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**From:** Richard Kahn <[REDACTED]>  
**Sent:** Friday, September 7, 2018 12:52 PM  
**To:** jeffrey E.  
**Subject:** Fwd: Apple, Inc.: Muted Expectations and Services Momentum Keep Us Positive into iPhone Launch

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Begin forwarded message:

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

Subject: =/b>Apple, Inc.: Muted Expectations and Services Momentum Keep Us Positive into iPhone Launch

Date: =/b>September 7, 2018 at 12:24:30 =M EDT

To: =/b><[REDACTED]>

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Katy L. Huberty, CFA – Morgan Stanley

September 7, 2018 4:01 AM =MT

Apple will launch 3 new iPhone models on Sept 12th. The =iggest investor debates around the product launch center on the =ossibility of further ASP expansion and re-accelerating unit growth. =mportantly, consensus expectations are muted on both fronts, providing =n attractive set-up.

What should we expect from Apple's =Gather round' event next week? Apple will hold an event next Wednesday, =eptember 12th at 1pm EST in the Steve Jobs Theater at Apple Park. While =confirmed details are scarce, we expect the event will be headlined by =he introduction of 3 new iPhone models - a high-end 5.8" OLED model =imilar to the iPhone X (recently referred to as the iPhone Xs), a =igh-end 6.5" OLED "plus" size iPhone Xs, and a lower-priced 6.1" LCD =Phone (more on this below). We also expect Apple to introduce an Apple =atch Series 4 (Series 3 was introduced at last year's September event), =n updated 11" bezel-less iPad Pro with FaceID functionality, and an =update to the Mac portfolio. Whether or not Apple finally unveils the =irPower wireless charging mat next week is unknown at this point, =owever they provided a sneak peak of it at last year's Sept event, so =he timing could make sense. While the launch of the Watch, iPad, Mac =nd potentially AirPower are a net positive, we expect the focus of the =vent to be the new iPhone model launches. Recent lengthening of =martphone replacement cycles driving muted FY19 iPhone unit =expectations... We estimate that over the last 12-24 months, smartphone =placement cycles have elongated from ~2 years to ~3 years (1) as =arriers have largely done away with 2-year contracts and high =ubsidies, and overall device quality, even from lower-end vendors, has =mproved. Global smartphone shipments have reinforced this fact, with =he market posting unit declines in 3 consecutive quarters through June =fter over a decade of growth, led by the two largest smartphone =arkets, China and EMEA (2 & 3). Investors fear the trend of =engthening replaceme

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