



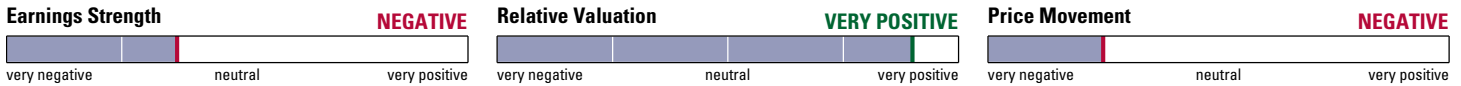
Apple Inc.
NASDAQ: AAPL

HOLD

Reiteration 4/12/13

We project that Apple will perform in line with the market over the next 6 to 12 months. This projection is based on our analysis of three key factors that influence common stock performance: earnings strength, relative valuation, and recent price movement.

Previous Rating Buy (6/16/12 - 7/27/12)	52-Week Price Range \$420.05 - \$702.10	Market Capitalization \$403.63 Billions	Annual Dividend Yield 2.5%	Annual Dividend Rate \$10.60	Industry Computers
---	---	---	--------------------------------------	--	------------------------------



EPS increased from \$41.11 to an estimated \$41.93 over the past 5 quarters indicating an improving growth rate. Analyst forecasts have recently been raised. Company recently reported better than expected results.

Operating Earnings Yield of 9.8% ranks above 90% of the companies covered by Ford.

1-year price down 31.0%: **VERY NEGATIVE**
1-quarter down 17.4%: **VERY POSITIVE**
1-month up 0.3%: **NEUTRAL**

Apple designs, manufactures and markets mobile communication and media devices, personal computers, and portable digital music players, and sells various related software, services, peripherals, networking applications, and third-party digital content and applications. The company's products and services include iPhone®, iPad®, Mac®, iPod®, Apple TV®, software applications, the iOS and OS X® operating systems, iCloud®, and various accessories, services and supports. The company also provides digital content and applications through the iTunes Store®, App Store sm, iBookstore sm, and Mac App Store. Also, the company sells third-party iPhone, iPad, Mac and iPod compatible products through its online and retail stores.

Computers performance is POSITIVE

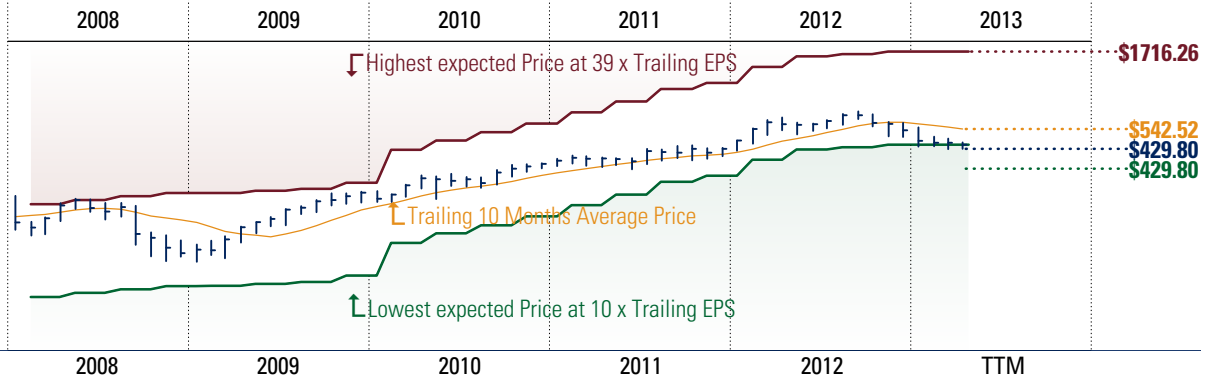
Peer Group Comparison

Ticker	Company Name	Overall Rating	Quality Rating	Recent Price	Market Cap(B)	EPS (ttm)	P/E (mrq)	P/B (ttm)	1 year Price Change
AAPL	Apple Inc.	Hold	High	\$429.80	\$403.625	\$44.10	9.75	2.93	-31.00
CRAY	Cray Inc.	Sell	Low	\$21.30	\$0.839	\$0.69	30.87	2.44	197.90
DELL	Dell Inc.	Hold	High	\$14.09	\$24.618	\$1.64	8.59	2.21	-13.40
HPQ	Hewlett-Packard Co	Buy	High	\$20.90	\$40.63	\$4.01	5.21	1.78	-16.70

AAPL Price Performance

Ford Valuation Bands

Valuation bands based on the highest and lowest P/E ratio in the past five years applied to the trailing 12 month operating earnings. Price (US\$)



Fiscal Year End - SEP

2008	2009	2010	2011	2012	TTM
------	------	------	------	------	-----

Net Profit on Sales	14.7%	13.2%	21.3%	23.8%	26.5%	25.1%
Cash Flow/share	\$5.97	\$9.97	\$16.42	\$29.85	\$47.92	--
Book Value/share	\$23.63	\$35.13	\$52.13	\$82.50	\$125.88	\$146.79
Return on Equity	22.7%	17.9%	29.1%	33.7%	35.1%	30.0%
Debt to Equity	--	--	--	--	--	--



Apple Inc.

NASDAQ: AAPL

Recommendation Summary

Ford's Hold recommendation on Apple Inc. is the result of our systematic analysis on three basic characteristics: earnings strength, relative valuation, and recent stock price movement. The company has generated a negative trend in earnings per share over the past 5 quarters. However, while recent estimates for the company have been lowered by analysts, AAPL has posted better than expected results. Based on operating earnings yield, the company is undervalued when compared to all of the companies we cover. Share price changes over the past year indicates that AAPL will perform poorly over the near term.

Earnings Strength is **NEGATIVE**

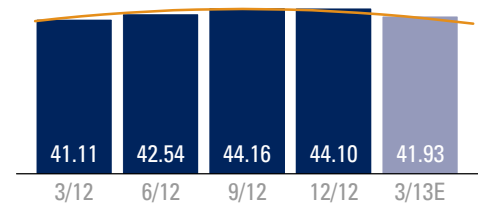
Ford's earnings momentum measures the acceleration or deceleration in trailing 12 month operating earnings per share growth. The downward curvature of the plotted points in the graph on the right indicates that while **Apple Inc.'s earnings have increased from \$41.11 to an estimated \$41.93 over the past 5 quarters, they have shown deceleration in quarterly growth rates** when adjusted for the volatility of earnings. This is an indication of weakness that could lead to declining earnings.

Nearly 40 years of research have shown that the change in the growth of earnings per share is an important factor that drives stock price performance. Ford measures earnings momentum and analysts' forecast changes to get an early indication of changing earnings patterns.

Recent changes to analysts' forecasts and variances between reported and estimated earnings provide important information about a company's future earnings performance. Ford uses this information, in conjunction with earnings momentum, as early evidence of a catalyst to near-term stock price performance. Earnings forecasts for Apple Inc. have been decreasing which portends a deterioration of future earnings growth. The company has also reported higher earnings than those predicted in earlier estimates. This indicates an ability to exceed analysts' expectations and the potential for improving earnings growth in the future.

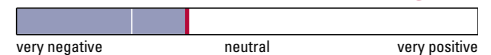
TTM Operating EPS in US (\$)

Negative earnings trend over past 5 quarters



Earnings Momentum

NEGATIVE



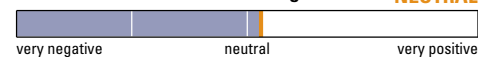
Current FY Estimate Change

NEUTRAL



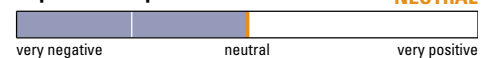
Next Fiscal Year Estimate Change

NEUTRAL



Reported vs Expected EPS

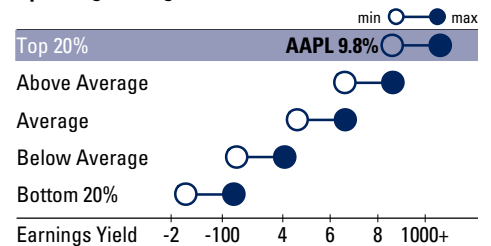
NEUTRAL



Relative Valuation is **VERY POSITIVE**

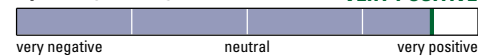
Apple Inc.'s operating earnings yield of 9.8% ranks above 90% of the other companies in the Ford universe of stocks, indicating that it is undervalued. Ford measures the relative valuation of each company against all other companies in our research universe. Operating earnings yield, an earnings-to-price ratio based on the last 3 quarters of operating earnings and the current quarter's estimate, has proven to be the most reliable relative valuation measure. A stock may stay undervalued or overvalued for a long period of time. For this reason, it is important to combine this factor with shorter-term predictive factors such as earnings momentum or price momentum to identify more imminent valuation adjustments.

Operating Earnings Yield(%) within the Ford Universe



Operating Earnings Yield

VERY POSITIVE



Price Movement is **NEGATIVE**

Apple Inc.'s stock price is down 31.0% in the last 12 months, down 17.4% in the past quarter and up 0.3% in the past month. This historical performance should lead to below average price performance in the next one to three months.

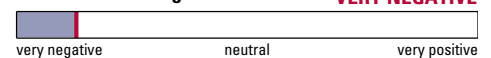
Historical price action of a company's stock is an especially helpful measure used to identify intermediate and short term performance potential. Long term historical performance is a good predictor of future price performance, but much more importantly, large price movements over the intermediate and short term tend to reverse themselves. Ford's price momentum measure integrates historical long, intermediate and short term price changes, creating ratings that are highest for stocks with strong twelve month price performance that have had a price consolidation in the past quarter and month.

Stock Price is down 31.0% in the past year



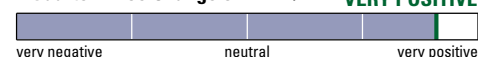
1 Year Price Change of -31.0%

VERY NEGATIVE



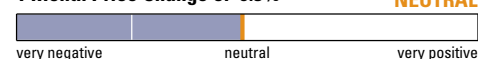
1 Quarter Price Change of -17.4%

VERY POSITIVE



1 Month Price Change of 0.3%

NEUTRAL





Ford Stock Ratings: Ford covers approximately 4,000 stocks using a proprietary quantitative model that evaluates a company's earnings strength, its relative valuation and recent price movement. Ford's five recommendation ratings include strong buy, buy, hold, sell, strong sell. For all stocks in our coverage universe, ratings are generated each week and reflect the fundamental and price data as of the last trading day of the week.

Ford Stock Rating	Percentage of Universe With Rating	12-month Relative Return Forecast
STRONG BUY	8.7%	Significantly above average
BUY	16.6%	Above average
HOLD	57.8%	Average
SELL	11.9%	Below average
STRONG SELL	5.0%	Significantly below average

Earnings Strength: Earnings strength is a weighted combination of factors that measure a company's earnings growth performance. These include Ford's proprietary Earnings Momentum model, changes in analysts' estimates for the current and next fiscal year, and earnings surprises as compared to estimates. Combined score ratings and percentiles are as follows: Very Positive – top 20%, Positive - next highest 20%, Neutral – middle 20%, Negative - second lowest 20%, Very Negative – lowest 20%.

Relative Valuation: The coverage universe is sorted in descending order based on Ford's operating earnings yield measure. Operating earnings yield is the ratio of 12-month operating earnings per share (including the current quarter estimated EPS) to closing share price on the report date. Relative valuation ratings and percentiles are as follows: Very Positive – top 20%, Positive - next highest 20%, Neutral – middle 20%, Negative - second lowest 20%, Very Negative – lowest 20%.

Price Movement: Price movement is a proprietary evaluation based on a company's relative share price change in the past 1-year, 1-quarter and 1-month period. In the Ford analysis, positive price changes in the past 1-year period are a favorable indication of near-term price gain. Conversely, positive price changes in the past quarter or month periods can indicate a short-term overbought condition resulting in negative near-term price change. Price movement score ratings and percentiles are as follows: Very Positive – top 20%, Positive - next highest 20%, Neutral – middle 20%, Negative - second lowest 20%, Very Negative – lowest 20%.

Industry Performance: Ford measures the relative performance of the 88 industry groups that we cover. The top 20% of industries based on our metric are expected to have above average near-term performance and are classified as Positive. The bottom 20% based on the same metric are expected to have below average near-term performance and are classified as Negative. The remaining middle 60% of industries are expected to have average performance and are classified as Neutral.

Operating Earnings per Share: Earnings per share figures in the Ford Valuation Bands, quarterly earnings series and 5-quarter earnings trend plot reflect Ford's operating earnings per share. Operating earnings per share are earnings per share from continuing operations and before accounting changes that have been adjusted to eliminate non-recurring and unusual items. In this way, earnings trend and valuation measurements are not affected by one-time and non-operational items that can skew earnings results.

Peer Group: Ford classifies each company in our coverage universe into one of 232 peer group categories based on industry group, products or services offered, annual sales level and market capitalization. Peer groups, which are made up of between 3 and 8 companies, are a useful point of industry reference and a source for alternative ideas within an industry.

Quality Rating: Quality Rating is based on factors that indicate a company's overall financial strength and earnings predictability. Each company in the Ford database is assigned a quality rating ranging from A+ to C- based on size, debt level, earnings history and industry stability. High quality stocks tend to have higher average market capitalizations and annual sales, as well as lower average levels of debt as a percent of equity and lower earnings variability. High quality stocks also tend to have lower standard deviations of annual returns. Accordingly, a firm's quality rating may be used to gauge the risk associated with a particular stock. The Quality Rating letter grades are translated into the following categories: A- and higher are High Quality; B and B+ are Good Quality; B- is Average Quality; C+ is Low Quality; C and lower are Very Poor Quality.

Valuation Band: The Ford Valuation Band chart shows the price performance of the stock over the past 5 year period in relation to its historical price/earnings valuation range. The red and green lines indicate the highest and lowest P/E, respectively, in the past 5 years multiplied by trailing 12-month operating earnings per share at the plotted point. The end point prices shows the current share price (in black) along with the potential high price based on the highest realized P/E in the past 5 years (in red), potential low price based on lowest realized P/E in the past 5 years (in green), and trailing 10-month average price (in yellow).

Disclaimer

The reports and the ratings contained herein were prepared by Ford Equity Research solely for the use of its clients and authorized subscribers. Reproduction or distribution of such reports or ratings in any form is prohibited without the express prior written permission of Ford Equity Research. The reports and ratings are based on publicly available information believed to be reliable. Ford Equity Research endeavors to present the timeliest and most accurate data possible, but accuracy is not guaranteed. Additional information, such as corporate actions, industry and economic factors, and other events and circumstances that may affect a stock's price may not be reflected in the Ford Equity Research rating or in the data presented. This report is for information purposes only and should not be construed as an offer to buy or sell any security. Recommendations made in this report may not be suitable for all investors. Recommendations do not take into account the individual user's investment risk or return objectives or constraints. Ford is not responsible for the results of actions taken based on the information presented. Opinions expressed herein are subject to change without notice. The research process used is derived solely from a quantitative approach that uses historical data to produce a stock ranking system. Each covered stock is assigned one of five ratings based on relative scores, Strong Buy, Buy, Hold, Sell, and Strong Sell. While stocks rated Strong Buy are expected to be the best performers and those rated Strong Sell are expected to be the worst performers, there is no guarantee that such will be the case on an individual stock basis or on average. Past results are no guarantee of future results.

Ford Equity Research, a subsidiary of Mergent Inc., is an independent research firm with no investment banking or brokerage businesses or affiliations. Ford Equity Research, its clients and/or its employees may at times own positions in the companies described in these reports. Ford Equity Research has an affiliated investment advisor relationship with Tesseræ Capital Advisors, LLC. Tesseræ implements investment strategies based on Ford research and is restricted from trading on new buy and sell recommendations until 24 hours after Ford's recommendations are disseminated to all clients.