

# Apple Inc. (AAPL)

Rating	<b>OUTPERFORM*</b>
Price (07 Mar 12, US\$)	530.69
Target price (US\$)	600.00 <sup>1</sup>
52-week price range	545.18 - 315.32
Market cap. (US\$ m)	494,799.44

\*Stock ratings are relative to the relevant country benchmark.  
<sup>1</sup>Target price is for 12 months.

## Research Analysts

**Kulbinder Garcha**  
212 325 4795  
kulbinder.garcha@credit-suisse.com

**Deepak Sitaraman, CFA**  
212 325 5808  
deepak.sitaraman@credit-suisse.com

**Achal Sultania**  
44 20 7883 6884  
achal.sultania@credit-suisse.com

**Vlad Rom**  
212 325 5442  
vlad.rom@credit-suisse.com

**Alban Gashi**  
212 538 3033  
alban.gashi@credit-suisse.com

**Talal Khan**  
212 325 8603  
talal.khan@credit-suisse.com

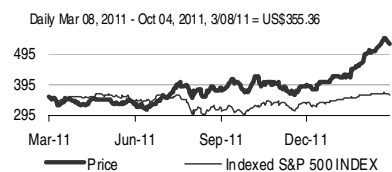
**Matthew Cabral**  
212 538 6260  
matthew.cabral@credit-suisse.com

## COMPANY UPDATE

### An evolutionary iPad

- **Reiterate Outperform and \$600 TP.** Yesterday, Apple announced the widely anticipated new iPad. We believe continued innovation in hardware, software and the services ecosystem will allow Apple to sustain its competitive advantage and driving a dominant position in the fast growing tablet market. We maintain our above consensus EPS for FY12/FY13 EPS of \$46.40/\$51.91 and reiterate our Outperform rating.
- **Improved hardware and software.** The iPad hardware refresh features a similar form factor but includes an improved HD screen, faster dual core processor, 5MP camera and is now based upon 4G/LTE. On the software side the device comes with voice recognition (a Siri-esque voice command feature), improved support for iWork and iPhoto, which evolves the device more towards a compute product. While the product will likely to be viewed as evolutionary, we believe the real competitive advantage lies within the incremental software and services functionality. When combined with Apple's portfolio, as well as iCloud, apps and the ecosystem we believe few tablets can come close with as comprehensive an offering. The device is expected to see one of the fastest roll-outs in Apple's history and ship in to 36 countries by the end of the month at a price range of \$499-829.
- **iPad 2 now available at \$399 dealing with competition at the low end.** By lowering the price of the iPad 2 to \$399, we believe Apple is now better positioned to deal with competition, products such as the Kindle Fire at the lower end of the market given superior hardware features (screen, memory, camera, battery) as well as a superior ecosystem.
- **Well positioned in a fast-growing market.** We maintain our view that the tablet market will rise to 100mn/150mn in 2012/2013 and LT account for 40% of compute volumes. Within this segment, given its brand, hardware offering and superior ecosystem we believe Apple will remain dominant with share of 66% this year and falling to 57% next year. Given the price tiering introduced and the new iPad, this share decline could prove conservative.
- **Valuation compelling.** Apple currently trades at 9.6x our CY13 EPS of \$54.93, which is inexpensive given expectations for earnings to grow at a CAGR of 25% over CY11-CY13 and net cash per share of \$104.

## Share price performance



On 10/04/11 the S&P 500 INDEX closed at 1351.81

Quarterly EPS	Q1	Q2	Q3	Q4
2010A	3.83	3.52	3.69	4.80
2011A	6.68	6.63	8.02	7.29
2012E	14.21	10.80	9.54	13.24

## Financial and valuation metrics

Year	09/10A	09/11A	09/12E	09/13E	
EPS - (Excl. ESO) (US\$)	15.84	28.83	47.77	53.27	
EPS (CS adj.) (US\$)	15.15	27.66	46.40	51.91	
Prev. EPS (CS adj.) (US\$)	—	—	—	—	
P/E (CS adj., x)	35.0	19.2	11.4	10.2	
P/E rel. (CS adj., %)	—	137.4	88.9	89.5	
Revenue (US\$ m)	65,225.0	108,249.0	169,570.0	200,763.0	
EBITDA (US\$ m)	19,412.0	35,604.0	61,011.3	69,422.9	
Net debt (US\$ m)	-25,620	-25,952	-53,212	-98,765	
OCFPS (US\$)	20.11	40.07	49.67	57.02	
P/OCF (x)	14.1	9.5	10.7	9.3	
Number of shares (m)	932.37			2.97	
BV/share (Next Qtr., US\$)	107.2			P/BVPS (x)	5.1
Net debt (Next Qtr., US\$ m)	-36,439.5			Dividend (Next Qtr., US\$)	—
Dividend yield (%)	—				

Source: Company data, our estimates.

**DISCLOSURE APPENDIX CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, INFORMATION ON TRADE ALERTS, ANALYST MODEL PORTFOLIOS AND THE STATUS OF NON-U.S. ANALYSTS.** U.S. Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

# An evolutionary iPad

Apple introduced the highly anticipated new iPad yesterday, while simultaneously lowering the price of the iPad 2 (effectively price tiering very similar to its iPhone strategy in recent years). In terms of product, the new iPad is more of an evolutionary upgrade in our eyes as there are a series of improved hardware features. Notably the device comes with LTE, features faster processors, boasts a vastly improved screen (a retina display with 264ppi vs 132ppi on the iPad 2) and has an improved 5-megapixel sensor back camera. From a software perspective, with improved iWorks functionality as well as support for iPhoto the device moves more toward a compute and content creation device.

The device is expected to see one of the fastest sales ramps in Apple's history and should be available 36 countries by the end of the month. We also would argue that by repositioning the iPad 2 to \$399, Apple's superior hardware offering could begin to deal with competition from cheaper tablet products such as the Amazon Kindle Fire. All of these moves, coupled with Apple's robust eco-system and a product set that spans smartphones, tablets and PCs, maintains the company's superior competitive advantage. As shown in Figure 1, we currently assume that Apple will ship 66mn/88mn iPad units in CY 2012/2013. Though we currently assume that Apple loses share in the tablet space, we increasingly believe that this could prove conservative.

**Figure 1: Apple to ship over 88mn iPads in CY13**

*in millions, unless otherwise stated*

	CY10	CY11	CY12E	CY13E
Tablet market units (mn)	17.2	60.4	99.8	153.6
Apple tablet market share	86.0%	67.0%	66.2%	57.4%
<b>Apple iPad units (mn)</b>	<b>14.8</b>	<b>40.5</b>	<b>66.1</b>	<b>88.2</b>
iPad ASP (\$)	622	600	560	535
<b>iPad h/w revenue + other (\$mn)</b>	<b>9,566</b>	<b>24,903</b>	<b>38,778</b>	<b>49,576</b>
<b>iPad gross profit, \$mn</b>	<b>2,801</b>	<b>9,878</b>	<b>15,033</b>	<b>20,242</b>
iPad GM, %	29.3%	39.7%	38.8%	36.9%

*Source: Company data, Credit Suisse estimates*

## The new iPad, improved hardware and software

### Hardware – better processor, camera, LTE and improved battery

The new iPad introduced, as expected a high-resolution Retina display (2048 x 1536) pixel resolution at 264 pixels per inch (ppi), new processor, better connectivity and improved iSight camera. This compares against the iPad 2 which had a 1024 x 768 (132ppi) non-Retina display.

**Dualcore A5X Processor:** Apple's new iPad is powered by a dual core A5x processor with quad-core graphics. This is a custom designed, high-performance, low-power system on a chip with quad-core graphics. This compares favorably to some of the premium tablets in the market such as the Samsung Galaxy Tab and Amazon Kindle both of which use a 1GHz Dual Core processor.

**New 5MP Camera:** As part of the refresh, Apple improved the camera sensor, lens, and processors

- *5 megapixels + iSight camera:* The new iPad has a 5MP iSight camera (vs. 1MP in the iPad 2), face detection, autofocus and tap to focus.
- *1080p HD video recording:* With a new lens and processor the new iPad can capture full 1080P HD video, 30 frames per second (vs. VGA video recording in the iPad 2) with audio and video stabilization.

**Wireless Technology:** The new iPad has significantly improved connectivity and speed.

- **Wi-Fi + 4G for AT&T and Verizon.** The new iPad supports HSPA+ for up to 21Mbps, HSDPA for up to 42Mbps and LTE for up to 73Mbps on AT&T, Verizon, Roger, Bell and Telus. This compares to the iPad 2 which supported up to 3.1Mbps on EV-DO and 7.2Mbps on HSPA.

**Improved Battery:** The new iPad has a battery life of 10 hours on Wi-Fi and up to 9 hours on 4G, compared to 9 hours on 3G on the iPad 2.

#### **Software: evolving in to content creation device**

In addition to the new iPad, Apple also announced a number of software refreshes and functions. Here we would not that the user experience remains a key advantage. Here we would note the following points for Apple's improved software:

*Strong ecosystem support around iOS.* At the event yesterday, Apple noted that it has sold 310mn iOS devices to date (up from 250mn at the launch of the iPhone 4S). In addition, Apple has been able to maintain momentum around its iOS platform given strong ecosystem support including services and apps. In fact, Apple noted that it has sold 25bn Apps so far, and currently has over 585K Apps overall (up from 550K at end of 2011) and 200,000 iPad specific Apps (up from 170,000 prior). iCloud also continues to gain traction, with about 100mn current users or about 1/3<sup>rd</sup> of iOS devices sold.

*Software and Services to help maintain leadership position.* iOS has been an extremely successful platform for Apple and we expect this trend to continue. With the new iPad some of the key new features/updates include:

- **iOS 5.1:** Today, Apple rolled out its iOS 5.1 software which includes Japanese language support for Siri, ability to delete from photo stream, camera face detection now highlights all detected faces, new camera app for iPad as well as a number of improvements and bug fixes. iOS 5.1 is available today, rolling out to Japan over the next few weeks.
- **iCloud, now with movies:** Following the release of iCloud at their WWDC 2011 in June, iCloud now also syncs movies over the air. Prior Apple only allowed iTunes (music and TV shows), Photo Stream, Apps, iBooks, Calendar/mail/contacts, Backup, and find my friends. With the addition of Movies onto iCloud now you can have your entire library over the air.
- **Voice Dictation:** Apple introduced Voice Dictation, which allows for integration of voice with the digital keyboard. You can dictate text onto search, text, emails, or creating notes. Voice Dictation also works with third party apps such as Twitter. It's available in the US, UK, Australia, France, Germany, and Japan for now. While not a full version of the current Siri on iPhones, it does have similar look and feel.
- **iPhoto for iOS:** Given the improved camera on the new iPad, Apple introduced iPhoto for iOS. iPhoto feature Smart Browsing, multi touch editing, professional quality effects, brushes, as well as create photo journals. iPhoto for iOS is available for \$4.99 starting today.
- **Updated iWork:** Improving to its iWork line up, Apple announced updated to its pages, numbers, and Keynote. The main change is visual with apple adding 3D charts. Each available for \$9.99 (free update) and available today.
- **Updated Garage Band:** Following up to its Garage Band App, Apple is offering Smart Strings (string orchestra), note editor, iCloud integration, as well as sharing. It's \$4.99 (free update) and available today.
- **Updated iMovie:** As the new iPad captures video in 1080p, Apple updated its iMovie app with storyboards and new editing chops. It's \$4.99 (free update) and available today.

Figure 2: Ecosystem, software and services remain key differentiators



Manufacturer	Apple	Apple	Apple	RIM	Samsung	Samsung
Image						
<b>Model</b>	<b>New iPad</b>	<b>iPad 2</b>	<b>iPad</b>	<b>PlayBook</b>	<b>Galaxy Tab 7.0</b>	<b>Galaxy Tab 10.1</b>
Announced	Mar-12	Mar-11	Jan-10	Sep-10	Sep-10	Mar-11
For Sale	Mar-12	Mar-11	Mar-10	Apr-11	Oct-10	Jun-11
<b>Form factor</b>						
Dimensions (wxhxd) mm	241.2 x 185.7x 9.4	185.7 x 241.2 x 8.8	189.7 x 242.8 x 13.4	130 x 194 x 10	120.5 x 190.1 x 12	175.3 x 256.7 x 8.6
Volume (cc)	421	394	617	252	275	387
Weight (gm)	635	607	680	425	380	565
Display size (in)	9.7	9.7	9.7	7.0	7.0	10.1
Resolution	2048 x 1536 / 1080p playback	1024 x 768 / 720p playback	1024 x 768 / 720p playback	1024 x 600 / 1080p playback	1024 x 600 / 1080p playback	1280 x 800 / 1080p playback
<b>Core internals</b>						
Processor	A5X chip with quad core graphics	1.0 GHz Dual Core A5	1.0 GHz A4	1.0 GHz Dual Core	1.0 GHz	1.0 GHz Dual Core
Operating system	iOS 5.1	iOS 4/5	iOS 4	QNX	Android 2.2	Android 3.1
Memory (RAM)	NA	512 MB	256 MB	1 GB	512 MB	1 GB
Storage (flash)	16/32/64 GB	16/32/64 GB	16/32/64 GB	16/32/64 GB	16/32 GB	16/32/64 GB
<b>Features</b>						
Cellular technology	4G LTE / 3G	HSPA/CDMA	HSPA	WiMAX/HSPA/LTE	HSPA/GPRS	HSPA/GPRS
Camera	Yes	Yes	No	Yes	Yes	Yes
Camera MP	5 MP / 1080p video	1 MP / 720p video	No	5 MP / 1080p HD video	3.15 MP+Flash / 720p video	3.15 MP+Flash / 720p video
Front-facing camera (MP)	VGA	VGA	No	3.0 MP	1.3 MP	2.0 MP
Wi-Fi	802.11 a/b/g/n	802.11 a/b/g/n	802.11 a/b/g/n	802.11 a/b/g/n	802.11 b/g/n	802.11 a/b/g/n
GPS	Yes	Yes	Yes	No	Yes	Yes
Bluetooth	4.0	2.1	2.1	2.1	3.0	3.0
Battery life (hrs)	10	10	10	NA	7	7
HDMI out	Yes	Yes	No	Micro HDMI	Via Dock (sold separately)	Via Dock (sold separately)
USB	No	No	No	Micro USB	Yes	Yes
Application Store	Apple App Store	Apple App Store	Apple App Store	BlackBerry App World	Android Market	Android Market
<b>Price</b>	\$499 - \$829	\$399 - \$529	\$499 - \$829	-\$500	\$350	\$500 - \$630

Source: Company data

## iPad 2 versus Kindle Fire

While Amazon so far has not given specific sell through estimates, our checks indicate that the Kindle Fire may have sold in some 5mn devices in 4Q11 and captured a 20% share in the quarter. We believe a big reason for this was the Kindle Fire's competitive price of \$199. However with the iPad 2 now at \$399, while still at a premium is more competitively priced than before, and we believe the relative feature set could have advantages. After all, as shown in Figure 3, the iPad 2 has a larger, better resolution screen, more memory, better battery life, and a camera (the Kindle does not have a camera). In addition, on the software and services side Apple benefits from the iOS ecosystem and a superior software offering.

**Figure 3: \$399 iPad 2 to compete with the Kindle Fire**




Manufacturer	Apple	Amazon
Image		
<b>Model</b>	<b>iPad 2</b>	<b>Kindle Fire</b>
Announced	Mar-11	Sep-11
<b>Form factor</b>		
Dimensions (wxhxd) mm	185.7 x 241.2 x 8.8	190 x 120 x 11.4
Volume (cc)	394	260
Weight (gm)	607	413
Display size (in)	9.7	7.0
Resolution	1024 x 768 / 720p playback	1024 x 600
<b>Core internals</b>		
Processor	1.0 GHz Dual Core A5	Dual Core
Operating system	iOS 4/5	Android
Memory (RAM)	512 MB	NA
Storage (flash)	16 GB	8 GB
<b>Features</b>		
Cellular technology	HSPA/CDMA	No
Camera	Yes	No
Camera MP	1 MP / 720p video	No
Front-facing camera (MP)	VGA	No
Wi-Fi	802.11 a/b/g/n	Yes
GPS	Yes	NA
Bluetooth	2.1	NA
Battery life (hrs)	10	8
HDMI out	Yes	No
USB	No	Micro USB
Application Store	Apple App Store	Amazon Appstore
<b>Price</b>	\$399 - \$529	\$199

Source: Company data

## Apple TV refresh

Apple announced a new Apple TV today featuring video resolution support up to 1080p and a faster A5 processor. The form factor remains largely unchanged from the previous version as seen in Figure 4, and is priced at \$99 with shipping to begin on March 16.

**Figure 4: Apple TV specs; now supporting 1080p**

Device	Apple TV Gen 3	Apple TV Gen 2	Apple TV Gen 1
			
Announcement date	Mar-12	Sep-10	Jan-07
Shipping date	Available Mar 16	Unavailable	Unavailable
Processor	Apple A5 Chip	Apple A4 Chip	Intel Pentium M
Video Output	1080p	720p	720p
Dimensions (w x d x h) (in)	3.9 x 0.9 x 3.9	3.9 x 0.9 x 3.9	7.8 x 1.1 x 7.8
Weight (g)	273	273	1,100
Volume (cc)	221	221	1,080
Connectivity options	HDMI, Optical Audio, Ethernet, IR, Micro USB, WiFi	HDMI, Optical Audio, Ethernet, IR, Micro USB, WiFi	USB 2.0, Infrared, HDMI, Component Video, Optical Audio
Price	\$99	\$99	\$299

Source: Company data, Credit Suisse estimates

**Improved OS and 1080p content.** The new Apple TV features an improved operating system that features a streamlined user interface. It allows for access to iTunes playlists via iCloud and easier downloading of third-party apps. The new software will also offer improved integration with Netflix, as users will now be able to sign up and pay for the service through iTunes. Further, the device now supports 1080p output, allowing movies to be downloaded from iTunes in full 1080p resolution.

**Figure 5: Improved operating system allows for easier access to content**



Source: Company data

We believe that today's refresh of the Apple TV allows the company to gain valuable experience in home entertainment arena as it looks to further expand the iOS ecosystem into the living room.

# Financial Models

**Figure 6: Apple annual income statement**  
in millions, unless otherwise stated

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012E	FY 2013E
<b>Total revenue</b>	<b>37,491</b>	<b>42,905</b>	<b>65,225</b>	<b>108,249</b>	<b>169,570</b>	<b>200,763</b>
Cost of goods sold	24,294	25,683	39,541	64,431	97,547	117,889
<b>Gross profit</b>	<b>13,197</b>	<b>17,222</b>	<b>25,684</b>	<b>43,818</b>	<b>72,023</b>	<b>82,874</b>
<i>Gross margin (%)</i>	<i>35.2%</i>	<i>40.1%</i>	<i>39.4%</i>	<i>40.5%</i>	<i>42.5%</i>	<i>41.3%</i>
Research & Development	1,109	1,333	1,782	2,429	3,222	4,015
<i>% of sales</i>	<i>3.0%</i>	<i>3.1%</i>	<i>2.7%</i>	<i>2.2%</i>	<i>1.9%</i>	<i>2.0%</i>
Selling, General & Administrative	3,761	4,149	5,517	7,599	10,429	13,050
<i>% of sales</i>	<i>10.0%</i>	<i>9.7%</i>	<i>8.5%</i>	<i>7.0%</i>	<i>6.2%</i>	<i>6.5%</i>
<b>Total operating expenses</b>	<b>4,870</b>	<b>5,482</b>	<b>7,299</b>	<b>10,028</b>	<b>13,650</b>	<b>17,065</b>
<i>% of sales</i>	<i>13.0%</i>	<i>12.8%</i>	<i>11.2%</i>	<i>9.3%</i>	<i>8.1%</i>	<i>8.5%</i>
<b>Operating income</b>	<b>8,327</b>	<b>11,740</b>	<b>18,385</b>	<b>33,790</b>	<b>58,373</b>	<b>65,809</b>
<i>Operating margin (%)</i>	<i>22.2%</i>	<i>27.4%</i>	<i>28.2%</i>	<i>31.2%</i>	<i>34.4%</i>	<i>32.8%</i>
One-times gains	0	0	0	0	0	0
Other income and expense	620	326	155	400	450	450
<b>Pretax income</b>	<b>8,947</b>	<b>12,066</b>	<b>18,540</b>	<b>34,190</b>	<b>58,823</b>	<b>66,259</b>
<i>Pretax margin (%)</i>	<i>23.9%</i>	<i>28.1%</i>	<i>28.4%</i>	<i>31.6%</i>	<i>34.7%</i>	<i>33.0%</i>
Income tax expense	2,828	3,831	4,527	8,283	14,853	16,565
<i>Effective tax rate (%)</i>	<i>31.6%</i>	<i>31.8%</i>	<i>24.4%</i>	<i>24.2%</i>	<i>25.3%</i>	<i>25.0%</i>
P/F Net income	6,119	8,235	14,013	25,922	43,970	49,694
P/F Net margin	16.3%	19.2%	21.5%	23.9%	25.9%	24.8%
After-tax stock options expense	353	484	634	1,100	1,300	1,300
P/F net income (excl. options expense)	6,472	8,719	14,647	27,022	45,270	50,994
	6,119	8,235	14,013	25,907	43,970	49,694
<b>Reported GAAP EPS</b>	<b>\$6.79</b>	<b>\$9.08</b>	<b>\$15.15</b>	<b>\$27.68</b>	<b>\$46.40</b>	<b>\$51.91</b>
EPS (excl. options expense)	\$7.17	\$9.61	\$15.84	\$28.85	\$47.77	\$53.27
Diluted shares outstanding	902	907	925	937	948	957

Source: Company data, Credit Suisse estimates

**Companies Mentioned** (Price as of 07 Mar 12)

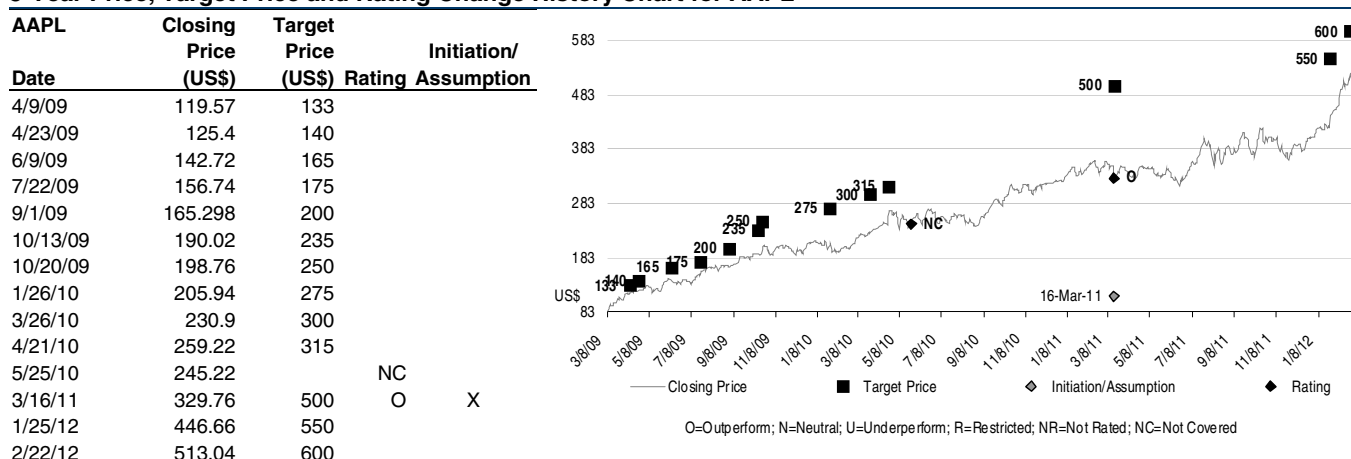
Amazon.com Inc. (AMZN, \$183.77, NEUTRAL, TP \$190.00)  
 Apple Inc. (AAPL, \$530.69, OUTPERFORM, TP \$600.00)  
 AT&T (T, \$30.88, NEUTRAL, TP \$30.00)  
 Google, Inc. (GOOG, \$606.80, OUTPERFORM, TP \$700.00)  
 Netflix Inc. (NFLX, \$105.19, OUTPERFORM [V], TP \$140.00)  
 Research In Motion Limited (RIMM, \$12.90, NEUTRAL [V], TP \$18.00)  
 Rogers Communications (NVS) (RCIb.TO, C\$38.20, NEUTRAL, TP C\$42.00)  
 Samsung Electronics (005930.KS, W1,172,000, OUTPERFORM, TP W1,100,000)  
 Sprint (S, \$2.43, OUTPERFORM [V], TP \$4.00)  
 TELUS Corporation (T.TO, C\$56.81, NEUTRAL, TP C\$56.00)  
 Verizon (VZ, \$38.87, NEUTRAL, TP \$33.00)

## Disclosure Appendix

**Important Global Disclosures**

See the Companies Mentioned section for full company names.

**3-Year Price, Target Price and Rating Change History Chart for AAPL**



The analyst(s) responsible for preparing this research report received compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities.

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**Neutral (N):** The stock's total return is expected to be in line with the relevant benchmark\* (range of ±10-15%) over the next 12 months.

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\*Relevant benchmark by region: As of 29<sup>th</sup> May 2009, Australia, New Zealand, U.S. and Canadian ratings are based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe\*\*, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. Some U.S. and Canadian ratings may fall outside the absolute total return ranges defined above, depending on market conditions and industry factors. For Latin American, Japanese, and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; for European stocks, ratings are based on a stock's total return relative to the analyst's coverage universe\*\*. For Australian and New Zealand stocks, 12-month rolling yield is incorporated in the absolute total return calculation and a 15% and a 7.5% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively. The 15% and 7.5% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively.

\*\*An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.

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**Overweight:** Industry expected to outperform the relevant broad market benchmark over the next 12 months.



**Market Weight:** Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

**Underweight:** Industry expected to underperform the relevant broad market benchmark over the next 12 months.

*\*An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*

*\*\*The broad market benchmark is based on the expected return of the local market index (e.g., the S&P 500 in the U.S.) over the next 12 months.*

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<b>Underperform/Sell*</b>	10%	(47% banking clients)
<b>Restricted</b>	2%	

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**Price Target:** (12 months) for (AAPL)

**Method:** Our target price for Apple is \$600. We calculate this by applying a 10x multiple to our 2013 calendar earnings per share (EPS), plus on-shore cash per share. Our multiple is slightly discounted to the market, in-line with the stock's historical performance.

**Risks:** Risks to achievement of our \$600 target price for Apple Inc. include competitive pressures from global consumer electronics companies, failure to launch innovative products, loss of key executive managers, failure to maintain key media distribution for iTunes, and regulatory risk

Please refer to the firm's disclosure website at [www.credit-suisse.com/researchdisclosures](http://www.credit-suisse.com/researchdisclosures) for the definitions of abbreviations typically used in the target price method and risk sections.

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