

From: Richard Kahn <[REDACTED]>
To: "jeffrey E." <jeevacation@gmail.com>
Subject: Fwd: Apple, Inc.: March iPhone Demand Tracking Ahead of Expectations
Date: Tue, 15 Mar 2016 13:04:16 +0000

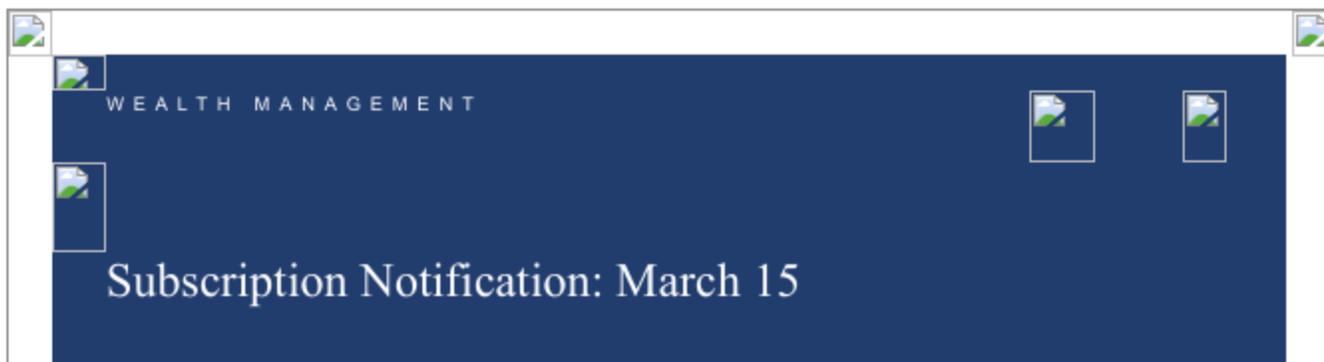
positive comments on AAPL from MS this am

Pre-market: 103.94 +1.42 (1.39%)
Mar 15, 9:03AM EDT

Richard Kahn
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Begin forwarded message:

From: "Morgan Stanley" <ms-wmir@morganstanley.com>
Subject: **Apple, Inc.: March iPhone Demand Tracking Ahead of Expectations**
Date: March 15, 2016 at 12:10:43 AM EDT
To: <[REDACTED]>
Reply-To: <mswmir-cie-feedback@morganstanley.com>



Subscription Notification: March 15

[Apple, Inc.: March iPhone Demand Tracking Ahead of Expectations](#)

Katy L. Huberty, CFA – Morgan Stanley
March 15, 2016 4:01 AM GMT

Our AlphaWise iPhone Tracker, which compiles sell-through data using web search analysis, indicates 56.5M units for C1Q with China delivering the strongest growth. This is clearly ahead of expectations as investors are skeptical Apple can reach implied guidance of 52M.

March quarter iPhone end demand tracking ahead of our model. Extrapolating data through end of February implies demand for 56.5M iPhones for the quarter. This is far ahead of our estimate of 49M and management comments on the last earnings call that indicated they expect at least 52M units. Apple exited last quarter "slightly above" the low-end of its 5-7 week iPhone channel inventory target. Any inventory fill for Apple's indirect distribution channels would put further upward pressure on estimates. Every 1M iPhone shipments add \$640M of revenue and \$0.04 of EPS to our March quarter estimates of \$50.9B and \$1.94 (cons. \$52.1B and \$1.99).

China remains the country with the strongest growth in our tracker. Management noted economic weakness in Greater China, especially Hong Kong, beginning in the month of December. However, our data indicates positive Y/Y and Q/Q growth through the month of February. Growth improved in most regions as Y/Y compares begin to ease, a promising sign heading into the rest of the year when compares get even easier.

Supply chain revisions have bottomed. Our Asia tech team led by Jasmine Lu believes supply chain inventory digestion has come to an end. She currently models 40M builds for both the March and June quarters. However, suppliers built an extra 10M inventory in 2015 which is likely to sell through in the March quarter. Note that a flat Q/Q build for the June quarter is above typical seasonality of a low- to high-teens decline.

A new 4" iPhone could provide an additional boost Last week, Apple sent invitations for an event on their campus on Monday, March 21. They will likely announce a refresh to the current 4" iPhone (5s), which has been in the market since S

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Andrew Atlas, 

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APPLE INC.

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