
From: Richard Kahn <[REDACTED]>
Sent: Wednesday, August 2, 2017 1:52 AM
To: Jeffrey Epstein
Subject: Fwd: Apple, Inc.: Revving Up Ahead of Supercycle

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Begin forwarded message:

From: =/b>"Morgan Stanley" <[REDACTED]>

Subject: =/b>Apple, Inc.: Revving Up Ahead of Supercycle

Date: =/b>August 1, 2017 at 9:32:24 PM =DT

To: =/b>[REDACTED]

Reply-To: =/b><mswmir-cie-feedback@morganstanley.com>

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Wealth Management

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Apple, Inc.: Revving Up Ahead of Supercycle

August =, 2017 1:25 AM GMT

Strong results and guidance =lear the path for AAPL shares to outperform in the early innings of an =Phone supercycle. Our FY18 ests remain well ahead of consensus as we =ee faster upgrades, increased switchers and ecosystem benefits like =ccelerating services growth. Maintain OW, \$182 PT.

We =remain bullish heading into the iPhone supercycle where we see 23% =Phone unit growth supported by a 20% increase in the base of aged =two-year old) iPhones and AlphaWise data that highlights meaningful =portunity to win switchers, particularly in China. The new, higher =riced OLED iPhone will also pull ASPs up by 14% and while we model =Phone gross margin down in FY18, recent tailwinds suggest this may =rove conservative. Net, our FY18e EPS of \$11.80 is 10.6% above =onsensus. We see shares trading to 15.4x which is where the stock =eaked during the iPhone 6 cycle, driving our (unchanged) \$182 PT. Key =akeaways from the quarter: Demand recovery is even stronger than first =lush. June revenue of \$45.4B beat consensus by \$500M but would've beat =y more if not for record low iPhone channel inventory. Apple reduced =Phone channel inventory by 3.3M, more than 2x the three-year June =uarter average, which represents an incremental \$1.4B, or 3%. Even with =he channel inventory headwind, revenue growth accelerated to 7%, from =% in the prior quarter, and grew across all key product categories - =Phone (+3%), iPad (+2%), Mac (+7%), Services (+22%) and Other (+23%; =includes Watch, AirPods and accessories). iPhone Supercycle on track for = fall launch. Despite investor concerns that OLED iPhone shipments =ould push to Nov/Dec or even next year, management guided September =uarter bullishly and sounded confident on upcoming product launches =his fall. We increase our September quarter iPhone unit shipment =stimate by 6M to 43M units, in part due to higher overall demand but =Iso due to some of the new products likely contributing later in the =uarter. As a result, we pull forward 4

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