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Apple, Inc. (AAPL.O)

Apple Goes Foldable with iPhone Duo

CITI'S TAKE

Apple launched a new foldable product cycle Duo under the new CEO John Ternus today. With a 7.6" inner display and a more iPad-like multi tasking experience, Duo is the biggest new hardware category since Apple Watch/Airpods. The launch of the iPhone 18 Pro/Pro Max (no standard iPhone 18) and the starting price of $1,999 on Duo shows Apple's iPhone line up is heavily skewed towards premium devices this fall. Moreover, Apple repriced the IP16/IP17 portfolio by ~$100 with bigger ~$300 increase on higher 1TB storage tier we believe to offset higher memory component prices. Overall, IP18 specs, foldable ASP are in-line and IP18 ASPs below our ~$200 preview. Net-net, with price increase on the older iPhones, we maintain our model and gross margin assumptions. New Siri AI is the most important software announcement as Apple moves from AI features towards AI agent integrated into iOS27. Maintain Buy $365 TP.

Buy	
Price (09 Sep 26 16:00)	US$315.34
Target price	US$365.00
Expected share price return	15.7%
Expected dividend yield	0.3%
Expected total return	16.1%
Market Cap	US$4,602,129M

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iPhone 18 Pro / Pro Max

Camera & Imaging

- New 48MP Fusion Main Camera with variable aperture, allowing greater creative control over depth of field and exposure.
- New Pro camera controls provide more customization within the Camera app.
- Introduction of Apple Reference Image, which cryptographically signs every pixel captured by the camera sensor to help verify photo authenticity.

Performance

- Powered by the new A20 Pro chip built on a 2nm process.
- 50% more memory bandwidth versus A19 Pro.
- New CPU includes integrated Neural Accelerators.
- New 7-core GPU delivers up to 40% higher performance than A19 Pro.

Thermal Design

- New vapor chamber cooling system with custom chip packaging inspired by Apple M-series silicon.
- Three times larger cooling surface area than the prior generation, delivering up to 40% improvement in sustained performance.

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

Battery

- iPhone 18 Pro Max delivers Apple's largest-ever iPhone battery-life increase, driven by a larger battery and silicon efficiency gains.

Display & Dynamic Island

- Redesigned, smaller Dynamic Island.
- Can display up to three Live Activities simultaneously while maintaining Face ID functionality.

Storage & Pricing

- Storage options: 256GB, 512GB, 1TB, and 2TB.
- Colors: Burgundy, Glacier, Silver, Black.
- iPhone 18 Pro starts at $1,199.
- iPhone 18 Pro Max starts at $1,299.

Figure 1. Apple IPhone 18 Features



Source: Apple

iOS 27 & AI

Apple Intelligence

- iOS 27 expands Apple Intelligence capabilities across the iPhone 18 Pro lineup.
- Apple positions the devices as an intelligent personal hub that combines AI with personal context while emphasizing privacy and security.

Siri AI

- Introduction of Siri AI (beta with iOS 27).
- Apple describes it as a completely rebuilt Siri that is more personal, conversational, and capable, po
  Intelligence.



Figure 2. Apple iPhone Duo Features



Source: Apple

Apple, Inc.

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.

4) Heavyweight in the market index makes institutional investors cautious on adding more Apple positions.