

Apple Inc.

HOLD (AAPL, \$97.67, \$98 PT)

APPLE EARNINGS PREVIEW: FOCUS ON SELLING PRICE, MARGINS, IPADS, AND EXPECTATIONS.

Haiku: It is possible, the iPhone upgrade cycle, starts to lengthen out.

Shares of Apple reached a lifetime high of \$103.30 on September 2, 2014, and have since declined modestly by 5.3%, in line with the S&P500 index which shrank by 5.7% over the same period when factoring dividends. Looking at Apple's share performance chart over the last two years, we mention that the other time that Apple has traded above the \$100 mark was in September 2012. This raises the question, is the company poised to break out to new life time highs, or could shares be negatively impacted by overheated expectations and a slowing market for iPads?

While we remain concerned on the iPhone's shrinking market share, which was just 11.7% worldwide in the June quarter according to IDC (Android was 84.7%), we are positive on the burgeoning service layer that the company is growing. This includes Apple Pay, iBeacons, and improvements to iAds in iOS8 that allows for retargeting consumers. While we still see iAd as a faltering business, the potential when connected with iBeacons and Apple Pay is impressive. We would like to see the company build a robust subscription streaming music (Beats) and video offering to complement its other products.

iPhone: We expect the company reverses the rather steep recent decline in average selling price given the product refresh and the addition of the premium priced iPhone 6+ to the product mix. We estimate 38.5M units sold at an ASP of \$600 representing 56.7% of revenue. Unit volumes are growth of 13.9% YoY and 9.4% sequentially. While the iPhone is an impressive revenue and profit driver for the company, unit volume growth remains materially below the broader market which posted growth of 25.3% in the June quarter according to IDC. Our HOLD rating is driven in part by concern that the upgrade cycle for premium smartphones may elongate as the current iPhone provides the core needs for most users (fast connection speeds, biometric identification, larger screens). Faster and thinner may prove to be a less compelling reason to upgrade going forward. In our view, we are already seeing an elongation in the iPad refresh cycle. We expect the upgrade cycle for phones could also be stretched out by carrier reluctance to continue to subsidize handsets. We are currently modeling 59.5 million iPhones in the December quarter with an ASP of \$655. This represents unit growth of 17% above the prior record for the company. Apple remains particularly vulnerable to posting record smashing results but having the outcome viewed as a disappointment due to overheated expectations.

iWatch. We are adding in the Watch to our FY2015 estimates, with 18 million units at an ASP of \$500. Given the watch is not available for sale, we expect this estimate could have a wide variance.

Our estimate of revenue for September quarter at \$40.8B is growth of 8.8% YoY and 8.9% sequentially. Our revenue estimate is above the consensus revenue of \$39.8B. Our EPS estimate of \$1.37 compares to \$1.18 in the prior year and \$1.28 in the prior quarter, and is above consensus earnings estimates of \$1.30.

iPad: We estimate 12.1M units sold at an ASP of \$440 for 13.1% of total revenue. Unit volumes are decline of 14.1% YoY and decline of 8.9% sequentially. **iPod:** We are modeling 2.7M units at an ASP of \$160. **Macintosh:** We expect 4.7M units sold in the quarter at as ASP of \$1300 for 15% of revenue. Gross margin estimate is 38.1% **Company guidance** for the fiscal 2014 fourth quarter is \$37-\$40B in revenue, gross margin of 37-38%, tax rate to be 26.1%.

Balance Sheet: AAPL has \$164.5B in cash (\$27.18 / share) and \$29B long-term debt as of June 28, 2014. We increase our FY14 and FY15 estimates.

PRICE PERFORMANCE CHART



Source: finance.yahoo.com

Company Data

Price (\$)	97.67
52-Week Range (\$)	70.51 – 103.74
Mkt Cap (\$ B)	576.39
Price Target (\$)	98
Diluted Shares Out (M)	6,051.7
Avg. daily vol. (3mo)	57,673,600

Colin W. Gillis

Technology Analyst / Director
cgillis@bgcpartners.com
646.346.7052 cell: 917.921.8616
BGC Financial L.P.

Apple Inc.

	2013A	2014E	2015E
EPS Reported (\$)			
Q1 (Dec)	1.97	2.07	2.35
Q2 (Mar)	1.44	1.66	1.85
Q3 (Jun)	1.07	1.28	1.44
Q4 (Sep)	1.18	1.37	1.59
FY (Fiscal Sep)	5.68	6.38	7.23
Bloomberg EPS FY (\$)	5.68	6.33	7.28

	2013A	2014E	2015E
Revenue Reported (\$M)			
Q1 (Dec)	54,512	57,594	63,181
Q2 (Mar)	43,603	45,646	50,713
Q3 (Jun)	35,323	37,432	42,410
Q4 (Sep)	37,472	40,770	45,050
FY (Fiscal Sep)	170,910	1,81,442	2,01,354
Bloomberg Revenue FY (\$)	170,910	1.80,394	2,02,474

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 our price target of \$98 on shares of Apple Inc.

Stock Split

Apple implemented its 7-for-1 stock split recently, to make the stock more accessible to a large number of investors and to reset the market's expectations of where the stock should be trading.

Capital Return Program

- 1) Apple expanded its capital return program to over \$130B by the end of calendar 2015.
- 2) Share repurchase authorization increased to \$90B from \$60B.
- 3) Apple expects to use \$1B per year to net-share-settle vesting restricted stock units.
- 4) Quarterly dividend increased by 8% (\$3.29 per common share). Apple pays \$11B annually in dividends.
- 5) Apple spent \$66B (August 2012 to March 2014) as part of its capital return program.

Estimates and Valuation

We mildly increase our FY2014 estimates to:

\$6.38 eps and \$181.4B in net revenue

From

\$6.36 EPS and \$180.6B in net revenue

Our estimates represent YoY revenue growth of 6.2%. This compares to consensus revenue of \$180.4B. Our earnings estimate is \$6.38, which compares to \$5.68 in the prior year, growth of 12.3%. Consensus EPS is \$6.33.

Colin W. Gillis

Technology Analyst / Director
cgillis@bgcpartners.com
646.346.7052 cell: 917.921.8616
BGC Financial L.P.

We increase our FY2015 estimates to:

\$7.23 ESP and \$201.4B in net revenue

From

\$6.71 EPS and \$193.3B in net revenue

Our estimates represent YoY revenue growth of 11.0%. This compares to consensus revenue of \$202.5B. Our earnings estimate is \$7.23, which compares to \$6.33 in the prior year, growth of 13.3%. Consensus EPS is \$7.28.

The company operates on a fiscal September year.

Based on our \$6.38 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.

Short Interest

Settlement Date	Short Interest	Average Daily Share Volume	Days to Cover
9/30/2014	97,534,380	61,812,753	1.58
9/15/2014	138,266,760	84,842,699	1.63
8/29/2014	96,046,863	48,648,732	1.97
8/15/2014	95,116,846	41,052,838	2.32
7/31/2014	103,492,685	52,221,094	1.98
7/15/2014	103,680,863	41,090,329	2.52
6/30/2014	112,228,389	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

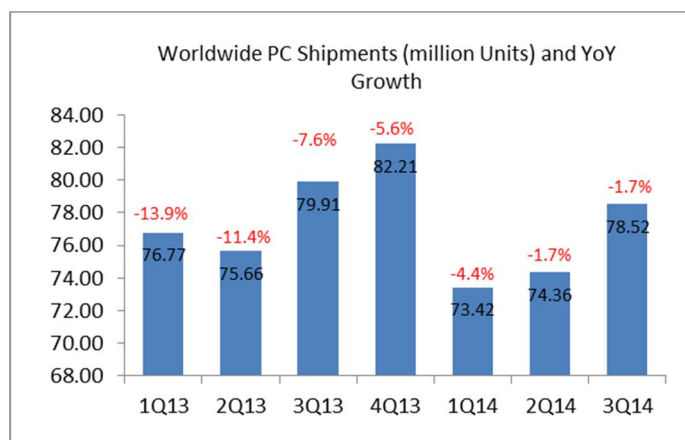
Source: www.nasdaqtrader.com

Share Performance during Earnings

Apple Inc. (AAPL)	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14	Q3/14
Date of Earnings Release	23-Jan-13	23-Apr-13	23-Jul-13	28-Oct-13	27-Jan-14	23-Apr-14	22-Jul-14
Stock Price on Date of Earning Release	73.43	58.02	59.86	75.70	78.64	74.96	94.72
Stock Price a Day after Earning Release	64.36	57.92	62.93	73.81	72.36	81.11	97.19
% Change	-12.4%	-0.2%	5.1%	-2.5%	-8.0%	8.2%	2.6%

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						
Third Quarter 2014 (Preliminary) Unit Shipments are in thousands						
Rank	Vendor	3Q14 Shipments	3Q14 Market Share	3Q13 Shipments	3Q13 Market Share	3Q14/3Q13 Growth
1	Lenovo	15,707	20.0%	14,130	17.7%	11.2%
2	HP	14,729	18.8%	14,016	17.5%	5.1%
3	Dell	10,442	13.3%	9,517	11.9%	9.7%
4	Acer Group	6,632	8.4%	5,952	7.4%	11.4%
5	Apple	4,982	6.3%	4,577	5.7%	8.9%
	Others	26,026	33.1%	31,714	39.7%	-17.9%
	Total	78,519	100.0%	79,905	100.0%	-1.7%

Source: IDC Worldwide Quarterly PC Tracker, BGC Financial

Top 5 Vendors, Worldwide Tablet Shipments

Second Quarter 2014 (Preliminary, Unit Shipments are in millions)

Rank	Vendor	2Q14 Shipments	2Q14 Market Share	2Q13 Shipments	2Q13 Market Share	2Q14/2Q13 Growth
1	Apple	13.3	26.9%	14.6	33.0%	-9.3%
2	Samsung	8.5	17.2%	8.4	18.8%	1.6%
3	Lenovo	2.4	4.9%	1.5	3.3%	64.7%
4	ASUS	2.3	4.6%	2.0	4.5%	13.1%
5	Acer Group	1.0	2.0%	1.5	3.4%	-36.3%
	Others	21.9	44.4%	16.4	37.0%	33.4%
	Total	49.3	100.0%	44.4	100.0%	11.0%

Source: IDC

Smartphone

Top 5 Vendors, Worldwide Smartphone Shipments

Second Quarter 2014 (Preliminary, Unit Shipments are in millions)

Rank	Vendor	2Q14 Shipments	2Q14 Market Share	2Q13 Shipments	2Q13 Market Share	2Q14/2Q13 Growth
1	Samsung	74.3	25.2%	77.3	32.3%	-3.9%
2	Apple	35.1	11.9%	31.2	13.0%	12.4%
3	Huawei	20.3	6.9%	10.4	4.3%	95.1%
4	Lenovo	15.8	5.4%	11.4	4.7%	38.7%
5	LG	14.5	4.9%	12.1	5.0%	19.8%
	Others	135.3	45.8%	97.5	40.6%	38.7%
	Total	295.3	100.0%	240.0	100.0%	23.1%

Source: IDC

Smartphone Operating System

Top 5 Smartphone Operating System, Worldwide Shipments and Market Share

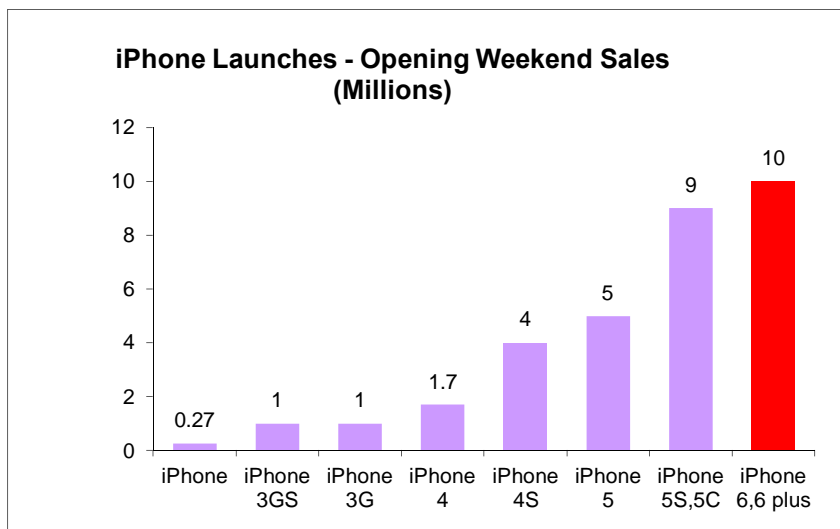
Second Quarter 2014 (Units in millions)

Rank	Operating System	2Q14 Shipment Volume	2Q14 Market Share	2Q13 Shipment Volume	2Q13 Market Share	2Q14/2Q13 Growth
1	Android	255.3	84.7%	191.5	79.6%	33.3%
2	iOS	35.2	11.7%	31.2	13.0%	12.7%
3	Windows Phone	7.4	2.5%	8.2	3.4%	-9.4%
4	BlackBerry	1.5	0.5%	6.7	2.8%	-78.0%
5	Others	1.9	0.6%	2.9	1.2%	-32.2%
	Total	301.3	100.0%	240.5	100.0%	25.3%

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.
- 2014: **iPhone 6 and iPhone 6 plus** released. Over **10M** units sold in the first 3 days

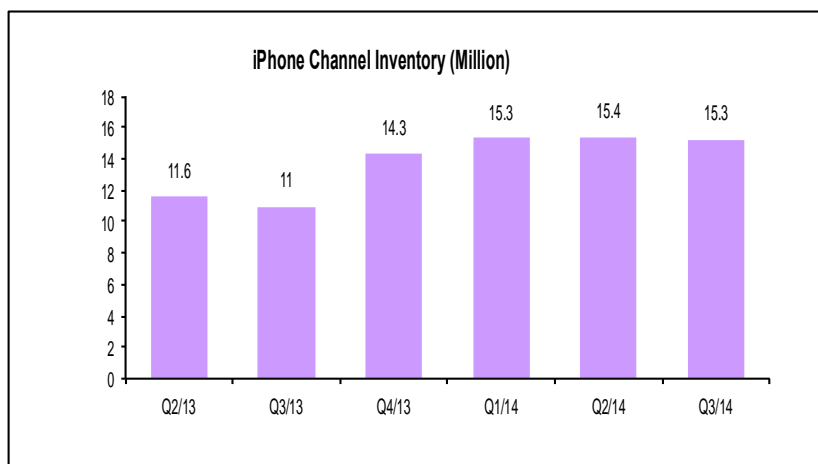


Source: Company Documents and BGC Financial.

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

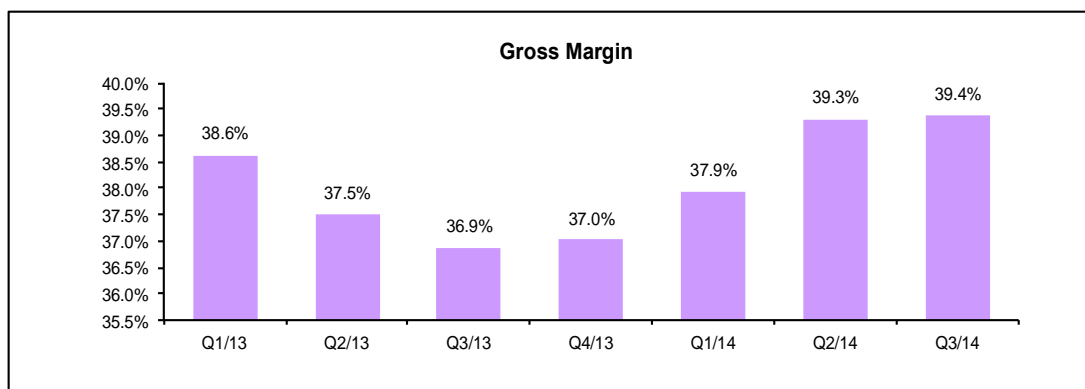
Source: Company Documents and BGC Financial.

iPhone Channel Inventory

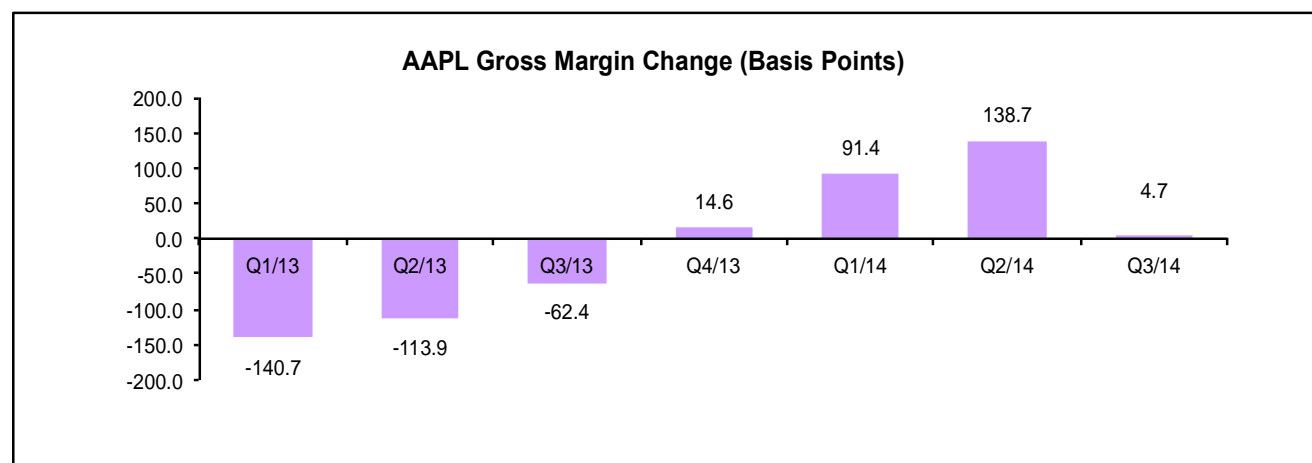


Source: Company Documents and BGC Financial.

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	Q1 (2014)	Q2 (2014)	Q3 (2014)	Q4 (2014)E	Q1 (2015)E	Q2 (2015)E	Q3 (2015)E	Q4 (2015)E
Revenue	57,594	45,646	37,432	40,770	63,181	50,713	42,410	45,050
Y/Y Growth Rate	6%	5%	6%	9%	10%	11%	13%	11%
Q/Q Growth Rate	54%	-21%	-18%	9%	55%	-20%	-16%	6%
Americas	20,098	14,310	14,577	15,492	23,377	18,764	15,692	16,669
As % of Revenues	35%	31%	39%	38%	37%	37%	37%	37%
Y/Y Growth Rate	-1%	2%	1%	11%	16%	31%	8%	8%
Q/Q Growth Rate	44%	-29%	2%	6%	51%	-20%	-16%	6%
Europe	13,073	10,230	8,091	8,969	13,268	11,157	9,330	9,911
As % of Revenues	23%	22%	22%	22%	21%	22%	22%	22%
Y/Y Growth Rate	5%	4%	6%	12%	1%	9%	15%	11%
Q/Q Growth Rate	63%	-22%	-21%	11%	48%	-16%	-16%	6%
Greater China	8,844	9,289	5,935	6,523	10,741	8,114	6,786	7,208
As % of Revenues	15%	20%	16%	16%	17%	16%	16%	16%
Y/Y Growth Rate	29%	13%	28%	14%	21%	-13%	14%	11%
Q/Q Growth Rate	54%	5%	-36%	10%	65%	-24%	-16%	6%
Japan	4,948	3,963	2,564	2,854	5,054	4,057	3,393	3,604
As % of Revenues	9%	9%	7%	7%	8%	8%	8%	8%
Y/Y Growth Rate	11%	26%	1%	-15%	2%	2%	32%	26%
Q/Q Growth Rate	48%	-20%	-35%	11%	77%	-20%	-16%	6%
Asia Pacific	3,633	2,627	2,161	2,038	3,159	2,536	2,121	2,253
As % of Revenues	6%	6%	6%	5%	5%	5%	5%	5%
Y/Y Growth Rate	-9%	-17%	6%	3%	-13%	-3%	-2%	11%
Q/Q Growth Rate	83%	-28%	-18%	-6%	55%	-20%	-16%	6%
Retail	6,998	5,227	4,104	4,892	7,582	6,086	5,089	5,406
As % of Revenues	12%	11%	11%	12%	12%	12%	12%	12%
Y/Y Growth Rate	9%	0%	1%	9%	8%	16%	24%	11%
Q/Q Growth Rate	56%	-25%	-21%	19%	55%	-20%	-16%	6%

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

Cost	Q1 (2014)	Q2 (2014)	Q3 (2014)	Q4 (2014)E	Q1 (2015)E	Q2 (2015)E	Q3 (2015)E	Q4 (2015)E
Cost of Revenues	35,748	27,699	22,697	25,236	39,362	31,645	26,646	28,134
As % of Revenues	62%	61%	61%	62%	62%	62%	63%	62%
Research and development	1,330	1,422	1,603	1,712	1,832	1,521	1,527	1,487
As % of Revenues	2%	3%	4%	4%	3%	3%	4%	3%
Selling, general and	3,053	2,932	2,850	3,017	3,349	3,043	3,096	3,199
As % of Revenues	5%	6%	8%	7%	5%	6%	7%	7%

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

Profitability	Q1 (2014)	Q2 (2014)	Q3 (2014)	Q4 (2014)E	Q1 (2015)E	Q2 (2015)E	Q3 (2015)E	Q4 (2015)E
Income from operations	17,463	13,593	10,282	10,804	18,638	14,504	11,141	12,231
As % of Revenues	30%	30%	27%	27%	30%	29%	26%	27%
Net Income	13,072	10,223	7,748	8,169	13,940	10,888	8,407	9,211
As % of Revenues	23%	22%	21%	20%	22%	21%	20%	20%
EPS (Diluted)	\$2.07	\$1.66	\$1.28	\$1.37	\$2.35	\$1.85	\$1.44	\$1.59
Number of Shares (Diluted)	6310	6157	6052	5982	5932	5887	5849	5799
Operating Cash Flow	\$22,670	\$13,538	\$10,255					

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

Products Summary (Revenue)	Q1 (2014)	Q2 (2014)	Q3 (2014)	Q4 (2014)E	Q1 (2015)E	Q2 (2015)E	Q3 (2015)E	Q4 (2015)E
iPhone	32,498	26,064	19,751	23,100	38,973	27,625	21,105	23,940
iPad	11,468	7,610	5,889	5,324	9,900	7,052	6,235	5,525
Mac	6,395	5,519	5,540	6,110	6,240	5,850	5,850	6,240
WATCH	0	0	0	0	0	4,000	2,500	2,500
iPod	973	461	442	432	960	368	368	32
iTunes/Software/Services	4,397	4,573	4,485	4,404	5,308	4,218	4,752	5,213
Accessories	1,863	1,419	1,325	1,400	1,800	1,600	1,600	1,600
Consolidated	57,594	45,646	37,432	40,770	63,181	50,713	42,410	45,050

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

Products Summary (Units)	Q1 (2014)	Q2 (2014)	Q3 (2014)	Q4 (2014)E	Q1 (2015)E	Q2 (2015)E	Q3 (2015)E	Q4 (2015)E
iPhone	51,025	43,719	35,203	38,500	59,500	42,500	33,500	38,000
iPad	26,035	16,350	13,276	12,100	22,500	16,400	14,500	13,000
Mac	4,837	4,136	4,413	4,700	4,800	4,500	4,500	4,800
Watch	0	0	0	0	0	8,000	5,000	5,000
iPod	6,049	2,761	2,926	2,700	6,000	2,300	2,300	200

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

Colin W. Gillis

Technology Analyst / Director
cgillis@bgcpartners.com
646.346.7052 cell: 917.921.8616
BGC Financial L.P.

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.

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

Disclosures Appendix

Analyst Certification

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BGC Financial LP's rating system

BUY: We have a positive 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 add to their position.

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.

Colin W. Gillis

Technology Analyst / Director
cgillis@bgcpartners.com
646.346.7052 cell: 917.921.8616
BGC Financial L.P.

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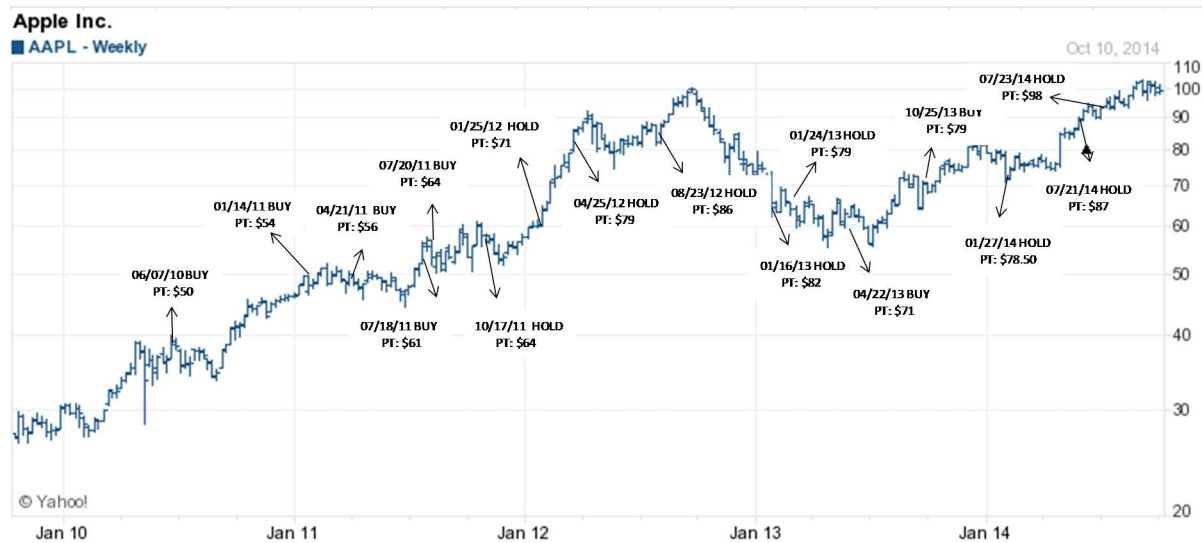
Disclosures Appendix

Distribution of Ratings/Investment Banking Services (IB) as of 10/17/14 BGC

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [B]	17	41%	0	0
HOLD [H]	22	52%	0	0
SELL [S]	3	7%	0	0

Price Target and Ratings Changes

Source: BGC Financial and Bloomberg



*Price have been adjusted for 7:1 stock split

Apple Inc. (AAPL) Income Statement (Data in \$US millions, except per share)																<table><tr><td>Cash&eqv.</td><td>\$164,490</td></tr><tr><td>Cash / share</td><td>\$27.18</td></tr><tr><td>LT Debt</td><td>\$29,030</td></tr><tr><td>As of: Jun 28, 2014</td><td></td></tr></table>				Cash&eqv.	\$164,490	Cash / share	\$27.18	LT Debt	\$29,030	As of: Jun 28, 2014	
Cash&eqv.	\$164,490																										
Cash / share	\$27.18																										
LT Debt	\$29,030																										
As of: Jun 28, 2014																											
2013 by Quarter				2014 by Quarter				2015 by Quarter				2016 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-2014	Q1/15E Dec-2014	Q2/15E Mar-2015	Q3/15E Jun-2015	Q4/15E Sep-2015	Q1/16E Dec-2015	Q2/16E Mar-2016	Q3/16E Jun-2016	Q4/16E Sep-2016	2013	2014E	2015E	2016E								
Revenues	54,512.0	43,603.0	35,323.0	37,472.0	57,594.0	45,646.0	40,769.5	63,180.6	50,712.7	42,410.5	45,050.3	68,108.7	54,736.8	46,821.1	49,059.8	1,70,910.0	1,81,441.5	2,01,354.1	2,18,726.4								
Cost of Sales	33,452.0	27,254.0	22,299.0	23,601.0	35,748.0	27,699.0	22,697.0	25,236.3	39,361.5	31,644.7	26,646.5	28,133.9	42,336.4	34,139.3	29,029.1	30,564.3	1,06,606.0	1,11,380.3	1,25,786.7	1,36,069.1							
Gross Profit	21,060.0	16,349.0	13,024.0	13,871.0	21,846.0	17,947.0	14,735.0	15,533.2	23,819.1	19,068.0	15,764.0	16,916.4	25,772.3	20,597.4	17,792.0	18,495.6	64,304.0	70,061.2	75,567.4	82,657.4							
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	1,712.3	1,832.2	1,521.4	1,526.8	1,486.7	1,975.2	1,642.1	1,685.6	1,619.0	4,475.0	6,067.3	6,367.1	6,921.8							
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	3,016.9	3,348.6	3,042.8	3,096.0	3,198.6	3,541.7	3,338.9	3,324.3	3,532.3	10,830.0	11,851.9	12,685.9	13,737.2							
Total operating expenses	3,850.0	3,791.0	3,823.0	3,841.0	4,383.0	4,354.0	4,453.0	4,729.3	5,180.8	4,564.1	4,622.7	4,685.2	5,516.8	4,981.0	5,009.9	5,151.3	15,305.0	17,919.3	19,052.9	20,659.0							
Income from operations	17,210.0	12,558.0	9,201.0	10,030.0	17,463.0	13,593.0	10,282.0	10,803.9	18,638.3	14,503.8	11,141.2	12,231.2	20,255.5	15,616.4	12,782.2	13,344.3	48,999.0	52,141.9	56,514.5	61,998.4							
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	250.0	250.0	250.0	250.0	1,156.0	923.0	1,000.0	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	11,053.9	18,888.3	14,753.8	11,391.2	12,481.2	20,505.5	15,866.4	13,032.2	13,594.3	50,155.0	53,064.9	57,514.5	62,998.4							
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	2,885.1	4,948.7	3,865.5	2,984.5	3,270.1	5,372.4	4,157.0	3,414.4	3,561.7	13,118.0	13,853.1	15,068.8	16,505.6							
Net income	13,078.0	9,547.0	6,900.0	7,512.0	13,072.0	10,223.0	7,748.0	8,168.9	13,939.6	10,888.3	8,406.7	9,211.1	15,133.1	11,709.4	9,617.7	10,032.6	37,037.0	39,211.9	42,445.7	46,492.8							
EPS- diluted	\$1.97	\$1.44	\$1.07	\$1.18	\$2.07	\$1.66	\$1.28	\$1.37	\$2.35	\$1.85	\$1.44	\$1.59	\$2.63	\$2.05	\$1.70	\$1.77	\$5.68	\$6.38	\$7.23	\$8.14							
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	5,981.7	5,931.7	5,886.7	5,848.7	5,798.7	5,753.7	5,719.7	5,669.7	5,664.7	6,521.6	6,148.0	5,874.4	5,708.3							
Margins on Revenue																											
Gross Margin	38.6%	37.5%	36.9%	37.0%	37.9%	39.3%	39.4%	38.1%	37.7%	37.6%	37.2%	37.6%	37.8%	37.6%	38.0%	37.7%	37.6%	38.6%	37.5%	37.8%							
Cost of Revenue	61.4%	62.5%	63.1%	63.0%	62.1%	60.7%	60.6%	61.9%	62.3%	62.4%	62.8%	62.5%	62.2%	62.4%	62.0%	62.3%	62.4%	61.4%	62.5%	62.2%							
Research and development	1.9%	2.6%	3.3%	3.1%	2.3%	3.1%	4.3%	4.2%	2.9%	3.0%	3.6%	3.3%	2.9%	3.0%	3.6%	3.3%	2.6%	3.3%	3.2%	3.2%							
Selling, general and administrative	5.2%	6.1%	7.5%	7.1%	5.3%	6.4%	7.6%	7.4%	5.3%	6.0%	7.3%	7.1%	5.2%	6.1%	7.1%	7.2%	6.3%	6.5%	6.3%	6.3%							
EBITDA	35.5%	34.0%	32.5%	33.0%	35.2%	35.4%	34.6%	33.0%	33.7%	33.8%	32.5%	33.0%	33.6%	33.4%	33.0%	32.6%	33.9%	34.7%	33.3%	33.2%							
Operating Margin	31.6%	28.8%	26.0%	26.8%	30.3%	29.8%	27.5%	26.5%	29.5%	28.6%	26.3%	27.2%	29.7%	28.5%	27.3%	27.2%	28.7%	28.7%	28.1%	28.3%							
Pretax Income	32.4%	29.8%	26.7%	27.1%	30.7%	30.3%	28.0%	27.1%	29.9%	29.1%	26.9%	27.7%	30.1%	29.0%	27.8%	27.7%	29.3%	29.2%	28.6%	28.8%							
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%	26.2%	26.2%	26.2%	26.2%	26.2%	26.1%	26.2%	26.2%							
Net Income	24.0%	21.9%	19.5%	20.0%	22.7%	22.4%	20.7%	20.0%	22.1%	21.5%	19.8%	20.4%	22.2%	21.4%	20.5%	20.4%	21.7%	21.6%	21.1%	21.3%							
% Changes Q/Q																											
Total Revenues	51.6%	-20.0%	-19.0%	6.1%	53.7%	-20.7%	-18.0%	8.9%	55.0%	-19.7%	-16.4%	6.2%	51.2%	-19.6%	-14.5%	4.8%	na	na	na	na							
% Changes Year/Year																											
Total Revenues	17.7%	11.3%	0.9%	4.2%	5.7%	4.7%	6.0%	8.8%	9.7%	11.1%	13.3%	10.5%	7.8%	7.9%	10.4%	8.9%	9.2%	6.2%	11.0%	8.6%							
EBITDA	4.7%	-10.4%	-10.8%	0.0%	4.9%	9.1%	12.9%	10.0%	4.9%	6.1%	6.5%	10.6%	7.6%	6.5%	11.9%	7.5%	-3.7%	8.4%	6.8%	8.2%							
Operating Income	-0.7%	-18.4%	-20.5%	-8.4%	1.5%	8.2%	11.7%	7.7%	6.7%	6.7%	8.4%	13.2%	8.7%	7.7%	14.7%	9.1%	-11.3%	6.4%	8.4%	9.7%							
Pretax Income	1.1%	-16.9%	-20.5%	-6.9%	0.2%	7.1%	11.1%	9.0%	6.7%	6.8%	8.7%	12.9%	8.6%	7.5%	14.4%	8.9%	-10.1%	5.8%	8.4%	9.5%							
Net Income	0.1%	-17.9%	-21.8%	-8.6%	0.0%	7.1%	12.3%	8.7%	6.6%	6.5%	8.5%	12.8%	8.6%	7.5%	14.4%	8.9%	-11.3%	5.9%	8.2%	9.5%							
EBITDA	19,343.0	14,825.0	11,473.0	12,368.0	20,288.0	16,176.0	12,952.0	13,453.9	21,288.3	17,153.8	13,791.2	14,881.2	22,905.5	18,266.4	15,432.2	15,994.3	58,009.0	62,869.9	67,114.5	72,598.4							
October 16, 2014																											
Source: Company reports and BGC Financial																											

Source: Company Documents and BGC Financial

Colin W. Gillis

Technology Analyst / Director
cgillis@bgcpartners.com
646.346.7052 cell: 917.921.8616
BGC Financial L.P.

Source: Company Documents and BGC Financial

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	11261	9,815	10,746	14,259
Short-term investments	23,666	27,084	31,358	26,287	26,634	22,401	24,828	14359	16,137	18,383	26,287
Accounts receivable	11,598	7,084	8,839	13,102	14,200	9,700	10,788	5510	5,369	10,930	13,102
Inventories	1455	1245	1697	1,764	2,122	1,829	1,594	1051	776	791	1,764
Deferred tax assets	2,895	3,242	3,193	3,453	3,742	4,014	3,884	1636	2,014	2,583	3,453
Vendor non-trade receivables	9,936	6,252	4,614	7,539	10,998	6,120	6,053	4414	6,348	7,762	7,539
Other current assets	6,644	6,377	7,270	6,882	8,574	7,528	7,825	3447	4,529	6,458	6,882
Total current assets	72348	63337	68219	73286	80347	70541	67949	41678	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	25391	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	4768	7,777	15,452	16,597
Goodwill	1381	1400	1522	1,577	2,022	2,055	2,374	741	896	1,135	1,577
Acquired intangible assets, net	4462	4136	4353	4,179	4,105	3,928	3,767	342	3,536	4,224	4,179
Other assets	5,183	5,294	5,421	5,146	5,091	5,106	4,160	2263	3,556	5,478	5,146
Total assets	196088	194743	199856	207000	225184	2,05,989	2,22,520	75183	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	12015	14,632	21,175	22,367
Accrued expenses	13,207	13,331	13,470	13,856	15,824	15,984	15,264	5723	9,247	11,414	13,856
Deferred revenue	7,274	7,265	7,333	7,435	8,357	8,310	8,396	2984	4,091	5,953	7,435
Commercial paper	0	0	0	0	0	0	2,010	0	0	0	0
Total current liabilities	46879	35,508	36,319	43,658	53,769	43,208	46,205	20722	27,970	38,542	43,658
Deferred revenue - non current	2,938	2,877	2,672	2,625	3,071	3,164	3,058	1139	1,686	2,648	2,625
Non-current liabilities	18,925	20,868	20,553	20,208	16,961	16,962	23,287	5531	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	68742	59,253	76,502	83,451	95,500	85,810	1,01,580	27392	39,756	57,854	83,451
Stockholders' equity:											
Common stock	17,167	17,954	19,024	19,764	20,559	21,496	22,139	10668	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	37169	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	47791	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	75183	1,16,371	1,76,064	2,07,000

Source: Company Documents and BGC Financial