From: Richard Kahn <[redacted]>
Sent: Thursday, February 8, 2018 12:40 PM
To: Jeffrey Epstein
Subject: Fwd: AAPL US: Apple Inc. - Attractive in volatile markets, cash cushion like none other - BUY

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575 Lexington =venue, 4th Floor
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[redacted]

Begin forwarded message:

From: =/b>"Ens, Amanda" <[redacted]>

Subject: =/b>AAPL US: Apple =nc. - Attractive in volatile markets, cash cushion like none other - =UY

Date: =/b>February 8, 2018 at 7:28:50 AM =ST

To: =/b>"rkahn"<[redacted]>

Reply-To: =/b>"Ens, Amanda" <[redacted]>

I believe you still =wn? Let me know if you'd like to discuss further.

Global =esearch

Apple Inc.

Attractive in volatile markets, cash cushion like =one other

Reiterate Rating: BUY
PO: 220.00 =SD | Price: 159.54 =SD

Equity | 08 February 2018

Key takeaways

· Apple =s a defensive stock to own given derisked expectations, a strong cash =osition and incremental capital return

· Shares =re currently discounting declining growth in hardware scenario and a =orse than run rate trajectory for Services rev

· Our =CF based upside/downside scenarios are $232/$141 which represents =rowth/decline of 42%/13%.

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FULL REPORT

A =ame to own in volatile market conditions

In =imes of market turmoil, we turn to large cap stocks with low leverage, =igh cash balance, and attractive valuation. Apple offers all this as =ell as opportunities for future growth. Apple's large cash balance =ffers the opportunity to expand into new markets (Fig 1). Capital =eturn program remains strong (Fig 2) and we expect the company to =nnounce a new authorization in the April timeframe (could be higher =han the typical annual $30-50bn given cash repatriation), and we =lready model a 10% dividend increase in 2018. While iPhone X sales may =e lower than the Street had predicted (our estimates were lower) we =iew low single digit unit growth and mix adjusted ASP (average selling =rice) growth into 2019, with upside to gross margins. In addition, =ervices remain a key growth driver in future years. Reiterate =uy.

Balance Sheet and FCF remains =trong

Apple's balance sheet =emains strong with ~$32/sh in net cash and investments =t the end of F1Q18. We expect continued strong free cash flow (FCF) of =bout $50-60bn, per year, over the next two years despite higher capex =announced plans to spend $30bn in capex in the US over the next five =ears. Total capex in F18 expected to be =$16bn).

Buybacks continue, capital return program =trong

So far, Apple has completed =ver $248bn of its $300bn capital return program, including $176bn in =hare repurchases against its $210bn buyback program. We estimate =pproximately $34bn remains under Apple's current =uthorization.

Valuation even more attractive after recent =ullback

AAPL shares are down ~5% YTD =nd ~10% from N/T peak of $179. Our detailed note on Apple =ervices revenue showed that shares are currently discounting a =declining growth in hardware" scenario and a worse than run rate =rajectory for Services revenues, which is to us too pessimistic. Our =CF analysis leads us to Bull/Bear case scenarios of $230/$141 (Fig 3) =or Apple shares. Next catalysts for the stock would be announcement of =ew buyback authorization (April) and earnings and WWDC in the summer of =018.

Wamsi Mohan <=span>
Research =nalyst
MLPF&S
[redacted]

This report is intended for [redacted] <mailto:[redacted]>

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