01 Sep 2026 23:55:00 ET | 17 pages

Apple, Inc. (AAPL.O)

Mid-Q Update – Investor Focus on iPhone 18 Launch

CITI'S TAKE

Apple is expected to unveil its premium iPhone 18 family and the first foldable phone on September 9, with base models expected later in spring. Historically, AAPL shares outperform the broader market ahead of the launch. We expect Apple to remain one of the most resilient vendors through the downturn with share gains attributable to its premium customer base, financing options, and component access. On Services, while App Store growth faces headwinds from gaming weakness and regulatory changes, faster-growing areas such as advertising, cloud, video, and payments continue to deliver strong double-digit growth. Looking ahead, the upcoming rollout of enhanced Siri AI capabilities represents important catalysts with potential for iCloud+ adoption to enhance Services segment growth and drive iPhone upgrades.

iPhone 18 Launch — Apple is expected to unveil its premium iPhone 18 family on September 9. In a major change to Apple's launch strategy, the base models are expected to follow in spring 2027. The center of the focus is Apple's first foldable iPhone, likely called iPhone Ultra, with a starting price at USD $2,000+, while we expect the iPhone 18 Pro and iPhone 18 Pro Max could start at $1,299 and $1,399, respectively, ~$200 more than their predecessor. Despite a mixed smartphone unit outlook in 2026/2027 (Citi modestly raised unit expectations in 2026 but lowered in 2027), we expect Apple to remain one of the most resilient vendors through the downturn, with 2026 build plan to be up 7% Y/Y (roughly unchanged vs Jun updates) and 2H26 iPhone 18 builds of ~81M units, including ~7.5M iPhone Fold units.

Services Momentum — Sensor Tower App Store revenue growth of 1%/flat Y/Y in July/Aug tracks below the implied ~9.5% ex-FX guidance. We note App Store trends have diverged from overall Services performance recently. While App Store growth faces headwinds from gaming weakness and regulatory changes, faster-growing areas such as ads, cloud, video, and payments continue to deliver strong double-digit growth. Given Apple's 2.5 billion active installed base, underpenetrated opportunity in several markets, and significant payments monetization potential, we see a long runway for growth. In addition, enhanced Siri and Apple Intelligence functionality should help drive iCloud+ adoption and increase ecosystem engagement, while potentially accelerating replacement cycles given that these capabilities are only supported on iPhone 15 Pro-class devices and newer.

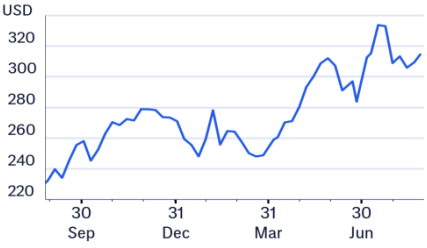
EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons	VA Cons
2025A	2.40A	1.65A	1.57A	1.85A	7.46A	7.46A	7.46A
2026E	**2.84A**	**2.01A**	**2.02A**	**1.95E**	**8.83E**	**8.86E**	**8.83E**
Previous	2.84A	2.01A	2.02A	1.95E	8.83E	na	na
2027E	**2.58E**	**2.62E**	**2.12E**	**2.21E**	**9.54E**	**9.56E**	**9.49E**
Previous	2.58E	2.62E	2.12E	2.21E	9.54E	na	na
2028E	**2.97E**	**3.04E**	**2.56E**	**2.51E**	**11.10E**	**11.08E**	**10.57E**
Previous	2.97E	3.04E	2.56E	2.51E	11.10E	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 (01 Sep 26 16:00)	US$325.13
Target price	US$365.00
Expected share price return	12.3%
Expected dividend yield	0.3%
Expected total return	12.6%
Market Cap	US$4,745,006M

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$325.13; TP: US$365.00; Market Cap: US$4,745,006m; Recomm: Buy**

Profit & Loss (US$m)	2024	2025	2026E	2027E	2028E
Sales revenue	391,035	416,161	477,060	519,265	559,919
Cost of sales	-210,352	-220,960	-244,752	-270,903	-283,080
Gross profit	180,683	195,201	232,308	248,362	276,839
Gross Margin (%)	46.2	46.9	48.7	47.8	49.4
EBITDA (Adj)	**134,661**	**144,748**	**170,023**	**177,822**	**200,263**
EBITDA Margin (Adj) (%)	34.4	34.8	35.6	34.2	35.8
Depreciation	-11,445	-11,698	-13,343	-13,980	-14,780
Amortisation	0	0	0	0	0
EBIT (Adj)	**123,216**	**133,050**	**156,680**	**163,842**	**185,483**
EBIT Margin (Adj) (%)	31.5	32.0	32.8	31.6	33.1
Net interest	269	-321	537	-319	-5
Associates	0	0	0	0	0
Non-Op/Except/Other Adj	0	0	0	0	0
Pre-tax profit	**123,485**	**132,729**	**157,217**	**163,523**	**185,477**
Tax	-29,749	-20,719	-27,267	-26,981	-31,531
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net profit	**93,736**	**112,010**	**129,950**	**136,542**	**153,946**
Net Margin (%)	24.0	26.9	27.2	26.3	27.5
Core NPAT	93,736	112,010	129,950	136,542	153,946

Per share data	2024	2025	2026E	2027E	2028E
Reported EPS ($)	6.08	7.46	8.83	9.54	11.10
Core EPS ($)	6.08	7.46	8.83	9.54	11.10
DPS ($)	0.98	1.02	1.09	1.20	1.32
CFPS ($)	8.34	7.43	11.29	11.63	13.60
FCFPS ($)	7.73	6.58	10.59	10.88	12.79
BVPS ($)	3.71	4.93	7.84	11.65	16.98
Wtd avg ord shares (m)	15,344	14,948	14,652	14,254	13,811
Wtd avg diluted shares (m)	15,408	15,005	14,710	14,312	13,869

Growth rates	2024	2025	2026E	2027E	2028E
Sales revenue (%)	2.0	6.4	14.6	8.8	7.8
EBIT (Adj) (%)	7.8	8.0	17.8	4.6	13.2
Core NPAT (%)	-3.4	19.5	16.0	5.1	12.7
Core EPS (%)	-0.8	22.7	18.3	8.0	16.3

Balance Sheet (US$m)	2024	2025	2026E	2027E	2028E
Cash & cash equiv.	65,171	54,697	83,282	138,193	213,582
Accounts receivables	33,410	39,777	36,419	37,245	40,158
Inventory	7,286	5,718	8,292	8,297	9,046
Net fixed & other tangibles	111,476	124,523	123,133	119,866	116,335
Goodwill & intangibles	9,038	9,038	26,231	26,231	26,231
Financial & other assets	138,599	125,488	126,629	126,697	127,076
Total assets	**364,980**	**359,241**	**403,986**	**456,529**	**532,429**
Accounts payable	68,960	69,860	75,582	73,576	77,792
Short-term debt	20,879	20,329	13,004	13,004	13,004
Long-term debt	85,750	78,328	71,340	71,340	71,340
Provisions & other liab	132,441	116,991	129,117	132,536	135,721
Total liabilities	**308,030**	**285,508**	**289,043**	**290,456**	**297,857**
Shareholders' equity	56,950	73,733	114,943	166,073	234,572
Minority interests	0	0	0	0	0
Total equity	**56,950**	**73,733**	**114,943**	**166,073**	**234,572**
Net debt (Adj)	**41,458**	**43,960**	**1,062**	**-53,849**	**-129,238**
Net debt to equity (Adj) (%)	72.8	59.6	0.9	-32.4	-55.1

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	53.4	43.6	36.8	34.1	29.3
PB (x)	87.6	65.9	41.4	27.9	19.1
EV/EBITDA (x)	34.9	32.5	27.6	26.1	22.8
FCF yield (%)	2.4	2.0	3.3	3.3	3.9
Dividend yield (%)	0.3	0.3	0.3	0.4	0.4
Payout ratio (%)	16	14	12	13	12
ROE (%)	157.4	171.4	137.7	97.2	76.8

Cashflow (US$m)	2024	2025	2026E	2027E	2028E
EBITDA	134,661	144,748	170,023	177,822	200,263
Working capital	3,651	-25,000	10,567	514	3,359
Other	-9,812	-8,266	-14,577	-11,879	-15,035
Operating cashflow	**128,500**	**111,482**	**166,013**	**166,457**	**188,587**
Capex	-9,447	-12,715	-10,203	-10,713	-11,249
Net acq/disposals	12,382	27,910	-7,441	10,795	4,422
Other	0	0	0	0	0
Investing cashflow	**2,935**	**15,195**	**-17,644**	**82**	**-6,827**
Dividends paid	-15,234	-15,421	-15,951	-17,185	-18,319
Financing cashflow	**-121,983**	**-114,615**	**-112,658**	**-100,833**	**-101,948**
Net change in cash	**9,452**	**12,062**	**35,710**	**65,705**	**79,811**
Free cashflow to s/holders	**119,053**	**98,767**	**155,810**	**155,743**	**177,338**

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

AAPL Sep-Q Mid-Q Update

iPhone Demand

Citi updated smartphone outlook and iPhone build plan -Citi smartphone analyst Kyna Wong recently raised 2026 global smartphone shipment forecast to 1.09Bn units (-14% Y/Y vs -17% prior) on stronger-than-expected 1H26 demand and channel inventory pull-ins, but lowered 2027/28 forecasts to +2%/+8% due to sustained memory-cost inflation; industry ASPs are expected to rise 14% in 2026 as OEMs pass through higher costs and shift toward premium models. Apple is expected to remain one of the most resilient vendors through the downturn, with 2026 build plan to be up 7% Y/Y (roughly unchanged vs Jun updates) and 2H26 iPhone 18 builds of ~81M units, including ~7.5M iPhone Fold units.

Third-party smartphone market forecast - IDC now forecasts global smartphone shipments to decline 16.7% Y/Y in 2026 (vs 13.9% prior) to just over 1Bn units, the steepest contraction on record, as memory shortages forces vendors to raise prices and retreat from low-end devices. By OS, IDC sees iOS to significantly outperform Android, with iPhone shipments expected to decline just 1.3% Y/Y and iOS market share reaching a record 23.6%, while Android shipments fall 24.3% Y/Y. IDC expects another decline of 2.9% in global smartphone shipment in 2027 followed by a recovery of 4.5% in 2028. Counterpoint forecasts global smartphone shipments to decline 14.3% Y/Y in 2026 (slightly lower from the 13.9% decline prior, followed by another 1.4% decline in 2027 before 5% growth in 2028), while Apple is expected to outperform the broader market, with iPhone shipments declining only ~2.1% in 2026 supported by its premium customer base, financing options, and component access, although higher iPhone 18 pricing and a staggered product launch cadence may temper growth. On **foldables**, IDC expects Apple's 2H26 entry to significantly accelerate category growth and drive >17M foldable iPhone shipments by 2027, while Counterpoint forecasts HSD million foldable iPhone shipments initially and views the product as strategically important but not a major near-term contributor to total iPhone volumes.

Hon Hai Monthly Revenue – Hon Hai Smart Consumer Electronics segment in July saw significant growth M/M driven by pull-in momentum, and strong growth Y/Y as well benefiting from pull-in momentum and higher prices. The company guided Q3 sales in the segment to be up slightly both Q/Q and Y/Y, and kept full-year outlook unchanged to be slightly up Y/Y.

Implications – We keep our iPhone units expectation of 246M/263M in CY2026/27, or +1%/+7% Y/Y, as we see upcoming iPhone launches, AI features, and continued premiumization helping Apple gain share despite broader smartphone market weakness.

iPhone 18 Family Preview

Apple is expected to unveil its premium iPhone 18 family during the “Surprise and shine” product event on September 9. In a major change to Apple’s launch strategy, the standard iPhone 18, iPhone 18e, and potentially iPhone Air 2 follow in spring 2027 rather than launching alongside the premiu center of the focus is Apple’s first foldable iPhone, likely called iP featuring a book-style design, an approximately 5.5-inch outer inch inner display, a nearly crease-free screen, and Touch ID inte power button. The iPhone 18 Pro, Pro Max, and Ultra are expecte



of RAM to support more demanding on-device AI functions, while the standard iPhone 18 could receive 9GB to 12GB when it arrives in spring 2027. Other noticeable changes could include Apple's first 2nm A20 Pro chip, improved battery life, a variable-aperture 48MP main camera, a smaller Dynamic Island, a simplified Camera Control button and connectivity upgrades involving Apple's 2nd gen C2 cellular modem and an in-house wireless chip supporting Wi-Fi 7, Bluetooth 6 and Thread. QCOM modems could still be used for mmWave SKUs in the US and some markets with legacy networks that use QCOM software stack. Higher memory and component costs could also drive price increases, while the foldable model may start above $2,000, and iPhone 18 Pro and iPhone 18 Pro Max could be up to $200 more expensive, starting at $1,299 and $1,399, respectively. We summarize key features in Figure 1.

In addition to the iPhone upgrades, Apple is expected to unveil Apple Watch Series 12, Apple Watch Ultra 4, and two AirPods 5 models, while updated Apple TV and HomePod mini products could also arrive during the fall.

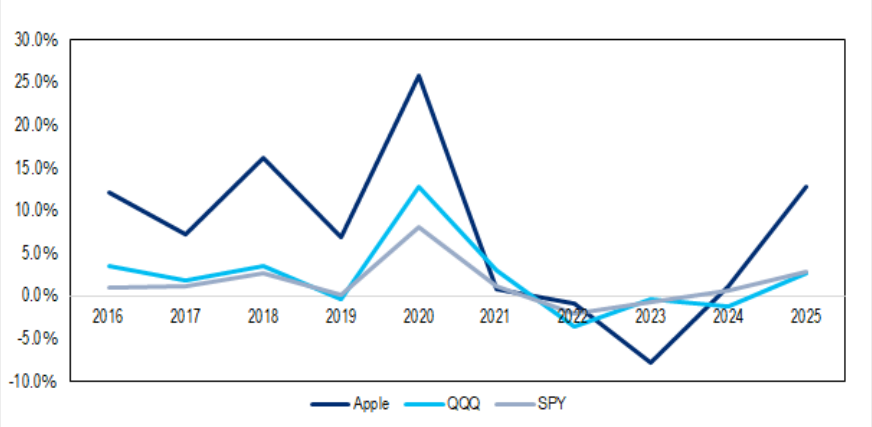
Figure 1. iPhone 18 Family Expected Features

	iPhone 17 Pro/iPhone 17 Pro Max	iPhone 18 Pro/iPhone 18 Pro Max (Expected)	iPhone Ultra (Expected)
Display	6.3/6.9 inch	6.3/6.9 inch	5.5"outer display;7.8" inner foldable OLED, near crease-free,4:3 aspect ratio unfolded
Design	Improved Ceramic Shield with better durability, all supports Pro Motion, adaptive 120HZ refreh rate; Air is eSIM only globally	Smaller Dynamic Island, could have under-display Face ID with punch-hole camera; slightly thicker chassis; ProMotion 120Hz; larger device will include a thicker camera	Book-style foldable; titanium/aluminum frame; touch ID instead of face ID; advanced hinge with liquid-metal; ultra-thin form factor (~4.5mm unfolded)
Processor	A19 Pro (6 core CPU, 6 core GPU with neural accelerators in each GPU core), larger cache, more memory	A20 Pro (TSMC 2nm, WMCM packaging), improved AI performance, better power efficiency (18% faster, 30% more power efficient compared with A19)	
RAM	12GB RAM	12GB RAM	
Wireless networking chip	Apple in-house N1 (Wi-Fi 7, Bluetooth 6, Thread); N1 improves the overall performance and reliability of features like Personal Hotspot and AirDrop	Apple in-house N2 / next-generation connectivity chipset; enhanced Apple ecosystem integration	
Modem	Likely still Qualcomm	Apple C2 modem (Qualcomm could remain mostly for US mmWave versions)	Apple C2 modem
Storage	256GB/512GB/1TB; Pro Max has 2TB	Likely 256GB / 512GB / 1TB; Pro Max may continue offering 2TB option	512GB / 1TB expected given premium positioning
Battery	enormous leap in battery life with vampor chamber thermal management system	Best iPhone battery life yet with efficiency gains from A20 Pro and C2; Pro Max battery may increase ~10%	~5,400-5,800mAh, potentially largest iPhone battery ever
Rear Camera	48MP Fusion cameras (Main, Ultra Wide, and Telephoto now up to 8x zoom) Supports ProRes RAW, Apple Log 2, and Genlock	variable aperture main camera; likely three-layer stacked image sensor; triple 48MP system (Main, Ultra Wide, Telephoto) ; enhanced computational photography	Dual 48MP cameras; likely no dedicated telephoto due to space constraints
Front Camera	18MP Center Stage front camera with first square sensor with wider view and higher resolution; All supports Dual Capture	24MP front camera	Inner display: 24MP under-display camera Outer cover display: 24MP hole-punch selfie camera (likely also 24MP)
Software	iOS 26 with New Apple Intelligence Capabilities (Live Translation, Visual Intelligence, etc)	iOS 27 with expanded Apple Intelligence capabilities and on-device AI features	iOS 27 optimized for foldable multitasking and multi-window workflows
Color	3 colors	Light Blue, Dark Cherry, Dark Gray, Silver	Limited colors initially, likely premium-focused palette (white/silver and gray/black)
Price	Pro: $1,099 (starting at 256GB; 16 Pro was $999 at 128GB, $1,099 at 256GB); Pro Max $1,199 (same price and already starts with 256GB)	Starting price: Pro: $1,299, Pro Max: $1,399 ($200 more expensive)	$1,999 (or $2,299) -$2,499

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Source: Citi Research

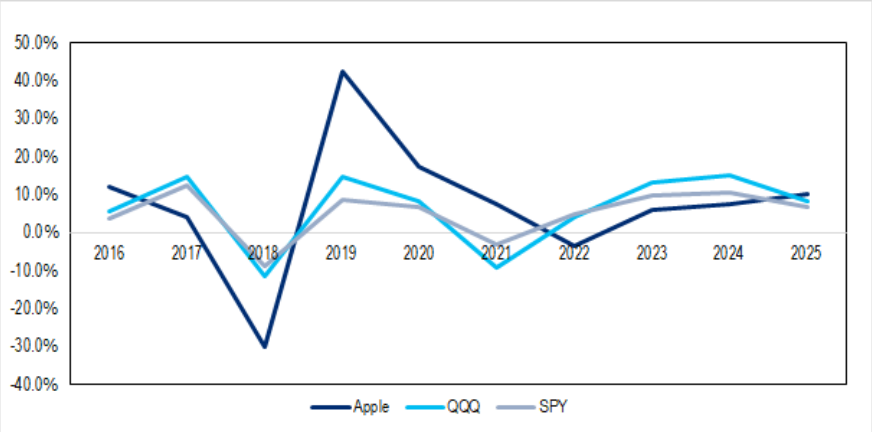
Figure 2. AAPL stock historically outperformed ahead of Sep product launches



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Source: Citi Research, FactSet

Figure 3. Mixed to slight positive relative performance post Sep product launches till Dec-Q earnings release



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Source: Citi Research, FactSet

Services

Sensor Tower App Store revenue in July/Aug grew 1%/flattish Y/Y, tracking below the company's guidance of ~9.5% total services growth after removing 2.5pts of FX impact. We note that Sensor Tower App Store revenue started to deviate from the company's total services growth in recent quarters. We view Services as a diversified portfolio spanning the App Store (~30%+ of Services revenue, in our estimates), advertising (~30%), cloud (~10%), video, music, payments, and licensing, supported by a ~2.5 billion active installed base, record paid accounts, and more than 1.5 billion paid subscriptions. While App Store growth has faced headwinds from mobile gaming softness, regulatory changes, and U.S. link-out requirements, advertising, cloud, video, and payments are increasingly important growth engines, all delivering strong double-digit growth. We believe low penetration across many service categories, particularly outside developed markets, together with Apple's large installed base and significant untapped transaction account opportunity, provides substantial runway for expansion. In addition, cloud, payments, video, and first-party advertising appear well positioned to scale with attractive operating leverage, further reducing Services' reliance on the App Store.

Figure 4. 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	Jul	Aug	Sep-Q Guidance
Total		**11%**	**13%**	**10%**	**7%**	**8%**	**3%**	1%	0%	Services rev is expected to grow largely similar to Jun-Q (12%) after removing the negative Q/Q impact of 2.5pts from FX, implying ~9.5% growth Y/Y. Citi models +10% Y/Y growth (Street +10%).
US	37%	8%	9%	9%	3%	0%	-6%	-8%	-10%	
China	19%	15%	8%	1%	-2%	3%	10%	9%	8%	
EU	10%	20%	26%	27%	25%	26%	16%	9%	7%	
Games	45%	3%	1%	0%	-2%	0%	-5%	-8%	0%	
Entertainment	15%	22%	26%	14%	4%	6%	5%	2%	0%	
Photo & Videos	8%	31%	34%	24%	18%	17%	10%	9%	9%	
Apple Reported Services Y/Y		***12%***	***13%***	***15%***	***14%***	***16%***	***12%***			

** Data as of 9/1/2026*

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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 5. AAPL Valuation vs Mag7 Peers

P/E FY2	AAPL	AMZN	GOOGL	META	MSFT	NVDA	TSLA
Current	33x	24x	23x	17x	22x	15x	158x
1 year average	28x	31x	21x	21x	27x	26x	108x
3 year average	28x	31x	21x	21x	27x	26x	108x
5 year average	27x	38x	20x	19x	27x	32x	89x
Peak	35x	72x	30x	27x	35x	66x	225x
Trough	18x	21x	14x	11x	18x	14x	19x

EV/EBITDA FY2	AAPL	AMZN	GOOGL	META	MSFT	NVDA	TSLA
Current	26x	10x	14x	8x	13x	13x	73x
1 year average	23x	12x	13x	11x	17x	22x	55x
3 year average	23x	12x	13x	11x	17x	22x	55x
5 year average	21x	13x	12x	10x	18x	26x	47x
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	29x	#N/A	#N/A	#N/A	78x	18x	#N/A
1 year average	26x	130x	51x	56x	39x	29x	304x
3 year average	26x	130x	51x	56x	39x	29x	305x
5 year average	25x	93x	37x	43x	35x	35x	207x
Peak	32x	4950x	1067x	310x	79x	92x	2068x
Trough	17x	23x	12x	14x	20x	17x	25x

** As of 8/28/2026; N/A P/FCF indicates negative FCF*

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Source: Citi Research, FactSet

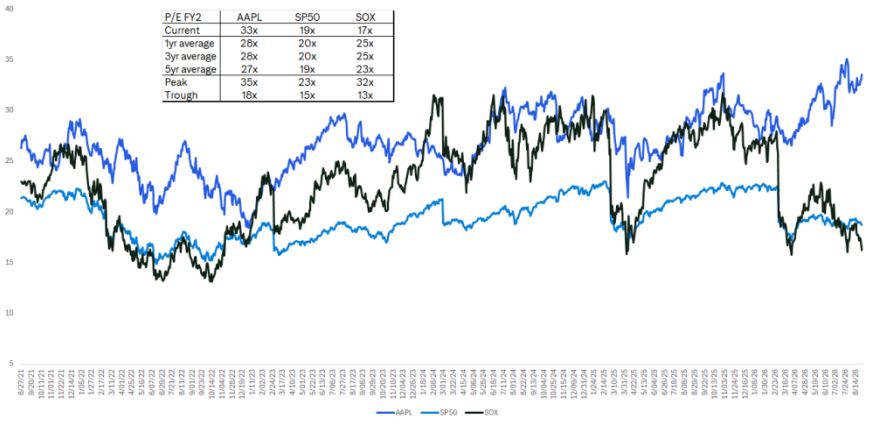
Figure 6. AAPL ROIC % vs Peers

ROIC	AAPL	AMZN	GOOGL	META	MSFT	NVDA	TSLA
2026 Q2	71	16	32	23	27	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 7. AAPL Historical P/E vs Indexes



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Source: Citi Research, FactSet

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.