
- 2013: **iPhone 5S and iPhone 5C** released. **9M** units sold in the first 3 days.

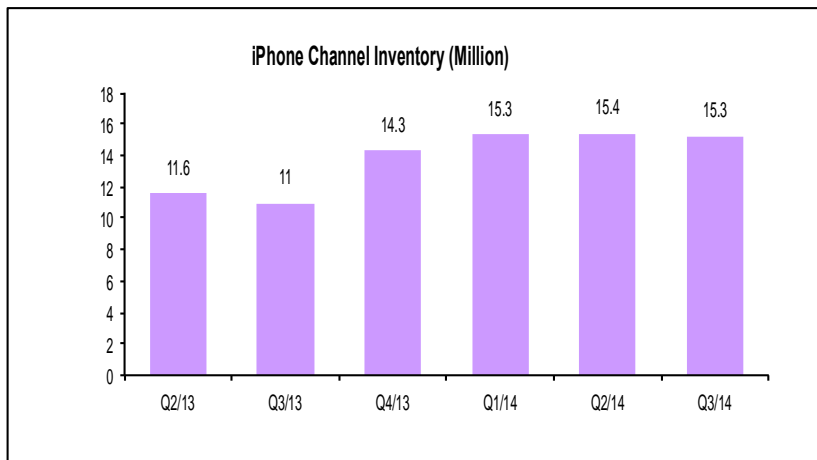
iPhone Sales (Million Units)					
Fiscal Year	Q1 (Oct-Dec)	Q2 (Jan-Mar)	Q3 (Apr-Jun)	Q4 (Jul-Sep)	Total Sold
2007	-	-	0.3	1.1	1.4
2008	2.3	1.7	0.7	6.9	11.6
2009	4.4	3.8	5.2	7.4	20.7
2010	8.7	8.8	8.4	14.1	40.0
2011	16.2	18.6	20.3	17.1	72.3
2012	37.0	35.1	26.0	26.9	125.0
2013	47.8	37.4	31.2	33.8	150.3
2014	51.0	43.7	35.2		129.9
Fiscal Year	Q1	Q2	Q3	Q4	551.3

Source: Company Documents and BGC Financial.



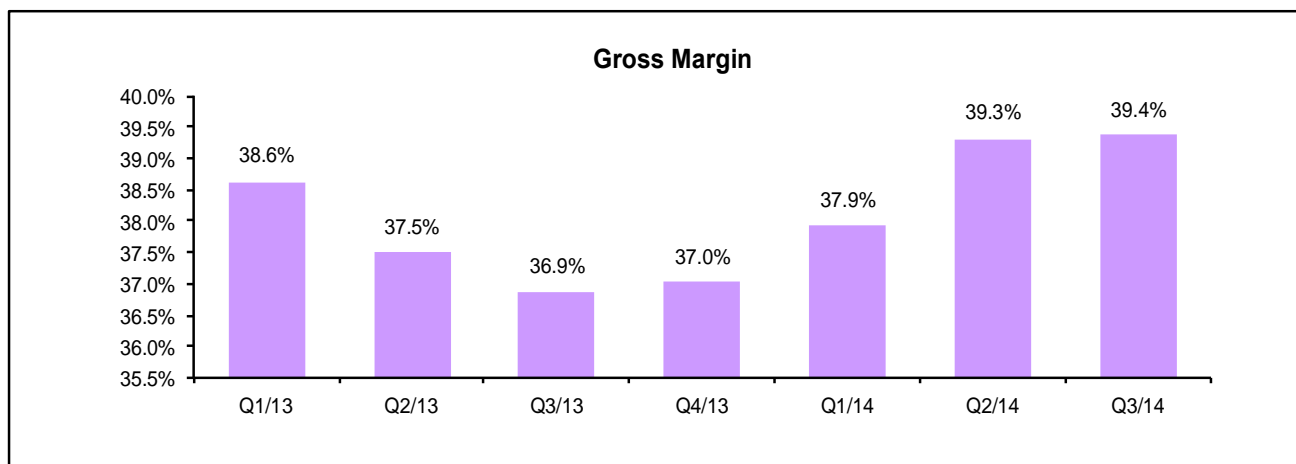
Source: Company Documents and BGC Financial.

iPhone Channel Inventory

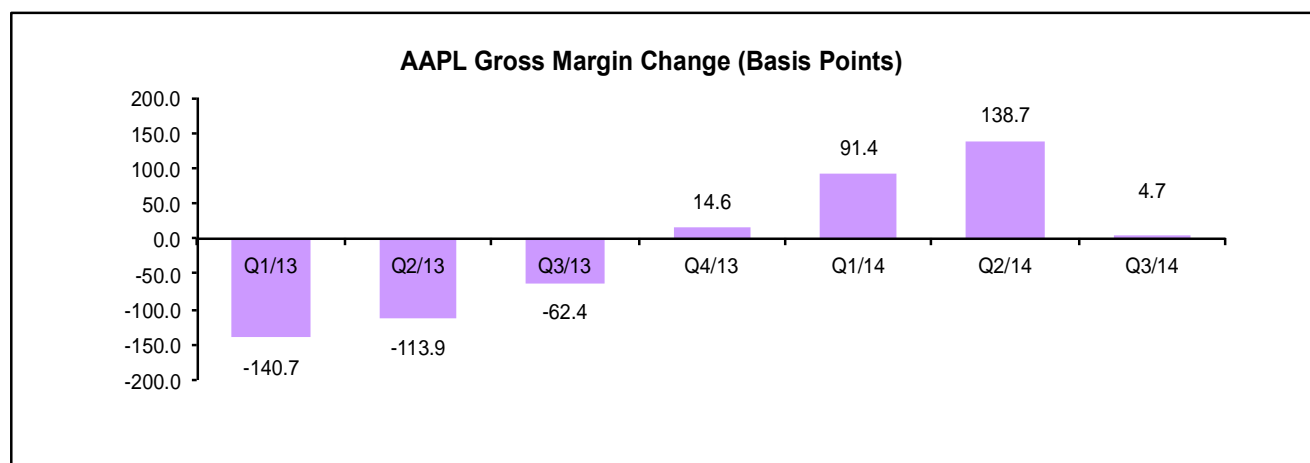


Source: Company Documents and BGC Financial.

Gross Margin



Source: Company Documents and BGC Financial.



Source: Company Documents and BGC Financial.

Balance Sheet and Cash flow

AAPL has \$164.5B in cash (\$27.18 / share) and \$29B long-term debt as of June 28, 2014. The company generated \$10.2B in cash from operations in the June quarter. Cash increased by \$14B in the June quarter from \$150.5B on March 29, 2014 to \$164.5B on June 28, 2014.

Key Metrics Review

Revenue	2012	2013	Q1 (2013)	Q2 (2013)	Q3 (2013)	Q4 (2013)	Q1 (2014)	Q2 (2014)	Q3 (2014)
Revenue	1,56,508	1,70,910	54,512	43,603	35,323	37,472	57,594	45,646	37,432
Y/Y Growth Rate	45%	9%	18%	11%	1%	4%	6%	5%	6%
Q/Q Growth Rate	na	na	52%	-20%	-19%	6%	54%	-21%	-18%
Americas	57,512	62,739	20,341	14,052	14,405	13,941	20,098	14,310	14,577
Y/Y Growth Rate	50%	9%	15%	7%	12%	1%	-1%	2%	1%
Q/Q Growth Rate	na	na	47%	-31%	3%	-3%	44%	-29%	2%
Europe	36,323	37,883	12,464	9,800	7,614	8,005	13,073	10,230	8,091
Y/Y Growth Rate	31%	4%	11%	11%	-8%	0%	5%	4%	6%
Q/Q Growth Rate	na	na	55%	-21%	-22%	5%	63%	-22%	-21%
Greater China	22,533	25,417	6,830	8,213	4,641	5,733	8,844	9,289	5,935
Y/Y Growth Rate	78%	13%	67%	8%	-14%	6%	29%	13%	28%
Q/Q Growth Rate	na	na	26%	20%	-43%	24%	54%	5%	-36%
Japan	10,571	13,462	4,443	3,135	2,543	3,341	4,948	3,963	2,564
Y/Y Growth Rate	94%	27%	25%	19%	27%	41%	11%	26%	1%
Q/Q Growth Rate	na	na	88%	-29%	-19%	31%	48%	-20%	-35%
Asia Pacific	10,741	11,181	3,993	3,162	2,046	1,980	3,633	2,627	2,161
Y/Y Growth Rate	8%	4%	10%	26%	-18%	-6%	-9%	-17%	6%
Q/Q Growth Rate	na	na	89%	-21%	-35%	-3%	83%	-28%	-18%
Retail	18,828	20,228	6,441	5,241	4,074	4,472	6,998	5,227	4,104
Y/Y Growth Rate	33%	7%	5%	19%	0%	6%	9%	0%	1%
Q/Q Growth Rate	na	na	52%	-19%	-22%	10%	56%	-25%	-21%
As % of Revenues									
Americas	37%	37%	37%	32%	41%	37%	35%	31%	39%
Europe	23%	22%	23%	22%	22%	21%	23%	22%	22%
Greater China	14%	15%	13%	19%	13%	15%	15%	20%	16%
Japan	7%	8%	8%	7%	7%	9%	9%	9%	7%
Asia Pacific	7%	7%	7%	7%	6%	5%	6%	6%	6%
Retail	12%	12%	12%	12%	12%	12%	12%	11%	11%

Source: Company Documents and BGC Financial. Data is based on fiscal year ending September.

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Cost	2012	2013	Q1 (2013)	Q2 (2013)	Q3 (2013)	Q4 (2013)	Q1 (2014)	Q2 (2014)	Q3 (2014)
Cost of Revenues	87,846	1,06,606	33,452	27,254	22,299	23,601	35,748	27,699	22,697
As % of Revenues	56%	62%	61%	63%	63%	63%	62%	61%	61%
Research and development	3,381	4,475	1,010	1,119	1,178	1,168	1,330	1,422	1,603
As % of Revenues	2%	3%	2%	3%	3%	3%	2%	3%	4%
Selling, general and administrative	10,040	10,830	2,840	2,672	2,645	2,673	3,053	2,932	2,850
As % of Revenues	6%	6%	5%	6%	7%	7%	5%	6%	8%

Source: Company Documents and BGC Financial. Data is based on fiscal year ending September.

Profitability	2012	2013	Q1 (2013)	Q2 (2013)	Q3 (2013)	Q4 (2013)	Q1 (2014)	Q2 (2014)	Q3 (2014)
Income from operations	55,241	48,999	17,210	12,558	9,201	10,030	17,463	13,593	10,282
As % of Revenues	35%	29%	32%	29%	26%	27%	30%	30%	27%
Net Income	41,733	37,037	13,078	9,547	6,900	7,512	13,072	10,223	7,748
As % of Revenues	27%	22%	24%	22%	20%	20%	23%	22%	21%
EPS (Diluted)	\$6.31	\$5.68	\$1.97	\$1.44	\$1.07	\$1.18	\$2.07	\$1.66	\$1.28
Number of Shares (Diluted)	6617	6522	6631	6622	6470	6364	6310	6157	6052
Operating Cash Flow	\$16,022	\$18,591	\$23,426	\$12,504	\$7,828	\$9,908	\$22,670	\$13,538	\$10,255

Source: Company Documents and BGC Financial. Data is based on fiscal year ending September.

Products Summary (Revenue)	2012	2013	Q1 (2013)	Q2 (2013)	Q3 (2013)	Q4 (2013)	Q1 (2014)	Q2 (2014)	Q3 (2014)
iPhone	78,692	91,279	30,660	22,955	18,154	19,510	32,498	26,064	19,751
iPad	30,945	31,980	10,674	8,746	6,374	6,186	11,468	7,610	5,889
Mac	23,221	21,483	5,519	5,447	4,893	5,624	6,395	5,519	5,540
iPod	5,615	4,411	2,143	962	733	573	973	461	442
iTunes/Software/Services	12,890	16,051	3,687	4,114	3,990	4,260	4,397	4,573	4,485
Accessories	5,145	5,706	1,829	1,379	1,179	1,319	1,863	1,419	1,325
Consolidated	1,56,508	1,70,910	54,512	43,603	35,323	37,472	57,594	45,646	37,432

Source: Company Documents and BGC Financial. Data is based on fiscal year ending September.

Products Summary (Units)	2012	2013	Q1 (2013)	Q2 (2013)	Q3 (2013)	Q4 (2013)	Q1 (2014)	Q2 (2014)	Q3 (2014)
iPhone	1,25,046	1,50,257	47,789	37,430	31,241	33,797	51,025	43,719	35,203
iPad	58,310	71,033	22,860	19,477	14,617	14,079	26,035	16,350	13,276
Mac	18,158	16,341	4,061	3,952	3,754	4,574	4,837	4,136	4,413
iPod	35,165	26,379	12,679	5,633	4,569	3,498	6,049	2,761	2,926

Source: Company Documents and BGC Financial. Data is based on fiscal year ending September.

Risks

Economic conditions: Uncertain global economic conditions may postpone consumer spending due to unemployment, tighter credit, negative financial news and decline in income/asset values. This could adversely affect the performance and operations of the company.

Competition: There is immense competition and rapid technological changes take place in the global market for mobile communication devices, personal computers, digital music and video devices and related services. AAPL's operating results could be affected badly in case it is not able to compete in such adverse market conditions.

Inventory and Other Asset Risk: Product obsolescence is rapid in global personal computers and mobile market can lead to additional incurrence of inventory and asset related charges which could have a material impact on the company's finances.

Key Components: AAPL procures its key components including microprocessors, NAND flash memory, DRAM and LCDs from single or limited sources. This exposes the company to significant pricing and supply risks.

Dependence on Third Parties Outside the US: AAPL relies on third-party manufacturers for not just most of its products but also for its transportation and logistics management. This reduces the company's direct control over production and distribution and also leads to uncertainty.

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For additional risks, see the AAPL 10-K filing with the SEC.

Disclosures Appendix

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HOLD: We have a neutral outlook on the stock based on our expected 12 month return relative to its risk. The expected return is based on our view of the company and industry fundamentals, catalysts, and valuation.

SELL: We have a negative outlook on the stock based on our expected 12 month return relative to its risk. The expected return is based on our view of the company and industry fundamentals, catalysts, and valuation. We recommend investors reduce their position.

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The financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based on their specific investment objectives. Past performance should not be taken as an indication or guarantee of future performance. The price, value of and income from, any of the financial instruments featured in this report can rise as well as fall and be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's currency, a change in exchange rates may adversely affect the price or value of, or income derived from, the financial instrument, and such investors effectively assume currency risk. In addition, investors in securities such as ADRs, whose value is affected by the currency of the home market of the underlying security, effectively assume currency risk.

Disclosures Appendix

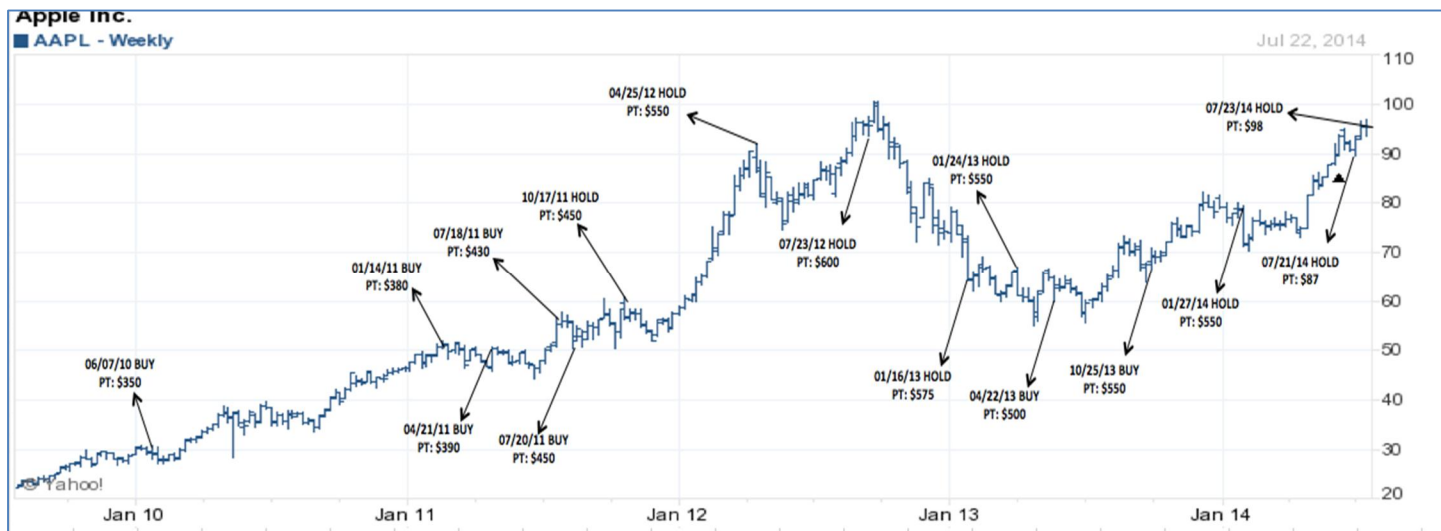
Distribution of Ratings/Investment Banking Services (IB) as of 07/23/14 BGC

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [B]	16	38%	0	0
HOLD [H]	26	62%	0	0
SELL [S]	0	0%	0 0	

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Price Target and Ratings Change



Source: BGC Financial and Bloomberg

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Apple Inc. (AAPL)													Cash & eqv. \$1,64,490				
Income Statement													Cash / share \$27.18				
(Data in \$US millions, except per share)													LT Debt \$29,030				
													As of: Jun 28, 2014				
	2013 by Quarter				2014 by Quarter					2015 by Quarter				Fiscal Year September			
	Q1/13 Dec-12	Q2/13 Mar-13	Q3/13 Jun-13	Q4/13 Sep-13	Q1/14 Dec-13	Q2/14 Mar-14	Q3/14 Jun-14	Q4/14E Sep-14	Q1/15E Dec-14	Q2/15E Mar-15	Q3/15E Jun-15	Q4/15E Sep-15	2012	2013	2014E	2015E	
Revenues	54,512.0	43,603.0	35,323.0	37,472.0	57,594.0	45,646.0	37,432.0	39,945.2	62,066.3	49,288.0	40,052.2	41,942.4	1,56,508.0	1,70,910.0	1,80,617.2	1,93,349.0	
Cost of Sales	33,452.0	27,254.0	22,299.0	23,601.0	35,748.0	27,699.0	22,697.0	24,446.4	38,592.9	30,728.5	25,164.8	26,193.0	87,846.0	1,06,606.0	1,10,590.4	1,20,679.2	
Gross Profit	21,060.0	16,349.0	13,024.0	13,871.0	21,846.0	17,947.0	14,735.0	15,498.7	23,493.5	18,539.6	14,887.4	15,749.4	68,662.0	64,304.0	70,026.7	72,669.8	
Operating expenses																	
Research and development	1,010.0	1,119.0	1,178.0	1,168.0	1,330.0	1,422.0	1,603.0	1,717.6	1,800.5	1,478.0	1,441.9	1,384.1	3,381.0	4,475.0	6,072.6	6,104.5	
Selling, general and administrative	2,840.0	2,672.0	2,645.0	2,673.0	3,053.0	2,932.0	2,850.0	2,955.9	3,538.9	3,153.2	2,923.8	3,019.9	10,040.0	10,830.0	11,790.9	12,635.7	
Total operating expenses	3,850.0	3,791.0	3,823.0	3,841.0	4,383.0	4,354.0	4,453.0	4,673.6	5,339.4	4,631.2	4,365.7	4,404.0	13,421.0	15,305.0	17,863.6	18,740.3	
Income from operations	17,210.0	12,558.0	9,201.0	10,030.0	17,463.0	13,593.0	10,282.0	10,825.1	18,154.0	13,908.4	10,521.7	11,345.4	55,241.0	48,999.0	52,163.1	53,929.5	
Other income and expenses	462.0	347.0	234.0	113.0	246.0	225.0	202.0	250.0	250.0	250.0	250.0	250.0	522.0	1,156.0	923.0	1,000.0	
Income before income taxes	17,672.0	12,905.0	9,435.0	10,143.0	17,709.0	13,818.0	10,484.0	11,075.1	18,404.0	14,158.4	10,771.7	11,595.4	55,763.0	50,155.0	53,086.1	54,929.5	
Provision for income taxes	4,594.0	3,358.0	2,535.0	2,631.0	4,637.0	3,595.0	2,736.0	2,890.6	4,821.9	3,709.5	2,822.2	3,038.0	14,030.0	13,118.0	13,858.6	14,391.5	
Net Income	13,078.0	9,547.0	6,900.0	7,512.0	13,072.0	10,223.0	7,748.0	8,184.5	13,582.2	10,448.9	7,949.5	8,557.4	41,733.0	37,037.0	39,227.5	40,538.0	
EPS- diluted	\$1.97	\$1.44	\$1.07	\$1.18	\$2.07	\$1.66	\$1.28	\$1.35	\$2.25	\$1.73	\$1.32	\$1.42	\$6.31	\$5.68	\$6.36	\$6.71	
Shares used in per share calculation- diluted	6,630.5	6,622.2	6,469.9	6,363.9	6,310.2	6,156.7	6,051.7	6,051.7	6,046.7	6,041.7	6,036.7	6,031.7	6,617.5	6,521.6	6,163.2	6,040.3	
Margins on Revenue																	
Gross Margin	38.6%	37.5%	36.9%	37.0%	37.9%	39.3%	39.4%	38.8%	37.8%	37.6%	37.2%	37.6%	43.9%	37.6%	38.8%	37.6%	
Cost of Revenue	61.4%	62.5%	63.1%	63.0%	62.1%	60.7%	60.6%	61.2%	62.2%	62.4%	62.8%	62.5%	56.1%	62.4%	61.2%	62.4%	
Research and development	1.9%	2.6%	3.3%	3.1%	2.3%	3.1%	4.3%	4.3%	2.9%	3.0%	3.6%	3.3%	2.2%	2.6%	3.4%	3.2%	
Selling, general and administrative	5.2%	6.1%	7.5%	7.1%	5.3%	6.4%	7.6%	7.4%	5.7%	6.4%	7.3%	7.2%	6.4%	6.3%	6.5%	6.5%	
EBITDAS	35.5%	34.0%	32.5%	33.0%	35.2%	35.4%	34.6%	33.7%	33.5%	33.6%	32.9%	33.4%	38.5%	33.9%	34.8%	33.4%	
Operating Margin	31.6%	28.8%	26.0%	26.8%	30.3%	29.8%	27.5%	27.1%	29.2%	28.2%	26.3%	27.1%	35.3%	28.7%	28.9%	27.9%	
Pretax Income	32.4%	29.6%	26.7%	27.1%	30.7%	30.3%	28.0%	27.7%	29.6%	28.7%	26.9%	27.6%	35.6%	29.3%	29.4%	28.4%	
Tax Rate	26.0%	26.0%	26.9%	25.9%	26.2%	26.0%	26.1%	26.1%	26.2%	26.2%	26.2%	26.2%	25.2%	26.2%	26.1%	26.2%	
Net Income	24.0%	21.9%	19.9%	20.0%	22.7%	22.4%	20.7%	20.5%	21.9%	21.2%	19.8%	20.4%	26.7%	21.7%	21.7%	21.0%	
% Changes Q/Q																	
Total Revenues	51.6%	-20.0%	-19.0%	6.1%	53.7%	-20.7%	-18.0%	6.7%	55.4%	-20.6%	-18.7%	4.7%	na	na	na	na	
% Changes Year/Year																	
Total Revenues	17.7%	11.3%	0.9%	4.2%	5.7%	4.7%	6.0%	6.6%	7.8%	7.9%	7.0%	5.0%	44.6%	9.2%	5.7%	7.0%	
EBITDAS	4.7%	-10.4%	-10.8%	0.0%	4.9%	9.1%	12.9%	10.0%	2.5%	2.4%	1.7%	3.9%	63.9%	-3.7%	8.4%	2.6%	
Operating Income	-0.7%	-18.4%	-20.5%	-8.4%	1.5%	8.2%	11.7%	7.9%	4.0%	2.3%	2.3%	4.8%	63.5%	-11.3%	6.5%	3.4%	
Pretax Income	1.1%	-16.9%	-20.5%	-6.9%	0.2%	7.1%	11.1%	9.2%	3.9%	2.5%	2.7%	4.7%	63.0%	-10.1%	5.8%	3.5%	
Net Income	0.1%	-17.9%	-21.8%	-8.6%	0.0%	7.1%	12.3%	9.0%	3.9%	2.2%	2.6%	4.6%	61.0%	-11.3%	5.9%	3.3%	
EBITDAS	19,343.0	14,825.0	11,473.0	12,368.0	20,288.0	16,176.0	12,952.0	13,475.1	20,804.0	16,558.4	13,171.7	13,995.4	60,258.0	58,009.0	62,891.1	64,529.5	
July 22, 2014																	
Source: Company reports and BGC Financial																	

Source: Company Documents and BGC Financial

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Balance Sheet (Data in Millions)	2013 by Quarter				2014 by Quarter			Fiscal Year			
	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	2010	2011	2012	2013
	Dec 31 2012	Mar 30 2013	Jun 30 2013	Sep 30 2013	Dec 28 2013	Mar 29 2014	June 28 2014				
Assets											
Current assets:											
Cash and cash equivalents	16,154	12,053	11,248	14,259	14,077	18,949	12,977	11,261	9,815	10,746	14,259
Short-term investments	23,666	27,084	31,358	26,287	26,634	22,401	24,828	14,359	16,137	18,383	26,287
Accounts receivable	11,598	7,084	8,839	13,102	14,200	9,700	10,788	5,510	5,369	10,930	13,102
Inventories	1,455	1,245	1,697	1,764	2,122	1,829	1,594	1,051	776	791	1,764
Deferred tax assets	2,895	3,242	3,193	3,453	3,742	4,014	3,884	1,636	2,014	2,583	3,453
Vendor non-trade receivables	9,936	6,252	4,614	7,539	10,998	6,120	6,053	4,414	6,348	7,762	7,539
Other current assets	6,644	6,377	7,270	6,882	8,574	7,528	7,825	3,447	4,529	6,458	6,882
Total current assets	72,348	63,337	68,219	73,286	80,347	70,541	67,949	41,678	44,988	57,653	73,286
Long term marketable securities	97,292	1,05,550	1,04,014	1,06,215	1,18,131	1,09,239	1,26,685	25,391	55,618	92,122	1,06,215
Property plant and equipment	15,422	15,026	16,327	16,597	15,488	15,120	17,585	4,768	7,777	15,452	16,597
Goodwill	1,381	1,400	1,522	1,577	2,022	2,055	2,374	741	896	1,135	1,577
Acquired intangible assets, net	4,462	4,136	4,353	4,179	4,105	3,928	3,767	342	3,536	4,224	4,179
Other assets	5,163	5,294	5,421	5,146	5,081	5,106	4,160	2,263	3,556	5,478	5,146
Total assets	196,088	194,743	199,856	207,000	225,184	2,05,989	2,22,520	75,183	1,16,371	1,76,064	2,07,000
Liabilities and Stockholder's Equity											
Current liabilities:											
Accounts payable	26,398	14,912	15,516	22,367	29,588	18,914	20,535	12,015	14,632	21,175	22,367
Accrued expenses	13,207	13,331	13,470	13,856	15,824	15,984	15,264	5,723	9,247	11,414	13,856
Deferred revenue	7,274	7,265	7,333	7,435	8,357	8,310	8,396	2,984	4,091	5,953	7,435
Commercial paper	0	0	0	0	0	0	2,010	0	0	0	0
Total current liabilities	46,879	35,508	36,319	43,658	53,769	43,208	46,205	20,722	27,970	38,542	43,658
Deferred revenue - non current	2,938	2,877	2,672	2,625	3,071	3,164	3,058	1,139	1,686	2,648	2,625
Non-current liabilities	18,925	20,868	20,553	20,208	16,961	16,962	23,287	5,531	10,100	16,664	20,208
Long term debt	0	0	16,958	16,960	21,699	22,476	29,030	0	0	0	16,960
Total liabilities	68,742	59,253	76,502	83,451	95,500	85,810	1,01,580	27,392	39,756	57,854	83,451
Stockholders' equity:											
Common stock	17,167	17,954	19,024	19,764	20,559	21,496	22,139	10,668	13,331	16,422	19,764
Accumulated other comprehensive income	1,09,567	1,16,572	1,04,564	1,04,256	1,09,431	98,934	98,715	37,169	62,841	1,01,289	1,04,256
Total shareholders' equity	612	964	(234)	(471)	(306)	(251)	86	-46	443	499	-471
Total liabilities and stockholders' equity	1,27,346	1,35,490	1,23,354	1,23,549	1,29,684	1,20,179	1,20,940	47,791	76,615	1,18,210	1,23,549
Total liabilities and stockholders' equity	1,96,088	1,94,743	1,99,856	2,07,000	2,25,184	2,05,989	2,22,520	75,183	1,16,371	1,76,064	2,07,000

Source: Company Documents and BGC Financial