# Tiburon Research Group

## Earnings Preview Lite: AAPL
## July 15, 2011

### GPM% Upside vs. Expectations in Q3/Q4 – But, (Gasp!) Top-Line Risk Emerges in Q4

**Apple (AAPL - $357.77)** will again easily exceed the consensus sell-side EPS expectation in Q3 2010 (June 2011). In our view, GPM% upside versus consensus expectations appears to be the largest driver of material EPS outperformance versus today's consensus sell-side estimates.

Why? GPM% pressures ease in Q3 2010 (June 2011) as the company has now fully lapped its *iPad* launch (i.e. sales mix is much less of an issue this quarter than the prior 4 quarters). *iPad* revenues are likely to double in Q3 versus LY, but so will the higher margin *iPhones*.

Also, keep an eye on Product Warranty Accruals. Per SEC filings, AAPL's Product Warranty Accruals (see table below) have greatly out-stripped the actual Product Warranty Costs for the past 3 fiscal quarters. AAPL may receive a GPM% boost beginning in Q4 (if not earlier) if Product Warranty Accruals are scaled-back versus the prior year.

While GPM% should be much stronger than consensus expectations, we're concerned about the top-line. There was no *iPhone* launch in June 2011 to lap last year's launch of *iPhone 4*. Therefore, Q4 (September 2011) will not receive a material top-line boost via a product launch this year as it did last year.

**In Q3 2010 (June 2011), we're forecasting EPS of $6.29 versus the current consensus sell-side estimate of $5.80.** Our estimate implies revenue growth of +59.3%, a +175 Bps GPM% versus LY, and a +395 Bps EBIT margin improvement versus LY.

**In Q4 2010 (Sept 2011), we're forecasting EPS of $6.84 versus the current consensus sell-side estimate of $6.42.** Our estimate implies revenue growth of +32.8%, a +375 Bps GPM% versus LY, and a +451 Bps EBIT margin improvement versus LY.

**AAPL Product Warranty Disclosures (per SEC Filings)**

| | Q1 2009 | Q2 2009 | Q3 2009 | Q4 2009 | Q1 2010 | Q2 2010 |
|---|---|---|---|---|---|---|
| **Prod Warranty Accrual** | $142M | $141M | $157M | $457M | $396M | $448M |
| **Product Warranty Costs** | $135M | $137M | $155M | $286M | $253M | $249M |
| **Difference** | $7M | $4M | $2M | **$171M** | **$143M** | **$199M** |

**AAPL Model Overview**

| | Q1 '09 | Q2 '09 | Q3 '09 | Q4 '09 | Q1 '10 | Q2 '10 | Q3 '10 | Q4 '10 |
|---|---|---|---|---|---|---|---|---|
| Revenue | $15.7B | $13.5B | $15.7B | $20.3B | $26.7B | $24.7B | $25.0B | $27.0B |
| Growth % | +32.0% | +48.6% | +61.3% | +66.7% | +70.5% | +82.7% | +59.3% | +32.8% |
| iPhone Units Sold | 8.7M | 8.8M | 8.4M | 14.1M | 16.2M | 18.6M | 15.8M | |
| Mac Units Sold (Desk & Port) | 3.4M | 2.9M | 3.5M | 3.9M | 4.1M | 3.8M | 4.2M | |
| GPM% | 40.88% | 41.67% | 39.08% | 36.93% | 38.51% | 41.42% | 40.83% | 40.68% |
| Bps Change vs. LY | +294 Bps | +174 Bps | -184 Bps | -489 Bps | -237 Bps | -25 Bps | +175 Bps | +375 Bps |

**Note: This research note is a publication of Tiburon Research Group, Inc. This report is intended solely for clients of TRG.**

# Apple Inc. (AAPL)

15-Jul-11

| | 53-Weeks 2005 | 2006 | 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 | 2008 | Q1 2009 | Q2 2009 | Q3 2009 | Q4 2009 | 2009 | Q1 2010 | Q2 2010 | *Q3 2010* | *Q4 2010* | *2010E* | *53-Weeks 2011E* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Store Count:** | 30-Sep-06 | 29-Sep-07 | 27-Sep-08 | 27-Dec-08 | 28-Mar-09 | 27-Jun-09 | 26-Sep-09 | | 26-Dec-09 | 27-Mar-10 | 26-Jun-10 | 25-Sep-10 | | 25-Dec-10 | 26-Mar-11 | | 24-Sep-11 | | 29-Sep-12 |
| Total U.S. Stores | 147 | 174 | 205 | | | | 217 | 217 | | | | 233 | 233 | 236 | 236 | | *243* | *243* | |
| Total International Stores | 18 | 23 | 42 | | | | 56 | 56 | | | | 84 | 84 | 87 | 87 | | *114* | *114* | |
| Total Stores | 165 | 197 | 247 | 251 | 252 | 258 | 273 | 273 | 283 | 286 | 293 | 317 | 317 | 323 | 323 | | *317* | *317* | |
| **Income Statement:** | | | | | | | | | | | | | | | | | | | |
| Desktop Sales | 3,319,000 | 4,023,000 | 5,622,000 | 1,045,000 | 1,056,000 | 1,134,000 | 1,089,000 | 4,324,000 | 1,692,000 | 1,532,000 | 1,301,000 | 1,676,000 | 6,201,000 | 1,731,000 | 1,441,000 | *1,356,943* | *1,508,400* | *6,037,343* | *5,833,498* |
| Portables Sales | 4,056,000 | 6,313,000 | 8,732,000 | 2,520,000 | 1,904,000 | 2,220,000 | 2,891,000 | 9,535,000 | 2,758,000 | 2,228,000 | 3,098,000 | 3,194,000 | 11,278,000 | 3,699,000 | 3,535,000 | *4,148,222* | *4,471,600* | *15,853,822* | *18,778,545* |
| Ipod Sales | 7,676,000 | 8,305,000 | 9,153,000 | 3,371,000 | 1,665,000 | 1,492,000 | 1,563,000 | 8,091,000 | 3,391,000 | 1,861,000 | 1,545,000 | 1,477,000 | 8,274,000 | 3,425,000 | 1,600,000 | *1,438,395* | *1,329,300* | *7,792,695* | *6,958,072* |
| Other Music Products/Svcs Sales | 1,885,000 | 2,496,000 | 3,340,000 | 1,011,000 | 1,049,000 | 958,000 | 1,018,000 | 4,036,000 | 1,164,000 | 1,327,000 | 1,214,000 | 1,243,000 | 4,948,000 | 1,431,000 | 1,634,000 | *1,651,040* | *1,553,750* | *6,269,790* | *7,672,986* |
| Iphone Products/Svcs Sales | 0 | 630,000 | 6,742,000 | 2,940,000 | 2,427,000 | 3,060,000 | 4,606,000 | 13,033,000 | 5,578,000 | 5,445,000 | 5,334,000 | 8,822,000 | 25,179,000 | 10,468,000 | 12,298,000 | *10,737,342* | *12,791,900* | *46,295,242* | *66,128,163* |
| Ipad Products/Svcs Sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,166,000 | 2,792,000 | 4,958,000 | 4,608,000 | 2,836,000 | *4,340,000* | *4,000,000* | *15,784,000* | *20,346,000* |
| Peripherals and Other Hard Sales | 1,100,000 | 1,303,000 | 1,694,000 | 387,000 | 357,000 | 340,000 | 391,000 | 1,475,000 | 469,000 | 472,000 | 396,000 | 477,000 | 1,814,000 | 593,000 | 580,000 | *594,000* | *572,400* | *2,339,400* | *2,561,690* |
| Software, Service, Other Sales | 1,279,000 | 1,508,000 | 2,208,000 | 606,000 | 626,000 | 530,000 | 649,000 | 2,411,000 | 631,000 | 634,000 | 646,000 | 662,000 | 2,573,000 | 786,000 | 743,000 | *742,900* | *794,400* | *3,066,300* | *3,360,225* |
| Total Net Sales | 19,315,000 | 24,578,000 | 37,491,000 | 11,880,000 | 9,084,000 | 9,734,000 | 12,207,000 | 42,905,000 | 15,683,000 | 13,499,000 | 15,700,000 | 20,343,000 | 65,225,000 | 26,741,000 | 24,667,000 | *25,008,842* | *27,021,750* | *103,438,592* | *131,639,178* |
| Cost of Sales | (13,717,000) | (16,426,000) | (24,294,000) | (7,373,000) | (5,457,000) | (5,751,000) | (7,102,000) | (25,683,000) | (9,272,000) | (7,874,000) | (9,564,000) | (12,831,000) | (39,541,000) | (16,443,000) | (14,449,000) | *(14,797,031)* | *(16,030,192)* | *(61,719,223)* | *(78,923,614)* |
| Non-Recurring Items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | *0* | *0* | *0* | *0* |
| Gross Profit | 5,598,000 | 8,152,000 | 13,197,000 | 4,507,000 | 3,627,000 | 3,983,000 | 5,105,000 | 17,222,000 | 6,411,000 | 5,625,000 | 6,136,000 | 7,512,000 | 25,684,000 | 10,298,000 | 10,218,000 | *10,211,811* | *10,991,558* | *41,719,369* | *52,715,565* |
| Research and Devl Expense | (712,000) | (782,000) | (1,109,000) | (315,000) | (319,000) | (341,000) | (358,000) | (1,333,000) | (398,000) | (426,000) | (464,000) | (494,000) | (1,782,000) | (575,000) | (581,000) | *(609,195)* | *(557,384)* | *(2,322,578)* | *(2,886,367)* |
| Selling, General & Admin Expense | (2,433,000) | (2,963,000) | (3,761,000) | (1,091,000) | (985,000) | (1,010,000) | (1,063,000) | (4,149,000) | (1,288,000) | (1,220,000) | (1,438,000) | (1,571,000) | (5,517,000) | (1,896,000) | (1,763,000) | *(1,869,400)* | *(1,979,460)* | *(7,507,860)* | *(9,428,670)* |
| Resutructuring Expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | *0* | *0* | *0* | *0* |
| Non-Recurring Items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | *0* | *0* | *0* | *0* |
| Operating Income | 2,453,000 | 4,407,000 | 8,327,000 | 3,101,000 | 2,323,000 | 2,632,000 | 3,684,000 | 11,740,000 | 4,725,000 | 3,979,000 | 4,234,000 | 5,447,000 | 18,385,000 | 7,827,000 | 7,874,000 | *7,733,216* | *8,454,714* | *31,888,931* | *40,400,528* |
| Other Income/(Expense) | 365,000 | 599,000 | 620,000 | 158,000 | 63,000 | 60,000 | 45,000 | 326,000 | 33,000 | 50,000 | 58,000 | 14,000 | 155,000 | 136,000 | 26,000 | *80,000* | *75,000* | *317,000* | *300,000* |
| Income Before Tax | 2,818,000 | 5,006,000 | 8,947,000 | 3,259,000 | 2,386,000 | 2,692,000 | 3,729,000 | 12,066,000 | 4,758,000 | 4,029,000 | 4,292,000 | 5,461,000 | 18,540,000 | 7,963,000 | 7,900,000 | *7,813,216* | *8,529,714* | *32,205,931* | *40,700,528* |
| Income Tax (Exp)/Benefit | (829,000) | (1,511,000) | (2,828,000) | (1,004,000) | (766,000) | (864,000) | (1,197,000) | (3,831,000) | (1,380,000) | (955,000) | (1,039,000) | (1,153,000) | (4,527,000) | (1,959,000) | (1,913,000) | *(1,894,705)* | *(2,068,456)* | *(7,835,161)* | *(9,869,878)* |
| Income Before Minority/Dis | 1,989,000 | 3,495,000 | 6,119,000 | 2,255,000 | 1,620,000 | 1,828,000 | 2,532,000 | 8,235,000 | 3,378,000 | 3,074,000 | 3,253,000 | 4,308,000 | 14,013,000 | 6,004,000 | 5,987,000 | *5,918,511* | *6,461,259* | *24,370,770* | *30,830,650* |
| Minority Interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | *0* | *0* | *0* | *0* |
| **Net Income Bef Discontinued** | **1,989,000** | **3,495,000** | **6,119,000** | **2,255,000** | **1,620,000** | **1,828,000** | **2,532,000** | **8,235,000** | **3,378,000** | **3,074,000** | **3,253,000** | **4,308,000** | **14,013,000** | **6,004,000** | **5,987,000** | ***5,918,511*** | ***6,461,259*** | ***24,370,770*** | ***30,830,650*** |
| **Net Income per share - Dil** | **2.27** | **3.93** | **6.78** | **2.50** | **1.79** | **2.01** | **2.77** | **9.08** | **3.67** | **3.33** | **3.51** | **4.64** | **15.15** | **6.43** | **6.40** | ***6.29*** | ***6.84*** | ***25.96*** | ***32.28*** |
| Discontinued Operations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | *0* | *0* | *0* | *0* |
| **Net Income** | **1,989,000** | **3,495,000** | **6,119,000** | **2,255,000** | **1,620,000** | **1,828,000** | **2,532,000** | **8,235,000** | **3,378,000** | **3,074,000** | **3,253,000** | **4,308,000** | **14,013,000** | **6,004,000** | **5,987,000** | ***5,918,511*** | ***6,461,259*** | ***24,370,770*** | ***30,830,650*** |
| **Net Income per share - Dil** | **2.27** | **3.93** | **6.78** | **2.50** | **1.79** | **2.01** | **2.77** | **9.08** | **3.67** | **3.33** | **3.51** | **4.64** | **15.15** | **6.43** | **6.40** | ***6.29*** | ***6.84*** | ***25.96*** | ***32.28*** |
| Weighted shares - Basic | 844,058 | 864,595 | 881,592 | 889,142 | 891,180 | 893,712 | 898,032 | 893,016 | 903,542 | 907,548 | 912,197 | 914,555 | 909,461 | 919,294 | 923,196 | *927,000* | *931,000* | *925,123* | *941,000* |
| Weighted shares - Diluted | 877,526 | 889,292 | 902,139 | 901,494 | 902,993 | 909,160 | 914,374 | 907,005 | 919,783 | 922,878 | 927,361 | 928,825 | 924,712 | 933,154 | 935,944 | *941,000* | *945,000* | *938,775* | *955,000* |
| **Profitability Metrics:** | | | | | | | | | | | | | | | | | | | |
| Gross Profit Margin | 28.98% | 33.17% | 35.20% | 37.94% | 39.93% | 40.92% | 41.82% | 40.14% | 40.88% | 41.67% | 39.08% | 36.93% | 39.38% | 38.51% | 41.42% | *40.83%* | *40.68%* | *40.33%* | *40.05%* |
| Research & Devl Exp Ratio | -3.69% | -3.18% | -2.96% | -2.65% | -3.51% | -3.50% | -2.93% | -3.11% | -2.54% | -3.16% | -2.96% | -2.43% | -2.73% | -2.15% | -2.36% | *-2.44%* | *-2.06%* | *-2.25%* | *-2.19%* |
| SG&A Expense Ratio | -12.60% | -12.06% | -10.03% | -9.18% | -10.84% | -10.38% | -8.71% | -9.67% | -8.21% | -9.04% | -9.16% | -7.72% | -8.46% | -7.09% | -7.15% | *-7.47%* | *-7.33%* | *-7.26%* | *-7.16%* |
| Operating Margin (ex-Items) | 12.70% | 17.93% | 22.21% | 26.10% | 25.57% | 27.04% | 30.18% | 27.36% | 30.13% | 29.48% | 26.97% | 26.78% | 28.19% | 29.27% | 31.92% | *30.92%* | *31.29%* | *30.83%* | *30.69%* |
| Depreciation & Amort Expense | 225,000 | 327,000 | 496,000 | 168,000 | 162,000 | 176,000 | 228,000 | 734,000 | 209,000 | 216,000 | 273,000 | 329,000 | 1,027,000 | 356,000 | 434,000 | *459,000* | *484,000* | *1,733,000* | *2,186,000* |
| EBITDA (ex-Items) | 2,678,000 | 4,734,000 | 8,823,000 | 3,269,000 | 2,485,000 | 2,808,000 | 3,912,000 | 12,474,000 | 4,934,000 | 4,195,000 | 4,507,000 | 5,776,000 | 19,412,000 | 8,183,000 | 8,308,000 | *8,192,216* | *8,938,714* | *33,621,931* | *42,586,528* |
| **Sales Metrics:** | | | | | | | | | | | | | | | | | | | |
| **Total Company Revenue** | **38.6%** | **27.2%** | **52.5%** | **13.9%** | **13.8%** | **28.7%** | **6.0%** | **14.4%** | **32.0%** | **48.6%** | **61.3%** | **66.7%** | **52.0%** | **70.5%** | **82.7%** | ***59.3%*** | ***32.8%*** | ***58.6%*** | ***27.3%*** |
| Desktop Sales Growth | -3.4% | 21.2% | 39.7% | -31.1% | -22.1% | -18.0% | -20.4% | -23.1% | 61.9% | 45.1% | 14.7% | 53.9% | 43.4% | 2.3% | -5.9% | *4.3%* | *-10.0%* | *-2.6%* | *-3.4%* |
| Portables Sales Growth | 42.9% | 55.6% | 38.3% | 22.7% | -11.7% | -1.4% | 27.3% | 9.2% | 9.4% | 17.0% | 39.5% | 10.5% | 18.3% | 34.1% | 58.7% | *33.9%* | *40.0%* | *40.6%* | *18.4%* |
| IPod Sales Growth | 69.1% | 8.2% | 10.2% | -15.7% | -8.4% | -11.1% | -5.8% | -11.6% | 0.6% | 11.8% | 3.6% | -5.5% | 2.3% | 1.0% | -14.0% | *-6.9%* | *-10.0%* | *-5.8%* | *-10.7%* |
| Other Music Sales Growth | 109.7% | 32.4% | 33.8% | 25.1% | 19.1% | 17.0% | 22.4% | 20.8% | 15.1% | 26.5% | 26.7% | 22.1% | 22.6% | 22.9% | 23.1% | *36.0%* | *25.0%* | *26.7%* | *22.4%* |
| IPhone Sales Growth | | | 970.2% | 183.8% | 197.1% | 533.5% | 4.5% | 93.3% | 89.7% | 124.4% | 74.3% | 91.5% | 93.2% | 87.7% | 125.9% | *101.3%* | *45.0%* | *83.9%* | *42.8%* |
| IPad Sales Growth | | | | | | | | | | | | | | | | | | | |
| Peripherals Sales Growth | -2.3% | 18.5% | 30.0% | -1.0% | -15.8% | -23.8% | -9.7% | -12.9% | 21.2% | 32.2% | 16.5% | 22.0% | 23.0% | 26.4% | 22.9% | *50.0%* | *20.0%* | *29.0%* | *9.5%* |
| Software, Service Sales Growth | 17.2% | 17.9% | 46.4% | -3.5% | 18.3% | 5.8% | 18.0% | 9.2% | 4.1% | 1.3% | 21.9% | 2.0% | 6.7% | 24.6% | 17.2% | *15.0%* | *20.0%* | *19.2%* | *9.6%* |
| **Balance Sheet Highlights:** | | | | | | | | | | | | | | | | | | | |
| Cash & Marketable Securities | 10,110,000 | 15,386,000 | 24,490,000 | 28,145,000 | 28,878,000 | 31,121,000 | 33,992,000 | 33,992,000 | 39,820,000 | 41,704,000 | 45,839,000 | 51,011,000 | 51,011,000 | 59,707,000 | 65,767,000 | *70,767,000* | *77,767,000* | *77,767,000* | *107,767,000* |
| Inventory | 270,000 | 346,000 | 509,000 | 396,000 | 312,000 | 380,000 | 455,000 | 455,000 | 576,000 | 638,000 | 942,000 | 1,051,000 | 1,051,000 | 885,000 | 930,000 | | | | |
| Inventory Turnover | 63.1 | 59.6 | 54.6 | | | | | 62.6 | | | | | 54.0 | | | | | | |
| Capital Expenditures | 657,000 | 986,000 | 1,419,000 | 353,000 | 96,000 | 272,000 | 492,000 | 1,213,000 | 381,000 | 301,000 | 1,178,000 | 261,000 | 2,121,000 | 1,263,000 | 656,000 | | | | |
| Total Debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | *0* | *0* | *0* | *0* |
| Total Debt % Total Inv Capital | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | *0%* | *0%* | *0%* | *0%* |
| Total Shareholder's Equity | 9,984,000 | 14,532,000 | 22,297,000 | 22,909,000 | 24,311,000 | 25,888,000 | 31,640,000 | 31,640,000 | 35,768,000 | 39,348,000 | 43,111,000 | 47,791,000 | 47,791,000 | 54,666,000 | 61,477,000 | *67,395,511* | *73,856,770* | *73,856,770* | *104,687,420* |
| **Valuation:** | | | | | | | | | | | | | | | | | | | |
| Market Price per Share | $76.98 | $153.47 | $128.24 | $85.81 | $106.85 | $142.44 | $182.37 | $182.37 | $209.04 | $230.90 | $251.53 | $292.32 | $292.32 | $323.60 | $351.54 | $326.35 | *$360.00* | *$360.00* | *$360.00* |
| Market Cap - Avg Diluted | 67,551,951 | 136,479,643 | 115,690,305 | 77,357,200 | 96,484,802 | 129,500,750 | 166,754,386 | 165,410,502 | 192,271,438 | 213,092,530 | 233,259,112 | 271,514,124 | 270,311,812 | 301,968,634 | 329,021,754 | *307,095,350* | *340,200,000* | *337,958,820* | *343,800,000* |
| Book Value per Share | $11.38 | $16.34 | $24.72 | $25.41 | $26.92 | $28.47 | $34.60 | $34.88 | $38.89 | $42.64 | $46.49 | $51.45 | $51.68 | $58.58 | $65.68 | *$71.62* | *$78.16* | *$78.67* | *$109.62* |
| Ent Value per 4-Qtr EBITDA | 21.4 | 25.6 | 10.3 | | | | | 10.5 | | | | | 11.3 | | | | | *7.7* | *5.5* |
| P/E Ratio - 4 Qtr Trailing | 34.0 | 39.0 | 18.9 | | | | | 20.1 | | | | | 19.3 | | | | | *13.9* | *11.2* |
| Dividends | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | | | | | *$0.00* | *$0.00* |
| Dividend Yield | 0.0% | 0.0% | 0.0% | | | | | 0.0% | | | | | 0.0% | | | | | *0.0%* | *0.0%* |

**Notes:**

(1) Source of Data: Company Reports and Tiburon Research Group estimates.

(2) Enterprise Value = (Market Cap + Net Debt)

**Non-Recurring Items:**

TIBURON Research Group

## Apple (AAPL) 3-Year Profitability Run Rates

| | FY 2008 vs. LY | | FY 2009 vs. LY | | Combined 2-Year | | FY 2010 vs. LY | | Combined 3-Year |
|---|---|---|---|---|---|---|---|---|---|
| **Gross Profit Margin %** | | | | | | | | | |
| **Q1** | Higher 530 Bps | + | Higher 294 Bps | = | Higher 824 Bps | + | Lower 237 Bps | = | Higher 587 Bps |
| **Q2** | Higher 726 Bps | + | Higher 174 Bps | = | Higher 900 Bps | + | Lower 25 Bps | = | Higher 875 Bps |
| **Q3** | Higher 464 Bps | + | Lower 184 Bps | = | Higher 280 Bps | + | | = | |
| **Q4** | Higher 325 Bps | + | Lower 489 Bps | = | Lower 164 Bps | + | | = | |
| **Research & Development Expense %** | | | | | | | | | |
| **Q1** | Higher 29 Bps | + | Lower 11 Bps | = | Higher 18 Bps | + | Lower 39 Bps | = | Lower 21 Bps |
| **Q2** | Higher 9 Bps | + | Lower 35 Bps | = | Lower 26 Bps | + | Lower 80 Bps | = | Lower 106 Bps |
| **Q3** | Lower 36 Bps | + | Lower 54 Bps | = | Lower 90 Bps | + | | = | |
| **Q4** | Higher 34 Bps | + | Lower 50 Bps | = | Lower 16 Bps | + | | = | |
| **SG&A Expense %** | | | | | | | | | |
| **Q1** | Lower 2 Bps | + | Lower 97 Bps | = | Lower 99 Bps | + | Lower 112 Bps | = | Lower 211 Bps |
| **Q2** | Lower 26 Bps | + | Lower 180 Bps | = | Lower 206 Bps | + | Lower 189 Bps | = | Lower 395 Bps |
| **Q3** | Lower 173 Bps | + | Lower 122 Bps | = | Lower 295 Bps | + | | = | |
| **Q4** | Higher 4 Bps | + | Lower 99 Bps | = | Lower 95 Bps | + | | = | |
| **Operating Margin % (ex-Items)** | | | | | | | | | |
| **Q1** | Higher 503 Bps | + | Higher 403 Bps | = | Higher 906 Bps | + | Lower 86 Bps | = | Higher 820 Bps |
| **Q2** | Higher 742 Bps | + | Higher 391 Bps | = | Higher 1,133 Bps | + | Higher 244 Bps | = | Higher 1,377 Bps |
| **Q3** | Higher 674 Bps | + | Lower 7 Bps | = | Higher 667 Bps | + | | = | |
| **Q4** | Higher 287 Bps | + | Lower 340 Bps | = | Lower 53 Bps | + | | = | |

**Gross Margin / SG&A Ratio / Operating Margin each are adjusted for non-recurring items.*

| | FY 2009 vs. LY | | FY 2010 vs. LY | | Combined 2-Year | | FY 2011 vs. LY | | Combined 3-Year |
|---|---|---|---|---|---|---|---|---|---|
| **Gross Profit Margin %** | | | | | | | | | |
| **Q1** | Higher 294 Bps | + | Lower 237 Bps | = | Higher 57 Bps | + | | = | |
| **Q2** | Higher 174 Bps | + | Lower 25 Bps | = | Higher 149 Bps | + | | = | |
| **Q3** | Lower 184 Bps | + | | = | | + | | = | |
| **Q4** | Lower 489 Bps | + | | = | | + | | = | |
| **Research & Development Expense %** | | | | | | | | | |
| **Q1** | Lower 11 Bps | + | Lower 39 Bps | = | Lower 50 Bps | + | | = | |
| **Q2** | Lower 35 Bps | + | Lower 80 Bps | = | Lower 115 Bps | + | | = | |
| **Q3** | Lower 54 Bps | + | | = | | + | | = | |
| **Q4** | Lower 50 Bps | + | | = | | + | | = | |
| **SG&A Expense %** | | | | | | | | | |
| **Q1** | Lower 97 Bps | + | Lower 112 Bps | = | Lower 209 Bps | + | | = | |
| **Q2** | Lower 180 Bps | + | Lower 189 Bps | = | Lower 369 Bps | + | | = | |
| **Q3** | Lower 122 Bps | + | | = | | + | | = | |
| **Q4** | Lower 99 Bps | + | | = | | + | | = | |
| **Operating Margin % (ex-Items)** | | | | | | | | | |
| **Q1** | Higher 403 Bps | + | Lower 86 Bps | = | Higher 317 Bps | + | | = | |
| **Q2** | Higher 391 Bps | + | Higher 244 Bps | = | Higher 635 Bps | + | | = | |
| **Q3** | Lower 7 Bps | + | | = | | + | | = | |
| **Q4** | Lower 340 Bps | + | | = | | + | | = | |

**Non-Recurring Items:**

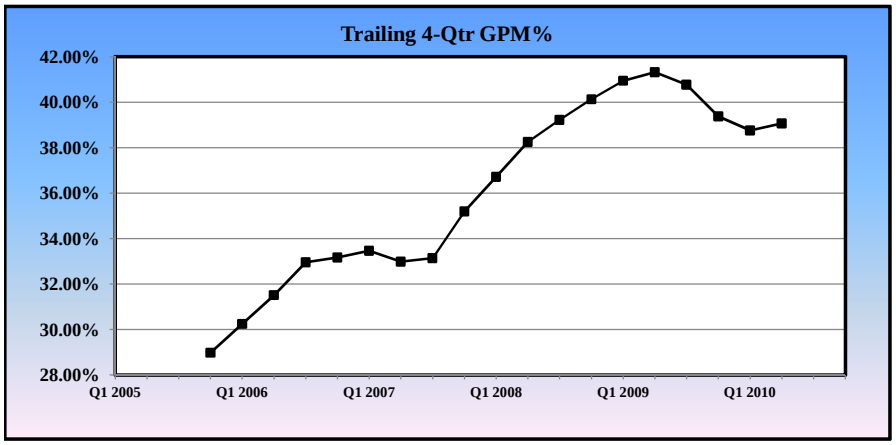
# Apple Inc. (AAPL) Diagnostics

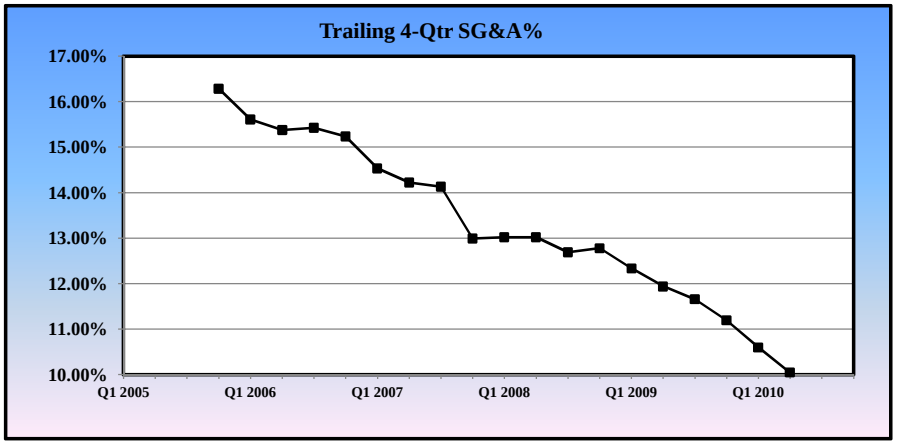
20-Apr-11

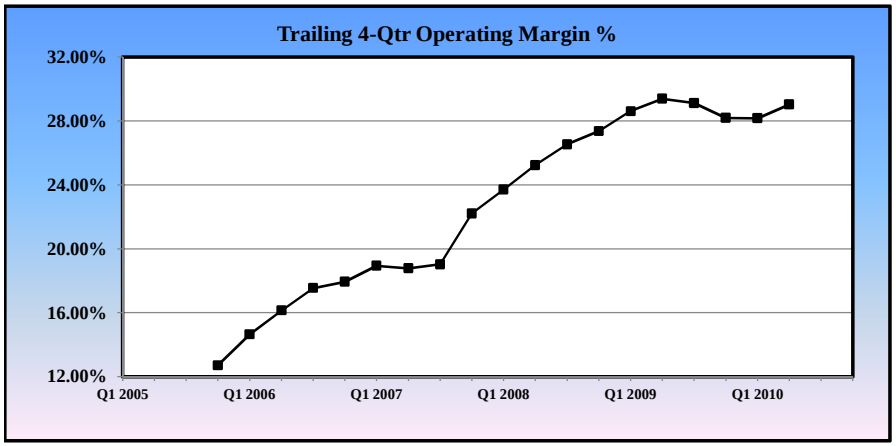
| | Q1 2007 | Q2 2007 | Q3 2007 | Q4 2007 | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 | Q1 2009 | Q2 2009 | Q3 2009 | Q4 2009 | Q1 2010 | Q2 2010 | Q3 2010 | Q4 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 29-Dec-07 | 29-Mar-08 | 28-Jun-08 | 27-Sep-08 | 27-Dec-08 | 28-Mar-09 | 27-Jun-09 | 26-Sep-09 | 26-Dec-09 | 27-Mar-10 | 26-Jun-10 | 25-Sep-10 | 25-Dec-10 | 26-Mar-11 | | |
| Net Revenue | $10,430,000 | $7,980,000 | $7,561,000 | $11,520,000 | $11,880,000 | $9,084,000 | $9,734,000 | $12,207,000 | $15,683,000 | $13,499,000 | $15,700,000 | $20,343,000 | $26,741,000 | $24,667,000 | | |
| Growth % | 46.4% | 51.0% | 35.9% | 74.4% | 13.9% | 13.8% | 28.7% | 6.0% | 32.0% | 48.6% | 61.3% | 66.7% | 70.5% | 82.7% | | |
| Gross Profit $ | 3,404,000 | 2,607,000 | 2,743,000 | 4,443,000 | 4,507,000 | 3,627,000 | 3,983,000 | 5,105,000 | $6,411,000 | $5,625,000 | 6,136,000 | 7,512,000 | $10,298,000 | $10,218,000 | | |
| Gross Profit Margin | 32.64% | 32.67% | 36.28% | 38.57% | 37.94% | 39.93% | 40.92% | 41.82% | 40.88% | 41.67% | 39.08% | 36.93% | 38.51% | 41.42% | | |
| Bps Change | 143 | (235) | (27) | 761 | 530 | 726 | 464 | 325 | 294 | 174 | (184) | (489) | (237) | (25) | | |
| Trailing 4-Qtr | 33.47% | 32.99% | 33.15% | 35.20% | 36.72% | 38.26% | 39.22% | 40.14% | 40.95% | 41.32% | 40.77% | 39.38% | 38.76% | 39.07% | | |
| Bps Change | 30 | (48) | 16 | 205 | 152 | 153 | 97 | 91 | 81 | 37 | (55) | (140) | (61) | 30 | | |
| SG&A $ | ($1,206,000) | ($1,159,000) | ($1,208,000) | ($1,297,000) | ($1,406,000) | ($1,304,000) | ($1,351,000) | ($1,421,000) | ($1,686,000) | ($1,646,000) | ($1,902,000) | ($2,065,000) | ($2,471,000) | ($2,344,000) | | |
| SG&A Exp Ratio | -11.56% | -14.52% | -15.98% | -11.26% | -11.84% | -14.35% | -13.88% | -11.64% | -10.75% | -12.19% | -12.11% | -10.15% | -9.24% | -9.50% | | |
| Bps Change | 104 | 180 | 117 | 433 | (27) | 17 | 210 | (38) | 108 | 216 | 176 | 149 | 151 | 269 | | |
| Trailing 4-Qtr | -14.53% | -14.22% | -14.13% | -12.99% | -13.02% | -13.02% | -12.69% | -12.78% | -12.34% | -11.94% | -11.66% | -11.19% | -10.60% | -10.04% | | |
| Bps Change | 70 | 31 | 9 | 114 | (3) | (0) | 33 | (9) | 44 | 40 | 28 | 47 | 59 | 56 | | |
| Operating Margin $ | $2,198,000 | $1,448,000 | $1,535,000 | $3,146,000 | $3,101,000 | $2,323,000 | $2,632,000 | $3,684,000 | $4,725,000 | $3,979,000 | $4,234,000 | $5,447,000 | $7,827,000 | $7,874,000 | | |
| Operating Margin | 21.07% | 18.15% | 20.30% | 27.31% | 26.10% | 25.57% | 27.04% | 30.18% | 30.13% | 29.48% | 26.97% | 26.78% | 29.27% | 31.92% | | |
| Bps Change | 247 | (55) | 91 | 1,194 | 503 | 743 | 674 | 287 | 403 | 390 | (7) | (340) | (86) | 244 | | |
| Bps Change - 2yr | 803 | 601 | 735 | 1,474 | 750 | 688 | 764 | 1,481 | 905 | 1,133 | 667 | (53) | 317 | 635 | | |
| Bps Change - 3yr | | | | | 1,306 | 1,344 | 1,409 | 1,761 | 1,153 | 1,079 | 757 | 1,141 | 820 | 1,378 | | |
| Trailing 4-Qtr | 18.93% | 18.77% | 19.02% | 22.21% | 23.70% | 25.23% | 26.53% | 27.36% | 28.61% | 29.38% | 29.12% | 28.19% | 28.17% | 29.02% | | |
| Bps Change | 100 | (16) | 25 | 319 | 149 | 153 | 130 | 83 | 125 | 77 | (26) | (93) | (2) | 86 | | |
| Depr/Amort $ | ($106,000) | ($114,000) | ($119,000) | ($157,000) | ($168,000) | ($162,000) | ($176,000) | ($228,000) | ($209,000) | ($216,000) | ($273,000) | ($329,000) | ($356,000) | ($434,000) | | |
| Trailing 4-Qtr | ($359,000) | ($404,000) | ($442,000) | ($496,000) | ($558,000) | ($606,000) | ($663,000) | ($734,000) | ($775,000) | ($829,000) | ($926,000) | ($1,027,000) | ($1,174,000) | ($1,392,000) | | |
| EBITDA $ | $2,304,000 | $1,562,000 | $1,654,000 | $3,303,000 | $3,269,000 | $2,485,000 | $2,808,000 | $3,912,000 | $4,934,000 | $4,195,000 | $4,507,000 | $5,776,000 | $8,183,000 | $8,308,000 | | |
| Trailing 4-Qtr | $5,639,000 | $6,144,000 | $6,638,000 | $8,823,000 | $9,788,000 | $10,711,000 | $11,865,000 | $12,474,000 | $14,139,000 | $15,849,000 | $17,548,000 | $19,412,000 | $22,661,000 | $26,774,000 | | |
| CapEx $ | ($232,000) | ($215,000) | ($330,000) | ($642,000) | ($373,000) | ($96,000) | ($272,000) | ($472,000) | ($381,000) | ($301,000) | ($1,178,000) | ($261,000) | ($1,263,000) | ($656,000) | | |
| Trailing 4-Qtr | ($961,000) | ($970,000) | ($1,011,000) | ($1,419,000) | ($1,560,000) | ($1,441,000) | ($1,383,000) | ($1,213,000) | ($1,221,000) | ($1,426,000) | ($2,332,000) | ($2,121,000) | ($3,003,000) | ($3,358,000) | | |
| Dividends $ | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | | |
| Trailing 4-Qtr | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | | |
| Share Repo $ | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | | |
| Trailing 4-Qtr | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | | |
| Inventory $ | $459,000 | $364,000 | $545,000 | $509,000 | $396,000 | $312,000 | $380,000 | $455,000 | $576,000 | $638,000 | $942,000 | $1,051,000 | $885,000 | $930,000 | | |
| Growth % | 51.5% | 75.0% | 117.1% | 47.1% | -13.7% | -14.3% | -30.3% | -10.6% | 45.5% | 104.5% | 147.9% | 131.0% | 53.6% | 45.8% | | |
| % Fwd Qtr CGS | 8.5% | 7.6% | 7.7% | 6.9% | 7.3% | 5.4% | 5.4% | 4.9% | 7.3% | 6.7% | 7.3% | 6.4% | 6.1% | | | |
| Inv Turn Trail 4-Qtr | 59.2 | 62.9 | 55.4 | 54.6 | 54.2 | 58.1 | 59.9 | 62.6 | 65.1 | 63.5 | 56.5 | 54.0 | 57.1 | 59.9 | | |
| GMROI % Trail 4-Qtr | 2978.0% | 3098.6% | 2747.8% | 2968.3% | 3145.6% | 3603.0% | 3865.5% | 4196.4% | 4513.0% | 4473.5% | 3891.2% | 3506.8% | 3613.3% | 3842.1% | | |

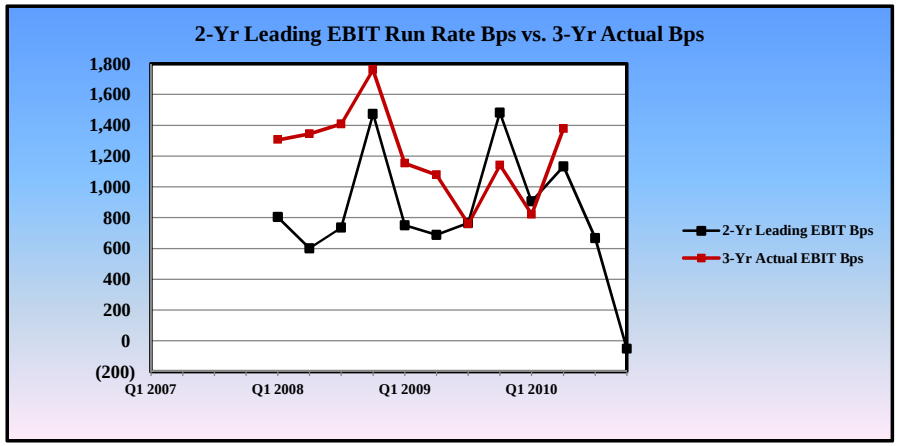
Notes: Above metrics exclude non-recurring charges. See EPS model for a summary of what TRG considers non-recurring.

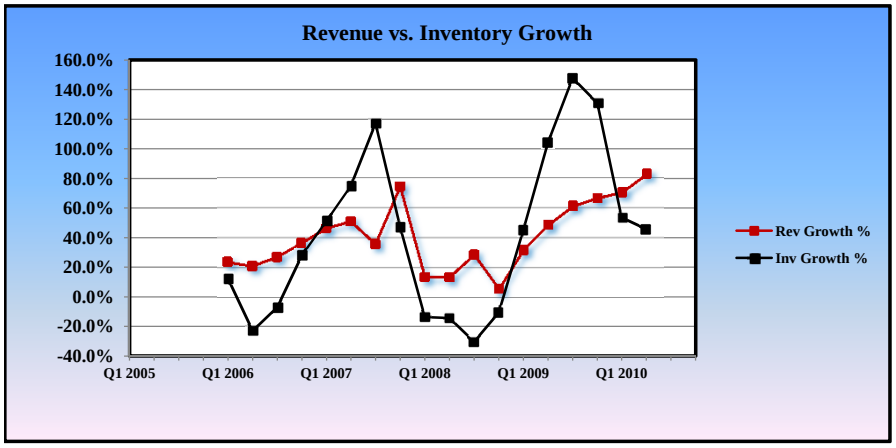
## Apple Inc. (AAPL) Chartology

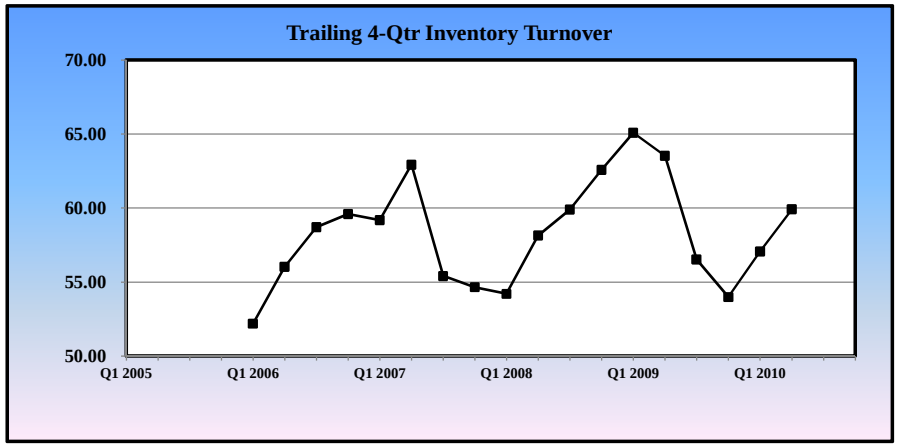


# Apple (AAPL) Revenue by Product Category

20-Apr-11

| | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 | FY 2008 | Q1 2009 | Q2 2009 | Q3 2009 | Q4 2009 | FY 2009 | Q1 2010 | Q2 2010 | Q3 2010 | Q4 2010 | FY 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Desktops:** | | | | | | | | | | | | | | | |
| Units | 728,000 | 818,000 | 849,000 | 787,000 | 3,182,000 | 1,234,000 | 1,147,000 | 1,004,000 | 1,242,000 | 4,627,000 | 1,227,000 | 1,009,000 | *943,760* | | |
| Growth % | | | | | | 69.5% | 40.2% | 18.3% | 57.8% | 45.4% | -0.6% | -12.0% | *-6.0%* | | |
| Revenue | $1,045,000 | $1,056,000 | $1,134,000 | $1,089,000 | $4,324,000 | $1,692,000 | $1,532,000 | $1,301,000 | $1,676,000 | $6,201,000 | $1,731,000 | $1,441,000 | *$1,357,463* | | |
| Growth % | | | | | | 61.9% | 45.1% | 14.7% | 53.9% | 43.4% | 2.3% | -5.9% | *4.3%* | | |
| Avg Price | $1,435 | $1,291 | $1,336 | $1,384 | $1,359 | $1,371 | $1,336 | $1,296 | $1,349 | $1,340 | $1,411 | $1,428 | ***$1,438*** | | |
| Growth % | | | | | | -4.5% | 3.5% | -3.0% | -2.5% | -1.4% | 2.9% | 6.9% | *11.0%* | | |
| **Portables:** | | | | | | | | | | | | | | | |
| Units | 1,796,000 | 1,398,000 | 1,754,000 | 2,266,000 | 7,214,000 | 2,128,000 | 1,796,000 | 2,468,000 | 2,643,000 | 9,035,000 | 2,907,000 | 2,751,000 | *3,208,400* | | |
| Growth % | | | | | | 18.5% | 28.5% | 40.7% | 16.6% | 25.2% | 36.6% | 53.2% | *30.0%* | | |
| Revenue | $2,520,000 | $1,904,000 | $2,220,000 | $2,891,000 | $9,535,000 | $2,758,000 | $2,228,000 | $3,098,000 | $3,194,000 | $11,278,000 | $3,699,000 | $3,535,000 | *$4,148,222* | | |
| Growth % | | | | | | 9.4% | 17.0% | 39.5% | 10.5% | 18.3% | 34.1% | 58.7% | *33.9%* | | |
| Avg Price | $1,403 | $1,362 | $1,266 | $1,276 | $1,322 | $1,296 | $1,241 | $1,255 | $1,208 | $1,248 | $1,272 | $1,285 | ***$1,293*** | | |
| Growth % | | | | | | -7.6% | -8.9% | -0.8% | -5.3% | -5.6% | -1.8% | 3.6% | *3.0%* | | |
| **iPod:** | | | | | | | | | | | | | | | |
| Units | 22,727,000 | 11,013,000 | 10,215,000 | 10,177,000 | 54,132,000 | 20,970,000 | 10,885,000 | 9,406,000 | 9,051,000 | 50,312,000 | 19,446,000 | 9,017,000 | *8,183,220* | | |
| Growth % | | | | | | -7.7% | -1.2% | -7.9% | -11.1% | -7.1% | -7.3% | -17.2% | *-13.0%* | | |
| Revenue | $3,371,000 | $1,665,000 | $1,492,000 | $1,563,000 | $8,091,000 | $3,391,000 | $1,861,000 | $1,545,000 | $1,477,000 | $8,274,000 | $3,425,000 | $1,600,000 | *$1,438,241* | | |
| Growth % | | | | | | 0.6% | 11.8% | 3.6% | -5.5% | 2.3% | 1.0% | -14.0% | *-6.9%* | | |
| Avg Price | $148 | $151 | $146 | $154 | $149 | $162 | $171 | $164 | $163 | $164 | $176 | $177 | ***$176*** | | |
| Growth % | | | | | | 9.0% | 13.1% | 12.5% | 6.3% | 10.0% | 8.9% | 3.8% | *7.0%* | | |
| **iPhone:** | | | | | | | | | | | | | | | |
| Units | 4,363,000 | 3,793,000 | 5,208,000 | 7,367,000 | 20,731,000 | 8,737,000 | 8,752,000 | 8,398,000 | 14,102,000 | 39,989,000 | 16,235,000 | 18,647,000 | *15,800,000* | | |
| Growth % | | | | | | 100.3% | 130.7% | 61.3% | 91.4% | 92.9% | 85.8% | 113.1% | *88.1%* | | |
| Revenue | $2,940,000 | $2,427,000 | $3,060,000 | $4,606,000 | $13,033,000 | $5,578,000 | $5,445,000 | $5,334,000 | $8,822,000 | $25,179,000 | $10,468,000 | $12,298,000 | *$10,737,867* | | |
| Growth % | | | | | | 89.7% | 124.4% | 74.3% | 91.5% | 93.2% | 87.7% | 125.9% | *101.3%* | | |
| Avg Price | $674 | $640 | $588 | $625 | $629 | $638 | $622 | $635 | $626 | $630 | $645 | $660 | ***$680*** | | |
| Growth % | | | | | | -5.3% | -2.8% | 8.1% | 0.1% | 0.2% | 1.0% | 6.0% | *7.0%* | | |
| **iPad:** | | | | | | | | | | | | | | | |
| Units | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,270,000 | 4,188,000 | 7,458,000 | 7,331,000 | 4,694,000 | *7,000,000* | | |
| Growth % | | | | | | | | | | | | | | | |
| Revenue | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $2,166,000 | $2,792,000 | $4,958,000 | $4,608,000 | $2,836,000 | *$4,340,000* | | |
| Growth % | | | | | | | | | | | | | | | |
| Avg Price | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $662 | $667 | $665 | $629 | $604 | ***$620*** | | |
| Growth % | | | | | | | | | | | | | | | |
| **Other:** | | | | | | | | | | | | | | | |
| Other Music | $1,011,000 | $1,049,000 | $958,000 | $1,018,000 | $4,036,000 | $1,164,000 | $1,327,000 | $1,214,000 | $1,243,000 | $4,948,000 | $1,431,000 | $1,634,000 | ***$1,650,000*** | | |
| Other Hardware | $387,000 | $357,000 | $340,000 | $391,000 | $1,475,000 | $469,000 | $472,000 | $396,000 | $477,000 | $1,814,000 | $593,000 | $580,000 | ***$600,000*** | | |
| Software, Service | $606,000 | $627,000 | $530,000 | $649,000 | $2,412,000 | $631,000 | $634,000 | $646,000 | $662,000 | $2,573,000 | $786,000 | $743,000 | ***$743,000*** | | |
| | | | | | | | | | | | $26,741,000 | $24,667,000 | *$25,014,793* | | |

**Note: Italics indicate TRG estimates. Amounts above per company reports. Amounts in thousands (000).*

# Apple (AAPL) Segment Operating Profitability

20-Apr-11

| | FY 2006 | FY 2007 | FY 2008 | Q1 2009 | Q2 2009 | Q3 2009 | Q4 2009 | FY 2009 | Q1 2010 | Q2 2010 | Q3 2010 | Q4 2010 | FY 2010 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Americas:** | | | | | | | | | | | | | |
| Revenue | $11,907,000 | $16,552,000 | $18,981,000 | $6,092,000 | $4,993,000 | $6,227,000 | $7,186,000 | $24,498,000 | $9,218,000 | $9,323,000 | | | |
| Revenue Growth % | | 39.0% | 14.7% | 14.9% | 25.8% | 39.2% | 37.2% | 29.1% | 51.3% | 86.7% | | | |
| Operating Income | $2,998,000 | $4,901,000 | $6,658,000 | $1,811,000 | $1,674,000 | $1,997,000 | $2,108,000 | $7,590,000 | $2,899,000 | $3,755,000 | | | |
| Non-Recurring Items | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | | | |
| Adjusted Operating Inc | $2,998,000 | $4,901,000 | $6,658,000 | $1,811,000 | $1,674,000 | $1,997,000 | $2,108,000 | $7,590,000 | $2,899,000 | $3,755,000 | | | |
| Operating Margin % | 25.18% | 29.61% | 35.08% | 29.73% | 33.53% | 32.07% | 29.33% | 30.98% | 31.45% | 40.28% | | | |
| Bps Change | | 443 | 547 | **(359)** | **(191)** | **(392)** | **(647)** | (410) | 172 | 675 | | | |
| **Europe:** | | | | | | | | | | | | | |
| Revenue | $5,469,000 | $9,233,000 | $11,810,000 | $5,024,000 | $4,050,000 | $4,160,000 | $5,458,000 | $18,692,000 | $7,256,000 | $6,027,000 | | | |
| Revenue Growth % | | 68.8% | 27.9% | 40.1% | 63.0% | 66.1% | 68.7% | 58.3% | 44.4% | 48.8% | | | |
| Operating Income | $1,350,000 | $3,022,000 | $4,296,000 | $2,165,000 | $1,661,000 | $1,631,000 | $2,067,000 | $7,524,000 | $2,756,000 | $2,551,000 | | | |
| Non-Recurring Items | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | | | |
| Adjusted Operating Inc | $1,350,000 | $3,022,000 | $4,296,000 | $2,165,000 | $1,661,000 | $1,631,000 | $2,067,000 | $7,524,000 | $2,756,000 | $2,551,000 | | | |
| Operating Margin % | 24.68% | 32.73% | 36.38% | 43.09% | 41.01% | 39.21% | 37.87% | 40.25% | 37.98% | 42.33% | | | |
| Bps Change | | 805 | 365 | 895 | 797 | 224 | **(309)** | 388 | **(511)** | 131 | | | |
| **Japan:** | | | | | | | | | | | | | |
| Revenue | $1,084,000 | $1,728,000 | $2,279,000 | $783,000 | $887,000 | $910,000 | $1,401,000 | $3,981,000 | $1,433,000 | $1,383,000 | | | |
| Revenue Growth % | | 59.4% | 31.9% | 57.2% | 51.1% | 62.5% | 121.0% | 74.7% | 83.0% | 55.9% | | | |
| Operating Income | $233,000 | $549,000 | $961,000 | $354,000 | $441,000 | $390,000 | $661,000 | $1,846,000 | $572,000 | $689,000 | | | |
| Non-Recurring Items | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | | | |
| Adjusted Operating Inc | $233,000 | $549,000 | $961,000 | $354,000 | $441,000 | $390,000 | $661,000 | $1,846,000 | $572,000 | $689,000 | | | |
| Operating Margin % | 21.49% | 31.77% | 42.17% | 45.21% | 49.72% | 42.86% | 47.18% | 46.37% | 39.92% | 49.82% | | | |
| Bps Change | | 1,028 | 1,040 | 1,710 | 798 | **(589)** | **(61)** | 420 | **(529)** | 10 | | | |
| **Retail:** | | | | | | | | | | | | | |
| Revenue | $4,362,000 | $7,292,000 | $6,656,000 | $1,971,000 | $1,683,000 | $2,578,000 | $3,566,000 | $9,798,000 | $3,847,000 | $3,191,000 | | | |
| Revenue Growth % | | 67.2% | -8.7% | 12.9% | 22.2% | 72.8% | 74.7% | 47.2% | 95.2% | 89.6% | | | |
| Operating Income | $876,000 | $1,661,000 | $1,677,000 | $481,000 | $373,000 | $593,000 | $917,000 | $2,364,000 | $1,030,000 | $807,000 | | | |
| Non-Recurring Items | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | | | |
| Adjusted Operating Inc | $876,000 | $1,661,000 | $1,677,000 | $481,000 | $373,000 | $593,000 | $917,000 | $2,364,000 | $1,030,000 | $807,000 | | | |
| Operating Margin % | 20.08% | 22.78% | 25.20% | 24.40% | 22.16% | 23.00% | 25.72% | 24.13% | 26.77% | 25.29% | | | |
| Bps Change | | 270 | 242 | 98 | **(86)** | **(294)** | **(192)** | (107) | 237 | 313 | | | |
| **Asia-Pacific/Other:** | | | | | | | | | | | | | |
| Revenue | $1,756,000 | $2,686,000 | $3,179,000 | $1,813,000 | $1,886,000 | $1,825,000 | $2,732,000 | $8,256,000 | $4,987,000 | $4,743,000 | | | |
| Revenue Growth % | | 53.0% | 18.4% | 141.7% | 183.6% | 159.6% | 157.5% | 159.7% | 175.1% | 151.5% | | | |
| Operating Income | $389,000 | $748,000 | $1,100,000 | $820,000 | $892,000 | $841,000 | $1,094,000 | $3,647,000 | $2,042,000 | $2,045,000 | | | |
| Non-Recurring Items | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | | | |
| Adjusted Operating Inc | $389,000 | $748,000 | $1,100,000 | $820,000 | $892,000 | $841,000 | $1,094,000 | $3,647,000 | $2,042,000 | $2,045,000 | | | |
| Operating Margin % | 22.15% | 27.85% | 34.60% | 45.23% | 47.30% | 46.08% | 40.04% | 44.17% | 40.95% | 43.12% | | | |
| Bps Change | | 570 | 675 | 1,483 | 1,542 | 1,265 | (1) | 957 | **(428)** | **(418)** | | | |
| **Total Company:** | | | | | | | | | | | | | |
| Revenue | $24,578,000 | $37,491,000 | $42,905,000 | $15,683,000 | $13,499,000 | $15,700,000 | $20,343,000 | $65,225,000 | $26,741,000 | $24,667,000 | | | |
| Revenue Growth % | | 52.5% | 14.4% | 32.0% | 48.6% | 61.3% | 66.7% | 52.0% | 70.5% | 82.7% | | | |
| Operating Income | $5,846,000 | $10,881,000 | $14,692,000 | $5,631,000 | $5,041,000 | $5,452,000 | $6,847,000 | $22,971,000 | $9,299,000 | $9,847,000 | | | |
| Other Corporate Exp | ($1,197,000) | ($2,038,000) | ($2,242,000) | ($701,000) | ($831,000) | ($999,000) | ($1,176,000) | ($3,707,000) | ($1,173,000) | ($1,686,000) | | | |
| Stock-Based Comp | ($242,000) | ($516,000) | ($710,000) | ($205,000) | ($231,000) | ($219,000) | ($224,000) | ($879,000) | ($299,000) | ($287,000) | | | |
| Non-Recurring Items | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | | | |
| Adjusted Operating Inc | $4,407,000 | $8,327,000 | $11,740,000 | $4,725,000 | $3,979,000 | $4,234,000 | $5,447,000 | $18,385,000 | $7,827,000 | $7,874,000 | | | |
| Operating Margin % | 17.93% | 22.21% | 27.36% | 30.13% | 29.48% | 26.97% | 26.78% | 28.19% | 29.27% | 31.92% | | | |
| Bps Change | | 428 | 515 | 403 | 390 | **(7)** | **(340)** | 82 | **(86)** | 244 | | | |

**Note: Italics indicate TRG estimates. Amounts above per company reports. Amounts in thousands (000).*

# Apple (AAPL) Balance Sheet/Other Disclosures

20-Apr-11

| | Q1 2009<br>26-Dec-09 | Q2 2009<br>27-Mar-10 | Q3 2009<br>26-Jun-10 | Q4 2009<br>25-Sep-10 | Q1 2010<br>25-Dec-10 | Q2 2010<br>26-Mar-11 | Q3 2010 | Q4 2010 |
|---|---|---|---|---|---|---|---|---|
| **Income Statement:** | | | | | | | | |
| Stock-Based Compensation | ($205,000) | ($231,000) | ($219,000) | ($224,000) | ($299,000) | ($287,000) | | |
| Growth % | | | | | 45.9% | 24.2% | | |
| Product Warranty Accruals | ($142,000) | ($141,000) | ($157,000) | ($457,000) | ($396,000) | ($448,000) | | |
| Growth % | -13.9% | 95.8% | 141.5% | 231.2% | 178.9% | 217.7% | | |
| Product Warranty Actual Cost | ($135,000) | ($137,000) | ($155,000) | ($286,000) | ($253,000) | ($249,000) | | |
| Growth % | -5.6% | 7.0% | 25.0% | 105.8% | 87.4% | 81.8% | | |
| Tax Rate % | -29.00% | -23.70% | -24.21% | -21.11% (-24.42% Yr) | -24.60% | -24.22% | | |
| **Balance Sheet:** | | | | | | | | |
| Inventory | $576,000 | $638,000 | $942,000 | $1,051,000 | $885,000 | $930,000 | | |
| Growth % | 45.5% | 104.5% | 147.9% | 131.0% | 53.6% | 45.8% | | |
| Accounts Receivable | $3,090,000 | $2,886,000 | $3,447,000 | $5,510,000 | $6,027,000 | $5,798,000 | | |
| Growth % | | | | 63.9% | 95.0% | 100.9% | | |
| Vendor Non-Trade Receivables | $1,791,000 | $1,743,000 | $2,952,000 | $4,414,000 | $4,847,000 | $5,297,000 | | |
| Growth % | | | | 160.3% | 170.6% | 203.9% | | |
| Cell Carrier % Trade Receivables | | | | 64% | 54% | 64% | | |
| Accrued Warranty & Related Costs | $584,000 | $588,000 | $590,000 | $761,000 | $904,000 | $1,103,000 | | |
| Growth % | | | | 31.9% | 54.8% | 87.6% | | |
| Inventory Component Prepay Out | $1,044,000 | $971,000 | $991,000 | $956,000 | $1,600,000 | $2,400,000 | | |
| Growth % | | | | -17.1% | 53.3% | 147.2% | | |
| OBS Mfg & Component Purch Commit | $3,700,000 | $4,900,000 | $6,200,000 | $8,200,000 | $7,900,000 | $11,000,000 | | |
| Growth % | | | | | 113.5% | 124.5% | | |

**Italics indicate TRG estimate. Amounts in thousands (000).*

# Apple (AAPL) Guidance Worksheet - FY 2010 & FY 2009

20-Apr-11

| | Q1 2010 Guidance | Q1 2010 Actual | Q2 2010 Guidance | Q2 2010 Actual | Q3 2010 Guidance | Q3 2010 Actual | Q4 2010 Guidance | Q4 2010 Actual |
|---|---|---|---|---|---|---|---|---|
| **Guidance Date:** | 18-Oct-10 | | 18-Jan-11 | | 20-Apr-11 | | | |
| **Revenue:** | $23.0B | $26.741 | $22.0B | $24.667 | $23.0B | | | |
| Net Revenue Growth % | +46.7% | 70.5% | +63.0% | 82.7% | +46.5% | | | |
| **GPM%:** | 36.00% | 38.51% | 38.50% | 41.42% | 38.00% | | | |
| Bps Change | Lower 488 Bps | Lower 237 Bps | Lower 317 Bps | Lower 25 Bps | Lower 108 Bps | | | |
| | includes $52M Stock Comp | ($52M) | includes $50M Stock Comp | ($51M) | includes $55M Stock Comp | | | |
| **Oper Expense Dollars:** | $2.325B | **$2.471** | $2.35B | $2.344 | $2.50B | | | |
| Growth % | +37.9% | 46.6% | +42.8% | 42.4% | +31.4% | | | |
| | includes $250M Stock Comp | ($247M) | includes $250M Stock Comp | ($236M) | includes $255M Stock Comp | | | |
| **Other Income/(Expense):** | $65M | $136M | $50M | $26M | $70M | | | |
| **Tax Rate %:** | -25.50% | -24.60% | -25.50% | -24.22% | -25.00% | | | |
| **EPS:** | $4.80 | $6.43 | $4.90 | $6.40 | $5.03 | | | |
| Growth % | +30.8% | 75.2% | +47.1% | 92.2% | +43.3% | | | |

| | Q1 2009 Guidance | Q1 2009 Actual | Q2 2009 Guidance | Q2 2009 Actual | Q3 2009 Guidance | Q3 2009 Actual | Q4 2009 Guidance | Q4 2009 Actual |
|---|---|---|---|---|---|---|---|---|
| **Guidance Date:** | 19-Oct-09 | | 25-Jan-10 | | 20-Apr-10 | | 20-Jul-10 | |
| **Revenue:** | $11.3B to $11.6B | | $11.0B to $11.4B | $13.499 | $13.0B to $13.4B | $15.700 | $18.0B | $20.343 |
| Net Revenue Growth % | **above pre-EITF 09-03 adopt** | | +21.1% to +25.5% | 48.6% | +33.6% to +37.7% | 61.3% | +47.5% | 66.7% |
| **GPM%:** | 34.00% | 40.88% | 39.00% | 41.67% | 36.00% | 39.08% | 35.00% | 36.93% |
| Bps Change | | | Lower 93 Bps | Higher 174 Bps | Lower 492 Bps | Lower 184 Bps | Lower 682 Bps | Lower 489 Bps |
| | includes $33M Stock Comp | **($37M)** | includes $40M Stock Comp | ($37M) | includes $36M Stock Comp | **($38M)** | includes $40M Stock Comp | ($39M) |
| **Oper Expense Dollars:** | $1.64B | $1.686 | $1.64B | $1.646 | $1.83B | $1.902 | $2.00B | $2.065 |
| Growth % | | | +25.4% | 26.2% | +35.5% | 40.8% | +40.7% | 45.3% |
| | includes $178M Stock Comp | ($168M) | includes $190M Stock Comp | ($194M) | includes $185M Stock Comp | ($181M) | includes $195M Stock Comp | ($185M) |
| **Other Income/(Expense):** | $30M | $33M | $30M | $50M | $45M | $58M | $50M | $14M |
| **Tax Rate %:** | -30.00% | -29.00% | -27.00% | -23.70% | -27.00% | -24.21% | -26.50% | -21.11% |
| **EPS:** | $1.70 to $1.78 | $3.67 | $2.06 to $2.18 | $3.33 | $2.28 to $2.39 | $3.51 | $3.44 | $4.64 |
| Growth % | **above pre-EITF 09-03 adopt** | | +15.1% to +21.8% | 86.0% | +13.4% to +18.9% | 74.6% | +24.2% | 67.5% |

# Apple (AAPL) Guidance Worksheet - FY 2008 & FY 2007

03-Jan-11

| | Q1 2008 Guidance | Q1 2008 Actual | Q2 2008 Guidance | Q2 2008 Actual | Q3 2008 Guidance | Q3 2008 Actual | Q4 2008 Guidance | Q4 2008 Actual |
|---|---|---|---|---|---|---|---|---|
| **Guidance Date:** | 21-Oct-08 | | 21-Jan-09 | | 22-Apr-09 | | 21-Jul-09 | |
| **Revenue:** | $9.0B to $10.0B | $10.170 | $7.6B to $8.0B | $8.160 | $7.7B to $7.9B | $8.340 | $8.7B to $8.9B | $9.870 |
| **EPS:** | $1.06 to $1.35 | $1.78 | $0.90 to $1.00 | $1.33 | $0.95 to $1.00 | $1.35 | $1.18 to $1.23 | $1.82 |

| | Q1 2007 Guidance | Q1 2007 Actual | Q2 2007 Guidance | Q2 2007 Actual | Q3 2007 Guidance | Q3 2007 Actual | Q4 2007 Guidance | Q4 2007 Actual |
|---|---|---|---|---|---|---|---|---|
| **Guidance Date:** | 22-Oct-07 | | 22-Jan-08 | | 23-Apr-08 | | 07.21.2008 | |
| **Revenue:** | $9.2B | $9.600 | $6.8B | $7.510 | $7.2B | $7.460 | $7.8B | $7.900 |
| Net Revenue Growth % | | | | | | | | |
| **EPS:** | $1.42 | $1.76 | $0.94 | $1.16 | $1.00 | $1.19 | $1.00 | $1.26 |