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**From:** Richard Kahn <[REDACTED]>  
**Sent:** Wednesday, April 3, 2019 10:30 PM  
**To:** Jeffrey Epstein  
**Subject:** Fwd: Apple, Inc.: App Store Trends Remain Stable Ahead of New Services Ramp

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Begin forwarded message:

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

Subject: =/b>Apple, Inc.: App =tore Trends Remain Stable Ahead of New Services Ramp

Date: =/b>April 3, 2019 at 6:24:41 PM =DT

To: =/b>[REDACTED]

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Katy L. Huberty, CFA =E2 Morgan Stanley

April =, 2019 10:19 PM GMT

March Q App Store net =venue of \$3.7B was slightly lower than our forecast but in-line with =onsensus. Going forward, we expect China to drive an acceleration in =2H gaming app revenue while the slowdown in entertainment-related app =venue is important to monitor.

App Store growth decels 1 =oint. According to data from Sensor Tower, estimated March quarter App =tore net revenue was \$3.7B, up 15% Y/Y, a 1 point deceleration from =evised December quarter growth of 16% Y/Y (1). Using Sensor Tower's = revised historical App Store revenue totals (2), our 17% Y/Y revenue =rowth forecast would imply \$3.8B in March quarter App Store net =venue, a 2% miss vs. reported results. Keeping the rest of our Apple =ervices forecasts unchanged, this would imply March quarter Services =venue of \$11.50B (+17% Y/Y), slightly below our current estimate of =11.60B (+18% Y/Y) but largely in-line with consensus Services revenue =f \$11.46B (3). Going forward, we model an acceleration in Services =rowth in F2H19 and FY20 as Apple ramps new Service launches, which have =istorically contributed 1 point to Services growth in their launch =ear, and 3 points in the first full year following launch. This is vs. =backdrop where consensus is modeling a 6 point Services growth =eceleration in FY19, with growth slightly accelerating in FY20, =uggesting there is upside risk to consensus Services estimates. Below =e present our 4 key takeaways from the March quarter App Store data.(+) =n a directional basis, the growth slowdown was in-line with our =expectations and doesn't change our Services thesis. On pre-revised App =tore results, we forecasted a 1 point growth deceleration in the March =uarter, from 18% Y/Y in C4Q18, to 17% Y/Y in C1Q19. While the absolute =ate of March quarter net revenue growth was lower at 15% Y/Y (due to =ensor Tower's revision of historical data), the 1 point deceleration =rom December quarter growth of 16% Y/Y directionally aligns with the 1 =oint March quarter slowdown we e

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