BERNSTEIN
SOCIETE GENERALE GROUP

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Estimate Change


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U.S. IT Hardware

Apple Inc

Rating

Outperform

Price Target

AAPL **370.00 USD**

Apple: How bad could December Qtr Gross Margins be?

*Apple's recent product release didn't disappoint (see our analysis **here**), but given rising memory costs, concerns linger on what this means for gross margins in the December quarter (FQ1'27). We analyze here the potential impact with new BOM, price and mix assumptions.*

Our detailed BOM and mix analysis points to downside risk to Apple's December-quarter gross margin and EPS, although stronger international pricing provides a partial offset. Using US market prices, our preliminary analysis implies 39.6% blended iPhone gross margin and 45.8% Apple gross margin. After incorporating stronger international price increases, **our global pricing analysis supports 40.4% iPhone gross margin (390bps below cons.), 46.2% Apple gross margin (50bps below cons.), and $2.87 EPS (2% below cons.), which are now reflected in our new Bernstein model.**

International pricing provided some offset to the downside indicated by our US-price-based BOM analysis. After weighting price increases across models and geographies, we estimate that the Global iPhone ASP increase is approximately 1.3% pts greater than the US ASP increase. As an assumption, we apply a 1.3% uplift to estimate the global wholesale ASP, which forms the basis for our new Bernstein estimates.

The primary source of margin pressure is sharply higher memory costs. DRAM and NAND account for approximately 90% of the estimated $168 YoY increase in device cost for the 256GB iPhone 18 Pro Max. The premium-heavy launch mix provides some support, with the Pro, Pro Max, and DUO representing 70% of our projected units, but does not fully offset higher component costs, particularly because storage demand remains concentrated at the lower-margin 256GB tier.

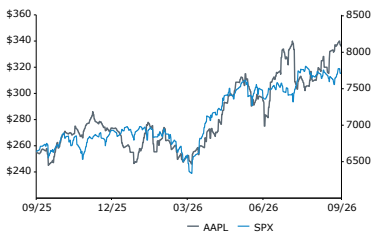
Our new $2.87 Dec Qtr EPS estimate compares with $3.00 in our old Bernstein model and $2.92 in consensus. The revision is primarily driven by lower iPhone gross margin.

Close Date	24 Sep 2026
AAPL Close Price (USD)	335.92
Price Target (USD)	370.00
Upside/(Downside)	10%
52-Week Range	345.34/243.42
SPX	7,704.13
FYE	Sep
Div Yield	0.3%
Market Cap (USD) (B)	4,902.48
EV (USD) (B)	4,840.30

Performance	YTD	1M	6M	12M
Absolute (%)	23.6	8.4	33.0	30.8
SPX (%)	12.5	0.7	17.5	16.1
Relative (%)	11.0	7.7	15.5	14.7

Source: Bloomberg, Bernstein estimates and analysis.

Price Performance, 1YR



Investment Implications

We rate Apple Outperform, TP unchanged at $370 (on 33x FY28E EPS). We still see Apple as the gateway to consumer AI, winning in devices, but see downside risk to the Dec qtr guide.

Adjusted EPS	F25A	F26E	F27E
AAPL (USD)	7.46	8.85	**9.90**
OLD	--	--	10.03

Financials	F25A	F26E	F27E	CAGR
Revenues (M)	416,161	477,056	532,034	--
Gross Margin (%)	46.9	48.7	47.0	--
Operating Margin (%)	32.0	32.9	32.0	--
EPS Growth (%)	22.9	18.6	11.8	--

Valuation Metrics	25A	26E	27E
EV/GP (x)	24.8	20.8	19.4
Adjusted P/E (x)	45.0	38.0	33.9
Reported P/E (x)	45.0	38.0	33.9
Div Yield (%)	0.3	0.3	0.3

Source: Bloomberg, Bernstein estimates and analysis.

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.

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DETAILS

1. GROSS MARGIN: US-PRICE-BASED BOM ANALYSIS SUGGESTS 39.6% IPHONE GM, WHILE OUR GLOBAL PRICING ANALYSIS SUPPORTS A 40.4% NEW BERNSTEIN ESTIMATE

US MARKET PRICING IMPLIES 39.6% IPHONE GM FOR THE DECEMBER QUARTER

Our BOM analysis, using US market prices, implies December-quarter 2026 blended iPhone gross margin of approximately 39.6%.

How we calculate gross margin from the BOM: For each model and storage tier, we add a $7 warranty expense to the estimated BOM to derive total device cost. We then apply a 10% discount to US retail prices to estimate Apple's US wholesale price and calculate gross margin. We weight the resulting storage-tier margins by our assumed storage mix to calculate a blended US-price-based gross margin for each model, and then weight each model's blended margin by our assumed model mix to derive the preliminary 39.6% December-quarter iPhone gross margin.

Continued DRAM and NAND inflation is the primary source of YoY margin pressure. The premium-heavy model mix provides a partial offset because the Pro Max and DUO generate higher margins than the Pro and iPhone 17 base + other legacy models, but the mix benefit is insufficient to offset the increase in component costs.

On this US wholesale price basis, we estimate blended gross margins of 35.2% for the iPhone 17 base, 38.9% for the iPhone 18 Pro, 41.1% for the iPhone 18 Pro Max, and 46.3% for the iPhone DUO. We use the base iPhone 17 as the profitability proxy for the iPhone 17 base + other legacy model category because we expect it to be the largest volume contributor within that group.

GLOBAL PRICING IMPLIES 40.4% IPHONE GM FOR THE DECEMBER QUARTER

The 39.6% iPhone gross margin is the preliminary output of our BOM analysis using US market prices, model mix, and storage mix. After incorporating stronger international price increases and foreign-exchange effects, we estimate a 40.4% global iPhone gross margin, which is now reflected in our updated Bernstein model. We bridge the two estimates in Section 3.

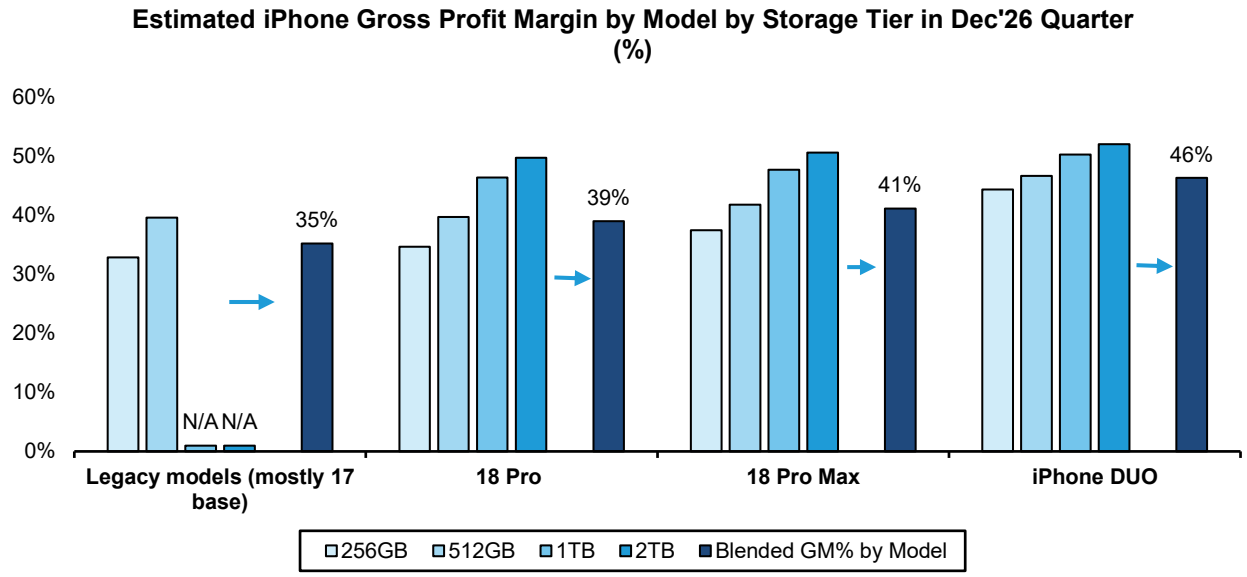
Our new 40.4% global iPhone gross-margin estimate is approximately ***460 bps below the 45.0% in our Bernstein model for December 2025***, approximately ***210 bps below our old December-quarter 2026 Bernstein estimate of 42.5%***, and approximately ***390 bps below the 44.3% embedded in consensus***.

MORE POTENTIAL PRESSURE IN MARCH QTR

We continue to see greater potential margin pressure in the March quarter, when Apple is expected to introduce the lower-priced base iPhone 18 and iPhone 18e using a potentially higher memory-cost base. However, we do not yet ha visibility into product pricing, component costs, or launch-quarter mix to quantify the impact. **Our current mode therefore updates the December-quarter estimates to reflect our global wholesale pricing analysis but separately incorporate additional March-quarter memory or launch-mix pressure.**

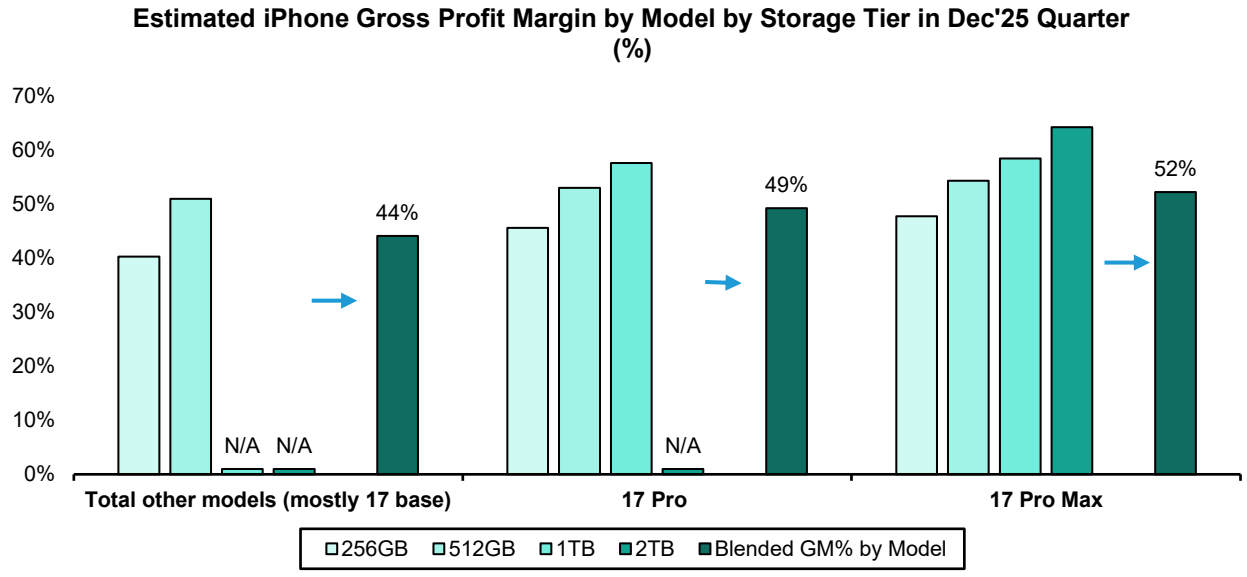
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EXHIBIT 1: **Estimated iPhone Gross Profit Margin by Model by Storage Tier in Dec'26 Quarter (%)**



GM% calculated using U.S. pricing
Source: Counterpoint, Company reports, Bernstein estimates and analysis

EXHIBIT 2: **Estimated iPhone Gross Profit Margin by Model by Storage Tier in Dec'25 Quarter (%)**



GM% calculated using U.S. pricing
Source: Counterpoint, Company reports, Bernstein estimates and analysis

Our gross-margin analysis relies on several key assumptions: model mix, storage tier mix, and the BOM analysis for each model.

1. MODEL MIX: THE STAGGERED LAUNCH CREATES A PREMIUM-HEAVY MODEL MIX

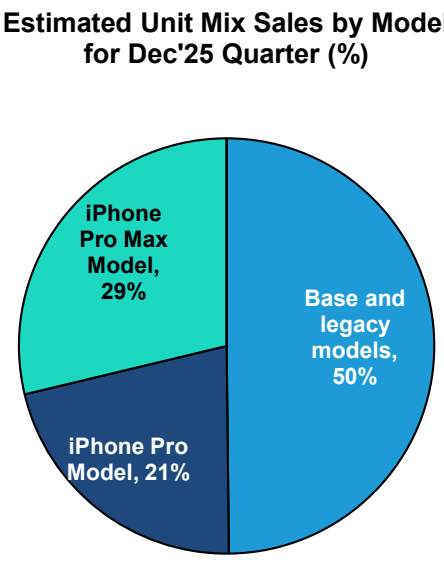
Our December-quarter 2026 model-mix assumptions reflect Apple's staggered launch schedule. With the base iPhone 18 and iPhone 18e deferred until the March quarter, the new December-quarter lineup consists only of the iPhone 18 Pro,

iPhone 18 Pro Max, and iPhone DUO. This results in a more premium-heavy mix than in a typical launch cycle.

We assume the iPhone 18 Pro Max accounts for 37.2% of December-quarter units, making it the largest individual model by volume. The iPhone 18 Pro contributes 27.8% and the iPhone DUO contributes 5.0%. The Pro and Pro Max together account for approximately 65% of projected units, and with DUO they collectively represent 70%.

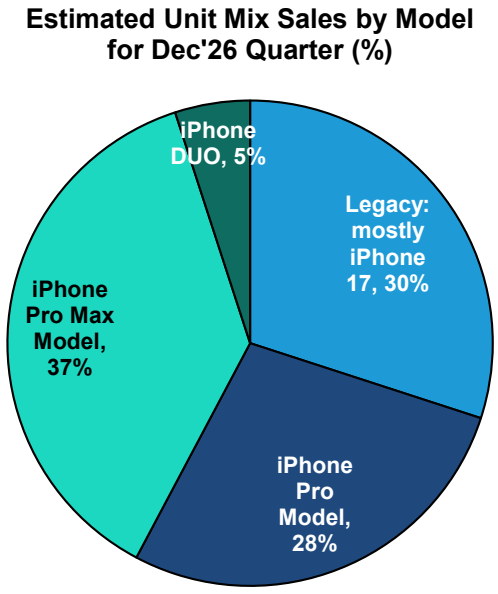
We assume the **17 base plus legacy models account for the remaining 30% of units**, down from approximately 50% in the December 2025 quarter. **The base iPhone 17 should continue to see demand as the de facto base model until the iPhone 18 becomes available, however it is a legacy product as the 18 family is launched, so we expect some moderation in iPhone 17 demand YoY.** Moreover, Apple raised legacy-model prices by $100 rather than applying the customary $100 post-launch reduction. While this supports ASP and gross margin, it could also constrain demand. We therefore view a 30% 17 base + legacy mix as a balanced assumption.

EXHIBIT 3: **By Model, we estimate that the Dec'25 quarter unit sales comprised mostly base models driven by iPhone 17 base and others, followed by the iPhone 17 Pro Max and iPhone 17 Pro**



Source: Counterpoint, Company reports, Bernstein estimates and analysis

EXHIBIT 4: **By Model, we estimate that the Dec'26 quarter unit sales would be mostly driven by iPhone 18 Pro Max, followed by legacy models and iPhone 18 Pro**



The mix between iPhone 18 Pro and iPhone 18 Pro Max was estimated based on iPhone 17 Pro and iPhone 17 Pro Max sell-through unit data in 2025
Source: Counterpoint, Company reports, Bernstein estimates and analysis

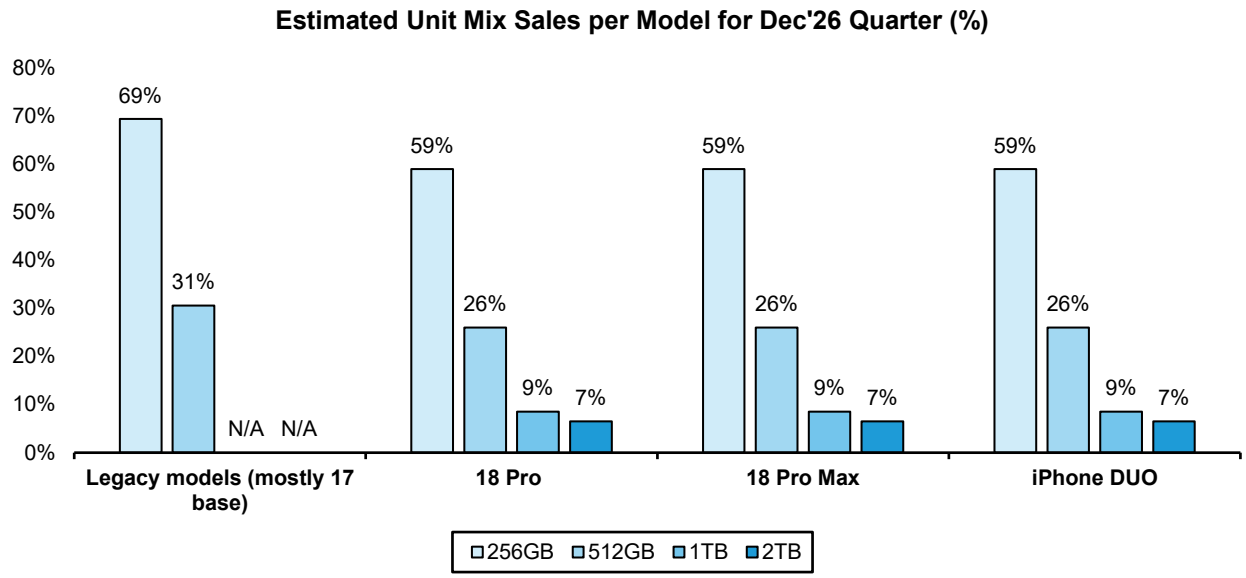
2. STORAGE REMAINS WEIGHTED TOWARD THE LOW-TIER

For storage tiers, we use Counterpoint's December-quarter 2025 iPhone 17 Pro Max sell-through mix, which provides a relevant YoY benchmark for December-quarter 2026 demand. We apply this storage mix to the iPhone 18 Pro, iPhone 18 Pro Max, and iPhone DUO, assuming that 59% of units are 256GB, 26% are 512GB, 8.5% are 1TB, and 6.5% are 2TB.

This storage mix is important because higher storage tiers generate higher margins within each model, as the incremental selling price exceeds the associated NAND cost. However, with 59% of premium-model units concentrated at 256GB, the higher margins on 1TB and 2TB configurations provide only a limited benefit to blended gross margin.

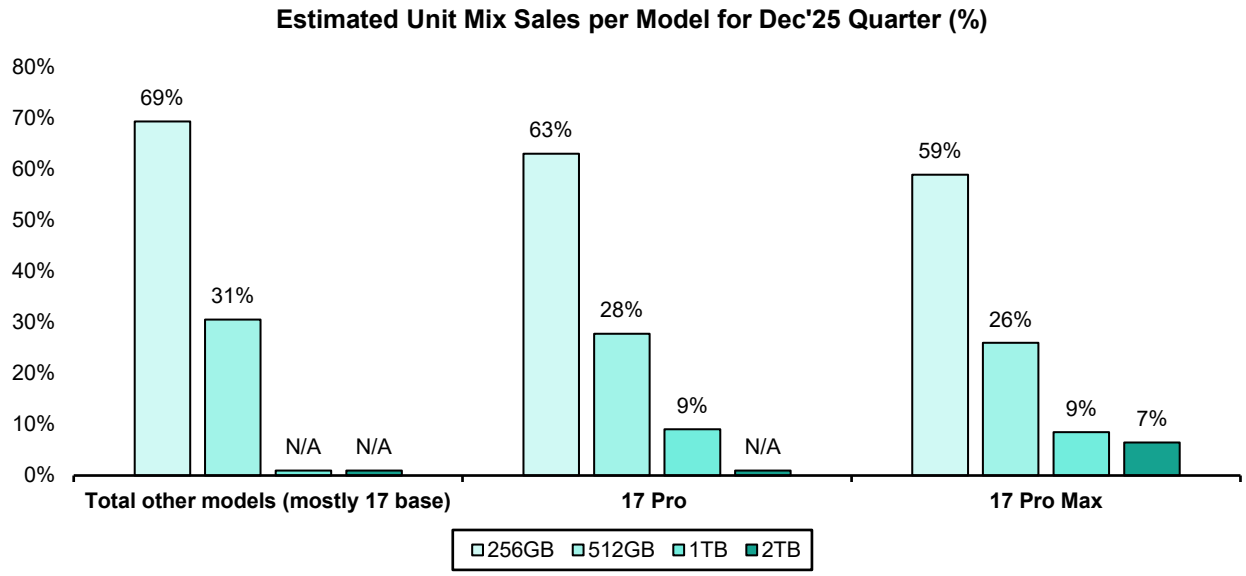
For legacy models, which we proxy using the base iPhone 17, we assume approximately 69% of units are 256GB and 31% are 512GB, reweighting Counterpoint's Dec Qtr mix to reflect the 17's available storage configurations.

EXHIBIT 5: **Here is our assumption in the Dec'26 quarter unit sales mix by model for blended gross margin calculation**



GM% calculated using U.S. pricing
Source: Counterpoint, Bernstein estimates and analysis

EXHIBIT 6: **Here is our assumption in the Dec'25 quarter unit sales mix by model for blended gross margin calculation**



GM% calculated using U.S. pricing
Source: Counterpoint, Bernstein estimates and analysis

2. BILL OF MATERIALS: DRAM AND NAND ACCOUNT FOR MOST OF THE INCREASE IN DEVICE COSTS

Our BOM analysis covers the iPhone 17, iPhone 18 Pro, iPhone 18 Pro Max, and iPhone DUO across all storage tiers. The estimates are anchored to our published iPhone 17 and 18 Pro Max BOM (see our prior note here: link) with the appropriate adjustments and assumptions.

The blended margin calculated below are based on the BOM derived total device cost as well as US wholesale pricing.

Differences in estimated device costs primarily reflect each model's specifications and physical designs. For shared components, we generally hold costs unchanged unless there is a clear specification or architectural difference. For components that differ by model, we adjust costs based on changes in size, capacity, functionality, materials, and manufacturing complexity.

We base our DRAM and NAND estimates on 3Q26 quarter-to-date contract pricing. Following the sharp increase in memory prices, DRAM and NAND account for approximately 90% of the $168 YoY increase in device cost from the 256GB iPhone 17 Pro Max to the iPhone 18 Pro Max, with their combined cost rising by approximately $150. Their impact becomes even more pronounced at higher capacities because NAND cost scales with storage: DRAM and NAND increase from approximately 7% of the 256GB iPhone 17 Pro Max BOM to approximately 26% for the comparable iPhone 18 Pro Max, while their combined share at 2TB rises from just over 20% to more than 50%.

IPHONE DUO: DETAILED BOM ANALYSIS YIELD BLENDED GM OF 46.3%

We use the iPhone 18 Pro Max as the baseline for our preliminary iPhone DUO BOM. For the 256GB DUO, we estimate a BOM of approximately $995 and total device cost of approximately $1,002, around 37% above the 256GB Pro Max. Most of the incremental cost comes from the dual-display system and foldable mechanical architecture, partially offset by a less expensive camera system.

For components that are fundamentally shared, we hold costs unchanged. The DUO and Pro Max both use the A20 Pro processor, C2 cellular silicon, and N1 wireless silicon. We also apply the same 12GB DRAM and NAND costs at each storage tier, based on 3Q26 contract pricing.

Display represents the largest incremental cost. We estimate DUO display cost of approximately $266, around three times the approximately $89 display cost of the Pro Max. The DUO combines a 7.6-inch inner display with a 5.4-inch outer display, resulting in approximately 2.25 times the aggregate display area of the Pro Max before considering the additional cost of the foldable architecture. The inner display also requires a foldable OLED structure, nano-textured polymer cover, high-strength glass, specialized adhesives, and a titanium support plate. We therefore view approximately three times the Pro Max display cost as a reasonable base-case assumption.

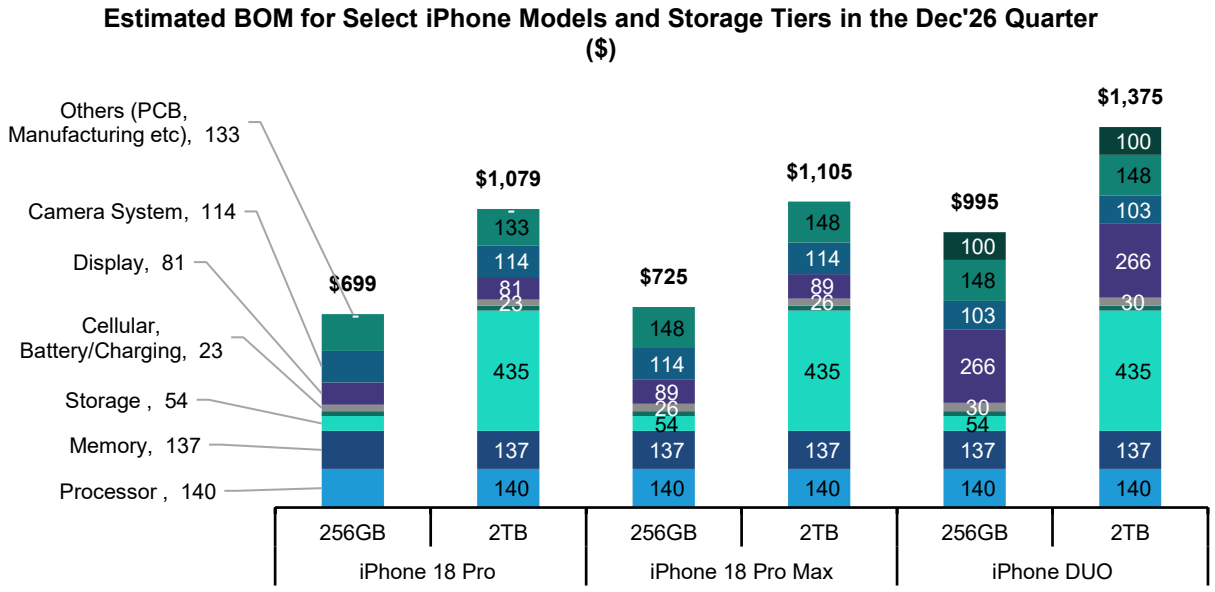
We estimate the DUO camera system at approximately $103, around 10% below the approximately $114 cost of the Pro Max camera system. Although the DUO adds a second front-facing camera, it removes the dedicated 48MP tetraprism telephoto camera and uses the main sensor to provide 2x optical-quality zoom. The DUO also uses a simpler fixed-aperture main camera instead of the Pro Max's variable-aperture system. We believe the removal of the telephoto and variable-aperture hardware more than offsets the cost of the additional front-facing camera.

For battery and charging, we estimate approximately $17.42 of cost, 30% above the Pro Max at $13.40. The DUO uses one battery in each half of the device, requiring additional cell packaging, interconnects, and battery-management complexity. However, its reportedly lower total battery capacity offsets part of that incremental cost, supporting a more moderate 30% increase.

Finally, we add approximately $100 for the hinge, chassis, and other fold-specific mechanical architecture. This captures the multi-component hinge, titanium enclosure, 3D-printed titanium hinge cover, and additional structural reinforcement required by the foldable design. Keeping this cost in a separate line also avoids double-counting fold-related expenses in the general PCB and manufacturing bucket.

The detailed BOM analysis for each storage tier yields a blended gross margin of 46.3% for the iPhone DUO based on assumed US wholesale prices. This does not separately incorporate the benefit of international pricing.

EXHIBIT 7: **Illustrative of our Estimated BOM Analysis for Select iPhone Models and Storage Tiers**



Source: Counterpoint, Bernstein estimates and analysis

IPHONE 18 PRO MAX: OVERALL BLENDED MARGIN AT 41.1%

Our iPhone 18 Pro Max BOM is unchanged from our previously published analysis and serves as the primary reference point for the iPhone 18 Pro and DUO estimates. Based on 3Q26 DRAM and NAND contract pricing, we estimate a BOM of approximately $725 and total device cost of approximately $732 for the 256GB iPhone 18 Pro Max. See our prior note and more details on the iPhone 18 Pro Max BOM here: link.

Weighting the GMs for each storage tier, we arrive at a blended GM of 41.1% for the iPhone 18 Pro Max based on assumed US wholesale ASP.

EXHIBIT 8: **iPhone 17 Pro Max 2025 vs iPhone 18 Pro Max 2026 BOM**

256GB Model					
Component Category	**iPhone 17 Pro Max 256GB (Est.)**	**% of BOM**	**iPhone 18 Pro Max 256GB (Est.)**	**% of BOM**	**Est. BOM Cost increase**
Processor (A-Series SoC)	$100.00	18%	$140.00	19%	40%
Memory (12GB DRAM)	$29.70	5%	$136.62	19%	360%
Storage (256GB NAND)	$11.28	2%	$54.35	7%	382%
Baseband/Transceiver	$35.00	6%	$17.50	2%	-50%
Cellular Others	$12.50	2%	$12.50	2%	
Display (LTPO OLED)	$93.30	17%	$88.64	12%	-5%
Camera System	$113.90	20%	$113.90	16%	
Battery/Charging	$13.40	2%	$13.40	2%	
Others (PCB, Manufacturing etc)	$147.72	27%	$147.72	20%	
Total BoM Cost	**$556.80**		**$724.62**		**30%**
Warranty	**$7.00**		**$7.00**		
Total Device Cost	**$563.80**		**$731.62**		**30%**
Retail Price	$1,199		**$1,299**		8%
Wholesale Price	$1,079		$1,169		
GM$ per Phone	$515		$437		-15%
Est GM	***47.8%***		***37.4%***		

Source: Bernstein estimates and analysis, Counterpoint

IPHONE 18 PRO: APPROXIMATELY $26 LOWER DEVICE COST THAN THE PRO MAX, WITH AN ESTIMATED 38.9% BLENDED GROSS MARGIN

We derive the iPhone 18 Pro BOM from the iPhone 18 Pro Max because the two models share most major components and functionality. Both devices use the A20 Pro processor, 12GB of DRAM, the same storage capacities, and broadly similar cellular, connectivity, and camera systems.

For the 256GB iPhone 18 Pro, we estimate a BOM of approximately $699 and total device cost of approximately $706, around $26 below the Pro Max. The difference primarily reflects the Pro's approximately 9.5% smaller display, approximately 25% lower battery capacity, and approximately $15 lower chassis and manufacturing cost associated with its smaller form factor.

The relatively modest cost difference reflects the substantial component overlap between the two models. As a result, the Pro's lower selling price is not matched by a proportionate reduction in device cost, **resulting in an estimated blended gross margin of 38.9%, based on assumed US wholesale ASP.**

BASE IPHONE 17: LOWER SPECIFICATIONS REDUCE DEVICE COST TO APPROXIMATELY $544, RESULTING IN AN ESTIMATED 35.2% BLENDED GROSS MARGIN

We use the base iPhone 17 as the principal profitability proxy for the iPhone 17 base + other legacy model category. We derive its BOM from the iPhone 17 Pro Max by adjusting for differences in processor, memory, display, battery, camera functionality, materials, and manufacturing complexity.

For the 256GB base iPhone 17, we estimate a BOM of approximately $537 and total device cost of approximately $544. The device uses the **A19 processor** rather than the more expensive A19 Pro, producing approximately $10 of processor savings. It also uses **8GB of DRAM** rather than 12GB.

Additional savings come from the smaller display and battery. The iPhone 17 Pro Max display is approximately 20% larger, while the base iPhone 17 has approximately 31.5% lower battery capacity. We also estimate that the base model's simpler camera system costs approximately $60 less because it has fewer cameras and less advanced imaging functionality.

Finally, we estimate approximately $34 of savings in chassis, manufacturing, PCB, and other costs. These savings reflect the smaller form factor, less expensive materials, and fewer premium manufacturing features compared with the Pro Max.

Despite its lower device cost, the base iPhone 17 also has a lower selling price. After weighting the 256GB and 512GB margins by our assumed storage mix, we estimate a **blended gross margin of 35.2% for the iPhone 17** based on assumed US wholesale ASP, which we also use as a proxy for the iPhone 17 base + other legacy category.

EXHIBIT 9: **BOM Analysis for Select iPhone Models and Lowest & Highest Storage Tiers**

Model:	iPhone 17				iPhone 18 Pro				iPhone 18 Pro Max				iPhone DUO			
	256GB	% of BOM	512GB	% of BOM	256GB	% of BOM	2TB	% of BOM	256GB	% of BOM	2TB	% of BOM	256GB	% of BOM	2TB	% of BOM
Processor	90	17%	90	15%	140	20%	140	13%	140	19%	140	13%	140	14%	140	10%
Memory	91	17%	91	15%	137	20%	137	13%	137	19%	137	12%	137	14%	137	10%
Storage	54	10%	109	18%	54	8%	435	40%	54	7%	435	39%	54	5%	435	32%
Baseband/Transceiver	35	7%	35	6%	18	3%	18	2%	18	2%	18	2%	18	2%	18	1%
Cellular, Battery/Charging	22	4%	22	4%	23	3%	23	2%	26	4%	26	2%	30	3%	30	2%
Display	78	14%	78	13%	81	12%	81	8%	89	12%	89	8%	266	27%	266	19%
Camera System	53	10%	53	9%	114	16%	114	11%	114	16%	114	10%	103	10%	103	7%
Others (PCB, etc)	114	21%	114	19%	133	19%	133	12%	148	20%	148	13%	148	15%	148	11%
Additional Hinge/Chassis	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	100	10%	100	7%
Total BoM Cost	**537**		**591**		**699**		**1,079**		**725**		**1,105**		**995**		**1,375**	
Warranty	$7		$7		$7		$7		$7		$7		$7		$7	
Total Device Cost	**$544**		**$598**		**$706**		**$1,086**		**$732**		**$1,112**		**$1,002**		**$1,382**	
Retail Price	**$899**		**$1,099**		**$1,199**		**$2,399**		**$1,299**		**$2,499**		**$1,999**		**$3,199**	
% GM	**32.8%**		**39.6%**		**34.6%**		**49.7%**		**37.4%**		**50.6%**		**44.3%**		**52.0%**	

Gross margin per model is calculated using wholesale price, which is assumed to be at 10% discount to retail price
Source: Counterpoint, Bernstein estimates and analysis

PRELIMINARY BOM AND MARGIN ESTIMATES REMAIN SUBJECT TO SEVERAL IMPORTANT CAVEATS

First, the analysis does not yet incorporate third-party teardowns of the newly released devices. Component quantities and costs are preliminary estimates that we expect to update against credible teardown data as it becomes available, likely beginning in November.

Second, our DRAM and NAND assumptions are based on headline contract pricing plus a modest volume discount. Apple's actual procurement costs may differ because of higher-than-expected volume discounts, long-term supplier agreements, prepayments, inventory timing, and other contractual arrangements.

Third, the DUO is a first-generation product with a new form factor, creating greater uncertainty around display, hinge, chassis, assembly, manufacturing-yield, warranty, and repair costs. Our preliminary analysis may therefore understate or overstate its actual cost structure.

Fourth, the above gross margins produced by our BOM analysis use assumed US wholesale prices, calculated at a 10% discount to US retail prices. The above margins based on US pricing do not directly capture Apple's geographic sales mix or differences between US and international price increases. Moreover, the 10% discount is a sensible assumption and the ASP realized by Apple may differ.

Finally, our gross-margin conclusions are sensitive to model and storage-tier mix. A higher-than-expected DUO or Pro Max mix, or a greater concentration of premium-model sales at higher storage tiers, would boost blended gross margin.

3. POTENTIAL DOWNSIDE TO DEC QTR EPS, PRIMARILY DRIVEN BY GROSS MARGIN

Our BOM and margin analysis indicates potential downside to December-quarter profitability under both US and global pricing assumptions. Using US market prices, the preliminary analysis implies 39.6% iPhone gross margin, 45.8% Apple gross margin, and $2.81 EPS. Incorporating stronger international price increases results in 40.4% iPhone gross margin, 46.2% Apple gross margin, and $2.87 EPS, which are now reflected in our new Bernstein model.

FINANCIAL ANALYSIS BASED ON US MARKET PRICING

Units: The absence of a new base model could reduce December-quarter volume to approximately 71 million (unchanged from our previous analysis)

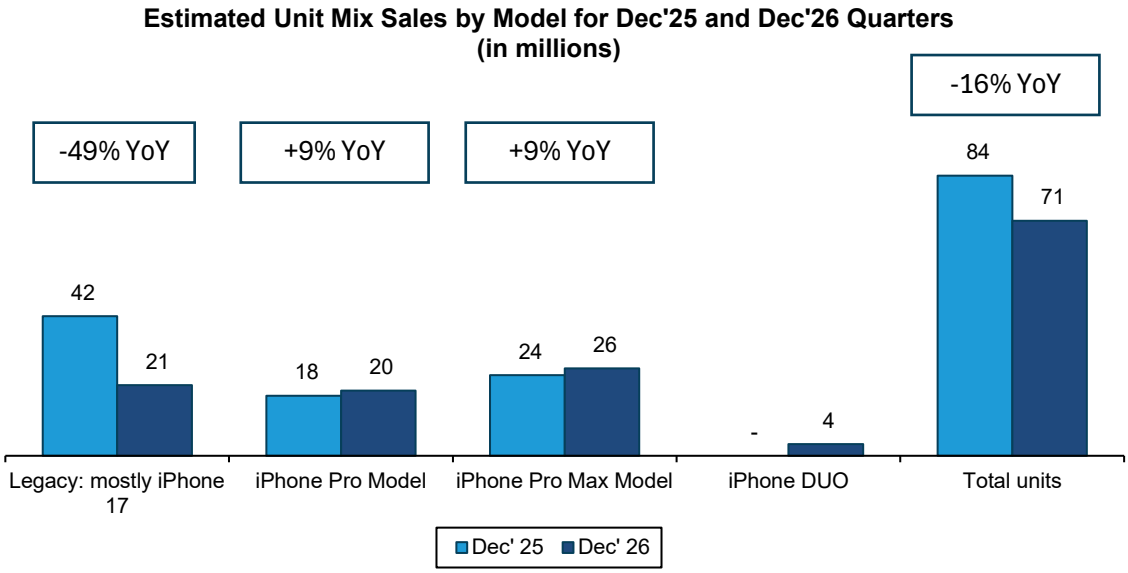
We estimate December-quarter iPhone units of 70.5 million, down approximately 16% YoY from 84 million, same as our old Bernstein model. The decline primarily reflects the absence of a new base iPhone 18, historically one of Apple's highest-volume launch-quarter products. The $100 price increase on the iPhone 17 base and other legacy models, rather than the customary post-launch price reduction, could create an additional headwind to entry-tier demand.

At the same time, the missing base model could shift some demand toward the iPhone 18 Pro and Pro Max. Their $100 entry-price increases equate to approximately 8%-9%, which may be manageable for higher-income buyers. Some consumers who would normally purchase the base iPhone 18 may therefore trade up to a Pro model, while others may defer their purchases until the base iPhone 18 launches in spring 2027.

Based on our model-mix assumptions, our forecast implies approximately **26.3 million iPhone 18 Pro Max units, 19.6 million iPhone 18 Pro units, 3.5 million iPhone DUO units, and 21.2 million units from the iPhone 17 base and other** legacy models.

We expect iPhone unit growth to improve during 2027 as the base iPhone 18 and iPhone 18e broaden the lineup and address lower price points. However, the timing and magnitude of the recovery will depend on pricing, product availability, demand elasticity, and the extent to which purchases deferred from the December quarter ultimately convert into sales.

EXHIBIT 10: **We estimate that overall iPhone unit sales will be down by 16% yoy in the Dec'26 quarter**



Source: Counterpoint, Company reports, Bernstein estimates and analysis

ASP and revenue: Premium mix supports ASP but does not fully offset lower volume

For the US wholesale pricing analysis, we estimate wholesale ASP for each model and storage tier by applying a 10% discount to US retail prices. We weight the resulting wholesale prices by our assumed storage-tier mix to derive an ASP for each model and then weight the model-level ASPs by our assumed model mix. This results in an estimated blended US wholesale iPhone ASP of approximately **$1,198 for the December quarter.**

The premium-heavy mix provides meaningful ASP support, with the iPhone 18 Pro, Pro Max, and DUO collectively representing 70% of estimated units. However, the higher blended ASP does not fully offset the expected unit decline.

Applying the approximately $1,198 US wholesale ASP to our 70.5 million unit forecast produces estimated iPhone revenue of approximately $84.5 billion. This is the preliminary revenue output under the US wholesale pricing analysis, not our new Bernstein revenue estimate.

Gross profit and EPS: The US wholesale price analysis implies EPS of $2.81

Applying the 39.6% blended iPhone gross-margin estimate to approximately $84.5 billion of revenue produces estimated iPhone gross profit of approximately $33.5 billion.

Assuming operating expenses remain unchanged in dollar terms, the reduction in iPhone gross profit flows largely through to pre-tax income. Using the tax rate and diluted share count in our existing model, every $1 billion change in iPhone gross profit translates into approximately $0.06 of quarterly EPS.

The preliminary US pricing analysis therefore implies 45.8% Apple gross margin and December-quarter EPS of $2.81, compared with $3.00 in our old Bernstein model. However, the $2.81 EPS is a preliminary analytical output rather than our new Bernstein estimate because it applies US market pricing to Apple's global iPhone sales and does not capture stronger price increases in international markets.

FINANCIAL ANALYSIS BASED ON GLOBAL PRICING - NEW BERNSTEIN ESTIMATES

International iPhone ASP - Price Increases Outpace the US on Pro Models

We want to remind investors that Apple repriced its legacy models in every major market for iPhones since the launch event in Sept, generally by a round local-currency amount, and we analyzed the magnitude of the price step-up for its new generation Pro and Pro Max models (18). **We believe international pricing can be a positive support to Dec'26 quarter margin vs. what our US-price-based BOM analysis suggested above.**

- On the Pro and Pro Max models, international units carry roughly 3-4% more in price increase (on adjusted USD basis) than that of US units (Exhibit 11), per our estimate, providing potential mitigants to the margin hit driven by memory price hikes, because iPhone 18 Pro and iPhone 18 Pro Max are the models that we believe can make up about 2/3 of December-quarter units. The US-based BOM analysis is therefore slightly conservative.
- **Double-clicking into the by-region details**: ex-US launch prices rose ~12% on the iPhone 18 Pro and ~12% on the 18 Pro Max, vs. 9% and 8% in the US. The premium over the US on the Pro tiers comes mainly from China, Japan, and India, where currency adjusted price hikes reached a 15%/22%/18% yoy for the Pro model and 13%/22%/16% for the Pro Max model. In major countries in Europe, the price increases were largely at similar or greater magnitude as that in the US in local currencies, but the FX-adjusted increases were offset by dollar appreciation over the last year.
- We found that the weighted average difference between the US price hike and the global price hike to be roughly 1.3 percentage points with global price hike being higher.
- One caveat we highlight is Apple uses forwards and options to hedge some parts or major parts of its forecast foreign currency revenue exposure, which can offsets the effect of FX impact on international iPhone ASP increases in either direction.

EXHIBIT 11: **We estimate both iPhone Pro model and Pro Max model have larger price increases relative to their prior generations in ex-US international markets…**

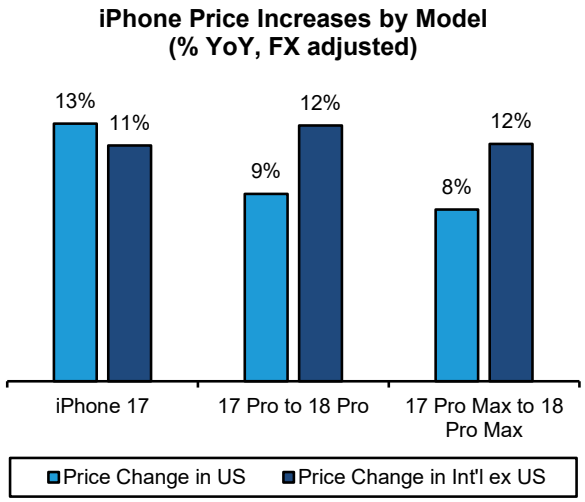


EXHIBIT 12: **…based on our breakdown of iPhone's sell-through revenue by select iPhone markets, adjusting for currency movement**

Market	Region	Estimated Price Changes in USD (%)		
		iPhone 17	17 Pro to 18 Pro	17 Pro Max to 18 Pro Max
US	**Americas**	**12.5%**	**9.1%**	**8.3%**
Canada	Americas	7.2%	7.7%	6.9%
UK	Europe	11.3%	7.9%	7.2%
Germany	Europe	8.4%	9.4%	8.2%
UAE	Europe	11.8%	8.5%	7.8%
China	China	13.4%	14.5%	13.4%
India	Europe	16.1%	17.8%	15.7%
Japan	Japan	10.1%	21.5%	22.4%
Australia	Rest of APAC	13.7%	7.8%	7.4%
Korea	Rest of APAC	20.4%	18.8%	17.6%
Wtd. Avg Int'l, ex-US		**11.5%**	**12.4%**	**11.5%**

For old FX rates, we used the average rates from 9/9/2025 to 9/8/2026 for respective currency pair, and for current FX rates, we used the average rates from 9/8/2026 to 3/31/2027, holding current rate constant;

Market data updated as of 9/23/2026

Source: Company website, Bloomberg, Bernstein estimates and analysis

Global ASP and Revenue: Stronger international pricing supports a higher blended ASP

We use the same 70.5 million unit forecast and the same model and storage-tier mix assumptions for the global pricing based analysis as in the US wholesale pricing based analysis. The only change is the ASP assumption.

Our pricing analysis shows that the weighted global iPhone ASP increase is approximately 1.3 percentage points greater than the US increase. **As a simplifying assumption, we apply a 1.3% uplift to the approximate $1,198 US wholesale ASP to estimate the global wholesale ASP.**

The resulting estimated global wholesale ASP is approximately $1,214, compared with approximately $1,198 under the US wholesale pricing analysis. Applying this ASP to 70.5 million units implies December-quarter iPhone revenue of approximately

$85.6 billion, which is the new estimate in our model's Dec Qtr.

The higher global wholesale ASP captures the benefit of stronger international price increases while holding unit volume, model mix, storage mix, and device costs unchanged. Because the ASP adjustment increases revenue per device without changing the BOM, it also increases gross profit per device and blended iPhone gross margin.

Gross Margin and EPS: Global pricing supports new Bernstein EPS of $2.87

Using the higher global wholesale ASP increases our estimated December-quarter **iPhone gross margin** from 39.6% under the US-price-based analysis to **40.4%**. The higher iPhone ASP and gross margin increase estimated **Apple company gross margin** from 45.8% to **46.2%**.

Flowing the higher ASP and gross margin through our company model increases implied December-quarter EPS from $2.81 under the US wholesale pricing analysis to **$2.87 under the global wholesale pricing analysis.**

The 40.4% iPhone gross margin, 46.2% Apple gross margin, and $2.87 EPS are now reflected in our new Bernstein model.

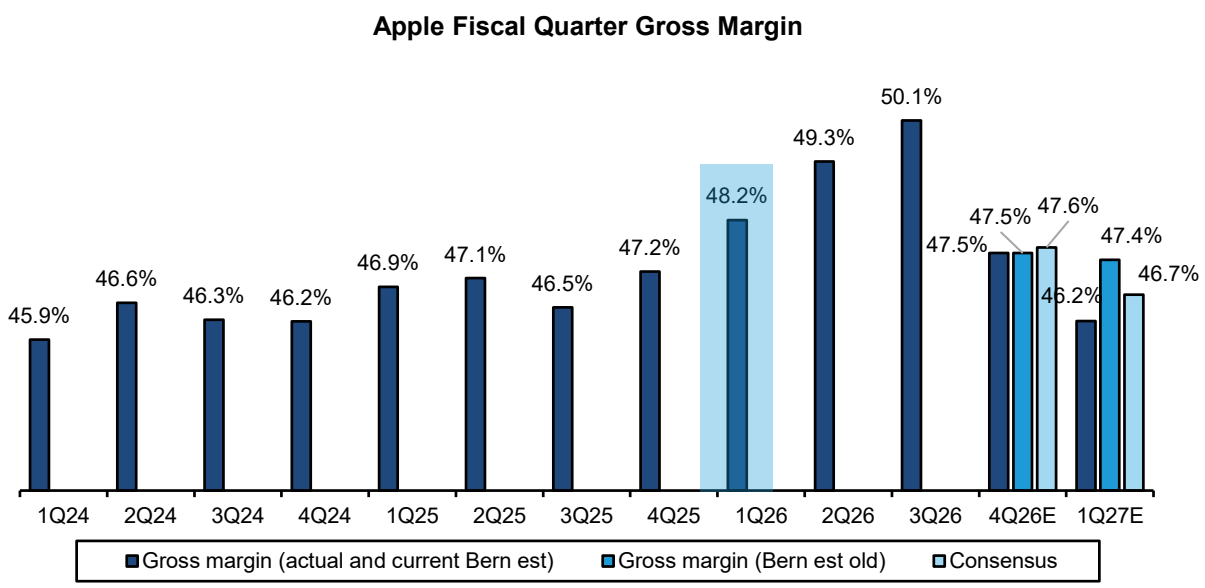
Our new $2.87 Dec Qtr EPS estimate compares with $3.00 in our old Bernstein model and $2.92 in consensus. The revision from our old Bernstein estimate is primarily driven by lower iPhone gross margin due to memory inflation.

EXHIBIT 13: **Based on our BOM and gross margin analysis, we estimate the impact on Dec'26 quarter profitability driven solely by iPhone sales would represent ~6% downside to current consensus iPhone revenue estimate, ~50bps downside to overall Apple gross margin estimate, and ~2% downside to current EPS estimate**

Dec'26 Quarter Profitability	Updated Bern Est.	BOM-Suggested Est (USD based)	Old Bern Est.	Cons.	Updated Bern Est. vs Cons
iPhone Revenue ($M)	**85,560**	84,472	86,595	90,612	(6%)
iPhone Units (M)	**71**	71	71	81	(13%)
Apple Gross Margin %	**46.2%**	45.8%	47.4%	46.7%	(50bp)
iPhone Gross Margin %	**40.4%**	39.6%	42.5%	44.3%	(390bp)
EPS	**$2.87**	$2.81	$3.00	$2.92	(2%)

Source: Bloomberg, Bernstein estimates and analysis

EXHIBIT 14: **Comparing what changed in our estimates for Apple's overall gross margin...**



Source: Company reports, Bernstein estimates and analysis

EXHIBIT 15: **AAPL Model Before vs. After**

	FY 2026E			FY 2027E			FY 2028E		
($USD Millions)	New	Old	Delta	New	Old	Delta	New	Old	Delta
Revenue	**$477,056**	**$477,056**	***0.0%***	**$532,034**	**$533,070**	***-0.2%***	**$570,143**	**$571,246**	***-0.2%***
Gross Profit	**$232,344**	**$232,344**	***0.0%***	**$249,994**	**$252,233**	***-0.9%***	**$274,095**	**$274,548**	***-0.2%***
Gross Margin %	48.7%	48.7%	*0bps*	47.0%	47.3%	*-33bps*	48.1%	48.1%	*1bps*
Op. Profit	**$156,747**	**$156,747**	***0.0%***	**$170,510**	**$172,750**	***-1.3%***	**$188,391**	**$188,741**	***-0.2%***
OP Margin %	32.9%	32.9%	*0bps*	32.0%	32.4%	*-36bps*	33.0%	33.0%	*0bps*
Net Income	**$130,409**	**$130,409**	***0.0%***	**$142,376**	**$144,246**	***-1.3%***	**$158,248**	**$158,543**	***-0.2%***
EPS ($ per share)	**$8.85**	**$8.85**	***0.0%***	**$9.90**	**$10.03**	***-1.3%***	**$11.26**	**$11.28**	***-0.2%***
Adj FCF	**$134,021**	**$134,021**	***0.0%***	**$160,942**	**$162,812**	***-1.1%***	**$175,608**	**$176,579**	***-0.6%***

Source: Company reports, Bernstein estimates and analysis

EXHIBIT 16: **AAPL Bernstein vs Consensus**

AAPL	FY26E	FY27E	FY28E
Total Revenues ($M)			
Consensus	$477,905	$524,468	$565,626
Actual / Bernstein Est.	**$477,056**	**$532,034**	**$570,143**
Bernstein vs. Cons.	*-0.2%*	*1.4%*	*0.8%*
Company GMs	48.6%	47.5%	48.0%
vs. Bernstein	48.7%	47.0%	48.1%
Opex ($M)	$74,935	$81,161	$86,991
vs. Bernstein	$75,597	$79,484	$85,704
EPS ($)			
Consensus	$8.82	$9.62	$10.68
Actual / Bernstein Est.	**$8.85**	**$9.90**	**$11.26**
Bernstein vs. Cons.	*0.3%*	*2.9%*	*5.4%*
FCF ($)			
Consensus	$141,346	$156,264	$168,585
Actual / Bernstein Est.	**$134,021**	**$160,942**	**$175,608**
Bernstein vs. Cons.	*-5.2%*	*3.0%*	*4.2%*

Source: Bloomberg, Bernstein estimates and analysis

APPENDIX - FINANCIAL FORECASTS

EXHIBIT 17: **AAPL Income Statement**

Fiscal Periods:	2025	2026E	2027E	2028E	1Q26	2Q26	3Q26	4Q26E
Net Sales	**416,161**	**477,056**	**532,034**	**570,143**	**143,756**	**111,184**	**109,417**	**112,699**
Cost of Goods Sold	220,960	244,711	282,040	296,048	74,525	56,403	54,647	59,136
Gross Income	**195,201**	**232,344**	**249,994**	**274,095**	**69,231**	**54,781**	**54,770**	**53,562**
	0%	0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Research & Development	34,550	45,782	48,987	53,023	10,887	11,419	11,729	11,747
Selling, General, & Administrative	27,601	29,815	30,496	32,681	7,492	7,477	7,346	7,500
Operating Income	**133,050**	**156,747**	**170,510**	**188,391**	**50,852**	**35,885**	**35,695**	**34,315**
Interest and Other, Net (excludes gains/losse	(321)	1,020	-	-	150	(52)	572	350
Income Before Tax	**132,729**	**157,767**	**170,510**	**188,391**	**51,002**	**35,833**	**36,267**	**34,665**
Income Taxes (ex. 1-time items)	20,719	27,358	28,134	30,143	8,905	6,255	6,478	5,720
Net Income	**112,010**	**130,409**	**142,376**	**158,248**	**42,097**	**29,578**	**29,789**	**28,945**
Average Shares Outstanding, Basic	14,948	14,671	14,314	13,982	14,748	14,673	14,656	14,605
Earnings Per Share, Basic	**$ 7.49**	**$ 8.89**	**$ 9.95**	**$ 11.32**	**$ 2.85**	**$ 2.02**	**$ 2.03**	**$ 1.98**
Average Shares Outstanding, Diluted	15,016	14,736	14,385	14,053	14,810	14,726	14,715	14,663
Earnings Per Share, Diluted	**$ 7.46**	**$ 8.85**	**$ 9.90**	**$ 11.26**	**$ 2.84**	**$ 2.01**	**$ 2.02**	**$ 1.97**
EPS 5yr CAGR	*18.0%*	*9.6%*	*10.2%*	*12.9%*				
TRENDS, Post-FAS123(R)								
Key Ratios								
COGS as % of Sales	*53.1%*	*51.3%*	*53.0%*	*51.9%*	*51.8%*	*50.7%*	*49.9%*	*52.5%*
Gross Margin	*46.9%*	*48.7%*	*47.0%*	*48.1%*	*48.2%*	*49.3%*	*50.1%*	*47.5%*
R&D as % of Sales	*8.3%*	*9.6%*	*9.2%*	*9.3%*	*7.6%*	*10.3%*	*10.7%*	*10.4%*
SG&A as % of Sales	*6.6%*	*6.2%*	*5.7%*	*5.7%*	*5.2%*	*6.7%*	*6.7%*	*6.7%*
Operating Margin	*32.0%*	*32.9%*	*32.0%*	*33.0%*	*35.4%*	*32.3%*	*32.6%*	*30.4%*
Tax rate	*15.6%*	*17.3%*	*16.5%*	*16.0%*	*17.5%*	*17.5%*	*17.9%*	*16.5%*
Net Margin	*26.9%*	*27.3%*	*26.8%*	*27.8%*	*29.3%*	*26.6%*	*27.2%*	*25.7%*
Y/Y Change	-	-	-	-	-	-	-	-
Net Sales	*6.4%*	*14.6%*	*11.5%*	*7.2%*	*15.7%*	*16.6%*	*16.4%*	*10.0%*
Gross Income	*8.0%*	*19.0%*	*7.6%*	*9.6%*	*18.8%*	*22.1%*	*25.3%*	*10.8%*
R&D	*10.1%*	*32.5%*	*7.0%*	*8.2%*	*31.7%*	*33.6%*	*32.3%*	*32.5%*
SG&A	*5.8%*	*8.0%*	*2.3%*	*7.2%*	*4.4%*	*11.1%*	*10.5%*	*6.4%*
Operating Income	*8.0%*	*17.8%*	*8.8%*	*10.5%*	*18.7%*	*21.3%*	*26.6%*	*5.8%*
Net Income	*19.5%*	*16.4%*	*9.2%*	*11.1%*	*15.9%*	*19.4%*	*27.1%*	*5.4%*
Diluted Shares	(426)	(280)	(351)	(332)	(341)	(330)	(234)	(200)
EPS, Diluted	*22.9%*	*18.6%*	*11.8%*	*13.8%*	*18.5%*	*22.0%*	*29.1%*	*6.8%*

Source: Company reports, Bernstein estimates and analysis

EXHIBIT 18: **AAPL Revenue Model**

AAPL Revenue Model

Fiscal Periods:	2025	2026E	2027E	2028E	1Q26	2Q26	3Q26	4Q26E
Revenues ($M)								
iPhone	**209,586**	**252,861**	**286,756**	**305,696**	**85,269**	**56,994**	**54,252**	**56,346**
iPad	**28,023**	**28,304**	**28,587**	**29,159**	**8,595**	**6,914**	**6,191**	**6,604**
Mac	**33,708**	**36,561**	**39,852**	**42,641**	**8,386**	**8,399**	**10,352**	**9,424**
iTunes/Software/Services	**109,158**	**123,310**	**138,913**	**152,633**	**30,013**	**30,976**	**30,739**	**31,582**
Wearables	**30,073**	**29,474**	**30,400**	**31,357**	**10,479**	**5,606**	**5,976**	**7,414**
Apple Watch	**17,066**	**16,798**	**17,469**	18,168	6,930	3,131	2,891	3,846
AirPods and Beats	**13,008**	**12,677**	**12,930**	13,189	3,548	2,475	3,085	3,568
Other Products	**5,613**	**6,545**	**7,527**	**8,656**	**1,014**	**2,295**	**1,907**	**1,329**
Total Revenues	**416,161**	**477,056**	**532,034**	**570,143**	**143,756**	**111,184**	**109,417**	**112,699**
Memo: Other Products (reported)	$35,686	$36,019	$37,927	$40,013	$11,493	$7,901	$7,883	$8,742
Y/Y Change in Revenues								
iPhone	4.2%	20.6%	13.4%	6.6%	23.3%	21.7%	21.7%	14.9%
iPad	5.0%	1.0%	1.0%	2.0%	6.3%	8.0%	-5.9%	-5.0%
Mac	12.4%	8.5%	9.0%	7.0%	-6.7%	5.7%	28.7%	8.0%
0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
iTunes/Software/Services	13.5%	13.0%	12.7%	9.9%	13.9%	16.3%	12.1%	9.9%
Wearables	-3.3%	-2.0%	3.1%	3.1%	1.0%	-8.0%	1.0%	-3.5%
Apple Watch	-3.4%	-1.6%	4.0%	4.0%	2.0%	-8.0%	1.0%	-4.0%
AirPods and Beats	-3.2%	-2.5%	2.0%	2.0%	-1.0%	-8.0%	1.0%	-3.0%
Other Products	-4.8%	16.6%	15.0%	15.0%	-25.9%	60.7%	28.2%	0.0%
Total Revenues	6.4%	14.6%	11.5%	7.2%	15.7%	16.6%	16.4%	10.0%
Units (000)								
iPhone	**236,800**	**258,356**	**256,433**	**265,408**	**84,000**	**62,300**	**55,200**	**56,856**
Y/Y Change in Units								
iPhone	7.0%	9.1%	-0.7%	3.5%	14.1%	9.5%	9.5%	1.7%
Sequential Change in Units								
iPhone	**-**	**-**	**-**	**-**	50.3%	-25.8%	-11.4%	3.0%
ASPs ($)								
iPhone	885	979	1,118	1,152	1,015	915	983	991
Y/Y Change in ASPs								
iPhone	-2.6%	10.6%	14.3%	3.0%	8.1%	11.1%	11.1%	13.0%
Sequential Change in ASPs								
iPhone	-	-	14%	3.0%	15.7%	-9.9%	7.4%	0.8%

Source: Company reports, Bernstein estimates and analysis

EXHIBIT 19: **AAPL Balance Sheet**

AAPL Balance Sheet

Fiscal Periods:	2025	2026E	2027E	2028E	1Q26	2Q26	3Q26	4Q26E
Cash	35,934	38,588	50,657	63,877	45,317	45,572	39,544	38,588
Short-term Investments	18,763	22,855	22,855	22,855	21,590	22,935	22,855	22,855
Accounts Receivable	39,777	37,052	50,512	54,130	39,921	30,339	31,398	37,052
Inventory	5,718	9,721	11,014	12,166	5,875	6,747	11,092	9,721
Vendor non-trade receivables	33,180	29,769	38,332	40,236	30,399	23,172	27,509	29,769
Other current assets	14,585	17,942	16,765	17,966	15,002	15,349	17,420	17,942
Current Assets	**147,957**	**155,927**	**190,134**	**211,230**	**158,104**	**144,114**	**149,818**	**155,927**
Long-Term Marketable Securities	77,723	81,118	69,118	57,118	77,888	78,088	84,118	81,118
Net Property, Plant & Equipment	49,834	52,909	60,420	66,885	50,159	50,116	51,431	52,909
Other Assets	83,727	100,835	94,224	100,973	93,146	98,764	97,899	100,835
Non-Current Assets	**211,284**	**234,862**	**223,762**	**224,976**	**221,193**	**226,968**	**233,448**	**234,862**
Total assets	**359,241**	**390,789**	**413,896**	**436,206**	**379,297**	**371,082**	**383,266**	**390,789**
Current Debt	20,329	13,004	13,004	13,004	13,824	10,307	13,004	13,004
Accounts Payable	69,860	58,326	62,411	65,510	70,587	57,349	64,525	58,326
Other Current Liabilities	66,387	67,374	75,040	78,767	68,543	57,654	62,259	67,374
Deferred Revenues - Current	9,055	9,824	10,408	11,154	9,413	9,331	9,538	9,824
Total Current Liabilities	**165,631**	**148,528**	**160,863**	**168,435**	**162,367**	**134,641**	**149,326**	**148,528**
Long-Term Debt	78,328	71,108	70,180	69,252	76,685	74,404	71,340	71,108
Other Non-current Liabilities	41,549	55,080	55,080	55,080	52,055	55,546	55,080	55,080
Total Non-current Liabilities	**119,877**	**126,188**	**125,260**	**124,332**	**128,740**	**129,950**	**126,420**	**126,188**
Total liabilities	**285,508**	**274,716**	**286,123**	**292,767**	**291,107**	**264,591**	**275,746**	**274,716**
Common stock	93,568	104,134	118,305	133,586	95,221	99,507	100,702	104,134
Retained Earnings	(14,264)	16,447	13,975	14,177	(2,177)	12,359	11,326	16,447
Accumulated Other Comprehensive Income	(5,571)	(4,508)	(4,508)	(4,508)	(4,854)	(5,375)	(4,508)	(4,508)
Total Shareholders' Equity	**73,733**	**116,073**	**127,773**	**143,255**	**88,190**	**106,491**	**107,520**	**116,073**
Total Liabilities & Shareholders' Equity	**359,241**	**390,789**	**413,896**	**436,022**	**379,297**	**371,082**	**383,266**	**390,789**

Source: Company reports, Bernstein estimates and analysis

EXHIBIT 20: **AAPL Cash Flow Statement**

AAPL Cash Flow Statement

Fiscal Periods:	2025	2026E	2027E	2028E	1Q26	2Q26	3Q26	4Q26E
Net Income	112,010	130,409	142,376	158,248	42,097	29,578	29,789	28,945
Depreciation & Amortization	11,698	13,380	14,409	16,455	3,214	3,439	3,320	3,407
Stock based compenstation expense	12,863	13,955	14,172	15,281	3,594	3,528	3,401	3,432
Deferred Taxes & Investment Tax Credit	-	1,544	6,377	6,876	-	-	-	1,544
Other Operating Activities	(89)	(2,037)	-	-	(528.00)	(1,189.00)	(320.00)	-
Net Change in Working Capital	(13,924)	(20,806)	(9,804)	(303)	(6,985)	(1,422)	(4,536)	(7,863)
Net Change in Other Assets & Liabilities	(11,076)	7,080	6,611	(6,749)	12,533	(5,232)	2,715	(2,936)
Net Cash Flow - Operating	**111,482**	**143,525**	**174,142**	**189,808**	**53,925**	**28,702**	**34,369**	**26,529**
Capital Expenditures	(12,715)	(9,504)	(13,200)	(14,200)	(2,373)	(1,971)	(2,455)	(2,705)
Change in Investments / Securities	29,390	(7,232)	12,000	12,000	(2,359)	(2,767)	(5,106)	3,000
Other Investing Activities	(1,480)	(3,960)	(8,720)	(8,720)	(154)	(1,430)	(196)	(2,180)
Net Cash Flow - Investing	**15,195**	**(20,696)**	**(9,920)**	**(10,920)**	**(4,886)**	**(6,168)**	**(7,757)**	**(1,885)**
Cash Dividends	(15,421)	(15,737)	(16,080)	(16,715)	(3,921)	(3,822)	(4,035)	(3,959)
Change in Current Debt	(2,032)	(5,911)	-	-	(5,910)	(1)	-	-
Excess tax benefits from stock compensatio	(5,960)	(8,006)	(6,377)	(6,876)	(2,922)	(330)	(3,210)	(1,544)
Change in Long-Term Debt	(6,451)	(8,378)	(928)	(928)	(2,164)	(5,750)	(232)	(232)
Change in Capital Stock	(90,711)	(81,959)	(128,767)	(141,332)	(24,701)	(12,288)	(25,105)	(19,865)
Other Financing Activity	(111)	-	-	-	(38.00)	(88.00)	(58.00)	-
Net Cash Flow - Financing	**(120,686)**	**(119,991)**	**(152,153)**	**(165,851)**	**(39,656)**	**(22,279)**	**(32,640)**	**(25,600)**
Net Change in Cash	**5,991**	**2,838**	**12,069**	**13,036**	**9,383**	**255**	**(6,028)**	**(956)**
Cash at Beginning of Period	29,943	35,934	38,772	50,841	35,934	45,317	45,572	39,544
Cash at End of Period	**35,934**	**38,772**	**50,841**	**63,877**	**45,317**	**45,572**	**39,544**	**38,588**
Free Cash Flow								
As reported:								
Free cash flow	98,767	134,021	160,942	175,608	51,552	26,731	31,914	23,824

Source: Company reports, Bernstein estimates and analysis

BERNSTEIN TICKER TABLE

			24 Sep 2026		TTM	Adjusted EPS				Adjusted P/E (x)		
Ticker	Rating	Cur	Closing Price	Price Target	Rel. Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
AAPL (Apple)	O	USD	335.92	370.00	14.7%	USD	7.46	8.85	**9.90**	45.0	38.0	33.9
OLD									10.03			
SPX			7,704.13									

ESTIMATE CHANGE IN BOLD

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

Source: Bloomberg, Bernstein estimates and analysis.



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VALUATION METHODOLOGY

Apple Inc

We rate Apple Outperform. Our TP of $370 is based on 33x FY28E EPS or 29.5x EV/FCF

RISKS

Apple Inc

The biggest risks to the downside on Apple and to our price target are that: 1) Apple falls too far behind in Gen AI, and ultimately sees its ecosystem disrupted by AI native competitors; 2) Emergence of new form factors cause the smartphone to decline in relevance, eroding Apple’s moat and ecosystem as a consequence; 3) Escalation in US-China tensions disrupts Apple’s access to both supply and demand from China and 4) Regulatory challenges prevent Apple from effectively monetizing its ecosystem, cutting off high margin revenues streams - although this risk is significantly mitigated by the fact that the most important challenge (the Google DOJ case) has largely passed

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION

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Bernstein brand stock ratings are based on a 12-month time horizon.

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Those denoted as 'Feature' (e.g., Feature Outperform FOP, Feature Under Outperform FUP) are our core ideas.

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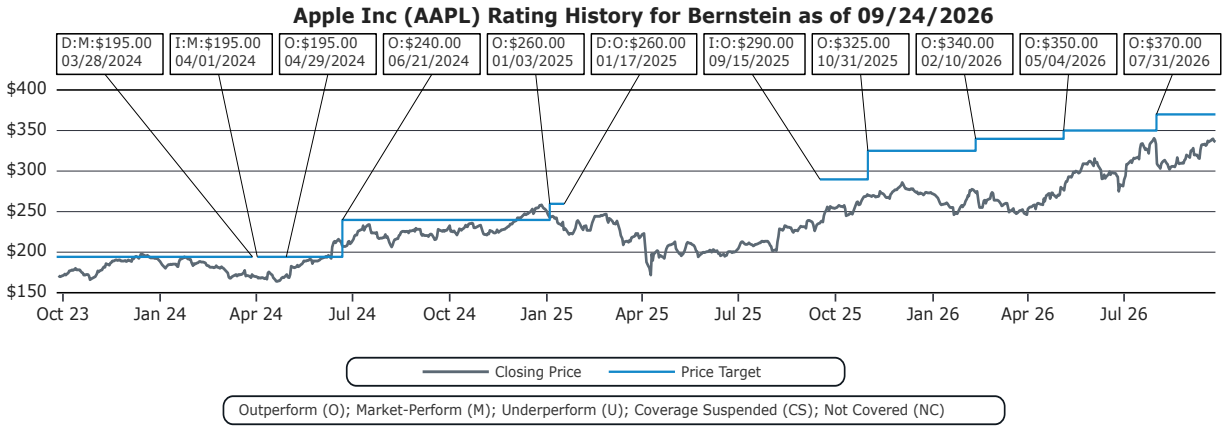
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