

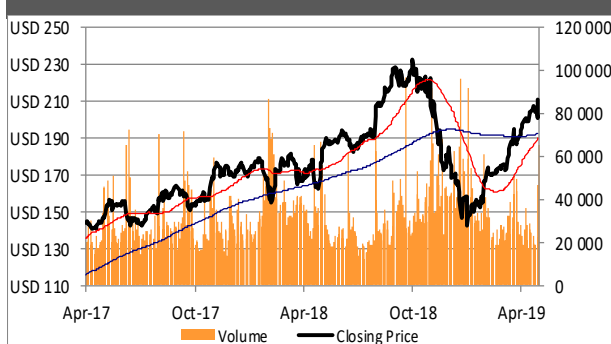
EQUITY REPORT

3 MAY 2019

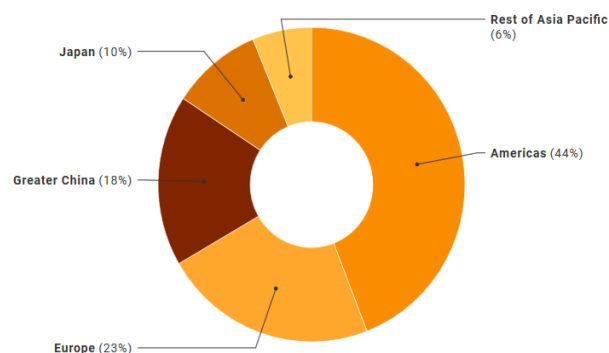
SHARE INFORMATION

Share Code	AAPL
Industry	Computers, Phones & Household Electronics
Sector	Information Technology
Market Capital (USD m)	992 661
Current Price (USD)	210,52
Consensus 1yr Target Price **	220,00
Price - 52 Week High:	233,47
Price - 52 Week Low:	142,00
Dividend Yield	1,46%
Beta 5 Year (ISE All Share)	1,11

SHARE PRICE PERFORMANCE**



Revenue by Region Q2



VALUATION RATIOS **

Period	P/E	P/SALES	EV/EBITDA
Last 12 Months	17,6x	3,8x	12,8x
Current Year Est	18,3x	3,9x	13,6x
Expected	16,4x	3,7x	13,0x

** Data provided by Thomson Reuters

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APPLE INC. (NASDAQ:AAPL)

Apple Inc. designs, manufactures and markets mobile communication and media devices, personal computers and portable digital music players. The company sells a range of related software, services, accessories, networking solutions, and third-party digital content and applications. The company's segments include the Americas, Europe, Greater China, Japan and Rest of Asia Pacific. Its products and services include iPhone, iPad, Mac, iPod, Apple Watch, Apple TV, a portfolio of consumer and professional software applications, iPhone OS (iOS), OS X and watch OS operating systems, iCloud, Apple Pay and a range of accessory, service and support offerings.

FUNDAMENTAL/TECHNICAL OVERVIEW

Apple recently reported their 2nd quarter 2019 results for the period ended 30 March 2019. Net sales decreased by 5% to \$58 billion (2018: Q2 \$61.1 billion), slightly above analyst expectations of \$57.5 billion, while diluted earnings per share came in at \$2.46, which was higher than Wall Street consensus of \$2.36 per share. Apple's share price reacted positively, rallying 4.91% post the earnings release. The decline in group revenue was primarily due to a stronger US dollar, which contributed 2% to the year on year decline, and a weaker performance from emerging markets. iPhone revenue declined by 17%. Mac revenue was 5% lower while revenue generated from iPad, Wearables, Home and Accessories and Services grew 22%, 30% and 16% respectively.

The services category which includes App Store, Apple Music, Cloud services, AppleCare and Apple Pay, reached a new high of over 390 million paid subscriptions at the end of March - an increase of 30 million in the last quarter alone. Apple will be expanding its presence in the video games space with its own game subscription service called Apple Arcade. Development partners include Sega, Konami, Disney, Sumo Digital, and Cartoon Network, among others, and more than 100 exclusive games will become part of the service. The company will also launch Apple Card which is integrated into the wallet app. The Apple card will encourage users to pay less interest, eliminate fees and for every purchase made, daily cash will be earned for spending. Management expects the number of paid subscriptions to surpass 500 million during 2020. Services contributed about one third to total gross profit for the quarter. This segment will continue to provide Apple with annuity income and will make the group less reliant on the sales of iPhones. iPad revenue was fueled by the launch of the new iPad Pro and a return to growth in the Greater China region. Wearables, Home and Accessories set a new Q2 revenue record of \$5.1 billion driven by the launch of AirPods, the world's most popular wireless headphones, and continued growth from Apple Watch sales.

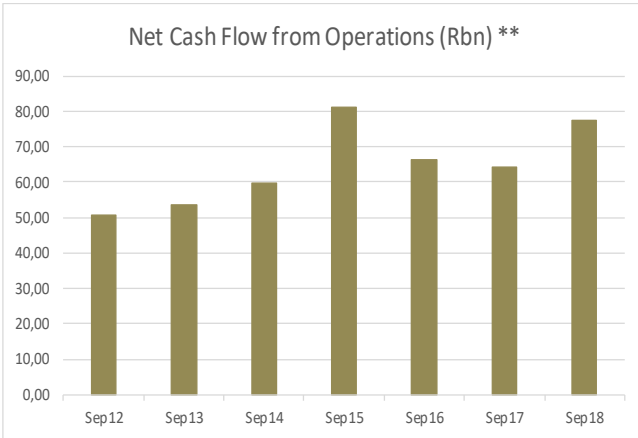
As at the end of the Q2, the Group had a net cash position of \$113 billion. The board authorised an additional \$75 billion share repurchase and raised their quarterly dividend for the seventh time in less than seven years to \$0.77 cents per share. Management expects revenue for the June quarter to be between \$52.5 billion and \$54.5 billion, and gross margins to be between 37% and 38%. Apple offers investors a dividend yield of 1.46% and as at the time of writing, was trading on a historic price to earnings ratio of 17.64. Since 2009, the share has delivered a total annualised return of 33.42%.

Research contributors

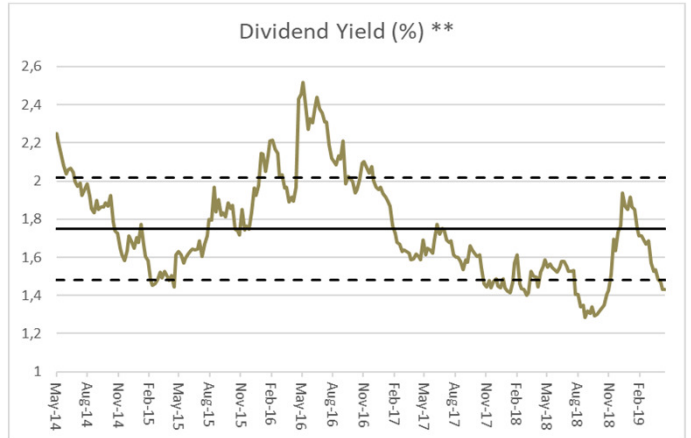
Pieter-Jan van Niekerk, Ben Petersen, Schalk Louw

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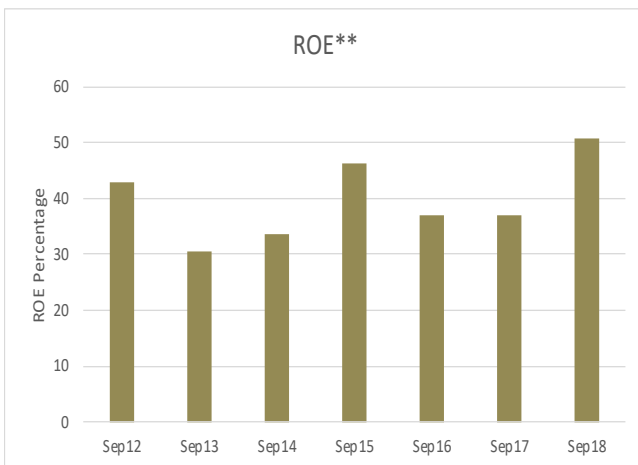
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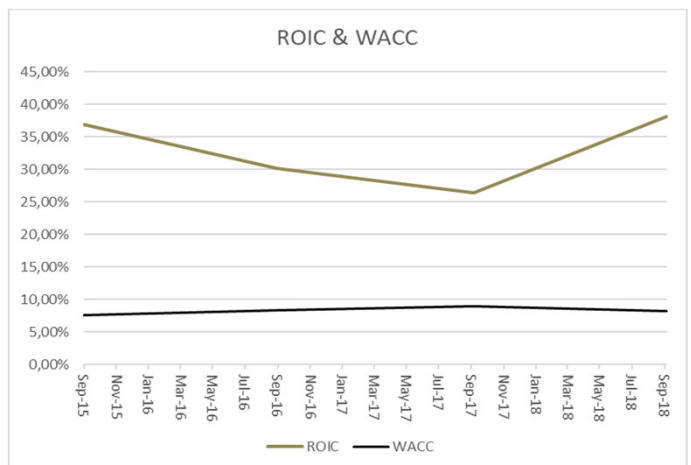
Net cash flow from operations increased marginally in FY18.



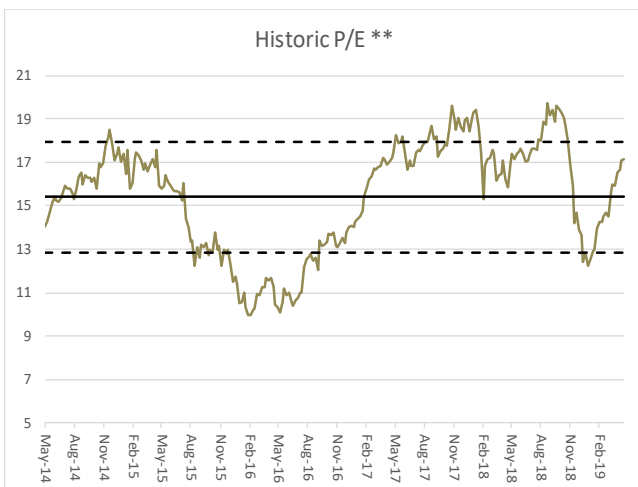
Apple's historic dividend yield is at 1.42%, which is more than one standard deviation below the long-term average of 1.74%.



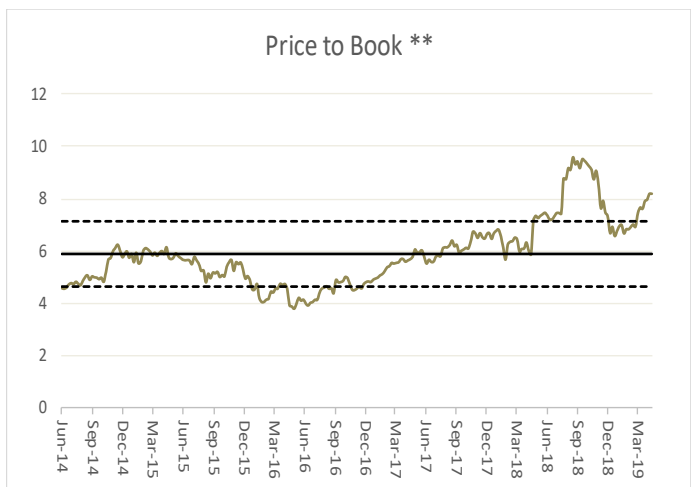
The Group reported a positive ROE of 50.61% in FY18.



The spread between the return on invested capital (ROIC) and the weighted average cost of capital (WACC) has increased to 30%.



The company's historic PE is at 17.64, which is above the long-term average of 15.42.

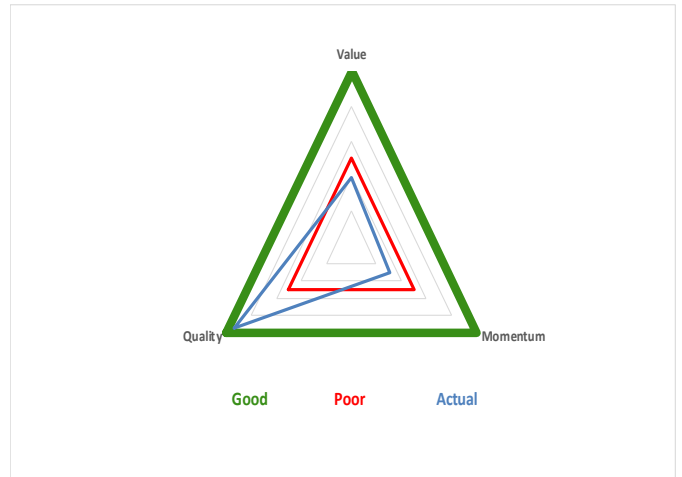
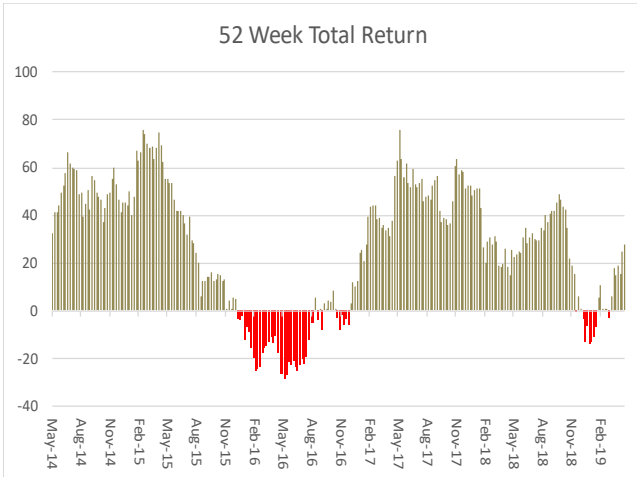


The company's PB is at 8.19, which is more than one standard deviation above the long-term average of 5.88.

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Apple's 52-week high/low is \$233.47/\$142 respectively, currently trading at \$210.52 per share. The company's year to date performance is 33.46% and the share at the time of writing was trading above its 50-day and 200-day moving averages. Short-term support can be found at \$208.48, the intra-day high the share made on Monday followed by the 200-day moving average around \$192. A test of the all time high of \$233.47 could be possible, should we see a continuation of the bullish momentum.



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