

Apple manufactures smartphones, tablets, PCs, software, and peripherals for a worldwide customer base. Its products include Mac desktop and mobile PCs, iPhone, iPad, Apple Watch, and various consumer products, including AirPods, Beats headphones, and Apple TV. Apple services include App Store, iTunes, iCloud, Apple TV+, Apple Arcade, Apple Music, Apple Pay, and more.

## Analyst's Notes

Analysis by Jim Kelleher, CFA, May 1, 2025

**ARGUS RATING:** **BUY**

- Global growth offsets China weakness
- Apple posted fiscal 2Q25 (calendar 1Q25) revenue and GAAP EPS that exceeded consensus expectations. Sales rose 5% year over year while EPS was up 7%.
- iPhone, Mac, and iPad sales all topped pre-reporting consensus expectations. Service revenue set another new all-time record in fiscal 3Q25, but lagged pre-reporting consensus expectations.
- China sales fell 2%, but Apple grew sales in all other regions. We believe Apple's relentless global expansion will compensate in time for what we expect will be structurally lower sales to China amid tariffs and geopolitical challenges.
- Apple's perpetually refreshed roster of highly desirable products provides a unique advantage over industry rivals.

## INVESTMENT THESIS

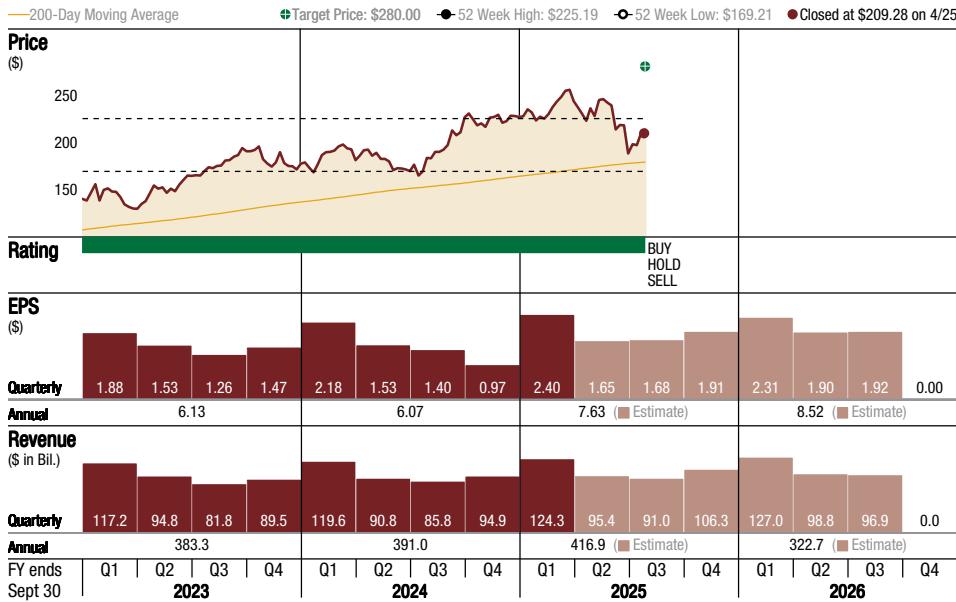
BUY-rated Apple Inc. (NGS: AAPL) fell in the aftermarket on 5/1/25 after the company posted fiscal 2Q25 (calendar 1Q25) GAAP EPS and revenue that exceeded consensus expectations. Fiscal 2Q25 sales rose 5% year over year while EPS was up 7%. Apple anticipates up to \$900 million in tariff costs in the June quarter. CEO Cook stated it was 'very difficult to predict' beyond June due to tariff volatility.

Service revenue set another record in fiscal 2Q25, rising 12% year over year while slightly lagging Street expectations. iPhone revenue was up 2% year over year and beat consensus expectations, with Apple in calendar 1Q25 growing unit shipments faster than any other major smartphone vendor. Apple posted revenue growth in all regions outside of China in 2Q25. The active installed base of Apple devices again reached a new record level, exceeding 2.2 billion. As it does each April, the company raised its dividend and expanded its share-repurchase authorization.

Apple has enabled 'Apple Intelligence' on iPhone 16 devices. It has entered the generative AI space after being on the sidelines for nearly two years following ChatGPT's launch in November 2022. By mainly positioning these new enhancements on its highest end 'Pro' series iPhones, the company seeks to drive a robust new upgrade cycle in 2025

## Market Data

Pricing reflects previous trading week's closing price.



Please see important information about this report on page 6

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## Argus Recommendations

Twelve Month Rating	SELL	HOLD	BUY
Five Year Rating	SELL	HOLD	BUY
Sector Rating	Under Weight	Market Weight	Over Weight

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 73% Buy, 26% Hold, 0% Sell.

## Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

### Market Overview

Price	\$213.32
Target Price	\$280.00
52 Week Price Range	\$169.11 to \$260.10
Shares Outstanding	15.02 Billion
Dividend	\$1.04

### Sector Overview

Sector	Information Technology
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	29.60%

### Financial Strength

Financial Strength Rating	HIGH
Debt/Capital Ratio	67.6%
Return on Equity	169.8%
Net Margin	24.3%
Payout Ratio	0.14
Current Ratio	0.87
Revenue	\$400.37 Billion
After-Tax Income	\$97.29 Billion

### Valuation

Current FY P/E	27.96
Prior FY P/E	35.14
Price/Sales	8.00
Price/Book	48.05
Book Value/Share	\$4.44
Market Capitalization	\$3.20 Trillion

### Forecasted Growth

1 Year EPS Growth Forecast	25.70%
5 Year EPS Growth Forecast	13.00%
1 Year Dividend Growth Forecast	6.12%

### Risk

Beta	1.05
Institutional Ownership	62.41%

**Analyst's Notes** ...Continued

and beyond. Although some view these products as 'AI-Lite,' the market believes product perfecter Apple will continue to enhance on-device generative AI in future models.

At the 2024 worldwide developer conference (WWDC), the focus was on Apple Intelligence improving the user experience on iPhone, iPad, Mac and other devices while sustaining user privacy. Apple Intelligence is integrated into new updates to Apple operating systems introduced at WWDC, including iOS 18 for iPhone, iPadOS for iPad, macOS Sequoia, and new iterations for Watch and Vision Pro.

Apple is on track for high-single-digit revenue and GAAP EPS growth over the next two years. This reflects a strong appetite for Apple's hardware, and its brand loyalty in turn spurs demand for Apple's services, including App Store, iCloud, and much more. The company, in our view, benefits from aggressive shareholder-return policies and from a perpetually refreshed roster of desirable product.

We believe the current environment represents an opportunity to establish or dollar-average into positions in AAPL. We are reiterating our BUY rating and our 12-month target price of \$280.

**RECENT DEVELOPMENTS**

AAPL is down 15% year-to-date in 2025, in line with the 15% decline for peers. AAPL rose 24% in 2024, while the peer group of computing, storage, and information-processing companies in Argus coverage were up 15%. AAPL rose 48% in 2023, while

peers advanced 40%; fell 27% in 2022, slightly better than the 30% decline for peers; advanced 34% in 2021, in line with the 35% gain for peers; and rose 81% in 2020, compared to a 9% advance for peers.

For fiscal 2Q25 (calendar 1Q25), Apple posted revenue of \$95.4 billion, which was up 5% year over year. Revenue topped the consensus forecast of \$94.6 billion by over \$800 million. GAAP earnings totaled \$1.65 per diluted share, up 7% from a year earlier. EPS bested the consensus estimate of \$1.62. Apple did not guide on quarterly sales or EPS for fiscal 1Q25 or provide any annual FY25 guidance.

Apple, among the largest companies in the world, is a key focus for investors as they try to navigate the unsettled tariff environment. The company's press release detailing fiscal 2Q25 results quoted CEO Tim Cook and new CFO Kevan Parekh, neither of whom made mention of the trade and geopolitical environment. The CEO lauded the lower-priced iPhone 16e and was happy to introduce 'powerful' new Macs and iPads that 'take advantage of the extraordinary capabilities of Apple silicon.'

Apple's iPhones are built in Asia, including in China and in Taiwan. As of Apple's report date of 5/1/25, advanced technology products such as semiconductors and edge devices are partially exempt from tariffs. Those exemptions are scheduled to expire, although the Trump administration may extend them; there is no certainty on how long those exemptions might last.

Years before the latest round of tariffs and restrictions on doing

**Growth & Valuation Analysis****GROWTH ANALYSIS**

(\$ in Millions, except per share data)	2020	2021	2022	2023	2024
Revenue	274,515	365,817	394,328	383,285	391,035
COGS	169,559	212,981	223,546	214,137	210,352
Gross Profit	104,956	152,836	170,782	169,148	180,683
SG&A	19,916	21,973	25,094	24,932	26,097
R&D	18,752	21,914	26,251	29,915	31,370
Operating Income	66,288	108,949	119,437	114,301	123,216
Interest Expense	-890	-198	106	183	—
Pretax Income	67,091	109,207	119,103	113,736	123,485
Income Taxes	9,680	14,527	19,300	16,741	29,749
Tax Rate (%)	14	13	16	15	24
Net Income	57,411	94,680	99,803	96,995	93,736
Diluted Shares Outstanding	17,528	16,865	16,326	15,813	15,408
EPS	3.28	5.61	6.11	6.13	6.08
Dividend	0.80	0.85	0.90	0.94	0.98

**GROWTH RATES (%)**

Revenue	5.5	33.3	7.8	-2.8	2.0
Operating Income	3.7	64.4	9.6	-4.3	7.8
Net Income	3.9	64.9	5.4	-2.8	-3.4
EPS	10.4	71.0	8.9	0.3	-0.8
Dividend	6.0	6.9	5.9	4.4	4.3
Sustainable Growth Rate	55.8	125.1	149.6	145.6	132.0

**VALUATION ANALYSIS**

Price: High	\$138.79	\$182.13	\$182.94	\$199.62	\$260.10
Price: Low	\$53.15	\$116.21	\$125.87	\$124.17	\$164.08
Price/Sales: High-Low	8.9 - 3.4	8.4 - 5.4	7.6 - 5.2	8.2 - 5.1	10.2 - 6.5
P/E: High-Low	42.3 - 16.2	32.5 - 20.7	29.9 - 20.6	32.6 - 20.3	42.8 - 27.0
Price/Cash Flow: High-Low	30.2 - 11.5	29.5 - 18.8	24.5 - 16.8	28.6 - 17.8	33.9 - 21.4

**Financial & Risk Analysis**

FINANCIAL STRENGTH	2022	2023	2024
Cash (\$ in Millions)	23,646	29,965	29,943
Working Capital (\$ in Millions)	-18,577	-1,742	-23,405
Current Ratio	0.88	0.99	0.87
LT Debt/Equity Ratio (%)	216.5	153.3	150.6
Total Debt/Equity Ratio (%)	261.4	178.8	187.2

**RATIOS (%)**

Gross Profit Margin	43.3	44.1	46.2
Operating Margin	30.3	29.8	31.5
Net Margin	25.3	25.3	24.0
Return On Assets	28.4	27.5	26.1
Return On Equity	175.5	171.9	157.4

**RISK ANALYSIS**

Cash Cycle (days)	-62.4	-70.9	-73.0
Cash Flow/Cap Ex	11.4	10.1	12.5
Oper. Income/Int. Exp. (ratio)	41.6	29.9	—
Payout Ratio	15.2	14.7	15.3

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## Analyst's Notes ...Continued

business in China, Apple determined that it needed to lessen its reliance on Chinese manufacturing sites. Shifting production out of China and into other nations is underway at Apple. But that is costly and may be reflected in rising product prices going forward.

The company is increasingly seeking to shift production to India. Both Taiwan-based Foxconn and India-based Tata build iPhones for Apple. We do not expect Apple to build iPhones in the U.S. anytime soon, but that could be a possibility down the road.

Late in February 2025, Apple announced that it would spend more than \$500 billion in the U.S. over the next four years. In broad terms, Apple plans to build a factory in Texas; double its U.S. Advanced Manufacturing Fund; establish a manufacturing academy; and accelerate its investments in AI and silicon engineering. The new commitment builds on prior pledges and delivery on investments in American innovation and advanced high-skilled manufacturing.

The planned Houston manufacturing site will produce servers to support Apple Intelligence. The planned manufacturing academy will be built in Michigan to train the next generation of U.S. manufacturers. The pledged half-trillion dollar investment also includes data centers, corporate facilities, and Apple TV+ production in over 20 states.

The company stated that Apple currently supports more than 2.9 million U.S. jobs including direct employment, cooperative work with U.S.-based suppliers and vendors, and developer jobs in the iOS app economy. Apple has paid over \$75 billion in U.S. taxes

over the past five years, including \$19 billion in calendar 2024.

For 2Q25, Apple's Product revenue of \$68.7 billion was up 3% annually, while Services revenue of \$26.6 billion increased 12%.

Fiscal 2Q25 iPhone revenue of \$46.8 billion (49% of total) grew 2% from fiscal 2Q24, better than consensus expectations for flat to slightly down sales. In February 2025, Apple introduced iPhone 16e. The device replaces Apple's previous discount phone, iPhone SE, and iPhone 14.

According to IDC, Apple outperformed all major smartphone vendors in calendar 1Q25. IDC reports that global smartphone shipments grew 1.5% year over year in calendar 1Q25, following similar single-digit growth in 1Q24 through 4Q24. Mobile device shipments totaled 304.9 million units for 1Q25, up from 300.3 million units in 1Q24.

Apple iPhone units increased 10% to 57.9 million units in calendar 1Q25, from 52.6 million units in calendar 1Q24. Apple's market share advanced to 19.0% in 1Q25 from 17.5% a year earlier. Apple's smartphone market share for all of calendar 2024 was 18.7%.

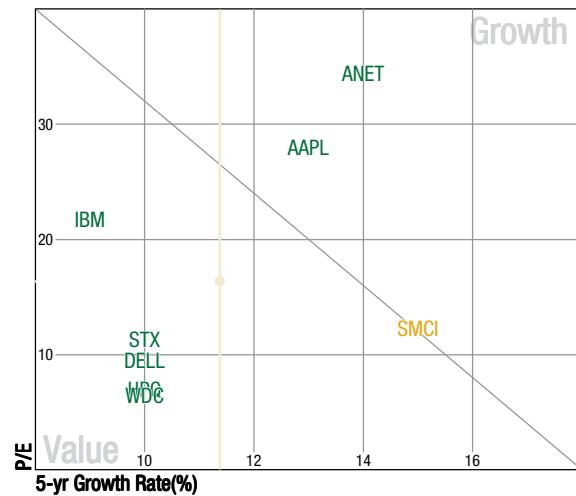
We estimate that iPhone ASPs declined about 7% year-over-year, suggesting a successful launch of the lower-tier iPhone 16e. We regard the 16e launch as consistent with Apple's global expansion efforts into emerging markets.

Android leader Samsung posted just 0.6% unit growth, causing its market share to slip to 19.9% in calendar 1Q25 from 20.1% in 1Q24. In a sign that China is weaning itself from Apple, partly out

## Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare AAPL versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- The scatterplot shows how AAPL stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.
- The table builds on the scatterplot by displaying more financial information.
- The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how AAPL might fit into or modify a diversified portfolio.



Ticker	Company	Market Cap (\$ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
AAPL	Apple Inc	3,204,509	13.0	28.0	24.3	11.7	BUY
IBM	International Business Machine	222,739	9.0	21.7	8.7	4.6	BUY
ANET	Arista Networks Inc	110,294	14.0	34.4	40.7	15.7	BUY
DELL	Dell Technologies Inc	32,983	10.0	9.6	4.7	11.1	BUY
HPQ	HP Inc	23,935	10.0	7.0	5.0	7.2	BUY
SMCI	Super Micro Computer Inc	19,532	15.0	12.4	6.9	37.7	HOLD
STX	Seagate Tech Hldgs Pl	19,056	10.0	11.3	17.5	33.5	BUY
WDC	Western Digital Corp.	15,287	10.0	6.5	17.0	18.2	BUY
<b>Peer Average</b>		<b>456,042</b>	<b>11.4</b>	<b>16.4</b>	<b>15.6</b>	<b>17.5</b>	



## Analyst's Notes ...Continued

of necessity, Chinese vendors Xiaomi grew 2.5% and Vivo grew 6% -- both faster than the market overall. Also in China, Oppo's unit sales were down 6.8%.

We estimate that iPhone ASPs declined about 7% year over year to an estimated \$809 wholesale price, suggesting a successful launch of the lower-tier iPhone 16e. We regard the 16e launch as consistent with Apple's global expansion efforts into emerging markets. Apple sells its high-end phones such as Pro Max in developed markets and uses its mature and/or lower-priced iPhones to build share in the developing world. We believe ASP trends are less important than global expansion of the iPhone base.

Mac revenue of \$7.95 billion (8% of total) was up 7% year over year in GAAP. The multi-year downturn in PC demand worldwide finally reversed in calendar 2024, according to IDC. In 1Q25, Mac units grew 14% from 1Q24, faster than any other vendor, and Mac PC market share rose to 8.7% from 8.0% a year earlier. Mac unit sales in calendar 2024 were up 4.5%, while overall global PC unit sales were up 1% in calendar 2024. Mac boosted its market share to 8.7% in calendar 2024 from 8.4% in calendar 2023.

Given demand for Macs with Apple M series chips, Mac ASPs are meaningfully higher than those for competitor products. We believe Mac is in a transition period ahead of broad availability of AI PCs, or in Apple's case PCs with Apple Intelligence.

Both Mac and iPad beat consensus expectations for 2Q25. iPad revenue of \$6.4 billion (7% of total) was up 15% annually in 2Q25. During calendar 2024, Apple launched new 11' and 13' iPad Air models, and a new iPad Pro with the M4 chip. Revenue from Wearables, Home, and Accessories of \$7.5 billion (8% of total) was down 5% in GAAP.

Services revenue of \$26.65 billion set another all-time record in fiscal 2Q25, while rising 12% year over year and 1% sequentially. Services missed the \$26.7 billion consensus estimate, however. The active installed base of Apple devices again reached a new record level exceeding 2.4 billion, according to CEO Cook.

Apple is on track for high-single-digit to low-double-digit EPS growth over the next two years. This reflects a strong appetite for Apple's hardware, and its brand loyalty in turn spurs demand for Apple's services, including App Store, iCloud, and much more. The company, in our view, benefits from aggressive shareholder-return policies and from a perpetually refreshed roster of desirable product. We also believe Apple's relentless global expansion will in time compensate for what we expect will be structurally lower sales to China.

### EARNINGS & GROWTH

For fiscal 2Q25 (calendar 1Q25), Apple posted revenue of \$95.4 billion, which was up 5% year over year. Revenue topped the consensus forecast of \$94.6 billion by over \$800 million.

The GAAP gross margin was 47.1% in fiscal 2Q25 versus 46.6% a year earlier. The GAAP operating margin was 31.0% in fiscal 2Q25, up from 30.7% in the prior-year quarter.

GAAP earnings totaled \$1.65 per diluted share, up 7% from a year earlier. EPS bested the consensus estimate of \$1.62. Apple did not guide on quarterly sales or EPS for fiscal 1Q25 or provide any annual FY25 guidance.

For all of FY24, Apple posted revenue of \$391.0 billion, up 2% from \$383.3 billion in FY23. GAAP EPS totaled \$6.07 for FY24 (including the one-time charge), down 1% from the \$6.13 for FY23.

We have raised our FY25 GAAP EPS forecast to \$7.63 per diluted share from \$7.54. We have raised our FY26 GAAP EPS projection to \$8.52 per diluted share from \$8.43. We regard our estimates as fluid and subject to change. Our long-term EPS growth rate forecast for AAPL is 13%.

### FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating on Apple is High, the top point of our five-point scale. In the wake of the recent cut in the corporate tax rate and relaxed restrictions on repatriating overseas cash, Apple has stepped up its shareholder-return program with higher buybacks and an April 2023 dividend hike. It has also accelerated debt retirement.

Cash and short- and long-term investments were \$133.0 billion at the end of fiscal 2Q25. Cash was \$156.6 billion at the end of fiscal 2024, \$162.1 billion at the end of fiscal 2023, \$169.1 billion at the end of fiscal 2022, and \$196.3 billion at the end of fiscal 2021.

Debt was \$98.2 billion at the end of fiscal 2Q25. Debt was \$106.6 billion at the end of fiscal 2024, \$114.4 billion at the end of fiscal 2023, \$120.1 billion at the end of fiscal 2022, and \$124.7 billion at the end of fiscal 2021.

For fiscal 2024, cash flow from operations was \$118.2 billion. Cash flow from operations was \$110.5 billion in FY23, \$122.2 billion in FY22, \$104.0 billion in FY21, and \$80.7 billion in FY20.

Apple added \$100 billion to its buyback authorization in April 2025. Prior increases in the repurchase authorization were \$110 billion in April 2024, \$90 billion in April 2023, \$90 billion in April 2022, \$90 billion in April 2021, \$50 billion in April 2020, \$75 billion in April 2019, and \$100 billion in April 2018.

In April 2025, Apple raised its quarterly dividend by 4% to \$0.26 per share. Apple also raised its dividend by 4% to \$0.25 per share in April 2024; by 4% to \$0.24 per share in April 2023; by 5% to \$0.23 in April 2022; by 7% in April 2021; by 6.5% in April 2020; by 5% in April 2019; and by 16% in April 2018. Apple declared its first quarterly dividend in April 2012.

Our dividend forecasts are \$1.04 for FY25 and \$1.12 for FY26.

### MANAGEMENT & RISKS

Timothy Cook has served as CEO since industry legend Steve Jobs passed away in 2011. Former Apple controller and former Xerox CFO Luca Maestri, who became CFO in September 2013, exited the CFO role in January 2025. He now leads the corporate services team. Former VP of Financial Planning Kevan Parekh is now CFO. Jeff Williams is COO, and James Wilson is chief technology officer. Another long-term Apple executive, Greg Joswiak, is the SVP of marketing. Longtime head of worldwide marketing Phil Schiller retired from that role and has become an Apple fellow.

A Department of Justice (DoJ) lawsuit alleging anti-competitive behavior is a real risk in that a successful outcome by the DoJ could disrupt Apple's business model and closed eco-system. Currently, we do not expect the outcome of the DoJ action to dissuade the multitude of satisfied Apple device owners to shift to other operating systems and devices.

Several top executives, including Design Leader Jony Ive and SVP of Retail Angela Ahrendts, have left the company in the past few years. However, Apple has a deep bench of executive, engineering, and marketing talent. We think the company will continue to attract high-quality talent, both from an engineering

## Analyst's Notes ...Continued

perspective as well as in the corporate leadership ranks.

Apple is in its familiar cadence of introducing new phones in the fall, just ahead of holiday spending, though that schedule was delayed slightly last year. The upcoming 5G cycle promises to be major. Apple is a product perfecter, not a product originator, and should eventually find a ready appetite for its iPhones whenever they are ready.

Apple sells phones around the globe; smartphones are now ubiquitous and in need of constant upgrades; and consumers are anxious to remain within the Apple ecosystem. For these reasons, we expect Apple's long-cycle demand to smooth any near-term demand bumps. Tariffs also represent a difficult-to-quantify risk, but all parties have a long-term interest in facilitating global trade flows.

Investors have criticized Apple for its closed ecosystem. That system, however, has the effect of prompting consumers to buy iPads and Macs for system compatibility. Even more compelling for brand loyalty are Apple's services, including iTunes, App Store, and iCloud, as consumers do not want the cost and complexity of pulling their media libraries out of the comfortable arms of Apple.

The shares are always at risk from the perception that growth could slow as the law of large numbers catches up with Apple. The company has mitigated that risk, in our view, with aggressive shareholder-return policies, which likely will remain paramount. Despite the company's growing largesse, we expect institutional investors to continue to demand aggressive dividend growth and a larger share-repurchase plan.

### COMPANY DESCRIPTION

Apple manufactures smartphones, tablets, PCs, software, and peripherals for a worldwide customer base. Its products include Mac desktop and mobile PCs, iPhone, iPad, Apple Watch, and various consumer products, including AirPods, Beats headphones, and Apple TV. Apple services include App Store, iTunes, iCloud, Apple TV+, Apple Arcade, Apple Music, Apple Pay, and more.

### VALUATION

AAPL trades at 27.8-times our FY25 EPS estimate and at 25.0-times our FY26 forecast; the two-year average P/E of 26.4 is now below the five-year (FY20-FY24) trailing multiple of 27.4. Apple is trading at a two-year forward relative P/E of 1.29, below its historical relative multiple of 1.37 over the past five years. We believe Apple deserves to trade at premiums to its historical comparable valuation, as it sets itself further apart as a provider of premium electronic consumer devices and high-margined digital services, and notably as the age of on-device generative AI gets underway. On all comparable valuation, we calculate a value in the \$210s, in a stabilizing trend and about in line with current prices.

AAPL trades at premiums to the technology hardware peer group on absolute and relative P/E, EV/EBITDA, P/S, and PEGY. Peer-indicated value has stabilized around \$140 amid the tech sector selloff in 2025, a positive sign. We believe that AAPL warrants a significant premium to peers given the company's ability to expand globally and generate healthy demand for its products seemingly in every kind of economy. Apple also trades on GAAP results while peers trade on non-GAAP results.

Our more forward-looking two- and three-stage discounted free cash flow model renders a value around \$320 per share, well above current levels. Our blended fundamental valuation model points to a price of \$310, in a stable trend and above current prices.

Appreciation to our 12-month target price of \$280, along with the dividend yield of about 0.5%, implies a risk-adjusted total return in excess of our forecast for the broad market and is thus consistent with a BUY rating.

On May 1, BUY-rated AAPL closed at \$213.32, up \$0.82.

## About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

## METHODOLOGY & DISCLAIMERS

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

### THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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