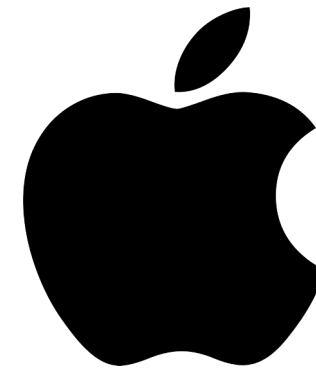




Investment Summary



4th November 2020

Brandeis
Investment
Club



Executive Summary

Current Share Price:
114.51

Your Price Target:
130.33

% Upside:
13.38%

Market Capitalization:
\$1.86T

Enterprise Value:
1.88T

EV/EBITDA or P/E:
24.33

52 Week Range:
53.15-137.98

Investment Thesis: Apple is a well positioned technology company that is poised to take advantage of the Covid-19 crisis and the new emphasis of technology in our lives.

Investment Merits: Strong cash flow performance even during the pandemic, high investment currently going into R&D, and a very strong supply chain

Investment Risks: Increased scrutiny from the public about being a Monopoly and rising tensions with China.

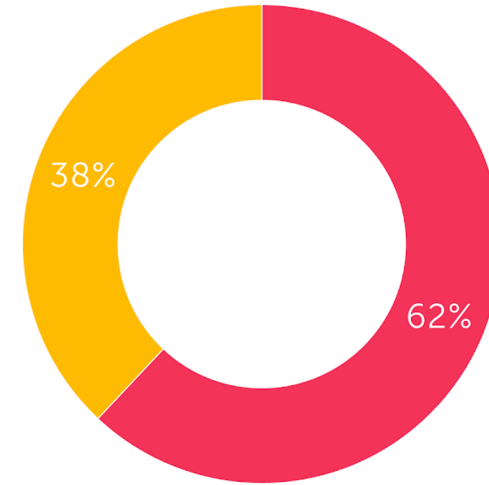
Recommendation: Buy at current price, and hold.



Industry Drivers - COVID19/Work from Home

- Increased amount of people working from home and as a result, people are paying more for electronic goods that help them work remotely.
- With no vaccine in sight, WFH will continue which will lead to a stronger demand going forward.
- People are getting used to the WFH concept and about half of all U.S. workers prefer working from home.

Remote work during COVID-19



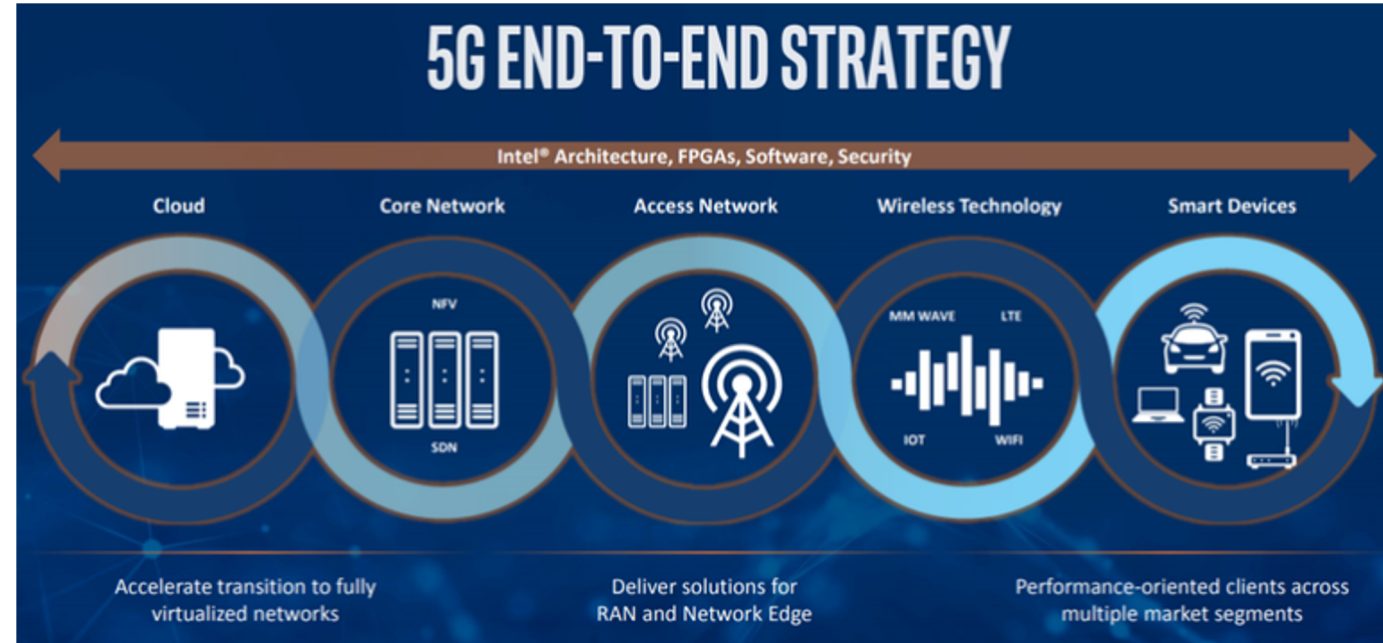
62% of US employees are working from home due to COVID-19.

Source: Gallup



Industry Drivers - Introduction of 5G technology

- Consumers want to upgrade their hardware to the fastest and best technology.
- As more devices that support the 5G technology such as the iPhone 12, it is believed that consumers will likely upgrade their tech to make sure its 5G compatible
- 5G will take technology to new heights and allow users to unimaginable things.



Company Information

Year Founded:
1977

Headquarters:
[Cupertino, CA]

CEO/Leadership:
Tim Apple(CEO)

Current Share Price:
114.66

Market Capitalization:
\$1.88T

Enterprise Value:
\$1.88T

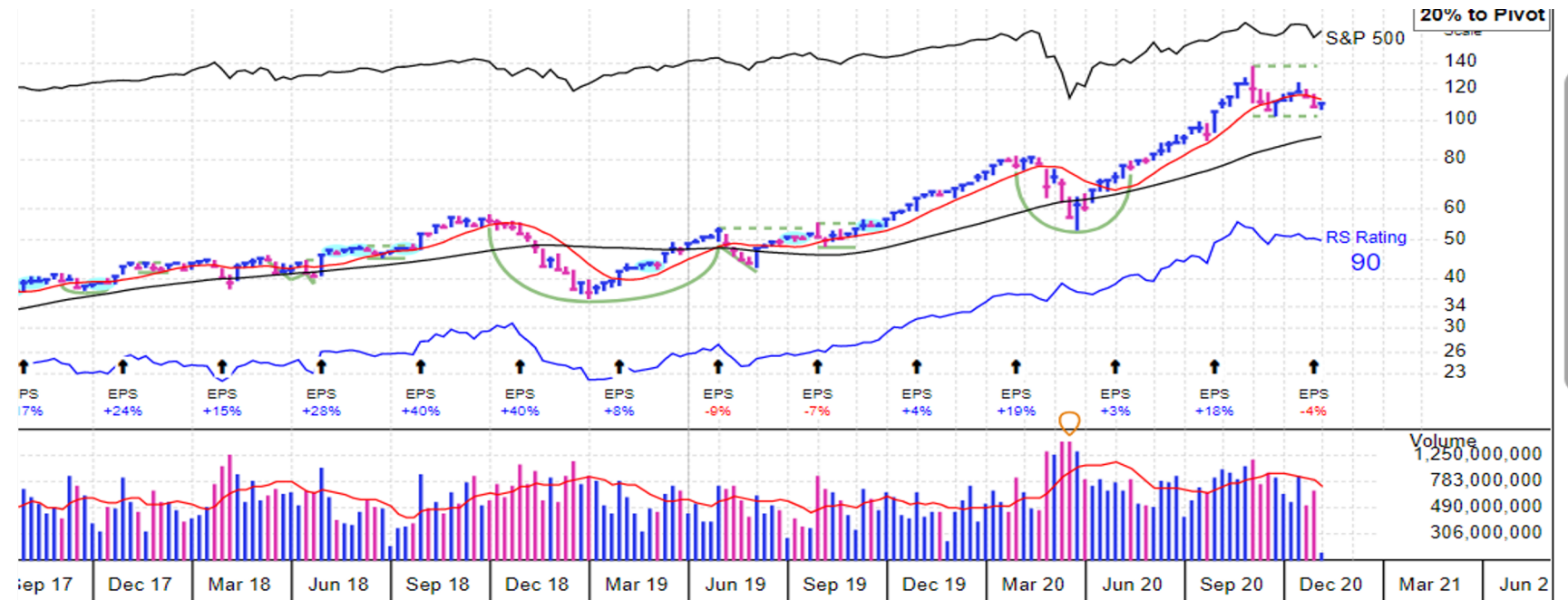
EV/EBITDA or P/E:
24x



Business Overview

- Apple is a company that manufactures mobile communication devices, personal computers, and other wearable goods and accessories.

Performance

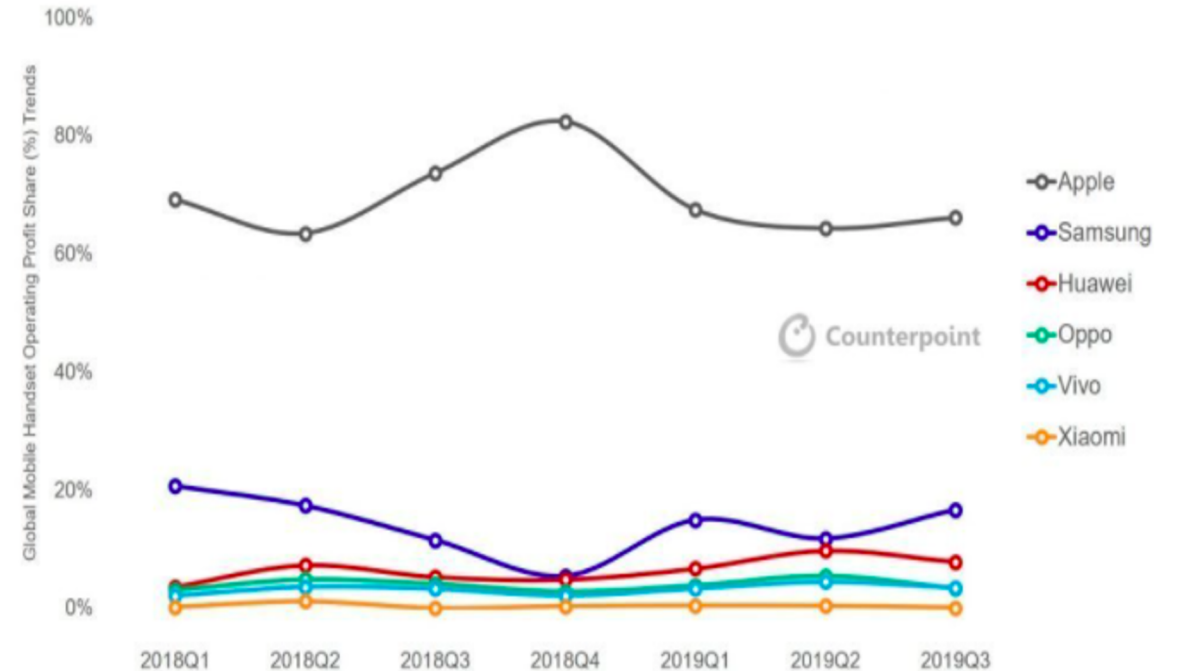


Investment Merits

- **Sticky Consumer Base and Brand Loyalty**

- Apple's renowned brand has transformed the company name, products and functionality into a lifestyle, and thus, has created a strong following and sticky consumer base.
- The quality of products has allowed high satisfaction from consumers, which adds to the company's stickiness of customers.
- Apple has extended its product line that ranges from phones to its app store to Apple Card. This extensive product line which all have features that are highly integrated with one another leads to a higher switching cost for consumers. This creates baked-in demand for iPhone 12 sales and other Apple products.
- The stickiness and strong following of customers has allowed Apple to offer products at higher prices relative to its competitors.
- Ultimately, the profitability of Apple is strong because Apple's higher price points lead to higher gross margins and net income.

Global Mobile Handset Operating Profit Share Trends

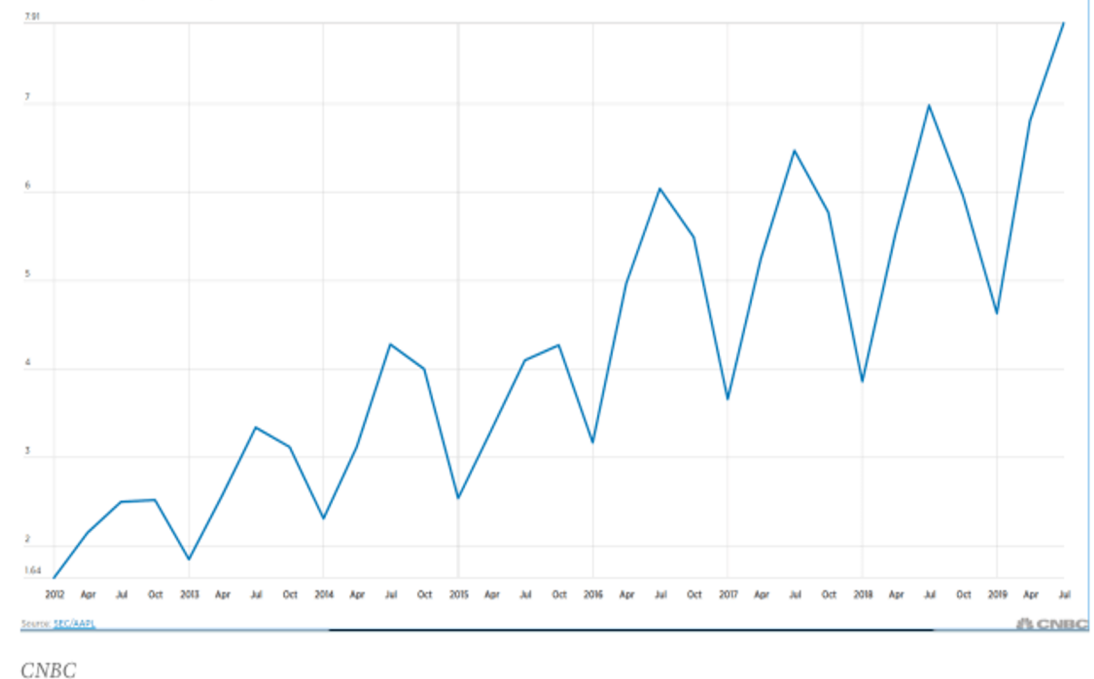


Investment Merits

- **High investment in R&D**

- Apple has constantly increased its spending on R&D on all of its products, which have lead to continued improvements in products and services, ultimately generating demand for the newest models.
- Spending a significant amount of capital on R&D has allowed Apple to produce highly sought after, quality products and continue to be a leader of innovation in all of the highly competitive markets it is in.
- Apple's R&D has lead to the innovation of products such as AirPods and its newest iPhone 12 model with 5G capacity. Likewise, Apple is set to announce new products on November 10, 2020. These new offerings are rumored to be new models of its laptops, which will also feature Apple Silicon processors. The transition to the Apple Silicon processors is the next step in the company moving away from Intel processors and will be more powerful and effective.

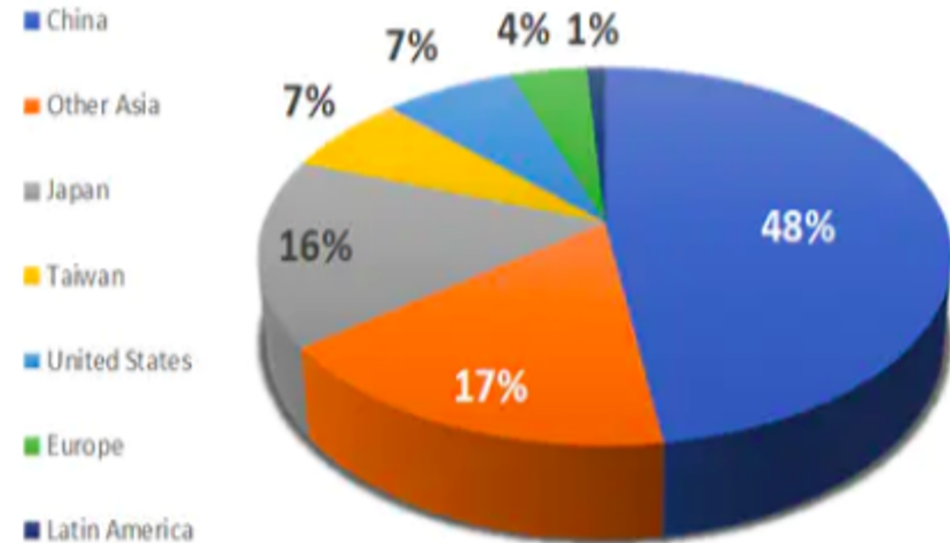
AAPL R&D as a percentage of revenue



Investment Merits

- **Strong integrated supply chain**
 - An ecosystem of suppliers, developers and business partners provides Apple with a strong competitive advantage. The company owns chip manufacturers, controls manufacturing, follows extremely strict software standards and operates its own stores. Deals with leading music and entertainment companies provide a vast source of media for all the company's products. It also has a community of more than 6 million independent software developers creating applications for Apple products. This gives Apple control over the entire process of product development, manufacturing and marketing – an advantage that competitors find difficult to match

Location of Supplier Facilities by Main Region,
Top 200 Suppliers



Investment Risks

- **Antitrust & Regulation Risk**

- It's estimated that about \$28 billion of Apple's total \$46 billion in services revenues in FY'19 came via commissions – essentially taking a cut of app sales, subscriptions, and traffic acquisition payments from search engine providers such as Google. That's a whopping 60% of services revenue. These service spaces are where Apple could face antitrust risks given its market power in this space. Secondly, digital services providers may also stop in-app subscriptions from Apple devices to bypass Apple's cut, just as Netflix did in early 2019.
- This year, Apple has been hit with a lawsuit from Fortnite maker Epic Games and an antitrust investigation from the European Commission into its App Store rules, as well as the threat of a similar case from the US Department of Justice.



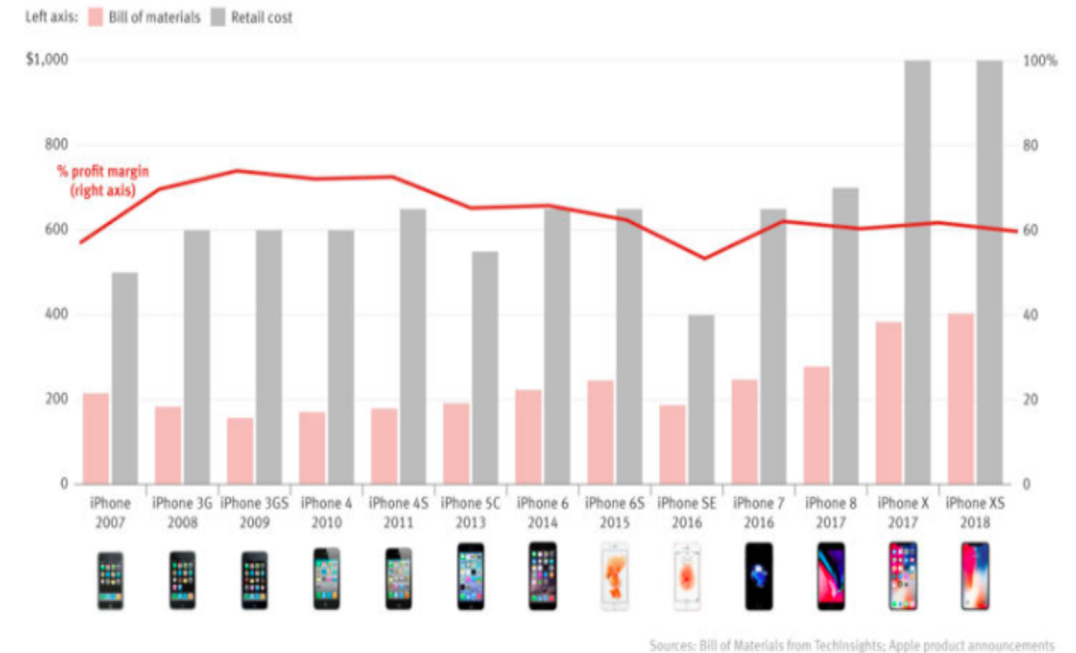
Investment Risks

- **Competition**

- There are a high number of competitors in each market and industry that Apple is in (i.e. Samsung, Microsoft).
- Therefore, Apple is forced to constantly innovate and be a pioneer in the market in order to retain its market share.
- Apple faces inner-competition by having to create products that are innovative enough to warrant its consumers to buy the newer models of products.
- Apple has been experiencing lower gross margins on iPhones with decreases in prices and higher cost of goods to produce the smartphones. This possibly signals the decrease in demand for the iPhone and puts risk on what was the most sought after phone but now has to lower its price in order to be attractive to consumers.
 - Still, the decline in Apple's biggest source of revenue last quarter isn't as alarming for investors as it might sound. After all, users were patiently waiting for the new 5G iPhone 12 to come out.

The Cost of iPhones

While the prices of iPhones have soared, Apple's profit margins from the devices haven't followed.



Investment Thesis

Apple Stock is a strong buy that will continue to appreciate in share price and one that will pay a reliable dividend.

Although iPhone sales declined, we saw a huge increase in Apple's service business as well as their wearables business and the trend is likely to continue especially with Christmas and Hannukah right around the corner.

Reiterated Thesis: Buy Apple



Valuation – Comparable Company Analysis

All values are in USDmm unless otherwise stated

Company	Share Price	% of 52 Week High	Equity Value	Enterprise Value (EV)	Revenue			EBITDA			Earnings	
					2019A	2020A	LTM	2019A	2020A	LTM	2019A	2020A
AAPL (Apple Inc)	\$110.25	-20.12%	1,873,000.00	1,880,000.00	260,174.0	274,515.00	274,515.00	81860	81,020.00	81,020.00	98,392.00	104,956.00
AMZN (Amazon.com Inc)	\$3,048.00	-14.20%	1,520,000.00	1,530,000.00	280,522.0	347,945.00	347,945.00	28019	37365	45957	74754	87710
MCSF (Microsoft Coporation)	\$206.43	-11.35%	1,563,000.00	1,460,000.00	125,834.0	143,015.00	147,114.00	54584	65,715.00	68,579.00	96,937.00	110,440.00
IBM (Internatiol Business Mac	\$114.16	-28.09%	95,030.00	149,820.00	77,147.00	75,031.00	75,031.00	17362	15,312.00	15,312.00	36,488.00	36,152.00
GOOG (Alphabet Inc)	\$1,650.21	-4.79%	1,100,000.00	993,140.00	161,857.0	171,704.00	171,704.00	50,302.00	50,344.00	50,344.00	89,961.00	92,032

Company	EV / Revenue			EV / EBITDA			P/E	
	2019A	2020A	LTM	2019A	2020A	LTM	2019A	2020A
AAPL (Apple Inc)	7.2x	6.8x	6.8x	23.0x	23.2x	23.2x	19.1x	17.9x
AMZN (Amazon.com Inc)	5.5x	4.4x	4.4x	54.6x	40.9x	33.3x	20.5x	17.4x
MCSF (Microsoft Coporation)	11.6x	10.2x	9.9x	26.7x	22.2x	21.3x	15.1x	13.2x
IBM (Internatiol Business Machine Coporation)	1.9x	2.0x	2.0x	8.6x	9.8x	9.8x	4.1x	4.1x
GOOG (Alphabet Inc)	6.1x	5.8x	5.8x	19.7x	19.7x	19.7x	11.0x	10.8x
Average	6.5x	5.8x	5.8x	26.5x	23.2x	21.5x	14.0x	12.7x
Median	6.1x	5.8x	5.8x	23.0x	22.2x	21.3x	15.1x	13.2x



Brandeis Investment Club



About Brandeis Investment Club

Founded in 1998, the Brandeis Investment Club was established to provide the highest quality undergraduate investing experience for students interested in pursuing careers in finance. We provide our members with the opportunity to learn finance “hands on” through the collaborative management of a real portfolio. Through our coveted New Analyst Training Program, we provide our newest members with the ability to invest using the basic technical valuation methods of fundamental analysis. Over the course of several years, our analysts have the opportunity to invest in real time using a process developed in conjunction with industry experts with a portion allocated to us by the university’s endowment. We also provide career-oriented training which enables our members to be placed in highly competitive entry-level jobs in finance. In collaboration with industry professionals, Brandeis faculty, and our club members, we are continuing to build an incredible organization, fully devoted to its members’ success.

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