From: Richard Kahn <[redacted]>
To: Jeffrey Epstein <jeevacation@gmail.com>
Subject: Fwd: Apple, Inc.: 10-K Highlights Memory Pressure and Anticipation of iPhone Supercycle
Date: Mon, 06 Nov 2017 09:07:48 +0000

Richard Kahn
HBRK Associates Inc.
[redacted]
Begin forwarded message:

From: "Morgan Stanley" <[redacted]>
Date: November 6, 2017 at 12:32:11 AM EST
To: <richardkahn[redacted]
Subject: Apple, Inc.: 10-K Highlights Memory Pressure and Anticipation of iPhone Supercycle
Reply-To: <mswmir-cie-feedback@morganstanley.com>

Morgan Stanley

Wealth Management

Apple, Inc.: 10-K Highlights Memory Pressure and Anticipation of iPhone Supercycle

Download Report

Katy L. Huberty, CFA – Morgan Stanley

November 6, 2017 5:01 AM GMT

Record levels of off-balance sheet commitments, vendor non-trade receivables, and inventory highlight tight memory supply and preparation for a strong iPhone cycle. Normalizing gross margin for FX, warranty and Services 1x adjustment suggests memory prices had a larger impact than recent quarters.
On and off balance sheet component inventory signals bullish iPhone outlook, rising memory costs. Three metrics indicate bullish Apple demand for components, in total growing 64% Q/Q, more than in any other period in Apple's history (2). The prior high was at the start of the last supercycle, iPhone 6, in September 2014 when on and off balance sheet components grew 58% Q/Q. (1) Off-balance sheet purchase commitments for outsourcing and components grew 31% Y/Y, an acceleration from 11% growth in the prior quarter, and 61% Q/Q, above the 3-year historical seasonality of 44% (3). Off-balance sheet commitments are roughly 90% correlated to next quarter revenue (4), implying December quarter sales near $86B relative to company guidance of $84-87B, through revenue typically overshoots this metric in the holiday quarter. We believe Apple is planning for strong demand and making purchase commitments to lock in favorable pricing, especially in memory. (2) Vendor non-trade receivables similarly increased 31% Y/Y, however this reflects a modest deceleration from 40% Y/Y growth in the June quarter. This metric represents components purchased by Apple and transferred to manufacturing partners. These receivables have 83% correlati-on to next quarter revenue (5), and similarly support management revenue guidance. (3) Inventory held on Apple's balance sheet grew to $4.9B in the September quarter, up 54% Q/Q and 128% Y/Y and a record high for the company. We believe the inventory increase is a combination of pre-purchases and the rising value of components, namely memory, where prices increased over 100% and 50% Y/Y for DRAM and NAND, respectively (6). Normalized Septem

This alert is sent from:

Andrew Atlas, [redacted]

You received this because you requested that you receive content and reports from:
APPLE INC.
Please contact your FA if you want to unsubscribe from the alerts.