
From: Richard Kahn <richardkahn12@gmail.com>
Sent: Monday, July 17, 2017 11:48 AM
To: jeffrey E.
Subject: Fwd: Apple, Inc.: Adjusting Estimates for October iPhone Launch

Richard Kahn
HBRK Associates Inc.
575 =exington Avenue 4th Floor
New York, NY 10022


Begin forwarded message:

From: =/b>"Morgan Stanley" <ms-wmir@morganstanley.com>
Subject: =/b>Apple, Inc.: =djusting Estimates for October iPhone Launch
Date: =/b>July 16, 2017 at 7:26:14 PM =DT
To: =/b><richardkahn12@gmail.com>
Reply-To: =/b><mswmir-cie-feedback@morganstanley.com>

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Apple, Inc.: =djusting Estimates for October iPhone Launch

Katy L. Huberty, CFA =E2 Morgan Stanley

July =6, 2017 11:21 PM GMT

We lower Sept quarter iPhone =nits / GM to reflect an October product launch. FY18 EPS increases 3% =o \$11.80 to reflect the incremental 6M iPhone shipments and improved =Pad demand. Our 11% above consensus FY18 EPS pushes our PT to \$182, =rom \$177 previously.

Look through September guidance to =ven stronger FY18 growth. We expect Apple to report an in-line June =uarter and provide a weaker than consensus September outlook on the =ack of a slightly later iPhone launch than typical (October shipment =aunch instead of September). The delay drives our FY18 estimates higher =nd creates a dynamic of much better than normal December and March =uarter seasonality, providing an attractive set-up for the stock as we =ove past the September guide. While our September quarter Revenue and =PS is 12% and 20% below consensus, our revised FY18 estimates are 13% =nd 11% above consensus, pushing our PT to \$182, from \$177 (2 & =).Increasing evidence OLED iPhone launches in October, rather than =eptember. In light of the most meaningful feature and technology =pgrades in iPhone's history - including OLED displays, wireless =harging, and 3D sensors for AR - we believe it's reasonable to assume =he new, higher priced OLED iPhone ships in October rather than =eptember. This is consistent with supplier checks by the Morgan Stanley =reater China Technology Hardware team, led by Sharon Shih, as published =n the July Monthly Databook. Our view of demand over the course of the =ext iPhone cycle is unchanged with the 6M lower September shipments now =ncorporated in our FY18 iPhone forecast of 266M (up from 260M) which =ligns with our recent bottom-up analysis of upgrades, retention rate, =nd switchers by region (1).Our new forecast reflects better Dec and Mar =uarter seasonality, on par with 4s cycle. We view iPhone 4s as the best =uide for seasonality during the iPhone 8 supercycle as it is the only =ther time a new iPhone shipped in October (4). During that cycle, =Phone shipments

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