



Infomail

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The Largest Company on Earth

“Older people sit down and ask, “What is it?”...but the boy asks, “What can I do with it?””

Steve Jobs, Apple Co-Founder 1955-2011

With a total market capitalization of about \$750 billion, Apple Inc. is almost twice the size of Exxon Mobil and Microsoft, which both weigh in at about \$400 billion. Apple Computer was founded in 1976 (39 years ago) in a garage in Cupertino, California, while Exxon Mobil has its roots going back to 1870, when the Rockefellers began Standard Oil.

Apple's worldwide annual revenue in 2014 totaled an amazing \$182 billion, and has consistently been recognized as the world's most valuable brand.

To say Apple has been one of the greatest success stories on the planet would be a huge understatement.

But it wasn't always that way.....

Apple went public in December 1980 at \$22.00, generating more capital than any IPO since Ford Motor in 1956, and instantly created more millionaires (about 300) than any company in history.

Its products, driven by a perfection obsessed Steve Jobs are legendary:

- 1984 The Macintosh personal computer
- 2001 Apple retail stores opened
- 2007 iTunes
- 2007 iPod
- 2008 iPhone
- 2010 iPad
- 2011 iCloud
- 2015 Apple Watch

But from 1991 to 1997, Apple Computer as a company went into decline due to several factors, including bad management restructuring and acquisitions which were unsuccessful (digital cameras, portable CD players, video consoles, TV appliances, etc.) Enormous resources were invested in the problem plagued Newton, based on then CEO John Scully's unrealistic market forecasts. In the meantime, in the late 1980's, Scully ousted founded Steve Jobs in a corporate power struggle.

It would be a huge setback for Apple and personally for Jobs.....but would set up for a corporate comeback never seen in US history.

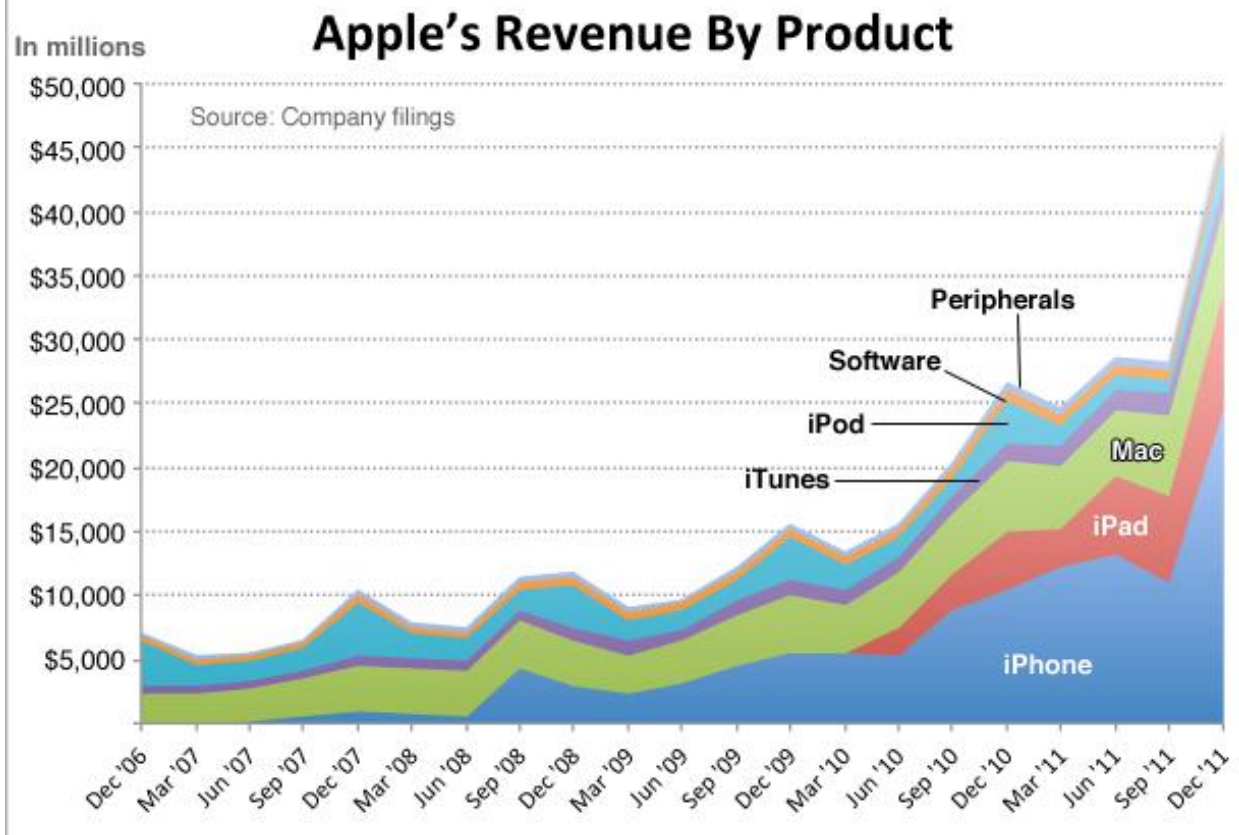
After a series of disastrous CEO's (Scully/Spindler/Amelio), the Apple board brought back Jobs in 1997 with its purchase of Next Inc., Job's company at the time.

The rest as they say is history.

Job's passion and perfectionism and Apple's success in mobile devices exploded the company's growth. Even though Jobs resigned in 2011 due to failing health (passing away in October 2011), his legacy and the culture he created have carried on.

Last week, Apple announced their latest quarterly earnings, and the numbers were simply astounding:

- Net income of over \$13 billion in Q2 (vs. \$10 billion a year ago)
- Revenue up +27% to \$58 billion
- Raised its annual dividend (which is now greater than its stock price from 11 years ago)
- Apple's market cap is over \$750 billion (to get to \$1 trillion, it's price needs to be about \$172 per share)
- Apple is worth 90 points in the S&P 500 (That's what the whole index was in 1978).

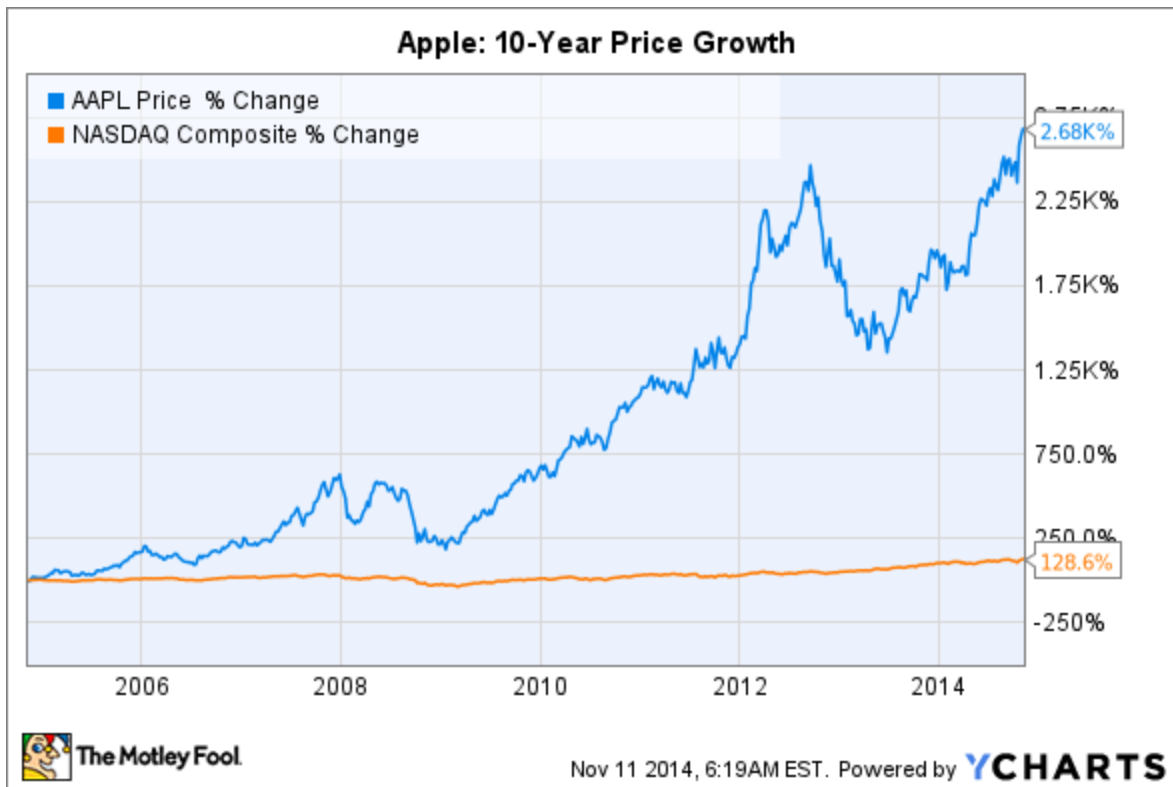


Some more interesting statistics for your next cocktail party:

- Apple has \$5200 in iPhone sales, every second, every day
- Apple has enough cash in the bank (\$190 billion) to buy every single team in the NFL, NBA, NHL and Major League Baseball
- If Apple shareholders sold their stake, they would be able to purchase the entire stock market of Russia and still have enough money to buy every Russian an iPhone 6

The law of big numbers just doesn't seem to apply to Apple, as it announced last week its intention to return \$200 billion (with a "B") of capital to shareholders through 2017 in the form of buybacks and dividends, which is more than the market capitalization of Disney or AT&T.

And yet, despite its success, most clients would not have been able to tolerate the wild swings in the stock, proving once again that long term time horizons is the path to true wealth building.



And while I have some reservations on what Apple's creations have done to our youth in terms of productivity and social implications, I will save that rant for another writing!

In the meantime, enjoy the success of Apple, a company stated by Steve Jobs, Steve Wozniak and Ron Wayne. Wait a second, you say? We've all heard about Jobs and Wozniak over the years, but who's this 'Ron Wayne' guy?

He's the guy who sold his share of the company back to Jobs and Wozniak in 1977, just before it went public.....for just \$800. Ouch!

Stay tuned,

Vito Finucci
Vice President and Director
Investment Advisor

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