
From: jeffrey E. <jeevacation@gmail.com>
Sent: Friday, April 20, 2018 10:02 AM
To: Richard Kahn
Subject: Re: Apple, Inc.: Cautious Into The Print; Buy Any Post-Earnings Dip

i think we got sucked in to the chrisites auction. =C2 I reviewed past auctions and statues like this make the origina= 500k or such. total for the whole auctions are around 4=. the value of our two . -- not our pr=blem but we are on notice

On Fri, Apr 20, 2018 at 6:00 AM, Richard Kahn =span dir="ltr">[REDACTED]
<mailto:[REDACTED]> > wrote:

Richard Kahn
HBRK Associates Inc.
[REDACTED]

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April 20, 2018 4:11 AM GMT

We forecast in-line March Q but see downside to June consensus estimates following iPhone build cuts and weak China data. We expect Apple to increase capital return program by \$150B. We would buy any post-earnings dip on 1) intact Services story, 2) troughing estimates, and 3) accelerated capital return.

What to do ahead of earnings. We expect Apple to report an in-line March quarter, but are cautious into earnings on May 1 due to our belief that June quarter consensus estimates need to be revised lower. Additionally, with expectations for a step up in capital returns at least partially embedded in valuation (AAPL +14% since last print vs. Tech sector +5%, S&P 500 +2%) Apple's capital return announcement could amount to a "sell the news" type of event, especially if forward estimates are revised materially downward. That said, we would be buyers on any weakness following the print given 1) the Services story remains intact, (leading to a stronger and more consistent source of EPS growth and margin expansion), 2) estimate revisions are approaching trough (we already assume no device revenue growth next three years), and 3) buybacks remain a source of downside protection. We lower our March and June quarter iPhone shipment estimates by 7M (1M in March, 6M in June; FY18 iPhone shipments now at 210M, from 217M), while increasing expectations for both buybacks and dividends, resulting in FY18 EPS of \$11.00 (down from \$11.60) and FY19e EPS of \$13.80 (down from \$14.00) (1 & 2). We remain Overweight with a price target of \$200 (down from \$203), for 16% upside from current prices. We expect an in-line quarter... We believe that Apple will post March quarter results that are at the low end of its previously issued guidance and in-line with our updated estimates. Our proprietary AlphaWise iPhone demand tracker points to sell out of 54M in the March quarter (3), however we expect channel inventory reduction of ~200M units in the quarter after record inventory build in December, which

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