
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

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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

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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 =witching opportunity (to Apple), fueling an acceleration of Apple =martphone share gains. Google Trends data also corroborate iPhone =strength 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 =expect 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

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