

Apple: The Next Bubble in Stock Market History?**BUY @ \$260**

- **Model moving away from hardware towards “subscription” software and services.**
- **Market share of phones can go from 3% to well over 10%.**
- **Stock trades close to just 12x ex-cash PE.**

Company	Apple
Recommendation	STRONG-BUY
Price	\$260
Price Target	\$400
Upside	+54%
Price Downside	\$200
Downside	-23%
Relevant	PE ex-cash
Valuation Metric	
Current Multiple	12x

Apple is helping define the next stage in human technological development and will be studied by social scientists, as a contributory factor to the democratic, religious, ethical and socioeconomic trends of the early 21st Century. The realities of the previous internet bubble (1998-2000) are now hitting home in terms of global web usage, data volumes and consumer electronics.

I took a big bite on Apple back in December 2008. I'd just got my shiny new iPhone, the stock was trading like a dog, along with the rest of the market and priced at \$86 had nearly \$30 in cash on the balance sheet. It felt like a once-in-a-lifetime opportunity to acquire shares in one of the best companies in the world - a **company with a natural monopoly on design and engineering talent**. 18 months later, Apple still has well under 5% global market share in computers and has only sold 51m iPhones to date. The global market size is over 1 billion phones annually.

At \$260 Apple is still one to own. **The model has moved away from hardware, towards software, subscriptions, music and video.** This sort of business can trade on a high multiple for a long time. I believe I will be an iPhone user for many years, in the same way owning an iPod made me buy a Mac and loving my Mac made me buy a MacBook. As Apple builds up a user base of millions and millions of like-minded consumers around the world this stock will keep performing.

For some inspiration watch this:

<http://www.youtube.com/watch?v=UF8uR6Z6KLc>

Now these aren't all original angles and I am **careful not to appear too evangelical about what is, at the end of the day, a stock**. The major caveat - everyone else loves the stock like me - use any wobbles in the market to top-up. Normally I like to stay away from the herd, but I'm making an exception here. With any growth stock there will be periods of disappointment where the hype can die down but I think Apple can trade as high as \$400 in time, and will write further on my financial analysis later.

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