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Apple, Inc. | North America

Cutting iPhone Component Orders Already?

Our supply chain checks corroborate recent iPhone component order cuts, suggesting the extra component supply Apple procured in CY26 needs to slow given weaker early iPhone 18 demand. There are no build/wafer cuts at Hon Hai or TSMC yet, but that risk would be growing if this demand trend persists.

What's new? Largan's 3Q earnings commentary, and this morning's Nikkei report point to iPhone component order cuts only four weeks after the iPhone 18 Pro/ Pro Max launch. Largan (3008.TW; covered by Andy Meng), a major supplier of iPhone camera lenses, said on its Thursday earnings call that customers had cut orders shortly after launching new models, likely reflecting weaker-than-expected sales. Separately, according to an unconfirmed report by Nikkei, Apple has asked suppliers to cut October component orders for the iPhone 18 Pro/Pro Max by at least 15%, citing softer demand amid higher prices. Apple has not commented on either report.

Our checks are consistent with component order cuts in late September, suggesting Apple's iPhone 18 bull case is likely quickly off the table. While we have not verified the magnitude of the component cuts, both Largan's commentary and the Nikkei report are consistent with our component supply-chain checks. As we have highlighted previously, iPhone component builds in CY26 had been tracking at 5-7% Y/Y growth, above our Asia team's CY26 iPhone build estimates of 3% Y/Y growth, which aligned with disclosures in Apple's recent 10-Q showing manufacturing purchase obligations up 30% Y/Y. We believe Apple intentionally over-ordered non-memory components to secure volume discounts in an attempt to reduce BOM pressure caused by spiking memory and AP costs. The recent cuts therefore represent an unwind of that upside buffer, but the timing of these component orders – this early post iPhone launch – is concerning because it means just 3 weeks of data have allowed Apple to conclude their internal bull-case demand scenario is almost likely off the table, pre iPhone Duo launch and prior to Apple's 2nd iPhone launch event this spring (18 base model, 18e, Air 2).

That said, component cuts are not translating into lower end-device builds, yet; we have seen no order cuts at Hon Hai or TSMC. Hon Hai, where visibility is shorter, and TSMC, where visibility is longer, should provide better indications of end-device builds and full-cycle demand. Recall that in late August, our checks indicated Apple was seeking to pull-forward some 2nm wafer orders into C4Q26/ C1Q27, likely to mitigate potential advanced-node supply constraints in 2027. Until we see evidence of order changes at Hon Hai or TSMC - which we have not picked up as of last night - we maintain our iPhone shipment forecasts of 57M for the September quarter and 76M for the December quarter, though acknowledge there is growing downside risk to builds in the March 2027 quarter and beyond if the trends

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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 (Oct 8, 2026)	$340.42
Mkt cap, curr (mm)	$4,993,056
52-Week Range	$345.34-243.42

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Apple is seeing today persist.

Muted lead times are consistent with the component cuts, although the timing of the adjustments is earlier than usual. For the first ~14 days of iPhone 18 Pro/ Pro Max availability, lead times were generally flat Y/Y. At 25 days after pre-orders opened (October 6), iPhone 18 Pro/Pro Max lead times stood at 1.5-4 weeks, below comparable iPhone 17 lead times Y/Y across the countries we track and roughly 1 week shorter W/W. Lead times are particularly soft for the iPhone 18 Pro. While this trend helps support the report of component order cuts, we still find the timing surprisingly early even allowing for intentional C2H26 component overbuild – Apple typically does not begin supply chain adjustments until mid-to-late October. We will continue to track lead times and supply-chain orders, with our annual Smartphone Survey providing another data point on iPhone 18 demand outlook.

Exhibit 1: At 25 days after pre-orders started, iPhone lead times are generally lower Y/Y, amid higher pricing and stronger builds compared with the prior cycle.

Lead Times by Region (iPhone 18 vs. iPhone 17 Cycle)				*Y/Y Diff as of 25 Days after Pre-orders Begin*
Region	**Model**	*iPhone 18*	*iPhone 17*	
US	Pro Max Model	25.5	25.5	0.0
	Pro Model	11.5	18.5	-7.0
China	Pro Max Model	24.0	27.5	-3.5
	Pro Model	13.5	13.5	0.0
Japan	Pro Max Model	29.0	27.0	2.0
	Pro Model	12.5	19.5	-7.0
UK	Pro Max Model	25.5	25.5	0.0
	Pro Model	11.5	18.5	-7.0
France	Pro Max Model	25.5	25.5	0.0
	Pro Model	11.5	18.5	-7.0
Germany	Pro Max Model	26.0	27.0	-1.0
	Pro Model	11.5	19.0	-7.5
India	Pro Max Model	22.0	24.0	-2.0
	Pro Model	9.5	18.0	-8.5
Int'l Average	Pro Max Model	26.0	26.5	-0.5
	Pro Model	12.1	17.8	-5.7

Source: Apple.com, Morgan Stanley Research

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Valuation Methodology and Risks

Apple, Inc. (AAPL.O)

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.

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



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(as of September 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
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	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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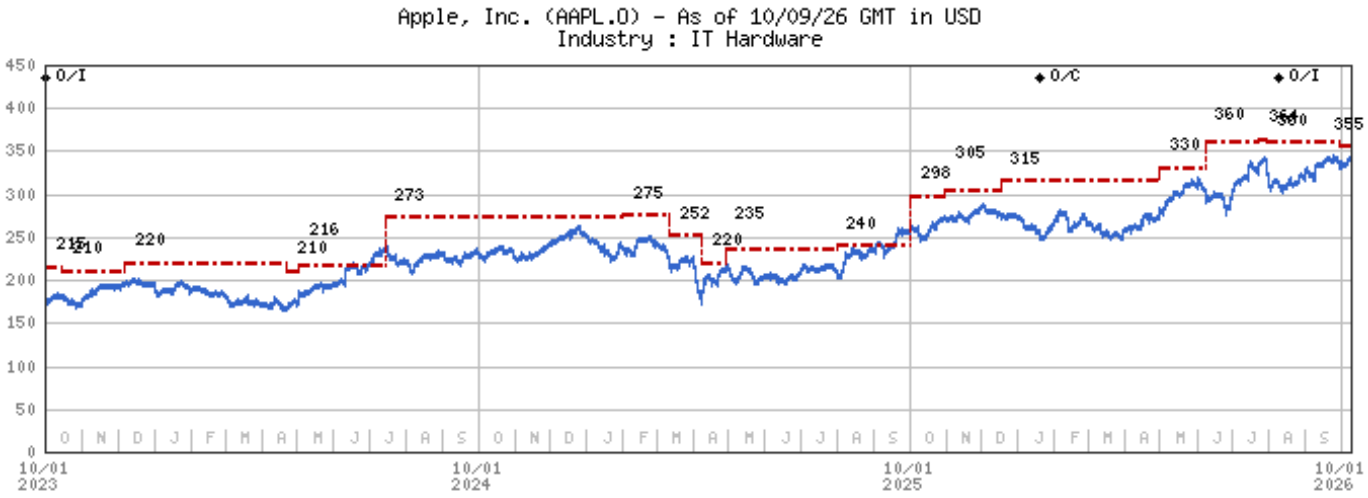
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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 10/1/21 : O/I; 10/5/21 : O/C; 1/18/23 : O/I; 1/20/26 : O/C; 8/10/26 : O/I

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; 9/30/26 : 355

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

Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)

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Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)

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INDUSTRY COVERAGE: IT Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/08/2026)
Erik W Woodring		
Apple, Inc. (AAPL.O)	O (05/26/2009)	$340.42
CDW Corporation (CDW.O)	O (06/23/2026)	$139.88
Cricut Inc (CRCT.O)	U (08/12/2021)	$6.40
Dell Technologies Inc. (DELL.N)	E (06/01/2026)	$574.55
Everpure, Inc. (P.N)	O (08/10/2026)	$150.57
Garmin Ltd (GRMN.N)	E (02/18/2026)	$268.44
GoPro Inc (GPRO.O)	U (12/12/2023)	$1.18
Hewlett Packard Enterprise (HPE.N)	O (08/10/2026)	$71.00
HP Inc. (HPQ.N)	U (11/16/2025)	$32.44
IBM (IBM.N)	E (01/18/2023)	$226.61
Ingram Micro (INGM.N)	E (06/11/2025)	$27.60
Kornit Digital Ltd. (KRNT.O)	E (11/06/2025)	$18.16
Logitech International SA (LOGI.O)	U (01/20/2026)	$101.50
NetApp Inc (NTAP.O)	E (08/10/2026)	$231.05
Resideo Technologies Inc (REZI.N)	O (08/11/2025)	$17.20
Seagate Technology (STX.O)	O (03/26/2024)	$774.83
SmartRent, Inc. (SMRT.N)	++	$1.16
Sonos Inc. (SONO.O)	E (11/06/2025)	$16.95
TD Synnex Corporation (SNX.N)	O (06/11/2025)	$267.46
Teradata (TDC.N)	E (08/10/2026)	$30.29
Western Digital (WDC.O)	O (04/16/2025)	$393.31
Sanjit K Singh		
Nutanix Inc (NTNX.O)	E (01/12/2026)	$73.11

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* Historical prices are not split adjusted.

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