

Deutsche Bank Markets Research

Rating

Hold

North America

United States

Company

Apple Inc.

Date

12 September 2017

Company Update

TMT

IT Hardware and Supply Chain

Reuters

AAPL.OQ

Bloomberg

AAPL US

Exchange

NSM

Ticker

AAPL

Price at 12 Sep 2017 (USD)

Price target

52-week range

160.86

140.00

164.05 - 105.71

iPhone X leads new product introductions

New iPhone and Watch features in-line with expectations

Today, Apple launched its next-generation iPhone and Watch as well as updates to Apple TV and a preview of a new charging device called Air Power. The features of Apple's ﬂagship iPhone X were largely in-line with expectations, most notably an edge-to-edge curved screen and the replacement of TouchID with facial recognition technology. Both the elevated price (starting at $999) and delayed availability (shipping November 3) were consistent with recent pre-launch buzz on product delays. Apple Watch Series 3 will include cellular connectivity, a key feature enhancement that was widely anticipated. Given the size of Apple's supply chain, it remains challenging for the company to deliver new product surprises and today's launch was no exception.

[Valuation & Risks](https://ger.gm.cib.intranet.db.com/ger/disclosure/Disclosure.eqsr?ricCode=AAPL.OQ)

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Price/price relative

Few surprises to new and updated iPhones

Apple unveiled the iPhone X, its high-end iPhone model, billed as the most innovative iPhone yet as an homage to the device's 10th anniversary. The phone features a larger 5.8-inch OLED curved edge display and no home button. iPhone X features facial recognition technology, or FaceID, to unlock the device, enabled by a group of front-facing cameras and machine learning. FaceID replaces TouchID and can also be used to authenticate Apple Pay payments. Apple also

200

150

100

50

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

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

introduced refreshed iPhone 8 and 8 plus models at higher capacity points, 64GB and 256GB. Pricing on the iPhone X begins at $999 while the iPhone 8 starts at

$699, $50 above prior new releases.

Cellular added to Apple Watch and tweaks to Apple TV

Apple released the Apple Watch Series 3 featuring direct cellular connectivity. The feature will free users from using an iPhone to stream Apple Music or access maps for directions. Users will also be able to make and receive calls and text messages sent to an existing mobile number even when away from their iPhones. The new Apple Watch with cellular connectivity will begin at $399 while an unconnected version will go on sale at $329. Apple will cut the price on Apple Watch Series 1 devices to $249, making them more competitive with Fitbit's recently launched Ionic smart watch and other brands. Apple also announced updates to Apple TV, including support for 4K content and the inclusion of live sports and news.

Performance (%) 1m 3m 12m

Absolute 2.1 10.6 52.6

S&P 500 INDEX 1.9 2.4 15.2

*Source: Deutsche Bank*