
From: Richard Kahn <[REDACTED]>
Sent: Wednesday, January 17, 2018 12:07 PM
To: Jeffrey Epstein
Subject: Fwd: Apple, Inc.: Broader iPhone X Upgrades in China Support Supercycle View

Richard Kahn
HBRK Associates =nc.
575 Lexington =venue, 4th Floor
New York, NY =0022
tel = [REDACTED]
fax = [REDACTED]
cell [REDACTED]

Begin forwarded message:

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

Subject: =/b>Apple, Inc.: =roader iPhone X Upgrades in China Support Supercycle View

Date: =/b>January 17, 2018 at 12:57:46 AM =ST

To: =/b> [REDACTED]

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Katy L. Huberty, CFA =E2 Morgan Stanley

January =7, 2018 5:01 AM GMT

iPhone X adoption outpacing =Phone 8/8+ as Apple retention & switching rates dwarf Chinese =competitors. Plus, an increasing mix of upgrades from the much larger =base of 3+ year old iPhones points to a strong upgrade cycle in China. =aken together, we remain confident in our bullish China thesis.

iPhone X adoption continues to outpace the iPhone 8 and 8 =lus in China. This is our 3rd note in a series of reports written in =ollaboration with our AlphaWise team (past notes can be found here and =ere) that evaluate share gains/losses in the active smartphone market =n China, with a focus on market share trends and the impact of Apple's =ecent iPhone 8, 8 Plus and X launch. Data through the 4 week period =nding December 17th shows that Apple continues to gain share of the =ctive base of smartphones in China (counter to the consensus view that =pple is losing share), capturing 21.3% market share, 250bps higher than =heir closest competitor (1). Within this data, we see that iPhone X =doption continues to ramp faster than the iPhone 8 and 8 Plus at the =omparable period after launch, with iPhone X capturing 1.64% of the =pple active user base vs. 1.32% for iPhone 8 Plus and 0.65% for iPhone = (2), despite iPhone X only being available for 72 days vs. 97 days for =he 8/8 Plus. Adjusted for total selling days, iPhone X gained 3.7bps of =hare in the Apple active user base per day through December 19th vs. =.3bps for the iPhone 8 Plus and 1.1bps for the iPhone 8 at the =omparable time period (3). Given these strong and accelerating data =oints for the iPhone, and iPhone X in particular, we remain confident =n our thesis that Apple is turning the corner in China and growth will =ccelerate in the quarters to come. Retention Rates and Switching Rates =ontinue to dwarf competition. The 4 week period ending December 17th =arked the 2nd 4-week period with a full 28 days of iPhone X data, and =s 4 highlights, Apple's retention rate continues to climb faster than =competitors. In fact,

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