



## COMPANY UPDATE / ESTIMATE CHANGE / TARGET CHANGE

### Key Metrics

AAPL - NASDAQ - as of	11/2/17	\$168.11
Price Target		\$192.00
52-Week Range	\$104.08 -	\$169.94
Diluted Shares Outstanding (mil.)		5183.6
Market Cap. (\$mm)		\$871,412.5
1-Mo. Average Daily Volume		26,027,486
Institutional Ownership		63%
Debt/Total Capital (net)	FQ4'17	0%
ROE		36.9%
Book Value / Share	FQ4'17	\$26.03
Price / Book Value		6.5x
Indicated Dividend / Yield	\$2.52	1.5%
LTM EBITDA Margin		30.8%

### GAAP EPS FY 9/30

	Prior	Current	Prior	Current
	2017A	2018E	2018E	2019E
1Q	\$3.36	\$3.74	\$3.82	\$4.08
2Q	\$2.10	\$2.57	\$2.67	\$2.78
3Q	\$1.67	\$1.98	\$2.06	\$2.09
4Q	\$2.07	\$2.19	\$2.35	\$2.44
Year	\$9.19	\$10.48	\$10.90	\$11.39
P/E	18.3x		15.4x	14.0x

### Revenue (\$BN)

	Prior	Current	Prior	Current
	2017A	2018E	2018E	2019E
1Q	\$78.3	\$84.6	\$86.8	\$87.6
2Q	\$52.9	\$62.3	\$62.9	\$64.8
3Q	\$45.4	\$51.4	\$51.5	\$52.0
4Q	\$52.5	\$55.9	\$57.2	\$59.3
Year	\$229.2	\$254.3	\$258.6	\$263.9

**Company Description:** Apple Inc. designs, manufactures and markets hardware including the Mac, iPhone, iPad, iPod, Apple Watch, TV and Beats headphones. Apple also develops software, the Mac OS X operating system and the iOS mobile operating system, along with other consumer and professional software applications and services including Maps and Apple Pay. Third-party digital content is sold through iTunes and the App Store. The company sells its products globally through Apple retail stores, an online store and other traditional retail chains. The company is headquartered in Cupertino, California.

## Technology

Analyst: Stephen Turner  
502.588.8675 / STurner@hilliard.com  
Institutional Sales Desk: George Moorin  
502.588.9141 / GMoorin@hilliard.com  
J.J.B. Hilliard, W.L. Lyons, LLC  
November 3, 2017

## Apple Inc.

AAPL - NASDAQ – Long term Buy -1

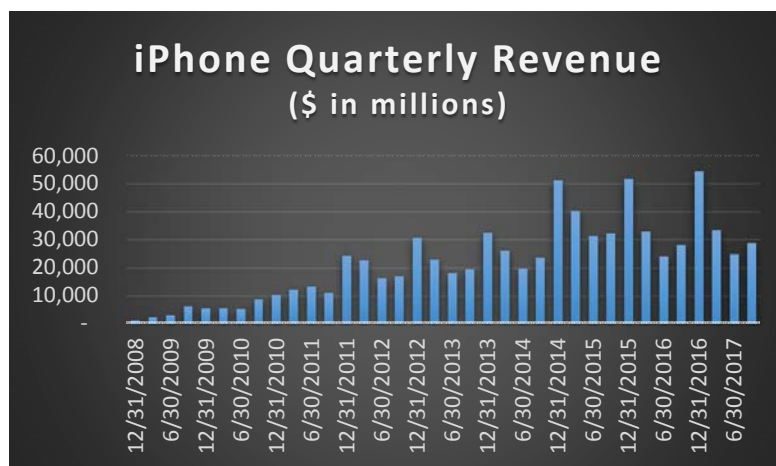
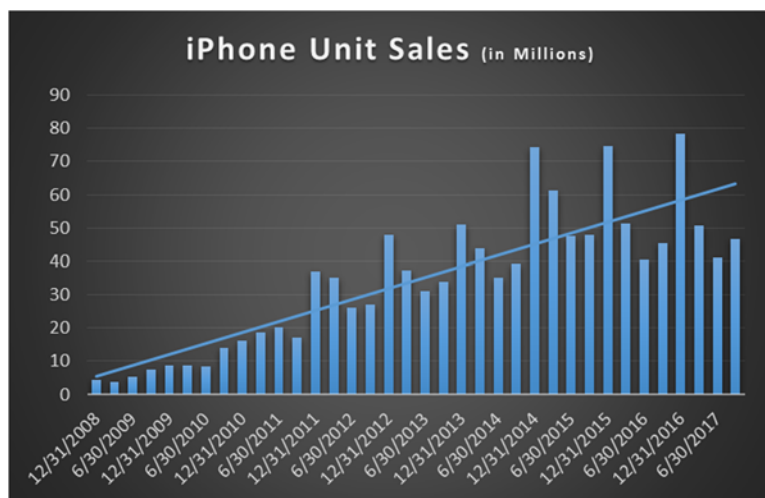
### Record Global Sales, Strong iPhone X Demand, Record Holiday Quarter Guidance; Raising PT to \$192

- Results.** Apple reported record quarterly revenue of \$52.6 billion, a 12% y/y increase. Revenue was above the consensus analyst estimate of \$50.89 billion and our target of \$51.79 billion on across the board strength among product, services, and geographies. Sales in India doubled y/y. Gross margin declined 10 bps y/y to 37.9%, matching our view. Operating expense increased 12.5% y/y to 13% of total revenue vs. 12.9% last year. Net income totaled \$10.7 billion, an increase of 19% y/y. Apple spent \$7.8 billion repurchasing shares, reducing share count by 4% y/y leading to an EPS increase of a very strong 24% y/y to \$2.07, above our estimate of \$1.95 and the consensus view of \$1.87. Operating cash flow was \$15.6 billion, while free cash flow was \$11.8 billion. Cash & investments reached \$269 billion.
- Highlights.** Apple sold 46.6 million iPhones, up 3% y/y, vs. our expectation for 48.5 million. The iPhone 8 & 8 Plus models have become the best-selling iPhones on the market. The average selling price was \$618 vs \$619 last year. iPhone revenue was \$28.8 billion, up 2% y/y. iPad unit sales totaled 10.33 million vs. our view of 10.75 million, up 11% y/y. iPad ASP jumped to \$468 vs. \$459 last year. iPad revenue increased 10% y/y to \$4.8 billion. Mac unit sales were up 10% y/y to 5.38 million, while the average selling price increased from \$1,175 to \$1,331. Services revenue had a record quarter, better than we expected, increasing 34% y/y to \$8.5 billion.
- Guidance.** FQ1 revenue guidance was provided of \$84 billion to \$87 billion vs. our prior view of \$84.6 billion. Gross margin was guided to 38% to 38.5% on new component cost pressure vs. our 38.3% view. Operating expense was guided to \$7.65 billion to \$7.75 billion vs. our prior \$7.4 billion estimate.
- Outlook.** We raise our FQ1'18 EPS estimate to \$3.82 from \$3.74 on better than expected iPhone X demand and an improved global macro outlook. Our FY'18 EPS estimate increases to \$10.90 from \$10.48. We boost our FY'19 EPS target to \$11.99 from \$11.39 as we phase in a lower tax rate.
- Opinion.** We raise our price target to \$192 from \$182 and reiterate our Long-term Buy rating.

**Note Important Disclosures on Pages 9-10**  
**Note Analyst Certification on Page 9**

**PRODUCT REVIEW**

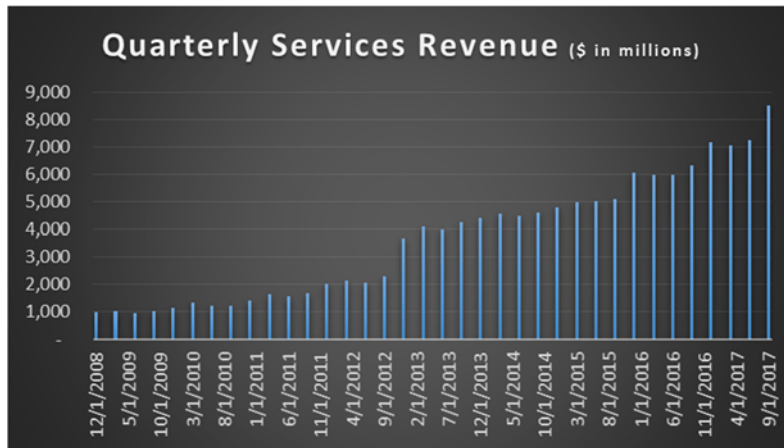
**iPhone.** Apple sold 46.6 million iPhones, up 3% y/y, vs. our expectation for 48.5 million. The average selling price was \$618, roughly in line with last year before the expected boost in ASP from the iPhone X. The recently launched iPhone 8 & 8 Plus models have become the best-selling iPhones on the market. iPhone revenue rose to \$24.8 billion, up 3% y/y. iPhone segment revenue represented 54.9% of total revenue vs. 60.1% last year as Services revenue increased 34% y/y. The iPhone X launches globally in stores today. First signs point to even stronger demand than we previously expected. We also note global pre-orders have been strong with pre-orders from one store in China for example taking orders for more iPhone X's in 50 minutes than the iPhone 7 did all day. This points to a healthier Chinese consumer in a country that now has 950 million 4G users. Greater China revenue of \$9.8 billion increased 12% y/y vs. 6 prior quarters of consecutive double-digit declines. We continue to expect y/y iPhone revenue growth in FQ1 on strong iPhone 10 demand, easier y/y ASP comparisons, and guidance that would suggest there is enough pre-holiday supply. We forecast a significant and extended global iPhone upgrade cycle vs. prior cycles.



Source: Company reports

**Services.** The Services segment, which includes iTunes purchased content, Apple Pay, App Store, Apple Music, iCloud, service parts, licensing, and other revenue, posted record revenue of \$8.5 billion, a better than expected 34% y/y increase. This significantly beat our \$7.45 billion view, however \$640 million in revenue was the result of an accounting adjustment. Services revenue represented an all-time high at 16.2% of total revenue, a major positive, in our view, allowing diversification and lowering product specific risk.

In our opinion, this represents one of the single greatest product category opportunities for Apple as the company builds out content services including Apple Pay, Apple Music, and Apple TV content sales, and other subscription services. We also expect ARkit, Core ML, CarPlay, Healthkit, and Homekit to boost service revenue and related hardware sales longer term. FY'17 services revenue reached \$30 billion and we believe Apple is well on its way to reaching its goal of \$48 billion in FY'20 services revenue. Paid subscriptions totaled 210 million, up 25 million sequentially. We view the services platform as a vacuum hose diverting 15% of revenue from major companies into Apple's coffers. We expect continued growth with announcements like that of Walt Disney and its plans to offer an OTT video streaming subscription service. We also believe over time Apple will offer greater Apple branded services like Apple Music and Apple Pay.



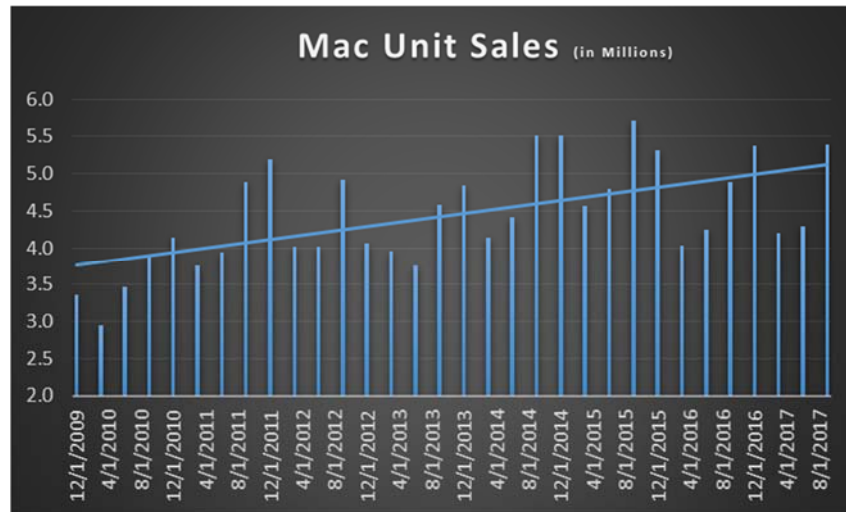
Source: Company reports

**iPad.** iPad unit sales jumped 11% y/y to 10.33 million, compared to our 10.75 million view. iPad ASP increased to \$468 compared to \$459 last year. iPad revenue increased 14% y/y to \$4.8 billion. The iPad represented 9.2% of total revenue. iPad sales were strong across geographies, within education, and enterprise markets. We continue to believe consumers will upgrade their iPad devices less frequently than iPhones but enterprise and education markets as well as new functionality from AR and other high performance software requirements will boost demand as we experienced during the quarter.



Source: Company reports

**Mac.** Mac unit sales were up 10% y/y to 5.4 million, vs. our 5.1 million view. The average selling price increased to \$1,331 vs. \$1,175 last year. Mac revenue of \$7.2 billion increased 25% y/y due to strong demand for the MacBook Pro. We expect global adoption of Macs to continue as the halo effect regarding customer satisfaction with Apple's mobile devices translates into higher Mac sales above that of the overall PC market. We expect a new iMac Pro refresh this quarter to again lift ASP. However, we note competition has increased but could ultimately be beneficial if innovation boosts PC demand.



Source: Company reports

**Other Products.** The other products category includes the Apple Watch, iPod, AirPods, Beats headphones, Apple TV, HomePod, and accessories. Revenue totaled \$3.2 billion, up 36% y/y, representing an all-time high 6.1% of total revenue. Apple Watch unit sales increased 50% sequentially. We expect a strong holiday quarter for the segment from strong AirPods demand, and the release of the Apple Watch Series 3, 4K Apple TV, HomePod, and new Beats headphones.

### GEOGRAPHIC SEGMENT REVIEW

Global sales were strong across all geographies. The Americas region, Apple's largest region, represented 44% of total revenue with sales increasing 14% y/y to \$23 billion, the fastest growth rate in 2 years. European revenue of \$13 billion increased 20% from a year ago. Greater China region sales increased 12% y/y to \$9.8 billion, its first y/y expansion since FQ1'16. Japan sales declined 11% y/y to \$3.8 billion on a difficult comparison to the year ago quarter. Asia Pacific sales increased 5% to \$2.8 billion. In general, global sales broadly improved from a year ago.

### FINANCIAL MANAGEMENT

Operating cash flow was \$15.6 billion, while free cash flow was \$11.8 billion. Cash & investments reached \$269 billion or \$52 per share, \$30 per share on a net cash basis. The company returned over \$11.1 billion to shareholders during the quarter. We believe Apple has enough cash on hand to continue to pay out all free cash flow in the form of dividends and buybacks. We also believe the GOP tax plan would allow Apple to repatriate overseas cash and deploy that capital through M&A, infrastructure build out, continued buybacks, and dividend increases. We incorporate a slightly lower tax rate to our outer periods within our model but do not incorporate any changes from repatriation.

**OUTLOOK**

FQ1 revenue guidance was provided of \$84 billion to \$87 billion vs. our prior view of \$84.6 billion. Gross margin was guided to 38% to 38.5% on new component cost pressure vs. our prior 38.3% view as we expected memory chip price pressure and new costs related to the iPhone X and a double iPhone launch. Operating expense was guided to \$7.65 billion to \$7.75 billion vs. our prior \$7.4 billion estimate. We raise our FQ1'18 EPS estimate to \$3.82 from \$3.74 on better than expected iPhone X demand and an improved global macro spending outlook. Our FY'18 EPS estimate increases to \$10.90 from \$10.48. We boost our FY'19 EPS target to \$11.99 from \$11.39 as we phase in a lower tax rate.

**VALUATION & OPINION**

**We increase our FYE'19 price target to \$192 from \$182 and reiterate our Long-term Buy rating.** Our updated price target reflects our higher fiscal 2019 estimate. We maintain our forward P/E multiple of 16x, which we find as conservative vs. Apple's current 19x forward multiple. We maintain our 16x multiple despite accelerating EPS growth. We believe our price target is justified and could significantly undervalue AAPL shares as we do not include Apple's cash balance of \$269 billion, which could ultimately be repatriated to further boost our growth outlook. Excluding net cash, shares trade at a forward P/E multiple of 11.6x our FY'19 EPS estimate. In our opinion, the recent price appreciation in Apple shares reflects Apple's return to solid growth and higher expectations following the fall product launches. Our price target of \$192 represents a potential total return of 15% including dividends at today's \$172 price. We believe AAPL shares remain a core holding for investors seeking capital appreciation and a growing income stream. We note, if the tax plan becomes law, Apple repatriates its cash, and has a strong holiday quarter, we believe shares could over shoot our price target and could reach \$228, however this may be on peak earnings at a peak multiple and is not an outlook we currently recommend or are comfortable with at our current 1-suitability rating.

**SUITABILITY**

We assign shares of AAPL a suitability rating of 1 on our scale of 1-4 (1 = most conservative, 4 = most aggressive). A 1 rating is given based on Apple's long and reputable history as a public consumer electronics company. While a majority of revenue is derived solely from iPhone sales, we believe Apple has the ability to expand its services offering and continue to introduce new products over time. We also take into consideration the company's large cash balance and significant free cash flow generating ability. We believe a suitability rating of 1 incorporates these attributes. We believe AAPL shares remain a core holding for investors seeking capital appreciation and a growing income stream.

**RISKS & CONSIDERATIONS**

Risks to our valuation include but are not limited to:

- Uncertainty regarding potential court proceedings with Qualcomm, which could produce unintended consequences.
- Potential health risks, including brain cancer, caused by wireless device usage. Apple recommends users carry iPhones at least 5 millimeters away from the body. Regulators may begin to require a warning vs. the current recommendation, which could impact future sales.
- Management's ability to secure and retain top talent
- Possible risks from changes in the smartphone selling model.
- Piracy issues: Apple's ability to protect intellectual property rights against global competitors, including software and brand piracy
- Macroeconomic issues, including higher future international tax rates or tariffs, a decline in consumer spending, or changes in consumer behavior/willingness to continue purchasing devices rather than fully functional PCs
- Lack of innovation due to a "closed-ecosystem" versus competitors' "open-ecosystem" architecture

- The risk of excessive spending due to rapid technological advances. Apple must ensure a timely flow of competitive products and services to compete
- Increased competition from global competitors, particularly low cost Asian manufacturers
- The International Trade Commission's ability to ensure Apple's patents, trademarks, copyrights and licenses are enforced and upheld. Continued legal disputes involving patent infringement lawsuits and federal government inquiries into anti-competitive business practices, health and environmental concerns
- Component shortages or pricing risk due to single source availability. Also, future supply disruptions resulting from situations involving natural disaster, geopolitical events, etc.
- A large percentage of future growth expectations tied to emerging market economies which may choose to block certain products or services
- Internally generated product growth outside of the iPhone business could take a significant amount of time to ramp into a meaningful contribution to revenue whether a hardware or service related offering.

*Additional information is available upon request.*

Other stocks mentioned: Walt Disney (DIS-\$98.35-Long term Buy), and Qualcomm Inc. (QCOM-\$54.84).

Apple Inc. - Consolidated Statement of Operations (in millions except per share data and percentages)

	FY'07	FY'08	FY'09	FY'10	FY'11	FY'12	FY'13	FY'14	FY'15	FY'16	FY'17	12/31/2017E	03/31/2018E	06/30/2018E	09/30/2018E	FY'18E	FY'19E
Net Sales	\$ 24,006	\$ 37,491	\$ 42,905	\$ 65,225	\$ 108,249	\$ 156,508	\$ 170,910	\$ 182,795	\$ 233,715	\$ 215,639	\$ 229,234	\$ 86,855	\$ 62,979	\$ 51,574	\$ 57,246	\$ 258,654	\$ 263,984
Cost of Sales	15,852	24,294	25,683	39,541	64,431	87,846	106,606	112,258	140,089	131,376	141,048	53,633	38,606	31,666	35,493	159,398	161,701
Gross Profit	8,154.00	13,197	17,222	25,684	43,818	68,662	64,304	70,537	93,626	84,263	88,186	33,222	24,373	19,908	21,754	99,256	102,283
<b>Operating expenses:</b>																	
Research and Development	782	1,109	1,333	1,782	2,429	3,381	4,475	6,041	8,067	10,045	11,581	3,214	3,149	2,991	3,206	12,560	12,713
Selling, general and admin.	2,963	3,761	4,149	5,517	7,599	10,040	10,830	11,993	14,329	14,194	15,261	4,516	4,220	4,126	4,293	17,155	17,317
Total operating expenses	3,745	4,870	5,482	7,299	10,028	13,421	15,305	18,034	22,396	24,239	26,842	7,730	7,369	7,117	7,499	29,715	30,031
Operating income	4,409	8,327	11,740	18,385	33,790	55,241	48,999	52,503	71,230	60,024	61,344	25,492	17,004	12,790	14,254	69,541	72,253
Other income and expense	599	620	326	155	415	522	1,156	980	1,285	1,348	2,745	650	600	575	600	2,425	2,715
Income before provision for income taxes	5,008	8,947	12,066	18,540	34,205	55,763	50,155	53,483	72,515	61,372	64,089	26,142	17,604	13,365	14,854	71,966	74,968
Provision for income taxes	1,512	2,828	3,831	4,527	8,283	14,030	13,118	13,973	19,121	15,685	15,738	6,535	4,049	2,940	3,119	16,644	16,285
Net Income	\$ 3,496	\$ 6,119	\$ 8,235	\$ 14,013	\$ 25,922	\$ 41,733	\$ 37,037	\$ 39,510	\$ 53,394	\$ 45,687	\$ 48,351	\$ 19,606	\$ 13,555	\$ 10,425	\$ 11,735	\$ 55,322	\$ 58,683
Dividends						\$ 0.38	\$ 1.63	\$ 1.81	\$ 1.98	\$ 2.18	\$ 2.40	\$ 0.63	\$ 0.63	\$ 0.70	\$ 0.70	\$ 2.66	\$ 2.88
<b>GAAP Earnings per share:</b>																	
Diluted	\$ 0.56	\$ 0.97	\$ 1.30	\$ 2.16	\$ 3.95	\$ 6.31	\$ 5.68	\$ 6.43	\$ 9.20	\$ 8.27	\$ 9.19	\$ 3.82	\$ 2.67	\$ 2.06	\$ 2.35	\$ 10.90	\$ 11.99
<b>Shares outstanding:</b> (in millions)																	
Diluted	6,225	6,315	6,349	6,473	6,557	6,617	6,522	6,145	5,805	5,500	5,252	5,131	5,078	5,056	5,002	5,067	4,885
<b>Year/Year Growth Rate:</b>																	
Net Sales	24.3%	56.2%	14.4%	52.0%	66.0%	44.6%	9.2%	7.0%	27.9%	-7.7%	6.3%	10.9%	19.1%	13.6%	8.9%	12.8%	2.1%
Gross Profit	45.7%	61.8%	30.5%	49.1%	70.6%	56.7%	-6.3%	9.7%	32.7%	-10.0%	4.7%	10.1%	18.4%	13.8%	9.1%	12.6%	3.1%
Operating Income	79.7%	88.9%	41.0%	56.6%	83.8%	63.5%	-11.3%	7.2%	35.7%	-15.7%	2.2%	9.1%	20.6%	18.8%	8.6%	13.4%	3.9%
Net Income	75.8%	75.0%	34.6%	70.2%	85.0%	61.0%	-11.3%	6.7%	35.1%	-14.4%	5.8%	9.6%	22.9%	19.6%	9.5%	14.4%	6.1%
EPS			33.9%	66.9%	82.6%	59.5%	-9.9%	13.2%	43.1%	-10.1%	11.1%	13.8%	27.4%	23.8%	13.5%	18.6%	10.0%
Diluted Shares Outstanding	1.34%	1.44%	0.5%	2.0%	1.3%	0.9%	-1.4%	-5.8%	-5.5%	-5.2%	-4.5%	-3.7%	-3.5%	-3.4%	-3.5%	-3.5%	-3.6%
<b>% of Net Sales:</b>																	
Cost of sales	66.0%	64.8%	59.9%	60.6%	59.5%	56.1%	62.4%	61.4%	59.9%	60.9%	61.5%	61.8%	61.3%	61.4%	62.0%	61.6%	61.3%
Gross Profit	34.0%	35.2%	40.1%	39.4%	40.5%	43.9%	37.6%	38.6%	40.1%	39.1%	38.5%	38.3%	38.7%	38.6%	38.0%	38.4%	38.7%
R&D expense	3.3%	3.0%	3.1%	2.7%	2.2%	2.2%	2.6%	3.3%	3.5%	4.7%	5.1%	3.7%	5.0%	5.8%	5.6%	4.9%	4.8%
SG&A expense	12.3%	10.0%	9.7%	8.5%	7.0%	6.4%	6.3%	6.6%	6.1%	6.6%	6.7%	5.2%	6.0%	6.7%	7.5%	6.6%	6.6%
Total operating expense	15.6%	13.0%	12.8%	11.2%	9.3%	8.6%	9.0%	9.9%	9.6%	11.2%	11.7%	8.9%	11.7%	13.8%	13.1%	11.5%	11.4%
Operating Income	18.4%	22.2%	27.4%	28.2%	31.2%	35.3%	28.7%	28.7%	30.5%	27.8%	26.8%	29.4%	27.0%	24.8%	24.9%	26.9%	27.4%
Net Income	14.6%	16.3%	19.2%	21.5%	23.9%	26.7%	21.7%	21.6%	22.8%	21.2%	21.1%	22.6%	21.5%	20.2%	20.5%	21.4%	22.2%

Source: Company reports and Hilliard Lyons estimates



## Apple Inc. - Consolidated Balance Sheet (in millions except per share data and percentages)

	FY'06	FY'07	FY'08	FY'09	FY'10	FY'11	FY'12	FY'13	FY'14	FY'15	FY'16	12/31/2016	3/31/2017	6/30/2017	9/30/2017	FY17
<b>Current assets:</b>																
Cash and Cash Equivalents	\$ 6,392	\$ 9,352	\$ 11,875	\$ 5,263	\$ 11,261	\$ 9,815	\$ 10,746	\$ 14,259	\$ 13,844	\$ 21,120	\$ 20,484	\$ 16,371	\$ 15,157	\$ 18,571	\$ 20,289	\$ 20,289
Short-Term Marketable Securities	3,718	6,034	10,236	18,201	14,359	16,137	18,383	26,287	11,233	20,481	46,671	44,081	51,944	58,188	53,892	53,892
Accounts receivables	1,252	1,637	2,422	3,361	5,510	5,369	10,930	13,102	17,460	16,849	15,754	14,057	11,579	12,399	17,874	17,874
Inventories	270	346	509	455	1,051	776	791	1,764	2,111	2,349	2,132	2,712	2,910	3,146	4,855	4,855
Deferred tax assets	607	782	1,447	2,101	1,636	2,014	2,583	3,453	4,318	5,546	-	-	-	-	-	-
Vendor non-trade receivables					4,414	6,348	7,762	7,539	9,759	13,494	13,545	13,920	9,033	10,233	17,799	17,799
Other current assets	2,270	3,805	5,822	6,884	3,447	4,529	6,458	6,882	9,806	9,539	8,283	12,191	11,367	10,338	13,936	13,936
Total current assets	14,509	21,956	32,311	36,265	41,678	44,988	57,653	73,286	68,531	89,378	106,869	103,332	101,990	112,875	128,645	128,645
Long-term marketable securities			2,379	10,528	25,391	55,618	92,122	106,215	130,162	164,065	170,430	185,638	189,740	184,757	194,714	194,714
Property, plant and equipment	1,281	1,832	2,455	2,954	4,768	7,777	15,452	16,597	20,624	22,471	27,010	26,510	27,163	29,286	33,783	33,783
Goodwill	38	38	207	206	741	896	1,135	1,577	4,616	5,116	5,414	5,423	5,473	5,661	5,717	5,717
Acquired intangible assets	139	299	285	247	342	3,536	4,224	4,179	4,142	3,893	3,206	2,848	2,617	2,444	2,298	2,298
Other assets	1,238	1,222	1,935	3,651	2,263	3,556	5,478	5,146	3,764	5,556	8,757	7,390	7,549	10,150	10,162	10,162
Total assets	17,205	25,347	39,572	53,851	75,183	116,371	176,064	207,000	231,839	290,479	321,686	331,141	334,532	345,173	375,319	375,319
<b>Current liabilities:</b>																
Accounts payable	3,390	4,970	5,520	5,601	12,015	14,632	21,175	22,367	30,196	35,490	37,294	38,510	28,573	31,915	49,049	49,049
Accrued expenses	3,053	4,310	3,719	3,376	5,723	9,247	11,414	13,856	18,453	25,181	22,027	23,739	23,096	23,304	25,744	25,744
Deferred revenue		-	4,853	10,305	2,984	4,091	5,953	7,435	8,491	8,940	8,080	7,889	7,682	7,608	7,548	7,548
Commercial paper									6,308	8,499	8,105	10,493	9,992	11,980	11,977	11,977
Current portion of long term debt										2,500	3,500	3,499	3,999	6,495	6,496	6,496
Total current liabilities	6,443	9,280	14,092	19,282	20,722	27,970	38,542	43,658	63,448	80,610	79,006	84,130	73,342	81,302	100,814	100,814
Deferred revenue-non-current	778	1,535	3,029	4,485	1,139	1,686	2,648	2,625	3,031	3,624	2,930	3,163	3,107	2,984	2,836	2,836
Long term debt								16,960	28,987	53,463	75,427	73,557	84,531	89,864	97,207	97,207
Other non-current liabilities	-	-	1,421	2,252	5,531	10,100	16,664	20,208	24,826	33,427	36,074	37,901	39,470	38,598	40,415	40,415
Total liabilities	7,221	10,815	18,542	26,019	27,392	39,756	57,854	83,451	120,292	171,124	193,437	198,751	200,450	212,748	241,272	241,272
<b>Shareholders' Equity:</b>																
Common Stock	4,355	5,368	7,177	8,210	10,668	13,331	16,422	19,764	23,313	27,416	31,251	32,144	33,579	34,445	35,867	35,867
Retained earnings	5,607	9,101	13,845	19,538	37,169	62,841	101,289	104,256	87,152	92,284	96,364	100,001	100,925	98,525	98,330	98,330
Accumulated other comprehensive income	22	63	8	84	(46)	443	499	(471)	1,082	(345)	634	245	(422)	(545)	(150)	(150)
Total shareholders equity	9,984	14,532	21,030	27,832	47,791	76,615	118,210	123,549	111,547	119,355	128,249	132,390	134,082	132,425	134,047	134,047
Total liabilities and shareholders equity	17,205	25,347	39,572	53,851	75,183	116,371	176,064	207,000	231,839	290,479	321,686	331,141	334,532	345,173	375,319	375,319

Source: Company reports



**Analyst Certification**

I, Stephen Turner, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

**Important Disclosures**

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

The author of this report or members of his household have a long position in the common stock of Apple Inc., but may not engage in buying or selling contrary to our recommendation.

**Suitability Ratings**

- 1** - A large cap, core holding with a solid history
- 2** - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks
- 3** - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage
- 4** - Speculative, due to small size, inconsistent profitability, erratic revenues, volatility, low trading volume or a narrow customer or product base

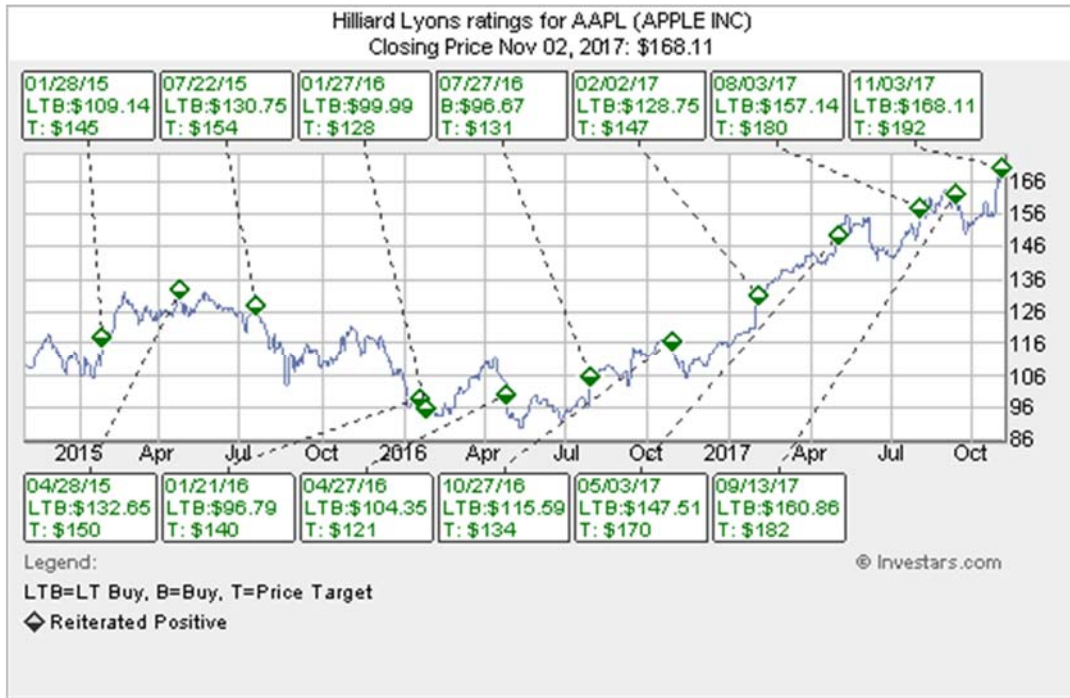
**Investment Ratings**

**Buy** - We believe the stock has significant total return potential in the coming 12 months.

**Long-term Buy** - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

**Neutral** - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

**Underperform** - We believe the stock is vulnerable to a price setback in the next 12 months.



Note: Price targets accompanying Buy ratings reflect a one year time period while price targets accompanying Long-term Buy ratings generally reflect a two to three year time period.

Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	39	32%	8%	92%
Hold/Neutral	74	60%	9%	91%
Sell	8	7%	0%	100%
Restriction	2	2%	100%	0%

As of 5 October 2017

**Other Disclosures**

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