First Read

Apple Inc.

Verizon's upgrade rate comes in at 2.6% amid lower upgrade volumes and reduced subsidies

Equities

United States
Computers

12-month rating	**Neutral**
12m price target	**US$296.00**
Price (26 Oct 2026)	**US$347.73**

RIC: AAPL.O **BBG:** AAPL US

Trading data and key metrics

52-wk range	US$348.22-246.63
Market cap.	US$5,096b
Shares o/s	14,656m (COM)
Free float	100%
Avg. daily volume ('000)	43,319
Avg. daily value (m)	US$14,107.5
Common s/h equity (09/26E)	US$115b
P/BV (09/26E)	44.0x
Net debt to EBITDA (09/26E)	0.1x

EPS (UBS, diluted) (USD)

	09/26E	
	UBS	**Cons.**
Q1	2.84	2.84
Q2	2.01	2.01
Q3	2.02	2.02
Q4E	1.97	1.98
09/26E	8.85	8.86
09/27E	9.58	9.64
09/28E	10.54	10.78

Verizon's Q3 upgrade rate down 70 bps YoY to 2.6%

Verizon reported mixed Q3 postpaid upgrade metrics, similar to AT&T (**link**), as the company's postpaid upgrade rate came in at 2.6%. While the company delivered its strongest Q3 postpaid phone net adds in five years, equipment revenues declined YoY driven by significantly lower upgrade volumes as customers continue to keep their devices for longer and Verizon reduced its subsidies. Additional key metrics include:

- Verizon's **postpaid upgrade rate** was down 70 bps YoY at 2.6% (UBSe 2.7%), below the five-year average of 3.8% as the company prioritizes offerings like 'Simplicity' and loyalty programs while reducing its emphasis on subsidies, a modest negative for iPhone demand.
- Verizon reported 406k **retail postpaid net adds**, up from 44k last year, and above UBSe of 240k.
- **Wireless equipment revenue** of $5,116M was down ~9%, below UBSe of 5,382M as reduced device subsidies weighed on equipment revenue, a negative read-across for iPhone demand in our view.

No change to our iPhone estimates

We estimate that the US wireless channel accounts for ~70% of iPhones sold in the US. Given mixed upgrade results from both AT&T and Verizon, we expect (**link**) muted iPhone demand to be partly offset by higher ASPs due to mix and price increases. Therefore, our Sept-26 quarter iPhone revenue and unit estimates of $56.0B (Consensus $56.4B) and 55.0M (Consensus 58.2M), respectively, are unchanged.

Valuation: Our $296 PT is ~29x our blended CY27/CY28 EPS est of $10.32

At ~29x, Apple shares would be trading roughly one turn below the trailing 3-year average and in line with the 5-year average, reflecting solid iPhone demand but increasingly more difficult gross margin headwinds and supply chain challenges.

David Vogt
Analyst
david.vogt@ubs.com
+1-212-713 4296

Andrew Spinola
Analyst
andrew.spinola@ubs.com
+1-212-713 3766

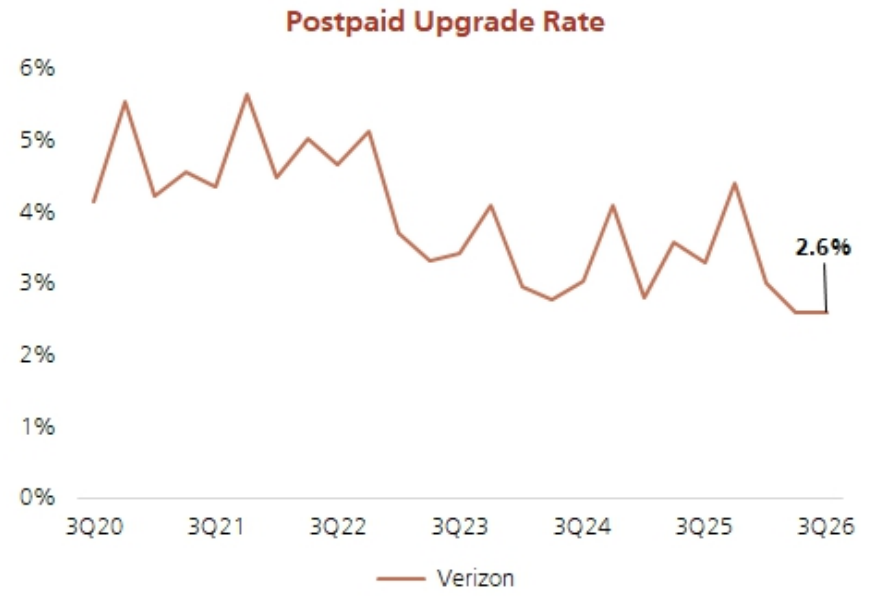
Brian Luke
Associate Analyst
brian.luke@ubs.com
+1-212-713 3819

Highlights (US$m)	09/23	09/24	09/25	09/26E	09/27E	09/28E	09/29E	09/30E
Revenues	383,285	391,035	416,161	477,160	519,241	552,240	577,370	593,737
EBIT (UBS)	114,301	123,216	133,050	156,591	164,430	176,734	186,039	191,535
Net earnings (UBS)	97,759	103,982	112,010	130,309	138,656	149,640	158,278	163,821
EPS (UBS, diluted) (US$)	6.18	6.75	7.46	8.85	9.58	10.54	11.35	11.95
DPS (net) (US$)	0.94	0.98	1.02	1.06	1.10	1.14	1.18	1.22
Net (debt) / cash	(49,533)	(41,458)	(43,960)	(12,091)	41,952	105,574	179,358	258,166
Profitability/valuation	**09/23**	**09/24**	**09/25**	**09/26E**	**09/27E**	**09/28E**	**09/29E**	**09/30E**
EBIT (UBS) margin %	29.8	31.5	32.0	32.8	31.7	32.0	32.2	32.3
ROIC (EBIT) %	>500	>500	>500	375.3	382.2	417.8	455.7	496.4
EV/EBITDA (UBS core) x	20.1	21.9	23.0	29.9	28.8	27.2	26.3	26.0
P/E (UBS, diluted) x	26.2	28.8	30.0	39.3	36.3	33.0	30.6	29.1
Equity FCF (UBS) yield %	3.9	4.0	2.9	2.8	3.0	3.2	3.4	3.5
Dividend yield (net) %	0.6	0.5	0.5	0.3	0.3	0.3	0.3	0.4

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$ 347.73 on 26-Oct-2026 07:31:14 EDT

This report has been prepared by UBS Securities LLC. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 5.**

Figure 1: Verizon's postpaid upgrade rate of 2.6% is below the five-year average of 3.8%



Source: Company data

Forecast returns

Forecast price appreciation	-14.9%
Forecast dividend yield	0.3%
Forecast stock return	-14.6%
Market return assumption	9.7%
Forecast excess return	-24.2%

Company Description

Apple designs, manufactures and markets mobile products, personal computers and media devices. The company's primary hardware product categories include the iPhone, iPad, iPod, and Mac computers. In addition, the company sells a variety of related software, services, peripherals, and third-party digital content and applications via iTunes and the App Store. Apple predominately sells to the consumer segment through its own online and retail stores, as well as third-party cellular network carriers, wholesalers and retailers.

Valuation Method and Risk Statement

Risks to our Apple thesis include (1) product delays or less innovative offerings, particularly a decline in iPhone unit shipments; (2) macro weakness dampening product demand, especially in China; (3) reduced product differentiation resulting in a successful smartphone attack from below; (4) governments looking to regulate Apple as its power increases; and (5) poor platform management. We use a P/E multiple to derive our price target for Apple.



Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

Apple Inc.

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	3
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	2
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	No Catalyst
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	
11. What is the catalyst?	