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**Research**  
(646) 780-8880  
[research@tigressfp.com](mailto:research@tigressfp.com)

**Trading**  
(646) 780-8890  
[trading@tigressfp.com](mailto:trading@tigressfp.com)

**Tigress Financial Partners LLC**  
Member of FINRA / MSRB / SIPC  
40 Wall Street  
New York, NY 10005  
(212) 430-8700  
[www.tigressfinancialpartners.com](http://www.tigressfinancialpartners.com)

**Research Highlights****Apple Inc. (AAPL-US) 2**

We reiterate our Strong Buy rating on AAPL. Better-than-expected Q3 results driven by strong iPhone and iPad demand and AAPL's continually expanding ecosystem will continue to drive strong business performance and increasing economic profit.

**Cisco Systems, Inc. (CSCO-US) 3**

We reiterate our Buy rating on CSCO. We believe CSCO's size and dominant position as the global leader in networking together with its increasing focus on security will continue to drive improving business performance increasing Economic Profit and greater shareholder value creation.

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## Research Highlights

### Company Notes

### Apple Inc. (AAPL-US) Technology Hardware, Storage &

**Ivan Feinseth**  
**Chief Investment Officer**  
 (646) 780-8901 Direct  
[ifeinseth@tigressfp.com](mailto:ifeinseth@tigressfp.com)

#### Research Action:

Reiterate Rating

Rating:	Strong Buy
Prior Rating:	Strong Buy
Price 08/19/2016:	\$109.36
52 Week High / Low:	\$123.82 / \$89.47

#### Key Data: (TTM as of Jun-16)

Excess Cash per Share:	\$40.52
Annual Dividend:	\$2.28
Dividend Yield:	2.08%
Ave. Volume (30 Day):	33.1M
Shares Outstanding:	5,388.4M
Float:	5,381.2M
Equity MV:	\$589,279.8M
Sales TTM:	\$218,955.0M
Beta:	1.24
EBITDAR:	\$86,609.8M
NOPAT:	\$48,391.2M
Total Invested Capital:	\$242,068.4M
Return on Capital:	21.54%
Cost of Capital:	6.57%
Economic Profit:	\$33,620.3M
Market Value Added:	\$437,768.8M
Current Operations Value:	\$753,498.3M
Future Growth Value:	-\$73,661.1M

- **We reiterate our Strong Buy rating on AAPL.** Better-than-expected Q3 results driven by strong iPhone and iPad demand and AAPL's continually expanding ecosystem will continue to drive strong business performance and increasing economic profit. Q3 results highlighted AAPL's growth in the Apple Store. We believe a number of catalysts exist to drive greater shareholder value creation including new product launches, acquisitions and the ongoing return of cash to shareholders through increased dividends and share buybacks.
- **Strong global iPhone performance and ecosystem expansion.** Q3 iPhone sales were much better than expected highlighting the product's strength and global demand. While Y/Y revenue, Economic Cash Flow (EBITDAR) and NOPAT were down slightly, we see revenue growth resuming in Q4 and 2017. In Q3, AAPL added millions of first-time smartphone buyers and people switching to new iPhones was at the highest level ever measured. AAPL just marked the sale of its one billionth iPhone. Y/Y Apple Store revenue increased 39% driven by strong services demand and increases in all product categories including music, iCloud, AppleCare and app sales. Q3 was the best iPad quarter in the past two and half years with sales up 7% driven by the rollout of the 9.7 inch iPad Pro.
- **China and India still represent long-term opportunities.** According to China mobile there are more iPhones on their network than any other brand with iPhone users ranking first in data usage and ARPU. India is becoming AAPL's fastest-growing market with Y/Y iPhone sales up 51%. AAPL just announced a design and development accelerator to support Indian developers creating applications for iOS and a new office in Hyderabad to accelerate maps development. AAPL also announced plans to open retail stores in India.
- **Many catalysts still exist.** We believe that AAPL will announce a number of new products in September along with the iPhone 7. We believe AAPL will announce a smart home media hub competitor to the Amazon Echo (AMZN-US, Buy rated) becoming the centerpiece of AAPL's place in the connected home similar to the way Apple Play is its link in the connected car. We believe AAPL's smart home connected hub will have a SIRI like interface and connect media libraries, smart home functionality together with various hardware and service providers and the Internet with the iPhone. The Apple watch is currently the world's bestselling smartwatch and we believe AAPL will announce a new Apple watch by Q1 2017.

For more information or a copy of our complete report, please contact us at (646) 780-8880 or [research@tigressfp.com](mailto:research@tigressfp.com)

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Research: (646) 780-8880 [research@tigressfp.com](mailto:research@tigressfp.com)

40 Wall Street New York, NY 10005 (212) 430-8700 [www.tigressfinancialpartners.com](http://www.tigressfinancialpartners.com)

## Research Highlights

### Company Notes

### Cisco Systems, Inc. (CSCO-US) Communications Equipment

**Ivan Feinseth**  
 Chief Investment Officer  
 (646) 780-8901 Direct  
[ifeinseth@tigressfp.com](mailto:ifeinseth@tigressfp.com)

**Research Action:**

Reiterate Rating

Rating: Buy  
 Prior Rating: Buy  
 Price 08/19/2016: \$30.52  
 52 Week High / Low: \$31.25 / \$22.46

**Key Data: (TTM as of Jul-16)**

Excess Cash per Share: \$12.13  
 Annual Dividend: \$1.04  
 Dividend Yield: 3.41%  
 Ave. Volume (30 Day): 24.3M  
 Shares Outstanding: 5,029.7M  
 Float: 5,014.4M  
 Equity MV: \$153,506.8M  
 Sales TTM: \$49,247.0M  
 Beta: 1.23  
 EBITDAR: \$22,409.9M  
 NOPAT: \$11,643.3M  
 Total Invested Capital: \$93,427.6M  
 Return on Capital: 13.32%  
 Cost of Capital: 6.42%  
 Economic Profit: \$5,983.3M  
 Market Value Added: \$91,862.8M  
 Current Operations Value: \$186,684.5M  
 Future Growth Value: -\$1,394.2M

- **We reiterate our Buy rating on CSCO.** Y/Y Business Performance continues to show gradual improvement as CSCO continues to grow its service-based recurring revenue. We believe CSCO's size and dominant position as the global leader in networking together with its increasing focus on security will continue to drive improving business performance increasing Economic Profit and greater shareholder value creation. CSCO's excess cash and significant free cash flow will enable them to continue to invest in R&D make strategic acquisitions and return cash to shareholders.
- **Business performance continues to show gradual improvement.** While Y/Y revenue showed a slight improvement, Operating Cash Flow (EBITDAR) and NOPAT had greater increases with margin improvements. Revenue increased Y/Y little over 1% from \$49.61 billion to \$49.25 billion. Operating Cash Flow (EBITDAR) increased 5% from 21.6 billion to \$22.4 billion and NOPAT increased 16% from \$10 billion to \$11.6 billion. Clearly showing operating improvements. We see this trend continuing as CSCO continues to transition to more margin software and service-based revenue along with rightsizing its operating infrastructure through headcount reduction and rightsizing's balance sheet by returning cash to shareholders.
- **Network security continues to be every customers concern and CSCO's opportunity.** Almost every bank, government and large company around the world relies on Cisco to keep their network safe. CSCO continues to invest in and acquire new technologies and companies to expand their security product offerings. CSCO has stated network security is their client number one concern. CSCO has extended its cloud-based security platform through its acquisition of CloudLock, a software as a service (SAAS) offering. CSCO is now the leader in cloud delivered security. Over the past year CSCO has shown tremendous success in rapidly deploying its advanced threat solutions to its global customer base. CSCO's Advanced Malware Protection (AMP) is currently deployed at over 17,000 customers around the world. CSCO next-generation full-featured firewall launched in March now has over 6000 customers.
- **CSCO continues to return cash to shareholders on the accelerating basis.** CSCO has over \$63 billion equal to \$12 a share in excess cash and over \$22 billion in Operating Cash Flow to fund R&D, acquisitions, dividend and increases in stock buybacks. CSCO just increased its quarterly dividend 24% and \$.21 a quarter to \$.26 a quarter and currently yields 3.4% which is significant greater than the S&P average. In February of this year, CSCO announced a \$15 billion stock buyback. This is after completing a \$15 billion stock buyback announced in 2013.

For more information or a copy of our complete report, please contact us at (646) 780-8880 or [research@tigressfp.com](mailto:research@tigressfp.com)

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Research: (646) 780-8880 [research@tigressfp.com](mailto:research@tigressfp.com)

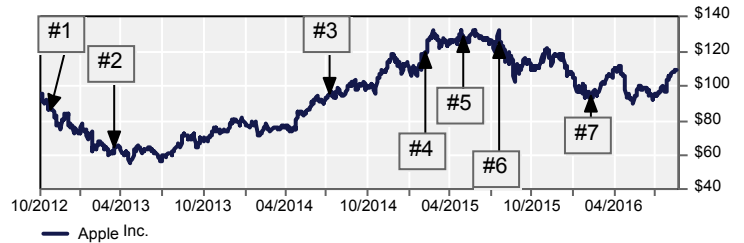
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# Research Highlights

## Ratings History

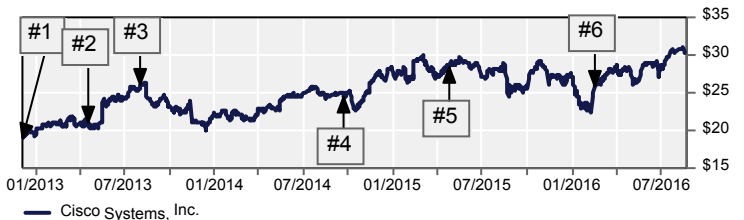
### Apple Inc. (AAPL-US)

Item #	Date	Research Action	Rating	Price
#7	02/08/2016	Reiterate Rating	Strong Buy	\$95.01
#6	07/22/2015	Reiterate Rating	Strong Buy	\$125.22
#5	05/01/2015	Reiterate Rating	Strong Buy	\$128.95
#4	02/04/2015	Reiterate Rating	Strong Buy	\$119.56
#3	07/07/2014	Reiterate Rating	Strong Buy	\$95.97
#2	03/18/2013	Reiterate Rating	Strong Buy	\$65.10
#1	10/25/2012	Initiation of Coverage	Strong Buy	\$87.08



### Cisco Systems, Inc. (CSCO-US)

Item #	Date	Research Action	Rating	Price
#6	02/16/2016	Upgrade	Buy	\$25.84
#5	04/23/2015	Reiterate Rating	Neutral	\$28.68
#4	09/23/2014	Reiterate Rating	Neutral	\$24.70
#3	08/02/2013	Reiterate Rating	Neutral	\$26.19
#2	04/16/2013	Reiterate Rating	Neutral	\$21.16
#1	12/03/2012	Initiation of Coverage	Neutral	\$19.03



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40 Wall Street New York, NY 10005 (212) 430-8700 [www.tigressfinancialpartners.com](http://www.tigressfinancialpartners.com)

**Tigress Research Methodology Overview**

We employ proprietary quantitative valuation models combined with dynamic fundamental analysis based on the principles of Economic Profit to formulate timely and insightful investment ratings, analysis, strategies and recommendations.

We make key adjustments to reported financial data eliminating GAAP-based accounting distortions and measuring all companies on a cash operating basis.

Our proprietary research framework is a multi-factor model that scores and ranks companies based on their risk-adjusted ability to create Economic Profit relative to their current market value focusing on three key components:

**Business Performance:** Measuring economic profitability, growth and operating efficiency.

**Risk:** Measuring business sustainability, volatility, strength and consistency.

**Valuation:** Linking business performance to market value. Measuring value created relative to capital employed and enterprise multiples of economic profit and cash flow.

We score and rank 24 key measurements of performance, risk and value into relative market and industry investment recommendations.

*For more information on our research methodology, please review the Tigress Investment Research Guide to Company Valuation and Analysis.*

**Glossary of Key Terms and Measures**

**Excess Cash per Share:** Excess Cash per Share is the amount of excess cash divided by basic shares outstanding. Excess Cash consists of all cash and short-term securities less operating cash needed to run the business. Operating Cash is 5% of TTM net sales revenue.

**EBITDAR:** Earnings Before Interest, Taxes, Depreciation, Amortization, and Restructuring and Rent Costs. This is especially important when comparing companies that use a significant amount of leased assets like restaurants and retailers.

**NOPAT:** Net Operating Profit after Tax. Represents a company's after-tax cash operating profit excluding financing costs.

**Total Invested Capital:** Total Invested Capital the total cash investment that shareholders and debt holders have made during the life of company.

**Return on Capital:** Return on Capital equals NOPAT divided by Total Invested Capital. It is a key measure of operating efficiency. ROC quantifies how well a company generates cash flow relative to the capital invested in its business.

**Cost of Capital:** Is the proportionately weighted cost of each category of capital – common equity, preferred equity and debt.

**Economic Profit:** Economic Profit is the net operating income after tax less the opportunity cost of the total capital invested. It is the most important driver of shareholder value.

**Current Operations Value:** Current Operations Value is the portion of market value based on the discounted present value of the current earnings stream assuming it remains constant forever.

**Future Growth Value:** Future Growth Value is the portion of market value based on un-earned Economic Profit

*For more information on the key terms and measures, please review the Tigress Investment Research Guide to Company Valuation and Analysis.*

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**40 Wall Street New York, NY 10005 (212) 430-8700 [www.tigressfinancialpartners.com](http://www.tigressfinancialpartners.com)**

## Research Highlights

### Contacts

**Ivan Feinseth**  
 Chief Investment Officer  
 (646) 780-8901 Direct  
[ifeinseth@tigressfp.com](mailto:ifeinseth@tigressfp.com)

**Philip Van Deusen**  
 Director of Research  
 (646) 780-8887 Direct  
[pvandeusen@tigressfp.com](mailto:pvandeusen@tigressfp.com)

**Jean Ergas**  
 Chief Economist  
 (646) 780-8906 Direct  
[jergas@tigressfp.com](mailto:jergas@tigressfp.com)

**Michael Naidrich**  
 Senior Managing Director, Trading  
 (646) 780-8902  
[mnaidrich@tigressfp.com](mailto:mnaidrich@tigressfp.com)

**Giuseppe Schwarz**  
 Trading Support  
 (646) 780-8914 Direct  
[gschwarz@tigressfp.com](mailto:gschwarz@tigressfp.com)

### Analyst Certification

I, Ivan Feinseth, hereby certify that the views expressed herein accurately reflect my personal views about the subject company and their securities and that I have not been and will not be directly or indirectly compensated for expressing specific recommendations or views in the report.

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Rating:	Meaning:	Rating Distribution (08/19/2016)				
		Companies Under Coverage		Relationship Companies Under Coverage*		
		#	%	#	%	
<b>Strong Buy:</b>	Expect significant price gains in the price of the stock relative to its industry peer group and general market over the next 12 months.	16	14%	0	0%	
<b>Buy:</b>	Expect out-performance for the price of the stock relative to its industry peer group and general market over the next 12 months.	51	45%	4	80%	
<b>Neutral:</b>	Expect little or no outperformance opportunity over the next 12 months.	38	36%	1	20%	
<b>Underperform:</b>	Expect underperformance for the price of the stock relative to its industry peer group and general market over the next 12 months.	5	5%	0	0%	
<b>Sell:</b>	Expect price decline or significant relative market and industry underperformance over the next 12 months.	0	0%	0	0%	
		<b>Total</b>	<b>110</b>	<b>100%</b>	<b>5</b>	<b>100%</b>

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Research: (646) 780-8880 [research@tigressfp.com](mailto:research@tigressfp.com)

40 Wall Street New York, NY 10005 (212) 430-8700 [www.tigressfinancialpartners.com](http://www.tigressfinancialpartners.com)



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<b>Company:</b>	<b>Disclosure:</b>
Apple Inc. (AAPL-US)	14
Cisco Systems, Inc. (CSCO-US)	14

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**Research: (646) 780-8880 [research@tigressfp.com](mailto:research@tigressfp.com)**

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## Research Highlights

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**Research: (646) 780-8880 [research@tigressfp.com](mailto:research@tigressfp.com)**

**40 Wall Street New York, NY 10005 (212) 430-8700 [www.tigressfinancialpartners.com](http://www.tigressfinancialpartners.com)**