
From: Richard Kahn <[REDACTED]>
Sent: Wednesday, March 13, 2019 9:50 PM
To: Jeffrey Epstein
Subject: Fwd: Apple, Inc.: Early Signs of iPhone Stabilizing in China

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Apple, Inc.: Early Signs of iPhone Stabilizing in China

Katy L. Huberty, CFA – Morgan Stanley

March 13, 2019 9:30 PM GMT

After losing share in 4Q18, iPhone installed base data shows market share recovering after price cuts in early 2019. Combined with stabilizing iPhone supply chain data points, we now see an upward bias to our iPhone estimates in the March quarter. Remain OW with \$197 PT.

With two weeks to go, we're positively biased on Apple's March quarter in light of stabilizing iPhone data points. We'd highlight four positive data points. First and most important, despite a Chinese smartphone market that remains weak (Feb smartphone shipments hit a 6-year low), Apple gained share of the Chinese smartphone installed base Y/Y in January and February after losing share in the December 2018 quarter, which we detail below (1). This is on the back of Apple cutting iPhone XR prices in January and retailers noting improved sales. Price cuts on XS and XS Max could improve demand further in the month of March where we don't yet have data. Second, February was the first month in half a year that our Asia team didn't revise iPhone builds lower (February 2019 Monthly Databook), implying the most significant supply chain cuts are likely behind us. Third, this is the first time that our March (and June) quarter iPhone forecast is actually below our Asia Hardware team's build forecast (2), suggesting near term estimates may have overshot on the downside. While Apple acknowledged that January month sales improved from December, March quarter guidance didn't assume this improvement carried into February and March, while installed base trends suggest that may prove conservative. Fourth, based on our 180M FY19 iPhone shipment forecast, replacement cycles have converged with PCs after which we would expect stabilization. Our recent investor conversations point to neutral/negative positioning, providing a constructive set-up into the print which we expect in early May. Smartphone installed base and shipment data confirms Apple lost traction in China in 4Q18. While Apple maintained 9% sh

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