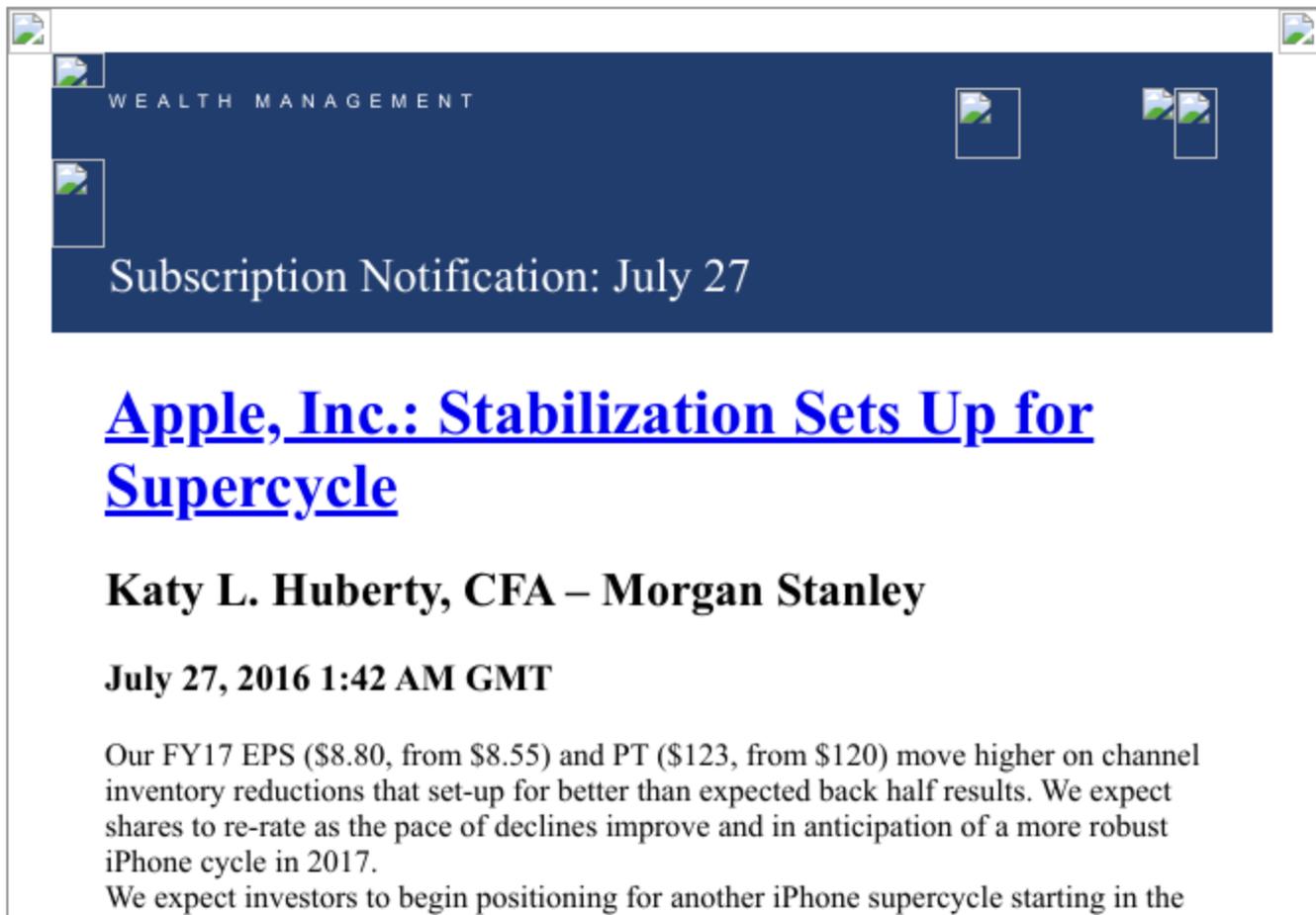


From: Richard Kahn <[REDACTED]>
To: Jeffrey Epstein <jeevacation@gmail.com>
Subject: Fwd: Apple, Inc.: Stabilization Sets Up for Supercycle
Date: Wed, 27 Jul 2016 09:19:58 +0000

Richard Kahn
HBRK Associates Inc.
[REDACTED]

Begin forwarded message:

From: "Morgan Stanley" <[REDACTED]>
Date: July 26, 2016 at 9:48:24 PM EDT
To: <[REDACTED]>
Subject: Apple, Inc.: Stabilization Sets Up for Supercycle
Reply-To: <[REDACTED]>



The screenshot shows a dark blue email notification header with the text "WEALTH MANAGEMENT" and "Subscription Notification: July 27". Below the header is a large blue link: [Apple, Inc.: Stabilization Sets Up for Supercycle](#). The sender is identified as "Katy L. Huberty, CFA – Morgan Stanley" with a timestamp of "July 27, 2016 1:42 AM GMT". The main body of the email contains the following text: "Our FY17 EPS (\$8.80, from \$8.55) and PT (\$123, from \$120) move higher on channel inventory reductions that set-up for better than expected back half results. We expect shares to re-rate as the pace of declines improve and in anticipation of a more robust iPhone cycle in 2017. We expect investors to begin positioning for another iPhone supercycle starting in the

next several months. The bear case is off the table (or at least diluted) and management sounded more positive on iPhone demand. We continue to see meaningful improvements in battery life and display innovation driving an accelerated upgrade rate with the September 2017 iPhone launch. With a growing iPhone installed base and the highest switching rate ever, Apple could see an even bigger supercycle in just over a year compared to iPhone 6 in 2014. What's more, Apple appears more focused on Artificial Intelligence and Augmented Reality applications that can further support improving upgrade rates and possibly switching rates, and sustain Services growth. We see Apple earning \$10.20 in EPS in FY18, ahead of current consensus of \$9.54. Results and guidance push margin debate to the back burner. June quarter gross margin came in at the high end of the guidance range (37.5-38.0%) despite higher than expected channel inventory reductions (\$3.6B vs. \$2B) as COGS were better than expected due to component cost declines and better product quality (lower warranty accruals). While we fully expect investors to question the impact of a higher iPhone 7 bill of materials like in past cycles, the gross margin bear case is less compelling as Apple just gave stable gross margin guidance despite NAND prices rising, SE mix increasing, and the toughest foreign currency compare (large hedge gains a year ago). Some may attribute the better than expected September quarter guidance to a potentially earlier ship-date for iPhone 7 than last year, but if that is the case, guidance already bakes in the margin implications of the

Click [here](#) to see the full report.

This alert is sent from:

Andrew Atlas, 

You received this because you asked to be alerted to:
APPLE INC.

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