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GLOBAL IDEA

October 1, 2026 02:13 AM GMT

Apple, Inc.

An Exciting Roadmap, But Tactically Full Valuation

WHAT'S CHANGED

	From	To
Apple, Inc. (AAPL.O)		
Price Target	$360.00	**$355.00**

Following Fall product launch, we modestly raise our revenue estimates on stronger iPhone builds, Mac upside, and Services pricing. However, lower iPhone ASPs and higher memory costs largely offset, leaving FY27-FY28 EPS broadly unchanged at $10, with Agentic a potential emerging risk (and oppty).

Key Takeaways

- Exciting roadmap, but largely unchanged EPS: Better iPhone units, Mac and Services offset pricing/margin pressure; FY27-28 EPS remains ~3% above Street.
- iPhone demand looks resilient: We raise FY27-28 units on better builds, but Duo's limited first-year supply keeps its near-term earnings impact modest.
- Mac is the hardware bright spot: Pricing, premium mix and supply constraints point to upside; iPad softens while Wearables remain broadly stable.
- Services upside meets the Agentic debate: Pricing helps near term, while Agentic AI creates both monetization optionality and App Store/Search disruption risk.
- Great roadmap, fuller valuation: At ~35x CY27 EPS and <10% PT upside, we remain OW but would be tactically awaiting better re-entry point, greater conviction in iPhone upside, clearer path to AI monetization.

Apple's product roadmap remains amongst the most exciting in over a decade, but our earnings outlook changes little following the iPhone launch, leaving limited upside to our PT after a strong L6M run. The next 2+ years of product innovation under new CEO John Ternus are amongst the more exciting, and consequential, we can remember in recent history, leading to the first period of four consecutive years of iPhone unit growth since FY15, and EPS compounding at ~13% between FY26-FY28. But as we digest what we learned since the iPhone launch, including pricing, specifications, lead times, Siri AI, Services pricing actions, and supply chain checks, we walk away with a model that is little changed from pre-launch. While lower-than-expected new iPhone model pricing modestly pressures our iPhone ASP and gross margin assumptions, this is largely offset by better iPhone unit expectations, continued Mac upside, and modest Services upside. Combined, we continue to forecast ~$10 of EPS in FY27 and close to $11 of EPS in FY28, 0-3% above Street. Preliminarily, September quarter earnings screens positively, supported by resilient iPhone builds, stronger Mac revenue, Services pricing tailwinds, and tariff refunds, but December quarter setup remains mixed, as Street estimates appear stale and have yet to incorporate the staggered iPhone

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Apple, Inc. (AAPL.O, AAPL US)

IT Hardware | United States of America

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	**$355.00**
Shr price, close (Sep 30, 2026)	$333.02
Mkt cap, curr (mm)	$4,884,518
52-Week Range	$345.34-243.42

Fiscal Year Ending	09/25	09/26e	09/27e	09/28e
EPS ($)**	7.46	8.87	9.90	10.70
Prior EPS ($)**	-	8.84	10.00	10.83
P/E	34.1	37.5	33.6	31.1
EPS ($)§	-	8.86	9.63	10.79
Div yld (%)	0.4	0.3	0.3	0.4

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

QUARTERLY EPS ($)

Quarter	2025	2026e Prior	2026e Current	2027e Prior	2027e Current
Q1	2.40	-	2.84a	2.82	2.88
Q2	1.65	-	2.01a	2.42	2.35
Q3	1.57	-	2.02a	2.35	2.30
Q4	1.85	1.96	1.99	2.41	2.37

e = Morgan Stanley Research estimates, a = Actual Company reported data

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launch, leading to iPhone shipments for the quarter that remain too elevated.

Overall, Apple's growth algo remains stronger than in recent years – despite a challenging backdrop – but we remain unwilling to extend our valuation framework beyond 35x P/E, as the stock already reflects what we view as a peak multiple without a corresponding change in our earnings forecast, while Apple's long-term Services monetization increasingly becomes a debate as 3P Agentic workflows emerge. Our PT therefore moves modestly lower to $355 (from $360 prior) as our CY27 EPS falls from $10.30 to $10.15. We remain OW-rated, but with more limited upside (<10%) to our PT following the stock's strong recent move, we would be tactically waiting for (1) a better re-entry point, (2) greater conviction in iPhone unit and product gross margin upside, and/or (3) a clearer path towards any form of AI monetization.

First, on iPhone, the two biggest post-launch variables remain pricing and units, with the net impact on earnings ultimately more balanced than the initial headlines might suggest. While iPhone pricing came in lower than we expected, resulting in modestly lower ASP and gross margin assumptions, the offset has been better-than-feared demand and build plans. For context, preliminary builds are implying 58M/79M shipments in the September/December quarters, driving our shipment estimates 2-6% higher to now 57M/76M (4-11% below Consensus) amidst supply constraints. We have yet to observe supply chain cuts despite higher pricing, and we therefore raise our iPhone shipment forecasts and now model 2% unit growth in FY27-FY28 (259M-264M), leading to further but modest (0.1-0.2 year) replacement cycle elongation. We are particularly excited about the iPhone Duo, which should become an increasingly important contributor to future upgrade cycles, but FY27 remains a first-year ramp and the near-term financial contribution ($43B, or 14% of iPhone revenue) is likely to be more modest than the excitement surrounding the product given limited supply (up to 20M full-cycle builds). Overall, our confidence in FY27-FY28 iPhone earnings power remains largely unchanged.

Second, our outlook remains mixed across the rest of Apple's hardware portfolio, with Mac standing out positively while iPad and Wearables remain less compelling. We continue to see meaningful upside potential in Mac. Recent pricing actions, ongoing mix shift toward premium configurations (e.g. higher-end Mac mini/Studio), and persistent supply constraints all point to stronger revenue potential than is currently reflected in our forecasts, even after recent upward estimate revisions. In fact, we still view both our September and December quarter Mac forecasts as conservative despite now sitting ~1% above Street expectations. By contrast, iPad appears to face the most challenging elasticity dynamics across Apple's major product categories, with recent build data suggesting softer demand, driving both our near-term and longer-term shipment estimates lower. Wearables remain broadly stable but are unlikely to be a major contributor to the broader Apple earnings power over the next year.

Third, Services receives a modest boost from recent pricing actions, though the longer-term debate is increasingly centered on AI monetization and the durability of Apple's Services ecosystem. We modestly raise our Services forecasts following recent Apple TV pricing increases (~15% pricing increase went into effect on Aug 26), driving our Services growth outlook in FY27/FY28 closer to the low end

of the historical 11-14% growth framework. We are also encouraged by the recent, albeit modest, improvement in App Store growth. That said, we continue to monitor emerging risks from alternative marketplaces, changing developer economics, and the rise of Agentic AI platforms, which could eventually disrupt App Store and Search economics by shifting app discovery, distribution, and transactions away from Apple's ecosystem. While we believe this risk remains early and consumer adoption uncertain, the rapid adoption of several recently launched AI agents highlights why Apple's Siri AI efforts are becoming increasingly important. At the same time, Apple Intelligence represents a potentially meaningful long-term monetization opportunity that is not reflected in our current estimates. Our sensitivity work suggests future monetization could create roughly 6% Services revenue and 4% earnings upside in FY28 assuming a 10% adoption rate within Apple Intelligence eligible installed base and an ~$8 monthly subscription, though we need greater visibility into pricing, timing, and consumer willingness to pay, while Apple still needs to demonstrate it can compete effectively against peers that currently have advantages in AI product maturity and compute capacity.

Lastly, product gross margins remain a debate, though our broader margin outlook changes only modestly. Our FY27 gross margin assumptions move 20bps lower to 46.9% (50bps below Consensus) following the Fall product launch, largely reflecting lower-than-expected new model iPhone pricing and elevated DRAM and NAND costs. However, the impact is partially offset by stronger legacy iPhone pricing, favorable revenue mix, tariff refunds, and potential cost reductions across non-memory components. As a result, we forecast 200bps Y/Y Products gross margin contraction in FY27, though the overall earnings impact is relatively modest given shipment-driven revenue upside. The biggest swing factor remains component costs, particularly memory. While we believe our assumptions are appropriately conservative *(and our gross margin waterfall is available to share)*, future changes to memory pricing, tariff refunds, or Apple's ability to offset these pressures through pricing, mix, and supply chain leverage will likely be the primary drivers of upside or downside to our margin forecasts.

How do our estimates change and where do we see upside vs. downside? Our C2H26 revenue and EPS estimates move 1-2% higher, with September quarter EPS 40bps above Street but December quarter EPS 1% below Consensus. While our FY27-FY28 revenue and EPS estimates don't change materially, our EPS estimate in the coming year is now ~3% above Street. The most likely source of upside to our model remains a stronger iPhone cycle. We currently assume ~2% Y/Y iPhone unit growth in FY27 despite the introduction of new form factors, a large installed base (60% or ~1B) that remains ineligible for Apple Intelligence, and replacement cycles that remain elongated relative to history (4.7 years in FY27 vs. historical peak of 4.5 years). Incrementally stronger units, faster adoption of premium models, better gross margins, or earlier-than-expected Apple Intelligence monetization would all represent sources of upside. Downside risks remain more concentrated around unforeseen supply shortages, further memory inflation, competitive dynamics, and medium-term disruption to App Store and Search monetization. Relative to our model, gross margins remain the biggest swing factor, with outcomes potentially skewing either way, but we think we've embedded quite some conservatism in our forecasts.

What does this mean for the stock going forward? The stock has worked on a combination of defensibility, AI optionality, enthusiasm around the foldable iPhone opportunity, and confidence in Apple's ability to navigate an uncertain macro backdrop. Those factors should continue to support shares if market volatility remains elevated. However, Apple is now trading near 35x our CY27 EPS estimate, a level that historically has represented peak valuation, and one that coincides with a period that has often seen more muted relative performance. Therefore, while we remain OW-rated given our excitement around Apple's product roadmap and broadening efforts to monetize its user base, we are tactically waiting for greater conviction after a strong run of performance. To become more tactically constructive from current levels, we would need to see positive iPhone build revisions supporting a stronger cycle than we currently model and/or gain confidence that our gross margin outlook is proving too conservative. These remain the most likely sources of meaningful EPS upside relative to our already-above-Street forecasts. Looking ahead, our Fall Smartphone Survey should provide greater conviction around the unit outlook, while earnings in October should offer important insight into the trajectory of Products gross margins and Services growth. At the same time, we continue to closely monitor potential risks to App Store and Search economics stemming from the emergence of Agentic AI platforms and changing consumer behavior.

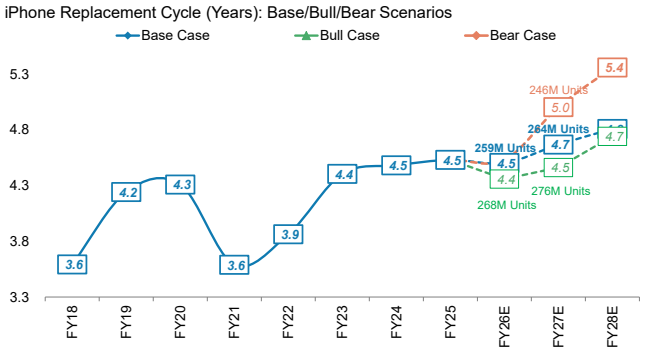
Key Charts

Exhibit 1: Our FY27 revenue and EPS stay largely unchanged even as we assume a slightly higher effective tax rate that aligns with the recent quarters.

	FY27E					FY28E				
	MSe	MSe (Old)	% Diff	Consensus	% Diff	MSe	MSe (Old)	% Diff	Consensus	% Diff
Total Revenue	**544,802**	**543,285**	**0.3%**	**523,764**	**4.0%**	**576,057**	**573,412**	**0.5%**	**564,069**	**2.1%**
Y/Y Growth	*14.0%*	*13.9%*	11bps	*9.7%*	430bps	*5.7%*	*5.5%*	19bps	*7.7%*	-196bps
iPhone	***301,943***	***300,604***	***0.4%***	***277,508***	***8.8%***	***314,487***	***312,567***	***0.6%***	***301,604***	***4.3%***
ASP ($)	*1,144*	*1,165*	*-1.8%*	*1,083*	*5.6%*	*1,165*	*1,193*	*-2.4%*	*1,219*	*-4.5%*
Unit (K units)	*264,000*	*258,000*	*2.3%*	*252,614*	*4.5%*	*270,000*	*262,000*	*3.1%*	*255,300*	*5.8%*
iPad	*27,853*	*29,258*	*-4.8%*	*29,678*	*-6.1%*	*28,387*	*29,528*	*-3.9%*	*30,262*	*-6.2%*
Mac	*39,340*	*38,579*	*2.0%*	*38,223*	*2.9%*	*40,076*	*37,875*	*5.8%*	*41,344*	*-3.1%*
Wearables	*38,714*	*38,590*	*0.3%*	*37,672*	*2.8%*	*41,947*	*41,320*	*1.5%*	*39,669*	*5.7%*
Services	*136,951*	*136,253*	*0.5%*	*137,116*	*-0.1%*	*151,161*	*152,123*	*-0.6%*	*151,841*	*-0.4%*
Gross Profit	255,708	255,810	0.0%	248,462	2.9%	275,484	275,894	-0.1%	274,160	0.5%
EBIT	171,927	172,647	-0.4%	166,178	3.5%	184,713	185,595	-0.5%	182,688	1.1%
Pre-tax Profits	172,628	173,345	-0.4%	166,249	3.8%	185,456	186,342	-0.5%	182,872	1.4%
Net Income	144,144	145,610	-1.0%	138,393	4.2%	154,856	156,527	-1.1%	152,665	1.4%
EPS	**$9.90**	**$10.00**	**-1.0%**	**$9.60**	**3.1%**	**$10.70**	**$10.83**	**-1.2%**	**$10.69**	**0.1%**
Gross Margin	46.9%	47.1%	*-15bps*	47.4%	*-50bps*	47.8%	48.1%	*-29bps*	48.6%	*-78bps*
OpM	31.6%	31.8%	*-22bps*	31.7%	*-17bps*	32.1%	32.4%	*-30bps*	32.4%	*-32bps*
Effective Tax Rate	16.5%	16.0%	*50bps*	16.8%	*-26bps*	16.5%	16.0%	*50bps*	16.5%	*-2bps*
Net Margin	26.5%	26.8%	*-34bps*	26.4%	*4bps*	26.9%	27.3%	*-42bps*	27.1%	*-18bps*

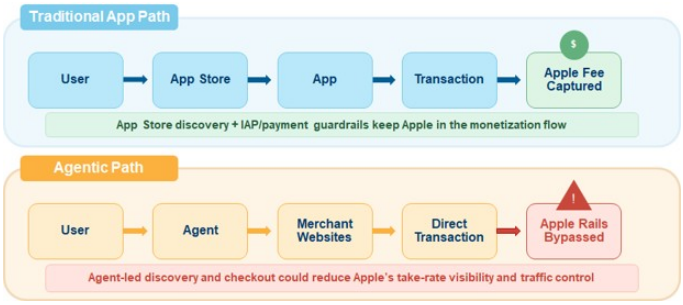
Source: Company data, FactSet, Morgan Stanley Research estimates

Exhibit 2: Even with 0.2-year longer replacement cycle into FY27, iPhone shipments could still grow modestly Y/Y with a larger installed base.



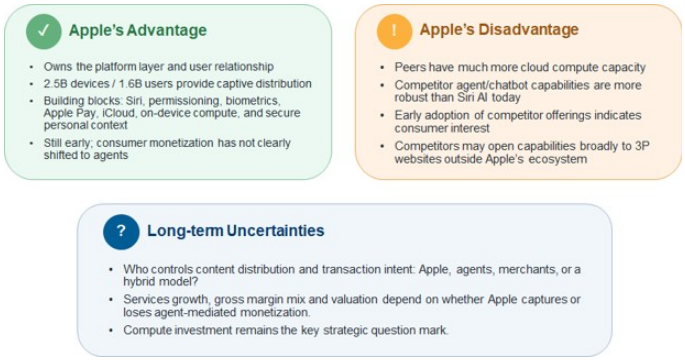
Source: Morgan Stanley Research estimates

Exhibit 3: While it's still early, 3P competitive Agentic capabilities may disrupt Apple's long-term Services monetization given reduced control on users' traffic.



Source: Morgan Stanley Research

Exhibit 4: While 3P AI agents pose an emerging threat on Apple's Services monetization, Apple still has the building bocks to be successful.



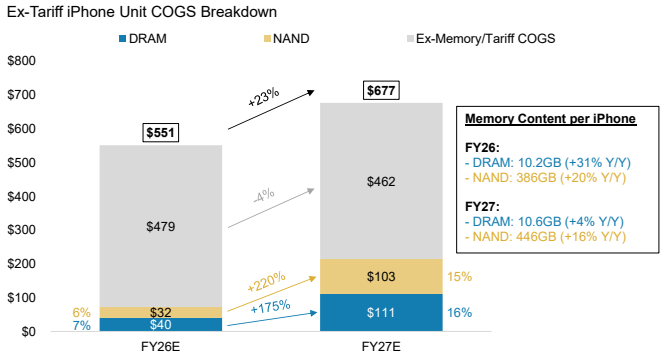
Source: Morgan Stanley Research

Exhibit 5: 10% Apple Intelligence adoption at ~$8/month could drive 6% Services revenue and 4% EPS upside in FY28.

Upside Potential to Our FY28 EPS Estimates									
	%	Adoption Rates							
		2.5%	5.0%	7.5%	10.0%	15.0%	20.0%	25.0%	30.0%
Monthly Subscription Fees	$2.49	0%	1%	1%	1%	2%	3%	3%	4%
	$4.99	1%	1%	2%	3%	4%	5%	7%	8%
	$7.49	1%	2%	3%	4%	6%	8%	10%	12%
	$7.92	1%	2%	3%	4%	6%	8%	11%	13%
	$9.99	1%	3%	4%	5%	8%	11%	13%	16%
	$12.49	2%	3%	5%	7%	10%	13%	17%	20%
	$14.99	2%	4%	6%	8%	12%	16%	20%	24%

Source: Morgan Stanley Research estimates

Exhibit 6: We estimate memory (DRAM + NAND) costs per iPhone are increasing nearly 200% Y/Y into FY27.



Source: IDC, Morgan Stanley Research estimates

Modest Uptick to C2H26 Estimates; Little Change to FY27 Earnings Power

Our updated estimates continue to point to a relatively constructive C2H26 and FY27 outlook, with upside to near-term revenue partially offset by modestly lower margin assumptions. While we make only limited changes to our September quarter forecasts, we continue to see potential upside to mgmt's September quarter guidance, primarily in the Products business (Exhibit 7). On iPhone, build plans remain resilient with C2H iPhone builds down just 3% Y/Y despite fewer Y/Y new model launches, and we have yet to see meaningful supply chain adjustments following the launch of the iPhone 18 Pro/Pro Max 1-2 weeks ago. On Mac, we believe our revenue assumptions remain conservative given recent pricing actions, favorable mix shift toward higher-end configurations, and ongoing supply constraints that mask underlying demand strength. Services trends are also tracking modestly better than expected, supported by slightly accelerating App Store growth and recent Apple TV pricing increases.

Looking ahead to the December quarter, our preliminary outlook calls for $153B of revenue (0.5% above Street) and $2.88 of EPS (1.3% below Street). Build-implied iPhone shipments have moved higher rather than lower since last earnings, component orders continue to suggest confidence in near-term iPhone demand, Mac revenue should remain supported by pricing and mix, and Services growth is poised to very modestly re-accelerate as pricing actions in Apple Music and TV+ become fully reflected in the December quarter. Additionally, tariff refunds are likely to remain a 80-140bps tailwind to Products gross margins through at least the December quarter. That said, the Street still appears to be mis-modeling the impact of the staggered iPhone 18 launch, which could create uncertainty around the pace and direction of sell-side estimate revisions even as the fundamental outlook remains solid, with 6% Y/Y revenue growth expected in the December quarter, despite the unfavorable launch timing compare.

At the same time, our broader FY27 framework changes little. We now assume slightly lower Products gross margins, primarily reflecting lower-than-expected new-model iPhone pricing and higher memory costs, but this is largely offset by stronger iPhone shipment expectations, higher Mac revenue, and modestly higher Services revenue forecasts driven by pricing actions. As a result, we continue to see a largely unchanged earnings outlook for FY27 (Exhibit 8).

Exhibit 7: Our September and December quarter revenue and EPS estimates by move 1-2% higher, driven primarily by iPhone and Mac upside.

	F4Q26 (Sept Q)					F1Q27 (Dec Q)				
	MSe	MSe (Old)	% Diff	Consensus	% Diff	MSe	MSe (Old)	% Diff	Consensus	% Diff
Total Revenue	**113,530**	**112,670**	**0.8%**	**113,211**	**0.3%**	**152,674**	**150,095**	**1.7%**	**151,976**	**0.5%**
Y/Y Growth	*10.8%*	*10.0%*	84bps	*10.5%*	31bps	*6.2%*	*4.4%*	179bps	*5.7%*	49bps
iPhone	***56,567***	***56,382***	***0.3%***	***56,479***	***0.2%***	***90,578***	***87,162***	***3.9%***	***93,127***	***-2.7%***
ASP ($)	*991*	*1,005*	*-1.4%*	*960*	*3.2%*	*1,195*	*1,213*	*-1.5%*	*1,145*	*4.3%*
Unit (K units)	*57,000*	*56,000*	*1.8%*	*59,435*	*-4.1%*	*76,000*	*72,000*	*5.6%*	*85,100*	*-10.7%*
iPad	*6,697*	*7,104*	*-5.7%*	*6,955*	*-3.7%*	*7,168*	*8,624*	*-16.9%*	*8,268*	*-13.3%*
Mac	*9,773*	*8,724*	*12.0%*	*9,720*	*0.5%*	*9,635*	*9,327*	*3.3%*	*9,572*	*0.7%*
Wearables	*8,995*	*8,992*	*0.0%*	*8,954*	*0.5%*	*12,116*	*12,181*	*-0.5%*	*11,527*	*5.1%*
Services	*31,498*	*31,468*	*0.1%*	*31,604*	*-0.3%*	*33,176*	*32,801*	*1.1%*	*33,246*	*-0.2%*
Gross Profit	53,983	53,473	1.0%	53,872	0.2%	70,865	69,321	2.2%	71,780	-1.3%
EBIT	34,569	34,094	1.4%	34,539	0.1%	50,178	48,833	2.8%	51,053	-1.7%
Pre-tax Profits	34,919	34,444	1.4%	34,796	0.4%	50,321	48,974	2.7%	51,226	-1.8%
Net Income	29,157	28,761	1.4%	29,007	0.5%	42,018	41,138	2.1%	42,393	-0.9%
EPS	**$1.99**	**$1.96**	**1.5%**	**$1.98**	**0.4%**	**$2.88**	**$2.82**	**2.2%**	**$2.92**	**-1.3%**
Gross Margin	47.5%	47.5%	*9bps*	47.6%	*-4bps*	46.4%	46.2%	*23bps*	47.2%	*-82bps*
OpM	30.4%	30.3%	*19bps*	30.5%	*-6bps*	32.9%	32.5%	*33bps*	33.6%	*-73bps*
Effective Tax Rate	16.5%	16.5%	*0bps*	16.6%	*-14bps*	16.5%	16.0%	*50bps*	17.2%	*-74bps*
Net Margin	25.7%	25.5%	*16bps*	25.6%	*6bps*	27.5%	27.4%	*11bps*	27.9%	*-37bps*

Source: Company data, FactSet, Morgan Stanley Research estimates

Exhibit 8: Our FY27 revenue and EPS stay largely unchanged even as we assume a slightly higher effective tax rate that aligns with the recent quarters.

	FY26E					FY27E					FY28E				
	MSe	MSe (Old)	% Diff	Consensus	% Diff	MSe	MSe (Old)	% Diff	Consensus	% Diff	MSe	MSe (Old)	% Diff	Consensus	% Diff
Total Revenue	**477,887**	**477,027**	**0.2%**	**477,451**	**0.1%**	**544,802**	**543,285**	**0.3%**	**523,764**	**4.0%**	**576,057**	**573,412**	**0.5%**	**564,069**	**2.1%**
Y/Y Growth	*30.6%*	*30.4%*	24bps	*14.7%*	1,591bps	*14.0%*	*13.9%*	11bps	*9.7%*	430bps	*5.7%*	*5.5%*	19bps	*7.7%*	-196bps
iPhone	***253,082***	***252,897***	***0.1%***	***252,817***	***0.1%***	***301,943***	***300,604***	***0.4%***	***277,508***	***8.8%***	***314,487***	***312,567***	***0.6%***	***301,604***	***4.3%***
ASP ($)	*978*	*974*	*0.4%*	*985*	*-0.8%*	*1,144*	*1,165*	*-1.8%*	*1,083*	*5.6%*	*1,165*	*1,193*	*-2.4%*	*1,219*	*-4.5%*
Unit (K units)	*259,021*	*259,829*	*-0.3%*	*258,423*	*0.2%*	*264,000*	*258,000*	*2.3%*	*252,614*	*4.5%*	*270,000*	*262,000*	*3.1%*	*255,300*	*5.8%*
iPad	*28,397*	*28,804*	*-1.4%*	*28,885*	*-1.7%*	*27,853*	*29,258*	*-4.8%*	*29,678*	*-6.1%*	*28,387*	*29,528*	*-3.9%*	*30,262*	*-6.2%*
Mac	*36,910*	*35,861*	*2.9%*	*36,644*	*0.7%*	*39,340*	*38,579*	*2.0%*	*38,223*	*2.9%*	*40,076*	*37,875*	*5.8%*	*41,344*	*-3.1%*
Wearables	*36,272*	*36,269*	*0.0%*	*36,157*	*0.3%*	*38,714*	*38,590*	*0.3%*	*37,672*	*2.8%*	*41,947*	*41,320*	*1.5%*	*39,669*	*5.7%*
Services	*123,226*	*123,196*	*0.0%*	*123,360*	*-0.1%*	*136,951*	*136,253*	*0.5%*	*137,116*	*-0.1%*	*151,161*	*152,123*	*-0.6%*	*151,841*	*-0.4%*
Gross Profit	232,765	232,255	0.2%	232,186	0.2%	255,708	255,810	0.0%	248,462	2.9%	275,484	275,894	-0.1%	274,160	0.5%
EBIT	157,001	156,526	0.3%	156,435	0.4%	171,927	172,647	-0.4%	166,178	3.5%	184,713	185,595	-0.5%	182,688	1.1%
Pre-tax Profits	158,021	157,546	0.3%	157,407	0.4%	172,628	173,345	-0.4%	166,249	3.8%	185,456	186,342	-0.5%	182,872	1.4%
Net Income	130,621	130,225	0.3%	129,910	0.5%	144,144	145,610	-1.0%	138,393	4.2%	154,856	156,527	-1.1%	152,665	1.4%
EPS	**$8.87**	**$8.84**	**0.3%**	**$8.83**	**0.5%**	**$9.90**	**$10.00**	**-1.0%**	**$9.60**	**3.1%**	**$10.70**	**$10.83**	**-1.2%**	**$10.69**	**0.1%**
Gross Margin	48.7%	48.7%	*2bps*	48.6%	*8bps*	46.9%	47.1%	*-15bps*	47.4%	*-50bps*	47.8%	48.1%	*-29bps*	48.6%	*-78bps*
OpM	32.9%	32.8%	*4bps*	32.8%	*9bps*	31.6%	31.8%	*-22bps*	31.7%	*-17bps*	32.1%	32.4%	*-30bps*	32.4%	*-32bps*
Effective Tax Rate	17.3%	17.3%	*0bps*	17.5%	*-13bps*	16.5%	16.0%	*50bps*	16.8%	*-26bps*	16.5%	16.0%	*50bps*	16.5%	*-2bps*
Net Margin	27.3%	27.3%	*3bps*	27.2%	*12bps*	26.5%	26.8%	*-34bps*	26.4%	*4bps*	26.9%	27.3%	*-42bps*	27.1%	*-18bps*

Source: Company data, FactSet, Morgan Stanley Research estimates

iPhone – Slight Revenue Upside Despite Modest ASP Downside

We are raising our C2H26 iPhone shipment forecasts to better align with build plans that are tracking better than feared. Build-implied iPhone shipments now point to 58M and 79M units in the September and December quarters, respectively, representing upside relative to our prior shipment estimates of 56M and 72M units. Incorporating the supply constraints Apple has highlighted throughout the year, we now forecast September and December quarter shipments of 57M (-4% Y/Y, +2% Q/Q) and 76M (-10% Y/Y, +33% Q/Q). While these shipment estimates remain below seasonality, the new staggered product launch cadence is altering the historical relationship between builds and shipments, resulting in what could be the "new normal" iPhone seasonality for C2H going forward (Exhibit 9).

Importantly, we have not seen any signs of iPhone supply chain cuts, though it remains early. If anything, our checks suggest component builds are being pulled forward into the December quarter, implying more than 90M units of iPhone component demand, much higher than 80M+ a couple months ago. We believe this reflects Apple's efforts to better manage component costs, particularly for NAND, DRAM, and displays, while also helping alleviate supply constraints across both iPhone and Mac. To be clear, our own component-

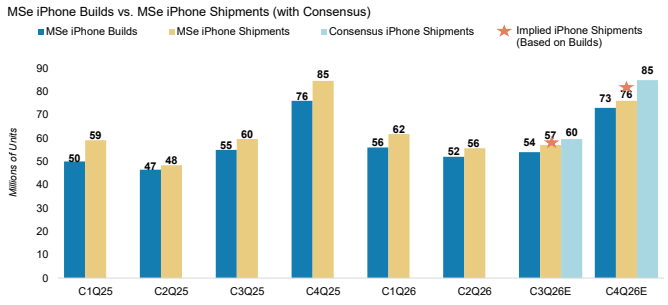
build and end-device-build checks (done primarily by our Greater China Tech Hardware team) represent two distinct data sets, and component builds do not directly translate into end-device builds within a given quarter. Said differently, we continue to expect 73M of iPhone end device builds in the December quarter. That said, stronger component orders likely reflect both Apple's confidence in near-term demand and its efforts to navigate ongoing supply and cost challenges.

We are also raising our FY27-FY28 iPhone shipment forecasts to LSD% growth despite assuming further replacement cycle elongation. While higher pricing could weigh on unit demand, the growing installed base should still support modest shipment growth even as replacement cycles lengthen. We are increasing our FY27 and FY28 shipment estimates by 2-3% (6-8M units), implying replacement cycles of 4.8 years (+0.2 years Y/Y) and 4.9 years (+0.1 years Y/Y), respectively (Exhibit 10). This reflects lower-than-expected new-cycle iPhone price increases of $100 vs. prior expectations of $150-$200. We will revisit our shipment assumptions following the results of our annual Smartphone Survey to determine whether additional adjustments to FY27 bull/base/bear forecasts are needed.

While our iPhone ASP forecasts move modestly lower, our revenue forecasts increase slightly. We now project FY27-FY28 iPhone ASPs roughly 2% below prior estimates, reflecting lower-than-expected pricing on the new lineup, partially offset by stronger legacy iPhone pricing. Combined with our higher shipment assumptions, this drives a 40-60bps increase in our FY27-FY28 iPhone revenue forecasts.

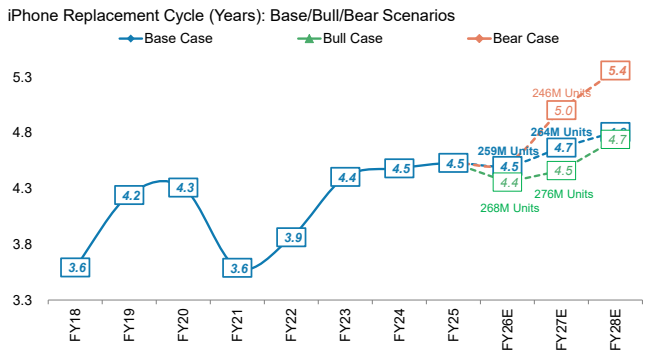
While our September quarter iPhone revenue forecast is largely in line with Street estimates, our December quarter forecast remains 4% below Consensus. We believe this primarily reflects the Street not yet fully incorporating the impact of the staggered iPhone launch and recent like-for-like pricing increases into models. As a result, our C2H26 iPhone shipment forecasts are 4-11% below Street, while our ASP estimates are 3-4% above Street. This divergence could create additional uncertainty around sell-side estimate revisions in C2H26, particularly as we get greater visibility into potential iPhone build plan changes as early as mid-to-late October.

Exhibit 9: Build-implied shipments of 58M/79M in September/ December quarters point to potential upside to our updated 57M/76M shipments, respectively.



Source: IDC, FactSet, Morgan Stanley Research estimates

Exhibit 10: Even with 0.2-year longer replacement cycle into FY27, iPhone shipments could still grow modestly Y/Y with a larger installed base.



Source: Morgan Stanley Research estimates

iPad/Mac – Strong Mac Revenue Gated by Supply; iPad's Weakness Attributed to Elasticity

We are raising our FY27-FY28 Mac revenue forecasts by 2-6%, driven by stronger pricing, partially offset by lower shipment expectations. Apple has effectively raised Mac pricing through both synthetic and like-for-like actions this year. For example, Apple removed 256GB storage configurations from the MacBook Air and the Mac mini, lifted like-for-like pricing by 15-25% across multiple Mac models, and introduced new products such as the M6 Mac mini at higher starting prices than their predecessors. With our assumptions for MacBook Neo shipments largely unchanged (~7M in CY26 and 9.5M in CY27), we are increasing our Mac pricing forecasts by 7-13% for FY27 and FY28, implying ASP growth of roughly 3% Y/Y and 2% Y/Y, respectively (Exhibit 5).

At the same time, we are lowering Mac shipment forecasts by 5-6% over the next 2 years, implying growth of 3% Y/Y in FY27 and flattish Y/Y in FY28. This primarily reflects expected demand elasticity associated with higher pricing, as well as near-term supply constraints related to advanced wafers and memory. To date, Mac shipments still appear supply constrained, as evidenced by elongated lead times, particularly for higher-end models such as Mac Studio and Mac mini (Exhibit 6). As a result, it remains difficult to determine how much of the shipment pressure reflects pricing-related demand elasticity vs. supply limitations. This is particularly relevant given Apple's explicit comments that Mac has been the product category most affected by supply constraints. In other words, Mac shipment performance may still be more dependent on Apple's ability to resolve supply bottlenecks than on any demand impact from recent pricing actions. As a reminder, our Sector Quant team's work suggests Mac has historically demonstrated approximately 0.8x price elasticity (Exhibit 13).

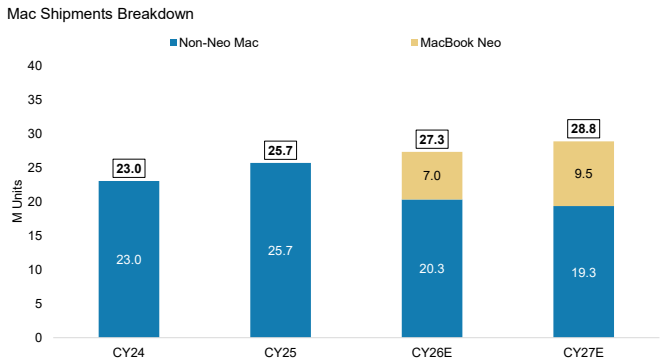
An important implication is that ongoing mix shift toward premium models could keep ASPs elevated for longer than expected. We saw evidence of this in the June quarter – despite MacBook Neo representing nearly 30% of Mac shipment mix, overall Mac ASP still increased roughly 10% Y/Y. That implies non-Neo Mac ASP grew ~35% Y/Y despite limited pricing actions at the time.

Despite our forecasts now sitting modestly above Street estimates, we continue to view our C2H26 Mac outlook as conservative, with both demand and pricing presenting potential upside. We are raising September and December quarter Mac revenue forecasts by 3-12%, primarily reflecting higher ASP assumptions driven by pricing actions and continued mix shift. While our estimates are about 1% above Street, we still view our updated forecasts as conservative. For example, our updated September quarter forecast implies 12% Y/Y revenue growth with shipments remaining roughly flat Y/Y. Excluding MacBook Neo, which we believe Apple could sell through all available supply even after the $100 like-for-like price increase implemented in late June, our Mac shipment assumptions imply a 30% Y/Y decline vs. -15% Y/Y in the June quarter, which could be explained by supply constraints, but still appears conservative. Similarly, we now assume September quarter ASP to grow just 2% Q/Q, well above normal seasonality of -7% Q/Q, but potentially still conservative given the 15-25% like-for-like price increases implemented at the end of June and the continued mix shift toward higher-priced models. We therefore expect upside to Apple's September quarter revenue relative to its guidance, and that December quarter revenue should remain robust, barring exacerbating supply

constraints.

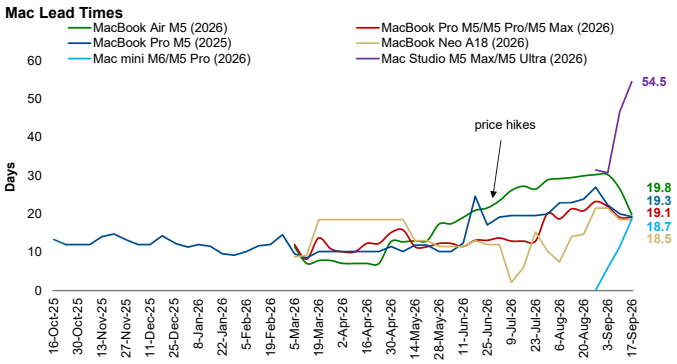
Finally, we lower our iPad forecasts to reflect lower shipments, supported by sub-seasonal iPad builds in the September quarter. Among Apple's core hardware categories, we continue to view iPad as facing the most challenging demand outlook given its roughly unitary historical price elasticity, which makes volumes more sensitive to higher pricing, and the fact that Apple's newest innovation – the iPhone Duo – could cannibalize sales of products such as the iPad Mini. The former dynamic is already showing up in our supply chain checks, with December quarter iPad builds tracking to just 11M units, down 21% Y/Y. As a result, we are lowering our December quarter iPad shipment forecast to 12M units, more closely aligned with build-implied demand and 2.5M units below our prior estimate of 14.5M (Exhibit 14). While iPad is unlikely to be a material driver of the broader Apple story, the current build trajectory suggests that pricing actions may be having a more noticeable impact on demand than what we are seeing across other major Apple product categories.

Exhibit 11: Our forecasts imply ~20% Y/Y decline in CY26 non-Neo Mac shipments, which we view as conservative vs. 15-25% price increases.



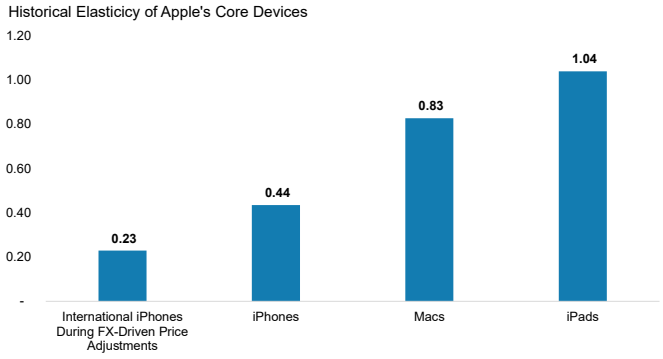
Source: IDC, Morgan Stanley Research estimates

Exhibit 12: Given ongoing supply constraints, Mac lead times remain elongated in general, notably Mac Studio and Mac mini.



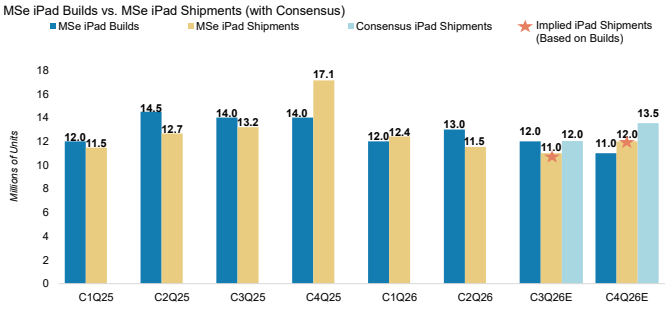
Source: Apple.com, Morgan Stanley Research

Exhibit 13: iPad historically has been Apple's most price-sensitive major product category.



Source: IDC, Morgan Stanley Research

Exhibit 14: We lower our Dec Q shipment estimate by 2.5M to 12.0M, consistent with build-implied shipments of 12.0M but below consensus of 13.5M.



Source: IDC, FactSet, Morgan Stanley Research estimates

Services – Pricing Actions Drive Higher Near-Term Forecasts, But What Happens Longer-Term with Siri AI and Agentic Remains an Emerging (and Critical) Debate

Near term, our Services forecasts move higher, driven by pricing actions

We make modest adjustments to our near-term Services forecasts, reflecting slightly better App Store trends and pricing upside from Apple TV. As highlighted in our latest Monthly Data Tracker, September quarter App Store developer gross revenue was tracking +1.4% Y/Y through mid-September, roughly 40bps ahead of our prior 1.0% Y/Y growth assumption. This translates to ~10bps of upside to Services revenue growth and is the primary reason our September quarter Services growth forecast increases to 9.6% from 9.5% previously. Our Services estimate remains largely in line with mgmt's guidance of +9.5% Y/Y, but below Consensus at +10.6% Y/Y, as we assume the Apple TV price increases implemented at the end of August were largely contemplated in the September quarter guidance provided in late July. For the December quarter, we raise our Services revenue growth forecast to +10.5% from +9.3%, primarily reflecting the benefit of the ~15% Apple TV pricing increase. For context, we estimate Apple TV represented roughly 6% of total Services revenue in the September quarter, implying roughly 1 point of sequential Services revenue growth upside in the December quarter as the pricing action becomes fully reflected.

Further, we raise our FY27 Services revenue growth forecast by 50bps and now forecast +11.1% Y/Y growth, driven primarily by pricing actions rather than a more constructive App Store outlook. While the recent re-acceleration in App Store growth is encouraging, we are not yet assuming a return to double-digit App Store revenue growth in FY27-FY28 given ongoing uncertainty around alternative app marketplaces – which have been rolled out in several markets, including Japan, a market that accounts for ~10% of global App Store developer revenue – as well as link-out risk (notably in the US) and the emergence of Agents as a competing threat to the App Store. That said, we continue to see potential upside to US App Store growth as Apple potentially regains its ability to monetize link-out transactions – the take rate still remains to be finalized/approved, subject to further ruling outcomes. Even so, the primary driver of our higher Services revenue forecast in FY27 is Apple's recent pricing actions, most notably Apple TV (Exhibit 15). In addition, Apple's efforts to increase Services penetration in international markets, including bundling offerings such as iCloud and Apple Music, could provide a modest longer-term tailwind by lifting higher Services attach rates globally. All told, we now forecast +11.1% Y/Y Services revenue growth in FY27, 50bps higher than our prior +10.6% Y/Y forecast.

Exhibit 15: Apple has been increasingly taking pricing actions to support Services revenue growth at around low-double-digit rate.

Date of Announcement	Prior	Jun-22	Oct-22	Oct-23	Feb-25	Jul-25	Aug-25	Oct-25	Jul-26	Jul-26	Aug-26
Apple Music											
Individual	$9.99	$9.99	$10.99	$10.99	$10.99	$10.99	$10.99	$10.99	$10.99	$11.99	$11.99
Family	$14.99	$14.99	$16.99	$16.99	$16.99	$16.99	$16.99	$16.99	$16.99	$19.99	$19.99
Sutdent	$4.99	$5.99	$5.99	$5.99	$5.99	$5.99	$5.99	$5.99	$5.99	$6.99	$6.99
Individual Annual	$99.00	$99.00	$109.00	$109.00	$109.00	$109.00	$109.00	$109.00	$109.00	$119.00	$119.00
Apple TV											
Monthly	$4.99	$4.99	$6.99	$9.99	$9.99	$9.99	$12.99	$12.99	$12.99	$12.99	$14.99
Annual	$49.99	$49.99	$69.00	$99.00	$99.00	$99.00	$99.00	$99.00	$99.00	$99.00	$119.00
Apple Arcade											
Monthly	$4.99	$4.99	$4.99	$6.99	$6.99	$6.99	$6.99	$6.99	$6.99	$6.99	$6.99
Apple News+											
Monthly	$9.99	$9.99	$9.99	$12.99	$12.99	$12.99	$12.99	$12.99	$12.99	$12.99	$12.99
Apple Fitness+											
Monthly	$9.99	$9.99	$9.99	$9.99	$9.99	$9.99	$9.99	$9.99	$9.99	$9.99	$9.99
Annual	$79.99	$79.99	$79.99	$79.99	$79.99	$79.99	$79.99	$79.99	$79.99	$79.99	$79.99
Apple One											
Individual	$14.95	$14.95	$16.95	$19.95	$19.95	$19.95	$19.95	$19.95	$19.95	$19.95	$21.95
Family	$19.95	$19.95	$22.95	$25.95	$25.95	$25.95	$25.95	$25.95	$25.95	$27.95	$27.95
Premier	$29.95	$29.95	$32.95	$37.95	$37.95	$37.95	$37.95	$37.95	$37.95	$39.95	$39.95
AppleCare											
AppleCare+ (iPhone)					+$0.5						
AppleCare (Vision Pro)	$24.99	$24.99	$24.99	$24.99	$24.99	$24.99	$24.99	$19.99	$19.99	$19.99	$19.99
AppleCare (Mac/iPad)									+$0.5		
AppleCare One						$19.99	$19.99	$19.99	$19.99	$19.99	$19.99

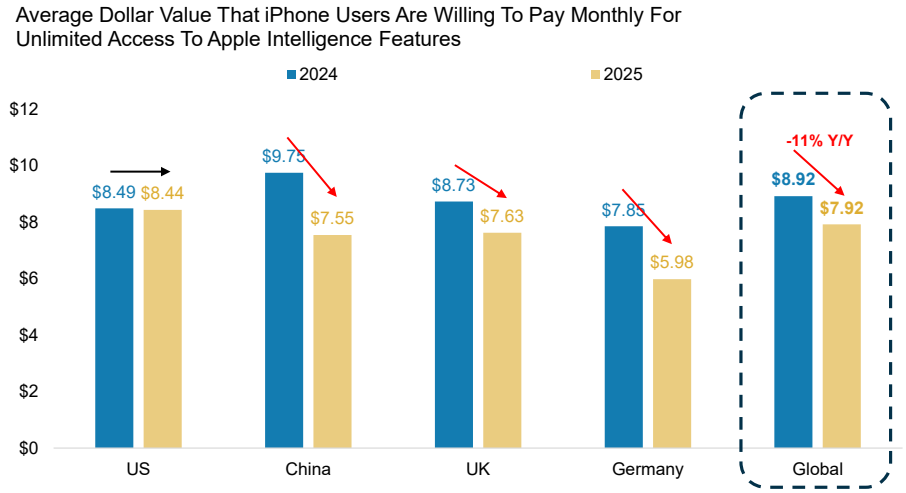
Source: Company data, Morgan Stanley Research

Medium term, no Siri AI monetization assumed in our model

We are not yet embedding any direct monetization of Apple Intelligence or Siri AI in our model. Apple has pointed to iCloud+ upgrades as a potential monetization path for heavier Apple Intelligence and Siri AI users and has indicated that "*expanded access to such features will be available for a fee in the future.*" We also would not rule out Apple eventually introducing a standalone Apple Intelligence or Siri AI subscription offering once product capabilities mature and adoption broadens. Given the uncertainty around timing, packaging, and pricing, however, we are not incorporating any direct AI-related revenue into our Services forecasts today. Longer term, we believe Apple is likely to follow a familiar playbook similar to iCloud and Apple Pay – initially providing AI capabilities at no additional cost before gradually introducing paid tiers as usage increases and the company seeks an appropriate return on its growing AI investments.

The monetization potential of an embedded Siri AI remains a meaningful long-term opportunity, with 6-12% revenue upside potential vs. our Services forecast. Our Siri AI sensitivity analysis suggests standalone Apple Intelligence monetization could create 6-12% upside to FY28 Services revenue. To be clear, we have no visibility into when Apple might introduce a dedicated Apple Intelligence or Siri AI subscription, and do not include any relevant monetization in our base-case model. However, if Siri AI subscription were available throughout FY28 – assuming a year of development and understanding the features Apple users adopt – a 10% adoption rate among Apple Intelligence-eligible iPhone users at $7.92/month, the average willingness-to-pay identified in our 2025 Smartphone Survey, would generate ~$9.1B of incremental Services revenue, representing roughly 6%/4% upside to our current FY28 revenue/EPS forecasts (Exhibit 16). Even under a more conservative pricing scenario of $2.49 per month, the same adoption rate would still contribute roughly $2.9B of incremental Services revenue, or about 2%/1% revenue/EPS upside in FY27 (Exhibit 17). While the ultimate margin profile of an AI subscription offering remains uncertain, any revenue contribution could drive meaningful upside to gross profit and earnings if margins are broadly consistent with Apple's existing Services business, which currently operates at gross margins in the mid-70% range.

Exhibit 16: The average dollar value that iPhone users are willing to pay for Apple Intelligence monthly subscription declined 11% Y/Y to ~$8.



Source: AlphaWise, Morgan Stanley Research estimates

Exhibit 17: 10% Apple Intelligence adoption at ~$8/month could drive 6% Services revenue and 4% EPS upside in FY28.

Apple Intelligence Services Revenue Contribution in FY28									
$B		Adoption Rates							
		2.5%	5.0%	7.5%	10.0%	15.0%	20.0%	25.0%	30.0%
Monthly Subscription Fees	$2.49	0.7	1.4	2.2	2.9	4.3	5.7	7.2	8.6
	$4.99	1.4	2.9	4.3	5.8	8.6	11.5	14.4	17.3
	$7.49	2.2	4.3	6.5	8.6	12.9	17.3	21.6	25.9
	$7.92	2.3	4.6	6.8	9.1	13.7	18.3	22.8	27.4
	$9.99	2.9	5.8	8.6	11.5	17.3	23.0	28.8	34.5
	$12.49	3.6	7.2	10.8	14.4	21.6	28.8	36.0	43.2
	$14.99	4.3	8.6	13.0	17.3	25.9	34.6	43.2	51.8

Upside Potential to Our FY28 Services Revenue Estimates									
%		Adoption Rates							
		2.5%	5.0%	7.5%	10.0%	15.0%	20.0%	25.0%	30.0%
Monthly Subscription Fees	$2.49	0%	1%	1%	2%	3%	4%	5%	6%
	$4.99	1%	2%	3%	4%	6%	8%	10%	11%
	$7.49	1%	3%	4%	6%	9%	11%	14%	17%
	$7.92	2%	3%	5%	6%	9%	12%	15%	18%
	$9.99	2%	4%	6%	8%	11%	15%	19%	23%
	$12.49	2%	5%	7%	10%	14%	19%	24%	29%
	$14.99	3%	6%	9%	11%	17%	23%	29%	34%

Upside Potential to Our FY28 EPS Estimates									
%		Adoption Rates							
		2.5%	5.0%	7.5%	10.0%	15.0%	20.0%	25.0%	30.0%
Monthly Subscription Fees	$2.49	0%	1%	1%	1%	2%	3%	3%	4%
	$4.99	1%	1%	2%	3%	4%	5%	7%	8%
	$7.49	1%	2%	3%	4%	6%	8%	10%	12%
	$7.92	1%	2%	3%	4%	6%	8%	11%	13%
	$9.99	1%	3%	4%	5%	8%	11%	13%	16%
	$12.49	2%	3%	5%	7%	10%	13%	17%	20%
	$14.99	2%	4%	6%	8%	12%	16%	20%	24%

Source: Company data, Morgan Stanley Research estimates

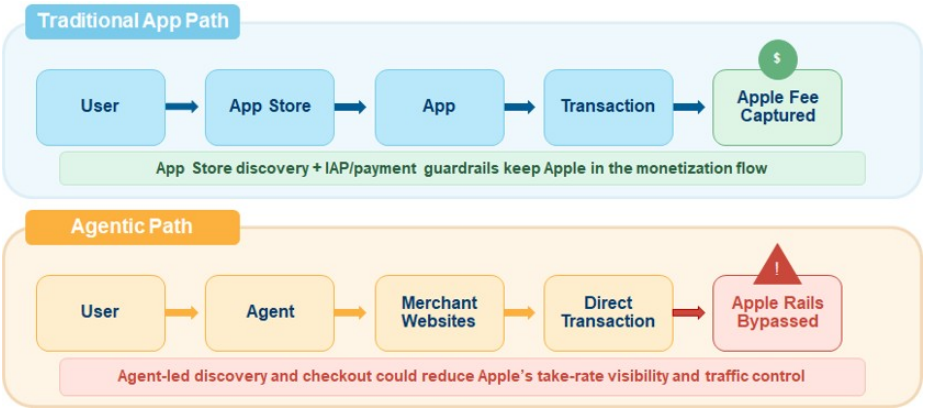
Longer term, recent Agentic push by peers makes Apple's Siri AI efforts all the more critical

Competitive risks are rising quickly and Apple is at risk of long-term disruption from new competitive Agentic capabilities – something we need to closely track. An emerging investor debate is how new Agentic capabilities – demonstrated by Meta (Muse), SpaceX (Grok Bot), Instinct, and others – could build on already highly-adopted Chatbots to disrupt Apple's Services business/ecosystem, namely the App Store and Search, which we estimate account for roughly 50% of Services revenue in FY26. Given the early success of apps like Muse – 1M cumulative downloads on App Store in the first 10 days – and the broad capabilities of these agents that allow for the circumvention of the App Store and traditional search engines, we believe this threat is early, but real. For example, the traditional workflow for engaging with a service on an Apple device, say a Photo editing app, is historically User --> App Store --> App --> Transaction, and Apple collects a fee. With Agents, the new workflow path could more commonly become User --> Agent --> Merchant Website, avoiding the App Store and Apple's payment guardrails altogether (Exhibit 18). Where these competitors have a clear advantage over Apple and Siri AI today is (1) an app in the market with strong early adoption, (2) compute (probably the biggest advantage), and (3) a willingness to broadly open capabilities to 3P websites with personal information and a pathway around the Apple ecosystem. If we play this scenario out 3-5 years down the line – assuming broad consumer adoption – it's a clear risk that control of app/content distribution and transactional guardrails could transfer from Apple and the App Store (or traditional search, a relevant but tangential risk) to the Agent, Chatbot, or orchestration layer.

The counter-argument to this narrative is threefold. First, current Chatbots might be stealing more consumer time, but not yet consumer monetization, and the use cases where emerging personal agents are gaining the most early consumer traction are not capabilities that the App Store monetizes – Games, Entertainment (i.e. TikTok), Photo and Video, Productivity, and Social Networking in aggregate account for roughly 80% of App Store revenue today. Apple doesn't monetize travel/restaurant bookings, alternative marketplaces, shopping experiences, etc. **Second,** it's not yet clear the control of distribution and transactions will broadly transfer from Apple to agents. Mass consumer adoption of personal agents is still uncertain and limited to early adopters/first movers – while we are yet to collect Survey data given the infancy of these apps, social media posts and message boards make clear not all consumers are yet willing to engage with a personal agent, let alone share sensitive information with new Chatbot/agent platforms. **And third,** Apple still has the building blocks to be successful in this market – an incumbent platform (Siri), a 2.5B device / 1.6B user captive audience, permissioning, biometric authentication, Apple Pay, iCloud, and myriad secure personal information (location, tendencies, contacts, calendar, security, etc.) – albeit with a notable question mark around compute (Exhibit 19).

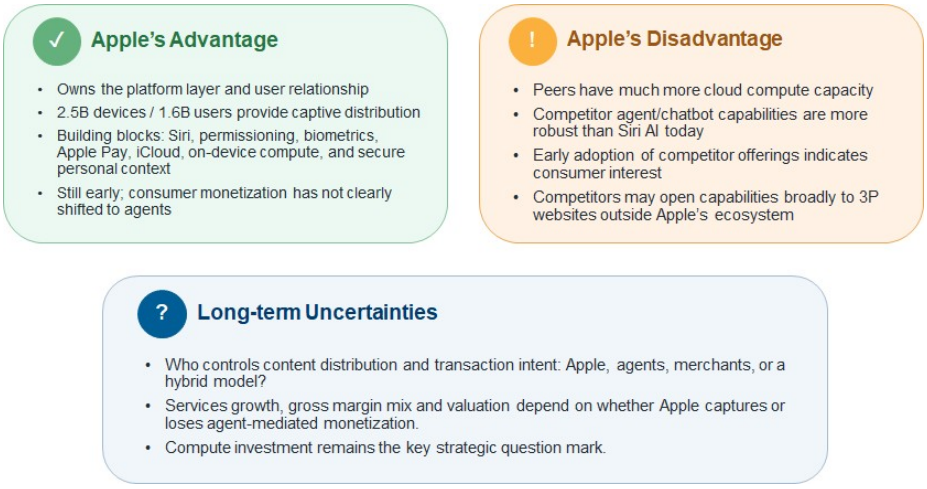
While this debate is early and we will have more on this in the future, our point is (1) the potential for Apple to monetize AI outside of new device sales as a new tailwind to Services growth is large and growing as Agentic capabilities broaden, but (2) Apple faces notable hurdles in compute and competition, putting long-term services growth (and thus margins and valuation) at risk at the same time.7

Exhibit 18: While it's still early, 3P competitive Agentic capabilities may disrupt Apple's long-term Services monetization given reduced control on users' traffic.



Source: Morgan Stanley Research

Exhibit 19: While 3P AI agents post an emerging threat on Apple's Services monetization, Apple still has the building bocks to be successful.



Source: Morgan Stanley Research

Gross Margin – We See Near-Term Support, but FY27 Product Growth Is Still a Y/Y Gross Margin Headwind

Our near-term gross margin estimates remain largely unchanged despite lower-than-expected new iPhone pricing, supported by stronger legacy iPhone pricing, a more favorable revenue mix, and tariff refunds. While new-model iPhone pricing came in below our expectations, the offset was stronger-than-expected pricing on legacy iPhone models. As a result, while iPhone 18 Pro/Pro Max and iPhone Duo are somewhat less margin accretive than we had anticipated, iPhone 17, iPhone Air, and other legacy models are also less margin dilutive to blended iPhone gross margins than we previously accounted for.

Furthermore, tariff refunds remain an important near-term margin tailwind. Apple received ~$2B (i.e. ~2 points of tailwind to company-level gross margin) of tariff refunds in the June quarter and guided to ~$1.1B of tariff refunds (i.e. ~1 point of tailwind to company-level gross margin) in the September quarter. Based on Apple's disclosures and our estimates, we believe the company paid nearly $4.3B of tariffs that may ultimately be eligible for refunds, suggesting roughly another $1B of refunds could be recognized in the December quarter and beyond. While investors are likely to back this out given the one-time nature of tariff refunds, when combined with a more favorable revenue mix, including higher contributions from iPhone and Services, we modestly raise our September and December quarter gross margin forecasts by 10-20bps.

Alongside limited changes to our near-term outlook, our FY27 gross margin forecast remains below Street estimates, driven primarily by Product margin pressure *(please let us know if you'd like our iPhone gross margin waterfall)*. We now forecast FY27 company-level gross margin of 46.9%, 50bps below Consensus, reflecting a 20bps reduction to our Product gross margin assumption, driven largely by 30bps lower iPhone gross margin expectations. Our model implies roughly 200bps of Y/Y contraction in FY27 Products gross margin, with higher memory (and other components) prices more than offsetting modest like-for-like pricing increases. Importantly, part of this gross margin pressure reflects a more difficult comparison against tariff refunds, as well. Excluding the impact of tariff refunds in FY26, our FY27 Products gross margin forecast of 37.0% would imply ~130bps of Y/Y margin contraction.

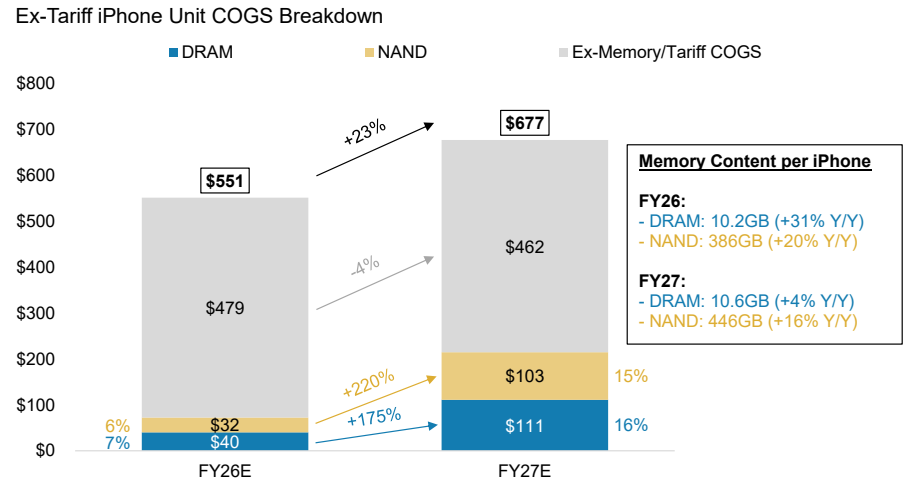
Several moving pieces ultimately shape our FY27 margin outlook, including Services mix, product mix, tariff refunds, and non-memory component costs. On the **Services** side, we raise our revenue forecast to reflect the most recent Apple TV pricing actions, which are modestly accretive to company-level margins despite our FY27 Services gross margin forecast moving 10bps lower to 75.9%.

By contrast, **product mix** within each device category is largely neutral to our margin outlook. Within iPhone, we do not expect material shipment mix changes on a full-year basis despite the staggered launch schedule. While the introduction of iPhone Duo is still modestly margin accretive with its lower-than-expected $1,999 starting price, we do not expect a premium, foldable iPhone to meaningfully change the overall iPhone margin profile. Similarly, within Mac, the margin benefits from stronger shipments of higher-priced Mac mini and Mac Studio configurations are largely offset by growing MacBook Neo volumes, which we believe are margin dilutive within the broader Mac portfolio.

Tariff refunds remain a modest positive to our FY27 margin outlook, although we expect the majority of the benefit to be realized in the December quarter, potentially resulting in a sub-seasonal gross margin trajectory into March.

Beyond tariffs, **non-memory component costs** remain the most important variable in our model. Apple has indicated that non-memory component costs are declining Y/Y, but quantifying the net benefit remains challenging given multiple offsetting factors. For example, we estimate the A20 Pro processor could cost more than $10 per unit above A19 Pro as Apple transitions from 3nm to 2nm process node. At the same time, industry reports suggest Apple may be realizing meaningful display cost reductions, potentially ranging from $15 to $50 per device. Given the limited visibility into these offsets, we are giving Apple the benefit of the doubt and assume FY27 ex-tariff iPhone COGS increase by around $125 per unit, or 23% Y/Y. Notably, this already incorporates ~$140 of incremental DRAM and NAND costs per iPhone (+200% Y/Y), driven by DRAM content increasing 4% Y/Y to 10.6GB per device and NAND content rising 16% Y/Y to roughly 450GB, implying ex-memory/tariff iPhone unit COGS to decline 4% Y/Y (Exhibit 20). Even with these assumptions, our model implies FY27 iPhone gross margin of 40.3%, representing ~170bps of Y/Y contraction excluding the impact of tariffs (or ~250bps Y/Y contraction including the impact of tariff refunds).

Exhibit 20: We estimate memory (DRAM + NAND) costs per iPhone are increasing nearly 200% Y/Y into FY27.



Source: IDC, Morgan Stanley Research estimates

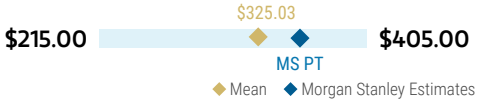
Risk Reward – Apple, Inc. (AAPL.O)

Higher Pricing, Higher Earnings Power, And A Catalyst-Laden 2H

PRICE TARGET $355.00

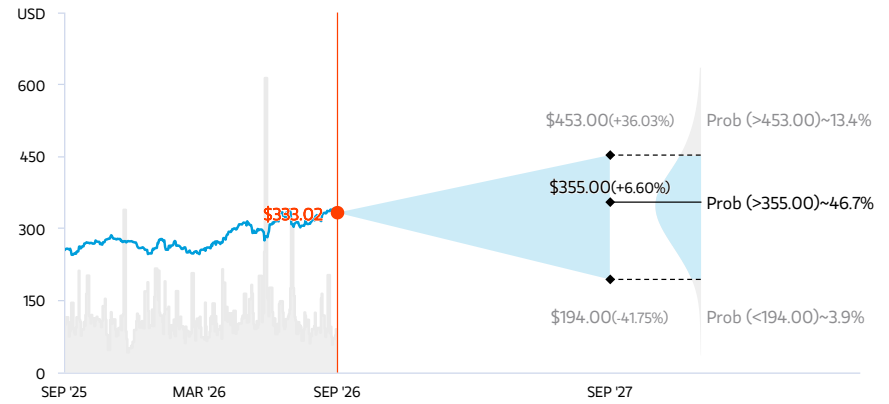
Our $355 PT is based an 9.3x EV/Sales CY27 multiple, which is derived from a regression of tech and consumer platform peers. Our price target implies 35x P/E on $10.15 CY27 EPS.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 30 Sep 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

With the most elongated iPhone replacement cycles, new AI features rolling out around the world, and a renewed focus on device form factor changes, we believe Apple can accelerate iPhone growth starting in CY26, with replacement cycles peaking as aged installed base starts to upgrade. When combined with consistent, double digit services growth and moderate operating leverage, we believe Apple can earn $9.90 in FY27 and $10.70 by FY28. Memory cost dynamic could create uncertainties in the near term. Longer-term, investments in AI, payments, cloud, health, and home, and long runway to grow spend per user from $1/day today are key arguments for sustained long-term growth and value creation.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Disruption:	*Positive*
New Data Era:	*Positive*
Pricing Power:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $453.00

11x EV/Sales FY27; ~41x Bull FY27 P/E of $11.02

iPhone replacement cycles accelerate in FY26/FY27 with Robotics as an long-term upside. Consumer demand returns, and stronger than expected iPhone 17 upgrade intentions + mix shift to higher end iPhones drives mid-teens Y/Y iPhone revenue growth, while rising component costs are mitigated given Apple's bargaining power against consumers and the supply chain. Our bull case valuation implies a 41.1x P/E multiple on FY27 Bull EPS, which embeds $22 per share of upside from its Robotics efforts.

BASE CASE $355.00

9.3x EV/Sales CY27 or 35x CY27 EPS of $10.15

Services and margins remain resilient, while investors start to expect stronger iPhone cycles ahead. Revenue grows mid-teens % Y/Y in FY27, driven by 10%+ Services growth and mid-teens % Products growth. GM may contract Y/Y in FY27 driven by higher Product revenue mix and memory costs, while Apple leverages the supply chain and repricing to mitigate the cost impact. The iPhone replacement cycle is elongating again in FY27 due to demand elasticity amidst memory-induced pricing increases.

BEAR CASE $194.00

6.3x EV/Sales FY27; 24.6x FY27 Bear EPS of $7.89

iPhone 17 cycle disappoints as consumer spending weakens more than expected amidst synthetic price increases. Growth slows further across the portfolio as discretionary income is pressured by hard landing, leading to just LSD of Product rev growth and decelerating Services rev growth in FY26. With revenue slightly growing but margin contracting, FY26 EPS will only grow MSD to ~$7.36. Our bear case valuation implies a 24.6x FY27 P/E, below T5Y avg of 26.0x due to plateauing Services profit mix.

Risk Reward – Apple, Inc. (AAPL.O)

KEY EARNINGS INPUTS

Drivers	Sep 2025	Sep 2026e	Sep 2027e	Sep 2028e
Total Revenue Growth (Y/Y) (%)	6.4	14.8	14.0	5.7
iPhone Revenue Growth (Y/Y) (%)	4.2	20.8	19.3	4.2
Services Revenue Growth (Y/Y) (%)	13.5	12.9	11.1	10.4
Gross Margin (%)	46.9	48.7	46.9	47.8
EPS Growth (Y/Y) (%)	10.6	18.8	11.6	8.1

INVESTMENT DRIVERS

- Positive iPhone build revisions / clearer signs of accelerating replacement cycles
- Services revenue growth reacceleration
- Apple Intelligence feature and distribution expansion
- New product launches in home, health and AI

GLOBAL REVENUE EXPOSURE



- 0-10% APAC, ex Japan, Mainland China and India
- 0-10% India
- 0-10% Japan
- 0-10% Latin America
- 0-10% MEA
- 0-10% UK
- 10-20% Europe ex UK
- 10-20% Mainland China
- 30-40% North America

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

3/5 BEST	24 Month Horizon	1/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- iPhone 18 outperforms expectations
- Apple Intelligence adoption surprises to the upside
- Apple introduces new product lines
- Services growth re-accelerates despite tougher compares
- Gross margins surprise positively

RISKS TO DOWNSIDE

- Weak consumer spending limits iPhone upgrade rates
- Higher memory input costs
- Limited progress on AI features
- Geopolitical tensions
- Increased regulation, particularly with App Store

OWNERSHIP POSITIONING

Inst. Owners, % Active	47.8%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	30.6%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Sep 2027e

Sales / Revenue ($, mm)	497,893	544,802 / 527,093	565,659
EBITDA ($, mm)	160,893	186,842 / 180,684	196,167
Net income ($, mm)	125,536	144,144 / 138,993	158,312
EPS ($)	8.69	9.90 / 9.63	10.67

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Apple (AAPL) Financial Model

Exhibit 21: Apple Income Statement

($ in millions)	2025A				2026E				2027E				Fiscal Year				
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	2024A	2025A	2026E	2027E	2028E
Revenues	**124,300**	**95,359**	**94,036**	**102,466**	**143,756**	**111,184**	**109,417**	**113,530**	**152,674**	**129,723**	**130,172**	**132,233**	**391,035**	**416,161**	**477,887**	**544,802**	**576,057**
iPhone	69,138	46,841	44,582	49,025	85,269	56,994	54,252	56,567	90,578	71,959	70,018	69,388	201,183	209,586	253,082	301,943	314,487
iPad	8,088	6,402	6,581	6,952	8,595	6,914	6,191	6,697	7,168	6,396	6,791	7,498	26,694	28,023	28,397	27,853	28,387
Mac	8,987	7,949	8,046	8,726	8,386	8,399	10,352	9,773	9,635	9,283	10,238	10,183	29,984	33,708	36,910	39,340	40,076
Wearables, Home and Accessories	11,747	7,522	7,404	9,013	11,493	7,901	7,883	8,995	12,116	7,974	8,635	9,989	37,005	35,686	36,272	38,714	41,947
Services	26,340	26,645	27,423	28,750	30,013	30,976	30,739	31,498	33,176	34,110	34,489	35,175	96,169	109,158	123,226	136,951	151,161
Cost of Sales	**66,025**	**50,492**	**50,318**	**54,125**	**74,525**	**56,403**	**54,647**	**59,547**	**81,809**	**68,104**	**69,281**	**69,900**	**210,352**	**220,960**	**245,122**	**289,094**	**300,573**
Gross Profit	**58,275**	**44,867**	**43,718**	**48,341**	**69,231**	**54,781**	**54,770**	**53,983**	**70,865**	**61,619**	**60,891**	**62,333**	**180,683**	**195,201**	**232,765**	**255,708**	**275,484**
Gross Margin	*46.9%*	*47.1%*	*46.5%*	*47.2%*	*48.2%*	*49.3%*	*50.1%*	*47.5%*	*46.4%*	*47.5%*	*46.8%*	*47.1%*	*46.2%*	*46.9%*	*48.7%*	*46.9%*	*47.8%*
Operating Expenses	**15,443**	**15,278**	**15,516**	**15,914**	**18,379**	**18,896**	**19,075**	**19,414**	**20,687**	**20,820**	**20,958**	**21,316**	**57,467**	**62,151**	**75,764**	**83,782**	**90,771**
Research and Development	8,268	8,550	8,866	8,866	10,887	11,419	11,729	11,807	12,901	13,167	13,278	13,554	31,370	34,550	45,842	52,899	58,006
Selling, General and Administrative	7,175	6,728	6,650	7,048	7,492	7,477	7,346	7,606	7,786	7,654	7,680	7,762	26,097	27,601	29,921	30,882	32,765
Operating Income	**42,832**	**29,589**	**28,202**	**32,427**	**50,852**	**35,885**	**35,695**	**34,569**	**50,178**	**40,798**	**39,933**	**41,017**	**123,216**	**133,050**	**157,001**	**171,927**	**184,713**
PTOP Margin	*34.5%*	*31.0%*	*30.0%*	*31.6%*	*35.4%*	*32.3%*	*32.6%*	*30.4%*	*32.9%*	*31.5%*	*30.7%*	*31.0%*	*31.5%*	*32.0%*	*32.9%*	*31.6%*	*32.1%*
Total Interest & Other Income	**(248)**	**(279)**	**(171)**	**377**	**150**	**(52)**	**572**	**350**	**143**	**170**	**191**	**198**	**269**	**(321)**	**1,020**	**701**	**743**
Pretax Income	**42,584**	**29,310**	**28,031**	**32,804**	**51,002**	**35,833**	**36,267**	**34,919**	**50,321**	**40,968**	**40,124**	**41,215**	**123,485**	**132,729**	**158,021**	**172,628**	**185,456**
GAAP Income Tax Provision	6,254	4,530	4,597	5,338	8,905	6,255	6,478	5,762	8,303	6,760	6,620	6,801	29,749	20,719	27,400	28,484	30,600
Operating Tax Provision (excl one time tax ef	6,254	4,530	4,597	5,338	8,905	6,255	6,478	5,762	8,303	6,760	6,620	6,801	19,503	20,719	27,400	28,484	30,600
Effective Tax Rate	*14.7%*	*15.5%*	*16.4%*	*16.3%*	*17.5%*	*17.5%*	*17.9%*	*16.5%*	*16.5%*	*16.5%*	*16.5%*	*16.5%*	*15.8%*	*15.6%*	*17.3%*	*16.5%*	*16.5%*
Operating Net Income	**36,330**	**24,780**	**23,434**	**27,466**	**42,097**	**29,578**	**29,789**	**29,157**	**42,018**	**34,208**	**33,503**	**34,415**	**103,982**	**112,010**	**130,621**	**144,144**	**154,856**
Operating Net Income Margin	*29.2%*	*26.0%*	*24.9%*	*26.8%*	*29.3%*	*26.6%*	*27.2%*	*25.7%*	*27.5%*	*26.4%*	*25.7%*	*26.0%*	*26.6%*	*26.9%*	*27.3%*	*26.5%*	*26.9%*
Total Non-recurring Charges	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,246)**	**-**	**-**	**-**	**-**
GAAP Net Income	**36,330**	**24,780**	**23,434**	**27,466**	**42,097**	**29,578**	**29,789**	**29,157**	**42,018**	**34,208**	**33,503**	**34,415**	**93,736**	**112,010**	**130,621**	**144,144**	**154,856**
Fully-diluted EPS																	
EPS - ModelWare	**$2.40**	**$1.65**	**$1.57**	**$1.85**	**$2.84**	**$2.01**	**$2.02**	**$1.99**	**$2.88**	**$2.35**	**$2.30**	**$2.37**	**$6.75**	**$7.46**	**$8.87**	**$9.90**	**$10.70**
EPS - Reported	$2.40	$1.65	$1.57	$1.85	$2.84	$2.01	$2.02	$1.99	$2.88	$2.35	$2.30	$2.37	$6.08	$7.46	$8.87	$9.90	$10.70
EPS - ModelWare excl. Stock Option Expe	$2.61	$1.86	$1.78	$2.06	$3.09	$2.25	$2.26	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Dividend Payment	3,856	3,758	3,945	3,862	3,921	3,822	4,035	3,997	4,060	3,972	4,189	4,161	15,234	15,421	15,775	16,383	17,041
Dividend Per Share	$0.25	$0.25	$0.26	$0.26	$0.26	$0.26	$0.27	$0.27	$0.28	$0.27	$0.29	$0.29	$0.99	$1.03	$1.08	$1.13	$1.18
Period Ending Outstanding Shares	15,040.7	14,939.3	14,856.7	14,773.3	14,702.7	14,667.7	14,609.0	14,576.4	14,548.1	14,521.1	14,495.5	14,471.0	15,116.8	14,773.3	14,576.4	14,471.0	14,387.8
Avg Shares (Basic)	15,081.7	14,994.1	14,902.9	14,815.3	14,748.2	14,673.3	14,656.1	14,592.7	14,562.3	14,534.6	14,508.3	14,483.2	15,343.8	14,948.5	14,667.6	14,522.1	14,428.1
Avg Shares (Fully Diluted)	15,150.9	15,056.1	14,948.2	14,863.6	14,810.4	14,725.9	14,714.7	14,651.2	14,604.3	14,576.6	14,550.3	14,525.2	15,408.1	15,004.7	14,725.5	14,564.1	14,470.1

Source: Company data, Morgan Stanley Research estimates

Exhibit 22: Apple Income Statement Analysis

	2025A				2026E				2027E				Fiscal Year				
($ in millions)	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	2024A	2025A	2026E	2027E	2028E
Margin Analysis																	
Gross Margin	**46.9%**	**47.1%**	**46.5%**	**47.2%**	**48.2%**	**49.3%**	**50.1%**	**47.5%**	**46.4%**	**47.5%**	**46.8%**	**47.1%**	**46.2%**	**46.9%**	**48.7%**	**46.9%**	**47.8%**
Product	39.3%	35.9%	34.5%	36.2%	40.7%	38.7%	40.1%	37.0%	38.3%	37.3%	36.2%	36.8%	37.2%	36.8%	39.2%	37.2%	37.6%
iPhone	42.8%	39.3%	37.4%	40.0%	44.5%	43.0%	44.4%	40.0%	41.5%	40.5%	39.5%	40.5%	40.6%	40.2%	43.1%	40.6%	40.9%
iPad	29.7%	27.5%	26.8%	26.8%	28.0%	28.0%	30.8%	31.5%	28.5%	28.0%	27.0%	27.0%	28.6%	27.8%	29.4%	27.6%	27.9%
Mac	32.3%	28.5%	30.0%	30.0%	31.0%	28.0%	28.0%	29.0%	28.0%	26.8%	26.3%	26.0%	30.3%	30.3%	28.9%	26.8%	28.0%
Wearables, Home and Accessories	30.8%	29.9%	28.9%	28.9%	28.8%	28.3%	33.4%	31.0%	28.5%	28.5%	28.5%	29.0%	30.6%	29.7%	30.2%	28.6%	29.0%
Services	75.0%	75.7%	75.6%	75.3%	76.5%	76.7%	75.6%	75.0%	75.6%	76.0%	76.1%	75.8%	73.9%	75.4%	75.9%	75.9%	76.4%
R&D	6.7%	9.0%	9.4%	8.7%	7.6%	10.3%	10.7%	10.4%	8.5%	10.2%	10.2%	10.3%	8.0%	8.3%	9.6%	9.7%	10.1%
SG&A	5.8%	7.1%	7.1%	6.9%	5.2%	6.7%	6.7%	6.7%	5.1%	5.9%	5.9%	5.9%	6.7%	6.6%	6.3%	5.7%	5.7%
Operating Expenses	12.4%	16.0%	16.5%	15.5%	12.8%	17.0%	17.4%	17.1%	13.6%	16.1%	16.1%	16.1%	14.7%	14.9%	15.9%	15.4%	15.8%
EBITDA Margin	36.9%	33.8%	33.0%	34.7%	37.6%	35.4%	35.7%	33.7%	35.3%	34.3%	33.5%	33.9%	34.4%	34.8%	35.7%	34.3%	34.8%
PTOP Margin	34.5%	31.0%	30.0%	31.6%	35.4%	32.3%	32.6%	30.4%	32.9%	31.5%	30.7%	31.0%	31.5%	32.0%	32.9%	31.6%	32.1%
Pretax Margin	34.3%	30.7%	29.8%	32.0%	35.5%	32.2%	33.1%	30.8%	33.0%	31.6%	30.8%	31.2%	31.6%	31.9%	33.1%	31.7%	32.2%
Net Income	29.2%	26.0%	24.9%	26.8%	29.3%	26.6%	27.2%	25.7%	27.5%	26.4%	25.7%	26.0%	26.6%	26.9%	27.3%	26.5%	26.9%
Year-Over-Year Growth (%)																	
Revenue	**4%**	**5%**	**10%**	**8%**	**16%**	**17%**	**16%**	**11%**	**6%**	**17%**	**19%**	**16%**	**2%**	**6%**	**15%**	**14%**	**6%**
iPhone	-1%	2%	13%	6%	23%	22%	22%	15%	6%	26%	29%	23%	0%	4%	21%	19%	4%
iPad	15%	15%	-8%	0%	6%	8%	-6%	-4%	-17%	-7%	10%	12%	-6%	5%	1%	-2%	2%
Mac	16%	7%	15%	13%	-7%	6%	29%	12%	15%	11%	-1%	4%	2%	12%	9%	7%	2%
Wearables, Home and Accessories	-2%	-5%	-9%	0%	-2%	5%	6%	0%	5%	1%	10%	11%	-7%	-4%	2%	7%	8%
Services	14%	12%	13%	15%	14%	16%	12%	10%	11%	10%	12%	12%	13%	14%	13%	11%	10%
Gross Margin	**6%**	**6%**	**10%**	**10%**	**19%**	**22%**	**25%**	**12%**	**2%**	**12%**	**11%**	**15%**	**7%**	**8%**	**19%**	**10%**	**8%**
iPhone	0%	0%	10%	7%	28%	33%	44%	15%	-1%	19%	15%	24%	1%	3%	30%	12%	5%
iPad	14%	13%	-12%	-5%	0%	10%	8%	13%	-15%	-7%	-4%	-4%	-3%	2%	7%	-8%	3%
Mac	17%	4%	15%	13%	-10%	4%	20%	8%	4%	6%	-7%	-7%	5%	12%	5%	-1%	7%
Wearables, Home and Accessories	-5%	-4%	-12%	-4%	-8%	-1%	23%	7%	4%	2%	-7%	4%	-5%	-6%	3%	1%	10%
Services	17%	13%	16%	17%	16%	18%	12%	9%	9%	9%	13%	13%	18%	16%	14%	11%	11%
R&D	**7%**	**8%**	**11%**	**14%**	**32%**	**34%**	**32%**	**33%**	**18%**	**15%**	**13%**	**15%**	**5%**	**10%**	**33%**	**15%**	**10%**
SG&A	**6%**	**4%**	**5%**	**8%**	**4%**	**11%**	**10%**	**8%**	**4%**	**2%**	**5%**	**2%**	**5%**	**6%**	**8%**	**3%**	**6%**
Operating Expenses	**7%**	**6%**	**8%**	**11%**	**19%**	**24%**	**23%**	**22%**	**13%**	**10%**	**10%**	**10%**	**5%**	**8%**	**22%**	**11%**	**8%**
PTOP Margin	6%	6%	11%	10%	19%	21%	27%	7%	-1%	14%	12%	19%	8%	8%	18%	10%	7%
Pretax Margin	6%	4%	10%	11%	20%	22%	29%	6%	-1%	14%	11%	18%	9%	7%	19%	9%	7%
Net Income	7%	5%	9%	10%	16%	19%	27%	6%	0%	16%	12%	18%	7%	8%	17%	10%	7%
ModelWare EPS	**10%**	**8%**	**12%**	**13%**	**19%**	**22%**	**29%**	**8%**	**1%**	**17%**	**14%**	**19%**	**10%**	**11%**	**19%**	**12%**	**8%**
Sequential Growth (%)																	
Revenue	**31%**	**-23%**	**-1%**	**9%**	**40%**	**-23%**	**-2%**	**4%**	**34%**	**-15%**	**0%**	**2%**					
iPhone	50%	-32%	-5%	10%	74%	-33%	-5%	4%	60%	-21%	-3%	-1%					
iPad	16%	-21%	3%	6%	24%	-20%	-10%	8%	7%	-11%	6%	10%					
Mac	16%	-12%	1%	8%	-4%	0%	23%	-6%	-1%	-4%	10%	-1%					
Wearables, Home and Accessories	30%	-36%	-2%	22%	28%	-31%	0%	14%	35%	-34%	8%	16%					
Services	5%	1%	3%	5%	4%	3%	-1%	2%	5%	3%	1%	2%					
Gross Margin	**33%**	**-23%**	**-3%**	**11%**	**43%**	**-21%**	**0%**	**-1%**	**31%**	**-13%**	**-1%**	**2%**					
iPhone	61%	-38%	-9%	18%	93%	-35%	-2%	-6%	66%	-22%	-5%	2%					
iPad	23%	-27%	0%	6%	29%	-20%	-2%	11%	-3%	-12%	2%	10%					
Mac	25%	-22%	7%	8%	-1%	-10%	23%	-2%	-5%	-8%	8%	-2%					
Wearables, Home and Accessories	33%	-38%	-5%	22%	27%	-33%	18%	6%	24%	-34%	8%	18%					
Services	7%	2%	3%	4%	6%	3%	-2%	2%	6%	3%	1%	2%					
R&D	6%	3%	4%	0%	23%	5%	3%	1%	9%	2%	1%	2%					
SG&A	10%	-6%	-1%	6%	6%	0%	-2%	4%	2%	-2%	0%	1%					
Operating Expenses	**8%**	**-1%**	**2%**	**3%**	**15%**	**3%**	**1%**	**2%**	**7%**	**1%**	**1%**	**2%**					
PTOP Margin	45%	-31%	-5%	15%	57%	-29%	-1%	-3%	45%	-19%	-2%	3%					
Pretax Margin	44%	-31%	-4%	17%	55%	-30%	1%	-4%	44%	-19%	-2%	3%					
Net Income	45%	-32%	-5%	17%	53%	-30%	1%	-2%	44%	-19%	-2%	3%					
ModelWare EPS	**46%**	**-31%**	**-5%**	**18%**	**54%**	**-29%**	**1%**	**-2%**	**45%**	**-18%**	**-2%**	**3%**					
Revenue Mix																	
iPhone	56%	49%	47%	48%	59%	51%	50%	50%	59%	55%	54%	52%	51%	50%	53%	55%	55%
iPad	7%	7%	7%	7%	6%	6%	6%	6%	5%	5%	5%	6%	7%	7%	6%	5%	5%
Mac	7%	8%	9%	9%	6%	8%	9%	9%	6%	7%	8%	8%	8%	8%	8%	7%	7%
Wearables, Home and Accessories	9%	8%	8%	9%	8%	7%	7%	8%	8%	6%	7%	8%	9%	9%	8%	7%	7%
Services	21%	28%	29%	28%	21%	28%	28%	28%	22%	26%	26%	27%	25%	26%	26%	25%	26%

Source: Company data, Morgan Stanley Research estimates

Exhibit 23: Apple Balance Sheet

($ in millions)	2025A				2026E				2027E				Fiscal Year				
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	2024A	2025A	2026E	2027E	2028E
Assets																	
Current Assets:																	
Cash and cash equivalents	30,299	28,162	36,269	35,934	45,317	45,572	39,544	41,031	62,777	79,188	85,019	94,455	29,943	35,934	41,031	94,455	155,349
Short-term investments	111,069	104,760	96,717	96,486	99,478	101,023	106,973	106,973	106,973	106,973	106,973	106,973	126,707	96,486	106,973	106,973	106,973
Accounts receivable	29,639	26,136	27,557	39,777	39,921	30,339	31,398	43,191	36,509	36,034	40,053	45,994	33,410	39,777	43,191	45,994	37,989
Inventories	6,911	6,269	5,925	5,718	5,875	6,747	11,092	10,356	12,449	11,351	11,420	12,156	7,286	5,718	10,356	12,156	8,627
Deferred tax assets	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546
Other current assets	37,369	32,225	28,091	42,219	39,855	32,975	39,383	46,713	44,705	36,900	41,584	49,500	41,574	42,219	46,713	49,500	49,500
Total Current Assets	**220,833**	**203,098**	**200,105**	**225,680**	**235,992**	**222,202**	**233,936**	**253,809**	**268,959**	**275,991**	**290,594**	**314,625**	**244,466**	**225,680**	**253,809**	**314,625**	**363,984**
Property, Plant & Equipment, ne	46,069	46,876	48,508	49,834	50,159	50,116	51,431	50,780	50,384	49,980	49,984	50,280	45,680	49,834	50,780	50,280	54,248
Acquired Intangible Assets	29,043	30,577	31,188	31,506	35,050	37,164	36,839	36,182	35,569	34,997	34,463	33,965	28,160	31,506	36,182	33,965	32,105
Other assets	48,140	50,682	51,694	52,221	58,096	61,600	61,060	57,443	63,905	67,760	67,166	63,188	46,674	52,221	57,443	63,188	69,506
Non-current debt and equity inve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Fixed Assets	**123,252**	**128,135**	**131,390**	**133,561**	**143,305**	**148,880**	**149,330**	**144,406**	**149,859**	**152,737**	**151,614**	**147,433**	**120,514**	**133,561**	**144,406**	**147,433**	**155,860**
Total Assets	**344,085**	**331,233**	**331,495**	**359,241**	**379,297**	**371,082**	**383,266**	**398,215**	**418,818**	**428,728**	**442,209**	**462,058**	**364,980**	**359,241**	**398,215**	**462,058**	**519,843**
Liabilities																	
Current Liabilities:																	
Accounts payable	61,910	54,126	50,374	69,860	70,587	57,349	64,525	74,434	71,138	71,888	70,043	87,375	68,960	69,860	74,434	87,375	90,191
Accrued expenses	69,612	70,825	71,478	75,442	77,956	66,985	71,797	73,974	81,185	81,252	88,296	82,344	86,553	75,442	73,974	82,344	85,535
Current Debt	12,843	19,620	19,268	20,329	13,824	10,307	13,004	13,004	13,004	13,004	13,004	13,004	20,879	20,329	13,004	13,004	13,004
Other current liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	**144,365**	**144,571**	**141,120**	**165,631**	**162,367**	**134,641**	**149,326**	**161,412**	**165,328**	**166,144**	**171,343**	**182,723**	**176,392**	**165,631**	**161,412**	**182,723**	**188,731**
Non-Current Liabilities																	
Long-term debt	83,956	78,566	82,430	78,328	76,685	74,404	71,340	71,340	71,340	71,340	71,340	71,340	85,750	78,328	71,340	71,340	71,340
Deferred revenue - non-curren	3,199	2,747	2,851	2,731	3,457	3,772	3,805	2,778	2,843	3,036	3,338	2,887	2,960	2,731	2,778	2,887	2,771
Deferred tax liabilities	44,957	37,703	38,414	37,968	47,748	50,924	50,425	50,425	50,425	50,425	50,425	50,425	42,078	37,968	50,425	50,425	50,425
Other non-current liabilities	850	850	850	850	850	850	850	850	850	850	850	850	850	850	850	850	850
Total Non-Current Liabilities	**132,962**	**119,866**	**124,545**	**119,877**	**128,740**	**129,950**	**126,420**	**125,393**	**125,458**	**125,651**	**125,952**	**125,502**	**131,638**	**119,877**	**125,393**	**125,502**	**125,386**
Total Liabilities	**277,327**	**264,437**	**265,665**	**285,508**	**291,107**	**264,591**	**275,746**	**286,805**	**290,786**	**291,795**	**297,295**	**308,225**	**308,030**	**285,508**	**286,805**	**308,225**	**314,117**
Series A preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Shareholder's Equity	**66,758**	**66,796**	**65,830**	**73,733**	**88,190**	**106,491**	**107,520**	**111,410**	**128,032**	**136,933**	**144,913**	**153,833**	**56,950**	**73,733**	**111,410**	**153,833**	**205,727**
Total Liabilities and Shareholder	**344,085**	**331,233**	**331,495**	**359,241**	**379,297**	**371,082**	**383,266**	**398,215**	**418,818**	**428,728**	**442,209**	**462,058**	**364,980**	**359,241**	**398,215**	**462,058**	**519,843**

Source: Company data, Morgan Stanley Research estimates

Exhibit 24: Apple Statement of Cash Flows

($ in millions)	2025A				2026E				2027E				Fiscal Year				
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	2024A	2025A	2026E	2027E	2028E
Cash Flow Statement (Non Cumulative)																	
Operating activities:																	
Net Income / (Loss)	**36,330**	**24,780**	**23,434**	**27,466**	**42,097**	**29,578**	**29,789**	**29,157**	**42,018**	**34,208**	**33,503**	**34,415**	**93,736**	**112,010**	**130,621**	**144,144**	**154,856**
Cumulative effect of accounting change	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments to reconcile net income:	-	-	-	-	-	-	-										
Depreciation & Amortization	3,080	2,661	2,830	3,127	3,214	3,439	3,320	3,647	3,692	3,713	3,739	3,772	11,445	11,698	13,620	14,915	15,859
Stock based compensation expense	3,286	3,226	3,168	3,183	3,594	3,528	3,401	-	-	-	-	-	11,688	12,863	10,523	-	-
Provision for (benefit from) deferred inc	(2,009)	(208)	469	1,659	(528)	(1,189)	(320)	-	-	-	-	-	(2,266)	(89)	(2,037)	-	-
Gain on non-current investments, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on short-term investments, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unrealized loss on conv. securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on sale of PP&E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-cash restructuring	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
In-Process R&D	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax benefit from ESO	-	-	-	-	-	-	-	699	633	633	633	633	-	-	699	2,532	1,937
Changes in Operating Assets and Liabilities:																	
Accounts receivable	3,597	3,669	(1,581)	(12,367)	(153)	9,448	(979)	(11,793)	6,682	475	(4,019)	(5,941)	(3,788)	(6,682)	(3,477)	(2,804)	8,005
Inventories	215	643	365	177	(211)	(873)	(4,377)	736	(2,093)	1,099	(69)	(736)	(1,046)	1,400	(4,725)	(1,800)	3,529
Other current assets	3,166	6,005	4,384	(13,902)	2,781	7,227	(4,337)	(7,330)	2,008	7,805	(4,684)	(7,916)	(11,731)	(347)	(1,659)	(2,787)	-
Other assets	939	(5,310)	(1,745)	(3,081)	(10,250)	(4,079)	(1,937)	3,617	(6,462)	(3,854)	593	3,979	(1,356)	(9,197)	(12,649)	(5,744)	(6,319)
Accounts payable	(6,671)	(7,933)	(3,875)	19,381	848	(13,145)	7,094	9,909	(3,296)	749	(1,845)	17,332	6,020	902	4,706	12,941	2,817
Deferred revenue	-	-	-	-	-	-	-	(1,027)	65	193	301	(450)	-	-	(1,027)	109	(116)
Accrued restructuring costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current liabilities	(11,998)	(3,581)	418	4,085	12,533	(5,232)	2,715	2,177	7,211	67	7,044	(5,952)	15,552	(11,076)	12,193	8,370	3,191
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Provided by Operating Activities	**29,935**	**23,952**	**27,867**	**29,728**	**53,925**	**28,702**	**34,369**	**29,793**	**50,457**	**45,088**	**35,197**	**39,133**	**118,254**	**111,482**	**146,789**	**169,875**	**183,760**
Investing activities:																	
Purchase of short-term investments	(6,124)	(6,318)	(5,149)	(6,816)	(12,693)	(19,739)	(16,320)	-	-	-	-	-	(48,656)	(24,407)	(48,752)	-	-
Proceeds from maturities of short-term inv	15,967	10,620	8,449	5,871	7,510	11,181	7,813	-	-	-	-	-	51,211	40,907	26,504	-	-
Proceeds from sales of short-term investm	3,492	1,718	5,575	2,105	2,824	5,791	3,401	-	-	-	-	-	11,135	12,890	12,016	-	-
Purchases of long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Proceeds from sale of PP&E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of PP&E	(2,940)	(3,071)	(3,462)	(3,242)	(2,373)	(1,971)	(2,455)	(2,340)	(2,683)	(2,736)	(3,210)	(3,569)	(9,447)	(12,715)	(9,139)	(12,198)	(17,967)
Cash paid for acquisition of technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of ARM shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	(603)	(32)	(340)	(505)	(154)	(1,430)	(196)	-	-	-	-	-	(1,308)	(1,480)	(1,780)	-	-
Net cash used in investing activities	**9,792**	**2,917**	**5,073**	**(2,587)**	**(4,886)**	**(6,168)**	**(7,757)**	**(2,340)**	**(2,683)**	**(2,736)**	**(3,210)**	**(3,569)**	**2,935**	**15,195**	**(21,151)**	**(12,198)**	**(17,967)**
Financing activities:																	
Proceeds from issuance of common stock	-	-	-	-	-	-	-	31	31	32	33	34	-	-	31	130	141
Excess tax benefits from stock-based com	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes paid related to net share settlement	(2,921)	(284)	(2,514)	(241)	(2,922)	(330)	(3,210)	-	-	-	-	-	(5,441)	(5,960)	(6,462)	-	-
Dividends and dividend equivalent rights pa	(3,856)	(3,758)	(3,945)	(3,862)	(3,921)	(3,822)	(4,035)	(3,997)	(4,060)	(3,972)	(4,189)	(4,161)	(15,234)	(15,421)	(15,775)	(16,383)	(17,041)
Repurchase of common stock	(23,606)	(25,898)	(21,075)	(20,132)	(24,701)	(12,288)	(25,105)	(22,000)	(22,000)	(22,000)	(22,000)	(22,000)	(94,949)	(90,711)	(84,094)	(88,000)	(88,000)
Increase (decrease) in long-term borrowing	(1,009)	1,009	4,481	-	(2,164)	2,164	-	-	-	-	-	-	-	4,481	-	-	-
Increase (decrease) in notes payable to ba	(7,979)	(75)	(1,780)	(3,241)	(5,948)	(8,003)	(290)	-	-	-	-	-	(6,359)	(13,075)	(14,241)	-	-
Net Cash used in Financing Activities	**(39,371)**	**(29,006)**	**(24,833)**	**(27,476)**	**(39,656)**	**(22,279)**	**(32,640)**	**(25,966)**	**(26,028)**	**(25,940)**	**(26,157)**	**(26,127)**	**(121,983)**	**(120,686)**	**(120,541)**	**(104,253)**	**(104,900)**
Increase/(decrease) in Cash and Cash Equ	**356**	**(2,137)**	**8,107**	**(335)**	**9,383**	**255**	**(6,028)**	**1,487**	**21,746**	**16,411**	**5,831**	**9,437**	**(794)**	**5,991**	**5,097**	**53,425**	**60,893**
Adjustments for restatements	-	-	-	-	-	-	-	-	-	-	-	-	772	-	-	-	-
Cash and Cash Equivalents at Beginning of P	29,943	30,299	28,162	36,269	35,934	45,317	45,572	39,544	41,031	62,777	79,188	85,019	29,965	29,943	35,934	41,031	94,455
Cash and Cash Equivalents at End of Peri	**30,299**	**28,162**	**36,269**	**35,934**	**45,317**	**45,572**	**39,544**	**41,031**	**62,777**	**79,188**	**85,019**	**94,455**	**29,943**	**35,934**	**41,031**	**94,455**	**155,349**

Source: Company data, Morgan Stanley Research estimates

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

Disclosure Section

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(as of September 30, 2026)

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Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

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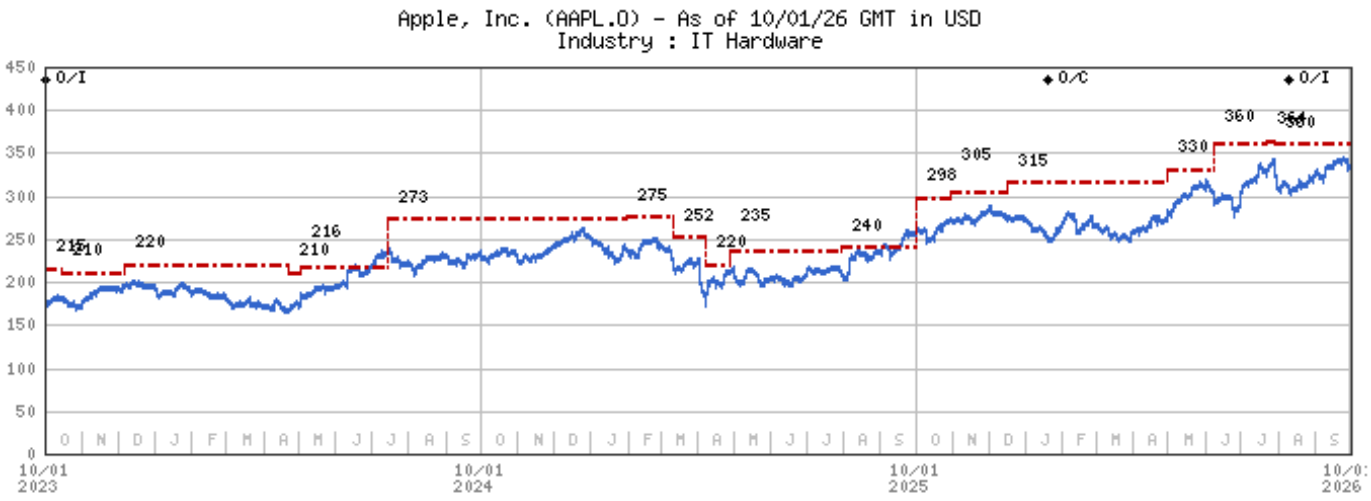
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Price Target History: 7/27/21 : 168; 10/26/21 : 166; 10/28/21 : 164; 12/7/21 : 200; 1/27/22 : 210; 4/28/22 : 195; 6/14/22 : 185; 7/19/22 : 180; 10/17/22 : 177; 11/7/22 : 175; 3/3/23 : 180; 5/4/23 : 185; 6/1/23 : 190; 7/16/23 : 220; 8/3/23 : 215; 10/15/23 : 210; 12/7/23 : 220; 4/22/24 : 210; 5/3/24 : 216; 7/14/24 : 273; 1/31/25 : 275; 3/12/25 : 252; 4/8/25 : 220; 4/28/25 : 235; 7/31/25 : 240; 10/1/25 : 298; 10/31/25 : 305; 12/17/25 : 315; 5/1/26 : 330; 6/8/26 : 360; 7/23/26 : 364; 7/30/26 : 360

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
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INDUSTRY COVERAGE: IT Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/30/2026)
Erik W Woodring		
Apple, Inc. (AAPL.O)	O (05/26/2009)	$333.02
CDW Corporation (CDW.O)	O (06/23/2026)	$128.16
Cricut Inc (CRCT.O)	U (08/12/2021)	$6.38
Dell Technologies Inc. (DELL.N)	E (06/01/2026)	$537.95
Everpure, Inc. (P.N)	O (08/10/2026)	$130.78
Garmin Ltd (GRMN.N)	E (02/18/2026)	$286.84
GoPro Inc (GPRO.O)	U (12/12/2023)	$1.29
Hewlett Packard Enterprise (HPE.N)	O (08/10/2026)	$63.89
HP Inc. (HPQ.N)	U (11/16/2025)	$31.28
IBM (IBM.N)	E (01/18/2023)	$219.93
Ingram Micro (INGM.N)	E (06/11/2025)	$26.81
Kornit Digital Ltd. (KRNT.O)	E (11/06/2025)	$16.62
Logitech International SA (LOGI.O)	U (01/20/2026)	$100.99
NetApp Inc (NTAP.O)	E (08/10/2026)	$210.08
Resideo Technologies Inc (REZI.N)	O (08/11/2025)	$18.15
Seagate Technology (STX.O)	O (03/26/2024)	$922.34
SmartRent, Inc. (SMRT.N)	++	$1.18
Sonos Inc. (SONO.O)	E (11/06/2025)	$17.89

TD Synnex Corporation (SNX.N)	O (06/11/2025)	$256.85
Teradata (TDC.N)	E (08/10/2026)	$28.84
Western Digital (WDC.O)	O (04/16/2025)	$454.46
Sanjit K Singh		
Nutanix Inc (NTNX.O)	E (01/12/2026)	$70.41

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

INDUSTRY COVERAGE: Greater China Technology Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/30/2026)
Andy Meng, CFA		
AAC Technologies Holdings (2018.HK)	O (01/29/2024)	HK$39.44
Accelink Technologies Co. Ltd. (002281.SZ)	U (05/12/2022)	Rmb164.88
BYD Electronics (0285.HK)	O (04/28/2023)	HK$22.98
China TransInfo Technology Co Ltd (002373.SZ)	E (07/18/2023)	Rmb7.35
Dahua Technology Co. Ltd. (002236.SZ)	E (12/12/2024)	Rmb15.32
Eoptolink Technology Inc Ltd (300502.SZ)	O (02/27/2026)	Rmb389.00
Genius Electronic Optical Co. Ltd. (3406.TW)	U (09/10/2026)	NT$890.00
GoerTek Inc (002241.SZ)	E (08/14/2026)	Rmb22.79
Gosuncn Technology Group Co Ltd (300098.SZ)	U (11/07/2022)	Rmb4.17
HIKVision Digital Technology (002415.SZ)	E (12/12/2024)	Rmb32.46
Largan Precision (3008.TW)	E (09/10/2026)	NT$5,945.00
LianChuang Electronic Technology Co Ltd (002036.SZ)	U (06/12/2024)	Rmb5.97
Lingyi Itech Guangdong Co (002600.SZ)	U (04/23/2025)	Rmb11.88
Lingyi Itech Guangdong Co (1688.HK)	O (08/14/2026)	HK$5.54
Luxshare Precision Industry Co., Ltd. (2475.HK)	O (08/14/2026)	HK$53.55
Luxshare Precision Industry Co., Ltd. (002475.SZ)	O (10/24/2016)	Rmb49.43
OFILM Group Co Ltd (002456.SZ)	U (06/12/2024)	Rmb6.49
Q Technology (Group) Company Ltd (1478.HK)	U (03/23/2026)	HK$5.06
Quectel Wireless Solutions Co Ltd (603236.SS)	E (10/09/2024)	Rmb71.35
Shanghai Conant Optical Co Ltd (2276.HK)	O (04/10/2026)	HK$35.66
Shenzhen Transsion Holdings Co Ltd (688036.SS)	E (03/23/2026)	Rmb53.80
Sunny Optical (2382.HK)	E (03/23/2026)	HK$63.35
Suzhou TFC Optical Communication Co Ltd. (300394.SZ)	E (11/06/2025)	Rmb260.77
Wingtech Technology Co Ltd (600745.SS)	U (05/18/2026)	Rmb16.43
Xiaomi Corp (1810.HK)	O (04/14/2021)	HK$25.24
Yangtze Optical Fibre and Cable JSC Ltd (601869.SS)	U (10/13/2021)	Rmb411.16
Yangtze Optical Fibre and Cable JSC Ltd (6869.HK)	O (07/15/2026)	HK$168.10
Yongxin Optics Co Ltd (603297.SS)	E (11/15/2022)	Rmb106.92
Zhejiang Crystal-Optech Co Ltd (002273.SZ)	O (11/15/2022)	Rmb24.40
Zhongji Innolight Co Ltd (300308.SZ)	O (09/07/2026)	Rmb808.44
Zhongji Innolight Co Ltd (3308.HK)	O (09/07/2026)	HK$1,062.00
ZTE Corporation (0763.HK)	O (06/04/2026)	HK$21.86
ZTE Corporation (000063.SZ)	E (06/04/2026)	Rmb30.58
Derrick Yang		
Accton Technology Corporation (2345.TW)	O (06/06/2024)	NT$1,775.00
Advantech (2395.TW)	O (01/20/2021)	NT$726.00
AirTAC International (1590.TW)	O (04/16/2025)	NT$1,200.00
Asia Vital Components Co. Ltd. (3017.TW)	O (07/30/2024)	NT$3,435.00
AU Optronics (2409.TW)	E (02/10/2026)	NT$38.55
Auras Technology Co Ltd (3324.TWO)	E (05/04/2023)	NT$1,530.00
Bizlink (3665.TW)	O (03/10/2025)	NT$2,595.00
BOE Technology (000725.SZ)	O (09/06/2019)	Rmb5.72
Chenbro (8210.TW)	O (07/23/2025)	NT$836.00

Chroma Ate Inc. (2360.TW)	O (10/05/2021)	NT$2,135.00
Delta Electronics Inc. (2308.TW)	O (07/13/2017)	NT$1,890.00
E Ink Holdings Inc. (8069.TWO)	E (08/10/2026)	NT$144.00
Ennostar Inc (3714.TW)	U (09/23/2022)	NT$69.90
Fositek Corp (6805.TW)	O (06/25/2025)	NT$2,455.00
Hiwin Technologies Corp. (2049.TW)	O (03/30/2026)	NT$335.00
Innolux (3481.TW)	E (04/07/2025)	NT$54.70
King Slide Works Co. Ltd. (2059.TW)	O (11/08/2023)	NT$12,055.00
Lens Technology (300433.SZ)	E (07/22/2020)	Rmb32.31
Lite-On Technology (2301.TW)	E (01/15/2025)	NT$279.50
TCL Corp. (000100.SZ)	E (04/07/2025)	Rmb4.79
Tianma Microelectronics (000050.SZ)	U (01/24/2018)	Rmb6.31
Wuhan Jingce Electronic Group Co Ltd (300567.SZ)	E (11/26/2021)	Rmb184.03
Howard Kao		
Acer Inc. (2353.TW)	U (04/23/2025)	NT$31.65
Asustek Computer Inc. (2357.TW)	U (11/16/2025)	NT$961.00
Catcher Technology (2474.TW)	U (11/17/2025)	NT$206.50
Compal Electronics (2324.TW)	U (04/23/2025)	NT$37.10
Elite Material Co. (2383.TW)	O (09/14/2026)	NT$4,935.00
FIT Hon Teng Ltd (6088.HK)	O (11/03/2025)	HK$4.95
Foxconn Industrial Internet Co. Ltd. (601138.SS)	O (07/10/2019)	Rmb58.20
Giga-Byte Technology Co. Ltd. (2376.TW)	E (11/16/2025)	NT$358.50
Gold Circuit Electronics Ltd. (2368.TW)	O (10/06/2022)	NT$1,120.00
Hon Hai Precision (2317.TW)	O (03/15/2024)	NT$251.50
Inspur Electronic Information (000977.SZ)	E (08/28/2023)	Rmb65.93
Kingboard Laminates Holdings Ltd. (1888.HK)	O (09/14/2026)	HK$48.54
LandMark Optoelectronics Corporation (3081.TWO)	E (03/26/2026)	NT$2,695.00
Lenovo (0992.HK)	O (07/10/2026)	HK$34.54
Lotes Co. Ltd. (3533.TW)	E (05/12/2025)	NT$1,770.00
Nan Ya PCB (8046.TW)	O (02/23/2026)	NT$1,340.00
Pegatron Corporation (4938.TW)	E (03/25/2026)	NT$89.80
Quanta Computer Inc. (2382.TW)	O (05/01/2023)	NT$333.50
Shengyi Technology Co Ltd. (600183.SS)	E (05/26/2022)	Rmb129.96
Shennan Circuits Co Ltd (002916.SZ)	E (08/24/2023)	Rmb373.01
Unimicron (3037.TW)	O (02/23/2026)	NT$1,175.00
Visual Photonics Epitaxy Co Ltd (2455.TW)	E (09/11/2023)	NT$552.00
Wistron Corporation (3231.TW)	O (07/12/2023)	NT$184.50
Wiwynn Corp (6669.TW)	O (11/10/2025)	NT$2,090.00
Yageo Corp. (2327.TW)	O (10/28/2025)	NT$548.00
Zhen Ding (4958.TW)	++	NT$507.00
Irene Yen		
Co-Tech Development Corp. (8358.TWO)	O (09/14/2026)	NT$495.00
Taiwan Union Technology Corporation (6274.TWO)	O (09/14/2026)	NT$1,520.00

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INDUSTRY COVERAGE: Greater China Technology Semiconductors

COMPANY (TICKER)	RATING (AS OF)	PRI
Charlie Chan		
Advanced Wireless Semiconductor Co (8086.TWO)	U (07/14/2025)	
Alchip Technologies Ltd (3661.TW)	O (05/14/2021)	
ASE Technology Holding Co. Ltd. (3711.TW)	O (09/15/2024)	
Cambricon Technology Corporation (688256.SS)	O (04/27/2026)	
CXMT Corp (688825.SS)	O (08/26/2026)	



Global Unichip Corp (3443.TW)	O (06/24/2026)	NT$8,040.00
GlobalWafers Co Ltd (6488.TWO)	E (05/19/2026)	NT$1,035.00
Gudeng Precision (3680.TWO)	O (11/25/2025)	NT$555.00
Hua Hong Semiconductor Ltd (1347.HK)	E (03/12/2026)	HK$105.40
Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK)	O (04/27/2026)	HK$106.00
King Yuan Electronics Co Ltd (2449.TW)	O (03/03/2023)	NT$294.50
MediaTek (2454.TW)	O (11/28/2025)	NT$4,920.00
MetaX Integrated Circuits (688802.SS)	E (04/27/2026)	Rmb497.08
Nanya Technology Corp. (2408.TW)	O (05/28/2026)	NT$519.00
OmniVision Integrated Circuits Group Inc (603501.SS)	E (11/17/2025)	Rmb82.21
Phison Electronics Corp (8299.TWO)	E (02/25/2026)	NT$2,150.00
SG Micro Corp. (300661.SZ)	E (11/03/2025)	Rmb110.21
Silergy Corp. (6415.TW)	U (05/19/2026)	NT$409.00
SMIC (0981.HK)	O (10/21/2025)	HK$60.65
TSMC (2330.TW)	O (02/07/2022)	NT$2,480.00
UMC (2303.TW)	O (05/19/2026)	NT$154.50
Vanguard International Semiconductor (5347.TWO)	E (01/14/2026)	NT$181.00
WIN Semiconductors Corp (3105.TWO)	U (07/14/2025)	NT$542.00
Daisy Dai, CFA		
ASMPT Ltd (0522.HK)	O (07/24/2025)	HK$160.00
China Resources Microelectronics Limited (688396.SS)	U (03/02/2026)	Rmb55.10
Empyrean Technology Co Ltd (301269.SZ)	E (01/17/2025)	Rmb84.66
Hangzhou Silan Microelectronics Co. Ltd. (600460.SS)	U (08/25/2025)	Rmb30.75
Hygon Information Technology Co., Ltd. (688041.SS)	O (07/03/2026)	Rmb226.80
Innoscience (2577.HK)	E (10/13/2025)	HK$39.38
JCET Group Co Ltd (600584.SS)	O (09/16/2026)	Rmb64.28
Shanghai Fudan Microelectronics (1385.HK)	O (03/07/2025)	HK$25.64
SICC Co Ltd (688234.SS)	O (03/20/2026)	Rmb104.39
SJ Semiconductor Corp (688820.SS)	E (09/16/2026)	Rmb115.78
StarPower Semiconductor Ltd (603290.SS)	E (05/14/2026)	Rmb81.21
Unigroup Guoxin Microelectronics Co Ltd (002049.SZ)	U (01/10/2023)	Rmb57.88
Universal Scientific Ind. (Shanghai) (601231.SS)	O (11/05/2025)	Rmb23.74
Yangjie Technology (300373.SZ)	O (06/10/2022)	Rmb84.46
Daniel Yen, CFA		
AP Memory Technology Corp (6531.TW)	O (07/11/2025)	NT$927.00
ASMedia Technology Inc (5269.TW)	U (10/03/2025)	NT$1,460.00
Aspeed Technology (5274.TWO)	O (06/09/2025)	NT$18,750.00
Egis Technology Inc (6462.TWO)	E (01/28/2026)	NT$106.00
Elan Microelectronics Corp (2458.TW)	O (10/03/2025)	NT$137.50
eMemory Technology Inc (3529.TWO)	O (08/18/2026)	NT$3,305.00
Espressif Systems (688018.SS)	O (05/15/2023)	Rmb115.08
GigaDevice Semiconductor Beijing Inc (603986.SS)	O (05/15/2025)	Rmb353.90
Macronix International Co Ltd (2337.TW)	O (09/18/2025)	NT$122.50
Montage Technology Co Ltd (6809.HK)	O (03/18/2026)	HK$287.40
Montage Technology Co Ltd (688008.SS)	O (03/18/2026)	Rmb202.31
Novatek (3034.TW)	U (02/04/2026)	NT$546.00
Nuvoton Technology Corporation (4919.TW)	U (11/10/2025)	NT$138.50
Parade Technologies Ltd (4966.TWO)	O (05/27/2026)	NT$571.00
Powerchip Semiconductor Manufacturing Co (6770.TW)	O (10/27/2025)	NT$75.30
Realtek Semiconductor (2379.TW)	E (01/30/2026)	NT$760.00
Shenzhen Goodix Technology Co Ltd (603160.SS)	U (07/14/2025)	Rmb53.19
Winbond Electronics Corp (2344.TW)	O (05/28/2026)	NT$179.50
WPG Holdings (3702.TW)	O (03/16/2026)	NT$114.00
WT Microelectronics Co. Ltd. (3036.TW)	O (01/27/2026)	NT$205.50

Duan Liu

Dosilicon Co Ltd (688110.SS)	U (09/06/2024)	Rmb113.81
Shenzhen Longsys Electronics Co Ltd (301308.SZ)	E (02/25/2026)	Rmb301.93
Henry Zhao		
ACM Research Inc (ACMR.O)	O (03/07/2023)	$80.92
Advanced Micro-Fabrication Equipment Inc (688012.SS)	O (11/06/2023)	Rmb318.55
Maxscend Microelectronics Co Ltd (300782.SZ)	U (01/11/2021)	Rmb70.17
NAURA Technology Group Co Ltd (002371.SZ)	O (11/06/2023)	Rmb615.97
Tiffany Yeh		
AllRing Tech Co. (6187.TWO)	O (09/23/2025)	NT$1,310.00
FOCI Fiber Optic Communications Inc (3363.TWO)	O (01/15/2025)	NT$649.00
Himax Technologies Inc (HIMX.O)	E (02/04/2026)	$14.07
Hon Precision (7769.TW)	O (04/17/2026)	NT$5,505.00
MPI Corporation (6223.TWO)	O (04/17/2026)	NT$5,125.00
Silicon Motion (SIMO.O)	O (05/06/2024)	$280.00
WinWay Technology Co Ltd (6515.TW)	O (04/17/2026)	NT$5,930.00

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* Historical prices are not split adjusted.

INDUSTRY COVERAGE: S. Korea Technology

COMPANY (TICKER)	RATING (AS OF)	PRICE* (09/30/2026)
Ryan Kim		
Fadu Inc (440110.KQ)	O (09/21/2025)	W81,700
Hanmi Semiconductor Co. Ltd. (042700.KS)	E (07/22/2026)	W256,500
HD Hyundai Electric Co Ltd (267260.KS)	O (03/25/2025)	W662,000
Isu Petasys Co. Ltd. (007660.KS)	O (02/03/2025)	W115,100
Leeno Industrial Inc. (058470.KQ)	O (04/03/2025)	W73,400
LG Display (034220.KS)	E (06/11/2025)	W8,330
LG Electronics (066570.KS)	O (08/11/2026)	W212,500
LG Innotek (011070.KS)	O (08/11/2026)	W564,000
Lotte Energy Materials Corp (020150.KS)	U (04/03/2025)	W42,000
LS Electric (010120.KS)	O (01/22/2026)	W205,000
SK Square Co Ltd. (402340.KS)	O (05/06/2026)	W1,139,000
Wonik IPS Co Ltd (240810.KQ)	O (08/08/2025)	W131,500
Shawn Kim		
Samsung Electro-Mechanics (009150.KS)	O (07/31/2025)	W1,513,000
Samsung Electronics (005935.KS)	O (11/18/2019)	W195,200
Samsung Electronics (005930.KS)	O (11/18/2019)	W268,500
SK hynix (000660.KS)	O (09/21/2025)	W1,776,000

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

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