
From: Richard Kahn [REDACTED]
Sent: Monday, July 23, 2018 11:53 PM
To: Jeffrey Epstein
Subject: Fwd: Apple, Inc.: We expect an In-Line Quarter; All Eyes on Services & Fall iPhone Launch

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Begin forwarded message:

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

Subject: =/b>Apple, Inc.: We =expect an In-Line Quarter; All Eyes on Services & Fall iPhone =aunch

Date: =/b>July 23, 2018 at 7:52:20 PM =DT

To: =/b><[REDACTED]>

Reply-To: =/b><[REDACTED]>

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Katy L. Huberty, CFA =E2 Morgan Stanley

July =3, 2018 11:45 PM GMT

We slightly tweak ests into =he quarter, most notably raising June Q iPhone ests by 2% to 39.8M =nits. Expect Services growth above cons. at 30%+ but anticipate =nvestors remain focused on Sept Q guidance and fall iPhone launch. =arking our SOTP-driven PT to market drives PT to \$232 (from \$214).

We expect limited follow through from earnings, with Sept =Phone launch the next big stock catalyst. We expect Apple to report an =n-line June quarter and provide a slightly weaker than consensus =eptember quarter outlook due to a possible October launch of the 6.1" =CD iPhone. We currently see no delay in the ramp of Apple's upcoming =lagship 5.8" or 6.5" OLED iPhones, however suspected issues with LED =acklight leakage have caused a 1 month delay in mass production of the =.1" LCD iPhone, although this is down from a 6 week delay baked into =he original production forecast, according to suppliers. Nevertheless, =ll three new iPhone models are expected to be announced in September, =ith our Greater China Technology Hardware team still forecasting 90M =ew iPhone builds in C2H18, up slightly from 89M in C2H17. We make minor =djustments to June quarter estimates (iPhone units up 800k, Mac units =p 150k, iPad units down 500k, Services growth to 32% Y/Y, from 33%) but =therwise keep our FY18 and FY19 device (iPhone, iPad, Mac) forecasts =nchanged, while slightly tweaking Services growth on the margin (1 =amp; 2). Net, we now model FY18e EPS of \$11.45 (up from \$11.41 prior) =nd FY19e EPS of \$14.00 (up from \$13.76 prior). With the summer months =ypically viewed as a product transition period, we look to the =eptember launch of the new iPhone models as the next meaningful stock =atalyst but note that 1) a push out of the iPhone launch date, 2) =eaningfully weaker Services data points, or 3) increasingly heated =rade rhetoric between the US and China present the greatest risks to =hares over the next 3 months. We expect Services results to be the =ocal point of June quarter report with

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