

---

**From:** Richard Kahn [REDACTED]  
**Sent:** Thursday, December 21, 2017 1:35 PM  
**To:** jeffrey E.  
**Subject:** Fwd: Apple, Inc.: iPhone X Accelerating Apple Share Gains in China

Richard Kahn  
HBRK Associates Inc.  
575 Lexington Avenue 4th Floor  
New York, NY 10022  
[REDACTED]

Begin forwarded message:

**From:** "/b>"Morgan Stanley" [REDACTED] >  
**Subject:** "/b>Apple, Inc.: iPhone X Accelerating Apple Share Gains in China  
**Date:** "/b>December 21, 2017 at 12:24:04 =M EST

[REDACTED]

<<http://www.morganstanley.com/img/cs/spacer.gif>>  
<<http://www.morganstanley.com/img/cs/spacer.gif>>  
<<http://www.morganstanley.com/img/cs/spacer.gif>>  
<<http://www.morganstanley.com/img/cs/spacer.gif>> <<http://www.morganstanley.com/>>  
Wealth Management

<<http://www.morganstanley.com/img/cs/spacer.gif>>  
Apple, Inc.: iPhone X Accelerating Apple Share Gains in China

Katy L. Huberty, CFA =E2 Morgan Stanley

December =1, 2017 5:01 AM GMT

Initial iPhone X data points =n China highlight faster adoption vs. iPhone 8/8 Plus and increasing =watching opportunity (to Apple), fueling an acceleration of Apple =martphone share gains. Google Trends data also corroborate iPhone =trength in China. AAPL remains our top pick entering 2018.

Initial iPhone X China data show faster adoption vs. iPhone 8 =nd 8 Plus. Recall, three weeks ago we published a report on data that =e analyzed in conjunction with AlphaWise that aggregates smartphone =ata from a push-messaging service in China, highlighting Apple's =rowing share of active smartphones in China – which runs =ounter to the consensus view that Apple is losing share to cheaper =martphone brands in China (1). We now have data through November 19 =hat bolsters our bullish China thesis. This additional data show that =Phone X adoption in China is on a faster pace than the iPhone 8 or 8 =lus. As 2 depicts, iPhone X represented 0.36% of the iPhone installed =ase in China through November 19, higher than the initial adoption of =he iPhone 8 or 8 Plus. Importantly, the data through November 19 only =ontains 16 days of iPhone X availability, whereas the comparable period =or the iPhone 8 and 8 Plus includes a full 28 days. As a result, we =xpect further acceleration of iPhone X relative to iPhone 8/8 Plus in =he next data release. iPhone X data show runway for iPhone upgrades. =espite faster penetration of iPhone X vs. iPhone 8/8 Plus, we believe =here remains significant pent-up demand from the base of 2+ year old =Phone owners. This is because 48% of upgraders to iPhone X upgraded =rom the iPhone 7 and 7 Plus (3), meaning early adopters are driving =emand at the beginning of the cycle. Compare this to upgrader data for =he iPhone 8 and 8 Plus (4) that show 43% and 46% of upgraders, =espectively, in the November 19 period, came from the iPhone 6 and 6 =lus generation. As a result, we believe upgrades to the iPhone X from =he base of 2-year-old iPhone owners, which i

This alert is sent from:

Andrew Atlas, Andrew.Atlas@morganstanley.com

You received this because you requested =hat you receive content and reports from:  
APPLE =NC.

Please contact your FA if you want to unsubscribe from the =lerts.

<<http://www.morganstanley.com/img/cs/spacer.gif>>  
<<http://www.morganstanley.com/img/cs/spacer.gif>>  
<<http://www.morganstanley.com/img/cs/spacer.gif>>

<<http://www.morganstanley.com/img/cs/spacer.gif>> Disclosures:

Please see =he full report for risks, disclosures and other important =nformation.

Important disclosures regarding the =elationship between the companies that are referenced in Morgan Stanley =esearch and Morgan Stanley Wealth Management research are available on =he Morgan Stanley Wealth Management disclosure website at <https://www.morganstanley.com/online/researchdisclosures>.

Morgan Stanley Wealth Management Not Acting as Municipal =dvisor Morgan Stanley Wealth Management is not acting as a municipal =dvisor to any municipal entity or obligated person within the meaning =f Section 15B of the Securities Exchange Act (the "Municipal Advisor =ule") and the opinions or views contained herein are not intended to =e, and do not constitute, advice within the meaning of the Municipal =dvisor Rule.

#### Copyright

The =opyright in materials provided by Morgan Stanley is owned by Morgan =tanley & Co. LLC. Morgan Stanley Wealth Management is the trade =ame of Morgan Stanley Smith Barney LLC, a registered broker-dealer in =he United States.

© 2017 Morgan Stanley Smith Barney LLC. Member =IPC.

<<http://www.morganstanley.com/img/cs/spacer.gif>>

<<http://www.morganstanley.com/img/cs/spacer.gif>>

<<http://www.morganstanley.com/img/cs/spacer.gif>>

<<http://www.morganstanley.com/img/cs/spacer.gif>>

<<http://www.morganstanley.com/img/cs/spacer.gif>>

<<http://www.morganstanley.com/img/cs/spacer.gif>>

<<http://www.morganstanley.com/img/cs/spacer.gif>>

=