



Apple, Inc.

Record Quarter Across Categories

Apple delivered a solid beat on both the Dec-Q and March implied guidance on better iPhones, as well as Services and Wearables. Margins hit a multi-year high on leverage and improved mix. China was a standout as expected, up 168% q/q. We raise our estimates and price target, but see the shares as fairly valued even on our revised model. Maintain EW rating.

The numbers. Sales at \$111.4B were 9% better than our at-consensus estimate, with GM% over 160bps above on strength across Products and Services, with opex in-line and OM% nearly 250bps above. EPS came in at \$1.68 vs. our \$1.40 estimate and consensus \$1.41. iPhone drove the beat, with sales 15% above our model on 17% Y/Y growth, while Services and Wearables were 5% and 8% above, respectively. This was partially offset by iPad and Mac below expectations. FCF was \$35.3B, above our \$26.1B.

- **Positives.** Record quarterly sales overall and in each geography. iPhone 12s look like winners after several stalled cycles. New iPhone units imply meaningful reversal to aging of installed base. Services and Wearables growth reaccelerated as expected, to 24% and 30% Y/Y respectively. Product and Services GM both benefited from favorable mix, particularly iPhone 12 Pro and Pro Max, along with operating leverage. Mar-Q implied guidance for growth to accelerate from the 21% rate in Dec-Q, with strong GM levels expected to persist partly due to weaker USD.
- **Concerns.** Mac revenues declined despite market data indicating sequential unit growth, suggesting ASP pressure. Tough comparisons next quarter in Services given 2020 lockdowns, with some impacts expected from store closures. Guidance for decelerating growth in Wearables. Still working through some supply constraints with parity expected at some point in the Mar-Q.

Ratings and estimates. We meaningfully raise our FY21/FY22e EPS estimates to \$4.55/\$4.70 from \$3.86/\$4.01 based on the strong demand across the businesses, and better operating leverage. Maintain EW rating; PT to \$136.

AAPL: Quarterly and Annual EPS (USD)

	2020		2021		2022		Change y/y		
FY Sep	Actual	Old	New	Cons	Old	New	Cons	2021	2022
Q1	1.25A	1.40E	1.68A	1.42E	1.39E	1.65E	1.50E	34%	-2%
Q2	0.64A	0.90E	0.98E	0.90E	0.88E	1.03E	0.95E	53%	5%
Q3	0.65A	0.73E	0.88E	0.77E	0.82E	0.93E	0.87E	35%	6%
Q4	0.73A	0.84E	1.01E	0.92E	0.92E	1.08E	1.02E	38%	7%
Year	3.27A	3.86E	4.55E	4.03E	4.01E	4.70E	4.33E	39%	3%
P/E	43.5		31.2			30.2			

Source: Barclays Research.

Consensus numbers are from Bloomberg received on 27-Jan-2021; 13:50 GMT

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PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 8.

Equity Research

Technology | IT Hardware and
Communications Equipment
28 January 2021

Stock Rating **EQUAL WEIGHT**
Unchanged

Industry View **NEUTRAL**
Unchanged

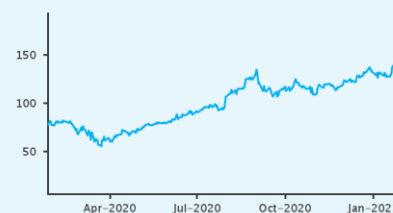
Price Target **USD 136.00**
raised 17% from USD 116.00

Price (27-Jan-2021) USD 142.06
Potential Upside/Downside -4.3%
Tickers AAPL

Market Cap (USD mn) 2389913
Shares Outstanding (mn) 16823.26
Free Float (%) 87.97
52 Wk Avg Daily Volume (mn) 156.5
Dividend Yield (%) 0.58
Return on Equity TTM (%) 73.69
Current BVPS (USD) 3.85

Source: Bloomberg

Price Performance Exchange-Nasdaq
52 Week range USD 145.09-53.15



Source: IDC; Link to Barclays Live for interactive charting

IT Hardware and Communications Equipment

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IT Hardware and Communications Equipment

Industry View: NEUTRAL

Apple, Inc. (AAPL)

Stock Rating: EQUAL WEIGHT

Income statement (\$mn)	2020A	2021E	2022E	2023E	CAGR
Revenue	274,515	340,536	358,858	N/A	N/A
EBITDA (adj)	77,344	104,968	107,233	N/A	N/A
EBIT (adj)	66,288	91,474	91,360	N/A	N/A
Pre-tax income	67,091	91,669	91,560	N/A	N/A
Tax rate (%)	14	16	16	N/A	N/A
Net income	57,411	76,970	76,910	N/A	N/A
EPS (reported) (\$)	3.27	4.55	4.70	N/A	N/A
Diluted shares (mn)	17,574.1	16,929.5	16,338.4	N/A	N/A
DPS (\$)	0.80	0.82	0.85	N/A	N/A

Margin and return data	Average				
EBITDA (adj) margin (%)	28.2	30.8	29.9	N/A	29.6
EBIT (adj) margin (%)	24.1	26.9	25.5	N/A	25.5
Pre-tax margin (%)	24.4	26.9	25.5	N/A	25.6
Net margin (%)	20.9	22.6	21.4	N/A	21.6
Operating CF margin (%)	29.4	29.6	25.8	N/A	28.2
ROA (%)	17.5	22.3	21.5	N/A	20.4
ROE (%)	86.8	201.0	638.3	N/A	308.7

Balance sheet and cash flow (\$mn)	CAGR				
Cash and equivalents	191,830	203,925	213,022	N/A	N/A
Total assets	323,888	344,716	356,289	N/A	N/A
Short and long-term debt	112,436	142,043	172,043	N/A	N/A
Other long-term liabilities	54,490	56,042	56,042	N/A	N/A
Total liabilities	258,549	306,505	344,267	N/A	N/A
Net debt/(funds)	-79,394	-61,882	-40,979	N/A	N/A
Shareholders' equity	65,339	38,211	12,023	N/A	N/A
Cash flow from operations	80,674	100,663	92,555	N/A	N/A
Capital expenditure	-7,309	-10,218	-9,560	N/A	N/A
Free cash flow	73,365	90,445	82,995	N/A	N/A
NOPAT	56,724	76,806	76,742	N/A	N/A

Valuation and leverage metrics	Average				
P/E (reported) (x)	43.5	31.2	30.2	N/A	35.0
EV/sales (x)	8.6	7.0	6.7	N/A	7.5
EV/EBITDA (adj) (x)	30.7	22.8	22.5	N/A	25.3
EV/EBIT (adj) (x)	35.8	26.1	26.4	N/A	29.4
FCF yield (%)	3.1	3.8	3.4	N/A	3.4
P/BV (x)	38.2	62.9	193.1	N/A	98.1
Dividend yield (%)	0.6	0.6	0.6	N/A	0.6

Price (27-Jan-2021) USD 142.06
Price Target USD 136.00

Why Equal Weight? Apple has a sticky ecosystem, growing services and wearables business, and a large capital return program, providing downside support for long-term investors. We rate Apple Equal Weight as questions persist about the deterioration of iPhone upgrade demand with rising competition in the premium smartphone segment.

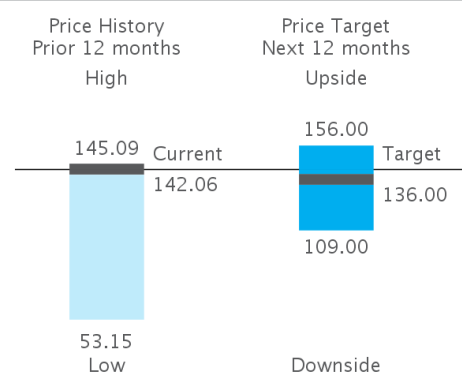
Upside case USD 156.00

Potential factors that could drive the upside scenario include faster growth in new services offerings, iPhone unit growth recovering meaningfully, gross margin trends improving, accelerated capital return, or introduction of a successful new product category.

Downside case USD 109.00

Potential downside scenarios include continued lack of product innovation and further deterioration for iPhone demand due to elongating replacement cycles, gross margin erosion in hardware, and disappointing customer traction in the newly launched services offerings.

Upside/Downside scenarios



Source: Company data, Bloomberg, Barclays Research

Note: FY End Sep

Results vs. Expectations & Outlook

FIGURE 1
Results vs. Expectations

	Dec-Q Results			
	Actual	Barclays Estimate	Delta	Consensus
Total Revenue	\$111,439	\$102,637	8.6%	103,242
Gross margin %	39.8%	38.1%	164 bps	38.1%
Product margin %	35.1%	33.2%	186 bps	
Services margin %	68.4%	67.0%	140 bps	
OpEx	10,794	10,750	0.4%	10,818
EBIT	33,534	28,391	18.1%	28,476
EBIT margin %	30.1%	27.7%	243 bps	27.6%
Net Income	28,755	23,890	20.4%	24,094
Tax rate	14.4%	16.0%	163 bps	16.0%
EPS	\$1.68	\$1.40	20.3%	\$1.41
Diluted share count	17,114	17,107	0.0%	
Segment revenue				
iPhone	\$65,597	\$57,000	15.1%	
iPad	8,435	9,200	(8.3%)	
Mac	8,675	9,480	(8.5%)	
Services	15,761	14,985	5.2%	
Other	12,971	11,972	8.3%	
Cash flow from operations	38,763	28,255	37.2%	
Free cash flow	35,263	26,099	35.1%	
Free cash flow as % of revenue	31.6%	25.4%	621 bps	

Source: Company Reports, Barclays Research, Bloomberg.

FIGURE 2
Price Target

	Downside Case	Base Case	Upside Case
CY21E			
P/E multiple	28.0x	30.0x	32.0x
Implied stock price	\$109.00	\$136.00	\$156.00

P&L Scenarios \$ in millions, except per share data	Downside Case	Base Case	Upside Case
Revenue	\$317,666	\$344,925	\$352,962
Y/Y growth %	8.0%	17.3%	20.0%
Operating profit	\$76,240	\$90,464	\$95,300
% of revenue	24.0%	26.2%	27.0%
Interest/other income (expense)	\$200	\$200	\$200
Pre-tax income	\$76,440	\$90,664	\$95,500
Income taxes	\$12,720	\$15,087	\$15,892
Tax rate	16.6%	16.6%	16.6%
Net income	\$63,720	\$75,577	\$79,608
% of revenue	20.1%	21.9%	22.6%
EPS	\$3.90	\$4.52	\$4.87
Y/Y growth %	5.4%	22.2%	31.7%
Diluted shares	16,338	16,338	16,338

Source: Company reports & Barclays Research.

FIGURE 3
Snapshot of Changes to Model

	Mar-Q 21E			C2021E			F2021E			F2022E		
	New	Old	Change	New	Old	Change	New	Old	Change	New	Old	Change
Total Revenue	\$77,479	\$75,985	2.0%	\$344,925	\$322,863	6.8%	\$340,536	\$319,564	6.6%	\$358,858	\$337,329	6.4%
Y/Y	32.9%	30.3%	256 bps	17.3%	13.2%	411 bps	24.1%	16.4%	764 bps	5.4%	5.6%	(18) bps
Q/Q	-30.5%	-26.0%	(451) bps									
Gross margin %	39.8%	38.2%	164 bps	39.2%	37.8%	142 bps	39.7%	38.1%	156 bps	39.1%	37.5%	155 bps
EBIT margin %	25.9%	23.8%	209 bps	26.2%	23.6%	261 bps	26.9%	24.2%	261 bps	25.5%	23.0%	247 bps
Tax rate	17.0%	16.0%	(100) bps	16.6%	16.0%	(64) bps	16.0%	16.0%	(4) bps	16.0%	16.0%	0 bps
Diluted share count	16,966	16,950	0.1%	16,752	16,717	0.2%	16,929	16,909	0.1%	16,338	16,262	0.5%
EPS	\$0.98	\$0.90	9.5%	\$4.52	\$3.86	17.3%	\$4.55	\$3.86	17.7%	\$4.70	\$4.01	17.1%
Segment revenue												
iPhone	\$40,545	\$37,500	8.1%	\$174,175	\$157,735	10.4%	\$175,172	\$156,600	11.9%	\$172,595	\$161,525	6.9%
iPad	6,300	7,000	-10.0%	26,398	26,730	-1.2%	27,093	28,190	-3.9%	27,260	25,610	6.4%
Mac	6,646	7,820	-15.0%	33,176	33,897	-2.1%	32,654	34,204	-4.5%	33,039	34,453	-4.1%
Services	16,076	15,285	5.2%	68,570	62,530	9.7%	65,935	61,300	7.6%	77,152	68,153	13.2%
Other	7,912	8,380	-5.6%	42,606	41,971	1.5%	39,683	39,270	1.1%	48,812	47,588	2.6%
Units (M)												
iPhone	53.0	50.0	6.0%	236.0	212.0	11.3%	235.0	210.0	11.9%	240.0	216.0	11.1%
iPad	12.0	14.0	-14.3%	55.5	57.5	-3.5%	57.5	59.5	-3.4%	58.0	58.0	0.0%
Mac	5.8	6.0	-2.8%	28.4	25.4	11.8%	28.0	25.7	9.1%	28.1	25.7	9.6%
Cash flow from operations	\$17,210	\$18,155	-5.2%	\$92,125	\$79,234	16.3%	\$100,663	\$82,330	22.3%	\$92,555	\$81,141	14.1%
Free cash flow	\$15,041	\$16,028	-6.2%	\$82,975	\$70,653	17.4%	\$90,445	\$73,818	22.5%	\$82,995	\$72,130	15.1%
Free cash flow as % of revenue	19.4%	21.1%	(168) bps	24.1%	21.9%	217 bps	26.6%	23.1%	346 bps	23.1%	21.4%	174 bps

Source: Barclays Research.

FIGURE 4
AAPL Income Statement

									Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj			Proj	Proj		
Fiscal Year: September	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	F2017	F2018	F2019	F2020	F2021E	F2022E
\$ in millions, except per share data	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Year	Year	Year	Year	Year	Year
INCOME STATEMENT																						
Revenue	\$84,310	\$58,015	\$53,809	\$64,040	\$91,819	\$58,313	\$59,685	\$64,698	\$111,439	\$77,479	\$71,721	\$79,897	\$115,828	\$81,624	\$76,477	\$84,928	\$229,234	\$265,595	\$260,174	\$274,515	\$340,536	\$358,858
Q/Q %	34.0%	-31.2%	-7.2%	19.0%	43.4%	-36.5%	2.4%	8.4%	72.2%	-30.5%	-7.4%	11.4%	45.0%	-29.5%	-6.3%	11.1%						
Y/Y %	-4.5%	-5.1%	1.0%	1.8%	8.9%	0.5%	10.9%	1.0%	21.4%	32.9%	20.2%	23.5%	3.9%	5.3%	6.6%	6.3%	6.3%	15.9%	-2.0%	5.5%	24.1%	5.4%
Cost of revenue	52,279	36,194	33,582	39,727	56,602	35,943	37,005	40,009	67,111	46,610	43,202	48,520	71,258	49,404	46,357	51,699	141,048	163,756	161,782	169,559	205,444	218,719
As % of revenue	62.0%	62.4%	62.4%	62.0%	61.6%	61.6%	62.0%	61.8%	60.2%	60.2%	60.2%	60.7%	61.5%	60.5%	60.6%	60.9%	61.5%	61.7%	62.2%	61.8%	60.3%	60.9%
Gross profit	32,031	21,821	20,227	24,313	35,217	22,370	22,680	24,689	44,328	30,869	28,519	31,376	44,570	32,220	30,120	33,229	88,186	101,839	98,392	104,956	135,092	140,139
Gross margin %	38.0%	37.6%	37.6%	38.0%	38.4%	38.4%	38.0%	38.2%	39.8%	39.8%	39.8%	39.3%	38.5%	39.5%	39.4%	39.1%	38.5%	38.3%	37.8%	38.2%	39.7%	39.1%
SG&A	4,783	4,458	4,426	4,578	5,197	4,952	4,831	4,936	5,631	5,424	5,523	5,753	6,486	6,530	5,889	6,200	15,261	16,705	18,245	19,916	22,330	25,105
As % of revenue	5.7%	7.7%	8.2%	7.1%	5.7%	8.5%	8.1%	7.6%	5.1%	7.0%	7.7%	7.2%	5.6%	8.0%	7.7%	7.3%	6.7%	6.3%	7.0%	7.3%	6.6%	7.0%
R&D	3,902	3,948	4,257	4,110	4,451	4,565	4,758	4,978	5,163	5,385	5,307	5,433	5,560	5,550	6,195	6,370	11,581	14,236	16,217	18,752	21,288	23,674
As % of revenue	4.6%	6.8%	7.9%	6.4%	4.8%	7.8%	8.0%	7.7%	4.6%	7.0%	7.4%	6.8%	4.8%	6.8%	8.1%	7.5%	5.1%	5.4%	6.2%	6.8%	6.3%	6.6%
OpEx	8,685	8,406	8,683	8,688	9,648	9,517	9,589	9,914	10,794	10,808	10,830	11,186	12,046	12,080	12,083	12,569	26,842	30,941	34,462	38,668	43,618	48,779
As % of revenue	10.3%	14.5%	16.1%	13.6%	10.5%	16.3%	16.1%	15.3%	9.7%	14.0%	15.1%	14.0%	10.4%	14.8%	15.8%	14.8%	11.7%	11.6%	13.2%	14.1%	12.8%	13.6%
Operating income	23,346	13,415	11,544	15,625	25,569	12,853	13,091	14,775	33,534	20,060	17,689	20,191	32,524	20,139	18,036	20,660	61,344	70,898	63,930	66,288	91,474	91,360
Operating margin	27.7%	23.1%	21.5%	24.4%	27.8%	22.0%	21.9%	22.8%	30.1%	25.9%	24.7%	25.3%	28.1%	24.7%	23.6%	24.3%	26.8%	26.7%	24.6%	24.1%	26.9%	25.5%
Other income (expense)	560	378	367	502	349	282	46	126	45	50	50	50	50	50	50	50	2,745	2,005	1,807	803	195	200
Pretax income	23,906	13,793	11,911	16,127	25,918	13,135	13,137	14,901	33,579	20,110	17,739	20,241	32,574	20,189	18,086	20,710	64,089	72,903	65,737	67,091	91,669	91,560
Pretax margin %	28.4%	23.8%	22.1%	25.2%	28.2%	22.5%	22.0%	23.0%	30.1%	26.0%	24.7%	25.3%	28.1%	24.7%	23.6%	24.4%	28.0%	27.4%	25.3%	24.4%	26.9%	25.5%
Income taxes	3,941	2,232	1,867	2,441	3,682	1,886	1,884	2,228	4,824	3,419	3,016	3,441	5,212	3,230	2,894	3,314	15,738	13,372	10,481	9,680	14,699	14,650
Tax rate %	16.5%	16.2%	15.7%	15.1%	14.2%	14.4%	14.3%	15.0%	14.4%	17.0%	17.0%	17.0%	16.0%	16.0%	16.0%	16.0%	24.6%	18.3%	15.9%	14.4%	16.0%	16.0%
Net income - GAAP	\$19,965	\$11,561	\$10,044	\$13,686	\$22,236	\$11,249	\$11,253	\$12,673	\$28,755	\$16,692	\$14,723	\$16,800	\$27,362	\$16,959	\$15,193	\$17,396	\$48,351	\$59,531	\$55,256	\$57,411	\$76,970	\$76,910
Net margin %	23.7%	19.9%	18.7%	21.4%	24.2%	19.3%	18.9%	19.6%	25.8%	21.5%	20.5%	21.0%	23.6%	20.8%	19.9%	20.5%	21.1%	22.4%	21.2%	20.9%	22.6%	21.4%
GAAP EPS	\$1.05	\$0.62	\$0.55	\$0.76	\$1.25	\$0.64	\$0.65	\$0.73	\$1.68	\$0.98	\$0.88	\$1.01	\$1.65	\$1.03	\$0.93	\$1.08	\$2.30	\$2.97	\$2.97	\$3.27	\$4.55	\$4.70
Basic share count	19,093	18,803	18,283	17,963	17,660	17,440	17,250	17,058	16,935	16,787	16,644	16,501	16,363	16,225	16,092	15,959	20,869	19,822	18,535	17,352	16,717	16,160
Diluted share count	18,943	18,696	18,406	18,081	17,818	17,619	17,419	17,257	17,114	16,966	16,823	16,680	16,542	16,404	16,271	16,137	21,053	20,062	18,574	17,574	16,929	16,338

Source: Company Data, Barclays Research

FIGURE 5
AAPL Segment Model

Segment Summary										Proj	Proj	Proj	Proj	Proj	Proj	Proj
Fiscal Year: September	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
\$ in millions	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1QE	2QE	3QE	4QE
REVENUE BY SEGMENT																
Total revenue	\$84,310	\$58,015	\$53,809	\$64,040	\$91,819	\$58,313	\$59,685	\$64,698	\$111,439	\$77,479	\$71,721	\$79,897	\$115,828	\$81,624	\$76,477	\$84,928
iPhone	51,982	31,051	25,986	33,362	55,957	28,962	26,418	26,444	65,597	40,545	32,890	36,140	64,600	38,880	32,665	36,450
Mac	7,416	5,513	5,820	6,991	7,160	5,351	7,079	9,032	8,675	6,646	7,679	9,654	9,198	6,973	7,595	9,273
iPad	6,729	4,872	5,023	4,656	5,977	4,368	6,582	6,797	8,435	6,300	6,370	5,988	7,740	6,650	6,500	6,370
Services	10,875	11,450	11,455	12,511	12,715	13,348	13,156	14,549	15,761	16,076	16,237	17,861	18,397	18,948	19,138	20,669
Wearable, Home and accessories	7,308	5,129	5,525	6,520	10,010	6,284	6,450	7,876	12,971	7,912	8,545	10,254	15,894	10,172	10,579	12,166
Y/Y growth %																
Total revenue	-4.5%	-5.1%	1.0%	1.8%	8.9%	0.5%	10.9%	1.0%	21.4%	32.9%	20.2%	23.5%	3.9%	5.3%	6.6%	6.3%
iPhone	-14.9%	-17.3%	-11.8%	-9.2%	7.6%	-6.7%	1.7%	-20.7%	17.2%	40.0%	24.5%	36.7%	-1.5%	-4.1%	-0.7%	0.9%
iPad	16.9%	21.6%	8.4%	16.9%	-11.2%	-10.3%	31.0%	46.0%	41.1%	44.2%	-3.2%	-11.9%	-8.2%	5.6%	2.0%	6.4%
Mac	8.7%	-4.6%	10.7%	-4.8%	-3.5%	-2.9%	21.6%	29.2%	21.2%	24.2%	8.5%	6.9%	6.0%	4.9%	-1.1%	-3.9%
Services	19.1%	16.2%	12.6%	18.0%	16.9%	16.6%	14.8%	16.3%	24.0%	20.4%	23.4%	22.8%	16.7%	17.9%	17.9%	15.7%
Wearable, Home and accessories	33.3%	30.0%	48.0%	54.4%	37.0%	22.5%	16.7%	20.8%	29.6%	25.9%	32.5%	30.2%	22.5%	28.6%	23.8%	18.6%
Q/Q growth %																
Total revenue	34.0%	-31.2%	-7.2%	19.0%	43.4%	-36.5%	2.4%	8.4%	72.2%	-30.5%	-7.4%	11.4%	45.0%	-29.5%	-6.3%	11.1%
iPhone	41.4%	-40.3%	-16.3%	28.4%	67.7%	-48.2%	-8.8%	0.1%	148.1%	-38.2%	-18.9%	9.9%	78.7%	-39.8%	-16.0%	11.6%
iPad	68.9%	-27.6%	3.1%	-7.3%	28.4%	-26.9%	50.7%	3.3%	24.1%	-25.3%	1.1%	-6.0%	29.3%	-14.1%	-2.3%	-2.0%
Mac	1.0%	-25.7%	5.6%	20.1%	2.4%	-25.3%	32.3%	27.6%	-4.0%	-23.4%	15.5%	25.7%	-4.7%	-24.2%	8.9%	22.1%
Services	2.6%	5.3%	0.0%	9.2%	1.6%	5.0%	-1.4%	10.6%	8.3%	2.0%	1.0%	10.0%	3.0%	3.0%	1.0%	8.0%
Wearable, Home and accessories	73.1%	-29.8%	7.7%	18.0%	53.5%	-37.2%	2.6%	22.1%	64.7%	-39.0%	8.0%	20.0%	55.0%	-36.0%	4.0%	15.0%
% of total revenue																
iPhone	61.7%	53.5%	48.3%	52.1%	60.9%	49.7%	44.3%	40.9%	58.9%	52.3%	45.9%	45.2%	55.8%	47.6%	42.7%	42.9%
iPad	8.0%	8.4%	9.3%	7.3%	6.5%	7.5%	11.0%	10.5%	7.6%	8.1%	8.9%	7.5%	6.7%	8.1%	8.5%	7.5%
Mac	8.8%	9.5%	10.8%	10.9%	7.8%	9.2%	11.9%	14.0%	7.8%	8.6%	10.7%	12.1%	7.9%	8.5%	9.9%	10.9%
Services	12.9%	19.7%	21.3%	19.5%	13.8%	22.9%	22.0%	22.5%	14.1%	20.7%	22.6%	22.4%	15.9%	23.2%	25.0%	24.3%
Wearable, Home and accessories	8.7%	8.8%	10.3%	10.2%	10.9%	10.8%	10.8%	12.2%	11.6%	10.2%	11.9%	12.8%	13.7%	12.5%	13.8%	14.3%
F2017						F2022E										
F2017	F2018	F2019	F2020	F2021E	F2022E	F2017	F2018	F2019	F2020	F2021E	F2022E					
Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year					
\$229,234	\$265,595	\$260,174	\$274,515	\$340,536	\$358,858	\$229,234	\$265,595	\$260,174	\$274,515	\$340,536	\$358,858					
141,319	164,888	142,381	137,781	175,172	172,595	141,319	164,888	142,381	137,781	175,172	172,595					
25,850	25,198	25,740	28,622	32,654	33,039	25,850	25,198	25,740	28,622	32,654	33,039					
19,222	18,380	21,280	23,724	27,093	27,260	19,222	18,380	21,280	23,724	27,093	27,260					
29,980	39,748	46,291	53,768	65,935	77,152	29,980	39,748	46,291	53,768	65,935	77,152					
12,863	17,381	24,482	30,620	39,683	48,812	12,863	17,381	24,482	30,620	39,683	48,812					
6.3%	15.9%	-2.0%	5.5%	24.1%	5.4%	6.3%	15.9%	-2.0%	5.5%	24.1%	5.4%					
3.4%	16.7%	-13.6%	-3.2%	27.1%	-1.5%	3.4%	16.7%	-13.6%	-3.2%	27.1%	-1.5%					
-6.8%	-4.4%	15.8%	11.5%	14.2%	0.6%	-6.8%	-4.4%	15.8%	11.5%	14.2%	0.6%					
13.2%	-2.5%	2.2%	11.2%	14.1%	1.2%	13.2%	-2.5%	2.2%	11.2%	14.1%	1.2%					
23.1%	32.6%	16.5%	16.2%	22.6%	17.0%	23.1%	32.6%	16.5%	16.2%	22.6%	17.0%					
15.5%	35.1%	40.9%	25.1%	29.6%	23.0%	15.5%	35.1%	40.9%	25.1%	29.6%	23.0%					

Source: Company Data, Barclays Research

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Primary Stocks (Ticker, Date, Price)

Apple, Inc. (AAPL, 27-Jan-2021, USD 142.06), Equal Weight/Neutral, A/CD/CE/D/E/J/K/L/M/N

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IT Hardware and Communications Equipment

Apple, Inc. (AAPL)

Arista Networks, Inc. (ANET)

Casa Systems (CASA)

Ciena Corporation (CIEN)

Cisco Systems, Inc. (CSCO)

Corning Incorporated (GLW)

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IMPORTANT DISCLOSURES

Apple, Inc. (AAPL / AAPL)

USD 142.06 (27-Jan-2021)

Stock Rating

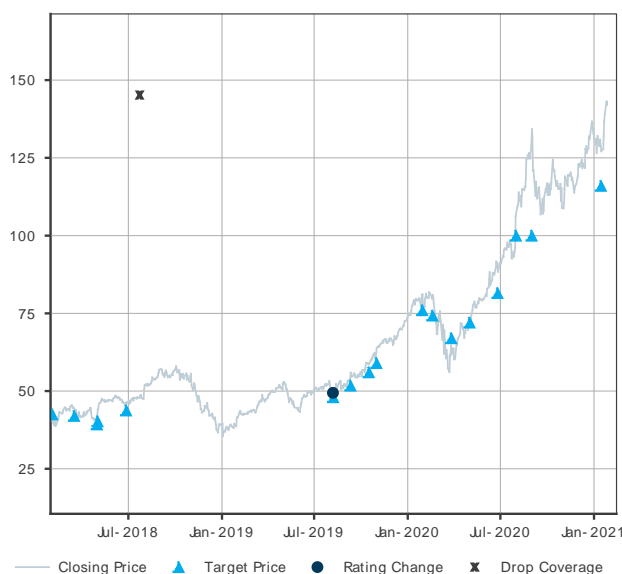
EQUAL WEIGHT

Industry View

NEUTRAL

Rating and Price Target Chart - USD (as of 27-Jan-2021)

Currency=USD



Publication Date	Closing Price	Rating	Adjusted Price Target
14-Jan-2021	128.91		116.00
31-Aug-2020	129.04		100.00
31-Jul-2020	106.26		100.00
25-Jun-2020	91.21		81.50
01-May-2020	72.27		72.00
26-Mar-2020	64.61		67.00
18-Feb-2020	79.75		74.25
29-Jan-2020	81.09		76.00
31-Oct-2019	62.19		59.00
16-Oct-2019	58.59		56.00
10-Sep-2019	54.18		51.75
07-Aug-2019	49.76	Equal Weight	48.00
17-Jul-2018	47.86	Coverage Dropped	
26-Jun-2018	46.11		43.75
01-May-2018	42.28		40.25
30-Apr-2018	41.32		39.25
16-Mar-2018	44.51		42.00
01-Feb-2018	41.95		42.50

On 27-Jan-2018, prior to any intra-day change that may have been published, the rating for this security was Equal Weight, and the adjusted price target was 43.50.

Source: Bloomberg, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

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Valuation Methodology: We rate AAPL Equal Weight with a price target of \$136. While many are excited about Services and Wearables, we remain cautious on high Street expectations for the 5G iPhone cycle. We believe EPS growth will come mostly from buybacks. Our \$136 PT is

based on a 30x P/E multiple on our CY21e EPS estimate of \$4.52.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: 1) iPhone growth. Apple market share peaked several years ago, and the company has not had a hit phone in a few years. 5G iPhones could help AAPL regain share after Huawei sanctions, but the hefty valuation already prices in a very successful iPhone 5G cycle, leading to more downside than upside risks.

2) Installed base impact on Services. Services have been a great growth business, but if the installed base grows more slowly or starts to shrink the segment could be materially affected.

3) Valuation. AAPL is trading at all time high multiples despite little operating income growth, falling gross and operating margins, and share losses in the core business.

4) Regulation. We expect to see increasing regulatory scrutiny on AAPL's practices in its App Store. Increasing regulation could lead to a change in its business model, or lower cut from app developers.

Other Material Conflicts: One of the Research Analysts on the fundamental equity coverage team (and/or a member of his or her household) has a long position in Vanguard Information Technology Index Fund (NYSEARCA:VGT) which primary holding is in Apple Inc. (NASDAQ: AAPL).

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