12 Jul 2026 21:30:07 ET | 21 pages

Apple, Inc. (AAPL.O)

Preview – Investor Focus on Impact From Recent Price Increases, Apple Intelligence Roll Out and Upcoming iPhone Launch

CITI'S TAKE

We remain constructive on Apple shares and expect the company to continue gaining market share despite a slowing devices end market. We believe Apple's ability to implement selective price increases will help offset margin pressures, while its premium brand and loyal customer base should limit demand weakness. Although Apple Intelligence is unlikely to drive a significant upgrade cycle in the near term, enhanced Siri AI capabilities should increase user engagement and support long-term growth in high-margin services revenue. Looking ahead, the September iPhone launch represents an important catalyst that could further strengthen investor sentiment. Reflecting our improved outlook, we are raising our price target to $365 as we incorporate stronger margin expectations and roll our financial estimates forward. Maintain Buy

Share Gainer In a Challenging Market — Smartphone and PC market are likely to decline mid to high teens. Apple continues to outperform the broader smartphone market through share gains, design-driven demand, and strong positioning in the mid-range price segment via promotions and subsidies

Recent Price Increases To Dampen Margin Impacts — Apple raised prices on several products mid-quarter amidst component price increases. FT (26 Jun) reported Apple is also evaluating additional memory suppliers as a means to diversify supply. While iPhone prices remain unchanged for now, we expect price increases in the upcoming September iPhone launch cycle with more focus likely on the higher end models where we believe demand is more resilient. We also expect the launch of foldables in C4Q.

Apple Intelligence Rollouts — With developer testing ongoing, we see public launches in supported countries in the fall. Experts (see below) believe Apple could introduce tiered pricing uplifts tied to enhance Siri/Apple Intelligence capabilities.

Services —Sensor Tower App Store revenue in June-Q grew 3% Y/Y, tracking below the company's guidance. That said, we note that Sensor Tower App Store revenue has started to deviate from the company's total services growth in recent quarters. We view iCloud and Advertising as stronger drivers for revenue growth.

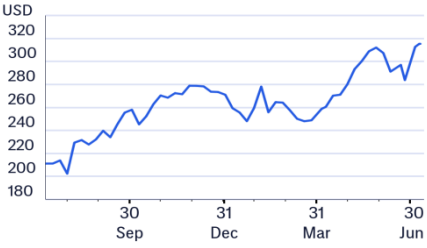
EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons	VA Cons
2025A	2.40A	1.65A	1.57A	1.85A	7.46A	7.46A	7.46A
2026E	**2.84A**	**2.01A**	**1.88E**	**2.01E**	**8.75E**	**8.77E**	**8.71E**
Previous	2.84A	2.01A	1.88E	1.90E	8.64E	na	na
2027E	**2.60E**	**2.74E**	**2.12E**	**2.19E**	**9.65E**	**9.72E**	**9.57E**
Previous	2.39E	2.78E	2.20E	2.11E	9.50E	na	na
2028E	**2.89E**	**3.09E**	**2.61E**	**2.50E**	**11.10E**	**10.84E**	**10.60E**
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 (10 Jul 26 16:00)	US$315.32
Target price	US$365.00↑
from US$315.00	
Expected share price return	15.8%
Expected dividend yield	0.3%
Expected total return	16.1%
Market Cap	US$4,631,217M

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



Asiya Merchant, CFA

Atif Malik AC

Elizabeth Sun, CFA

AAPL.O: Fiscal year end 30-Sep

Price: US$315.32; TP: US$365.00; Market Cap: US$4,631,217m; Recomm: Buy

Profit & Loss (US$m)	2024	2025	2026E	2027E	2028E
Sales revenue	391,035	416,161	478,631	519,488	560,317
Cost of sales	-210,352	-220,960	-247,765	-267,745	-283,490
Gross profit	180,683	195,201	230,866	251,743	276,827
Gross Margin (%)	46.2	46.9	48.2	48.5	49.4
EBITDA (Adj)	**134,661**	**144,748**	**169,063**	**180,949**	**200,852**
EBITDA Margin (Adj) (%)	34.4	34.8	35.3	34.8	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**	**155,382**	**166,293**	**185,396**
EBIT Margin (Adj) (%)	31.5	32.0	32.5	32.0	33.1
Net interest	269	-321	-141	-227	131
Associates	0	0	0	0	0
Non-Op/Except/Other Adj	0	0	0	0	0
Pre-tax profit	**123,485**	**132,729**	**155,242**	**166,066**	**185,527**
Tax	-29,749	-20,719	-26,789	-28,231	-31,540
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net profit	**93,736**	**112,010**	**128,453**	**137,835**	**153,988**
Net Margin (%)	24.0	26.9	26.8	26.5	27.5
Core NPAT	93,736	112,010	128,453	137,835	153,988

Per share data	2024	2025	2026E	2027E	2028E
Reported EPS ($)	6.08	7.46	8.75	9.65	11.10
Core EPS ($)	6.08	7.46	8.75	9.65	11.10
DPS ($)	0.98	1.02	1.09	1.20	1.32
CFPS ($)	8.34	7.43	11.45	11.91	13.75
FCFPS ($)	7.73	6.58	10.67	11.07	12.85
BVPS ($)	3.71	4.93	8.45	12.88	18.74
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	15.0	8.5	7.9
EBIT (Adj) (%)	7.8	8.0	16.8	7.0	11.5
Core NPAT (%)	-3.4	19.5	14.7	7.3	11.7
Core EPS (%)	-0.8	22.7	17.2	10.3	15.0

Balance Sheet (US$m)	2024	2025	2026E	2027E	2028E
Cash & cash equiv.	65,171	54,697	99,787	163,946	247,065
Accounts receivables	33,410	39,777	37,161	37,400	40,120
Inventory	7,286	5,718	8,457	8,398	9,063
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	116,342	116,655
Total assets	**364,980**	**359,241**	**410,558**	**472,273**	**556,185**
Accounts payable	68,960	69,860	77,091	74,473	77,933
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**	**287,023**	**289,032**	**297,236**
Shareholders' equity	56,950	73,733	123,535	183,241	258,949
Minority interests	0	0	0	0	0
Total equity	**56,950**	**73,733**	**123,535**	**183,241**	**258,949**
Net debt (Adj)	**41,458**	**43,960**	**-15,076**	**-79,235**	**-162,354**
Net debt to equity (Adj) (%)	72.8	59.6	-12.2	-43.2	-62.7

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	51.8	42.2	36.0	32.7	28.4
PB (x)	85.0	63.9	37.3	24.5	16.8
EV/EBITDA (x)	34.0	31.7	27.0	24.9	22.1
FCF yield (%)	2.5	2.1	3.4	3.5	4.1
Dividend yield (%)	0.3	0.3	0.3	0.4	0.4
Payout ratio (%)	16	14	12	12	12
ROE (%)	157.4	171.4	130.2	89.9	69.6

Cashflow (US$m)	2024	2025	2026E	2027E	2028E
EBITDA	134,661	144,748	169,063	180,949	200,852
Working capital	3,651	-25,000	13,141	1,749	4,505
Other	-9,812	-8,266	-14,199	-12,654	-14,579
Operating cashflow	**128,500**	**111,482**	**168,006**	**170,044**	**190,777**
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**	**52,552**	**72,826**	**86,668**
Free cashflow to s/holders	**119,053**	**98,767**	**156,623**	**158,092**	**178,227**

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



AAPL Jun-Q Preview

iPhone Demand

Hon Hai Monthly Revenue - Hon Hai's Smart Consumer Electronics revenue saw significant growth Y/Y driven by pull-in momentum in the quarter, and the company guided total company revenue to grow both Q/Q and Y/Y in Q3.

Third-party smartphone demand – Counterpoint reported that during the 4 weeks of China 618 shopping festival, total smartphone sales in China were down 13% Y/Y, and Apple was the 2nd best performer with 9% decline Y/Y due to more aggressive promotion in 2025, but gained 1pt of market share at 18%, following Huawei's 21% market share.

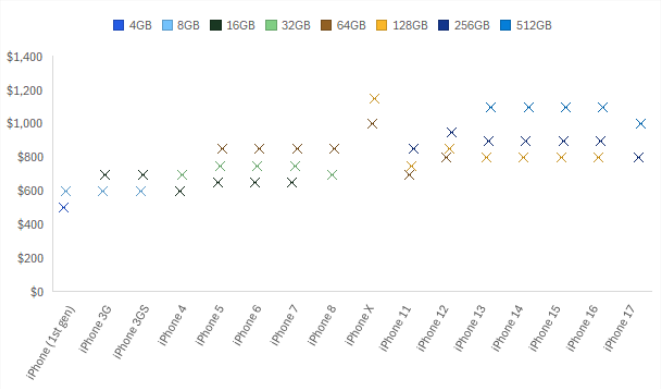
Expert call takeaways on iPhone demand and WWDC – In our conversations with Counterpoint and IDC, experts remain constructive on iPhone demand, noting that Apple continues to outperform the broader smartphone market through share gains, design-driven demand, and strong positioning in the mid-range price segment via promotions and subsidies. China demand has also shown solid elasticity when iPhones become subsidy-eligible, while AI is not yet viewed as a meaningful driver of upgrades. On WWDC, impressions were generally positive but measured. Both experts viewed the announcements as a foundational step in Apple's AI strategy, including improvements to Siri, Gemini integration, and Apple's hybrid AI architecture, but characterized the event as more of an AI catch-up effort than a breakthrough, with meaningful AI-driven upgrade demand likely still a few years away.

Apple price hike – On Jun 25, Apple announced widespread price increases across its Mac, iPad, HomePod, Apple TV, and Vision Pro product lines, generally in the range of 15% to 30%, with most mainstream devices increasing by roughly $100 to $300. The company says the increases are necessary because of a severe global shortage of memory and storage chips, driven by soaring demand from AI data centers, which has caused component costs to rise dramatically. Apple CEO Tim Cook described the situation as a "hundred-year flood" in the supply chain and said the company could no longer absorb the higher costs.

While most major product categories were affected, iPhone prices remain unchanged for now. We believe this could be driven by both the upcoming September iPhone launch cycle, which provides a natural opportunity for future price increases, and the strong performance of the iPhone 17 lineup in an otherwise soft consumer electronics market, where Apple is very focused on gaining market share.

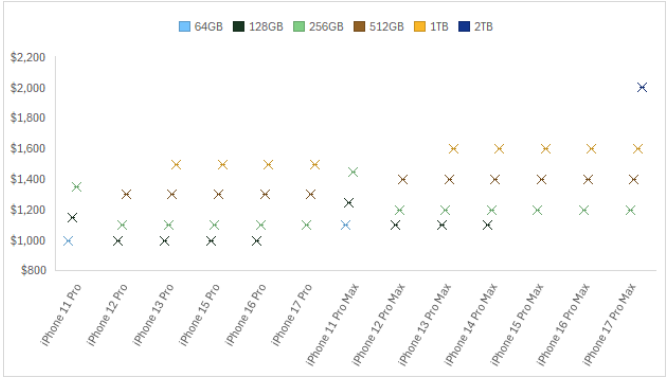
Historically, Apple has rarely implemented broad mid-cycle price increases on its major hardware products, and they typically adjust pricing only at new product launches with better features and higher memory/storage, or in select cases driven by FX movements and regional pricing updates. We summarize historical pricing changes for key Apple products at launch below.

Figure 1. iPhone base model price history



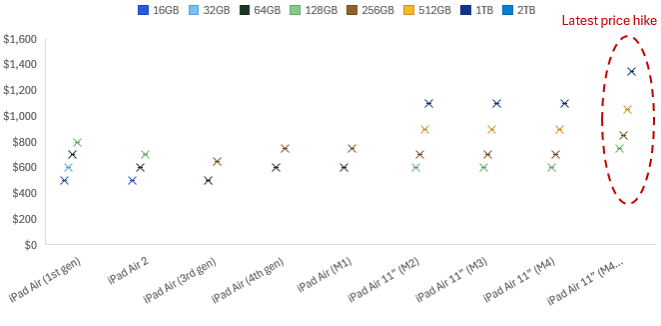
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Source: Citi Research

Figure 2. iPhone pro model price history



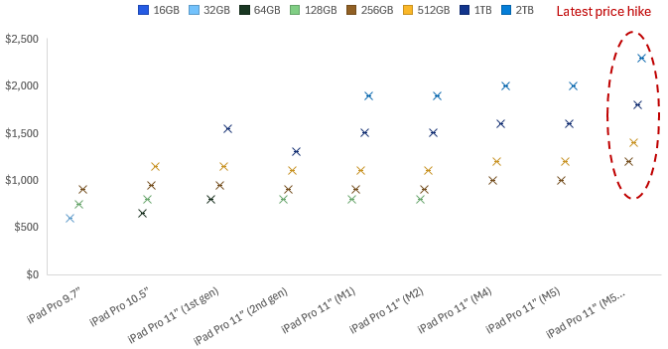
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Source: Citi Research

Figure 3. iPad Air price history



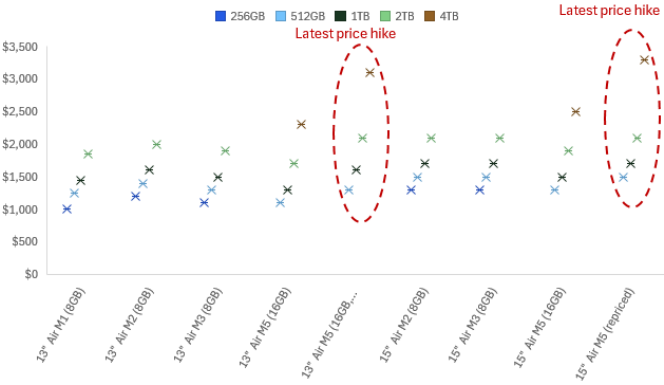
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Figure 4. iPad Pro price history



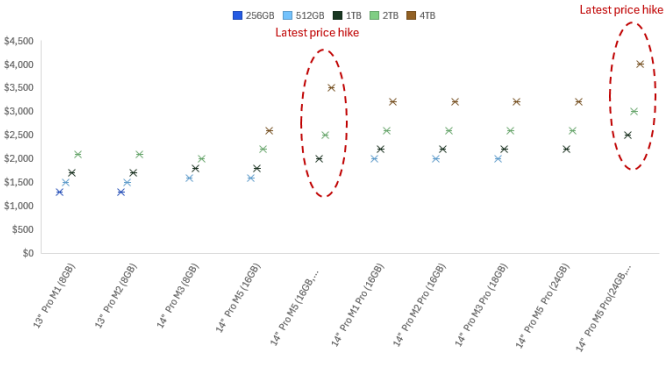
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Figure 5. MacBook Air price increase



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Figure 6. MacBook Pro price increase



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Apple seeking approval for sourcing from CXMT & YMTC – On the back of Apple's price hikes, Apple is reportedly (Bloomberg, 1 Jul) seeking U.S. support for a plan to source memory chips from Chinese suppliers CXMT and YMTC for devices sold in China. Both CXMT and YMTC are on the Pentagon's 1260H list of Chinese firms deemed to have military ties, while YMTC is additionally on the Commerce Department's Entity List. While being on the lists does not prohibit Apple from purchasing from the companies directly, it heightens regulatory scrutiny and political risk. We believe Apple's outreach to CXMT and YMTC is primarily a diversification effort aimed at reducing dependence on its existing memory suppliers rather than a near-term attempt to materially lower memory costs, as CXMT DDR5 price is not as cheap as people would have expected. While news (CNBC, 8 Jul) reports that Apple is currently testing CXMT chips for devices sold in China, we view the probability of US approval as relatively low and we expect significant political resistance given concerns around national security and technology transfer.

Implication – We see Apple to be well positioned to gain share amid memory pricing pressure. WWDC lays the foundational step in Apple's AI strategy, but we believe iPhone demand in the next couple of years will still be driven more by hardware. We raise our CY26/27 iPhone estimates to +1%/+7% Y/Y growth or 246M/263M units (vs 2%/+10% or 238M/261M prior). We model Jun-Q iphone shipment above seasonality while Sep-Q below with the expectation of iPhone 18 base model to be pushed off to earlier next year. Our Jun-Q and Sep-Q rev/EPS estimates are largely in line with consensus, and our FY27/28 EPS are inline/4% above consensus.

Services

Sensor Tower App Store revenue in Jun-Q grew 3% Y/Y, tracking below the company's guidance of ~13% total services growth. We note that Sensor Tower App Store revenue started to deviate 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% untapped transaction accounts should give the company a strong foundation to capitalize on further growth opportunities.

Figure 7. Sensor Tower App Store Summary

Sensor Tower App Store Summary

Y/Y Rev Growth	2025 Rev %	MarQ'25	JunQ'25	SepQ'25	DecQ'25	Mar'26	Jun'26	Jun-Q Guidance
Total		**11%**	**13%**	**10%**	**7%**	**8%**	**3%**	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%	0%	-6%	
China	19%	15%	8%	1%	-2%	3%	10%	
EU	10%	20%	26%	27%	25%	26%	16%	
Games	45%	3%	1%	0%	-2%	0%	-5%	
Entertainment	15%	22%	26%	14%	4%	6%	5%	
Photo & Videos	8%	31%	34%	24%	18%	17%	10%	
Apple Reported Services Y/Y		***12%***	***13%***	***15%***	***14%***	***16%***		

** Data as of 7/6/2026*

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Source: Citi Research, Sensor Tower

Valuation

We value AAPL at $365 or 33x P/E on our FY2028 EPS estimate. Our 33x P/E target 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 8. AAPL Valuation vs Mag7 Peers

P/E FY2	AAPL	AMZN	GOOGL	META	MSFT	NVDA	TSLA
Current	33x	25x	24x	18x	20x	16x	166x
1 year average	28x	32x	21x	21x	27x	27x	103x
3 year average	28x	32x	21x	21x	27x	27x	103x
5 year average	27x	39x	21x	20x	27x	32x	87x
Peak	34x	72x	30x	27x	35x	66x	225x
Trough	18x	21x	14x	11x	18x	15x	19x

EV/EBITDA FY2	AAPL	AMZN	GOOGL	META	MSFT	NVDA	TSLA
Current	26x	10x	15x	9x	12x	13x	76x
1 year average	22x	12x	13x	11x	18x	23x	53x
3 year average	22x	12x	13x	11x	18x	23x	53x
5 year average	21x	14x	12x	10x	18x	27x	46x
Peak	27x	23x	19x	15x	23x	52x	106x
Trough	15x	9x	8x	4x	11x	12x	12x

P/FCF FY2	AAPL	AMZN	GOOGL	META	MSFT	NVDA	TSLA
Current	30x	#N/A	316x	#N/A	52x	18x	#N/A
1 year average	26x	125x	42x	54x	38x	30x	293x
3 year average	26x	125x	42x	54x	38x	30x	294x
5 year average	24x	91x	32x	43x	34x	36x	205x
Peak	31x	4950x	323x	310x	70x	92x	2068x
Trough	17x	23x	12x	14x	20x	17x	25x

** As of 7/10/2026; N/A P/FCF indicates negative FCF*

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Source: Citi Research, FactSet

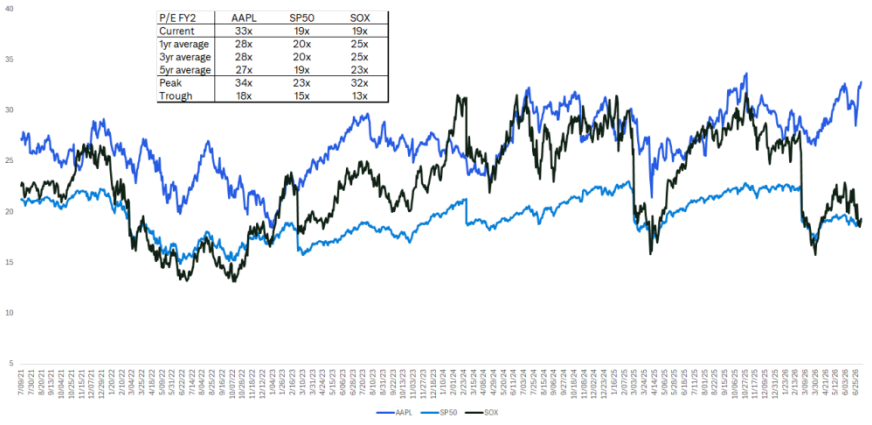
Figure 9. AAPL ROIC % vs Peers

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

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Source: Citi Research, FactSet

Figure 10. AAPL Historical P/E vs Indexes



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Source: Citi Research, FactSet

Regulatory Overhang

Regulatory risks remain as a key downside risk for Apple. With the concern on the Google antitrust case easing, we believe the top concern now is the Apple vs Epic Games case. As of late 2026, US Supreme Court agreed to hear Apple's appeal which is expected to be in Oct.

Companies Mentioned:

Apple, Inc. (AAPL.O; US$315.32; 1; 10 Jul 26; 16:00) | Alphabet Inc (GOOGL.O; US$357.18; 1; 10 Jul 26; 16:00) | Amazon.com, Inc. (AMZN.O; US$245.34; 1; 10 Jul 26; 16:00) | Meta Platforms Inc (META.O; US$669.21; 1; 10 Jul 26; 16:00) | Microsoft Corp. (MSFT.O; US$385.1; 1; 10 Jul 26; 16:00) | NVIDIA Corp (NVDA.O; US$210.96; 1; 10 Jul 26; 16:00)

Figure 11. Apple Regulatory Investigations

Date	Enforcer	Probes	Details	Timeline	Fines / Actions Needed
4/30/2025	US Court	Violation of anti-steering provisions	Apple was ruled against by the California District Court regarding imposing any commission or any fee on purchases that consumers make outside an app, and restricting how developers can guide consumers to purchase outside an app.	Apple was originally sued by Epic Games in 2020, and during 2021-2023 Apple was ruled largely in favor but anti-steering provisions were ruled unlawful. 4/30/2025: Apple found not fully complying with the injunciton on anti-steering provisions, and on 6/4 Apple's appeal was denied. AAPL 10Q (8/2/2025): Although request to stay the decision pending appeal was denied, the Ninth Circuit Court has agreed to consider the appeal on an expedited basis, with arguments scheduled for Oct 2025. AAPL 10Q (1/30/2026): The deadline for the Company to file a petition for rehearing is March 2, 2026. 6/30/2026: US Supreme Court agrees to hear Apple's appeal, expected to be in Oct.	Apple is asked to allow developers to guide consumers to purchase outside an app without any commission or fee.
2/6/2025	China SAMR	Potential probe into Apple's policies App store fees	Potential probe into Apple's policies and the fees it charges app developers		
1/23/2025	UK's CMA	Strategic market status (SMS) investigations in mobile ecosystems. (Apple and Google)	The extent of competition between and within Apple's and Google's mobile ecosystems; Possible leveraging of Apple's and Google's market power into other activities; Potential exploitative conduct.	10/22/2025: CMA confirms Apple and Google have strategic market status in mobile platforms	Open up access to key functionality needed by other apps to operate on mobile devices; Allow users to download apps and pay for in-app content more easily outside of app stores.
11/11/2024	EU Commission & national authorities	Violating EU's anti-geo-blocking rules	Several potentially prohibited geo-blocking practices on certain Apple Media Services, namely App Store, Apple Arcade, Music, iTunes Store, Books and Podcasts. The network requested Apple to align their practices with the EU's anti-geo-blocking rules.	Apple now has one month to reply to the CPC Network's findings and propose commitments on how they will address the identified geo-blocking practices.	If failed, national authorities can take enforcement measures to ensure compliance.
6/24/2024	European Commission	New non-compliance investigation into Apple's contract terms	Over concerns that its new contractual requirements for third-party app developers and app stores, including Apple's new "Core Technology Fee", fall short of ensuring effective compliance with Apple's obligations under the DMA.		On Apr 22 2025, Apple fined $570M on failing to comply with DMA regarding allowing for the distribution of apps on its iOS operating system by means other than through the Apple App Store. Apple appealed on July 7th and made changes in EU App Store. EU also closed its investigation into Apple's user choice obligations under the DMA
3/25/2024	European Commission	Compliance with the DMA rule	Apple's rules on steering in the App Store and the choice screen for Safari. Google and Meta are also under investigation On 1/14/2025: Financial Times reports that EU reassesses tech probes into Apple, Google and Meta. It could lead to Brussels reducing or changing the range of the probes, and will cover all cases launched since March 2024 under the EU's DMA	**6/24/2024:** preliminary view that Apple Store rules are in breach of the DMA. If confirmed, the Commission will adopt a non-compliance decision within 12 months from the opening of proceedings on 3/25/2024. **3/19/2025:** European Commission adopted 2 decisitions specfiying measures that Apple has to comply with: 1) iOS connectivity features; 2) improve transparency and effectiveness of the process that Apple devised for developers interested in obtaining interoperability with iPhone and iPad features. **3/25/2025:** EU closed investigations into Apple's default browser choice screen on iPhones after the company made changes	
3/21/2024	Justice Department	Illegally monopolize the smartphone market	A list of actions that Apple takes across many technologies, products and services to disrupt competition, such as super apps, cloud streaming apps, text messaging, smartwatches, and digital wallets.	May'24 (9to5mac): Apple filed a motion to dismiss ; Apple is filing its letter today to meet a May 21 deadline. The DOJ must submit its response by May 30. The court will decide by June 17 whether or not to hear Apple's motion to dismiss the case.	Unknown
3/4/2024	European Commission	Abusive App store rules for music streaming providers	Apple bans music streaming app developers (such as Spotify) from fully informing iOS users about alternative and cheaper music subscription services available outside of the app and from providing any instructions about how to subscribe to such offers.	May'24 (Bloomberg): Apple filed a suit at the EU's General Court in Luxembourg to topple the March decision	€1.8Bn/$2Bn
5/2/2022	European Commission	Abusing dominant position in markets for mobile wallets on iOS devices (Apple Pay).	Apple prevents mobile wallets app developers, from accessing the necessary hardware and software ("NFC input") on its devices, to the benefit of its own solution, Apple Pay.	Dec'23: Apple offered to let rivals access its tap-and-go mobile payments systems used for mobile wallets	EU will seek feedback; Up to 10% sales if found guilty.

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Source: Citi Research

Figure 12. Apple F3Q26 & F4Q26 Estimates Changes

*Consensus as of 7/10/2026	F3Q26 Consensus vs Citi Estimates				F4Q26 Consensus vs Citi Estimates			
	Citi	Y/Y	Prior Citi	Consensus	Citi	Y/Y	Prior Citi	Consensus
Mac revenues	**9,420**	17%	**9,420**	**8,675**	**9,329**	7%	**8,781**	**9,421**
-shipments	6.9		6.9	6.7	7.4		7.0	7.2
-ASP	1,370		1,370	1,400	1,259		1,260	1,441
iPad	**6,510**	-1%	**6,510**	**7,018**	**7,392**	6%	**7,392**	**7,200**
-shipments	12		12	13	13		13	14
-ASP	565		565	541	573		573	537
iPhone	**53,525**	20%	**53,525**	**53,672**	**56,588**	15%	**54,197**	**57,117**
-shipments	52		52	54	60		58	60
-ASP	1,024		1,024	965	936		938	947
Wearables, Home, Accessories	**8,230**	12%	**8,230**	**7,446**	**8,890**	-1%	**8,826**	**8,453**
Services	**31,005**	13%	**31,005**	**31,414**	**32,803**	14%	**32,803**	**32,563**
Product Revenues	**77,685**	16.7%	**77,685**	**76,810**	**82,198**	11.6%	**79,195**	**82,191**
Product Gross Margins	**36.3%**	178	**36.3%**	**36.6%**	**35.6%**	(59)	**34.4%**	**36.4%**
Service Revenues	**31,005**	13%	**31,005**	**31,414**	**32,803**	14%	**32,803**	**32,563**
Service Gross Margins	**77.4%**	176	**77.4%**	**76.4%**	**77.3%**	208	**77.8%**	**75.8%**
Total Revenues ($B)	**108,690**	15.6%	**108,690**	**108,856**	**115,001**	12.2%	**111,997**	**114,156**
Gross Margin	**48.0%**	154	**48.0%**	**48.1%**	**47.5%**	105	**47.1%**	**47.5%**
Operating Expense	**18,929**	**22%**	**18,929**	**18,942**	**19,279**	**21%**	**19,279**	**18,984**
Operating Income	33,276	**18%**	33,276	33,411	35,370	**9%**	33,445	35,198
Operating Margin	**30.6%**	**62**	**30.6%**	**30.7%**	**30.8%**	**(89)**	**29.9%**	**30.8%**
Tax Rate	17.0%		17.0%		17.0%		17.0%	
Net Income	27,514	**17%**	27,514	27,609	29,263	**7%**	27,666	29,216
Non-GAAP EPS	**$1.88**	**20%**	**$1.88**	**$1.89**	**$2.01**	**9%**	**$1.90**	**$2.01**
Diluted Shares Outstanding (mln)	14,639		14,639	14,594	14,534		14,534	14,544

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Source: Citi Research, FactSet

Figure 13. Apple FY26/27/28 Estimates Changes

Revenues ($B), Units (M)	FY26E Current Citi	Y/Y	Prior Citi	Consensus	FY27E Current Citi	Y/Y	Prior Citi	Consensus	FY28E Current Citi	Y/Y	Prior Citi	Consensus
Mac revenues	**35,532**	**5%**	**34,984**	**34,963**	**36,445**	**3%**	**35,861**	**37,471**	**37,629**	**3%**	**37,016**	**39,052**
-shipments	27	8%	27	26.9	28	4%	28	28.7	29	4%	29	#N/A
-ASP	1,304	-2%	1,305	1,357	1,285	-1%	1,286	1,459	1,277	-1%	1,278	#N/A
iPad	**29,411**	**5%**	**29,411**	**29,749**	**29,188**	**-1%**	**29,188**	**30,212**	**29,304**	**0%**	**29,304**	**30,831**
-shipments	52	2%	52	55	53	1%	53	56	53	1%	53	#N/A
-ASP	563	3%	563	550	554	-1%	554	526	552	0%	552	#N/A
iPhone	**252,375**	**20%**	**249,984**	**253,330**	**275,694**	**9%**	**274,455**	**270,979**	**300,452**	**9%**	**283,806**	**293,313**
-shipments	255	7%	252	258	262	3%	266	262	279	6%	270	271
-ASP	990	12%	991	974	1,052	6%	1,031	1,031	1,079	3%	1,050	1,146
Wearables, Home, Accessories	**36,515**	**3%**	**36,451**	**34,829**	**37,752**	**3%**	**37,845**	**35,431**	**36,530**	**-3%**	**36,121**	**41,854**
Services	**124,797**	**14.3%**	**124,797**	**124,903**	**140,409**	**12.5%**	**138,958**	**139,861**	**156,402**	**11.4%**	**154,771**	**157,175**
Product Revenues	**353,834**	**15%**	**350,830**	**352,871**	**379,079**	**7%**	**377,350**	**374,092**	**403,915**	**7%**	**386,247**	**405,051**
Product Gross Margins	**38.1%**	**133**	**37.8%**	**38.4%**	**37.9%**	**(17)**	**37.6%**	**37.3%**	**38.7%**	**81**	**38.9%**	**37.9%**
Service Revenues	**124,797**	**14%**	**124,797**	**124,903**	**140,409**	**13%**	**138,958**	**139,861**	**156,402**	**11%**	**154,771**	**157,175**
Service Gross Margins	**77.0%**	**158**	**77.1%**	**76.3%**	**76.9%**	**(8)**	**77.0%**	**76.5%**	**77.0%**	**7**	**77.1%**	**76.9%**
Total Revenues ($B)	**478,630**	**15%**	**475,627**	**477,719**	**519,488**	**9%**	**516,308**	**518,654**	**560,317**	**8%**	**541,017**	**553,458**
Gross Margin	**48.2%**	**133**	**48.1%**	**48.3%**	**48.5%**	**23**	**48.2%**	**48.1%**	**49.4%**	**95**	**49.8%**	**49.2%**
Operating Expense	**75,483**	**21%**	**75,483**	**75,878**	**85,450**	**13%**	**85,450**	**82,536**	**91,431**	**7%**	**91,431**	**90,787**
Operating Income	155,382	17%	153,458	155,066	166,293	7%	163,568	166,771	185,396	11%	178,048	181,311
Operating Margin	**32.5%**	**49**	**32.3%**	**32.5%**	**32.0%**	**(45)**	**31.7%**	**32.2%**	**33.1%**	**108**	**32.9%**	**32.8%**
Tax Rate	17.3%		17.3%		17.0%		17.0%		17.0%		17.0%	
Net Income	128,453	15%	126,855	128,290	137,835	7%	135,561	138,757	153,988	12%	147,854	150,736
Non-GAAP EPS	**$8.75**	**17%**	**$8.64**	**$8.75**	**$9.65**	**10%**	**$9.50**	**$9.64**	**$11.10**	**15%**	**$10.66**	**$10.64**
Cash flow from Operations	**168,006**	**51%**	**166,146**	**151,078**	**170,044**	**1%**	**168,646**	**165,998**	**190,777**	**12%**	**184,546**	**182,795**
FCF	**156,623**	**59%**	**154,763**	**140,800**	**158,092**	**1%**	**156,694**	**147,795**	**178,227**	**13%**	**171,997**	**164,145**
Diluted Shares Outstanding (m)	14,677	-2%	14,677	14,653	14,276	-3%	14,276	14,390	13,871	-3%	13,871	14,168

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Source: Citi Research, FactSet

Bull/Bear: Apple, Inc. (AAPL.O)

US$ 400.00 ▲27% Upside | US$ 365.00 ▲16% Upside | US$ 280.00 ▼11% Downside



Spread 38pp
Current Price and expected returns (upside/downside) as of 10 Jul 2026

BULL Assumptions

- Overall revenue growth is 2-3% higher than the base model and margins are slightly higher than modeled.
- Better than expected impact from memory component costs
- Improving tariffs situation

BASE Assumptions

- Base case is reflected in our current model.

BEAR Assumptions

- Overall revenues are 5% lower than the base model with margins declining and lower multiples; macro headwind is also included.
- Worse than expected impact from memory costs.
- Incremental tariffs.

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 $365. We value AAPL at $365 or 33x P/E on our FY2028 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.