Apple Inc

S&P Capital IQ
Recommendation HOLD
S&P Capital IQ Equity Analyst Scott Kessler

GICS Sector Information Technology
Sub-Industry Technology Hardware, Storage & Peripherals

Summary This company is a prominent provider of hardware including iPhone smartphones, iPad tablets, Mac computers, and iPod digital media players.

Key Stock Statistics (Source S&P Capital IQ, Vickers, company reports)

<table>
<thead>
<tr>
<th>Stock Performance</th>
<th>Price</th>
<th>12-Mo. Target Price</th>
<th>Report Currency</th>
<th>Investment Style</th>
</tr>
</thead>
<tbody>
<tr>
<td>52-Wk Range</td>
<td>$133.60–73.05</td>
<td>S&amp;P Oper. EPS 2015E</td>
<td>$8.53</td>
<td>Market Capitalization(B)</td>
</tr>
<tr>
<td>Trailing 12-Month EPS</td>
<td>$7.39</td>
<td>S&amp;P Oper. EPS 2016E</td>
<td>8.94</td>
<td>Yield (%)</td>
</tr>
<tr>
<td>Trailing 12-Month P/E</td>
<td>17.4</td>
<td>P/E on S&amp;P Oper. EPS 2015E</td>
<td>15.1</td>
<td>Dividend Rate/Share</td>
</tr>
<tr>
<td>$10K Invested 5 Yrs Ago</td>
<td>$46,590</td>
<td>Common Shares Outstanding (M)</td>
<td>5,824.7</td>
<td>Institutional Ownership (%)</td>
</tr>
<tr>
<td>30-Week Moves Avg.</td>
<td>1200</td>
<td>10-Week Moves Avg.</td>
<td>800</td>
<td>GAAP Earnings vs. Previous Year</td>
</tr>
<tr>
<td>Volume Above Avg.</td>
<td>60</td>
<td>Relative Strength</td>
<td>80</td>
<td>Up</td>
</tr>
<tr>
<td>Beta</td>
<td>0.92</td>
<td>S&amp;P 3-Yr. Proj. EPS CAGR(%)</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>S&amp;P Quality Ranking</td>
<td>B+</td>
<td>Institutional Ownership (%)</td>
<td>61</td>
<td></td>
</tr>
</tbody>
</table>

Price Performance

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst Scott Kessler on Jan 28, 2015 06:08 PM, when the stock traded at $115.31.

Highlights

- We project 21% revenue growth for FY 15 (Sep.), reflecting healthy iPhone revenue growth and some changes related to the iPad. We see revenues being aided by new offerings across multiple consumer categories, including the iPhone 6, iPhone 6 Plus, and Apple Watch. We project a 4% gain for FY 16.
- The annual gross margin narrowed to 38% in FY 13 and widened to 39% in FY 14. We project this margin will remain largely stable through FY 16, despite increases in deferred software revenues, reflecting market saturation and competition. We believe iPhone and iPad margins will be aided by efficiencies, offset somewhat by risks related to average selling prices.
- Our EPS projections assume a consistent tax rate in the mid-20% range and declines in the share count. In March 2012, AAPL announced a dividend and a share repurchase plan. In April 2013, it announced a $50 billion increase in the repurchase program and a 15% increase in the dividend. In April 2014, it announced a $30 billion buyback and an 8% increase in the dividend. In June 2014, a 7-for-1 stock split was implemented. As of September 2014, AAPL had $155 billion in cash and investments.

Investment Rationale/Risk

- We note AAPL’s significant market position in key areas, and what we view as high customer satisfaction and switching costs. Higher volumes, a focus on common components, and a greater emphasis on software and services should aid profitability, in our view. We believe the balance sheet will be increasingly employed for dividends and stock repurchases, as well as M&A. In August 2014, AAPL purchased Beats Electronics and Beats Music, to enhance its accessories and music services offerings and businesses, we think, for $3 billion. In September 2014, the company announced new iPhones, a payments service, and Apple Watch. In October 2014, AAPL announced new iPads.
- Risks to our recommendation and target price include weaker end-market demand, pricing pressures, competitive handset and tablet offerings gaining traction, carrier efforts to reduce or eliminate subsidy payments, and less success with product launches/innovations.
- Our 12-month target price of $125 reflects comparisions with calendar year 2015 P/E and P/E-to-growth multiples of the S&P 1500 Technology sector. AAPL’s P/E was recently 8% that of the IT sector.

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CORPORATE OVERVIEW. Apple makes smartphones, tablet devices, computers, and portable digital media players, and sells a variety of related software, services, and accessories. In early 2013, AAPL reclassified its product-based operating categories with updated shipment and revenue data for FY 11 (Sep.) and FY 12. However, we continue to look at the company based on its major hardware product lines, which are iPhones, iPads, Mac computers, and iPods.

AAPL’s iPhone directly accounted for more than half of FY 13 revenues, with over 150 million units sold. AAPL sold over 125 million iPhones in FY 11, contributing 50% of revenues. This was AAPL’s fastest-growing segment over the past couple of years, and while we expect the rate of growth to slow as the business becomes larger and more mature, we still see substantial opportunities related to international, enterprise and education markets. We note the fall 2013 introductions of the iPhone 5s and the iPhone 5c.

Released in April 2010, the iPad quickly became the best-selling tablet computer by far. Before the iPad, unit sales for similar computing devices were less than 200,000 units, according to market researchers. In FY 10, the first year of availability, AAPL sold over 7 million iPads, accounting for around 8% of total revenues. In FY 11, AAPL sold over 32 million iPads, accounting for 18% of revenues. In FY 12, over 58 million iPads were sold, accounting for 20% of revenues. In FY 13, over 71 million iPads were sold, accounting for 19% of revenues. We believe the tablet form factor will become even more popular for the foreseeable future, but we see new entrants diluting AAPL’s overall market share over time. Nonetheless, we expect AAPL to continue to dominate in the upper part of this fast-growing computing market, especially with the fall 2013 introductions of the iPad Air and iPad Mini Retina Display.

Sales of AAPL’s computers, commonly known as Macs, made up 15% of revenues in FY 12 and 13% of revenues in FY 13. On a unit shipment basis, Macs had grown notably faster than what was been reported for the PC industry. Mac revenues advanced as greater unit shipments offset deteriorating blended average selling prices. However, we believe cannibalization has contributed to recent revenue and shipment declines.

The company’s personal media players, iPods, made up around 4% of FY 12 sales and 3% of FY 13 sales. AAPL has indicated it believes it holds over three-quarters of the media player market, but considering that the company has a large majority of this mature category, we believe AAPL will likely continue to face declining unit shipments.

COMPETITIVE LANDSCAPE. The company primarily competes in the handset, tablet, computer and media player markets. We think AAPL uses its ability to design and develop its own operating system, hardware, application software, and services to differentiate itself from competitors. We see the appeal behind the products having a lot to do with its stated goal of providing customers with products that have superior ease of use, seamless integration, and innovative industrial design. Reflecting what we view as AAPL’s perceived quality and notable cachet, the company is able to compete in the middle to high-end segments of its target markets and charge above-average prices for its products.

AAPL has a substantial hardware presence across key categories, and we believe this helps garner interest from third-party application developers who continue to produce content and applications for the iPhone and iPad. We think AAPL’s application business is one of the key elements that helps differentiate its devices from other products, and is very important to future sales growth and pricing power. Furthermore, we view the iTunes App Store as an effective way of not only distributing content effectively, but also keeping the customer base entrenched. We think iCloud functionality encourages customers to buy more AAPL products and use them more regularly.

FINANCIAL TRENDS. Although AAPL’s sales are affected by broader macroeconomic conditions, we believe the company has generally been less cyclical than peers, given its strong brand, innovative and high-quality products, loyal customer base, and exposure to fast-growing markets. Considering the maturity of the computer and portable media player markets, we expect unit shipments and average selling prices for Macs and iPods to decline. But with anticipated growth in the smartphone and tablet markets, and considering our view that AAPL will largely sustain notable share in these areas, we see increasing shipments of and revenues from iPhones and iPads over the next couple of years.

We believe iPhones and Mac products offer margins above the level of the company as a whole, and this should support gross margins, as they make up a large percentage of total revenues. The company should benefit from operating leverage as sales increase faster than costs and expenses, supporting the upward trend of operating margins, which have widened from the single digits to over 30%.

AAPL has what we view as a very strong balance sheet, with some $155 billion in cash and investments and $35 billion in debt as of September 2014. AAPL boasts return metrics, such as return on equity (ROE), that are relatively high compared to other large/mega-cap hardware and software companies.
Quantitative Evaluations

**S&P Capital IQ**

**Fair Value**

**Rank** Based on S&P Capital IQ’s proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

<table>
<thead>
<tr>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>5+</td>
</tr>
</tbody>
</table>

| Fair Value Calculation | $163.90 |

Analysis of the stock’s current worth, based on S&P Capital IQ’s proprietary quantitative model suggests that AAPL is Undervalued by $35.44 or 27.6%.

Investability Quotient

**Percentile** AAPL scored higher than 99% of all companies for which an S&P Capital IQ Report is available.

Volatility

Technical Evaluation

Since January, 2015, the technical indicators for AAPL have been BULLISH.

Insider Activity

For further clarification on the terms used in this report, please visit www.standardandpoors.com/stockreportguide

Company Financials Fiscal Year Ended Sep. 30

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible Book Value</td>
<td>17.52</td>
<td>18.71</td>
<td>17.17</td>
<td>11.10</td>
<td>7.28</td>
<td>4.95</td>
<td>3.29</td>
<td>2.32</td>
<td>1.64</td>
<td>1.26</td>
</tr>
<tr>
<td>Cash Flow</td>
<td>7.75</td>
<td>6.72</td>
<td>6.80</td>
<td>4.23</td>
<td>2.32</td>
<td>1.41</td>
<td>0.84</td>
<td>0.61</td>
<td>0.36</td>
<td>0.25</td>
</tr>
<tr>
<td>Earnings</td>
<td>6.45</td>
<td>5.68</td>
<td>6.31</td>
<td>3.95</td>
<td>2.16</td>
<td>1.30</td>
<td>0.77</td>
<td>0.56</td>
<td>0.32</td>
<td>0.22</td>
</tr>
<tr>
<td>S&amp;P Capital IQ Core Earnings</td>
<td>6.47</td>
<td>5.68</td>
<td>6.29</td>
<td>3.94</td>
<td>2.16</td>
<td>1.30</td>
<td>0.77</td>
<td>0.56</td>
<td>0.32</td>
<td>0.21</td>
</tr>
<tr>
<td>Dividends</td>
<td>1.81</td>
<td>1.63</td>
<td>0.38</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Payout Ratio</td>
<td>28%</td>
<td>29%</td>
<td>6%</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Prices:High</td>
<td>119.75</td>
<td>82.16</td>
<td>100.72</td>
<td>60.96</td>
<td>46.67</td>
<td>30.56</td>
<td>28.61</td>
<td>28.99</td>
<td>13.31</td>
<td>10.78</td>
</tr>
<tr>
<td>Prices:Low</td>
<td>70.51</td>
<td>50.01</td>
<td>58.43</td>
<td>44.36</td>
<td>37.33</td>
<td>31.75</td>
<td>28.27</td>
<td>27.85</td>
<td>11.70</td>
<td>7.47</td>
</tr>
<tr>
<td>P/E Ratio:High</td>
<td>19</td>
<td>16</td>
<td>16</td>
<td>15</td>
<td>12</td>
<td>24</td>
<td>37</td>
<td>52</td>
<td>41</td>
<td>48</td>
</tr>
<tr>
<td>P/E Ratio:Low</td>
<td>11</td>
<td>10</td>
<td>9</td>
<td>11</td>
<td>13</td>
<td>9</td>
<td>15</td>
<td>21</td>
<td>22</td>
<td>20</td>
</tr>
</tbody>
</table>

Income Statement Analysis (Million U.S. $)

| Revenue                 | 182,795 | 170,910 | 156,508 | 108,249 | 34,205 | 32,479 | 24,006 | 19,315 | 13,315 | 10,780 |
| Operating Income        | 60,449  | 55,756  | 58,518  | 35,604  | 19,412 | 12,474 | 6,748  | 4,726  | 2,645  | 1,829  |
| Depreciation            | 7,946   | 6,757   | 3,277   | 1,814   | 1,027  | 734    | 473    | 317    | 225    | 179    |
| Interest Expense        | -384    | 136     | Nil     | Nil     | Nil    | Nil    | Nil    | Nil    | Nil    | Nil    |
| Pretax Income           | 53,483  | 50,155  | 55,763  | 34,205  | 18,540 | 12,066 | 6,895  | 5,008  | 2,818  | 1,615  |
| Effective Tax Rate      | 26.1%   | 26.2%   | 25.2%   | 24.2%   | 24.4%  | 31.8%  | 29.9%  | 30.2%  | 29.4%  | 26.4%  |
| Net Income              | 39,510  | 37,037  | 41,733  | 25,922  | 14,013 | 8,235  | 4,834  | 3,496  | 1,899  | 1,335  |
| S&P Capital IQ Core Earnings | 39,643 | 37,037 | 41,614 | 25,851 | 14,013 | 8,235 | 4,834 | 3,496 | 1,899 | 1,335 |

Balance Sheet & Other Financial Data (Million U.S. $)

| Cash                     | 25,158  | 40,590  | 29,129  | 25,952  | 23,464 | 24,490 | 9,352  | 6,392  | 3,491  |
| Current Assets           | 68,531  | 73,286  | 57,653  | 44,988  | 41,678 | 31,555 | 34,690 | 21,956 | 15,050 |
| Total Assets             | 231,839 | 207,000 | 176,064 | 116,371 | 75,183 | 47,501 | 39,572 | 25,347 | 17,205 |
| Current Liabilities      | 63,448  | 43,658  | 38,542  | 27,570  | 20,722 | 11,506 | 14,092 | 9,299  | 6,471  |
| Long Term Debt           | 28,987  | 16,960  | Nil     | Nil     | Nil    | Nil    | Nil    | Nil    | Nil    |
| Common Equity            | 111,547 | 123,549 | 118,210 | 76,615  | 47,791 | 31,640 | 21,032 | 15,151 | 9,894  |
| Total Capital            | 140,534 | 140,509 | 118,210 | 76,615  | 47,791 | 31,640 | 21,032 | 15,151 | 9,894  |
| Cash Flows               | 47,456  | 43,794  | 45,010  | 27,736  | 15,005 | 9,869  | 5,307  | 3,813  | 2,144  |
| Current Ratio            | 1.1     | 1.7     | 1.5     | 1.6     | 2.0    | 2.7    | 2.5    | 2.4    | 2.2    |
| % Long Term Debt of Capitalization | 20.6 | 12.1 | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| % Net Income of Revenue  | 21.6    | 21.7    | 26.7    | 24.0    | 21.5   | 19.2   | 14.9   | 14.6   | 10.3   | 9.6    |
| % Return on Assets       | 18.0    | 19.3    | 28.5    | 27.1    | 21.7   | 19.7   | 14.9   | 16.4   | 13.9   | 12.6   |
| % Return on Equity       | 33.6    | 30.6    | 42.8    | 41.7    | 37.1   | 30.5   | 27.2   | 28.5   | 22.8   | 21.3   |

For further clarification on the terms used in this report, please visit www.standardandpoors.com/stockreportguide

Data as originally reported in Company reports; bef. results of disc oper/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

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Sector Outlook

S&P Capital IQ recommends overweighting the S&P 500 Information Technology sector. Year to date through December 2, 2014, the S&P 500 Information Technology Index, which represented 19.8% of the S&P 500 Index, was up 19.3% in price, compared with an 11.8% gain for the S&P 500. In 2013, this sector index rose 26.2%, versus a price advance of 29.6% for the 500. There are 13 sub-industry indices in this sector. Technology Hardware, Storage & Peripherals is the largest, representing 24.7% of the sector’s market value, while Electronic Equipment & Instruments is the smallest, accounting for 0.12% of the sector.

The cap-weighted average of this sector’s component company S&P Capital IQ STARS (Stock Appreciation Ranking System) is 3.4, as compared with a cap-weighted average of 3.4 for the S&P 500. The sub-industries within this sector that currently show the highest average STARS are Internet Software & Services at 4.3, Semiconductors Equipment at 4.1, and Communications Equipment at 3.7. Those with the lowest average STARS are Home Entertainment Software at 2.7, and Data Processing & Outsourced Services and IT Consulting & Other Services at 2.8 each. According to Capital IQ, the sector is projected to record an 11.2% year-over-year increase in operating earnings per share in 2015, as compared with the S&P 500’s estimated EPS growth of 8.8%. During 2014, this sector is expected to post an 8.0% advance in EPS, versus an increase of 7.1% for the S&P 500. The sector’s price-to-earnings ratio of 15.9X, based on consensus 2015 operating EPS estimates, is below the S&P 500’s forward P/E of 16.2X. Capital IQ also reports that the consensus long-term EPS growth estimate for this sector is 12.8% versus the S&P 500’s 11.7%, giving the sector a P/E-to-projected EPS growth rate (PEG) ratio of 1.2X, which is below the broader market’s PEG of 1.4X. Finally, this sector pays a dividend yield of 1.5%, as compared with the yield of 2.0% for the S&P 500.

S&P Capital IQ’s proprietary technical indicator for this sector currently shows a positive reading. In researching the past market history of prices and trading volume for each company, S&P Capital IQ’s computer models apply special technical methods and formulas to identify and project price trends for the sector.

--S. Stovall

Industry Performance

GICS Sector: Information Technology

Based on S&P 1500 Indexes

Five-Year market price performance through Feb 28, 2015

<table>
<thead>
<tr>
<th>Year</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>160%</td>
</tr>
<tr>
<td>2011</td>
<td>110%</td>
</tr>
<tr>
<td>2012</td>
<td>60%</td>
</tr>
<tr>
<td>2013</td>
<td>10%</td>
</tr>
<tr>
<td>2014</td>
<td>-40%</td>
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<table>
<thead>
<tr>
<th>Sector</th>
<th>S&amp;P 1500</th>
</tr>
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<tr>
<td>Trend</td>
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<tr>
<td>2010</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
</tr>
</tbody>
</table>

NOTES: A sector chart appears when the sub-industry does not have sufficient historical index data. All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS). Past performance is not an indication of future performance and should not be relied upon as such.

Sector: Information Technology

Peer Group*: Based on market capitalizations within GICS Sub-Industry

<table>
<thead>
<tr>
<th>Peer Group</th>
<th>Stock Symbol</th>
<th>Market Cap (Mil. $)</th>
<th>Recent Stock Price($)</th>
<th>52 Week High/Low($)</th>
<th>Beta</th>
<th>Yield (%)</th>
<th>P/E Ratio</th>
<th>Fair Value Calc.(S)</th>
<th>S&amp;P IQ %ile</th>
<th>Return on Revenue (%)</th>
<th>LTD to Cap (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apple Inc</td>
<td>AAPL</td>
<td>748,247</td>
<td>128.46</td>
<td>133.60/73.05</td>
<td>0.92</td>
<td>1.5</td>
<td>17</td>
<td>163.90</td>
<td>99</td>
<td>21.6</td>
<td>20.6</td>
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<tr>
<td>3D Systems</td>
<td>DDD</td>
<td>3,349</td>
<td>30.47</td>
<td>77.58/27.00</td>
<td>2.14</td>
<td>Nil</td>
<td>35.80</td>
<td>B-</td>
<td>85</td>
<td>8.6</td>
<td>1.2</td>
</tr>
<tr>
<td>BlackBerry Ltd</td>
<td>BBRY</td>
<td>5,647</td>
<td>10.81</td>
<td>12.63/7.01</td>
<td>1.22</td>
<td>Nil</td>
<td>NM</td>
<td>NA</td>
<td>B</td>
<td>21</td>
<td>NA</td>
</tr>
<tr>
<td>Canon Inc AODS</td>
<td>CAJ</td>
<td>35,965</td>
<td>32.52</td>
<td>33.96/29.47</td>
<td>0.90</td>
<td>3.7</td>
<td>34.30</td>
<td>Nil</td>
<td>NM</td>
<td>90</td>
<td>7.1</td>
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<td>EMC Corp</td>
<td>EMC</td>
<td>56,622</td>
<td>28.94</td>
<td>30.92/24.92</td>
<td>1.27</td>
<td>1.6</td>
<td>35.30</td>
<td>B+</td>
<td>98</td>
<td>12.4</td>
<td>18.8</td>
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<td>FUJIFILM Holdings*ADR</td>
<td>FUJII</td>
<td>16,610</td>
<td>34.45</td>
<td>35.42/24.60</td>
<td>0.83</td>
<td>1.1</td>
<td>37.20</td>
<td>NR</td>
<td>90</td>
<td>4.2</td>
<td>11.7</td>
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<tr>
<td>Hewlett-Packard</td>
<td>HPQ</td>
<td>63,899</td>
<td>41.84</td>
<td>41.10/28.75</td>
<td>1.52</td>
<td>1.8</td>
<td>35.00</td>
<td>B+</td>
<td>78</td>
<td>4.5</td>
<td>35.0</td>
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<td>Lexmark Int’l/A</td>
<td>LXK</td>
<td>2,856</td>
<td>42.86</td>
<td>51.77/37.37</td>
<td>1.40</td>
<td>3.4</td>
<td>34</td>
<td>NA</td>
<td>B</td>
<td>92</td>
<td>7.1</td>
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<tr>
<td>Logitech Intl</td>
<td>LCGI</td>
<td>2,427</td>
<td>14.78</td>
<td>16.88/11.20</td>
<td>1.19</td>
<td>Nil</td>
<td>19.40</td>
<td>NR</td>
<td>61</td>
<td>3.6</td>
<td>NA</td>
</tr>
<tr>
<td>NCR Corp</td>
<td>NCR</td>
<td>4,303</td>
<td>29.41</td>
<td>37.34/22.83</td>
<td>1.03</td>
<td>Nil</td>
<td>26</td>
<td>NA</td>
<td>B</td>
<td>49</td>
<td>7.4</td>
</tr>
<tr>
<td>NetApp Inc</td>
<td>NTAP</td>
<td>12,047</td>
<td>38.65</td>
<td>42.75/33.34</td>
<td>1.48</td>
<td>1.7</td>
<td>46.50</td>
<td>B</td>
<td>95</td>
<td>10.1</td>
<td>20.8</td>
</tr>
<tr>
<td>SanDisk Corp</td>
<td>SNDK</td>
<td>17,026</td>
<td>79.93</td>
<td>108.77/73.03</td>
<td>1.35</td>
<td>1.5</td>
<td>87.80</td>
<td>B-</td>
<td>91</td>
<td>15.2</td>
<td>14.0</td>
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<tr>
<td>Seagate Technology Plc</td>
<td>STX</td>
<td>20,068</td>
<td>61.12</td>
<td>69.40/48.49</td>
<td>2.49</td>
<td>3.5</td>
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<td>NR</td>
<td>91</td>
<td>11.4</td>
<td>58.1</td>
</tr>
<tr>
<td>Stratasys Ltd</td>
<td>SSYS</td>
<td>3,159</td>
<td>82.06</td>
<td>130.83/51.55</td>
<td>1.33</td>
<td>Nil</td>
<td>NM</td>
<td>86.20</td>
<td>NR</td>
<td>74</td>
<td>NA</td>
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<tr>
<td>Western Digital</td>
<td>WDC</td>
<td>25,034</td>
<td>106.98</td>
<td>114.08/90.78</td>
<td>1.33</td>
<td>1.9</td>
<td>125.80</td>
<td>B</td>
<td>90</td>
<td>18.7</td>
<td>20.5</td>
</tr>
</tbody>
</table>

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

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APPLE INC. (AAPL 97.99***): We want to further address the Apple Watch, which transitions to sapphire materials production. Despite concerns about the absence of earnings leverage from an Apple (AAPL 101***) supply agreement, as GTAT operating EPS estimate at $0.05 for '14, $0.64 in '15, and $1.27 in '16. Our 12-month shares of this sapphire/solar equipment provider with a Buy. We set our ADVANCED TECHNOLOGIES (GTAT 13.1****): We begin analytical coverage on September 12, 2014, believe much recent positive news is priced into the shares. /S. Kessler will become available in China. We view the first weekend of sales as strong, but last year's introduction did not. We are not sure when the iPhone 6 and iPhone 6 Plus will be available for order starting point of $349. We were impressed, but do not necessarily see the Apple Watch, at least initially, as a mass-market product. /S. Kessler

October 21, 2014
02:49 pm ET ... S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF APPLE INC. (AAPL 102.301***): We raise our 12-month target by $7 to $110, on revised relative P/E and P/E-to-growth analysis. We also increase our EPS estimates for FY 15 (Sep.) to $7.71 from $7.11 and FY 16 to $8.52 from $8.19. AAPL posts Sep-Q EPS of $1.42 vs. $1.18, above our estimate of $1.28 and the Capital IQ consensus of $1.31. Revenues rose 12% and were higher than expected, with gains of 21% from iPhones and 18% from Macs. However, iPad revenues declined again, falling 14%. Cash/investments fell sequentially to $155 billion, reflecting $17 billion in stock repurchases. The dividend yield is 1.8%. /J. Corridore

October 16, 2014
04:50 pm ET ... S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF APPLE INC. (AAPL 98.28***): AAPL announces the iPad Air 2, which is thinner, lighter and more powerful than its predecessors. It also offers faster connectivity, a better display and cameras, and Touch ID technology. The company’s new flagship tablet will be priced starting at $499, and become available for order tomorrow, Friday, October 17 across some 32 geographies with more to come by the end of the month. AAPL also announced the iPad Mini 3 and new Mac computers, and the availability today of the new Yosemite OS X. We did not note any important surprises, and continue to view AAPL as fully valued. /S. Kessler

September 30, 2014
09:24 am ET ... S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF APPLE INC. (AAPL 100.11***): Per to an unconfirmed report from the Wall Street Journal, the iPhone 6 and iPhone 6 Plus will “go on sale in China” on October 17, “after winning final approval from regulators who scrutinized the device[s]’ security features.” China is one of AAPL’s largest markets. Additionally, the European Commission suggests that Ireland granted AAPL “unlawful” tax advantages or “State aid,” focusing on ‘91 to ‘07. AAPL has been dealing with questions related to its domestic and international tax obligations for years, and we note it had $165 billion in cash/investments as of June. /S. Kessler

September 23, 2014
09:07 am ET ... S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF APPLE INC. (AAPL 101.08***): Yesterday AAPL announced that over 10 million iPhone 6 and iPhone 6 Plus smartphones were sold since they were made available on Friday, September 19. Last year over 9 million iPhone 5s and iPhone 5c devices were sold during the initial weekend. We also note that while last year’s launch included China, which accounted for 16% of Jun-Q revenues, this year’s introduction did not. We are not sure when the iPhone 6 and iPhone 6 Plus will be available in China. We view the first weekend of sales as strong, but believe much recent positive news is priced into the shares. /S. Kessler

September 12, 2014
11:08 am ET ... S&P CAPITAL IQ INITIATES BUY OPINION ON SHARES OF GT ADVANCED TECHNOLOGIES (GTAT 13.1****): We begin analytical coverage on shares of this sapphire/solar equipment provider with a Buy. We set our operating EPS estimate at $0.05 for ’14, $0.64 in ’15, and $1.27 in ’16. Our 12-month target price of $16 is based on 14X our ‘16 estimate, near peers. We see potential earnings leverage from an Apple (AAPL 101***) supply agreement, as GTAT transitions to sapphire materials production. Despite concerns about the absence of sapphire in the new iPhones (it is in the Apple Watch), we see a recent pullback providing an attractive entry. We expect higher solar related sales in ’15. /A. Zino-CFA

September 10, 2014
08:27 am ET ... S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF APPLE INC. (AAPL 97.99***): We want to further address the Apple Watch, which we expect to debut in early ’15. There will be two sizes and three collections (including Sport and 18-karat gold Edition offerings). It “requires” an iPhone 5 or later, and perhaps after setting up with an iPhone, some features/functionality will be available without a companion device, but we are not sure. We wonder about battery life (we are thinking about a day), and pricing beyond the indicated starting point of $349. We were impressed, but do not necessarily see the Apple Watch, at least initially, as a mass-market product. /S. Kessler

September 9, 2014
06:03 pm ET ... UPDATE - S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF APPLE INC. (AAPL 97.99***): Following AAPL’s event from earlier today, we have some further thoughts about what was announced. We believe the iPhone 6 and iPhone 6 Plus will enable AAPL to solidify and potentially strengthen its hold on the high-end smartphone user, especially as some competitors seen weaker since the company announced the iPhone 5s and iPhone 5c about a year ago. We see Apple Pay as innovative and differentiated, but wonder about buy-in from retailers and consumers. Lastly, we wanted to clarify that the Apple Watch will work without an iPhone, but full functionality would be limited. /S. Kessler

September 2, 2014
01:26 pm ET ... S&P CAPITAL IQ REITERATES HOLD OPINION ON SHARES OF APPLE INC. (AAPL 103.49***): Late last week, AAPL sent invitations to a media event for September 9, indicating “Wish we could say more.” We believe during the event next week, AAPL will announce new iPhones, including at least one larger screen device. Additionally, consistent with recent unconfirmed reports from Recode and Bloomberg, respectively, we think the company could also announce a wearable device and/or new mobile-payment functionality. AAPL executives have publicly expressed optimism and excitement associated with the pending product line-up. However, we think the stock is fully valued. /S. Kessler
Apple Inc

Analysts' Recommendations

<table>
<thead>
<tr>
<th>Monthly Average Trend</th>
<th>Buy (B)</th>
<th>Buy/Hold (BH)</th>
<th>Hold (H)</th>
<th>Weak Hold (WH)</th>
<th>Sell (S)</th>
<th>No Opinion</th>
<th>AAPL Trend</th>
</tr>
</thead>
</table>

Wall Street Average

Number of Analysts Following Stock

Stock Price ($)

Of the total 53 companies following AAPL, 51 analysts currently publish recommendations.

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>No. of</th>
<th>% of Total</th>
<th>1 Mo. Prior</th>
<th>3 Mos. Prior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy</td>
<td>23</td>
<td>45</td>
<td>0</td>
<td>25</td>
</tr>
<tr>
<td>Buy/Hold</td>
<td>14</td>
<td>27</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>Hold</td>
<td>11</td>
<td>22</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td>Weak Hold</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sell</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>No Opinion</td>
<td>2</td>
<td>4</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>51</td>
<td>100</td>
<td>0</td>
<td>54</td>
</tr>
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</table>

Wall Street Consensus Estimates

Fiscal Years

<table>
<thead>
<tr>
<th>Fiscal Years</th>
<th>Avg Est.</th>
<th>High Est.</th>
<th>Low Est.</th>
<th># of Est.</th>
<th>Est. P/E</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>9.21</td>
<td>10.45</td>
<td>7.92</td>
<td>45</td>
<td>13.9</td>
</tr>
<tr>
<td>2015</td>
<td>8.53</td>
<td>8.53</td>
<td>8.53</td>
<td>1</td>
<td>15.1</td>
</tr>
<tr>
<td>2016 vs. 2015</td>
<td>▲8%</td>
<td>▲23%</td>
<td>▼-7%</td>
<td>▲4400%</td>
<td>▼-8%</td>
</tr>
</tbody>
</table>

A company's earnings outlook plays a major part in any investment decision. S&P Capital IQ organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Wall Street Consensus Opinion

BUY/HOLD

Companies Offering Coverage

Over 30 firms follow this stock; not all firms are displayed.
Accountability Research Corporation
Arete Research Services LLP
Argus Research Company
Atlantic Equities LLP
BMO Capital Markets Equity Research
BTIG, LLC
Barclays
Berenberg
BoA Merrill Lynch
CLSA
Canaccord Genuity
Cantor Fitzgerald & Co.
Citigroup Inc
Cleveland Research Company
Cowen and Company, LLC
Credit Suisse
Daiwa Capital Markets America Inc.
Daiwa Securities Co. Ltd.
Deutsche Bank
Erste Group Bank AG
Evercore ISI
Exane BNP Paribas
FBN Securities, Inc.
Gildorf Securities
Global Equities Research
Goldman Sachs
Hamburger Sparkasse AG
Hilliard Lyons
JMP Securities
JP Morgan

Wall Street Consensus vs. Performance

For fiscal year 2015, analysts estimate that AAPL will earn US$ 8.53. For fiscal year 2016, analysts estimate that AAPL's earnings per share will grow by 8% to US$ 9.21.
Glossary

S&P Capital IQ STARS
Since January 1, 1987, S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, S&P Capital IQ Equity Research has ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), S&P Capital IQ equity analysts rank equities according to their individual forecast of an equity’s future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Capital IQ Quality Ranking
(also known as S&P Capital IQ Earnings & Dividend Rankings) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ's earnings and dividend rankings for common stocks, which are designed to capitalize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest
A High
A- Above Average
B+ Average
B- Lower
C Lowest
D In Reorganization
NR Not Ranked

S&P Capital IQ EPS Estimates
S&P Capital IQ earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P Capital IQ EPS estimates reflect either forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which is independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in-process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

S&P Capital IQ Core Earnings
S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company’s after-tax earnings generated from its principal businesses. Included in the S&P Capital IQ definition are employee stock option grant expenses, pension costs, restructuring and other charges, legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

S&P Capital IQ 12-Month Target Price
The S&P Capital IQ equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Capital IQ Fair Value.

S&P Capital IQ Equity Research

Abbreviations Used in S&P Capital IQ Equity Research Reports
CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CV - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model

Dividends on American Depositary Receipts (ADR's) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

S&P Capital IQ Qualitative Risk Assessment
Reflects an S&P Capital IQ equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The S&P Capital IQ Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:
★★★★★ 5-STARS (Strong Buy):
Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.
★★★★ 4-STARS (Buy):
Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.
★★★★ 3-STARS (Hold):
Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.
★★★ ★★ 2-STARS (Sell):
Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.
★★★ ★★ 1-STARS (Strong Sell):
Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:
In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.
Required Disclosures

S&P Capital IQ ranks stocks in accordance with the following ranking methodologies:

STARS Stock Recommendations:
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S&P Capital IQ’s quantitative evaluations are derived from S&P Capital IQ's proprietary Fair Value quantitative ranking model. The Fair Value Ranking methodology is a relative ranking methodology. As a quantitative model, Fair Value relies on history and consensus estimates and does not introduce an element of subjectivity. Some Quantitative Stock Reports contain Buy, Hold and Sell recommendations. Reports that do not contain a recommendation may or may not contain ranking information. For reports containing a recommendation or ranking information refer to the Glossary Section of this report for more information, including a detailed description of the methodology and definition of S&P Quality Ranking and S&P Fair Value Rank.

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STARS Stock Reports:
S&P Capital IQ Global STARS Distribution as of December 31, 2014

<table>
<thead>
<tr>
<th>Ranking</th>
<th>North America</th>
<th>Europe</th>
<th>Asia</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy</td>
<td>37.7%</td>
<td>25.4%</td>
<td>33.8%</td>
<td>33.2%</td>
</tr>
<tr>
<td>Hold</td>
<td>51.6%</td>
<td>48.4%</td>
<td>45.0%</td>
<td>50.4%</td>
</tr>
<tr>
<td>Sell</td>
<td>10.7%</td>
<td>26.2%</td>
<td>21.2%</td>
<td>14.4%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

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