

Apple

Public CAICT China October Data Confirm Industry Headwinds and Apple Share Gains

Even though available at quite a lag with the latest release being for the month of October, the public data from China Academy of Information and Communications Technology (CAICT) relative to the smartphone industry in China in the month of October offers further evidence of two widely acknowledged, and conflicting, drivers for iPhone revenues - 1) Shipments declining for Apple and the industry y/y, with declines of about -14% y/y for Apple if we aggregate September and October to moderate the effect of the shipment delays last year; 2) Share gains for iPhones continuing in the market with share hitting a high point of 23% of the market with help from the launch of iPhone 14. Lastly, it is important to keep in mind that the absolute unit sales in the month of October do not contain any material supply constraints from the lower utilization currently impacting the Zhengzhou plant in China, and we would expect supply on a stand-alone basis to be a driver of worsening y/y trends in November and December.

Coming back to the October data, International (Apple) shipments tracked at 7.6 mn units for the month of October, decreasing -30% y/y. However, if we compare shipments since product launch, i.e. shipments for Sep + Oct, (as the Oct-21 shipments were exceptionally higher due to delayed product availability due to supply chain troubles very early into the launch), they were lower by -14% y/y. For the same time frame, total China market shipments were lower by -18% y/y, pointing towards better than market trends for Apple and a market share since iPhone 14 launch of 23%, vs. 22% at a similar time during iPhone 13 cycle. For the month of October, overall shipments growth for the industry tracked -27% lower on y/y basis. 5G shipments for the month of October were strong at 19.5 mn units, representing 80% of the total shipments.

- **International shipments (Apple) till October have been lower y/y for iPhone 14 cycle.** Based on the latest CAICT report, International brand mobile phone shipments (comprising primarily of Apple) for the latest product cycle (Sep+Oct shipments) tracked -14% y/y till October. However, from a market share perspective, International shipments were modestly better than prior cycle, with 23% share during iPhone 14 cycle till October, vs. 22% in the prior product cycle and historical average of 17% at this point in the cycle. *Please note that we view CAICT data as only a directional view into volume trends, while absolute sales volumes reported by CAICT might differ from actual volumes.*
- **5G mix accounted for ~80% of total shipments in October.** CAICT's monthly report disclosed 5G mobile phone shipments in China increased +29% m/m to ~20 mn units in October, with 5G smartphones tracking to ~80% of total shipments vs. ~79% in the prior year. For Jan-Oct 2022, 5G shipments, although -18% y/y lower than 2021, were 78% of the total shipments vs. 74% at similar time in 2021. *For the full year 2021, 5G smartphone shipments*

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Overweight

AAPL, AAPL US
Price (23 Dec 22):\$131.86

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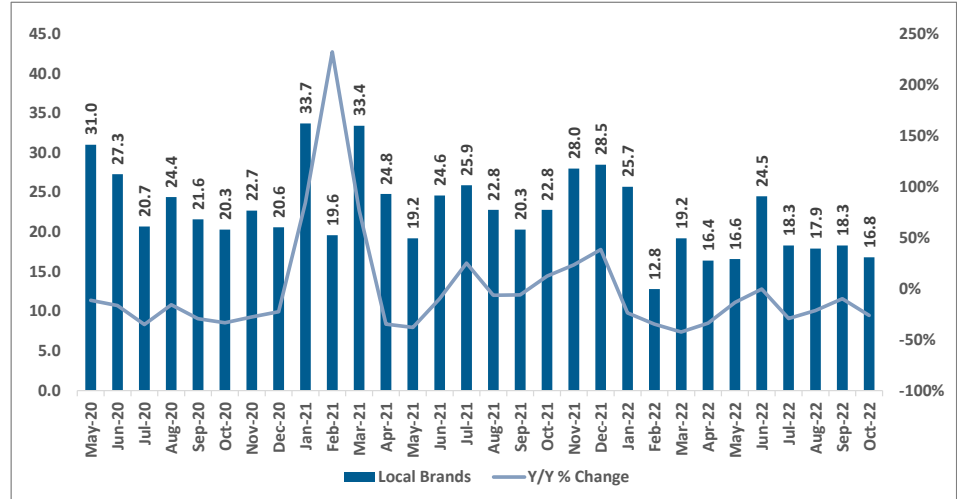
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tracked at 266.1 mn units, accounting for 76% of the overall shipments, which compares to 162.8 mn units (53% of total) in 2020.

Figure 1: Local Brand Mobile Phone Shipments in China

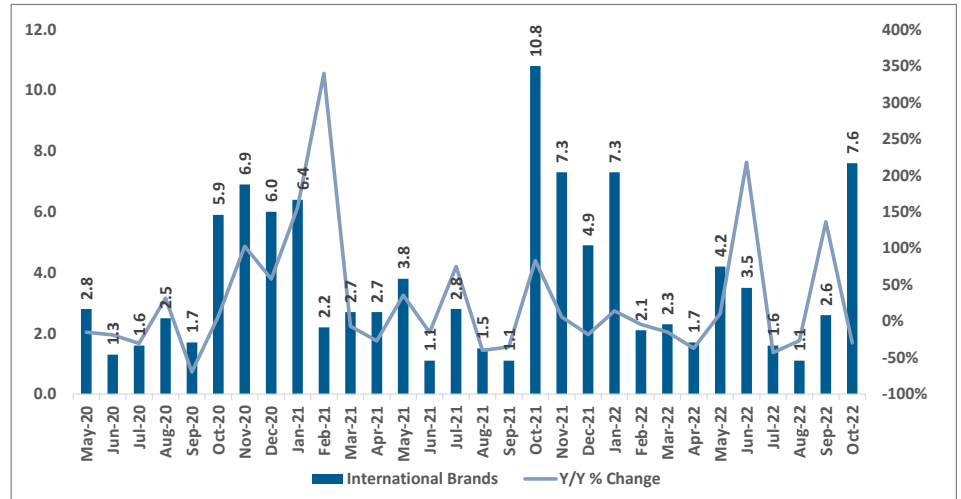
Units in Millions, Y/Y % Change



Source: CAICT and J.P. Morgan estimates.

Figure 2: International Brand Mobile Phone Shipments in China

Units in Millions, Y/Y % Change



Source: CAICT and J.P. Morgan estimates.

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Apple (AAPL, AAPL US) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage May 01, 1999. All share prices are as of market close on the previous business day.

Date	Rating	Price (\$)	Price Target (\$)
27-Jan-20	OW	79.58	75
28-Jan-20	OW	77.24	87.5
08-Apr-20	OW	64.86	84
01-May-20	OW	73.45	87.5
28-May-20	OW	79.53	91.5
27-Jul-20	OW	92.62	106.5
30-Jul-20	OW	95.04	115
01-Sep-20	OW	129.04	150
29-Apr-21	OW	133.58	165
06-Jul-21	OW	139.96	170
14-Jul-21	OW	145.64	175
19-Aug-21	OW	146.36	180
13-Dec-21	OW	179.45	210
24-Apr-22	OW	161.79	205
28-Apr-22	OW	156.57	200
19-Dec-22	OW	134.51	190

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Completed 27 Dec 2022 09:27 AM EST

Disseminated 27 Dec 2022 10:00 AM EST