
From: Richard Kahn <richardkahn12@gmail.com>
Sent: Tuesday, June 5, 2018 12:31 PM
To: Jeffrey Epstein
Subject: Fwd: Apple, Inc.: WWDC 2018: All About Software

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Begin forwarded message:

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

Subject: =/b>Apple, Inc.: WWDC =018: All About Software

Date: =/b>June 4, 2018 at 9:10:30 PM =DT

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Apple, Inc.: WWDC =018: All About Software

Katy L. Huberty, CFA =E2 Morgan Stanley

June 5, =018 1:04 AM GMT

Apple's WWDC Keynote focused =n enhancements to iOS, watchOS, tvOS and macOS that strengthen the =value of the Apple ecosystem. Similar to last year, highlights were AR =unctionality and AI/ML capabilities. Cumulative developer payments =mpty App Store outperforming our ests again this quarter.

The App Store tracking ahead of our estimates. Apple CEO Tim Cook opened the 2018 WWDC Keynote by announcing that the Apple developer =community is now 20M strong, a 25% increase from a year ago. He also =nnounced 500M visits to the App Store weekly. Most importantly, he =ighlighted that cumulative payments to developers will top \$100B this =eek, implying YTD payments of \$13.5B, and YTD App Store revenue of =5.8B (assuming a 30/70 split between Apple and Developers). Our math =plies Apple is tracking to App Store revenue over \$3.6B (+35% y/y) in =he June quarter, compared to our \$3.5B forecast(+30% Y/Y) (1). This is =n acceleration from 29% Y/Y growth in the March quarter. As we =ighlighted in our recent Services note, App Store contributes nearly =0% of Services revenue with diversifying growth drivers that suggest =he recent strong growth rates are sustainable.Updates to Augmented =eality and AI capabilities the most important software announcements. =imilar to last year, we view the iOS 12 updates to both AR =unctionality and AI/ML integration as the key announcements of the day. =or AR, Apple released ARKit 2.0, the augmented reality toolkit for app =evelopers, which now offers improved face tracking, more realistic =mage rendering, 3D object detection and, most notably, the ability to =reate a shared multi-player/device AR experience. Apple also introduced =ongue detection and the ability to customize your own lookalike =emoji, called MeMoji, which we see as a direct shot at Snapchat's =opular Bitmoji tool. On the AI side, Apple's newest feature is called =hortcuts, which allows users to create action-based commands to =utomate tasks based on your schedule, location,

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