

APPLE Update

Investment Forum, May 2023

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May 17, 2023

Q2 Report Good

- Rev beat (\$94.8b v 92.9)/Earnings beat (\$1.52 v \$1.43)
- Services (\$21b) up 6%
- Margin 43%, Net 25%
- iPhone sales strong
 - \$51b rev, >1b installed
- ASP increasing (\$895 - \$925)

Outlook Positive

- iPhone sales outlook strong
 - New phone expected in Q4
- Large Number of older iPhones
 - Opportunity for upgrades and Organic Growth
- Opened India
 - Mfg source
 - Base phone (lower ASP) market
- Expanding/Improving Supply Chain
 - China, Vietnam, India, and US (sunbelt)
- Sales Records, Brazil, India, Canada, Spain, Switzerland

Wearables

- iWatch Expanding Health and Fitness Tracking
 - Watch installed base hit a new all-time record in fiscal 2Q23
- Augmented/Virtual Reality
 - Entry Product (goggles, \$\$) - 2023
 - Mass Market Product (glasses) -2024/25

Financials

- Apple Pay gaining traction
- iPhone Monthly Pay → perpetual ownership
- Apple Savings Bank (too big to fail?)

Services

- App Store strong
 - Legal Victory re: payments
- Individual services all-time revenue records in 2q,
 - Apple TV+, Apple music, Apple Pay, iCloud, and Advertising
 - > 975 million paid subscriptions

Analysts Forecast

- Argus (12 mo.) \$200
- CFRA (12 mo.) \$190
- Morningstar FV, \$150

Valuation

- $P/E_{\text{TTM}} \rightarrow 29.24$
- $P/E_{\text{Forward}}, 28.83$
 - High for tech product
 - Low for consumer products company
 - May trade sideways for extended period

Risks

- Delayed entry into AR/VR
- Supply Chain regression
- International Penetration Headwinds
 - Gov't Intervention, Competitive Offerings
- Global Recession

Conclusions

- Business is Strong, but ...
- Stock trades in limited range until:
 - AR/VR announced (expected Jun/3q)
 - iPhone 15 early results (Sep/Oct) strong
 - debt limit resolution
 - banking clarity
- With above:
 - all-time high ~\$180 (5%)
 - 12 Month, \$200 (10%)