
From: Richard Kahn <[REDACTED]>
Sent: Wednesday, February 1, 2017 1:42 PM
To: jeffrey E.
Subject: Fwd: Apple, Inc.: Smooth Sailing Into Supercycle

stock 127 premarket

shares owned: 414,000
cost basis: 98.19
unrealized gain: 11,927,368
total position value: 52,578,000

Richard =ahn
HBRK Associates Inc.
[REDACTED]

Begin forwarded message:

From: =/b>"Morgan Stanley" <[REDACTED]>
Subject: =/b>Apple, Inc.: =mooth Sailing Into Supercycle

Date: =/b>January 31, 2017 at 9:26:29 PM =ST

To: =/b>[REDACTED]

Reply-To: [REDACTED]

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=td class=""> =/a> =td class=""> =td valign="middle" style="padding: 0cm 0cm 0cm 0cm" class=""> <<http://www.morganstanley.com/>>

=Wealth = Management =/p> =/td>

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February 1, 2017

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Apple, inc.: Smooth Sailing Into Supercycle

Katy L. Huberty, CFA – Morgan Stanley

February 1, 2017 2:21 AM -MT

Apple is our top pick with the upcoming iPhone supercycle accentuated by the possibility of repatriation, tax reform, and M&A. Stronger Dec quarter and better than feared March guidance pave the path to our base case of \$150, with \$190 bull case becoming increasingly likely.

December quarter suggests platform story intact. Over 20% normalized services revenue growth, re-accelerating iPhone unit growth, and constraints across several products are encouraging signs customer loyalty remains high and growth will accelerate further with new products expected to launch later this year. We are also encouraged by mainland China returning to growth (1) at constant currency, which is consistent with the acceleration recently reported by BABA. Growth in Mac, iPad, and Services revenue in China supports our view that users remain loyal to the platform but many are waiting for a new iPhone form factor to upgrade. March quarter guidance better than feared. The mid-points of revenue and gross margin guidance are above our recently lowered estimates as improving China demand, normalization of supply, and price concessions from suppliers help offset currency risk. While the pace of recovery could slow in June as Apple prepares for its biggest iPhone launch in three years, we expect the market to look through any weakness as was the case ahead of iPhone 6. We're increasingly convinced Street estimates are too low for FY18. iPhone returned to growth despite no major form factor change and currency headwinds during the December quarter. iPhone engagement and loyalty rates remain high, supported by 21% Services revenue growth (backing out \$548M litigation benefit a year ago). New OLED displays, improved battery technology, and a redesigned form factor at the high-end of the portfolio are likely to accelerate upgrade rates in FY18. China will lead growth, in our view, and could account for all incremental iPhone shipments embedded in consensus models next year, even if the upgrade rate d

This alert is sent from:

=ndrew Atlas, =a href="mailto:[REDACTED]" style="color: #666666; text-decoration: none;">[REDACTED]' =lass="">Andrew.Atlas@morganstanley.com

=/p>

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