



May 03, 2023



Quote or Search

## Apple Inc. (AAPL)

**\$168.54** (As of 05/02/23)

 Price Target (6-12 Months): **\$178.00**

Long Term: 6-12 Months

**Zacks Recommendation:****Neutral**

(Since: 04/22/22)

Prior Recommendation: Outperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)**3-Hold**

Zacks Style Scores:

VGM: C

Value: D

Growth: A

Momentum: F

## Summary

Apple shares have been performing better than the industry year to date. It expects the March quarter's year-over-year revenue growth to be similar to that of the December quarter due to unfavorable forex. For iPhone, Apple expects the March quarter's year-over-year revenue growth to accelerate relative to the December quarter's year-over-year revenue growth. For Mac and iPad, revenues are expected to decline in double digits on a year-over-year basis due to challenging comparison and macroeconomic headwinds. Services revenue growth is expected to be negatively impacted by challenging macroeconomic conditions, as well as weakness in digital advertising and gaming. However, revenues are expected to grow year over year. Growing services subscriber base and a strong liquidity position are key catalysts for Apple's prospects.

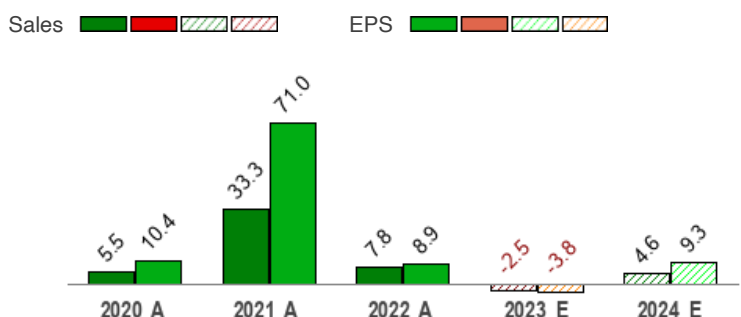
## Price, Consensus & Surprise



## Data Overview

52 Week High-Low	\$176.15 - \$124.17
20 Day Average Volume (sh)	48,371,028
Market Cap	\$2,666.6 B
YTD Price Change	29.7%
Beta	1.29
Dividend / Div Yld	\$0.92 / 0.5%
Industry	<a href="#">Computer - Mini computers</a>
Zacks Industry Rank	Top 26% (66 out of 250)

## Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-2.6%
Last Sales Surprise	-3.3%
EPS F1 Est- 4 week change	-0.5%
Expected Report Date	05/04/2023
Earnings ESP	-0.3%

## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2024	121,982 E	94,274 E	87,409 E	98,252 E	401,917 E
2023	117,154 A	91,911 E	82,932 E	92,379 E	384,376 E
2022	123,945 A	97,278 A	82,959 A	90,146 A	394,328 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2024	1.86 E	1.48 E	1.46 E	1.63 E	6.43 E

P/E TTM	28.6
P/E F1	28.7
PEG F1	2.3

		Q1	Q2	Q3	Q4	Annual*	
P/S TTM	6.9	2023	1.88 A	1.39 E	1.20 E	1.40 E	5.88 E
		2022	2.10 A	1.52 A	1.20 A	1.29 A	6.11 A

\*Quarterly figures may not add up to annual.

The data in the charts and tables, except sales and EPS estimates, is as of 05/02/2023. The report's text, and the analyst-provided sales estimates, EPS estimates and price target are as of 05/02/2023.

## Overview

Apple's business primarily runs around its flagship iPhone. However, the Services portfolio that includes revenues from cloud services, App store, Apple Music, AppleCare, Apple Pay, and licensing and other services now became the cash cow.

Moreover, non-iPhone devices like Apple Watch and AirPods gained significant traction. In fact, Apple dominates the Wearables and Hearables markets due to the growing adoption of Watch and AirPods. Solid uptake of Apple Watch also helped Apple strengthen its presence in the personal health monitoring space.

Headquartered in Cupertino, CA, Apple also designs, manufactures and sells iPad, MacBook and HomePod. These devices are powered by software applications including iOS, macOS, watchOS and tvOS operating systems.

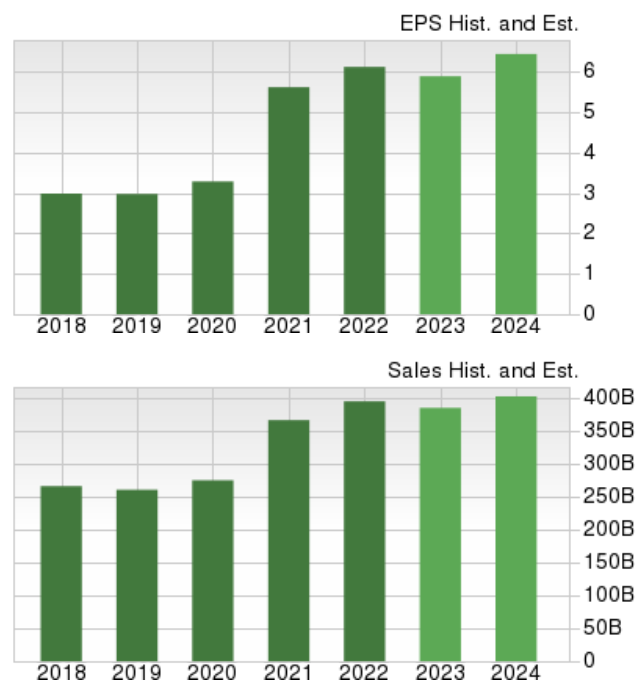
Apple's other services include subscription-based Apple News+, Apple Card, Apple Arcade, new Apple TV app, Apple TV channels and Apple TV+, a new subscription service.

In fiscal 2022, Apple generated \$394.33 billion in total revenues. The company's flagship device iPhone accounted for 52.1% of total revenues. Services, Mac and iPad category contributed 19.8%, 10.2% and 7.4%, respectively. Wearables, Home and Accessories products category contributed 10.5%.

Apple primarily reports revenues on a geographic basis, namely the Americas (North & South America), Europe (European countries, India, Middle East and Africa), Greater China (China, Hong Kong & Taiwan), Japan and Rest of Asia Pacific (Australia & other Asian Countries).

In fiscal 2022, Americas, Europe, Greater China, Japan and Rest of Asia-Pacific accounted for 43%, 24.1%, 18.8%, 6.6% and 7.4% of total revenues, respectively.

Apple faces stiff competition from the likes of Samsung, Xiaomi, Oppo, Vivo, Google, Huawei and Motorola in the smartphone market. Lenovo, HP, Dell, Acer and Asus are its primary competitors in the PC market. Other notable competitors are Google & Amazon (smart speakers) and Fitbit & Xiaomi (wearables).





### Reasons To Buy:

Apple's Services and Wearables businesses are expected to drive top-line growth in fiscal 2023 and beyond. Although Apple's business primarily runs around its flagship iPhone, the Services portfolio has emerged as the company's new cash cow. Apple's endeavors to open up its ecosystem, through partnerships with the likes of Samsung and Amazon, are positive for the Services segment. The subscription-based video streaming, news and gaming services are expected to benefit from Apple's strong installed base. Robust App Store sales coupled with solid adoption of Apple Pay and Apple Music helped Moreover, its wearables and hearables business are expected to be driven by solid demand for Apple Watch and AirPods.

Apple is benefiting from momentum in the Services business, strong adoption of Apple Pay and growing Wearables business.

Apple currently has more than 935 million paid subscribers across its Services portfolio. The App Store continues to draw the attention of prominent developers from around the world, helping the company offer appealing new apps that drive App Store traffic. Further, growing number of AI-infused apps will attract more subscribers on App Store. Notably, more than 30,000 third-party subscription apps are available on App Store and the largest of them accounts for only 0.25% of Apple's total Services revenues.

Apple Pay, designed on the basis of a contactless payment (NFC) technology, has been expanded to several markets. Apple Pay allowed entry to more than 150 stadiums, ballparks, arenas and entertainment venues around the world with contactless tickets. Moreover, users could ride public transport in Shanghai, Beijing, Tokyo, Moscow, London and New York. Users can also access dorms and services of additional universities across the United States through Apple Watch and iPhone. The growing adoption of contactless payment primarily due to coronavirus pandemic bodes well for Apple Pay.

Apple's focus on autonomous vehicles and augmented reality/virtual reality (AR/VR) technologies presents growth opportunity in the long haul. These are fast emerging as lucrative business opportunities. To ramp up its efforts, Apple has acquired several smaller firms with expertise in AR hardware, 3D gaming and VR software. These include SensoMotoric, Flyby Media, Emotient, TupleJump, Turi, Metaio, PrimeSense and Lattice Data Inc. In addition, Apple's ARKit is helping third-party developers to work on creating AR experiences for its iOS platform. Furthermore, Apple, with its new offerings, would also be able to leverage the Internet of Things (IoT) market, which is expected to grow exponentially, given the rising demand for connected/automated devices, appliances and automobiles.

Apple has a strong balance sheet and generates significant cash flow. As of Dec 31, 2022, cash and marketable securities were \$165.45 billion compared with \$169.11 billion as of Sep 24, 2022. Term debt, as of Dec 31, 2022, was \$109.37 billion, down from \$110.09 billion as of Sep 24, 2022. Apple returned more than \$25 billion in the reported quarter through dividend payouts (\$3.8 billion) and share repurchases (\$19 billion).

## Reasons To Sell:

Apple's fortunes are tied to its most important offering, iPhone. The device plays an important role in expanding the iOS ecosystem. However, Apple's excessive dependence on iPhone is a risk to overall growth. Although iPhone sales have been benefiting from higher average selling price (ASP), premium pricing has been blamed for Apple's stalled market share growth in countries like China and India. Moreover, the smartphone segment is chock-a-block with attractive devices from Samsung, Xiaomi, Oppo, and Vivo that are intensifying competition for the company.

China is an important market for Apple, given the growing number of middle-class customers. However, the waning macroeconomic environment in China and the intensifying competition have dented shipment growth. Further, recent unrest at Foxconn's factory in Zhengzhou is expected to hurt iPhone shipments this holiday season.

Competition has negatively impacted iPad's growth, with Amazon, HTC, Microsoft, Hewlett-Packard and others flooding the tablet market. iPad demand has been under pressure due to increasing availability of large-screen smartphones, in addition to stiff competition from Google Chromebooks and Microsoft Surface. Moreover, Apple faces significant competition in the desktop and portable computer segment from the market leader Lenovo and the likes of Hewlett-Packard, Dell, Acer and Asus.

Although Apple's newer products like Apple Watch hold significant promise, they are yet to become a force to reckon with like iPhone. Apple is facing stiff competition in the wearables market from Xiaomi, Fitbit, Huawei and Samsung.

Apple is facing increasing regulatory hassles in Europe. The European Commission is opening two antitrust investigations into Apple's App Store and Apple Pay practices over concerns that the company's way of doing business hurts consumers by limiting choice and innovation and keeping prices high. Music-streaming service Spotify has filed a formal complaint against Apple, alleging unfair practice by the iPhone maker to lower competition. The complaint relates to the 30% revenue cut that the company takes from some app providers. Further, Fortnite developer Epic Games filed a lawsuit against Apple after the hit game was removed from App Store. Apple stated that the game violated its software-distribution platform guidelines and has countersued Epic Games. Moreover, the Supreme Court has allowed the consumers' antitrust lawsuit against Apple to continue in a lower court. The lawsuit alleges iPhone apps to be expensive. The company is also facing lawsuits in relation to health-monitoring features of Apple Watch.

Lackluster demand for iPhone 14, stiff competition, macro-economic challenges and increasing regulatory hassles are major headwinds.

## Last Earnings Report

### Apple Q1 Earnings Miss Estimates, Revenues Decline Y/Y

Apple reported first-quarter fiscal 2023 earnings of \$1.88 per share, which missed the Zacks Consensus Estimate by 2.59% but beat our estimate of \$1.87 per share.

The reported earnings figure decreased 10.5% year over year.

Net sales decreased 5.5% year over year to \$117.15 billion, which missed the Zacks Consensus Estimate by 3.34% and our estimate of \$118.32 billion. Unfavorable forex hurt revenues by more than 800 basis points (bps).

iPhone sales decreased 8.2% from the year-ago quarter to \$65.78 billion and accounted for 56.1% of total sales. However, the figure missed the consensus mark of \$68.53 billion.

Our estimate for fiscal first-quarter iPhone sales was pegged at \$60.96 billion.

iPhone sales fell due to supply shortages for iPhone 14 Pro and iPhone 14 Pro Max in November and through December due to COVID-19 issues in China.

Services revenues grew 6.4% from the year-ago quarter to \$20.77 billion and accounted for 17.7% of sales. The figure beat the Zacks Consensus Estimate by 1.06%.

Our estimate for fiscal first-quarter Services revenues was pegged at \$20.21 billion.

Apple now has more than 935 million paid subscribers across its Services portfolio, up 35 million sequentially and 150 million year over year.

### Geographical Details

America's sales decreased 4.3% year over year to \$49.28 billion and accounted for 42.1% of total sales. The figure missed the Zacks Consensus Estimate by 2.67% and our estimate of \$51.15 billion.

Europe generated \$27.68 billion in sales, down 7% on a year-over-year basis. The region accounted for 25.3% of total sales. Europe's sales

### Quarter Ending 12/2022

Report Date	Feb 02, 2023
Sales Surprise	-3.34%
EPS Surprise	-2.59%
Quarterly EPS	1.88
Annual EPS (TTM)	5.89

missed the consensus mark by 4.2% and our estimate of \$28.54 billion.

Greater China sales decreased 7.3% from the year-ago quarter to \$23.91 billion, accounting for 20.4% of total sales. The figure beat the consensus mark by 3.73% and our estimate of \$22.02 billion.

Japan's sales of \$6.76 billion missed the Zacks Consensus Estimate by 14.48% and our estimate of \$7.86 billion. Japan's sales decreased 5% year over year, accounting for 5.8% of total sales.

Rest of the Asia Pacific generated sales of \$9.54 billion, down 2.8% year over year. The region accounted for 7.1% of total sales. The figure beat the consensus mark by 6% and our estimate of \$8.77 billion.

### Top-Line Details

Product sales (82.3% of sales) decreased 7.7% year over year to \$96.39 billion. Non-iPhone revenues (iPad, Mac and Wearables) decreased 6.7% on a combined basis.

iPad sales of \$9.4 billion improved 29.6% year over year and accounted for 8% of total sales. The figure beat the consensus mark by 22.51% and our estimate of \$8.98 billion.

Mac sales of \$7.74 billion decreased 28.7% from the year-ago quarter and accounted for 6.6% of total sales. The figure missed the consensus mark by 20.32% and our estimate of \$12.17 billion.

Wearables, Home and Accessories sales decreased 8.3% year over year to \$13.48 billion and accounted for 10.7% of total sales. The figure missed the Zacks Consensus Estimate by 12.57% and our estimate of \$15.99 billion.

Apple Watch's adoption rate continues to grow rapidly. More than two-thirds of the customers who purchased the Apple Watch in the reported quarter were first-time customers.

### Operating Details

The gross margin of 43% contracted 80 bps on a year-over-year basis.

However, the gross margin decreased 40 bps sequentially due to unfavorable forex.

Products' gross margin expanded 240 bps sequentially to 37%. Services' gross margin was 70.8%, up 30 bps sequentially.

Operating expenses rose 17.1% year over year to \$14.32 billion due to higher research and development, and selling, general and administrative expenses, which increased 33.6% and 2.4%, respectively.

Operating margin contracted 270 bps on a year-over-year basis to 30.7%.

### Balance Sheet

As of Dec 31, 2022, cash and marketable securities were \$165.45 billion compared with \$169.11 billion as of Sep 24, 2022.

Term debt, as of Dec 31, 2022, was \$109.37 billion, down from \$110.09 billion as of Sep 24, 2022.

Apple returned more than \$25 billion in the reported quarter through dividend payouts (\$3.8 billion) and share repurchases (\$19 billion).

### Guidance

Apple did not provide revenue guidance for the second quarter of fiscal 2023.

It expects the March quarter's year-over-year revenue growth to be similar to that of the December quarter due to unfavorable forex of roughly 5%.

Services revenue growth is expected to be negatively impacted by challenging macroeconomic conditions, as well as weakness in digital advertising and gaming. Nevertheless, revenues are expected to grow year over year.

For iPhone, Apple expects the March quarter's year-over-year revenue growth to accelerate relative to the December quarter's year-over-year revenue growth. For Mac and iPad, revenues are expected to decline in double digits on a year-over-year basis due to challenging comparison and macroeconomic headwinds.

The gross margin is expected between 43.5% and 44.5% in the fiscal second quarter. Operating expenses are expected between \$13.7 billion and \$13.9 billion.

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## Recent News

On Apr 13, Apple announced that by 2025 it plans to use 100% recycled cobalt in its self-designed batteries.

On Mar 28, 2023, Apple introduced Apple Pay Later in the U.S. Apple Pay Later<sup>1</sup> allows users to split purchases into four payments, spread over six weeks with no interest and no fees. Users can apply for Apple Pay Later loans of \$50 to \$1,000, which can be used for online and in-app purchases made on iPhone and iPad with merchants that accept Apple Pay.

On Mar 22, Apple and Major League Baseball (MLB) announced that Friday Night Baseball, a weekly doubleheader, will be available to all Apple TV+ subscribers on Fridays throughout the regular season.

On Mar 14, Apple launched Shop with a Specialist over Video, a new live shopping experience on apple.com for customers in the U.S. With this new service, customers can browse the latest models, explore new features, and learn about Apple Trade In offers, carrier deals, switching to iOS, and various financing options.

On Mar 12, Apple announced that its animation movie *The Boy, the Mole, the Fox and the Horse* winning an Oscar for Best Animated Short Film.

On Feb 1, Apple announced the availability of MLS Season Pass on the Apple TV app. This season pass available in more than 100 countries and regions gives fans access to a wide variety of free on-demand content. The pass features every live MLS regular-season match, the entire Audi MLS Cup Playoffs, and Leagues Cup all in one place.

## Valuation

Apple shares are up 30.4% in the year-to-date period and 6.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector are up 30.3% and 20.3% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry has gained 6% while the sector is down 2%.

The S&P 500 index is up 9% in the year-to-date period but down 0.6% in the past year.

The stock is currently trading at 26.53X forward 12-month earnings, which compares to 25.93X for the Zacks sub-industry, 22.85X for the Zacks sector and 18.53X for the S&P 500 index.

Over the past five years, the stock has traded as high as 36.06X and as low as 10.47X, with a 5-year median of 23.04X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$178 price target reflects 27.86X forward 12-month earnings.

The table below shows summary valuation data for AAPL

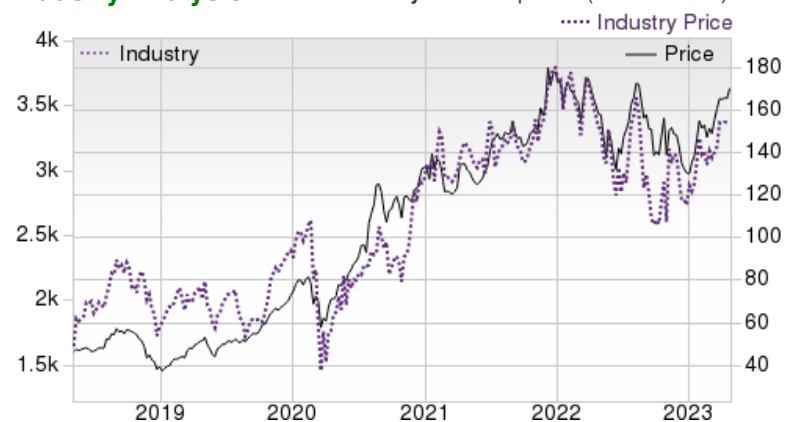
Valuation Multiples - AAPL					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	26.53	25.93	22.85	18.53
	5-Year High	36.06	32.32	29.16	23.95
	5-Year Low	10.47	11.49	15.85	14.75
	5-Year Median	23.04	22.64	21.91	18.31
P/S F12M	Current	6.65	6.36	3.55	3.61
	5-Year High	7.58	6.79	5.07	4.44
	5-Year Low	2.4	2.45	2.85	3.08
	5-Year Median	5.54	5.19	3.7	3.85
EV/EBITDA TTM	Current	21.89	20.77	10.66	12.74
	5-Year High	30.33	28.4	16.54	17.05
	5-Year Low	8.79	8.5	8.17	9.72
	5-Year Median	18.64	17.73	11.51	13.73

As of 05/01/2023

Source: Zacks Investment Research



## Industry Analysis Zacks Industry Rank: Top 26% (66 out of 250)



## Top Peers

Company (Ticker)	Rec	Rank
Amazon.com, Inc. (AMZN)	Neutral	2
3D Systems Corporati... (DDD)	Neutral	3
Dell Technologies In... (DELL)	Neutral	3
Alphabet Inc. (GOOGL)	Neutral	3
Garmin Ltd. (GRMN)	Neutral	3
HP Inc. (HPQ)	Neutral	3
Lenovo Group Ltd. (LNVGY)	Neutral	2
Microsoft Corporatio... (MSFT)	Neutral	2

## Industry Comparison

Industry: Computer - Mini Computers

Industry Peers

	AAPL	X Industry	S&P 500	DDD	HPQ	LNVGY
<b>Zacks Recommendation (Long Term)</b>	Neutral	-	-	Neutral	Neutral	Neutral
<b>Zacks Rank (Short Term)</b>	3	-	-	3	3	2
<b>VGM Score</b>	C	-	-	F	A	B
Market Cap	2,666.63 B	21.08 B	29.91 B	1.17 B	29.68 B	12.48 B
# of Analysts	13	5	14	3	7	1
Dividend Yield	0.55%	1.17%	1.73%	0.00%	3.49%	1.80%
<b>Value Score</b>	D	-	-	F	A	A
Cash/Price	0.02	0.24	0.04	0.48	0.06	0.41
EV/EBITDA	20.85	4.90	13.27	-13.41	7.01	2.79
PEG Ratio	2.32	2.79	2.08	NA	3.33	NA
Price/Book (P/B)	47.01	2.15	3.14	1.57	NA	2.15
Price/Cash Flow (P/CF)	24.17	5.98	12.44	NA	5.98	3.76
P/E (F1)	28.94	9.10	17.60	NA	9.10	7.74
Price/Sales (P/S)	6.88	1.34	2.42	2.17	0.50	0.19
Earnings Yield	3.57%	7.28%	5.63%	-2.34%	10.99%	12.93%
Debt/Equity	1.76	0.63	0.62	0.60	-2.77	0.67
Cash Flow (\$/share)	6.97	5.26	9.02	-0.31	5.04	5.47
<b>Growth Score</b>	A	-	-	F	C	D
Hist. EPS Growth (3-5 yrs)	22.93%	22.93%	10.18%	NA	20.70%	50.34%
Proj. EPS Growth (F1/F0)	-3.76%	0.56%	5.54%	8.70%	-18.87%	-17.78%
Curr. Cash Flow Growth	4.66%	-0.78%	6.70%	-253.71%	-6.22%	47.18%
Hist. Cash Flow Growth (3-5 yrs)	13.64%	13.64%	9.85%	NA	9.85%	20.87%
Current Ratio	0.94	0.92	1.22	5.50	0.69	0.90
Debt/Capital	63.72%	40.14%	39.96%	37.57%	NA	40.14%
Net Margin	24.56%	3.63%	11.93%	-22.81%	4.36%	2.89%
Return on Equity	163.45%	11.24%	17.61%	-11.56%	-141.20%	34.03%
Sales/Assets	1.12	1.32	0.55	0.37	1.55	1.52
Proj. Sales Growth (F1/F0)	-2.50%	0.08%	4.68%	3.30%	-12.20%	-8.40%
<b>Momentum Score</b>	F	-	-	D	A	F
Daily Price Chg	-0.62%	-0.07%	-1.16%	-2.39%	0.53%	0.49%
1 Week Price Chg	2.82%	0.55%	1.18%	0.33%	0.78%	-6.18%
4 Week Price Chg	1.76%	-1.72%	0.46%	-11.89%	1.93%	-5.21%
12 Week Price Chg	8.98%	4.69%	-1.07%	-21.86%	0.40%	27.27%
52 Week Price Chg	5.68%	-7.44%	-1.34%	-24.50%	-20.57%	6.94%
20 Day Average Volume	48,371,028	3,174,396	1,783,011	826,115	5,522,678	18,259

Industry Comparison				Industry: Computer - Mini Computers			Industry Peers		
	AAPL	X Industry	S&P 500	DDD	HPQ	LNVGY			
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.22%	0.00%			
(F1) EPS Est 4 week change	-0.50%	0.00%	0.00%	0.00%	1.31%	0.00%			
(F1) EPS Est 12 week change	-2.19%	-1.34%	-0.39%	-15.70%	-0.49%	3.91%			
(Q1) EPS Est Mthly Chg	-2.02%	0.00%	-0.04%	0.00%	0.83%	NA			

## Analyst Earnings Model

### Apple Inc. (AAPL)

In \$MM, except per share data

	2020A	2021A	2022A	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY	2025E
FY End s September 30th	FY Sep-20	FY Sep-21	FY Sep-22	1Q Dec-22	2Q Mar-23	3Q Jun-23	4Q Sep-23	FY Sep-23	1Q Dec-23	2Q Mar-24	3Q Jun-24	4Q Sep-24	FY Sep-24	FY Sep-25
<b>Income Statement</b>														
Products Revenue	\$220,747.0	\$297,392.0	\$316,199.0	\$96,388.0	\$71,080.6	\$60,843.2	\$70,444.3	\$298,736.1	\$96,641.9	\$71,307.8	\$62,364.0	\$73,343.4	\$305,657.2	\$335,821.7
YoY % Chng	3.2%	34.7%	6.3%	(7.7%)	(8.3%)	(4.0%)	(0.7%)	(5.5%)	2.3%	0.3%	2.5%	4.1%	2.3%	9.9%
Service Revenue	\$53,768.0	\$68,425.0	\$78,129.0	\$20,766.0	\$20,850.7	\$22,088.6	\$21,934.7	\$85,640.0	\$23,340.4	\$22,966.0	\$25,044.7	\$24,909.0	\$96,260.0	\$111,211.4
YoY % Chng	16.2%	27.3%	14.2%	6.4%	5.2%	12.7%	14.3%	9.6%	12.4%	10.1%	12.4%	13.6%	12.4%	15.5%
<b>Total Revenue</b>	<b>\$274,515.0</b>	<b>\$365,817.0</b>	<b>\$394,328.0</b>	<b>\$117,154.0</b>	<b>\$91,911.2</b>	<b>\$82,931.9</b>	<b>\$92,379.0</b>	<b>\$384,376.1</b>	<b>\$121,982.3</b>	<b>\$94,273.8</b>	<b>\$87,408.7</b>	<b>\$98,252.4</b>	<b>\$401,917.3</b>	<b>\$447,033.1</b>
YoY % Chng	5.5%	33.3%	7.6%	(5.5%)	(5.5%)	(0.0%)	2.5%	(2.5%)	4.1%	2.6%	5.4%	6.4%	4.6%	11.2%
Cost of Product	\$151,286.0	\$192,266.0	\$201,471.0	\$60,765.0	\$45,750.6	\$40,046.6	\$45,545.1	\$192,107.3	\$62,859.1	\$45,918.8	\$40,005.4	\$46,558.8	\$195,342.0	\$209,455.2
YoY % Chng	4.3%	27.1%	4.5%	(5.5%)	(7.2%)	(3.5%)	(1.8%)	(4.6%)	3.4%	0.4%	(0.1%)	2.2%	1.7%	7.2%
Cost of Service	\$18,273.0	\$20,715.0	\$22,075.0	\$6,057.0	\$5,973.0	\$6,617.9	\$6,432.0	\$25,079.8	\$6,832.8	\$6,729.3	\$7,379.4	\$7,308.6	\$28,250.1	\$32,653.2
YoY % Chng	8.9%	13.4%	6.6%	12.3%	10.0%	18.4%	13.6%	13.6%	12.8%	12.7%	11.5%	13.6%	12.6%	15.6%
<b>Cost of Revenue</b>	<b>\$169,559.0</b>	<b>\$212,981.0</b>	<b>\$223,546.0</b>	<b>\$66,822.0</b>	<b>\$51,723.6</b>	<b>\$46,664.5</b>	<b>\$51,977.1</b>	<b>\$217,187.2</b>	<b>\$69,691.9</b>	<b>\$52,648.1</b>	<b>\$47,384.8</b>	<b>\$53,867.3</b>	<b>\$223,592.1</b>	<b>\$242,108.4</b>
YoY % Chng	4.8%	25.6%	5.0%	(4.1%)	(5.5%)	(0.9%)	(0.1%)	(2.8%)	4.3%	1.8%	1.5%	3.6%	2.9%	8.3%
<b>Products Gross Profit</b>	<b>\$69,461.0</b>	<b>\$105,126.0</b>	<b>\$114,728.0</b>	<b>\$35,623.0</b>	<b>\$25,310.0</b>	<b>\$20,796.6</b>	<b>\$24,899.2</b>	<b>\$106,628.8</b>	<b>\$35,782.8</b>	<b>\$25,389.1</b>	<b>\$22,358.6</b>	<b>\$26,784.7</b>	<b>\$110,315.1</b>	<b>\$126,366.5</b>
YoY % Chng	0.8%	51.3%	9.1%	(11.2%)	(10.1%)	(4.9%)	1.3%	(7.1%)	0.4%	0.3%	7.5%	7.6%	3.5%	14.6%
<b>Services Gross Profit</b>	<b>\$35,495.0</b>	<b>\$47,710.0</b>	<b>\$56,054.0</b>	<b>\$14,709.0</b>	<b>\$14,877.7</b>	<b>\$15,470.8</b>	<b>\$15,502.7</b>	<b>\$60,560.1</b>	<b>\$16,507.6</b>	<b>\$16,236.7</b>	<b>\$17,665.3</b>	<b>\$17,600.4</b>	<b>\$68,010.0</b>	<b>\$78,558.2</b>
YoY % Chng	20.3%	34.4%	17.0%	4.1%	3.4%	10.4%	14.6%	8.0%	12.2%	9.1%	14.2%	13.0%	12.3%	15.5%
<b>Gross Profit</b>	<b>\$104,956.0</b>	<b>\$152,836.0</b>	<b>\$170,782.0</b>	<b>\$50,332.0</b>	<b>\$40,187.7</b>	<b>\$36,267.4</b>	<b>\$40,401.9</b>	<b>\$167,188.9</b>	<b>\$52,290.4</b>	<b>\$41,625.7</b>	<b>\$40,023.9</b>	<b>\$44,385.1</b>	<b>\$178,325.2</b>	<b>\$204,924.7</b>
YoY % Chng	6.7%	45.0%	11.7%	(7.2%)	(5.6%)	1.1%	6.1%	(2.1%)	3.9%	3.6%	10.4%	9.9%	6.7%	14.9%
Selling, General & Administrative Expense	\$19,916.0	\$21,973.0	\$25,094.0	\$6,607.0	\$6,891.0	\$6,867.0	\$7,426.0	\$27,791.0	\$8,982.7	\$7,348.7	\$6,878.6	\$7,631.1	\$30,841.1	\$39,404.6
YoY % Chng	9.2%	10.3%	14.2%	2.4%	11.3%	14.2%	15.3%	10.7%	36.0%	6.6%	0.2%	2.6%	11.0%	27.6%
Research & Development Expense	\$18,752.0	\$21,914.0	\$26,251.0	\$7,709.0	\$6,994.3	\$6,817.7	\$6,907.8	\$28,428.8	\$9,114.7	\$7,254.5	\$6,744.9	\$7,457.7	\$30,571.8	\$37,302.9
YoY % Chng	15.6%	16.9%	19.8%	22.2%	9.5%	0.3%	2.2%	8.3%	18.2%	3.7%	(1.1%)	8.0%	7.5%	22.0%
<b>Total Operating Expenses</b>	<b>\$38,668.0</b>	<b>\$43,887.0</b>	<b>\$51,345.0</b>	<b>\$14,316.0</b>	<b>\$13,885.3</b>	<b>\$13,684.7</b>	<b>\$14,333.8</b>	<b>\$56,219.8</b>	<b>\$18,097.4</b>	<b>\$14,603.2</b>	<b>\$13,623.5</b>	<b>\$15,088.8</b>	<b>\$61,412.9</b>	<b>\$76,707.5</b>
YoY % Chng	12.2%	13.6%	17.0%	12.2%	10.4%	6.8%	8.6%	9.5%	26.4%	5.2%	(0.4%)	5.3%	9.2%	24.9%
Stock-Based Compensation	\$6,829.0	\$7,906.0	\$9,038.0	\$2,905.0	\$1,970.7	\$2,323.3	\$2,290.1	\$9,489.1	\$2,410.5	\$2,121.3	\$2,252.2	\$2,597.4	\$9,381.4	\$10,224.0
YoY % Chng	12.5%	15.8%	14.3%	28.3%	(12.8%)	3.6%	0.5%	5.0%	(17.0%)	7.6%	(3.1%)	13.4%	(1.1%)	9.0%
<b>EBITDA</b>	<b>\$77,344.0</b>	<b>\$120,233.0</b>	<b>\$130,541.0</b>	<b>\$38,932.0</b>	<b>\$29,028.0</b>	<b>\$25,239.4</b>	<b>\$28,801.6</b>	<b>\$122,001.0</b>	<b>\$37,735.7</b>	<b>\$29,858.4</b>	<b>\$29,039.0</b>	<b>\$32,216.9</b>	<b>\$128,850.0</b>	<b>\$141,561.2</b>
YoY % Chng	1.1%	55.0%	8.6%	(11.9%)	(11.3%)	(2.5%)	3.8%	(6.5%)	(3.1%)	2.9%	15.1%	11.9%	5.6%	9.9%
Depreciation & Amortization	\$11,056.0	\$11,284.0	\$11,104.0	\$2,916.0	\$2,725.6	\$2,656.7	\$2,733.5	\$11,031.9	\$3,542.7	\$2,835.8	\$2,638.6	\$2,920.6	\$11,937.7	\$13,344.0
YoY % Chng	(11.9%)	2.1%	(1.6%)	8.1%	(0.4%)	(5.3%)	(4.6%)	(0.6%)	21.5%	4.0%	(0.7%)	6.8%	8.2%	11.8%
<b>Operating Income</b>	<b>\$66,288.0</b>	<b>\$108,949.0</b>	<b>\$119,437.0</b>	<b>\$36,016.0</b>	<b>\$26,302.4</b>	<b>\$22,582.7</b>	<b>\$26,068.1</b>	<b>\$110,969.2</b>	<b>\$34,193.0</b>	<b>\$27,022.5</b>	<b>\$26,400.4</b>	<b>\$29,296.3</b>	<b>\$116,912.3</b>	<b>\$128,217.2</b>
YoY % Chng	3.7%	64.4%	9.6%	(13.2%)	(12.3%)	(2.1%)	4.7%	(7.1%)	(5.1%)	2.7%	16.9%	12.4%	9.7%	9.7%
Other Income/(Expense)	\$803.0	\$258.0	(\$334.0)	(\$393.0)	(\$100.2)	(\$99.6)	(\$99.9)	(\$692.7)	(\$99.8)	(\$89.8)	(\$86.2)	(\$53.1)	(\$328.9)	(\$331.8)
YoY % Chng	(55.6%)	(67.9%)	(23.5%)	(59.1%)	(162.2%)	(896.4%)	57.9%	(107.4%)	74.6%	10.4%	13.4%	46.8%	82.0%	(0.9%)
<b>Pretax Income</b>	<b>\$67,091.0</b>	<b>\$109,207.0</b>	<b>\$119,103.0</b>	<b>\$35,623.0</b>	<b>\$26,202.2</b>	<b>\$22,483.1</b>	<b>\$25,968.2</b>	<b>\$110,276.5</b>	<b>\$34,093.2</b>	<b>\$26,932.8</b>	<b>\$26,314.2</b>	<b>\$29,243.2</b>	<b>\$116,583.4</b>	<b>\$127,885.4</b>
YoY % Chng	2.1%	62.8%	30.2%	30.4%	28.5%	27.1%	28.1%	28.7%	27.9%	28.6%	30.1%	29.8%	29.0%	28.6%
Income Taxes	\$9,680.0	\$14,527.0	\$19,300.0	\$5,625.0	\$4,192.3	\$3,597.3	\$4,154.9	\$17,569.6	\$5,454.9	\$4,309.2	\$4,210.3	\$4,678.9	\$18,653.3	\$20,461.7
YoY % Chng	(7.6%)	50.1%	32.9%	(14.9%)	(18.3%)	(0.7%)	5.6%	(9.0%)	(3.0%)	2.8%	17.0%	12.6%	6.2%	9.7%
<b>Net Income</b>	<b>\$57,411.0</b>	<b>\$94,680.0</b>	<b>\$324,894.0</b>	<b>\$29,998.0</b>	<b>\$22,009.8</b>	<b>\$18,885.8</b>	<b>\$21,813.3</b>	<b>\$92,706.9</b>	<b>\$28,638.3</b>	<b>\$22,623.5</b>	<b>\$22,103.9</b>	<b>\$24,564.3</b>	<b>\$97,930.0</b>	<b>\$107,423.7</b>
YoY % Chng	3.9%	64.9%	243.1%	(13.4%)	(91.2%)	(2.9%)	5.3%	(71.5%)	(4.5%)	2.8%	17.0%	12.6%	5.6%	9.7%
Basic Shares Outstanding	17,352.1	16,701.3	16,216.0	15,892.7	15,759.9	15,627.1	15,494.3	15,693.5	15,361.5	15,228.7	15,095.9	14,963.1	15,162.3	14,631.1
YoY % Chng	(6.1%)	(3.8%)	(2.9%)	(3.0%)	(3.2%)	(3.3%)	(3.3%)	(3.2%)	(3.3%)	(3.4%)	(3.4%)	(3.4%)	(3.4%)	(3.5%)
Diluted Shares Outstanding	16,976.8	16,868.4	16,325.8	15,955.7	15,822.9	15,690.1	15,557.3	15,756.5	15,424.5	15,291.7	15,158.9	15,026.1	15,225.3	14,694.1
YoY % Chng	(4.9%)	(0.6%)	(3.2%)	(3.4%)	(3.5%)	(3.5%)	(3.5%)	(3.5%)	(3.4%)	(3.4%)	(3.4%)	(3.4%)	(3.4%)	(3.5%)
<b>Basic EPS</b>	<b>\$3.31</b>	<b>\$5.67</b>	<b>\$6.15</b>	<b>\$1.89</b>	<b>\$1.40</b>	<b>\$1.21</b>	<b>\$1.41</b>	<b>\$5.90</b>	<b>\$1.86</b>	<b>\$1.49</b>	<b>\$1.46</b>	<b>\$1.64</b>	<b>\$6.46</b>	<b>\$7.34</b>
YoY % Chng	10.6%	71.3%	8.6%	(10.4%)	(9.3%)	0.7%	9.1%	(4.0%)	(1.4%)	6.4%	21.2%	16.6%	9.4%	13.7%
<b>Diluted EPS</b>	<b>\$3.28</b>	<b>\$5.61</b>	<b>\$6.11</b>	<b>\$1.88</b>	<b>\$1.39</b>	<b>\$1.20</b>	<b>\$1.40</b>	<b>\$5.88</b>	<b>\$1.86</b>	<b>\$1.48</b>	<b>\$1.46</b>	<b>\$1.63</b>	<b>\$6.43</b>	<b>\$7.31</b>
YoY % Chng	5.5%	71.1%	8.9%	(10.5%)	(8.5%)	0.3%	8.7%	(3.8%)	(1.2%)	6.4%	21.1%	16.6%	9.4%	13.7%
Dividends per Share	\$0.80	\$0.85	\$0.91	\$0.23	\$0.23	\$0.24	\$0.24	\$0.94	\$0.24	\$0.24	\$0.25	\$0.25	\$0.98	\$1.00
YoY % Chng	6.0%	6.9%	7.1%	4.5%	0.0%	4.3%	4.3%	3.3%	4.3%	4.3%	4.2%	4.2%	4.3%	2.0%

## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

## Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200



stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

## Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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Value Score	<b>D</b>
Growth Score	<b>A</b>
Momentum Score	<b>F</b>
VGM Score	<b>C</b>

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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