31 May 2026 23:15:18 ET | 16 pages

Apple, Inc. (AAPL.O)

Mid-Q Update – Investor Focus on Big Siri Update into WWDC

CITI'S TAKE

We are incrementally positive on iPhone shipments this year and see Apple building on the strong momentum of the iPhone 17 family and well positioned to gain share amid memory pricing pressure. That said, we keep our CY26/27 iPhone estimates -2%/+10% for now while waiting for more agentic/edge AI use cases at WWDC26 Jun 8-12. This year's keynote will likely be anchored by the long-awaited overhaul of Siri, repositioning it from a basic voice assistant into a more advanced, system-wide AI agent with a conversational interface, deeper app integration, and the ability to execute multi-step, context-aware tasks.

WWDC Preview — Apple's 2026 WWDC is scheduled to take place from Jun 8-12 with a keynote event on Jun 8th 1pm ET. Investor focus will be on the big Siri update. Apple is uniquely positioned to capitalize on the edge AI inflection given its over 2.5 billion installed base and its tightly integrated ecosystem spanning custom silicon, software and services. We believe a meaningfully upgraded Siri will be a key to unlock the agentic AI potential. Early indicators such as strong demand for Mac Mini, driven by emerging agentic AI use cases like OpenClaw, highlight how edge AI is already beginning to drive incremental hardware demand, even as adoption has yet to extend to the broader iPhone and iPad installed base. Beyond hardware, it also points to a meaningful services opportunity. As agentic AI capabilities mature, Apple could monetize through higher-value software layers, developer tools, and AI-driven services embedded across its ecosystem.

Citi smartphone supply chain checks — Based on Citi's supply chain checks in Asia, the iOS upgrade cycle for 2026/27 is on track across the supply chain while memory/FX headwinds are manageable for the iOS suppliers with 2Q26 pressure noted. Apple is aggressively building for high-end models while supply chain foldable phones expectations remain ~ 7-8M this year. Even though iPhone 18 base model is expected to be launched next year, build plan for iPhone slightly grows Y/Y to over 250M units with strength in the iPhone 17 base model.

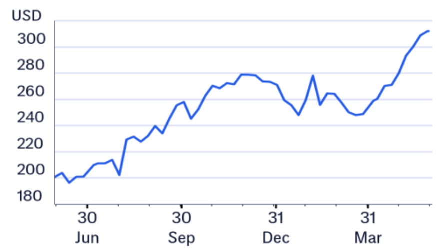
EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons	VA Cons
2025A	2.40A	1.65A	1.57A	1.85A	7.46A	7.46A	7.46A
2026E	**2.84A**	**2.01A**	**1.88E**	**1.90E**	**8.64E**	**8.77E**	**8.72E**
Previous	2.84A	2.01A	1.88E	1.90E	8.64E	na	na
2027E	**2.39E**	**2.78E**	**2.20E**	**2.11E**	**9.50E**	**9.68E**	**9.51E**
Previous	2.39E	2.78E	2.20E	2.11E	9.50E	na	na
2028E	**2.55E**	**3.00E**	**2.66E**	**2.45E**	**10.66E**	**10.82E**	**10.54E**
Previous	2.55E	3.00E	2.66E	2.45E	10.66E	na	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus. VA Cons: Visible Alpha Consensus.

Click here for Visible Alpha consensus data

Buy	
Price (29 May 26 16:00)	US$312.06
Target price	US$315.00
Expected share price return	0.9%
Expected dividend yield	0.3%
Expected total return	1.3%
Market Cap	US$4,583,336M

Price Performance
(RIC: AAPL.O, BB: AAPL US)



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See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

AAPL.O: Fiscal year end 30-Sep

Price: US$312.06; TP: US$315.00; Market Cap: US$4,583,336m; Recomm: Buy

Profit & Loss (US$m)	2024	2025	2026E	2027E	2028E
Sales revenue	391,035	416,161	475,628	516,308	541,017
Cost of sales	-210,352	-220,960	-246,687	-267,291	-271,538
Gross profit	180,683	195,201	228,941	249,018	269,479
Gross Margin (%)	46.2	46.9	48.1	48.2	49.8
EBITDA (Adj)	**134,661**	**144,748**	**167,139**	**178,224**	**193,504**
EBITDA Margin (Adj) (%)	34.4	34.8	35.1	34.5	35.8
Depreciation	-11,445	-11,698	-13,681	-14,656	-15,456
Amortisation	0	0	0	0	0
EBIT (Adj)	**123,216**	**133,050**	**153,458**	**163,568**	**178,048**
EBIT Margin (Adj) (%)	31.5	32.0	32.3	31.7	32.9
Net interest	269	-321	-141	-241	90
Associates	0	0	0	0	0
Non-Op/Except/Other Adj	0	0	0	0	0
Pre-tax profit	**123,485**	**132,729**	**153,317**	**163,327**	**178,138**
Tax	-29,749	-20,719	-26,462	-27,766	-30,283
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net profit	**93,736**	**112,010**	**126,855**	**135,561**	**147,854**
Net Margin (%)	24.0	26.9	26.7	26.3	27.3
Core NPAT	93,736	112,010	126,855	135,561	147,854
Per share data	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Reported EPS ($)	6.08	7.46	8.64	9.50	10.66
Core EPS ($)	6.08	7.46	8.64	9.50	10.66
DPS ($)	0.98	1.02	1.09	1.20	1.32
CFPS ($)	8.34	7.43	11.32	11.81	13.30
FCFPS ($)	7.73	6.58	10.54	10.98	12.40
BVPS ($)	3.71	4.93	8.34	12.61	18.02
Wtd avg ord shares (m)	15,344	14,948	14,622	14,224	13,818
Wtd avg diluted shares (m)	15,408	15,005	14,677	14,276	13,871
Growth rates	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Sales revenue (%)	2.0	6.4	14.3	8.6	4.8
EBIT (Adj) (%)	7.8	8.0	15.3	6.6	8.9
Core NPAT (%)	-3.4	19.5	13.3	6.9	9.1
Core EPS (%)	-0.8	22.7	15.8	9.9	12.3
Balance Sheet (US$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Cash & cash equiv.	65,171	54,697	97,927	160,688	237,576
Accounts receivables	33,410	39,777	36,191	36,938	39,654
Inventory	7,286	5,718	8,305	8,368	8,971
Net fixed & other tangibles	111,476	124,523	121,668	118,965	116,059
Goodwill & intangibles	9,038	9,038	27,223	27,223	27,223
Financial & other assets	138,599	125,488	116,262	115,955	115,906
Total assets	**364,980**	**359,241**	**407,576**	**468,137**	**545,388**
Accounts payable	68,960	69,860	75,706	74,207	77,141
Short-term debt	20,879	20,329	10,307	10,307	10,307
Long-term debt	85,750	78,328	74,404	74,404	74,404
Provisions & other liab	132,441	116,991	125,222	129,848	134,592
Total liabilities	**308,030**	**285,508**	**285,639**	**288,766**	**296,444**
Shareholders' equity	56,950	73,733	121,937	179,370	248,945
Minority interests	0	0	0	0	0
Total equity	**56,950**	**73,733**	**121,937**	**179,370**	**248,945**
Net debt (Adj)	**41,458**	**43,960**	**-13,216**	**-75,977**	**-152,865**
Net debt to equity (Adj) (%)	72.8	59.6	-10.8	-42.4	-61.4

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	51.3	41.8	36.1	32.9	29.3
PB (x)	84.1	63.3	37.4	24.7	17.3
EV/EBITDA (x)	33.7	31.4	27.0	25.0	22.7
FCF yield (%)	2.5	2.1	3.4	3.5	4.0
Dividend yield (%)	0.3	0.3	0.3	0.4	0.4
Payout ratio (%)	16	14	13	13	12
ROE (%)	157.4	171.4	129.7	90.0	69.0
Cashflow (US$m)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
EBITDA	134,661	144,748	167,139	178,224	193,504
Working capital	3,651	-25,000	12,879	2,625	4,407
Other	-9,812	-8,266	-13,872	-12,203	-13,365
Operating cashflow	**128,500**	**111,482**	**166,146**	**168,646**	**184,546**
Capex	-9,447	-12,715	-11,383	-11,952	-12,550
Net acq/disposals	12,382	27,910	1,547	8,666	3,550
Other	0	0	0	0	0
Investing cashflow	**2,935**	**15,195**	**-9,837**	**-3,286**	**-9,000**
Dividends paid	-15,234	-15,421	-16,086	-17,143	-18,321
Financing cashflow	**-121,983**	**-114,615**	**-105,617**	**-93,932**	**-95,109**
Net change in cash	**9,452**	**12,062**	**50,693**	**71,428**	**80,437**
Free cashflow to s/holders	**119,053**	**98,767**	**154,763**	**156,694**	**171,997**

For definitions of the items in this table, please click here.

Jun-Q Mid-Q Update

iPhone Demand

Citi smartphone supply chain checks – Based on Citi's supply chain checks in Asia, the iOS upgrade cycle for 2026/27 is on track across the supply chain while memory/FX headwinds are manageable for the iOS suppliers with 2Q26 pressure noted. Apple is aggressively building for high-end models while supply chain foldable phones expectations remain ~ 7-8M this year. Even though iPhone 18 base model is expected to be launched next year, build plan for iPhone slightly grows Y/Y to over 250M units with strength in the iPhone 17 base model. In the meantime, building on the strong momentum in China, Apple got an early start for promotions during the 618-shopping festival in China, with some models reaching all-time low combining with subsidies. Although the 20% Q1 iPhone shipment growth in China represents a high bar to surpass in Q2, we see Apple continue to gain meaningful share in China in Q2.

Hon Hai Monthly Revenue – Hon Hai Smart Consumer Electronics revenue saw revenue in April slightly down Y/Y affected by pull-in momentum. During its Q1 earnings in mid-May, the company expects Smart Consumer Electronics revenue to be up slightly Y/Y, flattish Q/Q, and kept full year outlook of slightly up Y/Y.

Services

Sensor Tower - Sensor Tower App Store revenue in Apr grew 5% Y/Y, tracking below the company's guidance of ~13%-14% total services growth. That said, we note that Sensor Tower App Store revenue has been deviating from the company's total services growth in recent quarters. Besides App Store (we estimate ~30%+ of total Services revenue), advertising (~30%) and cloud (~10%) are also the main drivers of Services growth momentum, and Apple's ~2.5Bn active installed base and more than 50% untaped transaction accounts give the company a strong foundation to capitalize on further growth opportunities.

Figure 1. Sensor Tower App Store Summary

Y/Y Rev Growth	2025 Rev %	MarQ'25	JunQ'25	SepQ'25	DecQ'25	Mar'26	Apr	Jun-Q Guidance
Total		**11%**	**12%**	**10%**	**6%**	**6%**	5%	The company guided Jun-Q services growth simliar to Mar-Q (16%) after removing FX impact of 2.5pts Citi models +13% Y/Y growth (Street +14%).
US	37%	8%	9%	9%	3%	3%	-5%	
China	19%	15%	8%	1%	-2%	-2%	10%	
EU	10%	19%	23%	24%	22%	22%	18%	
Games	45%	3%	0%	0%	-2%	-2%	-2%	
Entertainment	15%	21%	25%	13%	3%	3%	5%	
Photo & Videos	8%	31%	33%	24%	16%	16%	11%	
Apple Reported Services Y/Y		***12%***	***13%***	***15%***	***14%***	***14%***		

** Data as of 5/27/2026*

Source: Citi Research, Sensor Tower

WWDC26 Preview

Apple's 2026 WWDC is scheduled to take place from Jun 8-12 with a keynote event on Jun 8th 1pm ET. The event is expected to unveil major updates across Apple platforms (iOS, macOS, iPadOS, watchOS, tvOS and visionOS), including AI advancements and new software and developer tools. This year's keynote will likely be anchored by a long-awaited overhaul of Siri, repositioning it from a basic voice assistant into a more advanced, system-wide AI agent with a conversational interface, deeper app integration, and the ability to execute multi-step, context-aware tasks. Alongside the Siri upgrade, Apple is expected to emphasize performance, stability, and incremental AI integration across its operating systems, including expansion of its Apple Intelligence framework and support for third-party AI models. Overall, these updates reflect Apple's broader strategy to strengthen its on-device AI capabilities, leverage its large installed base, and lay the foundation for future hardware and services growth.

Investor Focus is the Big Siri Update:

The long-awaited Siri overhaul is expected to be the centerpiece of this year's WWDC, marking the biggest transformation in the assistant's nearly 15-year history and a pivotal moment in Apple's effort to catch up in AI. The update aims to turn Siri from a basic voice assistant into a system-wide AI agent powered by a rebuilt model that incorporates Apple's own AI capabilities alongside integrations with external systems like Google Gemini. The new Siri will feature a chatbot-like, conversational experience across both text and voice, plus a dedicated Siri app where users can view past conversations, upload files or photos for context, and manage chats like ChatGPT. A redesigned interface will place Siri into the Dynamic Island as an always-on layer with glowing animations, while also introducing a new swipe-down "Search or Ask" interface for typed queries and unifying Siri with Spotlight and system search. Functionally, Siri will handle multi-step requests, understand personal data, analyze on-screen content, generate emails or messages using both web and device context, and surface rich card-based results for everything from news to calendar data, while also completing actions across apps and shortcuts. Apple is also expanding Siri into new workflows, including integration within the Camera app for visual search and real-world analysis, and is opening the ecosystem to third-party AI agents (such as Gemini, Claude, and others) via a selectable interface so users can route queries externally. Overall, the update aims to make Siri more context-aware, deeply integrated across apps, and competitive with modern AI assistants, though some advanced capabilities may roll out gradually due to earlier delays.

Additional system-wide refinement - Beyond Siri, the operating system updates are expected to emphasize performance, stability, and gradual AI integration rather than sweeping redesigns. The company is focusing on faster performance, improved battery life, and bug fixes, while continuing to refine existing design elements like the Liquid Glass interface. A key cross-platform shift is the expansion of Apple Intelligence, including deeper AI features in apps (like writing tools, search, and photo editing) and a new system that lets users choose third-party AI models to power experiences across devices. These updates will also extend to macOS and iPadOS with similar optimizations and AI enhancements, while watchOS is expected to see more incremental improvements, particularly around health and efficiency. Overall, Apple is positioning this release cycle as a polishing and foundation-building phase, preparing its ecosystem for more advanced AI capabilities and future hardware like foldables.

Implications - Edge AI has not yet taken off, but its long-term potential is substantial as consumers and enterprises increasingly prioritize low-latency, privacy-preserving, and cost-efficient AI experiences over cloud dependence. Apple is uniquely positioned to capitalize on this inflection given its over 2.5 billion installed base and its tightly integrated ecosystem spanning custom silicon, software and services. We believe a meaningfully upgraded Siri will be a key to unlock the potential —evolving from a largely reactive assistant into a proactive, context-aware interface capable of orchestrating actions across apps and modalities. This is where agentic AI becomes critical, enabling autonomous task execution, personalized workflows, and continuous learning loops directly on device while maintaining Apple's privacy-first ethos. Early indicators such as strong demand for Mac Mini, driven by emerging agentic AI use cases like OpenClaw, highlight how edge AI is already beginning to drive incremental hardware demand, even as adoption has yet to extend to the broader iPhone and iPad installed base. Beyond hardware, it also points to a meaningful services opportunity. As agentic AI capabilities mature, Apple could monetize through higher-value software layers, developer tools, and AI-driven services embedded across its ecosystem. If Apple successfully combines an advanced Siri, agentic AI capabilities, and its expanding edge hardware footprint, it could not only accelerate hardware adoption but also unlock a new services growth vector, positioning the company to capture outsized value as edge AI scales.

Valuation

We value AAPL at $315 or 33x P/E on our CY2027 EPS estimate. Our 33x P/E is about a 20% premium to Apple's 3-year P/E average. We believe a premium is warranted to reflect expanding gross margins (ex-tariffs), growing services sales mix, gradual Apple Intelligence adoption, and a strong balance sheet.

Figure 2. AAPL Valuation vs Mag7 Peers

P/E FY2	AAPL	AMZN	GOOGL	META	MSFT	NVDA	TSLA
Current	32x	26x	26x	18x	21x	17x	178x
1 year average	28x	33x	21x	21x	28x	28x	99x
3 year average	28x	33x	21x	21x	28x	28x	99x
5 year average	27x	40x	21x	20x	27x	33x	86x
Peak	34x	72x	30x	27x	35x	66x	225x
Trough	18x	21x	14x	11x	19x	15x	19x

EV/EBITDA FY2	AAPL	AMZN	GOOGL	META	MSFT	NVDA	TSLA
Current	25x	11x	16x	9x	13x	14x	82x
1 year average	22x	13x	12x	11x	18x	24x	51x
3 year average	22x	13x	12x	11x	18x	24x	52x
5 year average	21x	14x	12x	10x	18x	27x	45x
Peak	27x	23x	19x	15x	23x	52x	106x
Trough	15x	9x	8x	4x	12x	13x	12x

P/FCF FY2	AAPL	AMZN	GOOGL	META	MSFT	NVDA	TSLA
Current	29x	#N/A	211x	#N/A	50x	20x	#N/A
1 year average	25x	122x	35x	53x	37x	31x	284x
3 year average	25x	122x	35x	53x	37x	31x	284x
5 year average	24x	90x	28x	42x	34x	37x	204x
Peak	31x	4950x	221x	310x	70x	92x	2068x
Trough	17x	23x	12x	14x	20x	17x	25x

** As of 5/27/2026; N/A P/FCF indicates negative FCF*

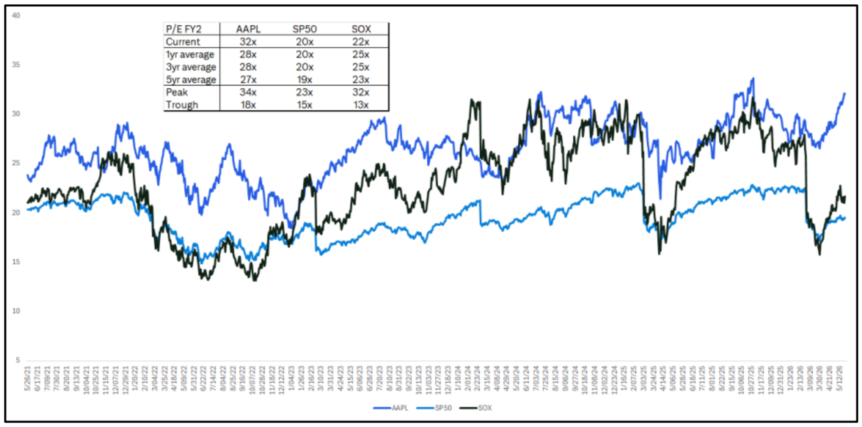
Source: Citi Research, FactSet

Figure 3. AAPL ROIC % vs Peers

ROIC	AAPL	AMZN	GOOGL	META	MSFT	NVDA	TSLA
2026 Q1	71	16	32	23	26	94	4
2025	71	16	30	30	26	103	9
2024	58	16	30	30	28	70	9
2023	59	10	25	23	28	12	26
2022	58	-1	21	16	32	32	29

Source: Citi Research, FactSet

Figure 4. AAPL Historical P/E vs Indexes



Source: Citi Research, FactSet

Companies Mentioned:

Apple, Inc. (AAPL.O; US$312.06; 1; 29 May 26; 16:00) | Alphabet Inc (GOOGL.O; US$380.34; 1; 29 May 26; 16:00) | Amazon.com, Inc. (AMZN.O; US$270.64; 1; 29 May 26; 16:00) | Hon Hai Precision (2317.TW; NT$289.0; 1; 29 May 26; 13:30) | Meta Platforms Inc (META.O; US$632.51; 1; 29 May 26; 16:00) | Microsoft Corp. (MSFT.O; US$450.24; 1; 29 May 26; 16:00) | NVIDIA Corp (NVDA.O; US$211.14; 1; 29 May 26; 16:00)

Apple, Inc.

Company description

Apple, Inc. (AAPL) is a leading vendor in "ecosystem"-based mobile hardware devices globally. With the iMac in 1998, iPod in 2001, iPhone in 2007, iPad in 2010, and Apple Watch in 2015, Apple set itself apart with innovative hardware and has increasingly extended this differentiation into chip design, software (operating system), and applications throughout its entire product offering. Apple derives 50% of its revenues from iPhone, while iPad represented ~10%, personal computers (PCs) 11%, iTunes, Software and Services 20%, and other products and accessories the remainder. The company was founded in 1976 by Steve Jobs and Steve Wozniak and is headquartered in Cupertino, CA.

Investment strategy

We rate Apple shares Buy. Macro woes and impact on consumer spending are valid concerns, but we believe Apple's growth in active installed base of products and subscriptions is sticky, and should help to drive demand in future years. The full product + software + service package is what makes Apple unique as others do not control this. We also expect to see gross margin expansion driven by higher blended ASP in iPhone sales mix, further share gain in emerging markets, continued self-design of cellular chips to reduce BOM costs, and higher margin services sales mix. New product category launches including AR/VR are not fully reflected in current estimates.

Valuation

Our target price for Apple is $315. We value AAPL at $315 or 33x P/E on our CY2027 EPS estimate. Our 33x P/E is about a 20% premium to Apple’s historical level. We believe a premium is warranted to reflect expanding gross margins (ex tariffs), growing services sales mix, gradual Apple Intelligence adoption, and a strong balance sheet.

Risks

Key risks to our investment thesis and to Apple achieving our target price include the following:

1) Weaker macroeconomic conditions or shifting consumer demand could cause greater-than-expected deceleration or contraction in the handset and smartphone markets. This would negatively impact Apple's prospects for growth, and the shares may fail to achieve our target price as a result.

2) Uncertainty regarding US/China tensions could impact Apple's supply chain, as the company is heavily reliant on suppliers/manufacturers in Taiwan and mainland China.

3) Regulatory risk remains as a major headwind including Digital Markets Act in Europe, which would push Apple to allow alternative app store on its iPhones and iPads and reduce app store revenues in the region.