

# David's Re-Recommendation: Apple

David Gardner and Karl Thiel | June 17, 2011 | [Core](#)

CURRENT PRICE: [AAPL](#) \$ 367.01 ↑ \$ 8.14 (2.3%) C̄v̄ Ḡl Ȳr B̄z̄ ŐḠ "Ān Āq̄ Āl iñ v̄

It's never too late to heed Peter Lynch's advice that the best stock to buy may be the one you already own. If you're trying to build a manageable portfolio of 15 or so holdings, you should be thinking about adding to existing positions at least as often as you consider new ones. To that end, in this and every review issue of *Stock Advisor*, we offer two rerecommendations.

## "One More Thing ..."

Our scorecard is full of exceptional businesses, and picking just one to rerecommend for Team David was a daunting task. But one of our picks really stands out. It has the most valuable brand in existence and a collection of products that requires no introduction. Even with its iconic founder mostly out of day-to-day management, it remains one of the best-run companies around, and it's certainly one of the most creative. It's maintained a stunning 38% compound annual revenue growth rate over the past five years, and that growth rate has been steadily accelerating — unheard of for a company that is likely to top \$100 billion in sales this year.

We're talking about **Apple** ([NASDAQ: AAPL](#)), of course — and this winner remains a compelling value. It is trading at just over 13 times this year's estimated earnings and less than 11 times trailing free cash flow (once you factor out its massive \$66 billion cash and investment hoard). Examine just about any area of the business — return on equity, working capital management, margins — and you'll likely come away murmuring superlatives usually reserved for the company's products. ("This operating cash flow is so sleek!")

## Bitting Into a Worm?

Still, Apple does have critics, and they've been given some ammunition lately. The company has departed from its usual schedule for a new iPhone launch, and

### APPLE

The tech powerhouse and incessant innovator designs, manufactures, and sells computers, mobile devices, and personal electronics.

#### Why Buy:

- Apple has the most valuable brand in existence.
- The company is taking the tablet market by storm with the iPad.
- The stock is cheap (well, for Apple).

#### KEY FACTS:

- **Recent Price:** \$326.75
- **Risk Level:** Medium
- **Industry Position:** Juggernaut
- **Market Cap:** \$302,170
- **Cash/Debt:** \$29,234 / \$0
- **Revenue ('09/'10/TTM):**  
\$42,905 / \$65,225 / \$87,451
- **Earnings ('09/'10/TTM):**  
\$8,235 / \$14,013 / \$19,552
- **Insider Ownership:** 0.65%
- **Biggest Threat:** Falling behind on innovation
- **The Team Says:** All Aboard the iTrain

Data as of 6/15/11. Dollar amounts in millions except recent price.

the iPhone's market share isn't growing nearly as quickly as that of **Google's** ([NASDAQ: GOOG](#)) Android-based devices. Even iPad sales were disappointing in the first quarter, though this was driven by manufacturing limitations. Many features of iOS 5, Apple's latest mobile operating system, already exist in some form in Android, and its iCloud isn't a new idea, either — **Amazon.com** ([NASDAQ: AMZN](#)) and Google already have similar offerings. Basically, you can hardly pull up a news site on your smartphone these days without running into an article asking whether Apple has lost its edge.

Here at *Stock Advisor*, we welcome those doubts. If anything about Apple has frustrated us recently, it's been the near-unanimous enthusiasm for the company on Wall Street. Besides, we see most of these worries as largely beside the point. Apple is growing hand over fist. The company's closed architecture — it controls the hardware and software on its devices and oversees applications — draws some criticism, but it also gives the company a definite edge in the polish and ease of use most consumers want. If we see sales slowing, we'll start to worry, but right now the company's main struggle is to make enough product to meet demand.

## The Foolish Bottom Line

Apple's stock has more than doubled since we first recommended it in January 2008, and our second recommendation from June of that year has done almost as well. Even through the subsequent market crash, the company continued to impress. This is the great brand of our generation — a company that has reinvented key product categories and redefined how we work and play. We fully expect it to keep making exciting gadgets, winning new customers, and leaving existing fans like us clamoring for more. For current Apple owners and newbies alike, now looks like a great time to take a bite. 

*Karl owns shares of AAPL. David owns shares of AAPL, CNI, F, PNRA, and SINA. The Motley Fool owns shares of AAPL, F, and GOOG.*

### DAVID'S BEST BUYS NOW

See our outlook for this month's top timely opportunities in our Report Card on page 7:

- **BMW** (BAMXF.PK)
- **Canadian National Railway** (CNI)
- **Ford Motor** (F)
- **Panera Bread** (PNRA)
- **Sina** (SINA)

## Important Reminder! Access all of David Gardner's top stock recommendations

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