



Apple Inc Analyst Report

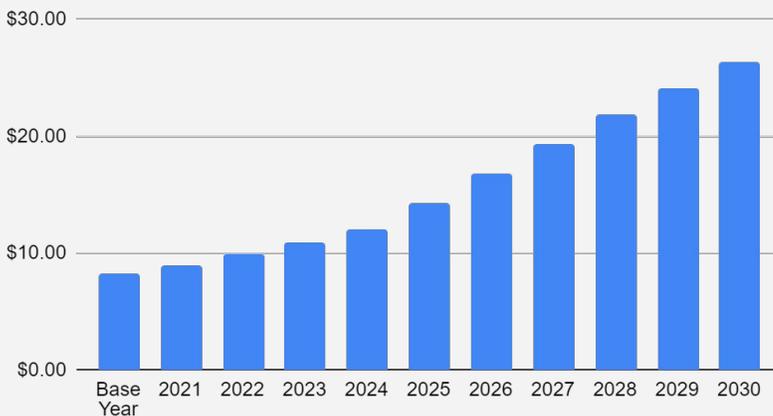
Current Market Price: \$262.47
Estimated Intrinsic Value: \$328.52
Expected 5yr Revenue Growth: 9.99%

Apple is one of the largest technology companies in the United States by market cap. It is no surprise that this company has very solid revenue growth, averaging over 7% over the last 5 years. We estimate the present value of their operating assets at an impressive \$1.6 trillion. After applying several adjustments, this turns into an estimated Equity Value of \$1.43 trillion, an implied 25.16% increase from their current market cap.

5 Year Historical Revenue Growth: 7.19%

5 Year Return on Invested Capital: 21.72%

Estimated Free Cash Flows Per Share



Even though Apple has grown significantly in the past, we do expect it to continue to grow for the foreseeable future. That being said, we believe Apple Inc to be worth a price of \$328.52 per share, and no more.

Intrinsic Valuation Details:

To estimate the intrinsic value of a company, we measure the present day value of all the earnings Apple will make in perpetuity.

To do this we must make certain assumptions. First, we assume that the rate at which earnings are “discounted” is equal to the cost of capital, or 3.36% per year.

We assume that the revenue of Apple will grow at a rate equal to the return on invested capital times the reinvestment rate. We got 9.99% for this value.

We assume that Apple’s 5 year average operating margin of 27.27% will persist for the next 10 years.

The sum of the “free cash flows”, which is after tax profits, in continuance is a little over \$1.6 trillion. What does this mean?

The majority of Apple’s value comes from its ability to make money. Without high operating margins and consistent revenue growth, the value of Apple’s shares will deteriorate.