

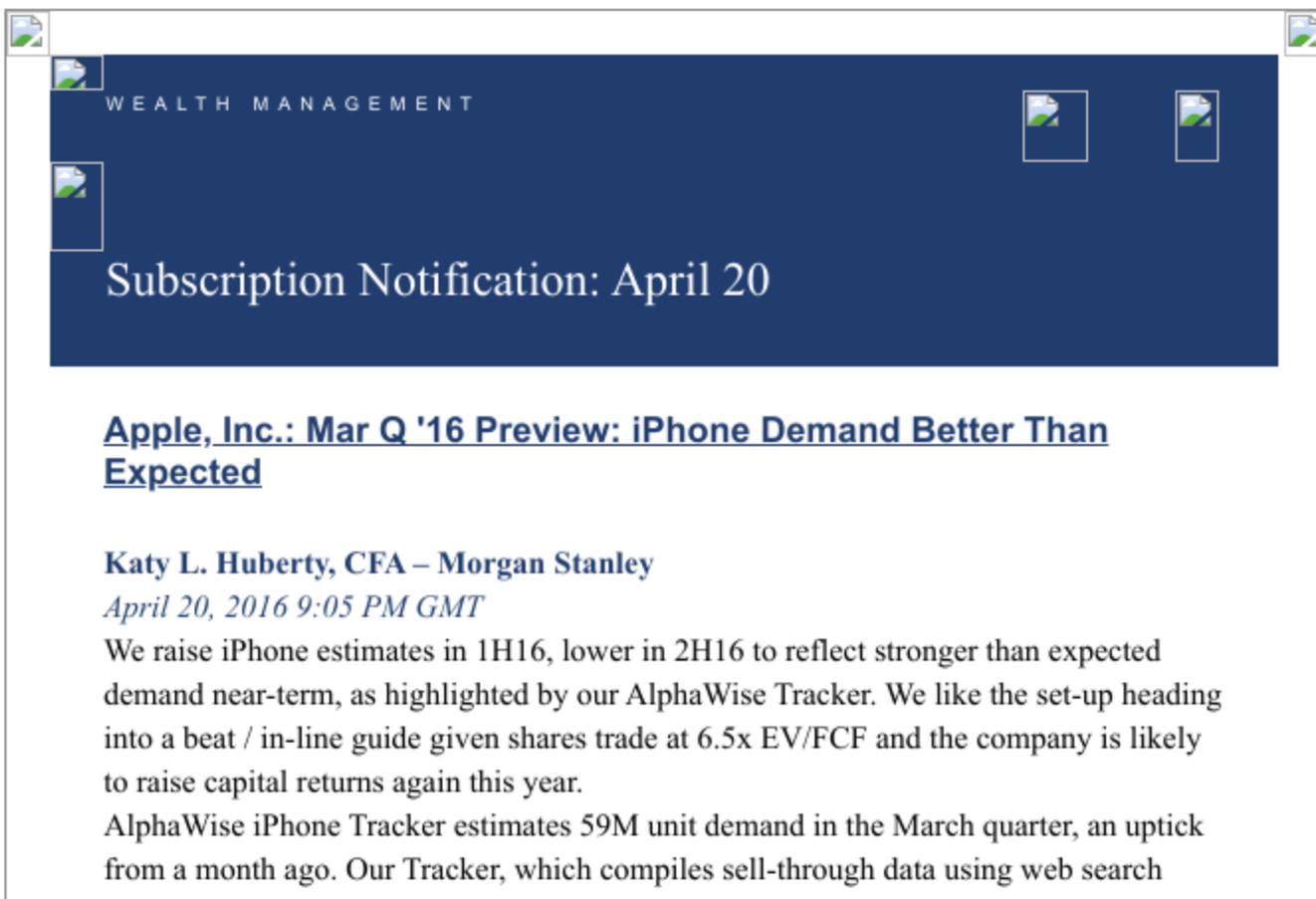
**From:** Richard Kahn <[REDACTED]>  
**To:** "jeffrey E." <[REDACTED]>  
**Subject:** Fwd: Apple, Inc.: Mar Q '16 Preview: iPhone Demand Better Than Expected  
**Date:** Thu, 21 Apr 2016 19:10:05 +0000

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Begin forwarded message:

**From:** "Morgan Stanley" <[REDACTED]>  
**Subject:** Apple, Inc.: Mar Q '16 Preview: iPhone Demand Better Than Expected  
**Date:** April 20, 2016 at 5:13:22 PM EDT  
**To:** <[REDACTED]>  
**Reply-To:** <[REDACTED]>



The screenshot shows a dark blue banner with the text "WEALTH MANAGEMENT" in the top left corner. Below the banner, the main subject line is repeated: "Apple, Inc.: Mar Q '16 Preview: iPhone Demand Better Than Expected". The sender is identified as "Katy L. Huberty, CFA – Morgan Stanley" with a timestamp of "April 20, 2016 9:05 PM GMT". The body of the email begins with: "We raise iPhone estimates in 1H16, lower in 2H16 to reflect stronger than expected demand near-term, as highlighted by our AlphaWise Tracker. We like the set-up heading into a beat / in-line guide given shares trade at 6.5x EV/FCF and the company is likely to raise capital returns again this year. AlphaWise iPhone Tracker estimates 59M unit demand in the March quarter, an uptick from a month ago. Our Tracker, which compiles sell-through data using web search".

**Subscription Notification: April 20**

**Apple, Inc.: Mar Q '16 Preview: iPhone Demand Better Than Expected**

**Katy L. Huberty, CFA – Morgan Stanley**  
*April 20, 2016 9:05 PM GMT*

We raise iPhone estimates in 1H16, lower in 2H16 to reflect stronger than expected demand near-term, as highlighted by our AlphaWise Tracker. We like the set-up heading into a beat / in-line guide given shares trade at 6.5x EV/FCF and the company is likely to raise capital returns again this year.

AlphaWise iPhone Tracker estimates 59M unit demand in the March quarter, an uptick from a month ago. Our Tracker, which compiles sell-through data using web search

analysis, indicated 56.5M unit demand at the end of February. Demand strengthened in March even after we excluded spikes in the data, which we attributed to Apple's iPhone SE introduction. We assume SE demand is only recognized starting in the June quarter. Historically, our Tracker has been accurate directionally though we think the magnitude of the iPhone demand upside is probably not this high in the March quarter. Our Asia tech team, led by Jasmine Lu estimates 40M iPhone supply chain builds, and we think there is at least another 10M of inventory. Therefore, combining supply and demand side data points, we think Apple is likely to report low- to mid-50M iPhones compared to consensus of 51M and management's belief in January they could ship at least 52M. We expect Apple's March quarter results to be near the high-end of guidance range, which has been the norm in recent quarters. We increase our iPhone estimate to 52M from 49M based on stronger demand indicated by our Tracker, lower iPad to 9M from 10M based on supply chain data, and increase Mac to 4.5M from 4.4M based on preliminary IDC data. With these changes, we estimate revenue and gross margin of \$52.5B and 39.7%, up from \$50.9B and 39.5%, and around the high-end of guidance of \$50-53B and 39.0-39.5%. Our EPS also increases slightly to \$2.03 from \$1.94. In the last 10 quarters, Apple has exceeded the high end of its revenue guidance by 3% on average (actually beat in seven out of the past 10 quarters). It has met or beat the high end of its gross marg

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

This alert is sent from:

Andrew Atlas, [REDACTED]

You received this because you asked to be alerted to:

APPLE INC.

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### ***Disclosures:***

Please see the full report for risks, disclosures and other important information.

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