Equity Research



Earnings Revised — November 2, 2023

IT Hardware & Communications Networking

Apple Inc. (AAPL)

AAPL: iPhone Resiliency + DD% Services Growth + GM% Expansion = Sustaining High-20x / Low-30x P/E. Reit. OW & \$225 PT

Our Call

We think F4Q23 results could be viewed as largely uneventful (iPhone in-line; Services +DD% y/y). Apple's consistent >\$90B TTM FCF, ~100% FCF return via repo + divs., & con't DD% services growth should continue to support high-20x / low-30x NTM P/E.

What We Think Matters Most: 1. Confidence in maintaining DD% y/y services growth, 2. Expectation of y/y growth in F1Q24 iPhone revenue, 3. Rptd Greater China rev. at -2.5% y/y (+4% y/y when adj. for FX); iPhone Sept qtr record in Mainland China (positive vs. investor concern), 4. India becoming an increasingly visible growth driver. 5. Con't +GM% trajectory via mix + expanding leverage of internal silicon, 6. Con't validation of our thesis on Apple's position for Mac share gain momentum.

F1Q24 Guide: Apple expects absolute F1Q24 rev. to be *similar* to the yr ago qtr, which had 14-wks; F1Q23 rev was \$117.154B (~\$8B via extra week). Our prior F1Q24 est. stood at \$116.9B (Street: ~\$123.3B est.). Apple expects Mac y/y perf. to *accelerate* significantly, while iPad and Wearables y/y perf. decelerates significantly (product launches yr. ago). Services to grow strong DD% y/y, similar as F4Q23. GM% guided to 45%-46% (Street: 43.6%), opex at \$14.4-\$14.6B, OI&E at (\$200M), and ~16% tax.

F4Q23 Results: Apple reported F4Q23 rev. at \$89.5B (-1% y/y) and EPS of \$1.46/sh, compared to our \$88.7B / \$1.37 est. (street: \$89.5B / \$1.40) inclusive of >200bps FX headwind, in-line w/ FX guide and ~400bps y/y impact in F3Q23. F4Q23 GM% was 45.2% vs. our / Street 44.5% est. w/ Services GM% at 70.9% vs. our 70.6% est. Product GM% at 36.6% vs. our prior 35.8% est. (mix vs. component pricing dynamics a focus)

Estimate Changes: We now model F1Q24 rev./EPS at \$117.4B / \$2.09 (vs. prior street: \$123.3B / \$2.09). We adjust our calendar 2023, 2024, and 2025 estimates from \$382.2B / \$6.12, \$413.5B / \$6.85, and \$431.9B / \$7.30 to **\$383.5B / \$6.34, \$402.7B / \$6.83**, and **\$418.4B / \$7.40** respectively. We reiterate our \$225/sh. PT (30x our calendar 2025E).

Segment Results:

1) iPhone: Rev. of \$43.805B (Sept. qtr. record) was up 6% y/y (w/ >200bps FX headwind) and +10% q/q, compared to our \$42.763B est. (Street: \$43.704B). Apple highlighted strength in China (rev. record) and continued strength in other emerging markets with double-digit % y/y growth. We est. iPhone blended ASP in F4Q23 at ~\$874M vs. our prior \$875 est. (Street: ~\$885), and units in the ~50M range vs. our/Street prior ~49M unit est. (preliminary 3Q23 ests. implied 49-54M range).

Signature Picks 🗸



Equity Analyst(s)

Aaron Rakers, CFA

Equity Analyst | Wells Fargo Securities, LLC Aaron.Rakers@wellsfargo.com | 314-875-2508

Joe Quatrochi, CFA

Equity Analyst | Wells Fargo Securities, LLC Joe.Quatrochi@wellsfargo.com | 314-875-2055

Jake Wilhelm, CFA, CPA

Associate Equity Analyst | Wells Fargo Securities, LLC Jake.Wilhelm@wellsfargo.com | 314-875-2502

Michael Tsvetanov, CFA

Associate Equity Analyst | Wells Fargo Securities, LLC Michael.Tsvetanov@wellsfargo.com | 314-875-2558

Rating	Overweight
Ticker	AAPL
Price Target/Prior:	\$225.00/NC
Upside/(Downside) to Target	26.7%
Price (11/02/2023)	\$177.57
52 Week Range	\$124.17 - 198.23
Shares Outstanding	15,634,232,000
Market Cap (MM)	\$2,776,171
Enterprise Value (MM)	\$2,725,160
Average Daily Volume	71,269,237
Average Daily Value (MM)	\$12,655
Dividend (NTM)	\$0.96
Dividend Yield	0.5%
Net Debt (MM) - last reported	\$(51,011)
ROIC - Current year est.	61%
3 Yr EPS CAGR from current year (unless otherwise noted)	15%

\$ EPS	2023A	2024E Curr.	2024E Prior	2025E Curr.	2025E Prior
Q1 (Dec)	1.88 A	2.09 E	1.96E	2.27 E	2.28E
Q2 (Mar)	1.52 A	1.57 E	NC	1.67 E	NC
Q3 (Jun)	1.26 A	1.40 E	1.41E	1.49 E	1.50E
Q4 (Sep)	1.46 A	1.59 E	NC	1.77 E	1.72E
FY	6.13 A	6.64 E	6.53E	7.20 E	7.18E
P/E	29.0x	26.7x		24.7x	

Source: Company Data, Wells Fargo Securities estimates, and Refinitiv. NA = Not Available, Volatility = Historical trading volatility

Investment Thesis

paid subscriber base.

Wells Fargo Express Takeaways

Apple Inc. (AAPL) | Rating: Overweight | Price Target: \$225.00 Analyst: Aaron Rakers

Financials			
FY (Sep) \$ ESTIMATES	2023A	2024E	2025E
EPS			
Q1	1.88 A	2.09 E	2.27 E
Q2	1.52 A	1.57 E	1.67 E
Q3	1.26 A	1.40 E	1.49 E
Q4	1.46 A	1.59 E	1.77 E
AN	6.13 A	6.64 E	7.20 E
Rev. (MM)	383,285.0 A	395,715.5 E	413,053.0 E
EBIT (MM)	114,301.0 A	122,185.4 E	127,140.5 E
EBITDA (MM)	125.82B A	134.32B E	139.84B E
FCF (MM)	99,584.0 A	77,265.7 E	80,932.3 E
WELLS FARGO vs. CONSENSUS			
Consensus Estimate	6.56 A	7.08 E	7.82 E
Difference from Consensus		(6.1)%	(8.0)%
VALUATION			
P/E	29.0x	26.7x	24.7x
EV/Revenue	7.1x	6.9x	6.6x
EV/EBIT	23.8x	22.3x	21.4x
EV/EBITDA	21.7x	20.3x	19.5x
EV/FCF	27.4x	35.3x	33.7x

4.2%

differentiation and overall deepening product/services portfolio will create sustainable brand loyalty, 2) Apple's strong balance sheet and sustainable FCF generation; continually funding a strong capital return strategy, and 3) The continued expansion of Apple's recurring

Our Overweight rating reflects: 1) Apple's competitive



*As of 11/02/23 Source: Wells Fargo Securities, LLC estimates and Refinitiv.

Consensus Estimate: Consensus EPS Estimate; Source: VisibleAlpha Source: Company Data, Wells Fargo Securities estimates, and Refinitiv. NA = Not Available, NE = No Estimate

Base Case | \$225.00

FCF Yield

Our \$225 price target reflects ~30x P/E on our C2025 estimate; we believe Apple's expanding subscription customer base can sustain a higher multiple (vs. 5-year median at 20x)

Upside Scenario | \$250.00

3.4%

3.2%

Our \$250 upside scenario (~30x EPS upside of \$8+) assumes better than expected worldwide iPhone growth/market share gains as well as average revenue per user via increasing number of devices per user (i.e., ecosystem leverage) and greater services engagement.

Downside Scenario | \$150.00

Our \$150 downside scenario assumes Apple trades in the low 20x P/E range (w/ EPS downside into \$7 range) given low/nogrowth smartphone market, limited share gains, and lackluster growth in average revenue per user.

Upcoming Catalysts

Monthly smartphone datapoints.

Company Description

Apple designs, manufactures and markets smartphones, personal computers, wearable devices, and other consumer electronic products. Apple also develops its own operating systems, including iOS, watchOS, tvOS, and MacOS, for use in its products. The company sells its products through its online store, retail locations, direct sales force, and 3rd party cellular network carriers to a variety of end markets. The company was founded in 1976 and is headquartered in Cupertino, CA.

- 2) Services: Services revenue totaled \$22.314 billion, ahead of our \$22.168B estimate (street: \$21.409B), +16% y/y and +5% q/q. Services GM% at 70.9% compared to our prior ~70.6% est. (Street: 71.4%). Apple reported that paid subscriptions were "well over" 1 billion, lacking specificity in q/q growth (vs. ~1.010B in prior quarter). Apple highlighted that it set new all-time records in every Services category. As we think about forward services growth, we would note that Apple recently (10/25) raised prices on several services including Apple TV Plus, Arcade, News Plus, and Apple One
- 3) $\underline{\text{Mac}}$ revenue declined 34% y/y as reported to \$7.614 billion (+11% q/q) vs. our \$7.702 billion estimate (Street: \$8.756B). This +11% seq. increase compares to an average F4Q seq. increase of 31% over the past five years (range: +11% +56%). Apple noted that weakness was driven by challenging PC market conditions and a difficult compare in year ago quarter (fulfillment of pent-up demand/easing of supply constraints). Apple continues to emphasize enterprise Mac adoption, highlighting wins at Starbucks and Go To.
- **4) iPad** revenue totaled \$6.433 billion (-10% y/y), slightly below our \$6.663 billion estimate (Street: \$6.095B); Apple noting tough y/y compare due to easing of supply constraints in the year ago quarter. Apple continues to highlight that that more than half of customers purchasing iPads during the quarter were new to the product.
- **5)** Wearables, Home, and Accessories revenue at \$9.322B was -3% y/y and compared to our \$9.402B est. (Street: \$9.603). Apple again highlighted that Apple Watch nearly 2/3 of Apple Watch customers in the quarter were new to the product.

Other Highlights:

- Free Cash Flow: Apple generated \$19.435 billion of FCF in F4Q23, -7% y/y. CFO totaled \$21.598B, or 24% of revenue, which compares to \$24.13B a year ago (26.8% of revenue). Apple has now consistently maintained >\$90 billion in trailing twelve-month free cash flow generation for the past eleven consecutive quarters.
- Capital Return: In F4Q23, Apple returned \$24.791 billion to shareholders, vs. total capital return of \$21.3B in F3Q23. The company repurchased ~85M shares in open market purchases + retired ~22 million shares in an initiated \$5 billion accelerated share repurchase (ASR) initiated in August. This compares to Apple spending ~\$17.5B to repurchase ~103M shares in F3Q23. Apple has consistently returned 90%+ of its FCF generation on a trialing twelve month basis over the past several years.
- Geographies: Apple reported <u>Greater China</u> revenue -2.5% y/y (16.2% of total revenue) vs. +8% in F3Q23 weakening China consumer demand; geopolitical concern a key focus. <u>Americas</u> sales grew 10% y/y to \$43.8B (47% of revenue) vs. -6% y/y in F3Q23, <u>Japan</u> revenue declined 3% y/y, <u>Europe</u> was -1.5% y/y, and the <u>Rest of Asia</u> fell 1% y/y vs. -11%, +5%, and -8% y/y, respectively, in the prior quarter.
- Cash: Apple exited the quarter with cash + investments at \$162.1 billion, down from \$166.5 billion exiting the prior quarter. With \$111.1 billion in total debt, Apple exited F4Q23 with \$51.0 billion in net cash, or \$3.25/sh., which compares to \$57.3 billion exiting F3Q23 and Apple's long-standing noted focus on driving toward a net neutral cash position (note: Apple's net cash stood at \$79.4B and \$65.8B exiting F2020 and F2021, respectively).
- Working Capital Considerations: (1) Apple's inventory declined q/q to \$6.331 billion exiting F4Q23, compared to \$7.351B and \$4.946B in the prior and year ago quarters. (2) Vendor non-trade receivables totaled \$31.477B, -4% y/y (vs. -4% y/y in the prior quarter) and +60% q/q (vs. +55% q/q avg. over prior three years). As a reminder, this balance reflects Apple's component purchases on behalf of its manufacturing partners.

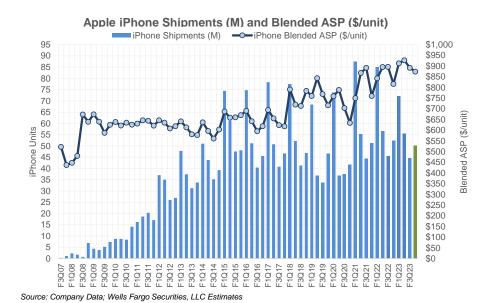
IT Hardware & Communications Networking Equity Research

Apple Results Summary:

Key Income Statement, Cash Flow, & Balance Sheet Results:

														F4Q23		F1Q24E					
													Apple Estimates			Wells Fargo	Prior				
	F4Q20	F1Q21	F2Q21	F3Q21	F4Q21	F1Q22	F2Q22	F3Q22	F4Q22	F1Q23	F2Q23	F3Q23	Rptd	Wells Fargo	Street	New	Prior	Street			
	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23		Sep-23			Dec-23				
Segment Revenue:																					
iPhone	\$26,444	\$65,597	\$47,938	\$39,570	\$38,868	\$71,628	\$50,570	\$40,665	\$42,626	\$65,775	\$51,334	\$39,669	\$43,805	\$42,763	\$43,704	\$65,355	\$65,977	\$69,903			
Mac	\$9,032	\$8,675	\$9,102	\$8,235	\$9,178	\$10,852	\$10,435	\$7,382	\$11,508	\$7,735	\$7,168	\$6,840	\$7,614	\$7,702	\$8,756	\$8,344	\$7,675	\$8,249			
iPad	\$6,797	\$8,435	\$7,807	\$7,368	\$8,252	\$7,248	\$7,646	\$7,224	\$7,174	\$9,396	\$6,670	\$5,791	\$6,443	\$6,663	\$6,095	\$7,416	\$6,825	\$8,278			
Wearables, Home & Accessories Services	\$7,876	\$12,971 \$15,761	\$7,836 \$16,901	\$8,775 \$17,486	\$8,785 \$18,277	\$14,701 \$19,516	\$8,806 \$19,821	\$8,084 \$19,604	\$9,650 \$19,188	\$13,482 \$20,766	\$8,757 \$20,907	\$8,284 \$21,213	\$9,322 \$22,314	\$9,402 \$22,168	\$9,603 \$21,409	\$12,585 \$23,653	\$14,104 \$22,278	\$14,170 \$22,776			
Total Revenue	\$14,549																				
Yr/Yr % Change	\$64,698 1.0%	\$111,439 21.4%	\$89,584 53.6%	\$81,434 36.4%	\$83,360 28.8%	\$123,945 11.2%	\$97,278 8.6%	\$82,959	\$90,146 8.1%	\$117,154 (5.5%)	\$94,836 (2.5%)	\$81,797 (1.4%)	\$89,498	\$88,698	\$89,527	\$117,353 0.2%	\$116,859	\$123,318 5.3%			
Q/Q % Change	8.4%	72.2%	(19.6%)	(9.1%)	2.4%	48.7%	(21.5%)	(14.7%)	8.7%	30.0%	(19.1%)	(13.7%)	(0.7%)	(1.6%) 8.4%	(0.7%) 9.4%	31.1%	(0.3%) 31.7%	37.8%			
Gross Income	\$24,689	\$44,328	\$38,079	\$35,255	\$35,174	\$54,243	\$42,559	\$35,885	\$38,095	\$50,332	\$41,976	\$36,413	\$40,427	\$39,468	\$39,812	\$53,140	\$51,396	\$53,795			
Gross Margin %	38.2%	39.8%	42.5%	43.3%	42.2%	43.8%	43.7%	43.3%	42.3%	43.0%	44.3%	44.5%	45.2%	44.5%	44.5%	45.3%	44.0%	43.6%			
Product GM%	29.8%	35.1%	36.1%	36.0%	34.3%	38.4%	36.4%	34.5%	34.6%	37.0%	36.7%	35.4%	36.6%	35.8%	36.1%	38.7%	37.6%	37.4%			
Services GM%	66.9%	68.4%	70.1%	69.8%	70.5%	72.4%	72.6%	71.5%	70.5%	70.8%	71.0%	70.5%	70.9%	70.6%	71.4%	71.2%	70.9%	71.3%			
Total Operating Expenses	\$9.914	\$10.794	\$10.576	\$11.129	\$11,388	\$12,755	\$12.580	\$12.809	\$13,201	\$14.316	\$13,658	\$13,415	\$13,458	\$13.615	\$13.622	\$14.317	\$14.724	\$14,939			
Opex % of Revenue	15.3%	9.7%	11.8%	13.7%	13.7%	10.3%	12,560	15.4%	14.6%	12.2%	14.4%	16.4%	15.0%	15.4%	15.2%	12.2%	12.6%	12.1%			
EBIT	\$14.775	\$33.534	\$27,503	\$24.126	\$23,786	\$41,488	\$29,979	\$23,076	\$24,894	\$36.016	\$28,318	\$22.998	\$26,969	\$25,853	\$26,190	\$38,823	\$36,671	\$38,856			
EBIT Margin	22.8%	30.1%	30.7%	29.6%	28.5%	33.5%	30.8%	27.8%	27.6%	30.7%	29.9%	28.1%	30.1%	29.1%	29.3%	33.1%	31.4%	31.5%			
Other Income	\$126	\$50	\$508	\$243	(\$538)	(\$247)	\$160	(\$10)	(\$237)	(\$393)	\$64	(\$265)	\$29	(\$250)	(\$213)	(\$200)	(\$250)	(\$164)			
Tax Rate	15.0%	φου 14.4%	15.6%	10.8%	(\$536) 11.6%	16.0%	17.0%	15.7%	(\$237) 16.0%	15.8%	14.9%	(\$265) 12.5%	15.0%	16.0%	16.0%	16.0%	(\$250) 16.0%	16.1%			
Net Income	\$12,673	\$28,760	\$23,630	\$21,744	\$20,551	\$34,630	\$25,010	\$19,442	\$20,721	\$29,998	\$24,160	\$19,881	\$22,956	\$21,507	\$21,842	\$32,443	\$30,594	\$32,479			
Non-GAAP EPS	\$0.73	\$1.68	\$1.40	\$1.30	\$1.24	\$2.10	\$1.52	\$1.20	\$1.29	\$1.88	\$1.52	\$1.26	\$1.46	\$1.37	\$1.40	\$2.09	\$1.96	\$2.09			
Fully Shares Outstanding	17,257	17,114	16,929	16,782	16,635	16,519	16,403	16,262	16,118	15,956	15,847	15,775	15,672	15,695	15,626	15,547	15,595	15,522			
	****		****		***		****	****	****												
Cash Flow from Operations - Capital Expenditures	\$20,576	\$38,763	\$23,981	\$21,094	\$20,200	\$46,966	\$28,166	\$22,892	\$24,127	\$34,005	\$28,560	\$26,380	\$21,598								
	(\$1,784)	(\$3,500)	(\$2,269)	(\$2,093)	(\$3,223)	(\$2,803) \$44,163	(\$2,514)	(\$2,102)	(\$3,289)	(\$3,787)	(\$2,916)	(\$2,093)	(\$2,163)								
Free Cash Flow	\$18,792	\$35,263	\$21,712	\$19,001	\$16,977		\$25,652	\$20,790	\$20,838	\$30,218	\$25,644	\$24,287	\$19,435								
- TTM Free Cash Flow - TTM FCF per Share (avg)	\$73,365 \$4.19	\$80,219 \$4.62	\$90,473 \$5.27	\$94,768 \$5.57	\$92,953 \$5.51	\$101,853 \$6.09	\$105,793 \$6.38	\$107,582 \$6.54	\$111,443 \$6.83	\$97,498 \$6.02	\$97,490 \$6.08	\$100,987 \$6.34	\$99,584 \$6.30								
, , ,	Ψ4.13	ψ4.02	Ψ3.21	ψ3.37	Ψ5.51	Ψ0.03	Ψ0.30	\$0.54	ψ0.03	Ψ0.02	Ψ0.00	ψ0.54	ψ0.50								
Capital Return:	647.407	CO 4 775	640.540	#00 000	640.740	£00.470	600.004	604.005	CO 4 400	640.475	640.504	647.470	604.000								
- Share Repurchase - Dividends Paid	\$17,187 \$3,511	\$24,775 \$3,613	\$18,548 \$3,447	\$22,900 \$3,767	\$19,748 \$3,640	\$20,478 \$3,732	\$22,631 \$3,595	\$21,865 \$3,811	\$24,428 \$3,703	\$19,475 \$3,768	\$19,594 \$3,650	\$17,478 \$3,849	\$21,003 \$3,758								
Total Capital Returned	\$20,698	\$28,388	\$21,995	\$26,667	\$23,388	\$24,210	\$26,226 \$100,401	\$25,676	\$28,131	\$23,243	\$23,244 \$100,204	\$21,327	\$24,761								
Trailing 12-Month Capital Returned % of TTM FCF	\$86,439 117.8%	\$90,582 112.9%	\$90,628 100.2%	\$97,748 103.1%	\$100,438 108.1%	\$96,260 94.5%	\$100,491 95.0%	\$99,500 92.5%	\$104,243 93.5%	\$103,276 105.9%	\$100,294 102.9%	\$95,945 95.0%	\$92,575 93.0%								
Ending Cash & Investments	\$191,830	\$195,571	\$204,373	\$193,644	\$190,516	\$202,596	\$192,730	\$179,308	\$169,109	\$165,450	\$166,333	\$166,543	\$162,099								
- Total Debt Net Cash	\$112,436 \$70,304	\$112,043 \$83,528	\$121,645 \$82,728	\$121,791 \$71,853	\$124,719 \$65,797	\$122,798	\$119,981 \$72,749	\$119,691 \$59,617	\$120,069 \$49,040	\$111,110 \$54.340	\$109,615 \$56,718	\$109,280 \$57,263	\$111,088								
- Net Cash per Share	\$79,394 \$4.60	\$83,528 \$4.88	\$82,728 \$4.89	\$4.28	\$65,797 \$3.96	\$79,798 \$4.83	\$72,749 \$4.44	\$59,617 \$3.67	\$49,040	\$54,340 \$3.41	\$56,718 \$3.58	\$57,263 \$3.63	\$51,011 \$3.25								
·																					
Inventory - Seq. % Change	\$4,061 2.1%	\$4,973 22.5%	\$5,219 4.9%	\$5,178 (0.8%)	\$6,580 27.1%	\$5,876 (10.7%)	\$5,460 (7.1%)	\$5,433 (0.5%)	\$4,946 (9.0%)	\$6,820 37.9%	\$7,482 9.7%	\$7,351 (1.8%)	\$6,331 (13.9%)								
- Geq. 70 Gridinge	2.170	22.5%	4.3%	(0.0%)	21.170	(10.7%)	(1.170)	(0.5%)	(3.0%)	31.5%	9.170	(1.0%)	(13.9%)		- 1						
Apple Quarterly Guide History vs. Re	ported:																	_			
Gross Margin %:																					
Low-End	n/o	n/o	n/o	41.5%	41.5%	41.5%	42.5%	42.0%	41.5%	42.5%	43.5%	44.0%		44.0%			45.0%				
High-End	n/a	n/a	n/a	42.5%	42.5%	42.5%	43.5%	43.0%	42.5%	43.5%	44.5%	44.5%		45.0%			46.0%				
Reported vs. Midpoint				1.29pp	0.20pp	1.76pp	0.75pp	0.76pp	0.26pp	-0.04pp	0.26pp	0.27pp		0.67pp			-0.22pp				
Operating Expenses:																					
Low-End	\$9,800	\$10,700	\$10,700	\$11,100	\$11,300	\$12,400	\$12,500	\$12,700	\$12,900	\$14,700	\$13,700	\$13,600		\$13,500			\$14,400				
High-End	\$9,900	\$10,800	\$10,900	\$11,300	\$11,500	\$12,600	\$12,700	\$12,900	\$13,100	\$14,900	\$13,900	\$13,800		\$13,700			\$14,600				
Reported vs. Midpoint	0.6%	0.4%	(2.1%)	(0.6%)	(0.1%)	2.0%	(0.2%)	0.1%	1.5%	(3.3%)	(1.0%)	(2.1%)		(1.0%)			(1.3%)				

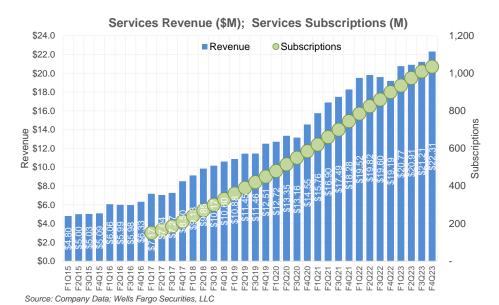
Source: Company Data; FactSet; Wells Fargo Securities, LLC Estimates



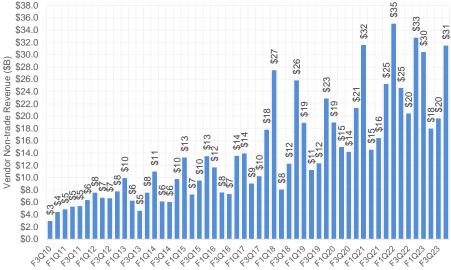




Source: Company Data; Wells Fargo Securities, LLC

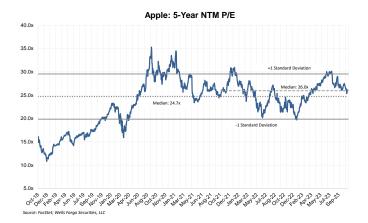


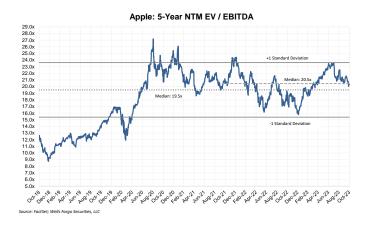
Apple Vendor Non-trade Receivables (\$B)



IT Hardware & Communications Networking

Equity Research





Equity Research Apple Inc.

Apple - Balance Sheet & Cash Flow Summary: (\$ in Millions)

(\$ IIT WIIIIONS)																,
	F1Q20	F2Q20	F3Q20	F4Q20	F1Q21	F2Q21	F3Q21	F4Q21	F1Q22	F2Q22	F3Q22	F4Q22	F1Q23	F2Q23	F3Q23	F4Q2
Table 1 of the state of the sta	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
Total Cash & Investments - Less: Total Debt	\$207,061	\$192,844						\$190,516			\$179,308	\$169,109	\$165,450	\$166,333	\$166,543	
Net Cash & Investments	\$108,292 \$98,769	\$109,507 \$83.337	\$112,723 \$80.894	\$112,436 \$79.394	\$112,043 \$83.528	\$121,645 \$82.728	\$121,791 \$71.853		\$122,798 \$79.798	\$119,981 \$72.749	\$119,691 \$59.617	\$120,069 \$49.040	\$111,110 \$54.340	\$109,615 \$56.718	\$109,280 \$57.263	
- Net Cash a investments	\$5.54	\$4.73	\$4.64	\$4.60	\$4.88	\$4.89	\$4.28	, .	\$4.83	\$4.44	\$3,67	\$3.04	\$3.41	\$3.58	\$3.63	
Total Inventory	\$4.097	\$3.334	\$3.978	\$4.061	\$4.973	\$5,219	\$5.178	\$6.580	\$5.876	\$5.460	\$5.433	\$4.946	\$6.820	\$7.482	\$7.351	\$6.33
- Componetns Inventory	54,037	ψ3,33 4	φ3,310	⊅4,001	φ 4 ,313	, , ,	ψJ,170	\$0,500	\$3,070	φ3, 4 00	ψJ,433	\$1.637	\$2,513	\$3,379	\$3,788	1
- Finished Goods Inventory						N/A						\$3,309	\$4,307	\$4,103	\$3,563	10-Q
Vendor Non-Trade Receivables*	\$18,976	\$14,955	\$14,193	\$21,325	\$31,519	\$14,533	\$16,433	\$25,228	\$35,040	\$24,585	\$20,439	\$32,748	\$30,428	\$17,963	\$19,637	\$31,4
Manufacturing Purchase Obligations (10-Q)	\$30,200	\$29,300	\$30,300	\$49,911	\$45,800	\$35,400	\$38,200	\$54,800	\$47,600	\$40,600	\$43,100	\$71,100	\$55,100	\$40,500	\$38,400	10-C
- Mfg. Purchase Obligations Payable w/in 12-Months (10-Q)				N/A				\$54,700	\$47,500	\$40,500	\$40,000	\$68,400	\$54,800	\$40,100	\$38,100	10-C
- Mfg. Purchase Obligations Payable >12-Months (10-Q)				IN/A				\$100	\$100	\$100	\$3,100	\$2,700	\$300	\$400	\$300	10-0
Total Inventory + Vendor Non-Trade Receivables + Mfg. Purch. Commits (12-Mo. Only)	\$53,273	\$47,589	\$48,471	\$75,297	\$82,292	\$55,152			\$88,416	\$70,545	\$65,872	\$106,094	\$92,048	\$65,545	\$65,088	
- Total Ratio / Product COGS - Forward 12-Month Product COGS	0.33x \$161,341	0.27x \$176.467	0.26x \$184,673	0.39x \$192,266	0.42x \$194,445	0.28x \$197,288	0.30x \$197,874		0.45x \$197,927	0.36x \$195.432	0.34x \$193,083	0.56x \$189,282	0.50x \$185,918	0.36x \$184,620	0.35x \$185,881	\$188,2
Total Deferred Revenue (Implied by 10-Q Disclosure; Estimate) - Short-Term Deferred Revenue	\$9,136 \$5,573	\$8,966 \$5,928	\$9,788 \$6,313	\$10,220 \$6,643	\$11,555 \$7,395	\$11,867 \$7.595	\$12,002 \$7.681	\$11,894 \$7.612	\$12,403 \$7.876	\$12,375 \$7,920	\$12,075 \$7,728	\$12,363 \$7.912	\$12,591 \$7.882	\$12,509 \$8,131	\$12,194 \$8,158	
- Long-Term Deferred Revenue	\$3,563	\$3,038	\$3,475	\$3,577	\$4,160	\$4,272	\$4,321	\$4,282	\$4,527	\$4,455	\$4,347	\$4,451	\$4,709	\$4,378	\$4,036	
Cash Conversion Cycle (CCC):	(45.2)	(60.3)	(48.8)	(55.4)	(48.3)	(59.8)	(49.1)) (55.0)	(55.6)	(72.5)	(63.9)	(64.2)	(55.1)	(54.7)	(54.3)) (6
Days Sales Oustanding	21.8	28.7	25.7	24.0	17.7	23.2	20.2	,	20.8	23.9	23.4	25.3	20.2	20.1	20.9	
Days of Inventory	6.6	9.4	9.0	9.2	6.1	9.0	10.3		8.2	9.5	10.6	9.1	8.0	12.3	14.9	
Days Payable Outstanding	73.6	98.4	83.5	88.5	72.2	92.1	79.6	90.1	84.5	105.9	97.9	98.6	83.3	87.1	90.1	101
tuarterly Cash Flow:																
Cash Flow from Operations (CFO)	\$30,516	\$13,311	\$16,271	\$20,576	\$38,763	\$23,981	\$21,094	\$20,200	\$46,966	\$28,166	\$22,892	\$24,127	\$34,005	\$28,560	\$26,380	\$21,5
- Less: Capital Expenditures	\$2,107	\$1,853	\$1,565	\$1,784	\$3,500	\$2,269	\$2,093	* - , -	\$2,803	\$2,514	\$2,102	\$3,289	\$3,787	\$2,916	\$2,093	
Free Cash Flow (FCF)	\$28,409	\$11,458	\$14,706	\$18,792	\$35,263	\$21,712	\$19,001	\$16,977	\$44,163	\$25,652	\$20,790	\$20,838	\$30,218	\$25,644	\$24,287	\$19,4
Trailing Twelve Month Cash Flow:																
Cash Flow from Operations (CFO)	\$73,217	\$75,373	\$80,008	\$80,674	\$88,921	\$99,591	\$104,414	,	. ,	,	\$118,224	\$122,151	\$109,190	\$109,584	\$113,072	
- Less: Capital Expenditures	\$9,247	\$8,737	\$8,302	\$7,309	\$8,702	\$9,118	\$9,646	. ,	\$10,388	\$10,633	\$10,642	\$10,708	\$11,692	\$12,094	\$12,085	
Free Cash Flow (FCF) - FCF/Share	\$63,970 \$3.53	\$66,636 \$3.72	\$71,706 \$4.04	\$73,365 \$4.18	\$80,219 \$4.64	\$90,473 \$5.28	\$94,768 \$5.56		\$101,853 \$6.11	\$105,793 \$6.39	\$107,582 \$6.54	\$111,443 \$6.81	\$97,498 \$6.03	\$97,490 \$6.08	\$100,987 \$6.34	\$99, \$6
TTM Capex % of Revenue	3.5%	3.3%	3.0%	2.7%	3.0%	2.8%	2.8%	3.0%	2.7%	2.8%	2.7%	2.7%	3.0%	3.1%	3.1%	2
TTM FCF % of Revenue	23.9%	24.9%	26.2%	26.7%	27.3%	27.8%	27.3%		26.9%	27.4%	27.8%	28.3%	25.2%	25.3%	26.3%	26.
TTM FCF % of EBITDA	81.9%	86.2%	91.1%	94.9%	94.2%	90.6%	85.4%	77.3%	79.4%	81.0%	83.0%	85.4%	77.8%	78.8%	81.5%	79.
Share Repurchase Spend	\$20,706	\$18.574	\$15.891	\$17.187	\$24.775	\$18.548	\$22.900	\$19.748	\$20,478	\$22.631	\$21.865	\$24,428	\$19.475	\$19.594	\$17,478	\$21.0
- Less: Shares Repurchased	70.366	64.677	51.316	171.834	199.689	147.407	167.723	142.000	126.444	146.821	142.708	160.172	132.839	129.000	102.673	
Avg. Price per Share	\$294.26	\$287.18	\$309.67	\$100.02	\$124.07	\$125.83	\$136.53	\$139.07	\$161.95	\$154.14	\$153.21	\$152.51	\$146.61	\$151.89	\$170.23	
Remaining Share Repurchaes Authorization	\$58,869	\$90,353	\$74,353	\$56,353	\$32,353	\$103,352	\$80,852	\$60,851	\$40,489	\$17,579	\$85,877	\$60,665	\$41,665	\$112,570	\$94,569	\$94,
- Days of Trading Volume Purchased (Using Qtr Avg. Daily Volume)	0.67	0.33	0.35	1.00	1.74	1.34	2.03		1.42	1.55	1.52	2.03	1.58	1.87	1.79	
Quarterly Dividends Paid	\$3,539	\$3,375	\$3,656	\$3,511	\$3,613	\$3,447	\$3,767	\$3,640	\$3,732	\$3,595	\$3,811	\$3,703	\$3,768	\$3,650	\$3,849	\$3,7
Trailing 12-Month Share Repo + Dividends Paid	\$92,897	\$87,701	\$86,664	\$86,439	\$90,582	\$90,628	\$97,748		\$96,260	\$100,491	\$99,500	\$104,243	\$103,276	\$100,294	\$95,945	\$92,5
- % of Trailing 12-Month FCF	145.2%	131.6%	120.9%	117.8%	112.9%	100.2%	103.1%	108.1%	94.5%	95.0%	92.5%	93.5%	105.9%	102.9%	95.0%	93.0

^{*} Vendor Non-Trade Receivables = non-trade receivables from certain of its manufacturing vendors from the sale of components to these vendors who manufacture subassemblies and assemble final products for Apple Source: Company Data; Wells Fargo Securities, LLC Estimates

IT Hardware & Communications Networking Equity Research

Apple Inc

Income Statement Summary

(\$ in Millions, Except per Share; Units Shipped in Millions)

				Last Rptd		Wells Far														
	F1Q23	F2Q23	FY2023E F3Q23	F4Q23	Total	F1Q24E	F2Q24E	FY2024E F3Q24E	F4Q24E	Total	F1Q25E	F2Q25E	FY2025E F3Q25E	F4Q25E	Total	C2021	C2022	alendar Yea C2023E	r C2024E	C2025E
Units Shipped (MM)	Dec-22	Mar-23	Jun-23	Sep-23		Dec-23	Mar-24	Jun-24	Sep-24		Dec-24	Mar-25	Jun-25	Sep-25						
Macs	5.92	5.24	4.82	6.27	22.26	6.30	5.54	4.99	6.36	23.19	6.49	5.84	5.25	6.57	24.14	26.94	26.82	22.63	23.37	24.46
iPad iPhone	23.43 72.09	15.02 55.39	13.22 44.50	14.28 50.15	65.95 222.13	15.78 72.22	14.20 53.80	15.90 45.73	15.43 51.45	61.31 223.19	16.35 75.88	14.72 50.84	15.45 46.52	14.84 53.03	61.36 226.28	71.67 235.79	73.35 226.20	58.30 222.25	61.88 226.86	60.58 227.30
Total Units	101.44	75.66	62.54	70.69	310.33	94.29	73.54	66.62	73.23	307.69	98.72	71.40	67.23	74.44	311.79	334.41	326.38	303.18	312.12	312.34
ASPs (\$/Unit)																				
Macs	\$1,306	\$1,367	\$1,418	\$1,215	\$1,319	\$1,325	\$1,320	\$1,350	\$1,350	\$1,336	\$1,395	\$1,350	\$1,360	\$1,380	\$1,372	\$1,387	\$1,382	\$1,324	\$1,355	\$1,375
iPad iPhone	\$401 \$912	\$444 \$927	\$438 \$892	\$451 \$873	\$429 \$903	\$470 \$905	\$480 \$900	\$485 \$875	\$475 \$870	\$477 \$890	\$455 \$905	\$475 \$905	\$480 \$865	\$470 \$875	\$470 \$890	\$428 \$840	\$429 \$883	\$451 \$901	\$473 \$890	\$469 \$892
Total Unit ASPs (\$/unit)	\$817	\$861	\$836	\$818	\$854	\$860	\$851	\$817	\$828	\$841	\$863	\$853	\$815	\$839	\$844	\$796	\$822	\$846	\$842	\$847
Sales (\$M)																				
Macs iPad	\$7,735 \$9,396	\$7,168 \$6,670	\$6,840 \$5,791	\$7,614 \$6,443	\$29,357 \$28,300	\$8,344 \$7,416	\$7,315 \$6,816	\$6,733 \$7,714	\$8,585 \$7,328	\$30,977 \$29,273	\$9,048 \$7,441	\$7,881 \$6,991	\$7,145 \$7,418	\$9,063 \$6,973	\$33,137 \$28,822	\$37,367 \$30,675	\$37,060 \$31,440	\$29,966 \$26,320	\$31,681 \$29,298	\$33,639 \$28,391
iPhone	\$65,775	\$51,334	\$39,669	\$43,805	\$200,583	\$65,355	\$48,421	\$40,014	\$44,759	\$198,550	\$68,675	\$46,013	\$40,241	\$46,405	\$201,333	\$198,004	\$199,636	\$200,163	\$201,870	\$202,636
Total Services (iTunes/App Store/ Apple Pay etc.)	\$20,766	\$20,907	\$21,213	\$22,314	\$85,200	\$23,653	\$23,771	\$23,533	\$24,663	\$95,620	\$25,526	\$26,037	\$25,907	\$27,461	\$104,930	\$72,180	\$79,379	\$88,087	\$97,494	\$107,277
Other Products (Includes Apple Watch) Revenue	\$13,482 \$117,154	\$8,757 \$94,836	\$8,284 \$81,797	\$9,322 \$89,498	\$39,845 \$383,285	\$12,585 \$117,353	\$9,439 \$95,762	\$9,155 \$87,150	\$10,117 \$95,451	\$41,295 \$395,715	\$13,658 \$124,348	\$10,243 \$97,164	\$10,038 \$90,748	\$10,892 \$100,793	\$44,830 \$413,053	\$40,097 \$378,323	\$40,022 \$387,537	\$38,948 \$383,484	\$42,368 \$402,711	\$46,421 \$418,364
Cost of Sales	\$66,822	\$52,860	\$45,384	\$49,071	\$214,137	\$64,213	\$52,463	\$47,245	\$52,128	\$216,048	\$68,204	\$52,574	\$49,271	\$54,548	\$224,596		\$220,666	\$211,528	\$220,039	\$227,018
Gross Margin	\$50,332	\$41,976	\$36,413	\$40,427	\$169,148	\$53,140	\$43,299	\$39,905	\$43,324	\$179,668	\$56,144	\$44,590	\$41,477	\$46,245			\$166,871	\$171,956	\$182,672	\$191,345
Operating Expenses	400,002				\$100,110					\$110,000					V.00,.0.		V.00,01			
R&D	\$7,709	\$7,457	\$7,442	\$7,307	\$29,915	\$7,863	\$7,852	\$7,974	\$7,970	\$31,659	\$8,704	\$8,405	\$8,712	\$8,618	\$34,439	\$23,057	\$27,654	\$30,069	\$32,501	\$35,135
SG&A Total Operating Expenses	\$6,607 \$14,316	\$6,201 \$13,658	\$5,973 \$13,415	\$6,151 \$13,458	\$24,932 \$54,847	\$6,454 \$14,317	\$6,512 \$14,364	\$6,318 \$14,293	\$6,538 \$14,509	\$25,823 \$57,482	\$6,839 \$15,544	\$6,656 \$15,060	\$6,579 \$15,291	\$6,804 \$15,421	\$26,878 \$61,316	\$22,791 \$45,848	\$25,252 \$52,906	\$24,779 \$54,848	\$26,208 \$58,709	\$27,105 \$62,239
Operating Income (EBIT)	\$36,016	\$28,318	\$22,998	\$26,969	\$114,301	\$38,823	\$28,934	\$25,613	\$28,815	\$122,185	\$40,601	\$29,529	\$26,186	\$30,824	\$127,141		\$113,965	\$117.108	\$123,963	\$129,106
EBITDA	\$38,932	\$31,216	\$26,050	\$29,622	\$125,820	\$41,713	\$32,082	\$28,636	\$31,891	\$134,322	\$43,670	\$32,684	\$29,389	\$34,097	\$139,840	\$128,218	\$125,288	\$128,601	\$136,279	\$141,985
Other Income & Expenses	-\$393	\$64	-\$265	\$29	-\$565	-\$200	-\$200	-\$150	-\$125	-\$675	-\$100	-\$100	-\$50	-\$50	-\$300	-\$34	-\$480	-\$372	-\$575	-\$250
Pretax Income	\$35,623	\$28,382	\$22,733	\$26,998	\$113,736	\$38,623	\$28,734	\$25,463	\$28,690	\$121,510	\$40,501	\$29,429	\$26,136	\$30,774	\$126,841		\$113,485		\$123,388	\$128,856
Taxes Net Income (Non-GAAP)	\$5,625 \$29,998	\$4,222 \$24,160	\$2,852 \$19,881	\$4,042 \$22,956	\$16,741 \$96,995	\$6,180 \$32,443	\$4,598 \$24,137	\$4,074 \$21,389	\$4,590 \$24,100	\$19,442 \$102.069	\$6,480 \$34,021	\$4,709 \$24,721	\$4,182 \$21,955	\$4,924 \$25,850	\$20,294 \$106,546	\$16,314 \$100,555	\$18,314 \$95.171	\$17,296 \$99.440	\$19,742 \$103,646	\$20,617 \$108,239
											\$34,021							, , ,		
EPS (Non-GAAP; Headline) Fully Diluted Shares	\$1.88 15,956	\$1.52 15,847	\$1.26 15,775	\$1.46 15,672	\$6.13 15,813	\$2.09 15,547	\$1.57 15,422	\$1.40 15,282	\$1.59 15,132	\$6.64 15,346	14,982	\$1.67 14,832	\$1.49 14,707	\$1.77 14,607	\$7.20 14,782	\$6.02	\$5.89	\$6.34	\$6.83	\$7.40
•		•		•		•	•					•	•							
Margin Summary	43.0%	44.20/	44.5%	45.2%	44.1%	45.3%	45.2%	45.8%	45.4%	45.4%	45 20/	4E 00/	AE 70/	45.9%	45.6%	43.0%	42.10/	44.8%	45.4%	45.7%
Gross Margin Operating Margin (EBIT)	30.7%	44.3% 29.9%	28.1%	30.1%	29.8%	33.1%	30.2%	29.4%	30.2%	30.9%	45.2% 32.7%	45.9% 30.4%	45.7% 28.9%	30.6%	30.8%	30.9%	43.1% 29.4%	30.5%	30.8%	30.9%
Operating Expenses - % of Rev.	12.2%	14.4%	16.4%	15.0%	14.3%	12.2%	15.0%	16.4%	15.2%	14.5%	12.5%	15.5%	16.9%	15.3%	14.8%	12.1%	13.7%	14.3%	14.6%	14.9%
Pretax Margin	33.2% 30.4%	32.9% 29.9%	31.8% 27.8%	33.1% 30.2%	32.8% 29.7%	35.5% 32.9%	33.5% 30.0%	32.9% 29.2%	33.4% 30.1%	33.9% 30.7%	35.1% 32.6%	33.6% 30.3%	32.4% 28.8%	33.8% 30.5%	33.9% 30.7%	33.9% 30.9%	32.3% 29.3%	33.5% 30.4%	33.8% 30.6%	33.9% 30.8%
Tax Rate	15.8%	14.9%	12.5%	15.0%	14.7%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	14.0%	16.1%	14.8%	16.0%	16.0%
Net Income Margin	25.6%	25.5%	24.3%	25.6%	25.3%	27.6%	25.2%	24.5%	25.2%	25.8%	27.4%	25.4%	24.2%	25.6%	25.8%	26.6%	24.6%	25.9%	25.7%	25.9%
Yr/Yr Growth %																				
Revenue Gross Profit	-5.5% -7.2%	-2.5% -1.4%	-1.4% 1.5%	-0.7% 6.1%	-2.8% -1.0%	0.2% 5.6%	1.0% 3.2%	6.5% 9.6%	6.7% 7.2%	3.2% 6.2%	6.0% 5.7%	1.5% 3.0%	4.1% 3.9%	5.6% 6.7%	4.4% 4.9%	28.6% 42.7%	2.4% 2.5%	-1.0% 3.0%	5.0% 6.2%	3.9% 4.7%
Operating Margin (EBIT)	-13.2%	-5.5%	-0.3%	8.3%	-4.3%	7.8%	2.2%	11.4%	6.8%	6.9%	4.6%	2.1%	2.2%	7.0%	4.1%	57.4%	-2.5%	2.8%	5.9%	4.1%
Operating Expenses	12.2%	8.6%	4.7%	1.9%	6.8%	0.0%	5.2%	6.5%	7.8%	4.8%	8.6%	4.8%	7.0%	6.3%	6.7%	15.2%	15.4%	3.7%	7.0%	6.0%
EBTIDA Pretax Income	-11.9% -13.6%	-4.6% -5.8%	0.7% -1.4%	6.7% 9.5%	-3.6% -4.5%	7.1% 8.4%	2.8% 1.2%	9.9% 12.0%	7.7% 6.3%	6.8% 6.8%	4.7% 4.9%	1.9% 2.4%	2.6% 2.6%	6.9% 7.3%	4.1% 4.4%	50.6% 56.3%	-2.3% -2.9%	2.6% 2.9%	6.0% 5.7%	4.2% 4.4%
Net Income	-13.4%	-3.4%	2.3%	10.8%	-2.8%	8.2%	-0.1%	7.6%	5.0%	5.2%	4.9%	2.4%	2.6%	7.3%	4.4%	57.3%	-5.4%	4.5%	4.2%	4.4%
EPS	-10.3%	0.0%	5.4%	13.9%	0.5%	11.0%	2.7%	11.1%	8.7%	8.4%	8.8%	6.5%	6.7%	11.1%	8.4%	62.8%	-2.3%	7.7%	7.8%	8.3%
Seq. Growth %						21.10														
Revenue Gross Profit	30.0% 32.1%	-19.1% -16.6%	-13.7% -13.3%	9.4% 11.0%		31.1% 31.4%	-18.4% -18.5%	-9.0% -7.8%	9.5% 8.6%		30.3% 29.6%	-21.9% -20.6%	-6.6% -7.0%	11.1% 11.5%						
Operating Margin (EBIT)	44.7%	-21.4%	-18.8%	17.3%		44.0%	-25.5%	-11.5%	12.5%		40.9%	-27.3%	-11.3%	17.7%						
Operating Expenses EBTIDA	8.4% 40.3%	-4.6% -19.8%	-1.8% -16.5%	0.3% 13.7%		6.4% 40.8%	0.3% -23.1%	-0.5% -10.7%	1.5% 11.4%		7.1% 36.9%	-3.1% -25.2%	1.5% -10.1%	0.9%						
Pretax Income	44.5%	-19.8%	-16.5% -19.9%	18.8%		40.8%	-23.1%	-10.7%	12.7%		41.2%	-25.2% -27.3%	-10.1%	16.0% 17.7%						
Net Income	44.8%	-19.5%	-17.7%	15.5%		41.3%	-25.6%	-11.4%	12.7%		41.2%	-27.3%	-11.2%	17.7%						
EPS	46.2%	-18.9%	-17.3%	16.2%		42.5%	-25.0%	-10.6%	13.8%		42.6%	-26.6%	-10.4%	18.5%						

Source: Company Data, Wells Fargo Securities, LLC Estimates

Investment Thesis, Valuation and Risks

Apple Inc. (AAPL)

Investment Thesis

Our Overweight rating reflects: 1) Apple's competitive differentiation and overall deepening product/services portfolio will create sustainable brand loyalty, 2) Apple's strong balance sheet and sustainable FCF generation; continually funding a strong capital return strategy, and 3) The continued expansion of Apple's recurring paid subscriber base.

Target Price Valuation for AAPL: \$225.00 from NC

Our \$225 price target reflects ~30x P/E on our C2025 estimate; we believe Apple's expanding subscription customer base can sustain a higher multiple (vs. 5-year median at 20x)

Risks to Our Price Target and Rating for AAPL

Risks include: (1) Reinventing product momentum—can Apple sustain current level of product innovation? (2) Emerging competition; pricing pressure; (3) Component pricing volatility and gross margin impacts; (4) Supply chain disruptions; (5) Legal disputes; and (6) Execution missteps.

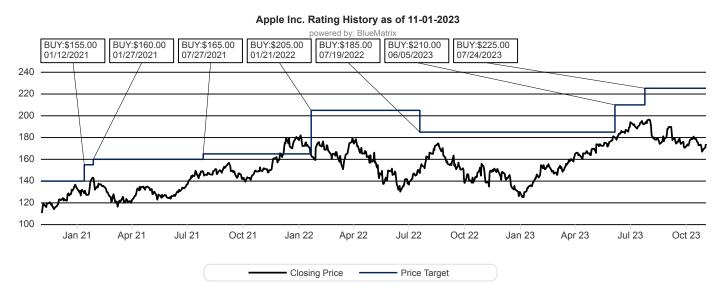
Required Disclosures

I, Aaron Rakers, certify that:

- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
- 2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm, which includes, but is not limited to investment banking revenue.

Additional Information Available Upon Request



Initiation (I); Drop Coverage (D); Overweight (BUY); Equal Weight (HOLD); Underweight (SELL); Suspended (SR); Not Rated (NR); No Estimate (NE)

Wells Fargo Securities, LLC, or its affiliates intends to seek or expects to receive compensation for investment banking services in the next three months from an affiliate of Apple Inc..

Wells Fargo Securities, LLC, maintains a market in the common stock of Apple Inc..

Wells Fargo Securities, LLC, or any of its affiliates, intends to seek or expects to receive compensation for investment banking services from Apple Inc. in the next three months.

Wells Fargo Securities, LLC, or its affiliates has a significant financial interest in Apple Inc..

STOCK RATING

OW=Overweight: Total return on stock expected to be 10%+ over the next 12 months. BUY

EW=Equal Weight: Total return on stock expected to be -10% to +10% over the next 12 months. HOLD

UW=Underweight: Total return on stock expected to lag the Overweight- and Equal Weight-rated stocks within the analyst's coverage universe over the next 12 months. SELL

As of November 1, 2023

48.9% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Overweight.

43.4% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Equal Weight.

7.7% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Underweight.

Wells Fargo Securities, LLC has provided investment banking services for 31.5% of its Equity Research Overweight-rated companies.

Wells Fargo Securities, LLC has provided investment banking services for 29.7% of its Equity Research Equal Weight-rated companies.

Wells Fargo Securities, LLC has provided investment banking services for 26.4% of its Equity Research Underweight-rated companies.

Important Disclosure for U.S. Clients

This report was prepared by Wells Fargo Securities Global Research Department ("WFS Research") personnel associated with Wells Fargo Securities, LLC ("Wells Fargo Securities").

WFS Research may, from time to time, provide clients with short-term trading views in its research reports regarding subject companies on which Wells Fargo Securities currently has equity research coverage. A short-term trading view offers a view on how the market price of a subject company's common equity may trend in absolute terms during the 30 days following the date of the short-term trading view. A short-term trading view on a subject company's common equity does not impact our fundamental investment rating or price target for that company, which reflect our view of how the subject company's common equity may perform over a one-year period. A short-term trading view may reach a different conclusion than the firm's fundamental investment rating and price target for a subject company and, therefore, short-term trading views could result in short-term price movements that are contrary to our fundamental investment rating and price target. Short-term trading views are not ratings and the firm does not intend, nor undertakes any obligation, to maintain, update or close out short-term trading views. Short-term trading views may not be suitable for all investors and have not been tailored to individual investor circumstances and objectives, and investors should make their own independent decisions regarding any short-term trading views discussed in WFS Research reports.

Important Disclosure for International Clients

United Kingdom – The securities and related financial instruments described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. For recipients in the United Kingdom, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a UK incorporated investment firm authorised and regulated by the Financial Conduct Authority. For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 (the "Act"), the content of this report has been approved by WFSIL, an authorised person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients. For the purposes of the U.K. Financial Conduct Authority's rules, this report constitutes impartial investment research.

EEA – The securities and related financial instruments described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. For recipients in the EEA, this report is distributed by WFSIL or Wells Fargo Securities Europe S.A. ("WFSE"). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). This report is not intended for, and should not be relied upon by, retail clients.

Australia – Wells Fargo Securities, LLC and Wells Fargo Securities International Limited are exempt from the requirements to hold an Australian financial services license in respect of the financial services they provide to wholesale clients in Australia. Wells Fargo Securities, LLC is regulated under the laws of the United States and Wells Fargo Securities International Limited is regulated under laws of the United Kingdom. All such laws differ from Australian laws. Any offer or documentation provided to Australian recipients by Wells Fargo Securities, LLC or Wells Fargo Securities International Limited in the course of providing the financial services will be prepared in accordance with the laws of the United States or United Kingdom and not Australian laws.

Canada – This report is distributed in Canada by Wells Fargo Securities Canada, Ltd., a registered investment dealer in Canada and member of the Canadian Investment Regulatory Organization (CIRO) and, Member – Canadian Investor Protection Fund (CIPF). Wells Fargo Securities, LLC's research analysts may participate in company events such as site visits but are generally prohibited from accepting payment or reimbursement by the subject companies for associated expenses unless pre-authorized by members of Research Management.

China – Strictly Private and Confidential. For the sole use of the recipient only. Not to be copied or redistributed within the People's Republic of China.

Brazil - This report was not created for distribution to investors resident in Brazil or to the Brazilian public in general. Wells Fargo Securities, LLC is a broker-dealer registered in United States of America with and regulated by the U.S. Securities and Exchange Commission. Wells Fargo Securities, LLC is not registered in Brazil and its products, including this report and the securities mentioned in this report, have not been and will not be publicly issued, placed, distributed, offered or negotiated in the Brazilian capital markets, and, as a result, have not been and will not be registered with the Brazilian Securities Commission (Comissão de Valores Mobiliários, the CVM). The offer of Wells Fargo Securities, LLC's products, including this report and any securities mentioned in this report, is intended only for residents in the countries in which Wells Fargo Securities, LLC is authorized to operate.

About Wells Fargo Securities

Wells Fargo Securities is the trade name for the capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including but not limited to Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of NYSE, FINRA, NFA and SIPC, Wells Fargo Prime Services, LLC, a member of FINRA, NFA and SIPC, Wells Fargo Securities Canada, Ltd., a member of IIROC and CIPF, Wells Fargo Bank, N.A. and Wells Fargo Securities International Limited, authorized and regulated by the Financial Conduct Authority.

This report is for your information only and is not an offer to sell, or a solicitation of an offer to buy, the securities or instruments named or described in the report. This report, including any ratings it contains, does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should seek professional advice, including tax advice, to determine whether any advice or recommendation in the attached research report is suitable for their particular circumstances. The information in this report is provided as of the date of the report and has been obtained or derived from sources believed by Wells Fargo Securities Global Research Department ("WFS Research"), to be reliable, but WFS Research does not represent that this information is accurate or complete. Any opinions or estimates contained in this report represent the judgment of WFS Research, at the time that the report was published, and are subject to change without notice. Certain text, images, graphics, screenshots and audio or video clips included in this report are protected by copyright law and owned by third parties (collectively, "Third Party Content"). Third Party Content is made available to clients by Wells Fargo under license or otherwise in accordance with applicable law. Any use or publication of Third Party Content included in this report for purposes other than fair use requires permission from the copyright owner. Any external website links included in this publication are not maintained, controlled or operated by Wells Fargo Securities. Wells Fargo Securities does not provide the products and services on these websites and the views expressed on these websites do not necessarily represent those of Wells Fargo Securities. Please review the applicable privacy and security policies and terms and conditions for the website you are visiting. All Wells Fargo Securities research reports published by WFS Research are disseminated and available to

This document is being provided for the exclusive use of PHUONG BAO KHANH HUYNH at FREE TRIAL.

IT Hardware & Communications Networking Equity Research

across the equity markets and sectors. Any discussion within an Equity Strategy report of specific securities is not intended to provide a fundamental analysis of any individual company described therein. The information provided in Equity Strategy reports is subject to change without notice, and investors should not expect continuing information or additional reports relating to any security described therein. Wells Fargo Securities' Signature Picks is a product of the Equity Strategy team and represents a portfolio of stocks selected from the Equity Research Department's universe of Overweight rated stocks. Stocks with this designation are selected by the Signature Picks Committee based on factors such as volatility, risks, market cap and liquidity and may not represent the fundamental analysts' top-rated stock in their respective coverage universe. For research or other data available on a particular security, please contact your sales representative or go to http://research.wellsfargosecurities.com. Copyright © 2023 Wells Fargo Securities, LLC

SECURITIES: NOT FDIC-INSURED - MAY LOSE VALUE - NO BANK GUARANTEE