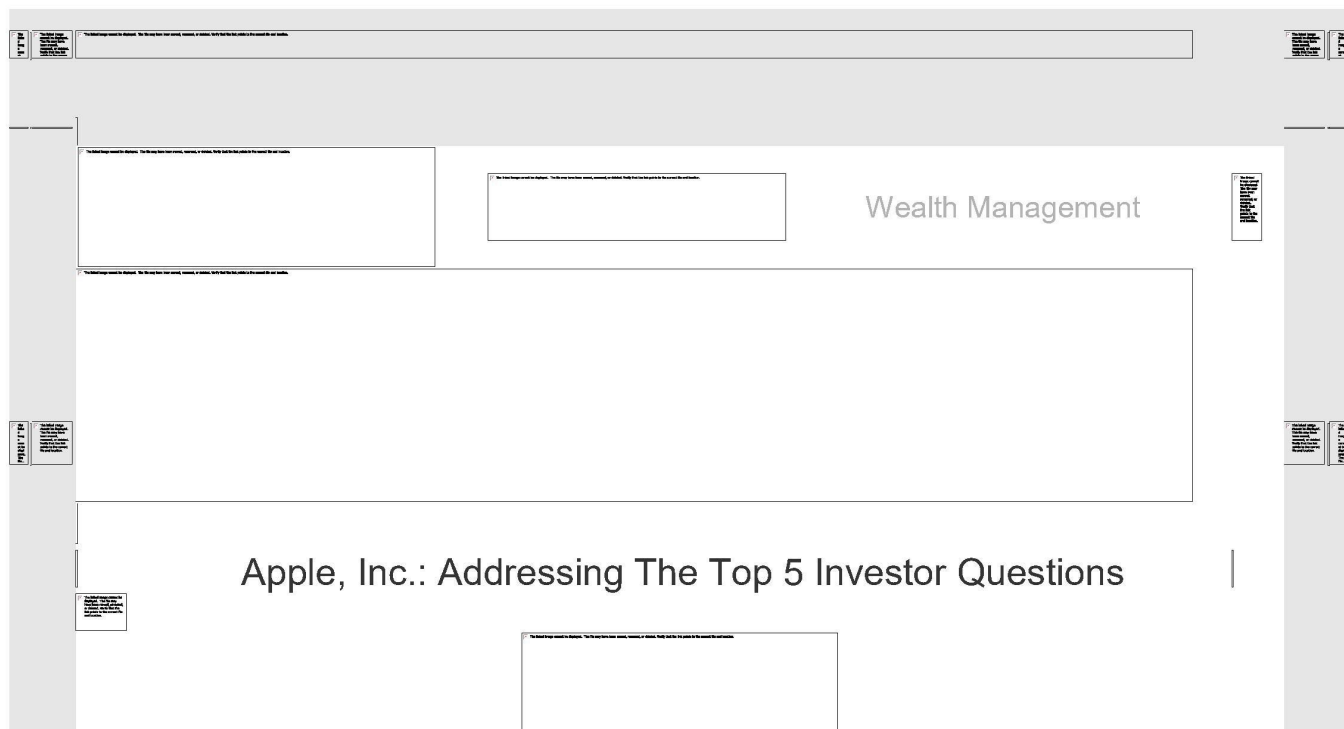

From: Richard Kahn [REDACTED]
Sent: 5/30/2019 3:19:40 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Fwd: Apple, Inc.: Addressing The Top 5 Investor Questions

Importance: High

Richard Kahn
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575 Lexington Avenue 4th Floor
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[REDACTED]

Begin forwarded message:

From: "Morgan Stanley" <ms-wmir@morganstanley.com>
Subject: Apple, Inc.: Addressing The Top 5 Investor Questions
Date: May 29, 2019 at 6:35:01 PM EDT
To: <[REDACTED]>
Reply-To: <mswmir-cie-feedback@morganstanley.com>





Katy L. Huberty, CFA – Morgan Stanley

May 29, 2019 10:28 PM GMT

Given the risk of further restrictive trade measures, we answer investors' top questions. We expect shares to remain choppy, with a near-term floor around \$160. Our estimates are unchanged but peer multiple contraction drives our SoTP-driven PT to \$231 (from \$240).

What is the latest view on iPhone demand in China? On Apple's April 30th earnings call, CEO Tim Cook noted that the November-December period was likely to be the trough in iPhone demand in China, following an improvement in performance during the March quarter helped by iPhone price cuts, VAT tax rollbacks, increased financing options and better consumer confidence. Data from push-messaging service provider Jigaung shows that the improvement in iPhone demand likely persisted through April, where Apple gained over 175bps of Chinese smartphone installed base share Y/Y (1). However, the increasingly tough trade rhetoric and actions recently taken by US and Chinese authorities make it less likely this trend will continue into May/June. Late last week, following the Huawei blacklist, President Trump commented that "it's possible that Huawei would be included in a trade deal", suggesting recent actions could be bargaining chips to use in trade negotiations that can be worked out by/around the G20 Summit in late June, but with Apple guiding June quarter revenue down 8% Q/Q (vs. trailing 3 year seasonality of -14% Q/Q), the risk remains that weaker near-term demand in China increases the risk of a revenue shortfall. For reference, we model 37M iPhone shipments in the June quarter (-10% Y/Y), in-line with iPhone builds, which implies a 5th consecutive quarter of double digit iPhone shipment declines in China. If we assume Chinese demand significantly weakens in the last 6 weeks of the quarter and iPhone shipments instead fall 50% Y/Y (a 10 point further deceleration from March Q declines), then we'd expect 2.3M lower iPhone units (-6% vs. our current model), \$1.6B lower revenue (-2.9%) and a \$0.05 hit to EPS (-2

This alert is sent from:
Andrew Atlas, Andrew.Atlas@morganstanley.com

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