

Apple Inc. (AAPL): Jan. 2025 China foreign-branded phone shipments decline 21% yoy

BOTTOM LINE: January 2025 China foreign-branded phone shipments - which we view as a proxy for Apple iPhone sell-in in China - decreased 21% yoy. Though this marks a deceleration from 1% yoy growth in December 2024, yoy trends remain above September/October/November 2024 (-40%/-44%/-47% yoy). We recognize that December and January results may have benefited from inventory build ahead of the implementation of national consumer smartphone subsidies on January 20th, 2025.

KEY NUMBERS: The China Academy of Information and Communications Technology (CAICT) reported January 2025 mobile phone shipments in China of 27.2 mn (-14% yoy) including Chinese branded phones of 22.8 mn (-13% yoy) and foreign branded phones of 4.4 mn (-21% yoy).

MAIN POINTS:

1. Mobile phone shipments in China of 27.2 mn in January decreased 14% yoy, the largest decline since September 2024 (-24% yoy) and decelerating from +22% yoy growth in December 2024.
2. Foreign-branded phone shipments in China, which we view as a helpful approximation for iPhones in China, of 4.4 mn decreased 21% yoy. Though this is a sharp decline from ~1% yoy growth in December 2024, January declines show improvement from 40%+ yoy declines in September-November 2024. January 2025 foreign-branded phone shipments increased 17% m/m, below the seasonal average of +51% m/m (average of January 2022-24).
3. The market share of international branded phone shipments in January 2025 (16%) improved from 11% in December 2024, though this is largely seasonal. On a year-over-year basis, the share of foreign branded shipments is slightly below January 2024 (17% of total shipments) and remains below historical levels (48% in January 2023, 22% in January 2022).

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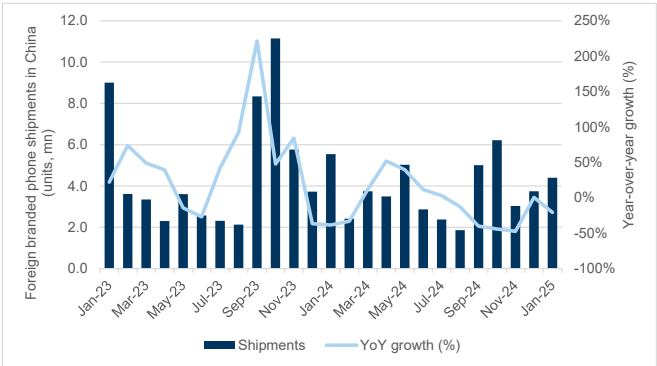
Exhibit 1: CAICT estimates international branded phone shipments declined 21% yoy and grew 17% m/m in January 2025 (v. Chinese branded mobile phone shipments down 13% yoy and down 26% m/m)

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
China market shipment (units in mn)																									
Mobile phones	19	21	23	19	26	22	19	19	33	29	31	28	32	14	21	24	30	25	24	24	25	30	30	35	27
YoY growth (%)	-43%	43%	5%	3%	25%	-21%	-7%	0%	59%	20%	34%	1%	68%	-33%	-5%	29%	16%	13%	30%	27%	-24%	2%	-5%	22%	-14%
MoM growth (%)	-32%	12%	6%	-17%	39%	-15%	-16%	2%	75%	-12%	7%	-9%	12%	-55%	50%	13%	26%	-18%	-3%	-1%	6%	17%	0%	17%	-21%
Smartphones	18	20	22	18	25	21	17	18	32	28	30	27	30	14	20	23	29	24	22	21	24	28	28	32	25
YoY growth (%)	-43%	40%	3%	2%	23%	-24%	-10%	-1%	61%	19%	34%	0%	61%	-31%	-6%	25%	14%	14%	28%	18%	-26%	-1%	-6%	21%	-17%
MoM growth (%)	-32%	12%	5%	-16%	39%	-17%	-17%	4%	78%	-12%	6%	-10%	10%	-52%	44%	12%	26%	-17%	-7%	-5%	12%	18%	1%	15%	-24%
Smartphones as a % of mobile phones	97%	96%	95%	97%	97%	94%	93%	94%	96%	97%	96%	95%	93%	98%	95%	94%	94%	96%	92%	88%	93%	94%	95%	94%	90%
By region (units in mn)																									
Chinese branded phones	10	18	19	16	22	20	16	17	25	18	25	25	26	12	18	21	25	22	22	22	20	23	27	31	23
YoY growth (%)	-61%	38%	0%	0%	35%	-20%	-11%	-6%	36%	7%	27%	12%	165%	-33%	-8%	26%	13%	13%	34%	32%	-18%	30%	4%	25%	-13%
MoM growth (%)	-55%	78%	9%	-15%	37%	-13%	-17%	4%	48%	-28%	41%	-3%	7%	-55%	49%	17%	23%	-13%	-1%	2%	-8%	15%	13%	16%	-26%
Chinese Brands as a % of mobile phones	52%	83%	85%	88%	86%	88%	88%	89%	75%	62%	82%	87%	83%	83%	82%	85%	83%	88%	90%	92%	80%	79%	90%	89%	84%
International branded phones	9.0	3.6	3.3	2.3	3.6	2.6	2.3	2.1	8.3	11.2	5.8	3.7	5.5	2.4	3.7	3.5	5.0	2.9	2.4	1.9	5.0	6.2	3.0	3.7	4.4
YoY growth (%)	22%	74%	49%	39%	-14%	-27%	42%	92%	222%	48%	84%	-37%	-38%	-33%	12%	52%	40%	12%	3%	-13%	-40%	-44%	-47%	1%	-21%
MoM growth (%)	53%	-60%	-7%	-31%	57%	-29%	-10%	-8%	291%	34%	-48%	-36%	49%	-56%	55%	-7%	44%	-43%	-17%	-22%	169%	24%	-51%	23%	17%
International Brands as a % of mobile phones	48%	17%	15%	12%	14%	12%	12%	11%	25%	38%	18%	13%	17%	17%	18%	15%	17%	12%	10%	8%	20%	21%	15%	15%	17%
Rolling 12 month average	17%	17%	18%	18%	18%	17%	18%	18%	19%	20%	20%	20%	17%	17%	17%	18%	18%	18%	18%	17%	17%	15%	15%	15%	15%

Source: CAICT, Data compiled by Goldman Sachs Global Investment Research

Exhibit 2: In January 2025, foreign branded phone shipments in China declined 21% year-over-year, decelerating from 0.6% yoy growth in December 2024

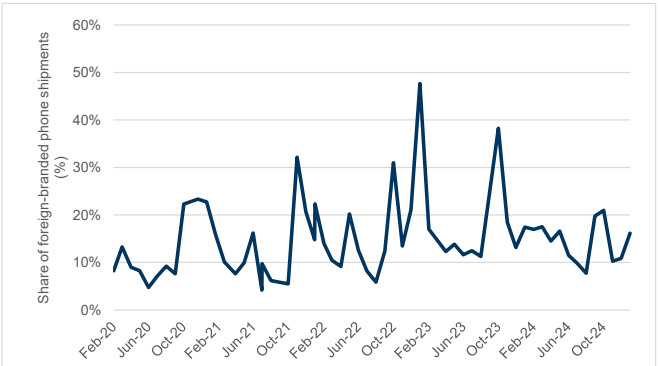
Foreign-branded phone shipments in China (mn) & year-over-year change (%)



Source: CAICT, Data compiled by Goldman Sachs Global Investment Research

Exhibit 3: 16% of phone shipments in China were foreign-branded in January 2025 (v. 17% in January 2024).

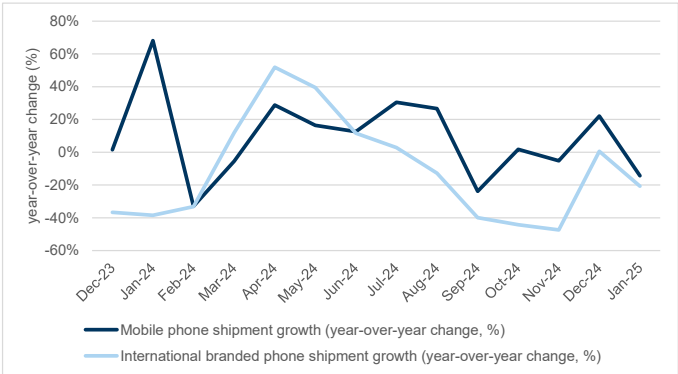
Share of foreign-branded phone shipments (% of total)



Source: CAICT, Data compiled by Goldman Sachs Global Investment Research

Exhibit 4: In January 2025, foreign-branded phone shipment declines (-21% yoy) were worse relative to overall phone shipment declines in China (-14% yoy)

Unit shipment growth (year-over-year change %)



Source: CAICT, Data compiled by Goldman Sachs Global Investment Research

Rating, price target, valuation, and key risks

Apple Inc (AAPL, Buy)

Our estimates are unchanged.

We are **Buy rated** on **AAPL** with a 12-month target price of \$294 (unchanged) reflecting 33X (unchanged) our NTM+1Y EPS.

Key risks include:

Weakening consumer demand for products and services. Apple's products and services are typically sold to consumers and any weakness in the macroeconomic environment could reduce demand for Apple products and services. Apple generated 51% of its revenue from iPhones (F2024), which is highly dependent on purchases driven by upgrades. Lengthening replacement cycles due to macroeconomic headwinds, improved product durability, or lackluster product innovation could all negatively impact upgrade demand.

Supply chain disruption. Although Apple's suppliers have a global footprint, the majority of final assembly occurs in China. Increased geopolitical tension may result in disruptions to global trade including through tariffs. While Apple has a robust supply chain network, it may rely on one or a few key suppliers for unique or hard-to-manufacture at scale parts.

Intensifying competition. Apple competes across personal devices (e.g., handsets, tablets, PCs, headphones) and a variety of services (e.g., video streaming, app distribution, advertising, music streaming, online fitness, cloud storage, product warranties). Although Apple is the largest company and the most well resourced among its competitors, it is not the market leader in every single business line. For instance, in video streaming, it faces several key competitors that invest more heavily than Apple in content.

Regulatory risks. Apple is subject to intense regulatory scrutiny in all the major markets that it operates in. Regulatory intervention could result in weakening Apple's competitive advantages if it is forced to make its proprietary products or services available for competitors to use.

Capital allocation execution. Apple has a history of M&A, which has no guarantee of success. AAPL also has a history of share repurchases, which could prove to offer lower ROI or come under deeper regulatory scrutiny.

Apple designs, manufactures, and markets personal technology devices and sells a variety of related services. Its long history and track record of **(1) designing category-defining and innovative products** (e.g., Mac, iPhone, iPad, Apple Watch, AirPods, iPod); **(2) protecting digital privacy**; and **(3) delivering premium services & experiences** have contributed to an unmatched brand strength. Apple's brand loyalty has resulted in a growing installed base of users that provide Apple with visibility into revenue growth by reducing customer churn, lowering customer acquisition costs for

new product and services launches (e.g., Apple TV+, Apple Fitness, Apple Watch), and encouraging repeat purchases, such as phone upgrades.

We are Buy-rated on AAPL as we believe that the market's focus on slower product revenue growth masks the strength of the Apple ecosystem and associated revenue durability & visibility. Apple's installed base growth, secular growth in services, and new product innovation should more than offset cyclical headwinds to product revenue, such as a reduced iPhone unit demand due to a lengthening replacement cycle and reduced consumer demand for the PC & tablet category. Valuation is attractive relative to AAPL's historical multiple — both on an absolute & relative basis — and compared to key tech peers. The majority of gross profit growth over the next 5-years should be driven by Services, which should mark an inflection point in the Services investment narrative and support AAPL's premium multiple. The durability of Apple's installed base and the resulting revenue growth visibility from attaching more Services and Products is what underpins the recurring revenue — or Apple-as-a-Service — opportunity.

Key risks to our view include weakening consumer demand, supply chain disruption, intensifying competition, regulatory risks, and capital allocation execution.

AAPL	12m Price Target: \$294.00	Price: \$213.49	Upside: 37.7%
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Buy		GS Forecast			
Market cap: \$3.2tr Enterprise value: \$3.2tr 3m ADTV: \$12.7bn United States Americas Hardware, Media, and SMID Fintech M&A Rank: 3	Revenue (\$ mn)	9/24	9/25E	9/26E	9/27E
	EBITDA (\$ mn)	391,035.0	412,092.6	447,492.6	482,062.8
	EBIT (\$ mn)	134,661.0	145,558.5	160,768.7	175,454.5
	EPS (\$)	123,216.0	133,187.7	148,037.8	162,146.4
	P/E (X)	6.75	7.45	8.50	9.58
	EV/EBITDA (X)	28.8	28.7	25.1	22.3
	FCF yield (%)	21.8	21.6	19.0	16.9
	Dividend yield (%)	3.6	4.1	4.6	5.0
	Net debt/EBITDA (X)	0.5	0.5	0.5	0.5
		(0.4)	(0.4)	(0.4)	(0.4)
		12/24	3/25E	6/25E	9/25E
EPS (\$)	2.40	1.67	1.54	1.85	

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 14 Mar 2025 close.

Disclosure Appendix

Reg AC

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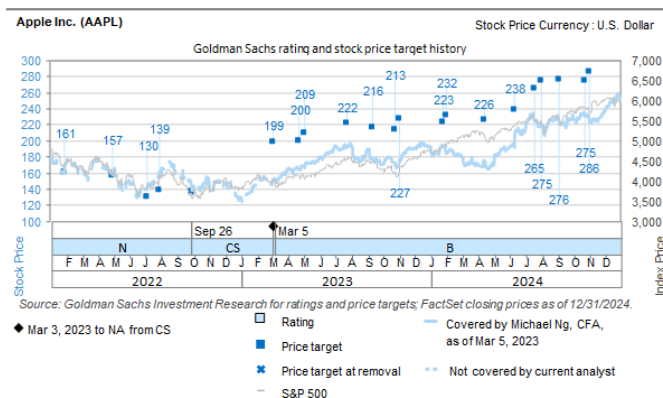
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