Apple Inc.

Expect steady results but limited financial upside and an elevated valuation creates a tricky set-up

Equities

United States

Computers

12-month rating	**Neutral**
12m price target	**US$296.00**
Price (14 Jul 2026)	**US$314.86**

RIC: AAPL.O **BBG:** AAPL US

Trading data and key metrics

52-wk range	US$317.31-202.38
Market cap.	US$4,620b
Shares o/s	14,673m (COM)
Free float	100%
Avg. daily volume ('000)	54,310
Avg. daily value (m)	US$15,901.1
Common s/h equity (09/26E)	US$121b
P/BV (09/26E)	38.0x
Net debt to EBITDA (09/26E)	0.0x

EPS (UBS, diluted) (USD)

	09/26E	
	UBS	**Cons.**
Q1	2.84	2.84
Q2	2.01	2.01
Q3E	1.84	1.89
Q4E	2.02	2.02
09/26E	8.72	8.77
09/27E	9.57	9.72
09/28E	10.52	10.82

David Vogt
Analyst
david.vogt@ubs.com
+1-212-713 4296

Andrew Spinola
Analyst
andrew.spinola@ubs.com
+1-212-713 3766

Brian Luke
Associate Analyst
brian.luke@ubs.com
+1-212-713 3819

Expect an in-line quarter as iPhone took share and 'Services' tracked in-line

Against a challenging supply chain/component backdrop, channel checks point to June iPhone and total company rev tracking in-line with our forecast of 20% and 15% YoY growth respectively as we est iPhone took share in the qtr. Checks also indicate Macs took share driven by the 'Neo' but mix to lower ASPs should cap rev upside in our view. Finally, our analysis suggests 'Services' rev should grow ~13% on a FX neutral basis with limited upside owing to headwinds in the App Store (**link**) and Google search related rev. Therefore, we expect:

- **Total rev** to track to our $107.8B est (VA Cons $108.1B) w/ limited upside.
- **iPhone rev** to track our $53.3B est (VA Cons $53.1B).
- **Diluted EPS** of $1.84 (VA Cons $1.87) with potentially a few pennies of upside if OpEx comes in at the low-end of the guide or ~$18.8B vs our ~$19.0B est.

iPhone taking share but already reflected in the shares in our view

Despite demand pressure in the June quarter, we expect iPhone rev to track our $53.3B est (VA Cons $53.1B), or ~20% YoY growth. Like prior quarters, the iPhone 17 line-up took share in the June qtr in part due to a few factors in our view.

- First, we note Apple was the only vendor to not raise prices during the June quarter. As such, we estimate Apple took share in the US, Europe, and China, the three largest smartphone markets.
- Second, as component prices have risen, notably memory, demand for higher priced smartphones has been stronger than both the mid-range and low-end segments of the market in part given memory allocation decisions.

That said, although we expect a solid iPhone quarter, we believe the market is likely discounting even stronger results given Apple shares are trading ~35x NTM consensus EPS estimates, a less than favorable risk/reward in our view.

Expect June GM in-line and Sept guided to down QoQ

For the June quarter, we forecast gross margin of 48.0% (VA Cons 48.0%) vs the guide of 47.5%-48.5% reflecting several factors that largely offset. First, higher contract memory pricing should weigh on iPhone gross margin in the June quarter relative to the March quarter. As a modest offset, June quarter iPhone gross margin should benefit from the final batch of lower cost inventory (memory) flowing through COGS. Therefore, the net effect drives our iPhone gross margin forecast to ~39.5% in the June quarter, down roughly 250 bps sequentially (VA Cons 39.7%).

Highlights (US$m)	09/23	09/24	09/25	09/26E	09/27E	09/28E	09/29E	09/30E
Revenues	383,285	391,035	416,161	476,745	509,630	540,002	566,036	582,980
EBIT (UBS)	114,301	123,216	133,050	155,119	165,779	177,995	187,951	193,901
Net earnings (UBS)	97,759	103,982	112,010	128,115	137,945	148,940	158,184	164,182
EPS (UBS, diluted) (US$)	6.18	6.75	7.46	8.72	9.57	10.52	11.37	12.00
DPS (net) (US$)	0.94	0.98	1.02	1.06	1.10	1.14	1.18	1.22
Net (debt) / cash	(49,533)	(41,458)	(43,960)	5,344	67,472	136,968	216,733	301,698
Profitability/valuation	**09/23**	**09/24**	**09/25**	**09/26E**	**09/27E**	**09/28E**	**09/29E**	**09/30E**
EBIT (UBS) margin %	29.8	31.5	32.0	32.5	32.5	33.0	33.2	33.3
ROIC (EBIT) %	>500	>500	>500	402.7	481.3	>500	>500	>500
EV/EBITDA (UBS core) x	20.1	21.9	23.0	27.3	25.9	24.5	23.7	23.5
P/E (UBS, diluted) x	26.2	28.8	30.0	36.1	32.9	29.9	27.7	26.2
Equity FCF (UBS) yield %	3.9	4.0	2.9	3.2	3.4	3.6	3.8	3.9
Dividend yield (net) %	0.6	0.5	0.5	0.3	0.3	0.4	0.4	0.4

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$ 314.86 on 14-Jul-2026

This report has been prepared by UBS Securities LLC. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 10.**

For the Sept quarter, we forecast consolidated gross margin of 47.5% (VA Cons 47.4%), down 50 bps sequentially as the benefit from low-cost iPhone component inventory fades while the company benefits from the initial sell-in of a foldable iPhone that should carry gross margin 500 to 1,000 bps above the 17 Pro/ProMax variants. iPhone GM is expected to come in at 39.0%, about 50 bps below the VA Cons but could have a downward bias without an iPhone price increase in our view.

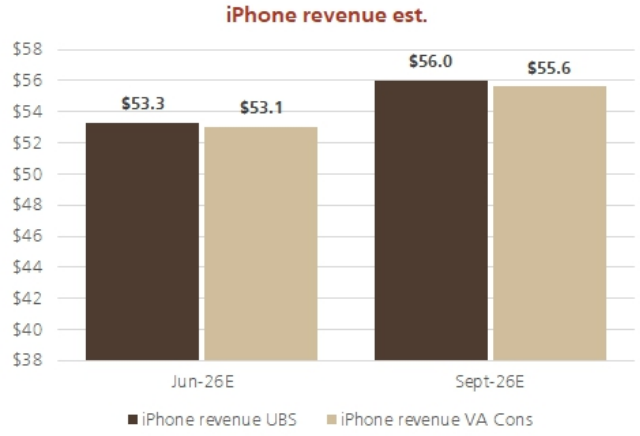
Valuation: Our $296 price target is ~30x our CY27 EPS est of $9.86.

Our $296 price target is ~30x our CY27 EPS est of $9.86. At 30x, Apple shares would be trading roughly in line with the trailing 3-year average and a 1 turn discount to the trailing 12-month average, reflecting solid demand balanced by uncertainty around the company's AI strategy.

iPhone June rev should be in-line while growth is expected to moderate in the Sept qtr

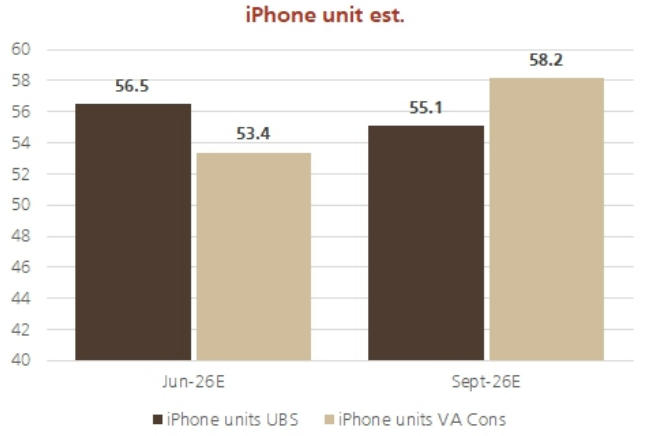
As noted earlier, we expect June iPhone unit and revenue to come in-line with our forecasts as the portfolio continues to resonate with customers while Apple's ability to secure silicon and memory to meet iPhone demand has resulted in share gains. Therefore, we expect roughly 56.5M iPhones in the June quarter (VA Cons 53.4M) and revenue of $53.3B (VA Cons $53.1B) implying an ASP of ~$943 vs the VA Cons implied ASP of $994. For the Sept quarter, we expect solid demand in the US and Europe with a more mixed backdrop in China leading to ~14% revenue growth or $56.0B (VA Cons $55.6B), a deceleration from the ~20% growth we expect in the June quarter despite a ~740 bps easier comp as the industry faces headwinds from higher component costs.

Figure 1: Our iPhone estimates for the June and Sept quarters are a touch above the VA Cons but don't include a potential price increase in the fall ($ millions)



Source: UBS estimates and Visible Alpha

Figure 2: Our iPhone units are above consensus in the June qtr given checks but below in Sept as our mix has likely fewer "foldables" in the qtr (units in millions)



Source: UBS estimates and Visible Alpha

'Mac' revenue should be consistent w/ our ~6% growth forecast

MacBook Neo strength balanced by supply constraints in the quarter should drive revenue in-line with our $8.5B estimate (VA Cons $8.8B) as we estimate units were up around 10%-12% YoY in the quarter, just slightly below our low-teens forecast owing to supply constraints. Mix, before the recently announced price increases across the portfolio, to more 'Neo' products should drive blended Mac ASPs down several percentage points YoY capping revenue upside in our view.

'Services' growth (ex FX) should be in-line but trail iPhone growth

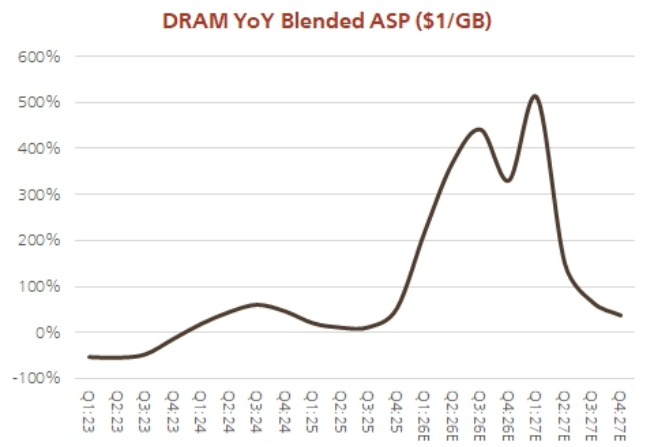
For the June quarter, we expect revenue in-line with our $31.3B estimate of 14.3% reported YoY growth inclusive of around 1 to 1.5 pts from FX (VA Cons $31.4B). On a FX neutral basis, we expect 'Services' growth to track the ~13% growth in the March quarter as strength in advertising related offerings is offset by muted demand in App Store. For the June quarter, we estimate App Store grew only ~3% YoY as Generative AI, a driver of App Store growth in our view, slowed likely due to increasingly harder comps and increasing market penetration.

For the Sept quarter, we forecast 'Services' revenue of $32.7B or ~14% growth (VA Cons $32.5B) and gross margin of 76.5% given expectations of a similar revenue mix to prior quarters.

DRAM and NAND should be an increasing headwind into CY27

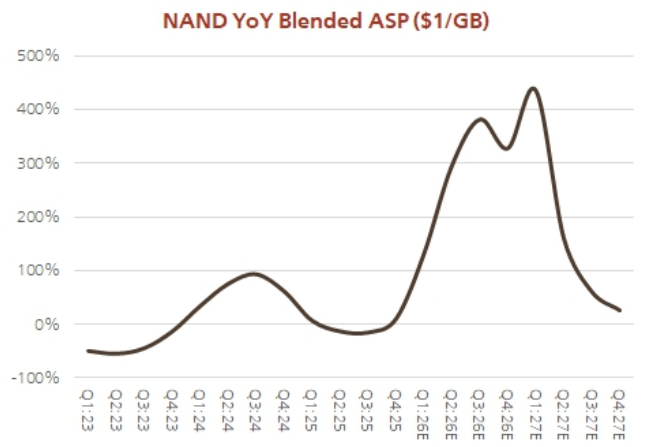
Rising memory prices and shortages while a modest headwind in the June quarter owing to lower cost inventory flowing through the income statement becomes an increasingly more challenging dynamic starting in the Sept quarter. While Apple has increased prices across Macs and iPads given the steep increase in memory prices in CY26, we expect the rate of change to get worse the next several quarters before easing a bit in Q2:27.

Figure 3: DRAM pricing change is expected to peak in Q1:CY27



Source: UBS estimates

Figure 4: NAND pricing change is expected to peak in Q1:CY27



Source: UBS estimates

Without a price increase, iPhone gross margin would face significant pressure

Prior to the sharp rise in memory costs, we estimate the bill-of-materials (BOM) for a $1,000 iPhone was around $580 with memory roughly $60 or ~10% of the cost yielding roughly a 42% gross margin, supporting 'Product' gross margin of ~37% in FY24 and FY25. However, since mid-2025, pricing of many high-volume semiconductor components have surged between 300% and 900% (4x to 10x). Therefore, as low-cost iPhone inventory is exhausted in the June quarter, Apple faces a material increase in iPhone COGS starting in the September quarter. For example, if the average price of memory within a ~$1,000 iPhone has increased ~300%, holding all other variables constant, the contribution margin of an iPhone would decline to 24% from 42% as memory increases to ~30% of the BOM from ~10%. On the other hand, if Apple increases pricing by $100 or 10%, the contribution margin would only decline to 31%.

Figure 5: Our iPhone gross margin sensitivity analysis illustrates gross margin risk in H2:26 and CY27

		BOM Scenarios				
iPhone	**Base Case**	**+100%**	**+200%**	**+300%**	**+400%**	**+500%**
Memory	$60	$120	$180	$240	$300	$360
Other	$520	$520	$520	$520	$520	$520
Total	$580	$640	$700	$760	$820	$880
	Base Case	**+100%**	**+200%**	**+300%**	**+400%**	**+500%**
ASP Est.	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
less: COGS	($580)	($640)	($700)	($760)	($820)	($880)
Gross Profit $	$420	$360	$300	$240	$180	$120
Gross Margin %	**42%**	**36%**	**30%**	**24%**	**18%**	**12%**

	BOM Scenarios w/ $100 price increase				
iPhone	**+100%**	**+200%**	**+300%**	**+400%**	**+500%**
Memory	$120	$180	$240	$300	$360
Other	$520	$520	$520	$520	$520
Total	$640	$700	$760	$820	$880
	+100%	**+200%**	**+300%**	**+400%**	**+500%**
ASP Est.	$1,100	$1,100	$1,100	$1,100	$1,100
less: COGS	($640)	($700)	($760)	($820)	($880)
Gross Profit $	$460	$400	$340	$280	$220
Gross Margin %	**42%**	**36%**	**31%**	**25%**	**20%**

Source: UBS estimates

Higher memory prices could pressure GM and EPS even with a $100 iPhone price increase

In our iPhone scenario analysis, we assume Apple raises iPhone prices ~10% across the board while the company absorbs 300% higher memory costs. In addition, to simplify the analysis, we hold other product gross margins constant but assume iPhone units are

2-3% lower than our forecast to reflect a degree of elasticity stemming from the higher prices. While the exact nature of consumer behavior is challenging to quantify, we note that when Apple increased iPhone prices in Europe and the UK to offset higher inflation a few years ago, demand softened for almost a year. Therefore, in our downside scenario assuming higher iPhone ASPs as the only offset to rising memory costs, FY27 and FY28 EPS estimates would be ~11% lower than our $9.57 and $10.52 EPS estimates respectively in our downside scenario putting the shares at ~38x our downside FY27 EPS estimate of $8.49.

Figure 6: In our downside scenario, higher memory costs could pressure iPhone gross margin ~1,000 bps even with a ~10% price increase without other offsets

	UBS Estimates			iPhone Scenario Analysis	
Revenue	**FY26**	**FY27**	**FY28**	**FY27**	**FY28**
iPhone	$251,586	$266,489	$279,034	$285,810	$299,263
Mac	34,145	37,096	39,759	37,096	39,759
iPad	29,390	29,682	29,884	29,682	29,884
Wearables, Home and Accessories	36,633	36,924	37,166	36,924	37,166
Services	124,991	139,440	154,160	139,440	154,160
Total net sales	$476,745	$509,630	$540,002	$528,951	$560,232
Gross profit $ - Segment					
iPhone	$103,506	$107,165	$112,209	$88,341	$92,500
Mac	9,514	10,198	10,732	10,198	10,732
iPad	7,225	7,224	7,124	7,224	7,124
Wearables, Home and Accessories	14,047	14,080	13,996	14,080	13,996
Services	95,679	105,330	116,452	105,330	116,452
	$229,971	$243,995	$260,513	$225,172	$240,804
Gross margin %					
Product	38.2%	37.5%	37.3%	30.8%	30.6%
Services	76.5%	75.5%	75.5%	75.5%	75.5%
Total	**48.2%**	**47.9%**	**48.2%**	**42.6%**	**43.0%**
Gross margin % - Segment					
iPhone	41.1%	40.2%	40.2%	30.9%	30.9%
Mac	27.9%	27.5%	27.0%	27.5%	27.0%
iPad	24.6%	24.3%	23.8%	24.3%	23.8%
Wearables, Home and Accessories	38.3%	38.1%	37.7%	38.1%	37.7%
Services	76.5%	75.5%	75.5%	75.5%	75.5%
Diluted EPS	**$8.72**	**$9.57**	**$10.52**	**$8.49**	**$9.37**
iPhone unit ests.	261,605	269,453	274,842	262,717	267,971
Implied ASP	$962	$989	$1,015	$1,088	$1,117

Source: UBS estimates

Figure 7: Our estimates are unchanged for the June and Sept quarters but GMs could trend lower

May not add due to rounding
FY Ends: September
(in US$ millions, except units & per share amounts)

	Jun-26		Sept-26		FY 2026E		FY 2027E		FY 2028E	
	UBS est	VA Cons	UBS est	VA Cons	UBS est.	VA Cons	UBS est.	VA Cons	UBS est.	VA Cons
Product Net Sales:										
iPhone	$ 53,309	$ 53,057	$ 56,014	$ 55,631	$ 251,586	$ 251,077	$ 266,489	$ 273,329	$ 279,034	$ 290,250
Mac	8,512	8,779	8,848	9,444	34,145	35,036	37,096	38,149	39,759	39,749
iPad	6,581	6,894	7,300	7,438	29,390	29,766	29,682	30,596	29,884	31,707
Wearables, Home and Accessories *	8,015	7,841	9,224	9,175	36,633	36,443	36,924	38,180	37,166	39,794
Services	31,336	31,384	32,666	32,538	124,991	124,815	139,440	139,884	154,160	154,978
Total net sales	$ 107,754	$ 108,147	$ 114,051	$ 114,180	$ 476,745	$ 477,273	$ 509,630	$ 519,185	$ 540,002	$ 554,596
Yr-to-Yr percent growth	14.6%	15.0%	11.3%	11.4%	14.6%	14.7%	6.9%	8.8%	6.0%	8.8%
Gross margin	51,755	51,953	54,204	54,138	229,971	229,953	243,995	247,669	260,513	267,599
Gross margin %	48.0%	48.0%	47.5%	47.4%	48.2%	48.2%	47.9%	47.7%	48.2%	48.3%
Research and development	11,792	11,476	10,639	11,235	44,737	44,764	46,974	48,652	49,557	52,577
Selling, general and administrative	7,182	7,417	7,964	7,582	30,115	30,121	31,242	32,181	32,961	33,844
Operating expenses (GAAP)	18,974	18,893	18,603	18,886	74,852	74,885	78,216	80,834	82,518	86,421
Operating income	32,781	33,061	35,601	35,252	155,119	154,476	165,779	165,719	177,995	178,952
Operating margin %	30.4%	30.6%	31.2%	30.9%	32.5%	32.4%	32.5%	31.9%	33.0%	32.3%
Income before taxes	32,559	33,143	35,442	35,263	154,836	154,685	166,199	165,974	179,446	179,436
Income taxes	5,535	5,659	6,025	5,992	26,720	26,464	28,254	27,956	30,506	29,884
Income tax rate	17.0%	17.1%	17.0%	17.0%	17.3%	17.1%	17.0%	16.8%	17.0%	16.7%
Net income	$ 27,024	$ 27,484	$ 29,417	$ 29,271	$ 128,115	$ 128,221	$ 137,945	$ 138,018	$ 148,940	$ 149,552
Diluted EPS	$ 1.84	$ 1.87	$ 2.02	$ 2.01	$ 8.72	$ 8.72	$ 9.57	$ 9.57	$ 10.52	$ 10.61
Diluted shares outstanding	14,650	14,673	14,579	14,601	14,691	14,703	14,410	14,407	14,154	14,081

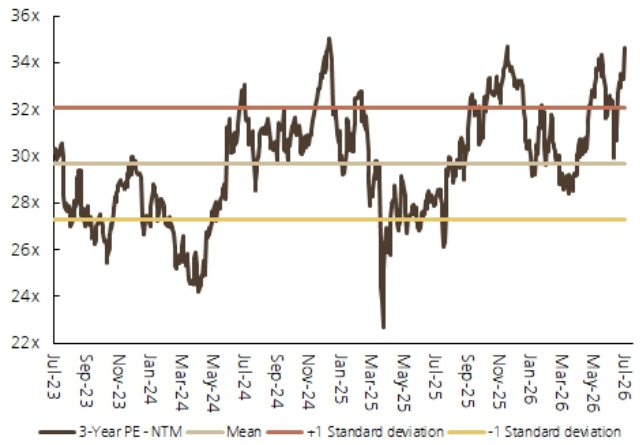
Source: UBS estimates and Visible Alpha

...the stock set-up is less favorable given elevated valuation and ~10% expected EPS growth

Apple shares are trading at ~31x and ~28x consensus CY27 and CY28 EPS estimates, up a mid-teens % from 27x and ~24x at the end of April while FY27 and FY28 EPS estimates are up less than 1% over the same period. As such, EPS growth expectations have been effectively stable with consensus expecting ~10% growth in both years, notably below the ~16% and ~13% EPS growth expected for the S&P 500 over the same period.

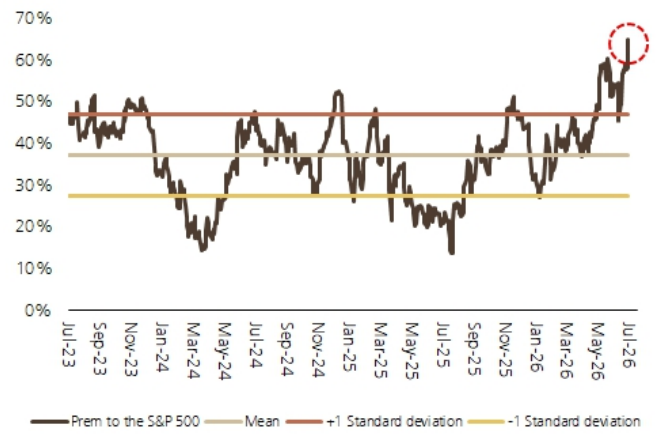
While PEG ratios are not our preferred valuation methodology given several inherent limitations, we note that at a PEG ratio of roughly 3, the risk/reward is less attractive relative to the end of March when Apple shares were trading at 25x / 23x respectively or a ~40% premium to the S&P 500 vs the current ~60% premium. Therefore, our $296 price target or ~30x our CY27 EPS estimate of $9.86, remains in-line with the trailing 3-year mean and two turns above the trailing 5-year mean of ~28x reflecting solid near-term demand balanced by uncertainty around the company's AI strategy and risk from higher memory costs impacting gross margin in FY27.

Figure 8: Apple shares are trading at ~35x NTM consensus EPS estimates despite risk of gross margin pressure on gross margin in FY27



Source: Bloomberg

Figure 9: Apple shares are trading at 65% premium to the S&P 500, more than 2 standard deviations above the trailing 3-year mean



Source: Bloomberg

Apple Inc. (AAPL.O)

Income Statement (US$m)	09/23	09/24	09/25	09/26E	%ch	09/27E	%ch	09/28E	09/29E	09/30E
Revenues	**383,285**	**391,035**	**416,161**	**476,745**	*14.6*	**509,630**	*6.9*	**540,002**	**566,036**	**582,980**
Gross profit	169,148	180,683	195,201	229,971	*17.8*	243,995	*6.1*	260,513	274,265	283,326
EBITDA (UBS)	**125,820**	**134,661**	**144,748**	**168,539**	*16.4*	**178,408**	*5.9*	**189,746**	**199,127**	**204,699**
Depreciation & amortisation	(11,519)	(11,445)	(11,698)	(13,420)	*-14.7*	(12,629)	*5.9*	(11,751)	(11,177)	(10,797)
EBIT (UBS)	**114,301**	**123,216**	**133,050**	**155,119**	*16.6*	**165,779**	*6.9*	**177,995**	**187,951**	**193,901**
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	382	1,269	1,229	1,381	*12.3*	1,000	*-27.6*	1,000	1,000	1,000
Net interest	(183)	(1,000)	(1,550)	(1,664)	*-7.3*	(580)	*65.2*	451	1,633	2,908
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Pre-tax profit	**114,500**	**123,485**	**132,729**	**154,836**	*16.7*	**166,199**	*7.3*	**179,446**	**190,583**	**197,810**
Tax	(16,741)	(19,503)	(20,719)	(26,720)	*-29.0*	(28,254)	*-5.7*	(30,506)	(32,399)	(33,628)
Profit after tax	**97,759**	**103,982**	**112,010**	**128,115**	*14.4*	**137,945**	*7.7*	**148,940**	**158,184**	**164,182**
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	0	0	0	0	-	0	-	0	0	0
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**97,759**	**103,982**	**112,010**	**128,115**	*14.4*	**137,945**	*7.7*	**148,940**	**158,184**	**164,182**
Net earnings (UBS)	**97,759**	**103,982**	**112,010**	**128,115**	*14.4*	**137,945**	*7.7*	**148,940**	**158,184**	**164,182**
Tax rate (%)	14.6	15.8	15.6	17.3	*10.6*	17.0	*-1.5*	17.0	17.0	17.0

Per Share (US$)	09/23	09/24	09/25	09/26E	%ch	09/27E	%ch	09/28E	09/29E	09/30E
EPS (UBS, diluted)	6.18	6.75	7.46	8.72	*16.8*	9.57	*9.8*	10.52	11.37	12.00
EPS (local GAAP, diluted)	6.18	6.75	7.46	8.72	*16.8*	9.57	*9.8*	10.52	11.37	12.00
EPS (UBS, basic)	6.21	6.78	7.49	8.75	*16.8*	9.61	*9.8*	10.56	11.42	12.05
DPS (net) (US$)	0.94	0.98	1.02	1.06	*3.9*	1.10	*3.8*	1.14	1.18	1.22
Cash EPS (UBS, diluted) [1]	6.91	7.49	8.24	9.63	*16.9*	10.45	*8.5*	11.35	12.17	12.79
Book value per share	3.96	3.74	4.96	8.28	*66.8*	12.41	*49.9*	17.40	23.19	29.57
Average shares (diluted)	15,813	15,408	15,005	14,691	*-2.1*	14,410	*-1.9*	14,154	13,913	13,685

Balance Sheet (US$m)	09/23	09/24	09/25	09/26E	%ch	09/27E	%ch	09/28E	09/29E	09/30E
Cash and equivalents	61,555	65,171	54,697	90,055	*64.6*	152,183	*69.0*	221,679	301,444	386,409
Other current assets	82,011	87,816	93,260	102,752	*10.2*	103,911	*1.1*	107,948	110,736	112,824
Total current assets	**143,566**	**152,987**	**147,957**	**192,807**	*30.3*	**256,094**	*32.8*	**329,627**	**412,180**	**499,234**
Net tangible fixed assets	43,715	45,680	49,834	47,281	*-5.1*	43,558	*-7.9*	41,110	39,543	38,498
Net intangible fixed assets	0	0	0	0	-	0	-	0	0	0
Investments / other assets	165,302	166,313	161,450	171,282	*6.1*	174,715	*2.0*	180,079	184,965	189,630
Total assets	**352,583**	**364,980**	**359,241**	**411,369**	*14.5*	**474,367**	*15.3*	**550,817**	**636,689**	**727,362**
Trade payables & other ST liabilities	129,501	155,513	145,302	159,906	*10.1*	164,327	*2.8*	171,321	179,007	185,881
Short term debt	15,807	20,879	20,329	10,307	*-49.3*	10,307	*0.0*	10,307	10,307	10,307
Total current liabilities	**145,308**	**176,392**	**165,631**	**170,213**	*2.8*	**174,634**	*2.6*	**181,628**	**189,314**	**196,188**
Long term debt	95,281	85,750	78,328	74,404	*-5.0*	74,404	*0.0*	74,404	74,404	74,404
Other long term liabilities	49,848	45,888	41,549	46,247	*11.3*	47,950	*3.7*	50,613	53,037	55,352
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	**290,437**	**308,030**	**285,508**	**290,864**	*1.9*	**296,989**	*2.1*	**306,644**	**316,755**	**325,944**
Common s/h equity	**62,146**	**56,950**	**73,733**	**120,505**	*63.4*	**177,378**	*47.2*	**244,172**	**319,933**	**401,417**
Minority interests	0	0	0	0	-	0	-	0	0	0
Total liabilities & equity	**352,583**	**364,980**	**359,241**	**411,369**	*14.5*	**474,367**	*15.3*	**550,817**	**636,689**	**727,362**

Cash Flow (US$m)	09/23	09/24	09/25	09/26E	%ch	09/27E	%ch	09/28E	09/29E	09/30E
Net income (before pref divs)	97,759	103,982	112,010	128,115	*14.4*	137,945	*7.7*	148,940	158,184	164,182
Depreciation & amortisation	11,519	11,445	11,698	13,420	*14.7*	12,629	*-5.9*	11,751	11,177	10,797
Net change in working capital	(8,804)	1,385	(25,089)	1,875	-	1,533	*-18.3*	254	2,437	2,436
Other operating	10,833	11,688	12,863	14,178	*10.2*	14,112	*-0.5*	14,112	14,112	14,112
Operating cash flow	**111,307**	**128,500**	**111,482**	**157,589**	*41.4*	**166,219**	*5.5*	**175,057**	**185,910**	**191,527**
Tangible capital expenditure	(10,959)	(9,447)	(12,715)	(8,276)	*34.9*	(8,907)	*-7.6*	(9,303)	(9,610)	(9,752)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) & disposals	0	0	0	0	-	0	-	0	0	0
Other investing	14,664	12,382	27,910	(6,710)	-	0	-	0	0	0
Investing cash flow	**3,705**	**2,935**	**15,195**	**(14,986)**	-	**(8,907)**	*40.6*	**(9,303)**	**(9,610)**	**(9,752)**
Equity dividends paid	(15,025)	(15,234)	(15,421)	(15,606)	*-1.2*	(15,790)	*-1.2*	(16,070)	(16,347)	(16,622)
Share issues / (buybacks)	(77,550)	(94,949)	(90,711)	(78,608)	*13.3*	(79,394)	*-1.0*	(80,188)	(80,188)	(80,188)
Other financing	(6,012)	(5,802)	(6,071)	(9,289)	*-53.0*	0	-	0	0	0
Change in debt & pref shares	(9,901)	(5,998)	(8,483)	(7,914)	*6.7*	0	-	0	0	0
Financing cash flow	**(108,488)**	**(121,983)**	**(120,686)**	**(111,417)**	*7.7*	**(95,184)**	*14.6*	**(96,258)**	**(96,535)**	**(96,810)**
Cash flow inc/(dec) in cash	**6,524**	**9,452**	**5,991**	**31,186**	*NM*	**62,128**	*99.2*	**69,496**	**79,765**	**84,966**
FX / non cash items	6,727	(5,836)	(16,465)	4,172	-	0	-	0	0	0
Balance sheet inc/(dec) in cash	**13,251**	**3,616**	**(10,474)**	**35,358**	-	**62,128**	*75.7*	**69,496**	**79,765**	**84,966**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1] Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Apple Inc. (AAPL.O)

Valuation (x)	09/23	09/24	09/25	09/26E	09/27E	09/28E	09/29E	09/30E
P/E (local GAAP, diluted)	26.2	28.8	30.0	36.1	32.9	29.9	27.7	26.2
P/E (UBS, diluted)	26.2	28.8	30.0	36.1	32.9	29.9	27.7	26.2
P/CEPS	23.3	25.8	27.0	32.6	30.0	27.6	25.8	24.5
Equity FCF (UBS) yield %	3.9	4.0	2.9	3.2	3.4	3.6	3.8	3.9
Dividend yield (net) %	0.6	0.5	0.5	0.3	0.3	0.4	0.4	0.4
P/BV	40.9	51.9	45.1	38.0	25.4	18.1	13.6	10.6
EV/revenues (core)	6.6	7.5	8.0	9.7	9.1	8.6	8.3	8.2
EV/EBITDA (UBS core)	20.1	21.9	23.0	27.3	25.9	24.5	23.7	23.5
EV/EBIT (core)	22.1	23.9	25.1	29.7	27.9	26.1	25.1	24.8
EV/OpFCF (core)	20.4	23.8	21.2	29.1	27.5	25.8	25.2	24.9
EV/op. invested capital	>100	>100	>100	>100	>100	>100	>100	>100

Enterprise value (US$m)	09/23	09/24	09/25	09/26E	09/27E	09/28E	09/29E	09/30E
Market cap.	2,577,149	3,000,573	3,367,402	4,620,028	4,620,028	4,620,028	4,620,028	4,620,028
Net debt (cash)	49,533	41,458	43,960	19,308	(36,408)	(102,220)	(102,220)	(102,220)
Buy out of minorities	0	0	0	0	0	0	0	0
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**2,626,682**	**3,042,031**	**3,411,362**	**4,680,955**	**4,704,634**	**4,719,010**	**4,799,198**	**4,879,386**
Non core assets	(100,544)	(91,479)	(77,723)	(78,088)	(78,088)	(78,088)	(78,088)	(78,088)
Core enterprise value	**2,526,138**	**2,950,552**	**3,333,639**	**4,602,867**	**4,626,546**	**4,640,922**	**4,721,110**	**4,801,298**

Growth (%)	09/23	09/24	09/25	09/26E	09/27E	09/28E	09/29E	09/30E
Revenue	(2.8)	2.0	6.4	14.6	6.9	6.0	4.8	3.0
EBITDA (UBS)	(3.6)	7.0	7.5	16.4	5.9	6.4	4.9	2.8
EBIT (UBS)	(4.3)	7.8	8.0	16.6	6.9	7.4	5.6	3.2
EPS (UBS, diluted)	1.1	9.2	10.6	16.8	9.8	9.9	8.0	5.5
Net DPS	4.4	4.3	4.1	3.9	3.8	3.6	3.5	3.4

Margins & Profitability (%)	09/23	09/24	09/25	09/26E	09/27E	09/28E	09/29E	09/30E
Gross profit margin	44.1	46.2	46.9	48.2	47.9	48.2	48.5	48.6
EBITDA margin	32.8	34.4	34.8	35.4	35.0	35.1	35.2	35.1
EBIT (UBS) margin	29.8	31.5	32.0	32.5	32.5	33.0	33.2	33.3
Net earnings (UBS) margin	25.5	26.6	26.9	26.9	27.1	27.6	27.9	28.2
ROIC (EBIT)	NM	NM	NM	NM	NM	NM	NM	NM
ROIC post tax	NM	NM	NM	NM	NM	NM	NM	NM
ROE (UBS)	173.3	174.6	171.4	131.9	92.6	70.7	56.1	45.5

Capital structure & Coverage (x)	09/23	09/24	09/25	09/26E	09/27E	09/28E	09/29E	09/30E
Net debt / EBITDA	0.4	0.3	0.3	0.0	(0.4)	(0.7)	(1.1)	(1.5)
Net debt / total equity %	79.7	72.8	59.6	(4.4)	(38.0)	(56.1)	(67.7)	(75.2)
Net debt / (net debt + total equity) %	44.4	42.1	37.4	(4.6)	(61.4)	NM	NM	NM
Net debt/EV %	2.3	1.5	1.3	0.4	(0.8)	(2.2)	(3.7)	(5.3)
Capex / depreciation %	95.1	82.5	108.7	61.7	70.5	79.2	86.0	90.3
Capex / revenue %	2.9	2.4	3.1	1.7	1.7	1.7	1.7	1.7
EBIT / net interest	NM	NM	NM	NM	NM	-	-	-
Dividend cover (UBS)	6.6	6.9	7.3	8.3	8.7	9.3	9.7	9.9
Div. payout ratio (UBS) %	15.1	14.5	13.6	12.1	11.4	10.8	10.3	10.1

Revenues by division (US$m)	09/23	09/24	09/25	09/26E	09/27E	09/28E	09/29E	09/30E
Others	383,285	391,035	416,161	476,745	509,630	540,002	566,036	582,980
Total	**383,285**	**391,035**	**416,161**	**476,745**	**509,630**	**540,002**	**566,036**	**582,980**

EBIT (UBS) by division (US$m)	09/23	09/24	09/25	09/26E	09/27E	09/28E	09/29E	09/30E
Others	114,301	123,216	133,050	155,119	165,779	177,995	187,951	193,901
Total	**114,301**	**123,216**	**133,050**	**155,119**	**165,779**	**177,995**	**187,951**	**193,901**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	-6.0%
Forecast dividend yield	0.3%
Forecast stock return	-5.6%
Market return assumption	9.2%
Forecast excess return	-14.8%

Company Description

Apple designs, manufactures and markets mobile products, personal computers and media devices. The company's primary hardware product categories include the iPhone, iPad, iPod, and Mac computers. In addition, the company sells a variety of related software, services, peripherals, and third-party digital content and applications via iTunes and the App Store. Apple predominately sells to the consumer segment through its own online and retail stores, as well as third-party cellular network carriers, wholesalers and retailers.

Valuation Method and Risk Statement

Risks to our Apple thesis include (1) product delays or less innovative offerings, particularly a decline in iPhone unit shipments; (2) macro weakness dampening product demand, especially in China; (3) reduced product differentiation resulting in a successful smartphone attack from below; (4) governments looking to regulate Apple as its power increases; and (5) poor platform management. We use a P/E multiple to derive our price target for Apple.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

Apple Inc.

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	3
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	3
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	

