

Consumer Internet

AAPL – NSQ April 17, 2024

Closing Price 4/16/24 **\$169.38**

Rating: Hold

12-Month Target Price: \$178.00

52-Week Range: \$162.80 - \$199.62

Market Cap (M): \$2,615,545.8

Shares O/S (M): 15,441.9

Float: 99.9%

Avg. Daily Volume (000): 62,146.0

Debt (M): \$108,292.0

Dividend: \$0.96

Dividend Yield: 0.6%

Risk Profile: Low

Fiscal Year End: September

Total Net Sales (\$M)

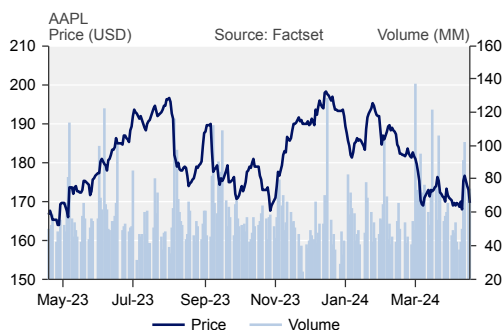
| | 2023A | 2024E | 2025E |
|----|---------|----------|---------|
| 1Q | 117,154 | 119,575A | 123,737 |
| 2Q | 94,836 | 89,836 | 93,356 |
| 3Q | 81,797 | 85,079 | 88,480 |
| 4Q | 89,498 | 92,984 | 96,615 |
| FY | 383,285 | 387,474 | 402,188 |

Adjusted EBITDA (\$M)

| | 2023A | 2024E | 2025E |
|----|---------|---------|---------|
| 1Q | 41,837 | 46,218A | 48,260 |
| 2Q | 33,902 | 32,423 | 34,094 |
| 3Q | 28,667 | 30,358 | 31,983 |
| 4Q | 32,247 | 34,085 | 35,864 |
| FY | 136,653 | 143,085 | 150,200 |

GAAP EPS

| | 2023A | 2024E | 2025E |
|----|-------|-------|-------|
| 1Q | 1.88 | 2.18A | 2.33 |
| 2Q | 1.52 | 1.41 | 1.53 |
| 3Q | 1.26 | 1.32 | 1.40 |
| 4Q | 1.46 | 1.57 | 1.65 |
| FY | 6.13 | 6.47 | 6.89 |



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Apple Inc.

Hold

Dead Money? Initiating Coverage with a Hold Rating and \$178 Price Target

Summary

- We are initiating coverage of Apple (AAPL) with a Hold rating and \$178 12-month price target based on applying the average forward P/E multiple of 25.9 from a comparable list of big-tech companies to our FY25 EPS estimate of \$6.89.
- Our Hold rating is based on our belief the current valuation share price reflects an appropriate amount of credit for its ability to exploit the following trends discussed in our industry report published coinciding with this initiation — Consumer Internet: 24 Trends for 2024 [\(LINK\)](#) including: a) Augmented Reality (AR)/Virtual Reality (VR), b) Mobile, c) Over-the-Top (OTT) Video, and d) Payments.
- Furthermore, at over 25x forward EPS vs. an estimated FY23-FY26 sales CAGR of 1.6% seems expensive.

Details

Overview. Challenges that limit upside, in our view are: 1) Apple is too dependent on China, from a sales (18.9% in FY23) and supply-chain standpoint; 2) it is overweight a single product, the iPhone, when it comes to its near-term operating results (52.3% in FY23); 3) we are monitoring a list of items that could also contribute to a prolonged dead-money period for the stock, including antitrust/regulation, a demand imbalance for consumer electronics, and competition.

Financial Forecasts: Sales and Margins

- We project sales to increase at a CAGR of 0.4% from FY23 (Sep)-FY26, compared to 10.7% in the prior three-year period. We estimate a CAGR of 1.6% from FY23-FY33.
- We forecast gross margin expansion of 249bps to 46.6% from FY23-FY26, and 381bps to 47.9% from FY23-FY33.
- We project adjusted EBITDA margin expansion of 197bps to 37.6% from FY23-FY26, and 292bps to 38.6% from FY23-FY33.

Estimates vs. Consensus and Guidance

- 2QFY24** – Guidance includes net sales of \$89.8B, down 5.3%, and gross margin of 46%-47%. Given the challenging environment for consumer electronics and weak China economy, our sales forecast is in-line with guidance while below consensus (\$90.5B). Our GAAP EPS projection of \$1.41 is below consensus of \$1.51.
- FY24** (guidance not provided) – Our full-year net sales projection of \$387.5B up 1.1% y/y is slightly higher than consensus of \$387.2B. Our GAAP EPS projection of \$6.47 is below consensus of \$6.55.

Relative Valuation

- Based on our FY25 estimates, shares currently trade at a discount on EV/EBITDA (17.9x vs. 24.6x), P/E (25.6x vs. 25.9x), and EV/sales (6.7x vs. 8.7x), and a premium based on FCF yield (4.4% vs. 5.5%) vs. the big-tech peer average.

Catalysts

- The development of Vision Pro, potentially the most significant new hardware product of Mr. Cook's 13-year tenure as CEO, launched in January.
- Expansion of artificial intelligence (including generative AI).
- A rebound in demand for consumer electronics items (such as laptops and tablets) following a pull-forward from COVID-19.

Challenges

- China dependence, 18.9% of sales in FY23.
- iPhone overweight, 52.3% of FY23 sales.
- Total sales down 4 of past 5 quarters and projected down in F2Q24, and product sales down MSD 4 of past 5 quarters and projected down DDs in F2Q24.



COMPANY PROFILE

Apple Inc.
One Apple Park Way
Cupertino, CA 95014
www.apple.com

Investment Risks:

- Antitrust/Regulatory
- China Dependence
- iPhones Overweight

Ownership:

Institutional Ownership: 56.7%
Insider Ownership: 5.9%
Short Interest: 0.7%
Days to cover: 1.6

Balance Sheet Summary:
(as of December, 30, 2023)

Cash: \$172,575M
Debt: \$95,088M
Shareholders' equity: \$74,100M
Total assets: \$353,514 M

Analysts Covering the Co.: 41

of Buys: 26
of Holds: 13
of Sells: 2

(Excluding Maxim Group)

Source: LSEG and Maxim Group LLC

Investor Relations:

suhasini@apple.com



Figure 1: Apple Vision Pro

Source: Apple and Maxim Group LLC

Company Description

Apple is a global conglomerate spanning a growing list of industries, including consumer electronics, retail, and technology. On a by-category basis, it generates sales from: 1) iPads, 2) iPhones, 3) Macs, 4) Services, and 5) Wearables, Home & Accessories. It went public in 1980. As of September 2023, its headcount was 161K. Its headquarters is in Cupertino, California.

Figure 2. Apple Chairman, CEO, and CFO

| Name | Title | Started in Role | Joined Company |
|-----------------|------------------|-----------------|----------------|
| Arthur Levinson | Chair | 2011 | 2000 |
| Tim Cook | CEO and Director | 2011 | 1998 |
| Luca Maestri | SVP, CFO | 2014 | 2013 |

Source: Company reports, LinkedIn, and Maxim Group LLC

We hold Mr. Cook in the highest regard. We consider him to be the poster child for what success looks like when a company transitions the CEO role from its founder. Historically, we believe he has done a great job managing relations with the Chinese and U.S. governments. So much so that we consider him to be both CEO and diplomat. Today, this is increasingly important given the elevated tension between the two nations. With the Department of Justice (DOJ) antitrust lawsuit and regulatory challenges in the EU, we think his skills will be put to the test.

Additional management and board details can be found on the Apple website and in SEC filings.

OVERVIEW: THE DEATH OF AAPL?

Since we began covering internet companies in 1996, we have published multiple white papers on factors that could slow shares of Amazon (AMZN - Buy). For Apple (AAPL - Hold), we are applying the same methodology. We are monitoring the following factors that could result in the death of AAPL (a prolonged period of weakness in shares):

- **Artificial Intelligence (AI)** — We are skeptical about Apple's ability to drive near-term sales and profits for companies beyond NVIDIA and hyperscale cloud computing companies. We believe Apple was caught flat footed when it came to identifying the trend in artificial intelligence early and exploiting it. Apple lacks a narrative for its ability to, at least, market advanced functionality in its devices, which, historically, has been one of its core competencies. At the maximum, Apple may not be able to address this shortfall via mergers and acquisitions, due to increased government scrutiny on deals.
- **Antitrust/Regulation** — Governments across the globe understand that Amazon, Apple, Facebook, and Google have too much influence on consumers' lives. Increasingly, they are taking action, including, notably, suing all four companies for antitrust in the U.S. and enacting legislation in Europe. To date, this has had minimal impact on the stocks; for example, AMZN and GOOGL have outperformed the NASDAQ since both companies were sued. For Apple, we see the best-case scenario as a multi-year period of distraction (perhaps even lasting more than a decade). So long as Tim Cook (CEO and Director) remains at the helm, we are confident in his ability to manage the company through the distraction. At worst, we see the company being compelled to lower its take rate, which could be a double whammy for shares — by reducing sales and profits from its services business, which we believe had been the primary contributor of its multiple expansion.
- **China dependence** — Apple is over reliant on China from a sales (18.9% in FY23) and supply-chain standpoint. The good news is that the Chinese economy is the world's largest and improving macroeconomic trends could resurrect AAPL. The bad news is that the Chinese and U.S. governments are "frenemies." At a time when partisan politics is peaking, the Democratic and Republican parties are aligned on two matters: 1) the aforementioned excess influence of Amazon, Apple, Facebook, and Google, and 2) that measures need to be taken to hold China in check (as best exemplified by tariffs and, potentially, forcing the sale of TikTok or banning it from U.S. app stores).
- **Competition** — Huawei and other companies with headquarters in China are proving to be a formidable threat to Apple in one of Apple's most important strategic markets. Domestically, Meta Platforms has, at least, a first-mover advantage when it comes to augmented reality (AR)/virtual reality (VR) hardware, which it sells at more attainable price points.
- **Demand imbalance** — The early stages of the COVID-19 pandemic resulted in a pull forward in demand for consumer electronics. While these trends may have peaked, consumers pivoted their discretionary spending to travel and live events, which has had a prolonged dampening effect on Apple's sales; especially for desktops/laptops (Macs were 7.7% of FY23 sales) and tablets (iPads were 7.4%). It is not clear to us when demand trends will normalize, which limits investors' visibility and may weigh on AAPL's P/E multiple (25.6x versus 25.9x for its big-tech peers).
- **iPhones overweight** — While we are impressed by the staying power of the smartphone as the primary means with which consumers engage with the internet, Apple generates too much of its sales from this one product (52.3% in FY23), and, like everything else in technology, it too has a finite life cycle. Apple started selling iPhones in 2007 (17 years ago). According to *CNBC*, the global smartphone market experienced an extended decline, which lasted 27 months prior to a rebound in October 2023.
- **iRobot?** According to published reports, Apple may be considering making a robot, as part of its future product lineup. At the end of this section, we discuss the company's decision not to pursue the electronic vehicle (EV) market. We would be more bullish on Amazon developing a robot if it intended to mirror Tesla's strategy, with the robots intended to be used for industrial uses too, such as to manufacture Apple's products. Otherwise, we are surprised it would consider making a robot but not an EV.
- **The Oracle** — Some of our conviction in our cautious near-term view of AAPL's shares comes from the fact that, even the oracle Warren Buffett, has sold some of his shares. *Yahoo! Finance* reported that Berkshire Hathaway sold \$2B of Apple's stock in 4Q23. Prior, it had sold shares in 2018, 2019, and 2020. According to Refinitiv, Berkshire Hathaway is the second largest holder, behind Vanguard, with 5.9% of shares outstanding.
- **Succession** — Mr. Cook is the poster child for what success looks like when a company transitions the CEO role from its founder. As of the company's last proxy filing (January 2024) he was 63 years old. While we normally would not focus on his successor much, at this point, given the potential for a long antitrust case, we believe it is important for investors to at least start thinking about his future replacement. An inability to find an above-average successor was, recently, best illustrated by Disney, with the return of Bob Iger. We look forward to learning about Apple's succession plans when the time is right, but are concerned Mr. Cook's successor might not be able to run the company nearly as well.
- **Vision Pro** — We do not expect Apple to achieve mass adoption of its Vision Pro AR/VR headset, launched in January. We believe this for several reasons, including its high price point (\$3,499), relatively limited amount of content for the platform, short battery life, and the fact that many consumers get motion sickness when using AR/VR headsets.
- **What if...?** — Taking inspiration from the Marvel show on Disney+ where we watch alternative timelines, what if Apple never entered the smartphone market and ceded it to BlackBerry? It would certainly not be the company it is today and its stock's performance would have been much worse. We see its decision to cede the electronic vehicles (EV) market to Tesla as akin to that scenario. As Tesla owners, based on our own anecdotal observations, we see the car as the ultimate combination of hardware, software, and services. We believe Apple could make a car that was, at least, as striking as any vehicle in Tesla's lineup and potentially even improve upon Tesla's build quality. At a minimum, Apple's efforts could help drive EV adoption. Conversely, an optimal outcome could be that Apple would be able to address pain points more effectively than Tesla, such as charging times, financing, and supply chain.

INDUSTRY FORECASTS



Figure 3. Industry Forecast: PC's

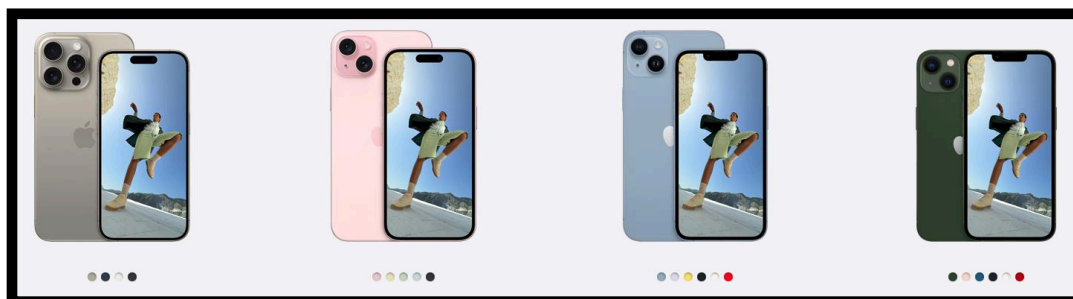
Source: Apple and Maxim Group LLC

Figure 4. Industry Forecast: PC's 2020–2033E

| (\$B) | | | | | | | CAGR | |
|-------|------|-------|-------|-------|--|--------|-------|-------|
| | | | | | | 2020 | 2023E | 2023E |
| | 2020 | 2023E | 2026E | 2033E | | 2023E | 2026E | 2033E |
| PC's | 269 | 239 | 264 | 326 | | (4.0%) | 3.5% | 3.2% |

Source: Company reports, IDC, and Maxim Group LLC

As previously noted, demand for consumer electronics (including for PCs, smartphones, and tablets) softened after a pull forward in demand during the start of the COVID-19 pandemic. It is unclear to us when demand trends will normalize. We project global PC sales to increase at a 3.5% CAGR from 2023 to 2026 (our near-term forecast) and at a 3.2% CAGR from 2023 to 2033 (our long-term forecast). This compares against a negative (4.0%) CAGR from 2020 to 2023.



Our projections are based on data through 2023 from IDC and our own estimates thereafter.

Figure 5. Industry Forecast: Smartphones

Source: Apple and Maxim Group LLC

Figure 6. Industry Forecast: Smartphones 2020–2033E

| (\$B) | | | | | | | CAGR | |
|-------------|------|-------|-------|-------|--|-------|-------|-------|
| | | | | | | 2020 | 2023E | 2023E |
| | 2020 | 2023E | 2026E | 2033E | | 2023E | 2026E | 2033E |
| Smartphones | 487 | 493 | 582 | 852 | | 0.5% | 5.7% | 5.6% |

Source: Company reports, IDC, and Maxim Group LLC

We project global smartphone sales to increase at a 5.7% CAGR from 2023 to 2026 (our near-term forecast) and at a 5.6% CAGR from 2023 to 2033 (our long-term forecast). This compares against a 0.5% CAGR for the three-year period from 2020 to 2023. Our projections are based on data through 2027 from IDC and our own estimates thereafter.

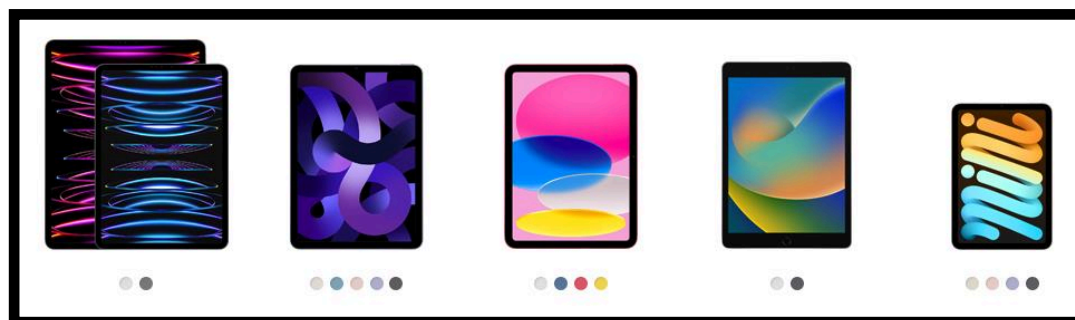


Figure 7: Industry Forecasts: Tablets

Source: Apple and Maxim Group LLC

Figure 8. Industry Forecast: Tablets 2020-2033E

| (\$B) | | | | | | | CAGR | |
|---------|------|-------|-------|-------|--|--------|-------|-------|
| | | | | | | 2020 | 2023E | 2023E |
| | 2020 | 2023E | 2026E | 2033E | | 2023E | 2026E | 2033E |
| Tablets | 59 | 51 | 60 | 85 | | (5.1%) | 5.9% | 5.3% |

Source: Company reports, IDC, and Maxim Group LLC

We project global tablets sales to increase at a 5.9% CAGR from 2023 to 2026 (our near-term forecast) and at a 5.3% CAGR from 2023 to 2033 (our long-term forecast). This compares against a negative (5.1%) CAGR for the three-year period from 2020 to 2023. Our projections are based on data through 2023 from IDC and our own estimates thereafter.

COMPANY FORECASTS

Figure 9. Sales FY20–FY33E

| | | | | | | CAGR | |
|--------------------|----------------|----------------|----------------|----------------|--|--------------|-------------|
| | | | | | | FY20- | FY23E- |
| (\$M) | FY20 | FY23E | FY26E | FY33E | | FY23E | FY26E |
| iPhone | 137,781 | 200,583 | 214,317 | 263,583 | | 13.3% | 2.2% |
| Mac | 28,622 | 29,357 | 24,441 | 20,155 | | 0.8% | (5.9%) |
| iPad | 23,724 | 28,300 | 22,945 | 18,539 | | 6.1% | (6.8%) |
| Wearables, etc. | 30,620 | 39,845 | 41,583 | 51,142 | | 9.2% | 1.4% |
| Services | 53,768 | 85,200 | 112,757 | 158,660 | | 16.6% | 9.8% |
| | | | | | | | |
| Total Sales | 190,127 | 258,240 | 261,703 | 302,277 | | 10.7% | 0.4% |

Source: Company reports and Maxim Group LLC

We project sales to increase at a 0.4% CAGR from FY23 to FY26 (our near-term forecast) and at a 1.6% CAGR from FY23 to FY33 (our long-term forecast). This compares against a 10.7% CAGR for the three-year period from FY20 to FY23.

We forecast iPhone revenues to increase at a 2.2% CAGR near term, versus 13.3% for the prior three-year period, and 2.8% long term.

We project Mac sales to decrease at an 5.9% CAGR near term, versus a 0.8% increase, and negative 3.7% long term.

We forecast iPad sales to decrease at a 6.8% CAGR near term, versus a 6.1% increase, and negative 4.1% long term.

We project Wearables, Home & Accessories sales to increase at a 1.4% CAGR near term, versus 9.2%, and 2.5% long term.

We project Services sales to increase at a 9.8% CAGR near term, versus 16.6%, and 6.4% long term.

Figure 10. Margins FY20-FY33E

| (\$M) | FY20 | FY23E | FY26E | FY33E | Change in BP's | | |
|-------------|-------|-------|-------|-------|----------------|--------|--------|
| | | | | | FY20- | FY23E- | FY23E- |
| | | | | | FY23E | FY26E | FY33E |
| Gross | 38.2% | 44.1% | 46.6% | 47.9% | 590 | 249 | 381 |
| Adj. EBITDA | 30.7% | 35.7% | 37.6% | 38.6% | 499 | 197 | 292 |

Source: Company reports and Maxim Group LLC

We forecast Apple's gross margin to expand by 249 basis points to 46.6% between FY23 and FY26 (our near-term forecast) and by 381 basis points to 47.9% from FY23 to FY33 (our long-term forecast). The improvement is mainly a reflection of its higher-margin services sales growing faster than hardware sales.

We project its adj. EBITDA margin to expand by 197 basis points to 37.6% between FY23 and FY26 (our near-term forecast) and by 292 basis points to 38.6% from FY23 to FY33 (our long-term forecast).

RISKS

Three risks to our Hold rating on AAPL are:

- **Antitrust/Regulatory** — We believe governments across the globe understand that a small number of mega-cap technology companies (including Amazon, Apple, Facebook, and Google) have outsized influence on the lives of consumers. To the extent governments implement existing laws or pass new legislation to address the situation, there could be a meaningfully negative impact on Apple's operating results. Further, the Department of Justice (DOJ) and 16 state attorneys general sued Apple for antitrust in March 2024, which we believe, among other things, could result in the company having to lower its take rate for its App Store.
- **China dependence** — Apple is overly reliant on China from a sales (18.9% in FY23) and supply-chain standpoint. The good news is that China is the world's largest economy and improving macroeconomic trends could resurrect AAPL. The bad news is that the Chinese and U.S. governments are "frenemies." At a time when partisan politics is peaking, the Democratic and Republican parties are aligned on two matters: 1) — the aforementioned outsized influence of Amazon, Apple, Facebook, and Google, and 2) that measures need to be taken to hold China in check (as best exemplified by tariffs and, potentially, forcing the sale of TikTok or banning it from U.S. app stores).
- **iPhones overweight** — While impressed by the staying power of the smartphone as the primary means with which consumers engage with the internet, Apple is heavily dependent on sales from this one product (52.3% in FY23) and, like everything else in technology, it too has a finite life cycle. Apple started selling iPhones in 2007 (17 years ago). According to *CNBC*, the global smartphone market experienced an extended decline, which lasted 27 months, prior to a rebound in October 2023.

CAPITAL ACTIVITY
Figure 11. Apple Capital Activity FY19–FY23E

| (\$M) | Stock | Stock | | Debt | Debt |
|--------------|--------------|------------------|-----------------|---------------|-----------------|
| Period | Issuance | Repurchases | Dividends | Issuance | Redemption |
| FY23 | 0 | (77,550) | (15,025) | 5,228 | (15,529) |
| FY22 | 0 | (89,402) | (14,841) | 9,420 | (9,543) |
| FY21 | 1,105 | (85,971) | (14,467) | 21,415 | (8,750) |
| FY20 | 880 | (72,358) | (14,081) | 16,091 | (13,592) |
| FY19 | 781 | (66,897) | (14,119) | 6,963 | (14,782) |
| | | | | | |
| Total | 2,766 | (392,178) | (72,533) | 59,117 | (62,196) |

Source: Company reports and Maxim Group LLC

One of the most impressive things about Apple’s business model is its ability to generate significant free cash flow. It has used the free cash flow to repurchase nearly \$400B of its stock over the last five-year period and pay more than \$70B in dividends. The consistent amount of repurchases is also impressive, having exceeded \$66B in each of the past five fiscal years. During that timeframe, it also issued a little more debt than it redeemed (\$62B versus \$59B).

VALUATION AND COMPS

Valuation

As shown in the Comps section, the average forward P/E multiple for comparable big-tech companies is 25.9x. When applying that multiple to our FY25 EPS projection for AAPL of \$6.89, we derive our 12-month price target of \$178.

Comps

Figure 12. Comps (Priced as of April 15, 2024)

| (S\$) | | | | | | Sales | | Adj | | | | | | | | FCF/ | |
|----------------|--------|--------|--------|-------|-------|--------|-------|------|--------|--------|-------|-------|--------|------|-------|---------|-------|
| | | | Market | Ent | Sales | Growth | EV/ | Adj. | EBITDA | Growth | EV/ | ROE | EPS | EPS | | FCF/ | Share |
| Company | Ticker | Price | Cap | Value | FY2 | FY2 | Sales | FY2 | FY2 | EBITDA | FY2 | FY2 | FY2 | P/E | FY2 | FY2 | Yield |
| Alibaba | BABA | 71.29 | 173 | 939 | 140 | 7.9% | 6.7 | 27 | 1.2% | 34.7 | 11.3% | 8.43 | (2.4%) | 8.5 | 10.64 | 3.4% | 14.9% |
| Alphabet | GOOGL | 157.73 | 1,969 | 1,873 | 378 | 10.5% | 5.0 | 156 | 12.9% | 12.0 | 26.4% | 7.85 | 15.1% | 20.1 | 7.73 | 17.4% | 4.9% |
| Amazon | AMZN | 186.13 | 1,975 | 1,960 | 662 | 6.0% | 3.0 | 131 | 7.8% | 15.0 | 15.2% | 4.13 | 15.4% | 45.1 | 6.75 | 6.5% | 3.6% |
| Dell | Dell | 117.81 | 84 | 103 | 99 | 6.2% | 1.0 | 12 | 12.5% | 8.5 | NA | 8.53 | 13.0% | 13.8 | 13.18 | 14.0% | 11.2% |
| Meta Platforms | META | 511.90 | 1,305 | 1,259 | 178 | 12.7% | 7.1 | 106 | 15.5% | 11.9 | 27.4% | 23.19 | 15.7% | 22.1 | 19.91 | 19.2% | 3.9% |
| Microsoft | MSFT | 421.90 | 3,135 | 3,148 | 279 | 14.3% | 11.3 | 148 | 15.3% | 21.3 | 32.1% | 13.36 | 14.7% | 31.6 | 10.85 | 20.3% | 2.6% |
| Netflix | NFLX | 622.83 | 270 | 277 | 43 | 12.0% | 6.4 | 12 | 20.8% | 22.7 | 34.5% | 21.28 | 23.6% | 29.3 | 19.13 | 27.8% | 3.1% |
| NVIDIA | NVDA | 881.86 | 2,205 | 2,188 | 138 | 24.6% | 15.9 | 86 | 19.8% | 25.3 | 60.8% | 30.64 | 25.1% | 28.8 | 26.67 | 18.5% | 3.0% |
| Tencent | 700.HK | 42.06 | 2,924 | 2,712 | 102 | 10.0% | 26.7 | 40 | 11.9% | 68.2 | 18.8% | 3.04 | 14.9% | 13.8 | 2.44 | 18.2% | 5.8% |
| Tesla | TSLA | 171.05 | 545 | 522 | 121 | 17.1% | 4.3 | 20 | 23.4% | 26.7 | 12.4% | 3.71 | 36.7% | 46.1 | 2.85 | (23.9%) | 1.7% |
| Average | | | | | | 12.1% | 8.7 | | 14.1% | 24.6 | 26.5% | | 17.2% | 25.9 | | 12.1% | 5.5% |
| Median | | | | | | 11.2% | 6.5 | | 14.1% | 22.0 | 26.4% | | 15.3% | 25.4 | | 17.8% | 3.8% |
| Apple | AAPL | 176.55 | 2,750 | 2,686 | 402 | 3.8% | 6.7 | 150 | 5.0% | 17.9 | 57.4% | 6.89 | 6.4% | 25.6 | 7.75 | 6.7% | 4.4% |

Source: Company reports, LSEG, and Maxim Group LLC

TIMELINE

In the following section, we highlight a number of important developments for Apple (AAPL):

1976 — Steve Jobs and Steve Wozniak founded the company

1980 — The company went public

1984 — Launched Macintosh personal computer (PC)

2007 — Launched iPhone

2008 — Opened the App Store

2010 — Launched iPad

2011 — Current CEO and Director, Tim Cook succeeded Mr. Jobs as CEO

2024 — Launched Vision Pro

2024 — The Department of Justice (DOJ) sued Apple for antitrust

Source: Company reports and Maxim Group LLC

PERFORMANCE AGAINST GUIDANCE

Figure 13. Performance Against Guidance: 2Q24E

| Period (\$M) | 2Q24E |
|--------------------|--------|
| Sales | |
| Low | 89,836 |
| High | 89,836 |
| Our Estimate | 89,836 |
| Consensus | 90,790 |
| Actual | NA |
| | |
| FX Impact (BPs) | -200 |
| Gross Margin | |
| Low | 46.0% |
| High | 47.0% |
| Our Estimate | 46.0% |
| Actual | NA |
| Operating Expenses | |
| Low | 14,300 |
| High | 14,500 |
| Our Estimate | 14,500 |
| Actual | NA |
| Other Inc (Exp) | |
| Low | 50 |
| High | 50 |
| Our Estimate | 50 |
| Actual | NA |
| Tax Rate | |
| Low | 16.0% |
| High | 16.0% |
| Our Estimate | 16.0% |
| Actual | NA |

Source: Company reports, LSEG, and Maxim Group LLC

| Balance Sheet (\$M) | | | | | | | | | | | | | | | | | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Period | 1Q23 | 2Q23 | 3Q23 | 4Q23 | FY23 | 1Q24 | 2Q24E | 3Q24E | 4Q24E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E | FY32E | FY33E | FY34E |
| Cash | 20,535 | 24,687 | 28,408 | 29,965 | 29,965 | 40,760 | 63,947 | 90,976 | 106,857 | 106,857 | 215,519 | 329,130 | 446,646 | 568,299 | 694,341 | 824,989 | 960,464 | 1,101,000 | 1,246,842 | 1,398,241 |
| Marketable Securities | 30,820 | 31,185 | 34,074 | 31,590 | 31,590 | 32,340 | 32,340 | 32,340 | 32,340 | 32,340 | 32,340 | 32,340 | 32,340 | 32,340 | 32,340 | 32,340 | 32,340 | 32,340 | 32,340 | 32,340 |
| Accounts Receivable | 23,752 | 17,936 | 19,549 | 29,508 | 29,508 | 23,194 | 16,990 | 20,333 | 30,657 | 30,657 | 31,855 | 32,974 | 33,961 | 34,952 | 35,989 | 37,075 | 38,211 | 39,400 | 40,643 | 41,943 |
| Vendor Receivables | 30,428 | 17,963 | 19,637 | 31,477 | 31,477 | 26,908 | 17,016 | 20,425 | 32,703 | 32,703 | 33,980 | 35,174 | 36,228 | 37,284 | 38,390 | 39,549 | 40,761 | 42,029 | 43,355 | 44,742 |
| Inventory | 6,820 | 7,482 | 7,351 | 6,331 | 6,331 | 6,511 | 7,088 | 7,646 | 6,578 | 6,578 | 6,834 | 7,075 | 7,286 | 7,499 | 7,721 | 7,954 | 8,198 | 8,453 | 8,720 | 8,999 |
| Prepaid Exp. & Other | 16,422 | 13,660 | 13,640 | 14,695 | 14,695 | 13,979 | 12,940 | 14,187 | 15,267 | 15,267 | 15,864 | 16,421 | 16,913 | 17,406 | 17,922 | 18,463 | 19,029 | 19,621 | 20,240 | 20,888 |
| | | | | | | | | | | | | | | | | | | | | |
| Current Assets | 128,777 | 112,913 | 122,659 | 143,566 | 143,566 | 143,692 | 150,320 | 185,908 | 224,403 | 224,403 | 336,391 | 453,113 | 573,374 | 697,779 | 826,704 | 960,370 | 1,099,004 | 1,242,844 | 1,392,141 | 1,547,152 |
| | | | | | | | | | | | | | | | | | | | | |
| Marketable Securities | 114,095 | 110,461 | 104,061 | 100,544 | 100,544 | 99,475 | 99,475 | 99,475 | 99,475 | 99,475 | 99,475 | 99,475 | 99,475 | 99,475 | 99,475 | 99,475 | 99,475 | 99,475 | 99,475 | 99,475 |
| PPE | 42,951 | 43,398 | 43,550 | 43,715 | 43,715 | 43,666 | 43,743 | 42,816 | 42,364 | 42,364 | 40,784 | 39,390 | 38,189 | 37,190 | 36,402 | 35,832 | 35,490 | 35,385 | 35,526 | 35,925 |
| Other | 60,924 | 65,388 | 64,768 | 64,758 | 64,758 | 66,681 | 61,940 | 67,367 | 67,280 | 67,280 | 69,908 | 72,364 | 74,531 | 76,705 | 78,981 | 81,364 | 83,858 | 86,467 | 89,195 | 92,048 |
| | | | | | | | | | | | | | | | | | | | | |
| Total Assets | 346,747 | 332,160 | 335,038 | 352,583 | 352,583 | 353,514 | 355,478 | 395,566 | 433,522 | 433,522 | 546,559 | 664,342 | 785,570 | 911,149 | 1,041,562 | 1,177,040 | 1,317,826 | 1,464,171 | 1,616,337 | 1,774,599 |
| | | | | | | | | | | | | | | | | | | | | |
| Debt | 11,483 | 12,574 | 11,209 | 15,807 | 15,807 | 12,952 | 12,952 | 12,952 | 12,952 | 12,952 | 12,952 | 12,952 | 12,952 | 12,952 | 12,952 | 12,952 | 12,952 | 12,952 | 12,952 | 12,952 |
| Accounts Payable | 57,918 | 42,945 | 46,699 | 62,611 | 62,611 | 58,146 | 40,681 | 48,573 | 65,050 | 65,050 | 67,590 | 69,965 | 72,060 | 74,161 | 76,362 | 78,666 | 81,078 | 83,600 | 86,238 | 88,996 |
| Deferred Revenue | 7,992 | 8,131 | 8,158 | 8,061 | 8,061 | 8,264 | 7,702 | 8,485 | 8,375 | 8,375 | 8,702 | 9,008 | 9,278 | 9,548 | 9,831 | 10,128 | 10,439 | 10,763 | 11,103 | 11,458 |
| Other | 59,893 | 56,425 | 58,897 | 58,829 | 58,829 | 54,611 | 53,450 | 61,260 | 61,120 | 61,120 | 63,507 | 65,738 | 67,708 | 69,682 | 71,750 | 73,915 | 76,180 | 78,550 | 81,029 | 83,620 |
| | | | | | | | | | | | | | | | | | | | | |
| Current Liabilities | 137,286 | 120,075 | 124,963 | 145,308 | 145,308 | 133,973 | 114,785 | 131,271 | 147,497 | 147,497 | 152,751 | 157,663 | 161,998 | 166,343 | 170,895 | 175,661 | 180,648 | 185,866 | 191,322 | 197,026 |
| | | | | | | | | | | | | | | | | | | | | |
| Debt | 99,627 | 97,041 | 98,071 | 95,281 | 95,281 | 95,088 | 95,088 | 95,088 | 95,088 | 95,088 | 95,088 | 95,088 | 95,088 | 95,088 | 95,088 | 95,088 | 95,088 | 95,088 | 95,088 | 95,088 |
| Other | 53,107 | 52,886 | 51,730 | 49,848 | 49,848 | 50,353 | 50,098 | 53,806 | 51,790 | 51,790 | 53,812 | 55,703 | 57,371 | 59,044 | 60,796 | 62,631 | 64,550 | 66,559 | 68,659 | 70,854 |
| | | | | | | | | | | | | | | | | | | | | |
| Shareholder Equity | 56,727 | 62,158 | 60,274 | 62,146 | 62,146 | 74,100 | 95,507 | 115,401 | 139,147 | 139,147 | 244,907 | 355,889 | 471,113 | 590,674 | 714,783 | 843,661 | 977,539 | 1,116,658 | 1,261,268 | 1,411,631 |
| | | | | | | | | | | | | | | | | | | | | |
| Total Liab. & SE | 346,747 | 332,160 | 335,038 | 352,583 | 352,583 | 353,514 | 355,478 | 395,566 | 433,522 | 433,522 | 546,559 | 664,342 | 785,570 | 911,149 | 1,041,562 | 1,177,040 | 1,317,826 | 1,464,171 | 1,616,337 | 1,774,599 |
| | | | | | | | | | | | | | | | | | | | | |
| Net Cash | 54,340 | 56,718 | 57,263 | 51,011 | 51,011 | 64,535 | 87,722 | 114,751 | 130,632 | 130,632 | 239,294 | 352,905 | 470,421 | 592,074 | 718,116 | 848,764 | 984,239 | 1,124,775 | 1,270,617 | 1,422,016 |
| Net Cash (Per Share) | \$3.41 | \$3.58 | \$3.63 | \$3.25 | \$3.23 | \$4.14 | \$5.48 | \$7.20 | \$8.25 | \$8.25 | \$14.96 | \$21.85 | \$28.83 | \$35.93 | \$43.15 | \$50.49 | \$57.97 | \$65.59 | \$73.36 | \$81.29 |

Source: Company reports, LSEG, and Maxim Group LLC

| Income Statement (\$M) | 1Q23 | 2Q23 | 3Q23 | 4Q23 | FY23 | 1Q24 | 2Q24E | 3Q24E | 4Q24E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E | FY32E | FY33E | FY34E |
|-------------------------|---------|---------|---------|--------|---------|---------|---------|--------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Sales | 117,154 | 94,836 | 81,797 | 89,498 | 383,285 | 119,575 | 89,836 | 85,079 | 92,984 | 387,474 | 402,188 | 416,043 | 428,425 | 440,858 | 453,867 | 467,471 | 481,692 | 496,554 | 512,079 | 528,293 |
| (YOY Growth) | (5.5%) | (2.5%) | (1.4%) | (0.7%) | (2.8%) | 2.1% | (5.3%) | 4.0% | 3.9% | 1.1% | 3.8% | 3.4% | 3.0% | 2.9% | 3.0% | 3.0% | 3.0% | 3.1% | 3.1% | 3.2% |
| (QOQ Growth) | 30.0% | (19.1%) | (13.7%) | 9.4% | | 33.6% | (24.9%) | (5.3%) | 9.3% | 316.7% | 316.3% | 316.0% | 315.9% | 315.9% | 315.8% | 315.7% | 315.6% | 315.5% | 315.4% | 315.3% |
| (% of Annual Sales) | 30.6% | 24.7% | 21.3% | 23.4% | | 30.9% | 23.2% | 22.0% | 24.0% | | | | | | | | | | | |
| Sales - Consensus | | | | | | | 90,040 | 83,256 | 93,149 | 386,460 | 411,502 | | | | | | | | | |
| Total COGS Non-GAAP | 66,822 | 52,860 | 45,384 | 49,071 | 214,137 | 64,720 | 48,526 | 46,572 | 50,323 | 210,141 | 216,105 | 222,098 | 227,929 | 233,695 | 239,721 | 246,013 | 252,581 | 259,434 | 266,579 | 274,027 |
| Total COGS SBC | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total COGS GAAP | 66,822 | 52,860 | 45,384 | 49,071 | 214,137 | 64,720 | 48,526 | 46,572 | 50,323 | 210,141 | 216,105 | 222,098 | 227,929 | 233,695 | 239,721 | 246,013 | 252,581 | 259,434 | 266,579 | 274,027 |
| Total GP Non-GAAP | 50,332 | 41,976 | 36,413 | 40,427 | 169,148 | 54,855 | 41,310 | 38,507 | 42,661 | 177,333 | 186,083 | 193,944 | 200,496 | 207,163 | 214,146 | 221,458 | 229,111 | 237,120 | 245,500 | 254,266 |
| Total GP Non-GAAP Mgn | 43.0% | 44.3% | 44.5% | 45.2% | 44.1% | 45.9% | 46.0% | 45.3% | 45.9% | 45.8% | 46.3% | 46.6% | 46.8% | 47.0% | 47.2% | 47.4% | 47.6% | 47.8% | 47.9% | 48.1% |
| Change (BPs) | (80) | 51 | 126 | 291 | 82 | 291 | 172 | 74 | 71 | 164 | 50 | 35 | 18 | 19 | 19 | 19 | 19 | 19 | 19 | 19 |
| Total GP GAAP | 50,332 | 41,976 | 36,413 | 40,427 | 169,148 | 54,855 | 41,310 | 38,507 | 42,661 | 177,333 | 186,083 | 193,944 | 200,496 | 207,163 | 214,146 | 221,458 | 229,111 | 237,120 | 245,500 | 254,266 |
| R&D Non-GAAP | 7,709 | 7,457 | 7,442 | 7,307 | 29,915 | 7,696 | 7,783 | 7,741 | 7,592 | 30,811 | 31,989 | 33,097 | 34,085 | 35,077 | 36,114 | 37,200 | 38,335 | 39,521 | 40,760 | 42,054 |
| R&D NG (% of Sales) | 6.6% | 7.9% | 9.1% | 8.2% | 7.8% | 6.4% | 8.7% | 9.1% | 8.2% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% |
| Change (BPs) | 149 | 130 | 90 | 66 | 115 | (14) | 80 | 0 | 15 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R&D SBC | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R&D GAAP | 7,709 | 7,457 | 7,442 | 7,307 | 29,915 | 7,696 | 7,783 | 7,741 | 7,592 | 30,811 | 31,989 | 33,097 | 34,085 | 35,077 | 36,114 | 37,200 | 38,335 | 39,521 | 40,760 | 42,054 |
| SG&A Non-GAAP | 3,702 | 3,515 | 3,356 | 3,526 | 14,099 | 3,789 | 4,031 | 3,491 | 3,663 | 14,974 | 15,547 | 16,085 | 16,565 | 17,047 | 17,551 | 18,078 | 18,630 | 19,206 | 19,808 | 20,437 |
| SG&A NG (% of Sales) | 3.2% | 3.7% | 4.1% | 3.9% | 3.7% | 3.2% | 4.5% | 4.1% | 3.9% | 3.9% | 3.9% | 3.9% | 3.9% | 3.9% | 3.9% | 3.9% | 3.9% | 3.9% | 3.9% | 3.9% |
| Change (BPs) | (22) | (34) | (44) | (68) | (39) | 1 | 78 | 0 | 19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SG&A SBC | 2,905 | 2,686 | 2,617 | 2,625 | 10,833 | 2,997 | 2,686 | 2,617 | 2,625 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 |
| SG&A GAAP | 6,607 | 6,201 | 5,973 | 6,151 | 24,932 | 6,786 | 6,717 | 6,108 | 6,288 | 25,899 | 26,472 | 27,010 | 27,490 | 27,972 | 28,476 | 29,003 | 29,555 | 30,131 | 30,733 | 31,362 |
| Total SBC | 2,905 | 2,686 | 2,617 | 2,625 | 10,833 | 2,997 | 2,686 | 2,617 | 2,625 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 |
| Op Ex Non-GAAP | 11,411 | 10,972 | 10,798 | 10,833 | 44,014 | 11,485 | 11,814 | 11,231 | 11,255 | 45,785 | 47,536 | 49,182 | 50,650 | 52,123 | 53,665 | 55,278 | 56,964 | 58,727 | 60,568 | 62,491 |
| Op Ex GAAP | 14,316 | 13,658 | 13,415 | 13,458 | 54,847 | 14,482 | 14,500 | 13,848 | 13,880 | 56,710 | 58,461 | 60,107 | 61,575 | 63,048 | 64,590 | 66,203 | 67,889 | 69,652 | 71,493 | 73,416 |
| Op Inc Non-GAAP | 38,921 | 31,004 | 25,615 | 29,594 | 125,134 | 43,370 | 29,496 | 27,276 | 31,406 | 131,548 | 138,547 | 144,762 | 149,846 | 155,040 | 160,481 | 166,180 | 172,147 | 178,394 | 184,932 | 191,775 |
| Op Inc Non-GAAP Mgn | 33.2% | 32.7% | 31.3% | 33.1% | 32.6% | 36.3% | 32.8% | 32.1% | 33.8% | 34.0% | 34.4% | 34.8% | 35.0% | 35.2% | 35.4% | 35.5% | 35.7% | 35.9% | 36.1% | 36.3% |
| Change (BPs) | (208) | (44) | 80 | 292 | 7 | 305 | 14 | 74 | 71 | 130 | 50 | 35 | 18 | 19 | 19 | 19 | 19 | 19 | 19 | 19 |
| Op Inc GAAP | 36,016 | 28,318 | 22,998 | 26,969 | 114,301 | 40,373 | 26,810 | 24,659 | 28,781 | 120,623 | 127,622 | 133,837 | 138,921 | 144,115 | 149,556 | 155,255 | 161,222 | 167,469 | 174,007 | 180,850 |
| D&A | 2,916 | 2,898 | 3,052 | 2,653 | 11,519 | 2,848 | 2,927 | 3,083 | 2,680 | 11,537 | 11,652 | 11,769 | 11,887 | 12,005 | 12,126 | 12,247 | 12,369 | 12,493 | 12,618 | 12,744 |
| Adj. EBITDA | 41,837 | 33,902 | 28,667 | 32,247 | 136,653 | 46,218 | 32,423 | 30,358 | 34,085 | 143,085 | 150,200 | 156,531 | 161,733 | 167,045 | 172,606 | 178,426 | 184,516 | 190,887 | 197,550 | 204,519 |
| Adj. EBITDA Margin | 35.7% | 35.7% | 35.0% | 36.0% | 35.7% | 38.7% | 36.1% | 35.7% | 36.7% | 36.9% | 37.3% | 37.6% | 37.8% | 37.9% | 38.0% | 38.2% | 38.3% | 38.4% | 38.6% | 38.7% |
| Change (BPs) | (177) | (20) | 115 | 271 | 26 | 294 | 34 | 64 | 63 | 127 | 42 | 28 | 13 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| Adj. EBITDA - Consensus | | | | | | | 30,690 | 26,758 | 30,627 | 131,358 | 138,984 | | | | | | | | | |
| EBITDA | 38,932 | 31,216 | 26,050 | 29,622 | 125,820 | 43,221 | 29,737 | 27,741 | 31,460 | 132,160 | 139,275 | 145,606 | 150,808 | 156,120 | 161,681 | 167,501 | 173,591 | 179,962 | 186,625 | 193,594 |
| Other Inc (Exp) | (393) | 64 | (265) | 29 | (565) | (50) | 50 | (265) | 29 | (236) | (236) | (236) | (236) | (236) | (236) | (236) | (236) | (236) | (236) | (236) |
| Pre Tax Non-GAAP | 38,528 | 31,068 | 25,350 | 29,623 | 124,569 | 43,320 | 29,546 | 27,011 | 31,435 | 131,312 | 138,311 | 144,526 | 149,610 | 154,804 | 160,245 | 165,944 | 171,911 | 178,158 | 184,696 | 191,539 |
| Pre Tax GAAP | 35,623 | 28,382 | 22,733 | 26,998 | 113,736 | 40,323 | 26,860 | 24,394 | 28,810 | 120,387 | 127,386 | 133,601 | 138,685 | 143,879 | 149,320 | 155,019 | 160,986 | 167,233 | 173,771 | 180,614 |
| Taxes Non-GAAP | 5,625 | 4,222 | 2,852 | 4,042 | 16,741 | 6,407 | 4,727 | 3,646 | 4,244 | 19,025 | 18,672 | 19,511 | 20,197 | 20,899 | 21,633 | 22,402 | 23,208 | 24,051 | 24,934 | 25,858 |
| Effective Tax Rate NG | 14.6% | 13.6% | 11.3% | 13.6% | 13.4% | 14.8% | 16.0% | 13.5% | 13.5% | 14.5% | 13.5% | 13.5% | 13.5% | 13.5% | 13.5% | 13.5% | 13.5% | 13.5% | 13.5% | 13.5% |
| Taxes GAAP | 5,625 | 4,222 | 2,852 | 4,042 | 16,741 | 6,407 | 4,298 | 3,293 | 3,889 | 17,887 | 17,197 | 18,036 | 18,723 | 19,424 | 20,158 | 20,928 | 21,733 | 22,576 | 23,459 | 24,383 |
| Eff Tax Rate GAAP | 15.8% | 14.9% | 12.5% | 15.0% | 14.7% | 15.9% | 16.0% | 13.5% | 13.5% | 14.9% | 13.5% | 13.5% | 13.5% | 13.5% | 13.5% | 13.5% | 13.5% | 13.5% | 13.5% | 13.5% |
| NI - Non-GAAP | 32,903 | 26,846 | 22,498 | 25,581 | 107,828 | 36,913 | 24,819 | 23,364 | 27,191 | 112,287 | 119,639 | 125,015 | 129,413 | 133,905 | 138,612 | 143,541 | 148,703 | 154,106 | 159,762 | 165,681 |
| NI GAAP | 29,998 | 24,160 | 19,881 | 22,956 | 96,995 | 33,916 | 22,563 | 21,100 | 24,920 | 102,500 | 110,189 | 115,565 | 119,963 | 124,455 | 129,162 | 134,091 | 139,253 | 144,656 | 150,312 | 156,231 |
| Min Int & Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NI for Share - Non-GAAP | 32,903 | 26,846 | 22,498 | 25,581 | 107,828 | 36,913 | 24,819 | 23,364 | 27,191 | 112,287 | 119,639 | 125,015 | 129,413 | 133,905 | 138,612 | 143,541 | 148,703 | 154,106 | 159,762 | 165,681 |
| NI for Share - GAAP | 29,998 | 24,160 | 19,881 | 22,956 | 96,995 | 33,916 | 22,563 | 21,100 | 24,920 | 102,500 | 110,189 | 115,565 | 119,963 | 124,455 | 129,162 | 134,091 | 139,253 | 144,656 | 150,312 | 156,231 |
| EPS - Non-GAAP | \$2.06 | \$1.69 | \$1.43 | \$1.63 | \$6.82 | \$2.37 | \$1.55 | \$1.47 | \$1.72 | \$7.09 | \$7.48 | \$7.74 | \$7.93 | \$8.13 | \$8.33 | \$8.54 | \$8.76 | \$8.99 | \$9.22 | \$9.47 |
| EPS - GAAP | \$1.88 | \$1.52 | \$1.26 | \$1.46 | \$6.13 | \$2.18 | \$1.41 | \$1.32 | \$1.57 | \$6.47 | \$6.89 | \$7.15 | \$7.35 | \$7.55 | \$7.76 | \$7.98 | \$8.20 | \$8.44 | \$8.68 | \$8.93 |
| EPS - GAAP - Consensus | | | | | | | \$1.50 | \$1.31 | \$1.54 | \$6.54 | \$7.14 | | | | | | | | | |
| Shares Out GAAP | 15,956 | 15,847 | 15,775 | 15,672 | 15,813 | 15,577 | 16,006 | 15,933 | 15,829 | 15,836 | 15,994 | 16,154 | 16,316 | 16,479 | 16,644 | 16,810 | 16,978 | 17,148 | 17,320 | 17,493 |
| Shares Out Non-GAAP | 15,956 | 15,847 | 15,775 | 15,672 | 15,813 | 15,577 | 16,006 | 15,933 | 15,829 | 15,836 | 15,994 | 16,154 | 16,316 | 16,479 | 16,644 | 16,810 | 16,978 | 17,148 | 17,320 | 17,493 |

Source: Company reports, LSEG, and Maxim Group LLC

| Cash Flow Stmt (\$M) | | | | | | | | | | | | | | | | | | | | |
|----------------------|----------|----------|----------|----------|-----------|----------|----------|---------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|
| Period | 1Q23 | 2Q23 | 3Q23 | 4Q23 | FY23 | 1Q24 | 2Q24E | 3Q24E | 4Q24E | FY24E | FY25E | FY26E | FY27E | FY28E | FY29E | FY30E | FY31E | FY32E | FY33E | FY34E |
| NI GAAP | 29,998 | 24,160 | 19,881 | 22,956 | 96,995 | 33,916 | 22,563 | 21,100 | 24,920 | 102,500 | 110,189 | 115,565 | 119,963 | 124,455 | 129,162 | 134,091 | 139,253 | 144,656 | 150,312 | 156,231 |
| D&A | 2,916 | 2,898 | 3,052 | 2,653 | 11,519 | 2,848 | 2,927 | 3,083 | 2,680 | 11,537 | 11,652 | 11,769 | 11,887 | 12,005 | 12,126 | 12,247 | 12,369 | 12,493 | 12,618 | 12,744 |
| SBC | 2,905 | 2,686 | 2,617 | 2,625 | 10,833 | 2,997 | 2,686 | 2,617 | 2,625 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 | 10,925 |
| Deferred Taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | (317) | (1,415) | 81 | (576) | (2,227) | (989) | 0 | 0 | 0 | (989) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accounts Rec | 4,275 | 5,321 | (1,987) | (9,297) | (1,688) | 6,555 | 6,204 | (3,343) | (10,324) | (908) | (1,197) | (1,119) | (988) | (990) | (1,037) | (1,086) | (1,136) | (1,189) | (1,243) | (1,300) |
| Inventories | (1,807) | (741) | (22) | 952 | (1,618) | (137) | (577) | (558) | 1,068 | (204) | (257) | (240) | (212) | (212) | (223) | (233) | (244) | (255) | (267) | (279) |
| Vendor Receivables | 2,320 | 12,465 | (1,674) | (11,840) | 1,271 | 4,569 | 9,892 | (3,409) | (12,278) | (1,226) | (1,277) | (1,194) | (1,054) | (1,056) | (1,106) | (1,158) | (1,212) | (1,268) | (1,326) | (1,386) |
| Prepaid Exp & Other | 0 | 0 | 0 | 0 | 0 | 0 | 1,039 | (1,248) | (1,080) | (1,288) | (596) | (557) | (492) | (493) | (517) | (541) | (566) | (592) | (619) | (647) |
| Other Assets | (4,099) | 7 | (771) | (821) | (5,684) | (1,457) | 4,741 | (5,427) | 87 | (2,056) | (2,627) | (2,456) | (2,168) | (2,173) | (2,276) | (2,383) | (2,494) | (2,609) | (2,728) | (2,852) |
| Accounts Payable | (6,075) | (14,689) | 3,974 | 14,901 | (1,889) | (4,542) | (17,465) | 7,892 | 16,477 | 2,362 | 2,540 | 2,375 | 2,096 | 2,101 | 2,201 | 2,304 | 2,411 | 2,523 | 2,638 | 2,758 |
| Deferred Revenue | 131 | (131) | 0 | 0 | 0 | 0 | (562) | 783 | (110) | 111 | 327 | 306 | 270 | 271 | 283 | 297 | 310 | 325 | 340 | 355 |
| Other Liab | 3,758 | (2,001) | 1,229 | 45 | 3,031 | (3,865) | (1,416) | 11,519 | (2,156) | 4,081 | 4,409 | 4,122 | 3,638 | 3,647 | 3,820 | 3,999 | 4,185 | 4,378 | 4,579 | 4,787 |
| Operating CF | 34,005 | 28,560 | 26,380 | 21,598 | 110,543 | 39,895 | 30,031 | 33,009 | 21,908 | 124,844 | 134,088 | 139,495 | 143,865 | 148,479 | 153,357 | 158,462 | 163,802 | 169,387 | 175,228 | 181,335 |
| Cap Ex | (3,787) | (2,916) | (2,093) | (2,163) | (10,959) | (2,392) | (3,003) | (2,156) | (2,228) | (9,779) | (10,073) | (10,375) | (10,686) | (11,007) | (11,337) | (11,677) | (12,027) | (12,388) | (12,760) | (13,142) |
| Free Cash Flow | 30,218 | 25,644 | 24,287 | 19,435 | 99,584 | 37,503 | 27,028 | 30,853 | 19,680 | 115,064 | 124,016 | 129,120 | 133,179 | 137,473 | 142,021 | 146,785 | 151,774 | 156,999 | 162,468 | 168,193 |
| FCF/Share | \$1.89 | \$1.62 | \$1.54 | \$1.24 | \$6.30 | \$2.41 | \$1.69 | \$1.94 | \$1.24 | \$7.27 | \$7.75 | \$7.99 | \$8.16 | \$8.34 | \$8.53 | \$8.73 | \$8.94 | \$9.16 | \$9.38 | \$9.61 |
| Acquisitions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equities | 2,483 | 5,341 | 3,036 | 5,141 | 16,001 | 4,603 | 0 | 0 | 0 | 4,603 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | (141) | (106) | (506) | (584) | (1,337) | (284) | 0 | 0 | 0 | (284) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Investing CF | (1,445) | 2,319 | 437 | 2,394 | 3,705 | 1,927 | (3,003) | (2,156) | (2,228) | (5,460) | (10,073) | (10,375) | (10,686) | (11,007) | (11,337) | (11,677) | (12,027) | (12,388) | (12,760) | (13,142) |
| Stock Issuance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Stock Repurchases | (19,475) | (19,594) | (17,478) | (21,003) | (77,550) | (20,139) | 0 | 0 | 0 | (20,139) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SBC Taxes | (2,316) | (418) | (2,385) | (312) | (5,431) | (2,591) | 0 | 0 | 0 | (2,591) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividends | (3,768) | (3,650) | (3,849) | (3,758) | (15,025) | (3,825) | (3,841) | (3,824) | (3,799) | (15,289) | (15,355) | (15,508) | (15,663) | (15,820) | (15,978) | (16,138) | (16,299) | (16,462) | (16,627) | (16,793) |
| Debt | (9,615) | (1,996) | (283) | 1,993 | (9,901) | (3,984) | 0 | 0 | 0 | (3,984) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | (389) | (66) | (53) | (73) | (581) | (46) | 0 | 0 | 0 | (46) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financing CF | (35,563) | (25,724) | (24,048) | (23,153) | (108,488) | (30,585) | (3,841) | (3,824) | (3,799) | (42,049) | (15,355) | (15,508) | (15,663) | (15,820) | (15,978) | (16,138) | (16,299) | (16,462) | (16,627) | (16,793) |
| Change in Cash | (3,003) | 5,155 | 2,769 | 839 | 5,760 | 11,237 | 23,187 | 27,029 | 15,881 | 77,334 | 108,661 | 113,612 | 117,516 | 121,653 | 126,043 | 130,647 | 135,475 | 140,537 | 145,841 | 151,399 |
| Cash - Beginning | 24,977 | 21,974 | 27,129 | 29,898 | 24,977 | 30,737 | 40,760 | 63,947 | 90,976 | 30,737 | 106,857 | 215,519 | 329,130 | 446,646 | 568,299 | 694,341 | 824,989 | 960,464 | 1,101,000 | 1,246,842 |
| Cash - End | 21,974 | 27,129 | 29,898 | 30,737 | 30,737 | 40,760 | 63,947 | 90,976 | 106,857 | 106,857 | 215,519 | 329,130 | 446,646 | 568,299 | 694,341 | 824,989 | 960,464 | 1,101,000 | 1,246,842 | 1,398,241 |
| FCF/Sales | 25.8% | 27.0% | 29.7% | 21.7% | 26.0% | 31.4% | 30.1% | 36.3% | 21.2% | 29.7% | 30.8% | 31.0% | 31.1% | 31.2% | 31.3% | 31.4% | 31.5% | 31.6% | 31.7% | 31.8% |

Source: Company reports, LSEG, and Maxim Group LLC

DISCLOSURES

Apple Inc. Rating History as of 04/16/2024

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| Maxim Group LLC Ratings Distribution | | As of: 04/16/24 | |
|--------------------------------------|---|------------------------------------|--|
| | | % of Coverage Universe with Rating | % of Rating for which Firm Provided Banking Services in the Last 12 months |
| Buy | Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to outperform its relevant index over the next 12 months. | 83% | 51% |
| Hold | Fundamental metrics are currently at, or approaching, industry averages. Therefore, we expect this stock to neither outperform nor underperform its relevant index over the next 12 months. | 17% | 55% |
| Sell | Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to underperform its relevant index over the next 12 months. | 0% | 0% |

**See valuation section for company specific relevant indices*

I, **Tom Forte, CFA**, attest that the views expressed in this research report accurately reflect my personal views about the subject security and issuer. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report.

The research analyst(s) primarily responsible for the preparation of this research report have received compensation based upon various factors, including the firm's total revenues, a portion of which is generated by investment banking activities.

Maxim Group makes a market in Apple Inc.

Maxim Group expects to receive or intends to seek compensation for investment banking services from Apple Inc. in the next 3 months.

AAPL: We use the S&P 500 as the relevant index for Apple Inc.

Valuation Methods

AAPL: Our price target is based on applying a comparable P/E multiple to our forecast.

Price Target and Investment Risks

AAPL: Aside from general market conditions and other economic matters, three risks to our rating and price target for Apple Inc. are: 1) Antitrust/Regulatory, 2) China Dependence, 3) iPhones Overweight.

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