

Deutsche Bank Markets Research

Rating

Hold

North America

United States

Company

Apple Inc.

Date

4 June 2018

Company Update

TMT

IT Hardware and Supply Chain

Reuters

AAPL.OQ

Bloomberg

AAPL US

Exchange

NSM

Ticker

AAPL

Price at 4 Jun 2018 (USD)

Price target

52-week range

191.83

165.00

190.24 - 142.27

Highlights from WWDC

What happened and our view

Today, Apple held its annual keynote at the Worldwide Developers Conference (WWDC), highlighting updates to its four operating platforms: macOS, iOS, tvOS, and WatchOS. As expected, there were no hardware announcements at the event and we view the software updates as more incremental than game-changing. From our perspective, we view Apple's enhanced security and time-management features as the most meaningful new updates. On security, Apple will be making it harder for websites you visit to uniquely identify your device and also will add protection on what personal data third-party apps receive. Apple also announced new features on iOS to limit the intrusiveness of smartphones and help users manage their screen time across devices and apps. Security of personal data and overuse of technology, particularly by children, are key areas of public focus, and we view these new features as important updates to the Apple ecosystem. However, with only modest software updates announced, our view on the stock remains unchanged and we maintain our Hold rating.

What's incremental?

There wasn't a lot incremental in our view from the keynote, but we think there were some updates that could modestly enhance Apple's product lineup. Apple announced that it has integrated some of its own iOS apps into macOS, including news and stocks, as a ﬁrst step in the future integration of third-party iOS apps into macOS. We believe further integration of the full suite of apps across iOS and macOS could provide some incentive for iPhone users to buy a Mac, a potential modest positive for Mac sales longer term. Relating to iOS updates, we view the new Siri shortcuts, where users can create Siri shortcuts with any third-party app, as another way for Apple to try to increase user interactions with Siri, and could help improve some of the shortcomings with Siri in the home [(note).](https://research.db.com/Research/Document?rid=fbd07b3c-3368-11e8-95fd-6fccacf80123-604&amp;kid=RP0001&amp;documentType=R) The company's new "memoji" features on messaging will also likely be of interest to younger users, and we also liked the new walkie-talkie app on watchOS, integration of third-party apps into CarPlay, "zero sign-on" for tvOS, and dark mode in macOS Mojave.

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Price/price relative

200

150

100

50

Jul '16 Jan '17 Jul '17 Jan '18

**Apple Inc. S&P 500 INDEX (Rebased)**

Performance (%) 1m 3m 12m

Absolute 12.5 8.7 24.2

S&P 500 INDEX 3.0 2.1 12.5

*Source: Deutsche Bank*