

16 11 2009 Can Apple Inc. Grow its Earnings by 37% Annually for the Next 10 Years

By Dhananjayan Jayabal,

In using reverse valuation by a discounted cash flow model with a price level of \$185 as the base with Apple Inc (NASDAQ: [AAPL](#)), at the current price, Apple should grow its earnings by 37% annually for the next 10 years with terminal growth of 3%.

Now, the question of course is, can Apple grow by 37% annually?

With high probability, we feel it is not possible. In the technology business, continuous successful innovation is the life blood. Apple is all about a vision to innovate for a common man's life. It is all about fulfilling collective people's dreams. So here, the key managerial person is the entire heart and soul of this operation. And here, that is in question.

With these points in mind, we strongly believe that this business can't grow as much as the market hopes it will grow. Having said that, we cannot predict Mr. Market's manic behavior. He could go on with a higher valuation for Apple Inc (see Amazon). But based on fundamentals, the current price of \$200 and above is not justifiable.

Hence, if anything, I would go short on Apple.

