

Apple Inc.

WWDC26 - AI related applications including Siri AI not a demand game changer in our view

Moving AI forward but at a modest pace

Apple made a number of software—specifically AI-related—announcements with a privacy overlay as we had expected ([link](#)) at its annual developer conference. While we believe that a number of the features are additive to the user experience and offer further convenience relative to prior versions, we do not expect the announcements to be a material driver of iPhone demand ahead of the expected launch of a foldable device in the fall. Rather we believe Apple's AI journey is likely to be iterative over the next couple of years with today's announcement a solid foundation to build an "edge AI platform". However, based on initial functionality, we believe investors will be underwhelmed with the offerings given the consumer market is already highly competitive. Key takeaways include:

- Apple Foundation Models (AFM) integration with Gemini:** Apple announced a collaboration with Google for its next-generation AFM to run on-device and on Private Cloud Compute (PCC). Further, it enables Siri AI, a new version of Siri that offers more personal and conversational capabilities as well as a dedicated Siri app.
- Emphasis on privacy:** The company highlighted that PCC does not store users' personal data or make it accessible to anyone, including Apple. For example, Call Context (which proactively surfaces relevant information when on a call with a business) only looks at who the user is calling, not what the user is saying.
- Siri AI to launch as beta:** Siri AI will be available as a beta later this year for supported devices set to English, with additional languages to eventually be added. Notably, iPhones going back to the 15 series are supported with the latest software, iOS 27. However, Apple's most powerful on-device model and included features—like expressive voices and more advanced dictation—are limited to certain devices such as the iPhone 17 series with at least 12GB of unified memory.
- Limited geographic rollout:** Siri AI will not be available initially in the EU on iOS and iPadOS, but can be accessed on the Mac, Apple Watch, and Vision Pro when set to a supported language (currently English). Further, Siri AI and other new Apple Intelligence features will not be available in China due to regulatory hurdles.
- Shortcuts and Home app features:** Apple announced Describe a Shortcut to make it easier to complete tasks, as well as smart capabilities in the Home app. These features could be precursors for expected products ([link](#)) such as a smart home display and tabletop robot, potentially in late CY26 and CY28, respectively.

No change to our iPhone estimates

Despite various interesting AI-related announcements, we leave our iPhone estimates unchanged as we do not believe that the new offerings will drive iPhone demand. We

Highlights (US\$m)	09/23	09/24	09/25	09/26E	09/27E	09/28E	09/29E	09/30E
Revenues	383,285	391,035	416,161	476,745	509,630	540,002	566,036	582,980
EBIT (UBS)	114,301	123,216	133,050	155,119	165,779	177,995	187,951	193,901
Net earnings (UBS)	97,759	103,982	112,010	128,115	137,945	148,940	158,184	164,182
EPS (UBS, diluted) (US\$)	6.18	6.75	7.46	8.72	9.57	10.52	11.37	12.00
DPS (net) (US\$)	0.94	0.98	1.02	1.06	1.10	1.14	1.18	1.22
Net (debt) / cash	(49,533)	(41,458)	(43,960)	5,344	67,472	136,968	216,733	301,698
Profitability/valuation	09/23	09/24	09/25	09/26E	09/27E	09/28E	09/29E	09/30E
EBIT (UBS) margin %	29.8	31.5	32.0	32.5	32.5	33.0	33.2	33.3
ROIC (EBIT) %	>500	>500	>500	402.7	481.3	>500	>500	>500
EV/EBITDA (UBS core) x	20.1	21.9	23.0	26.7	25.3	23.9	23.2	22.9
P/E (UBS, diluted) x	26.2	28.8	30.0	35.2	32.1	29.2	27.0	25.6
Equity FCF (UBS) yield %	3.9	4.0	2.9	3.4	3.6	3.7	4.0	4.1
Dividend yield (net) %	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.4

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US\$ 301.83 on 08-Jun-2026 16:31:18 EDT

Equities	
United States	
Computers	
12-month rating	Neutral

12m price target **US\$296.00**

Price (08 Jun 2026) **US\$313.58**

RIC: AAPL.O BBG: AAPL US

Trading data and key metrics

52-wk range	US\$315.20-195.64
Market cap.	US\$4,601b
Shares o/s	14,673m (COM)
Free float	100%
Avg. daily volume ('000)	44,613
Avg. daily value (m)	US\$12,374.6
Common s/h equity (09/26E)	US\$121b
P/BV (09/26E)	37.9x
Net debt to EBITDA (09/26E)	0.0x

EPS (UBS, diluted) (USD)

	09/26E	
	UBS	Cons.
Q1	2.84	2.84
Q2	2.01	2.01
Q3E	1.84	1.89
Q4E	2.02	2.01
09/26E	8.72	8.77
09/27E	9.57	9.67
09/28E	10.52	10.80

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estimate iPhone revenue / units of \$53.3B / 56.5M (VA Cons \$53.3B / 53.7M) in the June-26 quarter and \$251.6B / 261.6M (VA Cons \$250.5B / 257.4M) in FY26.

Valuation: Our PT of \$296 is 30x our CY27 EPS est of \$9.86

Our \$296 price target is ~30x our CY27 EPS est of \$9.86. At 30x, Apple shares would be trading roughly in-line with the trailing 12-month average, reflecting solid demand balanced by uncertainty around the company's AI strategy.

Apple Inc. (AAPL.O)

	09/23	09/24	09/25	09/26E	%ch	09/27E	%ch	09/28E	09/29E	09/30E
Income Statement (US\$m)										
Revenues	383,285	391,035	416,161	476,745	14.6	509,630	6.9	540,002	566,036	582,980
Gross profit	169,148	180,683	195,201	229,971	17.8	243,995	6.1	260,513	274,265	283,326
EBITDA (UBS)	125,820	134,661	144,748	168,539	16.4	178,408	5.9	189,746	199,127	204,699
Depreciation & amortisation	(11,519)	(11,445)	(11,698)	(13,420)	-14.7	(12,629)	5.9	(11,751)	(11,177)	(10,797)
EBIT (UBS)	114,301	123,216	133,050	155,119	16.6	165,779	6.9	177,995	187,951	193,901
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	382	1,269	1,229	1,381	12.3	1,000	-27.6	1,000	1,000	1,000
Net interest	(183)	(1,000)	(1,550)	(1,664)	-7.3	(580)	65.2	451	1,633	2,908
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Pre-tax profit	114,500	123,485	132,729	154,836	16.7	166,199	7.3	179,446	190,583	197,810
Tax	(16,741)	(19,503)	(20,719)	(26,720)	-29.0	(28,254)	-5.7	(30,506)	(32,399)	(33,628)
Profit after tax	97,759	103,982	112,010	128,115	14.4	137,945	7.7	148,940	158,184	164,182
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	0	0	0	0	-	0	-	0	0	0
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	97,759	103,982	112,010	128,115	14.4	137,945	7.7	148,940	158,184	164,182
Net earnings (UBS)	97,759	103,982	112,010	128,115	14.4	137,945	7.7	148,940	158,184	164,182
Tax rate (%)	14.6	15.8	15.6	17.3	10.6	17.0	-1.5	17.0	17.0	17.0
Per Share (US\$)										
EPS (UBS, diluted)	6.18	6.75	7.46	8.72	16.8	9.57	9.8	10.52	11.37	12.00
EPS (local GAAP, diluted)	6.18	6.75	7.46	8.72	16.8	9.57	9.8	10.52	11.37	12.00
EPS (UBS, basic)	6.21	6.78	7.49	8.75	16.8	9.61	9.8	10.56	11.42	12.05
DPS (net) (US\$)	0.94	0.98	1.02	1.06	3.9	1.10	3.8	1.14	1.18	1.22
Cash EPS (UBS, diluted) ¹	6.91	7.49	8.24	9.63	16.9	10.45	8.5	11.35	12.17	12.79
Book value per share	3.96	3.74	4.96	8.28	66.8	12.41	49.9	17.40	23.19	29.57
Average shares (diluted)	15,813	15,408	15,005	14,691	-2.1	14,410	-1.9	14,154	13,913	13,685
Balance Sheet (US\$m)										
Cash and equivalents	61,555	65,171	54,697	90,055	64.6	152,183	69.0	221,679	301,444	386,409
Other current assets	82,011	87,816	93,260	102,752	10.2	103,911	1.1	107,948	110,736	112,824
Total current assets	143,566	152,987	147,957	192,807	30.3	256,094	32.8	329,627	412,180	499,234
Net tangible fixed assets	43,715	45,680	49,834	47,281	-5.1	43,558	-7.9	41,110	39,543	38,498
Net intangible fixed assets	0	0	0	0	-	0	-	0	0	0
Investments / other assets	165,302	166,313	161,450	171,282	6.1	174,715	2.0	180,079	184,965	189,630
Total assets	352,583	364,980	359,241	411,369	14.5	474,367	15.3	550,817	636,689	727,362
Trade payables & other ST liabilities	129,501	155,513	145,302	159,906	10.1	164,327	2.8	171,321	179,007	185,881
Short term debt	15,807	20,879	20,329	10,307	-49.3	10,307	0.0	10,307	10,307	10,307
Total current liabilities	145,308	176,392	165,631	170,213	2.8	174,634	2.6	181,628	189,314	196,188
Long term debt	95,281	85,750	78,328	74,404	-5.0	74,404	0.0	74,404	74,404	74,404
Other long term liabilities	49,848	45,888	41,549	46,247	11.3	47,950	3.7	50,613	53,037	55,352
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	290,437	308,030	285,508	290,864	1.9	296,989	2.1	306,644	316,755	325,944
Common s/h equity	62,146	56,950	73,733	120,505	63.4	177,378	47.2	244,172	319,933	401,417
Minority interests	0	0	0	0	-	0	-	0	0	0
Total liabilities & equity	352,583	364,980	359,241	411,369	14.5	474,367	15.3	550,817	636,689	727,362
Cash Flow (US\$m)										
Net income (before pref divs)	97,759	103,982	112,010	128,115	14.4	137,945	7.7	148,940	158,184	164,182
Depreciation & amortisation	11,519	11,445	11,698	13,420	14.7	12,629	-5.9	11,751	11,177	10,797
Net change in working capital	(8,804)	1,385	(25,089)	1,875	-	1,533	-18.3	254	2,437	2,436
Other operating	10,833	11,688	12,863	14,178	10.2	14,112	-0.5	14,112	14,112	14,112
Operating cash flow	111,307	128,500	111,482	157,589	41.4	166,219	5.5	175,057	185,910	191,527
Tangible capital expenditure	(10,959)	(9,447)	(12,715)	(8,276)	34.9	(8,907)	-7.6	(9,303)	(9,610)	(9,752)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) & disposals	0	0	0	0	-	0	-	0	0	0
Other investing	14,664	12,382	27,910	(6,710)	-	0	-	0	0	0
Investing cash flow	3,705	2,935	15,195	(14,986)	-	(8,907)	40.6	(9,303)	(9,610)	(9,752)
Equity dividends paid	(15,025)	(15,234)	(15,421)	(15,606)	-1.2	(15,790)	-1.2	(16,070)	(16,347)	(16,622)
Share issues / (buybacks)	(77,550)	(94,949)	(90,711)	(78,608)	13.3	(79,394)	-1.0	(80,188)	(80,188)	(80,188)
Other financing	(6,012)	(5,802)	(6,071)	(9,289)	-53.0	0	-	0	0	0
Change in debt & pref shares	(9,901)	(5,998)	(8,483)	(7,914)	6.7	0	-	0	0	0
Financing cash flow	(108,488)	(121,983)	(120,686)	(111,417)	7.7	(95,184)	14.6	(96,258)	(96,535)	(96,810)
Cash flow inc/(dec) in cash	6,524	9,452	5,991	31,186	NM	62,128	99.2	69,496	79,765	84,966
FX / non cash items	6,727	(5,836)	(16,465)	4,172	-	0	-	0	0	0
Balance sheet inc/(dec) in cash	13,251	3,616	(10,474)	35,358	-	62,128	75.7	69,496	79,765	84,966

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts. ¹ Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Apple Inc. (AAPL.O)

	09/23	09/24	09/25	09/26E	09/27E	09/28E	09/29E	09/30E
Valuation (x)								
P/E (local GAAP, diluted)	26.2	28.8	30.0	36.0	32.8	29.8	27.6	26.1
P/E (UBS, diluted)	26.2	28.8	30.0	36.0	32.8	29.8	27.6	26.1
P/CEPS	23.3	25.8	27.0	31.8	29.3	27.0	25.1	23.9
Equity FCF (UBS) yield %	3.9	4.0	2.9	3.2	3.4	3.6	3.8	4.0
Dividend yield (net) %	0.6	0.5	0.5	0.3	0.4	0.4	0.4	0.4
P/BV	40.9	51.9	45.1	37.1	24.8	17.7	13.3	10.4
EV/revenues (core)	6.6	7.5	8.0	9.4	8.9	8.4	8.1	8.0
EV/EBITDA (UBS core)	20.1	21.9	23.0	26.7	25.3	23.9	23.2	22.9
EV/EBIT (core)	22.1	23.9	25.1	29.0	27.2	25.5	24.5	24.2
EV/OpFCF (core)	20.4	23.8	21.2	28.4	26.9	25.1	24.6	24.4
EV/op. invested capital	>100	>100	>100	>100	>100	>100	>100	>100
Enterprise value (US\$m)								
Market cap.	2,577,149	3,000,573	3,367,402	4,601,173	4,601,173	4,601,173	4,601,173	4,601,173
Net debt (cash)	49,533	41,458	43,960	19,308	(36,408)	(102,220)	(102,220)	(102,220)
Buy out of minorities	0	0	0	0	0	0	0	0
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	2,626,682	3,042,031	3,411,362	4,662,100	4,685,778	4,700,154	4,780,343	4,860,531
Non core assets	(100,544)	(91,479)	(77,723)	(78,088)	(78,088)	(78,088)	(78,088)	(78,088)
Core enterprise value	2,526,138	2,950,552	3,333,639	4,584,012	4,607,690	4,622,066	4,702,255	4,782,443
Growth (%)								
Revenue	(2.8)	2.0	6.4	14.6	6.9	6.0	4.8	3.0
EBITDA (UBS)	(3.6)	7.0	7.5	16.4	5.9	6.4	4.9	2.8
EBIT (UBS)	(4.3)	7.8	8.0	16.6	6.9	7.4	5.6	3.2
EPS (UBS, diluted)	1.1	9.2	10.6	16.8	9.8	9.9	8.0	5.5
Net DPS	4.4	4.3	4.1	3.9	3.8	3.6	3.5	3.4
Margins & Profitability (%)								
Gross profit margin	44.1	46.2	46.9	48.2	47.9	48.2	48.5	48.6
EBITDA margin	32.8	34.4	34.8	35.4	35.0	35.1	35.2	35.1
EBIT (UBS) margin	29.8	31.5	32.0	32.5	32.5	33.0	33.2	33.3
Net earnings (UBS) margin	25.5	26.6	26.9	26.9	27.1	27.6	27.9	28.2
ROIC (EBIT)	NM	NM	NM	NM	NM	NM	NM	NM
ROIC post tax	NM	NM	NM	NM	NM	NM	NM	NM
ROE (UBS)	173.3	174.6	171.4	131.9	92.6	70.7	56.1	45.5
Capital structure & Coverage (x)								
Net debt / EBITDA	0.4	0.3	0.3	0.0	(0.4)	(0.7)	(1.1)	(1.5)
Net debt / total equity %	79.7	72.8	59.6	(4.4)	(38.0)	(56.1)	(67.7)	(75.2)
Net debt / (net debt + total equity) %	44.4	42.1	37.4	(4.6)	(61.4)	NM	NM	NM
Net debt/EV %	2.3	1.5	1.3	0.4	(0.8)	(2.2)	(3.7)	(5.3)
Capex / depreciation %	95.1	82.5	108.7	61.7	70.5	79.2	86.0	90.3
Capex / revenue %	2.9	2.4	3.1	1.7	1.7	1.7	1.7	1.7
EBIT / net interest	NM	NM	NM	NM	NM	-	-	-
Dividend cover (UBS)	6.6	6.9	7.3	8.3	8.7	9.3	9.7	9.9
Div. payout ratio (UBS) %	15.1	14.5	13.6	12.1	11.4	10.8	10.3	10.1
Revenues by division (US\$m)								
Others	383,285	391,035	416,161	476,745	509,630	540,002	566,036	582,980
Total	383,285	391,035	416,161	476,745	509,630	540,002	566,036	582,980
EBIT (UBS) by division (US\$m)								
Others	114,301	123,216	133,050	155,119	165,779	177,995	187,951	193,901
Total	114,301	123,216	133,050	155,119	165,779	177,995	187,951	193,901

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	-5.6%
Forecast dividend yield	0.3%
Forecast stock return	-5.3%
Market return assumption	9.1%
Forecast excess return	-14.4%

Company Description

Apple designs, manufactures and markets mobile products, personal computers and media devices. The company's primary hardware product categories include the iPhone, iPad, iPod, and Mac computers. In addition, the company sells a variety of related software, services, peripherals, and third-party digital content and applications via iTunes and the App Store. Apple predominately sells to the consumer segment through its own online and retail stores, as well as third-party cellular network carriers, wholesalers and retailers.

Valuation Method and Risk Statement

Risks to our Apple thesis include (1) product delays or less innovative offerings, particularly a decline in iPhone unit shipments; (2) macro weakness dampening product demand, especially in China; (3) reduced product differentiation resulting in a successful smartphone attack from below; (4) governments looking to regulate Apple as its power increases; and (5) poor platform management. We use a P/E multiple to derive our price target for Apple.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at <https://neo.ubs.com/quantitative>, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

Apple Inc.

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	3
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher, 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	4
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	

