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**From:** Richard Kahn <[REDACTED]>  
**Sent:** Thursday, July 12, 2018 12:12 PM  
**To:** Jeffrey Epstein  
**Subject:** Fwd: Apple, Inc.: App Store Growth Sustains in June Q

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Begin forwarded message:

From: =/b>"Morgan Stanley" <[REDACTED]>  
Subject: =/b>Apple, Inc.: App =tore Growth Sustains in June Q  
Date: =/b>July 11, 2018 at 6:06:46 PM =DT  
To: =/b><[REDACTED]>  
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Apple, Inc.: App =tore Growth Sustains in June Q

July =1, 2018 10:00 PM GMT

C2Q18 App Store revenue of =3.4B grew 27% Y/Y, consistent growth with C1Q18, according to Sensor =ower. Results are better than the expected 500 bps Services growth =eceleration modeled by consensus. Accelerating gaming growth in the US, =elped by Fortnite, offset decelerating growth in China.

App=Store net revenue sets quarterly record in C2Q; results slightly below =Se but ahead of consensus. According to data compiled by Sensor Tower, =pple's App Store generated over \$8B in payments to developers in the =une quarter, implying App Store net revenue (what is recognized on =pple's P&L, net of payments to developers) of \$3.4B (+27% Y/Y), a =ew quarterly high (1) but slightly below our forecast of \$3.5B (+29% =/Y; 2). While we don't have App Store consensus forecasts, the =treet models total Apple Services revenue growth decelerating from 31% =/Y in March to 26% Y/Y in the June quarter, which we view as too =onservative in light of stable growth indicated by Sensor Tower. App =tore accounts for 36% of Apple Services revenue over the last twelve =onths and is strongly correlated (0.98) with reported Apple Services =evenue. China growth continues to decelerate but US and other countries =rovide offset. China, US and Japan remained the 3 largest App Store =evenue generators in C2Q18, accounting for 76% of total App Store net =evenue, slightly below the T12M average of 77%. App Store growth in =hina decelerated 400bps to 25% Y/Y (4) as did growth in Japan (+11% =/Y), however growth in the US accelerated over 800bps to 36% Y/Y (5). =rowth for all other countries accelerated 100bps to 36% Y/Y, with the =op 10 countries ex-China, US and Japan (by revenue generation) =ccelerating to the fastest quarterly growth rate in over 3 years (7). =s we hypothesized in our App Store deep dive published in May, while =hina, the US and Japan will collectively remain the ballasts for App =tore growth, other smaller but faster growing countries will continue =o increase in importan

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