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**From:** Richard Kahn <[REDACTED]>  
**Sent:** Wednesday, July 12, 2017 1:07 PM  
**To:** Jeffrey Epstein  
**Subject:** Fwd: AAPL US: Apple Inc.: Estimate Change - Lowering iPhone estimates on anticipated delayed shipment of iPhone 8 - BUY (PO remains \$180)

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Fax [REDACTED]  
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Begin forwarded message:

From: "Ens, Amanda" <[REDACTED]>  
Date: July 12, 2017 at 8:56:37 AM EDT  
To: "Rich Kahn" <[REDACTED]>  
Subject: AAPL US: Apple Inc.: Estimate Change - Lowering iPhone estimates on anticipated delayed shipment of iPhone 8 - BUY (PO remains \$180)  
Reply-To: "Ens, Amanda" <[REDACTED]>

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Global Research

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Reiterate Rating: BUY</=:p>

Equity | 12 July 2017

=span style="mso-fareast-font-family:"Times New Roman";display:n=ne;mso-hide:all">

=p class="MsoNormal">Key takeaways

· Our checks from Asia suggest iPh 8 likely=ships 3-4 wks after LCD counter parts. We pro=actively lower Sep/Dec iph 11mn/6mn

\* &nbs=; Issues: 1) placing finger print sensor below OLED screen, 2) packaging 3D=sensor and low yields

· Mar 2018 iph units +10mn given push out. F17/F18 iph uni=s -11mn/+3mn (net 8mn lower units). Modest upside if fixed earlier</=pan>

FULL REPORT <<http://rsch.baml.com/r?q=bp1!fbWktOCuLD1MzvTg!w&e=richardkahn12%40gmail.com&h=SaAU=Q>>

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Checks indicate 3-4 weeks delay for the OLED phone=/span>

Our supply chain checks, as=part of our recent trip to Asia, suggest that the iPhone 8 with OLED displa= will likely ship 3-4 weeks after its LCD counterparts. We expect Apple to a=nnounce all three new iPhones (4.7" LCD iPhone 7S, 5.5" LCD iPhone 7S Plus, a=d OLED iPhone 8) at its launch event in the fall. However, the iPhone 8 may=ship with a 3-4 week delay given various production issues. We are proactiv=ly lowering our iPhone unit estimates for the Sep and Dec quarters, while r=ising March 18 quarter. While shares may see some near-term weakness, we re=iterate our Buy on iPhone 8 super long cycle with higher ASPs, potential for=significant cash repatriation and associated optionality for incremental ca=ital return and M&A, and growth in Services revenue (target to double S=rvice revenue by 2020).

Fingerpr=nt and 3D sensor potential causes for delay<=span>

Our conversations with the Supply Chain suggest t=at the iPhone 8 will ship 3-4 weeks delayed given technological issues whic= Apple and its suppliers are working through. Initially, Samsung was having=problems in lamination of the OLED screens; however, that issue seems to ha=e been resolved. The remaining issues are 1) removal of the home button and=placement of the finger print sensor below the OLED screen, and 2) packagin= of 3D sensor and low yields. The supply chain is optimistic that the issue= around integrating the finger print sensor below the OLED screen, and issu=s with 3D sensing may be resolved by the end of August. LCD phone productio= starts sooner than OLED but demand for LCD could be lower given high deman= for OLED.<=pan style="font-size:9.5pt;line-height:140%;font-family:"Arial"=sans-serif;color:#231F20">

=span class="text1">Lower Sep/Dec ests, C1= mostly same, PO remains \$180<=p>

<=pan style="font-size:11.0pt;line-height:140%;font-family:"Arial"=,sans-serif;letter-spacing:-.2pt">We project a delayed launch for the iPhon= 8 and are lowering Sep/Dec iPhone estimates (~11mn/6mn units, respectively=. However Mar 2018 quarter moves up by 10mn. By the June quarter demand cou=d shift toward fall 2018 iPhones. In aggregate, our F17 iPhone units are 11=n lower, F18 units are 3mn higher (Fig 1). PO remains \$180 on 16x C18 EPS o= \$11.61. If the supply chain issues are resolved earlier, there could be so=e modest upside to our projections. Our derivatives research

team recommend= an options trade to protect against near term volatility and capture longe= term upside potential (details in note).

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This report is intended for <=span><=pan style="mso-bookmark:\_MailOriginal">amanda.ens@baml.com =/span>

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