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IDEA

October 21, 2026 03:14 AM GMT

Apple, Inc. | North America

F4Q26 Earnings Preview – Putting the Macro Aside for a Day

We expect an in-line Sept Q report/Dec Q guide, but see modest downside risk to Street's Dec Q iPhone revs/gross margin. With valuation near ATH's and limited EPS upside, earnings isn't much of a catalyst, though Apple's defensive/anti-AI capex thematic helps in a choppy market. Remain OW, $355 PT.

Key Takeaways

- We expect an in-line Sept Q, with $113B revenue and $1.99 EPS both broadly in line with Consensus.
- Dec Q revenue is broadly in line with Street as well, but we see modest downside to iPhone revs and gross margin as higher memory costs weigh on Products.
- Services remains a key debate given recent App Store gaming weakness, but we believe Dec Q Services growth will accel slightly (to 10.8%) from the Sept Q.
- 5 topics we'd like more color on at earnings: iPhone 18 cycle, Services growth, Product gross margins, capex/opex/M&A, and Apple's AI strategy.
- At 35.4x forward P/E, or a 17-year high vs. the S&P, valuation is full; further upside requires stronger margins/iPhone units or a clearer AI monetization path.

For more detail on our broader Apple thesis, please see our recent report here:
Apple, Inc.: An Exciting Roadmap, But Tactically Full Valuation (1 Oct 2026)

What does the market do with an in-line to mixed earnings event? Probably not much. We expect Apple to report an in-line September quarter and guide December quarter to LSD-MSD% Y/Y revenue growth, slightly below MSe/Street estimates but in-line with buyside expectations. However, under the hood, we have Apple guiding December quarter iPhone revenue and gross margins slightly below Street expectations. With shares near all-time highs and limited EPS upside this quarter, this makes for a slightly challenging near-term setup. However, we don't believe earnings is going to tip the scales for bears or bulls; bulls will likely continue leaning into Apple's capex-light, strong FCF generating positioning vs. other megacaps – a trade that has outperformed as the markets question AI financing/durability risk – while bears will cite peak valuation, Agentic positioning (or lack thereof), and downside risk to iPhone shipments this cycle. As a result, we don't see earnings on November 2nd as a catalyst either way unless one of three scenarios emerges – (1) Dec Q iPhone revenue is guided well-below MSe (negative), (2) Dec Q gross margins are guided above Consensus (positive), and/or (3) Dec Q Services growth implies another quarter of deceleration (negative). Below we outline the various moving

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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 20, 2026)	$339.50
Mkt cap, curr (mm)	$4,979,562
52-Week Range	$348.15-243.42

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pieces in the September and December quarters and the 5 key factors we are focused on this quarter.

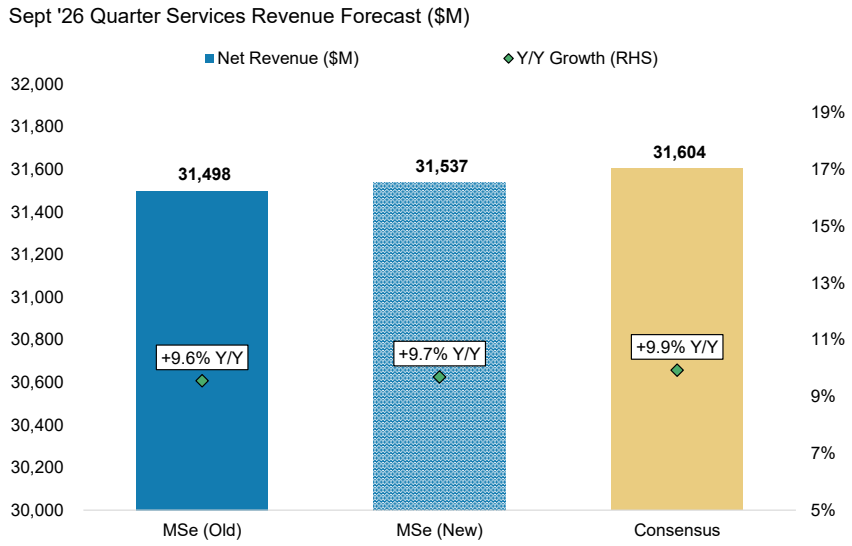
Exhibit 1: Our September and December quarter revenue are in line with Consensus, with EPS in line to 1% below Street forecasts.

	F4Q26 (Sept Q)					F1Q27 (Dec Q)				
	MSe	MSe (Old)	% Diff	Consensus	% Diff	MSe	MSe (Old)	% Diff	Consensus	% Diff
Total Revenue	**113,320**	**113,530**	**-0.2%**	**113,313**	**0.0%**	**152,224**	**152,674**	**-0.3%**	**152,210**	**0.0%**
Y/Y Growth	*10.6%*	*10.8%*	-20bps	*10.6%*	1bps	*5.9%*	*6.2%*	-31bps	*5.9%*	1bps
iPhone	***56,860***	***56,567***	***0.5%***	***56,616***	***0.4%***	***90,579***	***90,578***	***0.0%***	***92,576***	***-2.2%***
ASP ($)	*991*	*991*	*0.0%*	*936*	*5.9%*	*1,195*	*1,195*	*0.0%*	*1,107*	*8.0%*
Unit (K units)	*57,300*	*57,000*	*0.5%*	*59,785*	*-4.2%*	*76,000*	*76,000*	*0.0%*	*85,900*	*-11.5%*
iPad	*6,401*	*6,697*	*-4.4%*	*6,992*	*-8.5%*	*6,760*	*7,168*	*-5.7%*	*8,360*	*-19.1%*
Mac	*9,527*	*9,773*	*-2.5%*	*9,810*	*-2.9%*	*9,511*	*9,635*	*-1.3%*	*9,438*	*0.8%*
Wearables	*8,995*	*8,995*	*0.0%*	*8,954*	*0.5%*	*12,116*	*12,116*	*0.0%*	*11,527*	*5.1%*
Services	*31,537*	*31,498*	*0.1%*	*31,604*	*-0.2%*	*33,258*	*33,176*	*0.2%*	*33,246*	*0.0%*
Gross Profit	53,945	53,983	-0.1%	53,851	0.2%	70,776	70,865	-0.1%	71,531	-1.1%
EBIT	34,567	34,569	0.0%	34,530	0.1%	50,150	50,178	-0.1%	50,998	-1.7%
Pre-tax Profits	34,917	34,919	0.0%	34,782	0.4%	50,292	50,321	-0.1%	51,161	-1.7%
Net Income	29,156	29,157	0.0%	28,971	0.6%	41,994	42,018	-0.1%	42,395	-0.9%
EPS	**$1.99**	**$1.99**	**0.0%**	**$1.99**	**0.2%**	**$2.88**	**$2.88**	**-0.1%**	**$2.91**	**-1.2%**
Gross Margin	47.6%	47.5%	*6bps*	47.5%	*8bps*	46.5%	46.4%	*8bps*	47.0%	*-50bps*
OpM	30.5%	30.4%	*6bps*	30.5%	*3bps*	32.9%	32.9%	*8bps*	33.5%	*-56bps*
Effective Tax Rate	16.5%	16.5%	*0bps*	16.7%	*-21bps*	16.5%	16.5%	*0bps*	17.1%	*-63bps*
Net Margin	25.7%	25.7%	*5bps*	25.6%	*16bps*	27.6%	27.5%	*7bps*	27.9%	*-27bps*

Source: Company data, FactSet, Morgan Stanley Research estimates

We expect a largely in-line September quarter (watching Services most closely) … Our $113B revenue estimate (+10.6% Y/Y) is in line with the Street, with iPhone and Wearables revenue slightly above Consensus, offset by iPad and Mac revenue below. We raise our iPhone shipment estimate by 0.5% to better align with IDC's preliminary estimate of 57.3M units, which remains ~1M below build-implied 58.2M shipments. Meanwhile, we lower our iPad shipment estimate to reflect recent build cuts and lower our Mac shipment estimate to align with IDC's updated preliminary estimate of 6.2M units (-8% Y/Y). The shipment pressure in Mac is partially offset by stronger pricing by embedding more pricing increases from the 15-25% like-for-like price hikes implemented at the end of C2Q26. We also raise our Services growth forecast by 10bps to +9.7% Y/Y, reflecting modestly stronger-than-expected App Store gross developer revenue. This puts us slightly above Apple's +9.5% Y/Y guidance, which assumes growth similar to the June quarter excluding a 250bps Y/Y FX headwind, but slightly below the Street at +9.9% Y/Y (Exhibit 2). Speaking of FX – Our FX tracker points to a ~30bps Y/Y revenue tailwind in September, vs. management's 250bps headwind assumption, creating potential upside to both revenue and gross margin. With a largely in-line gross margin of 47.6% (vs. 47.5% Consensus and 47-48% guidance) and $19.4B opex (vs. $19.3B Consensus and $19.1B-$19.4B guidance), our September quarter EPS estimate of $1.99 is in line with Consensus.

Exhibit 2: Our September quarter Services revenue is 20bps below Consensus due to App Store revenue underperformance relative to total Services.

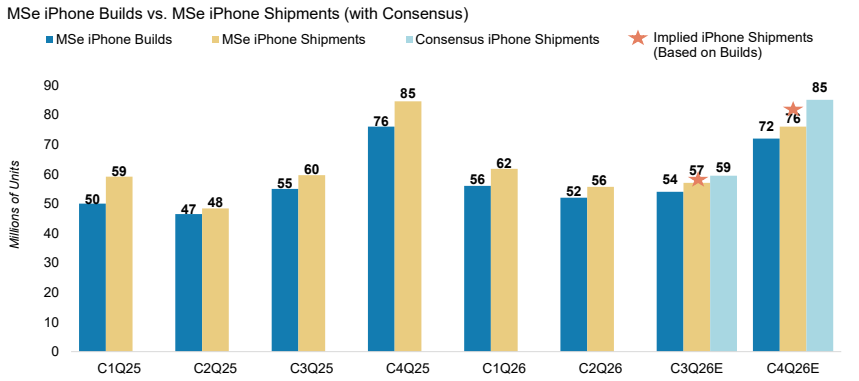


Source: Company data, FactSet, Morgan Stanley Research estimates

…but we see very modest downside to Street estimates in the December quarter. Our $152B revenue estimate (+5.9% Y/Y) is largely in line with the Street, but our sense is this would be ahead of buyside expectations for LSD-MSD% Y/Y growth. Our iPhone revenue forecast sits 2% below Consensus, with higher ASPs more than offset by lower shipments, reinforcing our view that Street estimates have yet to fully reflect the staggered iPhone 18 launch. For what it's worth, our unchanged 76M December quarter iPhone shipment estimate remains below build-implied shipments of 78M (Exhibit 3). On iPad, we are 18% below the Street as we incorporate the elasticity-driven C2H build cuts into our shipment forecasts. We are in line with Consensus on Mac revenue, although processor and memory supply dynamics could ultimately move Mac revenue in either direction. Finally, we raise our Services growth forecast by 30bps to +10.8% Y/Y, in line with the Street, embedding some tailwinds from reaccelerating App Store developer revenue (see our latest Data Tracker for more detail). Our biggest point of differentiation vs. Consensus is margins – we forecast gross margins contracting 110bps Q/Q to 46.5% (vs. 47.1% Consensus and normal seasonality of +80bps Q/Q), as higher memory costs increasingly weigh on Products gross margin. With a $20.6B opex (in line with Consensus), our $2.88 December quarter EPS estimate is ~1% below Consensus of $2.91, but likely in line with buyside expectations of $2.85-2.90.



Exhibit 3: Our Sept Q shipment estimate of 57.3M is below both build-implied shipments of 58.2M and consensus of 59.4M. Similarly, our Dec Q shipment estimate of 76.0M is below both build-implied shipments of 78.1M and consensus of 85.1M.



Source: Company data, IDC, Morgan Stanley Research estimates

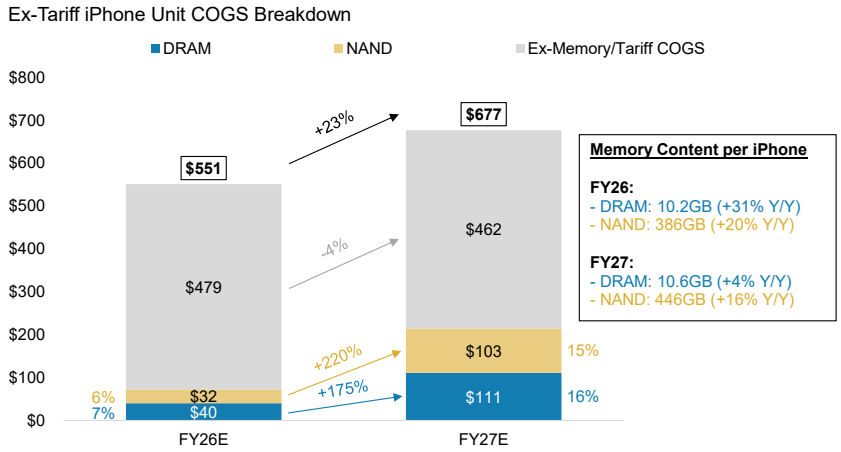
These are 5 areas we are most focused on into earnings, and what we believe the market needs to hear for Apple shares to remain an outperformer post-earnings:

- **iPhone growth and overall iPhone 18 cycle commentary.** It's unlikely we get much incremental color on performance of the iPhone 18 Pro/Pro Max cycle to-date given it will be only 8 weeks into the cycle, but given the recent reporting on iPhone component cuts, there might be some incremental information we can glean from mgmt's commentary during Q&A. From our perspective, a lean iPhone channel should support re-stocking in the Dec qtr and China iPhone sell-through is up solid double digits Y/Y quarter-to-date. But the Y/Y compare will be abnormal this quarter and all year due to the staggered iPhone 18 launch, which means any iPhone commentary this quarter may not actually be a great indicator of full cycle iPhone strength or weakness.
- **Services growth.** Apple's September quarter Services growth guide of +9.5% Y/Y raised questions around the sustainability of Services growth, and the rise of Muse and other consumer agents has only fueled this debate. From our perspective, consumer agents aren't much of a short-term Services risk (but they are in the medium-to-long-term), and App Store revenue is accelerating in the December quarter. When combined with recent pricing increases, we have Services growth accelerating in the December quarter, which is likely enough to quell the Services debate short-term. However, any weakness in Google TAC could perpetuate AI disruption fears. Ultimately, this quarter is a bit binary – guide to a decel in the December quarter and it likely takes the stock down T+1. Guide to an acceleration, and the Services debate gets pushed for a quarter.
- **Product Gross margins.** After Services growth, this is the next biggest near-term investor debate. Apple's September quarter gross margin guidance, excluding tariffs, implies ~150bps of Q/Q contraction at the company level vs. typical seasonality of roughly +40bps Q/Q. While Apple has raised product pricing across much of its portfolio, the key question is whether

those actions and other cost offsets can keep pace with rising memory costs – we don't believe so and model December quarter product gross margins down 80bps Q/Q ex-tariff refunds vs. historical seasonality of +70bps (Exhibit 4). But to be fair, Apple has outperformed on margins for most of the last 12 months. Therefore, we view December quarter gross margin guidance, particularly ex-tariffs, as one of the most important datapoints on the earnings call.

- **Capital allocation / Balance Sheet / M&A appetite:** With Apple no longer officially pursuing a net cash neutral target and increasingly using its balance sheet to navigate the inflationary environment, we'd like to better understand what this added flexibility means for the company's capital allocation priorities. While we don't expect a formal update on buybacks/ dividends this quarter (only happens in April), we are listening for any changes in commentary around capex, R&D spend, working capital needs, or appetite for larger-scale M&A.
- **What is Apple's AI strategy?** Given this is new CEO John Ternus' first public earnings call, he is likely to get questions about his views on AI. We'd welcome an update on Siri AI adoption, Apple's compute needs/spend, and overall how Apple is positioning itself in the broader AI debate. Recent agentic innovation far outpaces our experience with Siri AI, but Apple has acknowledged that Siri AI isn't for "the lunatic fringe" and is far more focused on trust/privacy. But the question we would like to get a better understanding on is – then what is Siri AI for, and how will Apple monetize it? We'd also like to better understand how mgmt views the potential threat from third-party Agentic AI offerings on App Store, search, digital advertising, and broader Services monetization over time, or whether Apple sees an opportunity to be the key distribution platform for 3P agents.

Exhibit 4: We estimate memory (DRAM + NAND) costs per iPhone are increasing nearly 200% Y/Y into FY27.



Source: IDC, Morgan Stanley Research estimates

Remain OW rated with an unchanged $355 price target. Our medium-term thesis is largely unchanged – Apple's product roadmap remains one of the more exciting we have witnessed in over a decade, and we continue to see a multi-year iPhone

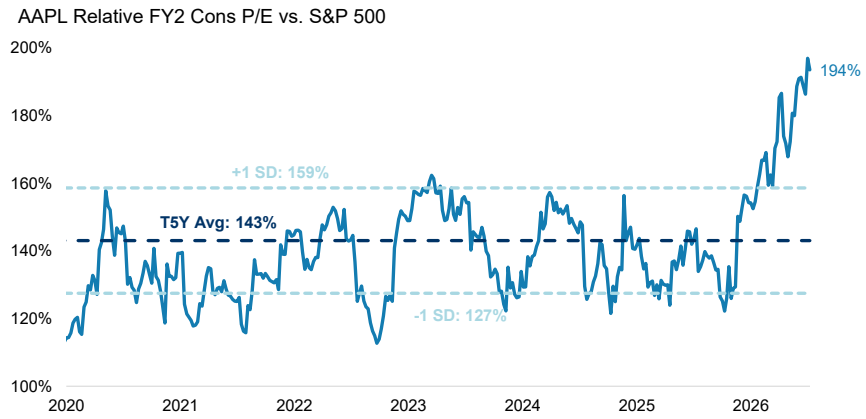
growth cycle helping to support durable low-teens EPS growth. Importantly, our near-term margin caution doesn't change our medium-term earnings view: despite forecasting FY27/FY28 gross margins 30-90bps below Consensus, our EPS estimates remain 1-3% above Street, primarily on higher iPhone revenue (Exhibit 5). However, those positives are increasingly reflected in valuation, leaving us tactically balanced near term. For context, Apple is now trading at 35.4x forward P/E, near record highs and well above the T5Y average of 27x. In fact, compared to the S&P 500, Apple is trading at its highest level since Oct '09 (Exhibit 6). Our $355 price target is based on a 35x CY27 EPS multiple, and with upside to that target more limited (~5%) following the recent move in shares, we believe the next leg of outperformance will require greater conviction in either (1) stronger iPhone unit growth and product gross margins, and/or (2) a clearer path toward AI monetization. Near term, that puts particular weight on December quarter gross margin and Services guidance.

Exhibit 5: While our gross margin estimates are 30-90bps below Consensus, our EPS forecasts are 1-3% above Street, primarily driven by higher iPhone shipment forecasts

	FY27E					FY28E				
	MSe	MSe (Old)	% Diff	Consensus	% Diff	MSe	MSe (Old)	% Diff	Consensus	% Diff
Total Revenue	**543,578**	**544,802**	**-0.2%**	**523,737**	**3.8%**	**577,544**	**576,057**	**0.3%**	**563,819**	**2.4%**
Y/Y Growth	*13.8%*	*14.0%*	-21bps	*9.7%*	413bps	*6.2%*	*5.7%*	51bps	*7.7%*	-140bps
iPhone	***301,946***	***301,943***	***0.0%***	***278,836***	***8.3%***	***314,488***	***314,487***	***0.0%***	***302,323***	***4.0%***
ASP ($)	*1,144*	*1,144*	*0.0%*	*1,131*	*1.2%*	*1,165*	*1,165*	*0.0%*	*1,219*	*-4.5%*
Unit (K units)	*264,000*	*264,000*	*0.0%*	*255,786*	*3.2%*	*270,000*	*270,000*	*0.0%*	*255,300*	*5.8%*
iPad	*27,441*	*27,853*	*-1.5%*	*29,745*	*-7.7%*	*28,380*	*28,387*	*0.0%*	*30,746*	*-7.7%*
Mac	*38,307*	*39,340*	*-2.6%*	*39,371*	*-2.7%*	*41,332*	*40,076*	*3.1%*	*41,758*	*-1.0%*
Wearables	*38,714*	*38,714*	*0.0%*	*37,487*	*3.3%*	*41,947*	*41,947*	*0.0%*	*39,669*	*5.7%*
Services	*137,170*	*136,951*	*0.2%*	*136,915*	*0.2%*	*151,396*	*151,161*	*0.2%*	*150,844*	*0.4%*
Gross Profit	255,529	255,708	-0.1%	248,145	3.0%	275,998	275,484	0.2%	274,179	0.7%
EBIT	171,933	171,927	0.0%	166,133	3.5%	184,992	184,713	0.2%	182,752	1.2%
Pre-tax Profits	172,632	172,628	0.0%	166,168	3.9%	185,735	185,456	0.2%	183,111	1.4%
Net Income	144,148	144,144	0.0%	138,265	4.3%	155,089	154,856	0.2%	152,552	1.7%
EPS	**$9.90**	**$9.90**	**0.0%**	**$9.60**	**3.1%**	**$10.72**	**$10.70**	**0.1%**	**$10.64**	**0.7%**
Gross Margin	47.0%	46.9%	*7bps*	47.4%	*-37bps*	47.8%	47.8%	*-3bps*	48.6%	*-84bps*
OpM	31.6%	31.6%	*7bps*	31.7%	*-9bps*	32.0%	32.1%	*-3bps*	32.4%	*-38bps*
Effective Tax Rate	16.5%	16.5%	*0bps*	16.8%	*-29bps*	16.5%	16.5%	*0bps*	16.7%	*-19bps*
Net Margin	26.5%	26.5%	*6bps*	26.4%	*12bps*	26.9%	26.9%	*-3bps*	27.1%	*-20bps*

Source: Company data, FactSet, Morgan Stanley Research estimates

Exhibit 6: Apple is now trading at a historical high premium to S&P 500.



Source: Company data, FactSet, Morgan Stanley Research

AlphaSignals Earnings Preview

Focus KPI	Focus KPI Surprise	Likely impact to consensus EPS*
Apple, Inc. AAPL.O		
December Quarter Gross Margin Guidance	↓ Likely downside surprise	— Largely unchanged

*Likely impact to consensus EPS is for the next 12 months
Source: Company data, Morgan Stanley Research

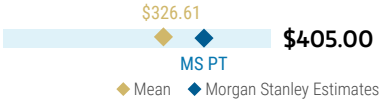
Risk Reward – Apple, Inc. (AAPL.O)

Higher Pricing, Higher Earnings Power; Gross Margin The Key Near-term Debate

PRICE TARGET $355.00

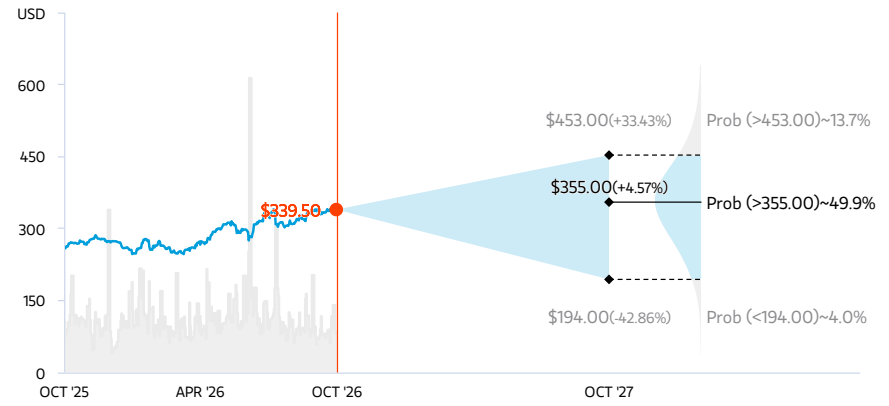
Our $355 PT is based an 9.3x EV/Sales CY27 multiple, which is derived from a regression of tech and consumer platform peers. Our price target implies 35x P/E on $10.15 CY27 EPS.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



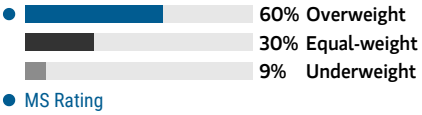
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

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 20 Oct 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 $10.72 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 $10.16

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)

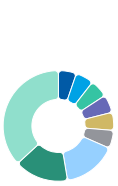
KEY EARNINGS INPUTS

Drivers	Sep 2025	Sep 2026e	Sep 2027e	Sep 2028e
Total Revenue Growth (Y/Y) (%)	6.4	14.8	13.8	6.2
iPhone Revenue Growth (Y/Y) (%)	4.2	20.9	19.2	4.2
Services Revenue Growth (Y/Y) (%)	13.5	12.9	11.3	10.4
Gross Margin (%)	46.9	48.7	47.0	47.8
EPS Growth (Y/Y) (%)	10.6	18.8	11.6	8.3

INVESTMENT DRIVERS

- Positive iPhone build revisions / clearer signs of accelerating replacement cycles
- Services revenue growth reacceleration
- Apple Intelligence / Siri AI 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 ($, mm)	485,694	543,578 / 526,902	565,659
EBITDA ($, mm)	160,893	186,848 / 180,512	196,335
Net income ($, mm)	125,536	144,148 / 139,382	158,312
EPS ($)	8.69	9.90 / 9.65	10.67

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Apple (AAPL) Financial Model

Exhibit 7: Apple Income Statement

	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
Revenues	**124,300**	**95,359**	**94,036**	**102,466**	**143,756**	**111,184**	**109,417**	**113,320**	**152,224**	**129,330**	**130,379**	**131,644**	**391,035**	**416,161**	**477,677**	**543,578**	**577,544**
iPhone	69,138	46,841	44,582	49,025	85,269	56,994	54,252	56,860	90,579	71,960	70,019	69,388	201,183	209,586	253,375	301,946	314,488
iPad	8,088	6,402	6,581	6,952	8,595	6,914	6,191	6,401	6,760	6,395	6,790	7,496	26,694	28,023	28,101	27,441	28,380
Mac	8,987	7,949	8,046	8,726	8,386	8,399	10,352	9,527	9,511	8,848	10,430	9,518	29,984	33,708	36,664	38,307	41,332
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	31,537	33,258	34,155	34,505	35,252	96,169	109,158	123,265	137,170	151,396
Cost of Sales	**66,025**	**50,492**	**50,318**	**54,125**	**74,525**	**56,403**	**54,647**	**59,375**	**81,448**	**67,795**	**69,457**	**69,349**	**210,352**	**220,960**	**244,950**	**288,049**	**301,546**
Gross Profit	**58,275**	**44,867**	**43,718**	**48,341**	**69,231**	**54,781**	**54,770**	**53,945**	**70,776**	**61,535**	**60,922**	**62,295**	**180,683**	**195,201**	**232,727**	**255,529**	**275,998**
Gross Margin	*46.9%*	*47.1%*	*46.5%*	*47.2%*	*48.2%*	*49.3%*	*50.1%*	*47.6%*	*46.5%*	*47.6%*	*46.7%*	*47.3%*	*46.2%*	*46.9%*	*48.7%*	*47.0%*	*47.8%*
Operating Expenses	**15,443**	**15,278**	**15,516**	**15,914**	**18,379**	**18,896**	**19,075**	**19,378**	**20,626**	**20,758**	**20,991**	**21,221**	**57,467**	**62,151**	**75,728**	**83,596**	**91,006**
Research and Development	8,268	8,550	8,866	8,866	10,887	11,419	11,729	11,785	12,863	13,127	13,299	13,493	31,370	34,550	45,820	52,782	58,156
Selling, General and Administrative	7,175	6,728	6,650	7,048	7,492	7,477	7,346	7,592	7,763	7,630	7,692	7,727	26,097	27,601	29,907	30,814	32,850
Operating Income	**42,832**	**29,589**	**28,202**	**32,427**	**50,852**	**35,885**	**35,695**	**34,567**	**50,150**	**40,778**	**39,931**	**41,074**	**123,216**	**133,050**	**156,999**	**171,933**	**184,992**
PTOP Margin	*34.5%*	*31.0%*	*30.0%*	*31.6%*	*35.4%*	*32.3%*	*32.6%*	*30.5%*	*32.9%*	*31.5%*	*30.6%*	*31.2%*	*31.5%*	*32.0%*	*32.9%*	*31.6%*	*32.0%*
Total Interest & Other Income	**(248)**	**(279)**	**(171)**	**377**	**150**	**(52)**	**572**	**350**	**142**	**169**	**190**	**198**	**269**	**(321)**	**1,020**	**699**	**743**
Pretax Income	**42,584**	**29,310**	**28,031**	**32,804**	**51,002**	**35,833**	**36,267**	**34,917**	**50,292**	**40,947**	**40,121**	**41,272**	**123,485**	**132,729**	**158,019**	**172,632**	**185,735**
GAAP Income Tax Provision	6,254	4,530	4,597	5,338	8,905	6,255	6,478	5,761	8,298	6,756	6,620	6,810	29,749	20,719	27,399	28,484	30,646
Operating Tax Provision (excl one time tax ef	6,254	4,530	4,597	5,338	8,905	6,255	6,478	5,761	8,298	6,756	6,620	6,810	19,503	20,719	27,399	28,484	30,646
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**	**29,156**	**41,994**	**34,191**	**33,501**	**34,462**	**103,982**	**112,010**	**130,620**	**144,148**	**155,089**
Operating Net Income Margin	*29.2%*	*26.0%*	*24.9%*	*26.8%*	*29.3%*	*26.6%*	*27.2%*	*25.7%*	*27.6%*	*26.4%*	*25.7%*	*26.2%*	*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**	**29,156**	**41,994**	**34,191**	**33,501**	**34,462**	**93,736**	**112,010**	**130,620**	**144,148**	**155,089**
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**	**$10.72**
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	$10.72
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	4,190	4,161	15,234	15,421	15,775	16,383	17,042
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	14,576.5	14,548.3	14,521.4	14,495.8	14,471.5	15,116.8	14,773.3	14,576.5	14,471.5	14,388.7
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	14,562.4	14,534.9	14,508.6	14,483.7	15,343.8	14,948.5	14,667.6	14,522.4	14,428.8
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	14,651.3	14,604.4	14,576.9	14,550.6	14,525.7	15,408.1	15,004.7	14,725.6	14,564.4	14,470.8

Source: Company data, Morgan Stanley Research estimates

Exhibit 8: 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%**	**47.6%**	**46.5%**	**47.6%**	**46.7%**	**47.3%**	**46.2%**	**46.9%**	**48.7%**	**47.0%**	**47.8%**
Product	39.3%	35.9%	34.5%	36.2%	40.7%	38.7%	40.1%	37.0%	38.4%	37.4%	36.2%	36.9%	37.2%	36.8%	39.3%	37.3%	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%	27.8%
Mac	32.3%	28.5%	30.0%	30.0%	31.0%	28.0%	28.0%	28.8%	28.0%	26.8%	26.0%	26.8%	30.3%	30.3%	28.9%	26.9%	28.2%
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%	35.4%	34.4%	33.5%	34.1%	34.4%	34.8%	35.7%	34.4%	34.8%
PTOP Margin	34.5%	31.0%	30.0%	31.6%	35.4%	32.3%	32.6%	30.5%	32.9%	31.5%	30.6%	31.2%	31.5%	32.0%	32.9%	31.6%	32.0%
Pretax Margin	34.3%	30.7%	29.8%	32.0%	35.5%	32.2%	33.1%	30.8%	33.0%	31.7%	30.8%	31.4%	31.6%	31.9%	33.1%	31.8%	32.2%
Net Income	29.2%	26.0%	24.9%	26.8%	29.3%	26.6%	27.2%	25.7%	27.6%	26.4%	25.7%	26.2%	26.6%	26.9%	27.3%	26.5%	26.9%
Year-Over-Year Growth (%)																	
Revenue	**4%**	**5%**	**10%**	**8%**	**16%**	**17%**	**16%**	**11%**	**6%**	**16%**	**19%**	**16%**	**2%**	**6%**	**15%**	**14%**	**6%**
iPhone	-1%	2%	13%	6%	23%	22%	22%	16%	6%	26%	29%	22%	0%	4%	21%	19%	4%
iPad	15%	15%	-8%	0%	6%	8%	-6%	-8%	-21%	-8%	10%	17%	-6%	5%	0%	-2%	3%
Mac	16%	7%	15%	13%	-7%	6%	29%	9%	13%	5%	1%	0%	2%	12%	9%	4%	8%
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%	16%	-1%	19%	15%	24%	1%	3%	30%	12%	5%
iPad	14%	13%	-12%	-5%	0%	10%	8%	8%	-20%	-8%	-4%	0%	-3%	2%	6%	-8%	4%
Mac	17%	4%	15%	13%	-10%	4%	20%	5%	2%	1%	-6%	-7%	5%	12%	4%	-3%	13%
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%**	**14%**	**5%**	**10%**	**33%**	**15%**	**10%**
SG&A	**6%**	**4%**	**5%**	**8%**	**4%**	**11%**	**10%**	**8%**	**4%**	**2%**	**5%**	**2%**	**5%**	**6%**	**8%**	**3%**	**7%**
Operating Expenses	**7%**	**6%**	**8%**	**11%**	**19%**	**24%**	**23%**	**22%**	**12%**	**10%**	**10%**	**10%**	**5%**	**8%**	**22%**	**10%**	**9%**
PTOP Margin	6%	6%	11%	10%	19%	21%	27%	7%	-1%	14%	12%	19%	8%	8%	18%	10%	8%
Pretax Margin	6%	4%	10%	11%	20%	22%	29%	6%	-1%	14%	11%	18%	9%	7%	19%	9%	8%
Net Income	7%	5%	9%	10%	16%	19%	27%	6%	0%	16%	12%	18%	7%	8%	17%	10%	8%
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%**	**1%**	**1%**					
iPhone	50%	-32%	-5%	10%	74%	-33%	-5%	5%	59%	-21%	-3%	-1%					
iPad	16%	-21%	3%	6%	24%	-20%	-10%	3%	6%	-5%	6%	10%					
Mac	16%	-12%	1%	8%	-4%	0%	23%	-8%	0%	-7%	18%	-9%					
Wearables, Home and Accessories	30%	-36%	-2%	22%	28%	-31%	0%	14%	35%	-34%	8%	16%					
Services	5%	1%	3%	5%	4%	3%	-1%	3%	5%	3%	1%	2%					
Gross Margin	**33%**	**-23%**	**-3%**	**11%**	**43%**	**-21%**	**0%**	**-2%**	**31%**	**-13%**	**-1%**	**2%**					
iPhone	61%	-38%	-9%	18%	93%	-35%	-2%	-6%	65%	-22%	-5%	2%					
iPad	23%	-27%	0%	6%	29%	-20%	-2%	6%	-4%	-7%	2%	10%					
Mac	25%	-22%	7%	8%	-1%	-10%	23%	-5%	-3%	-11%	14%	-6%					
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%	0%	9%	2%	1%	1%					
SG&A	10%	-6%	-1%	6%	6%	0%	-2%	3%	2%	-2%	1%	0%					
Operating Expenses	**8%**	**-1%**	**2%**	**3%**	**15%**	**3%**	**1%**	**2%**	**6%**	**1%**	**1%**	**1%**					
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%**	**44%**	**-18%**	**-2%**	**3%**					
Revenue Mix																	
iPhone	56%	49%	47%	48%	59%	51%	50%	50%	60%	56%	54%	53%	51%	50%	53%	56%	54%
iPad	7%	7%	7%	7%	6%	6%	6%	6%	4%	5%	5%	6%	7%	7%	6%	5%	5%
Mac	7%	8%	9%	9%	6%	8%	9%	8%	6%	7%	8%	7%	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 9: 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	40,712	62,208	78,587	85,067	93,462	29,943	35,934	40,712	93,462	155,352
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	43,111	36,401	35,925	40,117	45,789	33,410	39,777	43,111	45,789	38,046
Inventories	6,911	6,269	5,925	5,718	5,875	6,747	11,092	10,326	12,394	11,299	11,449	12,061	7,286	5,718	10,326	12,061	8,630
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**	**253,381**	**268,228**	**275,230**	**290,735**	**313,331**	**244,466**	**225,680**	**253,381**	**313,331**	**364,047**
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**	**397,787**	**418,087**	**427,967**	**442,349**	**460,764**	**364,980**	**359,241**	**397,787**	**460,764**	**519,907**
Liabilities																	
Current Liabilities:																	
Accounts payable	61,910	54,126	50,374	69,860	70,587	57,349	64,525	74,218	70,825	71,561	70,220	86,686	68,960	69,860	74,218	86,686	90,224
Accrued expenses	69,612	70,825	71,478	75,442	77,956	66,985	71,797	73,781	80,831	80,896	88,336	81,792	86,553	75,442	73,781	81,792	85,405
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**	**161,004**	**164,659**	**165,461**	**171,560**	**181,482**	**176,392**	**165,631**	**161,004**	**181,482**	**188,632**
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	2,760	2,806	3,000	3,306	2,832	2,960	2,731	2,760	2,832	2,699
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**	**125,374**	**125,421**	**125,615**	**125,921**	**125,447**	**131,638**	**119,877**	**125,374**	**125,447**	**125,314**
Total Liabilities	**277,327**	**264,437**	**265,665**	**285,508**	**291,107**	**264,591**	**275,746**	**286,378**	**290,080**	**291,076**	**297,482**	**306,929**	**308,030**	**285,508**	**286,378**	**306,929**	**313,946**
Series A preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Shareholder's Equity	**66,758**	**66,796**	**65,830**	**73,733**	**88,190**	**106,491**	**107,520**	**111,408**	**128,007**	**136,890**	**144,868**	**153,835**	**56,950**	**73,733**	**111,408**	**153,835**	**205,961**
Total Liabilities and Shareholde	**344,085**	**331,233**	**331,495**	**359,241**	**379,297**	**371,082**	**383,266**	**397,787**	**418,087**	**427,967**	**442,349**	**460,764**	**364,980**	**359,241**	**397,787**	**460,764**	**519,907**

Source: Company data, Morgan Stanley Research estimates

Exhibit 10: 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**	**29,156**	**41,994**	**34,191**	**33,501**	**34,462**	**93,736**	**112,010**	**130,620**	**144,148**	**155,089**
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)	(11,713)	6,709	476	(4,192)	(5,672)	(3,788)	(6,682)	(3,397)	(2,678)	7,743
Inventories	215	643	365	177	(211)	(873)	(4,377)	766	(2,068)	1,095	(150)	(612)	(1,046)	1,400	(4,695)	(1,735)	3,431
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	9,693	(3,394)	737	(1,341)	16,465	6,020	902	4,490	12,468	3,538
Deferred revenue	-	-	-	-	-	-	-	(1,046)	46	194	306	(475)	-	-	(1,046)	72	(133)
Accrued restructuring costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current liabilities	(11,998)	(3,581)	418	4,085	12,533	(5,232)	2,715	1,984	7,049	65	7,440	(6,544)	15,552	(11,076)	12,000	8,011	3,612
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Provided by Operating Activities	**29,935**	**23,952**	**27,867**	**29,728**	**53,925**	**28,702**	**34,369**	**29,475**	**50,208**	**45,055**	**35,846**	**38,092**	**118,254**	**111,482**	**146,471**	**169,201**	**184,757**
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)	(4,190)	(4,161)	(15,234)	(15,421)	(15,775)	(16,383)	(17,042)
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)**	**(25,967)**	**(26,028)**	**(25,940)**	**(26,157)**	**(26,127)**	**(121,983)**	**(120,686)**	**(120,542)**	**(104,253)**	**(104,900)**
Increase/(decrease) in Cash and Cash Equ	**356**	**(2,137)**	**8,107**	**(335)**	**9,383**	**255**	**(6,028)**	**1,168**	**21,496**	**16,378**	**6,480**	**8,395**	**(794)**	**5,991**	**4,778**	**52,750**	**61,890**
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	40,712	62,208	78,587	85,067	29,965	29,943	35,934	40,712	93,462
Cash and Cash Equivalents at End of Peri	**30,299**	**28,162**	**36,269**	**35,934**	**45,317**	**45,572**	**39,544**	**40,712**	**62,208**	**78,587**	**85,067**	**93,462**	**29,943**	**35,934**	**40,712**	**93,462**	**155,352**

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

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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.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

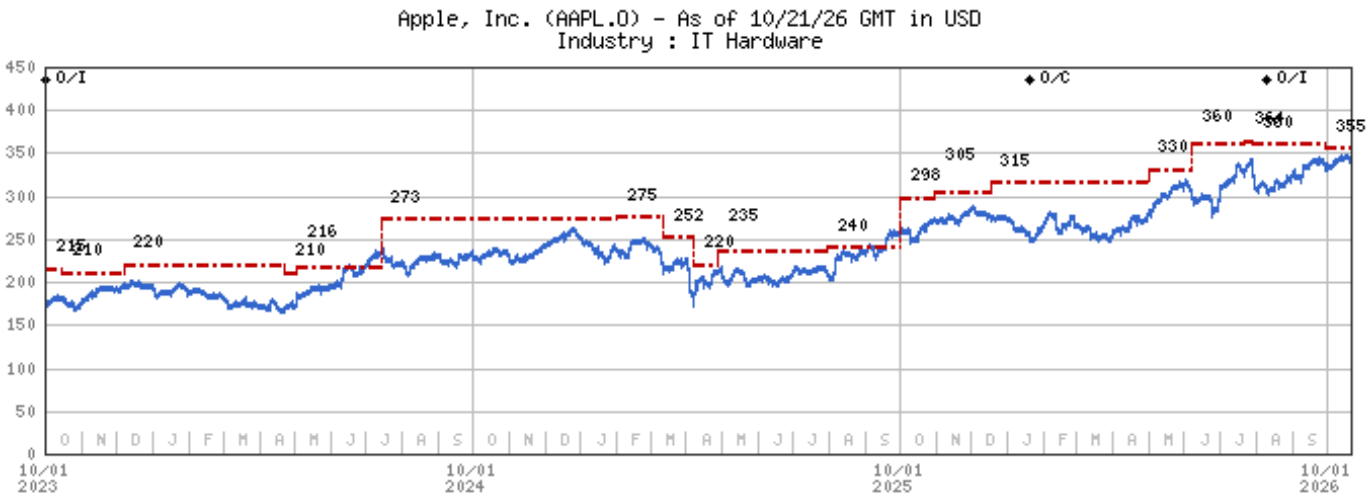
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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INDUSTRY COVERAGE: IT Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/20/2026)
Erik W Woodring		
Apple, Inc. (AAPL.O)	O (05/26/2009)	$339.50
CDW Corporation (CDW.O)	O (06/23/2026)	$154.99
Cricut Inc (CRCT.O)	U (08/12/2021)	$6.48
Dell Technologies Inc. (DELL.N)	E (06/01/2026)	$461.56
Everpure, Inc. (P.N)	O (08/10/2026)	$126.52
Garmin Ltd (GRMN.N)	E (02/18/2026)	$290.35
GoPro Inc (GPRO.O)	U (12/12/2023)	$1.10
Hewlett Packard Enterprise (HPE.N)	O (08/10/2026)	$56.09
HP Inc. (HPQ.N)	U (11/16/2025)	$31.21
IBM (IBM.N)	E (01/18/2023)	$241.92
Ingram Micro (INGM.N)	E (06/11/2025)	$27.07
Kornit Digital Ltd. (KRNT.O)	E (11/06/2025)	$17.55
Logitech International SA (LOGI.O)	U (01/20/2026)	$109.28
NetApp Inc (NTAP.O)	E (08/10/2026)	$209.97
Resideo Technologies Inc (REZI.N)	O (08/11/2025)	$17.07
Seagate Technology (STX.O)	O (03/26/2024)	$675.13
SmartRent, Inc. (SMRT.N)	++	$1.19
Sonos Inc. (SONO.O)	E (11/06/2025)	$17.37
TD Synnex Corporation (SNX.N)	O (06/11/2025)	$248.21
Teradata (TDC.N)	E (08/10/2026)	$32.45
Western Digital (WDC.O)	O (04/16/2025)	$364.32
Sanjit K Singh		
Nutanix Inc (NTNX.O)	E (01/12/2026)	$68.20

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