

Company: Apple Inc	Ticker: AAPL	Current Price: \$ 144.28	Industry: IT	Sub Industry: Technology Hardware, Storage & Peripherals
Target Price: \$ 190.75 Stop Loss: \$103.14 52 Week High/ Low: \$157.26 / \$ 107.32	TTM P/E: 28.76 Forward P/E: 25.59 EPS: \$5.11		Beta: 1.0 Credit Rating: AA+ (S&P), Aa1 (Moody's) Rating Outlook: Positive	Market Cap: \$2.39T Avg Vol (3 M): 79.53m Dividend Yield: 0.6%

Company Background:

Apple Inc. designs, manufactures, and markets personal computers and related personal computing and mobile communication devices along with a variety of related software, services, peripherals, and networking solutions. Apple sells its products worldwide through its online stores, its retail stores, its direct sales forces, third-party wholesalers, and resellers.

Industry Outlook:

Led by 5G advancements, demand for wearables, and new services capabilities driving interest for next-generation devices, information technology still maintains a strong growth ever since. Though the COVID-19 pandemic hit in late first quarter in 2020, however, the IT industry still outperformed S&P 500 index and bit the most sectors in S&P 500, with an estimation over 1 billion 5G smartphone units, 10% - 15% 5-year annualized revenue growth rate and over 1.65B size of smartphone market. However, semiconductor manufacturing capacity shortage is still a big problem to the IT industry, leading to sales growth decreasing substantially.

Investment Thesis:

Apple Inc. has the safest credit rating in the information technology sector, meaning Apple Inc. can cost less when borrowing money. The information technology sector belongs to a capital-intensive industry. IT companies need lots of cash flow to support its R&D to maintain its competitiveness and attract new customers. Apple Inc. reaches the criteria I mentioned above and way larger than the industry average. Apple Inc.'s profitability also outperforms the IT industry, such as ROE, ROA, Net Income growth rate, etc. With lower than the industry average P/E ratio and dividend payout, Apple stock also provides margin of safety when stock price starts to decline. Finally, the way Apple Inc. generates its revenue has also diversified during the past five years. It's revenue from service has increased to almost one-fifth of total revenue four main different products also become more balanced.

Investment Risks:

- APPLE INC's business, results of operations, financial conditions and stock price have been adversely affected by the COVID-19 pandemic.
- Global and regional economic conditions.
- APPLE INC's products and services are highly competitive and are subject to rapid technological change.
- Company's ability to obtain components in sufficient quantities on commercially reasonable terms.

3-5 take away from last quarter investor call transcript:

- EPS 1.297 beat 1.013 estimated
- Revenue 81.43B beat 73.82B estimated
- Company strategic activity includes 2 M&A deals, 2 investments in the past three months.

Financial Performance:						Discounted Cash Flow		
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020			
12 Mo. Ending	9/24/2016	9/30/2017	9/29/2018	9/28/2019	9/26/2020			
ROE	36.9	36.87	49.36	55.92	73.69	Debt ratio	9.74%	
ROA	14.93	13.87	16.07	15.69	17.33	Equity ratio	90.26%	
Return on Capital	23.45	21.55	26.38	27.73	31.01	Levered beta	1.00	
Return on Invested Capital	20.08	17.99	22.94	24.76	28.2	Treasury rate	1.48	
Margins						Market Risk Premium	5.50	
Gross Margin	39.08	38.47	38.34	37.82	38.23	Cost of Equity (CAPM)	7.01%	
EBITDA Margin	32.71	31.19	30.8	29.39	28.72	Cost of Debt	1.01%	
Operating Margin	27.84	26.76	26.29	24.57	24.15	Tax rate	14.43%	
Incremental Operating Margin	-61.99	9.71	26.28	-128.54	16.44	WACC	6.41%	
Pretax Margin	28.46	27.96	27.45	25.27	24.44	Terminal growth rate	1.0%	
Income before XO Margin	21.19	21.09	22.41	21.24	20.91			
Net Income Margin	21.19	21.09	22.41	21.24	20.91	Analyst Opinion		
Net Income to Common Margin	21.19	21.09	22.41	21.24	20.91	Buy:	Hold:	Sell:
							Rating	Target
						S&P Net Advantage	Buy	\$160.00
						Value Line	Timeliness:1	\$121-257

Relative Valuation						Total Return			
	Apple Inc.	Samsung	Dell	HP Inc.	Average		Price Change	Total Return	Annual Eq
P/E	27.87	15.82	24.28	8.2	20.25	AAPL Equity	270.7%	288.44%	31.65%
ROE	126.09%	10.25%	135.46	N/A	90.89%	SP500 Technology	239.14%	256.79%	N/A
ROA	26.73%	8.64%	2.79%	12.67%	10.65%	SP500 Index	73.04%	86.15%	-170.645
TTM EPS	5.14	4.16	4.50	3.52	4.33				
DIV Yield	0.6%	4.01%	N/A	2.17%	2.44%				
Rev. Growth	26.77%	11.90%	9.295	9.30%	14.31%				
N/I Growth	48.09%	48.535	47.74%	30.42%	43.69%				
Operating growth	28.79%	16.83%	6.23%	8.96%	15.20%				
D/E	37.75%	5.35%	40.68%	21.33%	26.28%				
Market Cap	2.35T	383.56B	80.46B	32.94B	708.83B				
TTM N/I	86.50B	28.28B	3.40B	4.42B	30.65B				
TTM FCF	94.77B	19.28B	10.60B	4.91B	32.39B				

Relative Analysis ESG Score

	Apple Inc.	Samsung	Dell	HP Inc.	Average
S&P Global ESG Rank	25	53	47	94	49
ESG Risk Score	17.19	23.02	16.08	10.29	16.44
ISS Quality Score	1	1	10	2	5.33
CDP Performance	8	6	8	8	5.75
PCT Independent Directors	85.71	54.55	57.14	91.67	75.4
Women on Board %	28.57%	18.185	28.57%	41.67%	25.79%
Energy Intensity per Sale	11	144.36	N/A	10.68	44.79