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**From:** Richard Kahn [REDACTED]  
**Sent:** Wednesday, August 1, 2018 2:32 AM  
**To:** Jeffrey Epstein  
**Subject:** Fwd: Apple, Inc.: A Clean Beat on the Path to \$1 Trillion

Rich=rd Kahn  
HBRK Associates Inc.  
575 Lexington Avenue, 4th Floor<=div>  
New York, NY 10022  
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Begin forwarded message:

From: [REDACTED]  
Date: July 31, 2018 at 10:24:40 PM EDT  
To: [REDACTED]  
Subject: Apple, Inc.: A Clean Beat on the Path to \$1 Trillion</b>  
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Katy L. Huberty= CFA – Morgan Stanley

August 1, 2018 2:18 AM =GMT

We see more=upside than downside risk to the upcoming iPhone product cycle and a buildi=g Services narrative. Even if device revenue growth slows, Services and We=ables can pick up the slack, delivering 5% revenue and 14% EPS growth annu=llly through CY20, supporting our SOTP-driven \$232 PT.

Estimates move higher on iPhone ASPs, Services, Wearables. F3Q revenue (+17% Y/Y) beat expectations largely on iPhone ASPs (+20%) and Services (+31% re=orted, 28% normalized) with wearables (+37% Y/Y) maintaining momentum from p=evious quarters. Sept Q guidance also topped expectations and reflects a=similar mid teens revenue growth rate

for the overall company despite the more difficult compare from a year ago. The combination of a strong macro environment and an increasingly engaged customer base led to double digit growth in all regions on a sell-in basis during the June quarter. After flowing through the stronger results - namely higher F4Q revenue, slightly offset by higher OpEx, plus stronger LT Services and wearables growth - our FY18 EPS increases to \$11.75 (from \$11.45) and FY19 EPS increases to \$14.12 (from \$14.00). Our \$232 SOTP-driven price target is unchanged after raising our revenue forecast modestly, shifting to CY19, and considering recent multiple compression at Services peers (Facebook, Tencent, Alibaba). What we learned from Apple's F3Q18 earnings: (+) Services narrative gains momentum with references to strong pipeline of new services. Services revenue grew 31% Y/Y, above consensus expectations of 26% Y/Y and more in-line with our 32% Y/Y forecast. However, backing out a \$236M one-time legal benefit implies 28% Y/Y normalized growth. In the June quarter, paid subscriptions to Apple Services topped 300M users (+60% Y/Y) and the App Store, AppleCare, Apple Music, iCloud and Apple Pay all set new June quarterly revenue records. For the App Store, results were even more impressive when considering the Chinese government reportedly slowed the process of

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