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**From:** Richard Kahn <[REDACTED]>  
**Sent:** Thursday, February 15, 2018 1:35 PM  
**To:** jeffrey E.  
**Subject:** Fwd: Apple, Inc.: iPhone X China Share Gains Accelerating But Competitors Fight Back in Mid-Market

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Begin forwarded message:

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

Subject: =/b>Apple, Inc.: iPhone X China Share Gains Accelerating But Competitors Fight Back in =id-Market

Date: =/b>February 14, 2018 at 7:09:43 PM =ST

To: =/b><[REDACTED]>

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Katy L. Huberty, CFA =E2 Morgan Stanley

February =5, 2018 12:00 AM GMT

iPhone China replacement =ycle and share gains surprised positively in 4Q17 but fewer Android =witchers limits unit growth this cycle. In January, iPhone X share =ains accelerated but Chinese vendors re-gained some share against =lder, discounted iPhones in the mid-market.

Apple 4Q17 =martphone share surprised positively in China though market demand =isappointed as Android replacement cycles lengthened, taking some air =ut of the supercycle. Apple iPhone grew shipments 12% in China last =uarter while Android smartphone shipments declined 17%. This was =apple's second largest sequential share gain in China, and consistent =ith the more than 5 points of active installed base market share gains =ighlighted in Jiguang data, which accelerated post the iPhone 8/8+ and =Phone X product launches. However, Android replacement cycles elongated =1) despite iPhone replacement cycles shrinking in 4Q17 (2), which =duced the switcher opportunity (31M by our estimates) compared to our =ottom-up model. This suggests 4Q17 shipment share gains were driven =argely driven by stronger upgrades within Apple's installed base while =ower churn drove the installed base share gains. Overall iPhone active =martphone user share downticked in early January from recent highs but =Phone X share gains accelerating in China... According to data from =iguang, a firm that aggregates smartphone data from its push-messaging =ervices in China, iPhone had 20.6% share of the active smartphone =arket in China in the 4 week period ending January 14th, 2018, down =rom 21.8% in the prior 4 week period ending December 31, 2017 (3). This =epresents the second largest period over period share loss since we =egan tracking this data in January 2017 (largest was in August 2017), =ith market share largely picked up by the big 4 Chinese smartphone =endors (4). Importantly for Apple, and despite the overall share loss =s. peers, adoption of the iPhone X continued to accelerate in the =atest period, account

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