
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

Richard Kahn
HBRK Associates =nc.
575 Lexington =venue, 4th Floor
New York, NY =0022
[REDACTED]
[REDACTED]
[REDACTED]

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 =alue of the Apple ecosystem. Similar to last year, highlights were AR =unctionality and AI/ML capabilities. Cumulative developer payments =mply App Store outperforming our ests again this quarter.

The App Store tracking ahead of our estimates. Apple CEO Tim =ook opened the 2018 WWDC Keynote by announcing that the Apple developer =ommunity 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 =mplies 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 =nimoji, 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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