

June 13, 2025 09:02 AM GMT


Apple, Inc. | North America

China Discounting Driving June Q iPhone and iPad Upside

iPhone and iPad sell-thru in China are positively surprising this qtr thanks to 618 Festival promotion momentum, and suggest up to \$4B June rev upside vs. MSe, all else equal. Sept Q builds tracking in-line to slightly better, meaning Apple could catch a short-term bid with valuation near T2Y lows.

I'd greatly appreciate your support for the Morgan Stanley IT Hardware & EMS team in this year's All-America Extel survey. Respectfully, Erik.

How to vote: To request a ballot, please go to <https://www.extelinsights.com/voting> and select "All-American Research Team".



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iPhone and iPad estimates tracking ahead in F2H25. In what feels like a repeat of F2H24, deep 618 Festival channel promotions in China are having success driving upside to iPhone and iPad sell-through in the June quarter. Specifically, we now see ~3.0M units of upside to our June qtr iPhone shipments and ~2.5M units of upside to our June qtr iPad shipments, or \$4B revenue upside, all else equal. Furthermore, despite trending below normal seasonality, preliminary September qtr iPhone/iPad builds point to in-line to slightly better than expected September qtr iPhone/iPad shipments. It's unlikely that this momentum materially shifts investor sentiment (Services uncertainty still dominates investor conversations), but we'd highlight that estimate upside is typically accompanied by multiple expansion, so watch for Apple to potentially catch a short-term bid given the stock is trading towards the lower-end of its 24-32x P/E range over the last 2 years.

China discounting driving iPhone and iPad sell-through upside in the June quarter. As we highlighted in our [Asia supply chain checks earlier this week](#), iPhone sell-through in China has been very strong for 3 consecutive weeks thanks to 618 Festival promotions and national subsidies. We are now learning that this momentum is driving upside to June quarter iPhone, and iPad, shipments. Specifically, [our Greater China Tech Hardware team](#) (led by Sharon Shih) now sees 46.5M iPhone builds (+19% Y/Y) and 14.5M iPad builds (+38% Y/Y) in the June quarter, up from 45.0M (+15% Y/Y) and 13.0M (+24% Y/Y), respectively. Using the historical seasonal relationship between builds and shipments would imply June quarter iPhone shipments of 4.9.0M, 7% above MSe of 46.0M units, and 8% above Consensus at 45.2M units ([Exhibit 1](#)). For iPad, builds now imply 14.7M shipments in the June quarter, 20% above MSe of 12.3M units, and 12% above Consensus (of 13.1M

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Apple, Inc. (AAPL.O, AAPL US)					
IT Hardware United States of America					
Stock Rating	Overweight				
Industry View	In-Line				
Price target	\$235.00				
Shr price, close (Jun 12, 2025)	\$199.20				
Mkt cap, curr (mm)	\$2,988,227				
52-Week Range	\$260.10-169.21				
Fiscal Year Ending	09/24	09/25e	09/26e	09/27e	
EPS (\$) **	6.75	7.02	7.69	8.64	
Prior EPS (\$) **	-	-	-	-	
P/E	34.5	28.4	25.9	23.0	
EPS (\$) §	-	7.16	7.77	8.50	
Div yld (%)	0.4	0.5	0.5	0.6	

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

QUARTERLY EPS (\$)					
Quarter	2024	2025e Prior	2025e Current	2026e Prior	2026e Current
Q1	2.18	-	2.40a	-	2.36
Q2	1.53	-	1.65a	-	1.79
Q3	1.40	-	1.41	-	1.58
Q4	1.64	-	1.56	-	1.96

e = Morgan Stanley Research estimates, a = Actual Company reported data

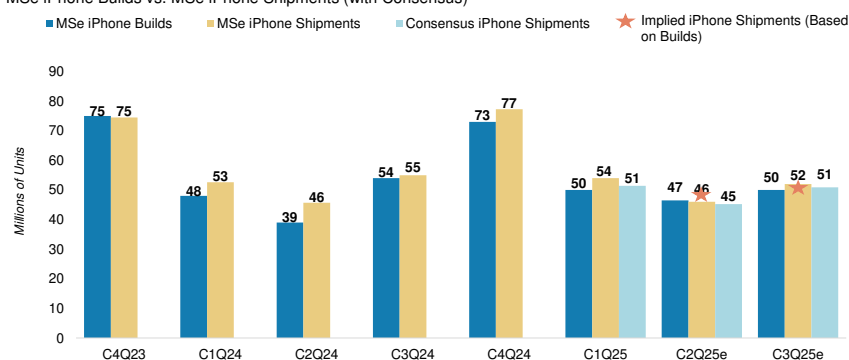
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For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

units; [Exhibit 2](#)). All else equal, the 3M stronger iPhone/iPad builds would result in \$4B of revenue upside vs. prior June quarter expectations.

Exhibit 1: Our Jun Q shipment estimate of 46.0M is above consensus estimate of 45.2M. The implied iPhone shipments of 49.0M are much higher than our and consensus estimates due to the strong sell-through in China thanks to 618 Festival promotions and national subsidies.

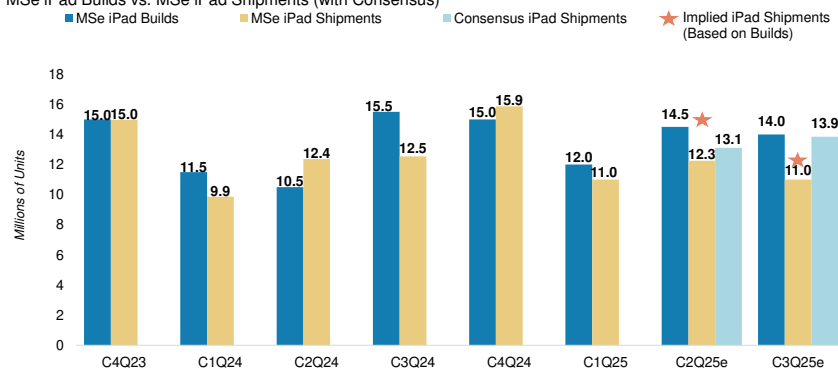
MSe iPhone Builds vs. MSe iPhone Shipments (with Consensus)



Source: Company data, Morgan Stanley Research estimates

Exhibit 2: Our 12.3M iPad shipment forecast for the Jun Q is ~1M units below consensus of 13.1M. Implied shipments of 14.7M for the Jun Q are above both MSe and the Consensus, also driven by better sell-through in China around the 618 Festival promotions as well as national subsidies.

MSe iPad Builds vs. MSe iPad Shipments (with Consensus)



Source: Company data, Morgan Stanley Research estimates

The supply chain believes June Q upside is largely pull-forward, resulting in below seasonal iPhone/iPad builds in Sept Q, though in-line to above our current forecasts. While June quarter iPhone/iPad demand is tracking ahead of expectations, the supply chain believes this is largely demand pull-forward, as 618 festival promotions will end by the start of the September quarter, and likely result in slowing iPhone (and iPad) sell-through. As a result, Sept Q iPhone builds of 50.0M units are up just 8% Q/Q vs. +24% T3Y seasonality. Similarly, Sept Q iPad builds of 14.0M are expected to decline 3% Q/Q vs. +33% T3Y seasonality. It's early, so these expectations can change, but currently, these build forecasts imply Sept Q iPhone shipments in-line with our current 52M forecast, and iPad builds 1M units above our 13M forecast. So while Sept qtr seasonality is weak, it's off a strong June qtr base,

and builds actually point to Sept qtr shipments in-line to slightly ahead of our expectations.

Separately, iPhone production in India is tracking ahead of our expectations, to nearly 50M units in CY25. In April it was reported that [Apple was increasingly leaning into India as a production hub for US-bound iPhones](#). We are picking up signs that this plan is ahead of our prior 30-40M build expectation for CY25, as May '25 iPhone shipments out of India were ~\$1.8B, per the [Economic Times of India](#). If we were to assume a roughly \$500 all-in cost to produce an iPhone in India, then year-to-date iPhone production in India is tracking to 17-18M units, vs. 28M in all of CY24. If June production remains at the same run-rate as May, and we assume a 45%/55% split between builds in C1H and C2H this year, then total iPhones produced in India could amount to 47M units, up nearly 70%. [As we noted back in April](#), Apple would need to reach an ~80M annualized production run-rate in India to satisfy both India and US demand, and limit China tariff exposure, and if the current pace continues, all US-bound iPhones could be sourced from India by the end of CY26.

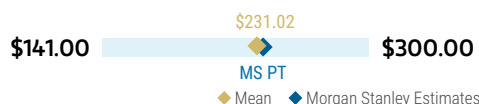
Risk Reward – Apple, Inc. (AAPL.O)

Replacement Cycles Will Still Accelerate But Near-term Uncertainties Remains

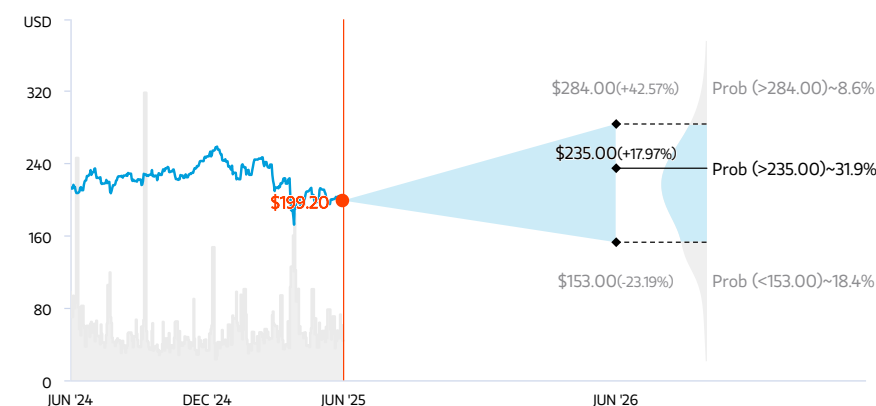
PRICE TARGET \$235.00

Our \$235 PT is based a 7.9x EV/Sales FY26 multiple, which is derived from a regression of tech and consumer platform peers. Our price target implies 29.2x P/E on \$8.06 CY26 EPS.

Consensus Price Target Distribution



RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)

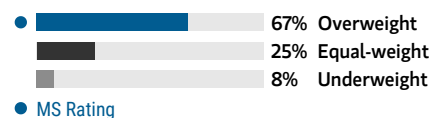


Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 12 Jun 2025. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology [here](#)

OVERWEIGHT THESIS

With the largest base of pent up iPhone demand ever (i.e. most elongated replacement cycles), new AI features rolling out (slowly) around the world, and a renewed focus on device form factor changes, we believe Apple can accelerate iPhone growth starting in FY26, before replacement cycles contract in the 2 years thereafter. When combined with consistent, double digit services growth, gross margin stability, and moderate operating leverage, we believe Apple can earn \$8.06 in CY26 and \$8.64 by FY27. Longer-term, investments in AI, payments, cloud, health, and home, and long runway to grow spend per user from \$1/day today are key arguments for sustained long-term growth and value creation.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Disruption:	Positive
New Data Era:	Positive
Pricing Power:	Positive

View descriptions of Risk Rewards Themes [here](#)

BULL CASE \$284.00

9.0x EV/Sales FY26; 33.9x Bull CY26 P/E of \$8.38

iPhone replacement cycles accelerate in FY25 as AI iPhone drives double-digit revenue/EPS growth. Consumer demand returns, and stronger than expected iPhone 17 upgrade intentions + mix shift to higher end iPhones drives mid-teens Y/Y iPhone revenue growth, while tariff impacts are largely mitigated as we enter FY26, thanks to Apple's bargaining power against end consumers and the supply chain. Our bull case valuation implies a 33.9x P/E multiple on CY26 Bull EPS.

BASE CASE \$235.00

7.9x EV/Sales FY26 or 29.2x CY26 EPS of \$8.06

Services and margins remain resilient, while investors look past near-term to Edge AI opportunity in 2025. Revenue grows 3% Y/Y in FY25, driven by 10%+ Services growth and flattish Product growth. GM may decline to mid-40s % for the remaining of FY25 mainly due to incremental tariff costs, but should gradually recover as Apple leverages the supply chain and repricing to mitigate the impact. The elongated iPhone replacement cycle may still create pent up demand for upgrades in FY27.

BEAR CASE \$153.00

5.8x EV/Sales FY26; 24.1x CY26 Bear EPS of \$6.36

iPhone 17 cycle disappoints as consumer spending weakens more than expected amidst tariff-driven price increase. Growth slows even further across the portfolio as discretionary income is pressured by hard landing, leading to declining Product rev and decelerating Services rev growth, with only flattish Y/Y revenue growth in FY25. With revenue slightly growing but gross margin contracting, CY26 EPS will only grow mildly to ~\$6.36 in CY26. Our bear case valuation implies a 24.1x CY26 P/E.

Risk Reward – Apple, Inc. (AAPL.O)

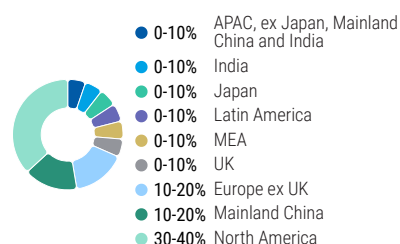
KEY EARNINGS INPUTS

Drivers	2024	2025e	2026e	2027e
Total Revenue Growth (Y/Y) (%)	2.0	3.4	7.3	6.5
iPhone Revenue Growth (Y/Y) (%)	0.3	0.2	7.1	6.9
Services Revenue Growth (Y/Y) (%)	12.9	11.9	11.5	10.3
Gross Margin (%)	46.2	46.3	46.4	47.5
EPS Growth (Y/Y) (%)	10.0	4.1	9.5	12.3

INVESTMENT DRIVERS

- Positive iPhone build revisions / clearer signs of accelerating replacement cycles
- Services revenue growth reacceleration
- Apple Intelligence feature and distribution expansion
- New product launches in home, health and AI
- Regulatory overhang eliminated

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS

3/5 BEST	24 Month Horizon	1/5 MOST	3 Month Horizon
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Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- iPhone 17 outperforms expectations
- Apple Intelligence adoption surprises to the upside
- Apple pulls forward form factor changes
- Services growth re-accelerates despite tougher compares
- Gross margins surprise positively

RISKS TO DOWNSIDE

- Weak consumer spending limits iPhone upgrade rates
- Limited progress on AI features
- Geopolitical tensions/tariffs
- Increased regulation, particularly with GOOGL TAC and App Store

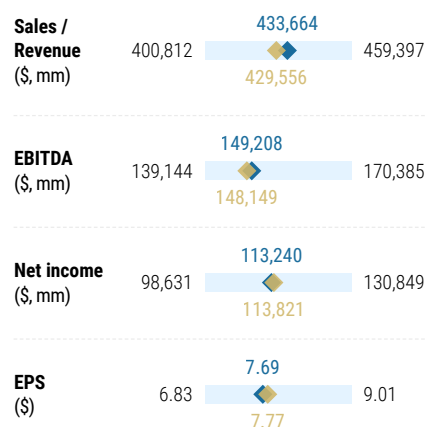
OWNERSHIP POSITIONING

Inst. Owners, % Active	49.4%	<div><div></div><div></div><div></div><div></div><div></div></div>
HF Sector Long/Short Ratio	1.9x	<div><div></div><div></div><div></div><div></div><div></div></div>
HF Sector Net Exposure	23.6%	<div><div></div><div></div><div></div><div></div><div></div></div>

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Sep 2026e



◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Apple (AAPL) Financial Model

Exhibit 3: Apple Income Statement

(\$ in millions)	2024A				2025E				2026E				Fiscal Year				
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	2023A	2024A	2025E	2026E	2027E
Revenues	119,575	90,753	85,777	94,930	124,300	95,359	88,786	95,719	129,536	102,398	93,626	108,104	383,285	391,035	404,164	433,664	461,888
iPhone	69,702	45,963	39,296	46,222	69,138	46,841	40,363	45,250	72,051	50,978	41,369	51,600	200,583	201,183	201,592	215,998	230,890
iPad	7,023	5,559	7,162	6,950	8,088	6,402	6,879	6,325	7,693	6,428	6,831	7,676	28,300	26,694	27,694	28,628	27,831
Mac	7,780	7,451	7,009	7,744	8,987	7,949	7,476	7,970	8,565	7,853	7,767	8,769	29,357	29,984	32,382	32,953	33,193
Wearables, Home and Accessories	11,953	7,913	8,097	9,042	11,747	7,522	7,191	8,431	11,815	7,580	7,798	8,932	39,845	37,005	34,892	36,125	37,627
Services	23,117	23,867	24,213	24,972	26,340	26,645	26,876	27,742	29,413	29,559	29,861	31,127	85,200	96,169	107,604	119,960	132,348
Cost of Sales	64,720	48,482	46,099	51,051	66,025	50,492	47,958	52,378	71,153	54,324	49,552	57,583	214,137	210,352	216,853	232,612	242,461
Gross Profit	54,855	42,271	39,678	43,879	58,275	44,867	40,829	43,341	58,383	48,074	44,074	50,521	169,148	180,683	187,311	201,052	219,428
<i>Gross Margin</i>	<i>45.9%</i>	<i>46.6%</i>	<i>46.3%</i>	<i>46.2%</i>	<i>46.9%</i>	<i>47.1%</i>	<i>46.0%</i>	<i>45.3%</i>	<i>45.1%</i>	<i>46.9%</i>	<i>47.1%</i>	<i>46.7%</i>	<i>44.1%</i>	<i>46.2%</i>	<i>46.3%</i>	<i>46.4%</i>	<i>47.5%</i>
Operating Expenses	14,482	14,371	14,326	14,288	15,443	15,278	15,449	15,506	16,645	16,486	16,338	16,486	54,847	57,467	61,676	65,955	70,613
Research and Development	7,696	7,903	8,006	7,765	8,268	8,550	8,657	8,519	9,068	9,216	9,316	9,297	29,915	31,370	33,994	36,896	40,263
Selling, General and Administrative	6,786	6,468	6,320	6,523	7,175	6,728	6,792	6,987	7,578	7,270	7,022	7,189	24,932	26,097	27,683	29,059	30,351
Operating Income	40,373	27,900	25,352	29,591	42,832	29,589	25,380	27,834	41,737	31,588	27,736	34,035	114,301	123,216	125,635	135,097	148,814
Total Interest & Other Income	(50)	158	142	19	(248)	(279)	(301)	(119)	(117)	(113)	(56)	(0)	(565)	269	(947)	(287)	2
Pretax Income	40,323	28,058	25,494	29,610	42,584	29,310	25,079	27,715	41,620	31,475	27,680	34,035	113,736	123,485	124,688	134,810	148,817
GAAP Income Tax Provision	6,407	4,422	4,046	14,874	6,254	4,530	4,013	4,434	6,659	5,036	4,429	5,446	16,741	29,749	19,231	21,570	23,811
Operating Tax Provision (excl one time tax eff)	6,407	4,422	4,046	4,628	6,254	4,530	4,013	4,434	6,659	5,036	4,429	5,446	16,741	19,503	19,231	21,570	23,811
<i>Effective Tax Rate</i>	<i>15.9%</i>	<i>15.8%</i>	<i>15.9%</i>	<i>15.6%</i>	<i>14.7%</i>	<i>15.5%</i>	<i>16.0%</i>	<i>16.0%</i>	<i>16.0%</i>	<i>16.0%</i>	<i>16.0%</i>	<i>16.0%</i>	<i>14.7%</i>	<i>15.8%</i>	<i>15.4%</i>	<i>16.0%</i>	<i>16.0%</i>
Operating Net Income	33,916	23,636	21,448	24,982	36,330	24,780	21,067	23,281	34,961	26,439	23,251	28,590	96,995	103,982	105,457	113,241	125,006
<i>Operating Net Income Margin</i>	<i>28.4%</i>	<i>26.0%</i>	<i>25.0%</i>	<i>26.3%</i>	<i>29.2%</i>	<i>26.0%</i>	<i>23.7%</i>	<i>24.3%</i>	<i>27.0%</i>	<i>25.8%</i>	<i>24.8%</i>	<i>26.4%</i>	<i>25.3%</i>	<i>26.6%</i>	<i>26.1%</i>	<i>26.1%</i>	<i>27.1%</i>
Total Non-recurring Charges	-	-	-	(10,246)	-	-	-	-	-	-	-	-	-	(10,246)	-	-	-
GAAP Net Income	33,916	23,636	21,448	14,736	36,330	24,780	21,067	23,281	34,961	26,439	23,251	28,590	96,995	93,736	105,457	113,241	125,006
Fully-diluted EPS																	
EPS - ModelWare	\$2.18	\$1.53	\$1.40	\$1.64	\$2.40	\$1.65	\$1.41	\$1.56	\$2.36	\$1.79	\$1.58	\$1.96	\$6.13	\$6.75	\$7.02	\$7.69	\$8.64
EPS - Reported	\$2.18	\$1.53	\$1.40	\$0.97	\$2.40	\$1.65	\$1.41	\$1.56	\$2.36	\$1.79	\$1.58	\$1.96	\$6.13	\$6.08	\$7.02	\$7.69	\$8.64
EPS - ModelWare excl. Stock Option Expe	\$2.37	\$1.72	\$1.58	\$1.83	\$2.61	\$1.86	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Payment	3,825	3,710	3,895	3,804	3,856	3,758	3,933	3,849	3,944	3,850	4,052	3,967	15,025	15,234	15,396	15,813	16,314
Dividend Per Share	\$0.25	\$0.24	\$0.25	\$0.25	\$0.25	\$0.25	\$0.26	\$0.26	\$0.27	\$0.26	\$0.28	\$0.27	\$0.95	\$0.99	\$1.03	\$1.08	\$1.13
Period Ending Outstanding Shares	15,460.2	15,550.1	15,222.3	15,116.8	15,040.7	14,939.3	14,865.8	14,794.3	14,724.2	14,655.9	14,589.3	14,524.3	15,550.1	15,116.8	14,794.3	14,524.3	14,281.2
Avg Shares (Basic)	15,509.8	15,405.9	15,287.5	15,172.0	15,081.7	14,994.1	14,902.6	14,830.0	14,759.2	14,690.0	14,622.6	14,556.8	15,744.2	15,343.8	14,952.1	14,657.2	14,400.7
Avg Shares (Fully Diluted)	15,576.6	15,464.7	15,348.2	15,242.9	15,150.9	15,056.1	14,964.6	14,892.1	14,821.3	14,752.1	14,684.6	14,618.8	15,812.5	15,408.1	15,015.9	14,719.2	14,462.8

Source: Company Data, Morgan Stanley Research

Exhibit 4: Apple Income Statement Analysis

(\$ in millions)	2024A				2025E				2026E				Fiscal Year				
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	2023A	2024A	2025E	2026E	2027E
Margin Analysis																	
Gross Margin	45.9%	46.6%	46.3%	46.2%	46.9%	47.1%	46.0%	45.3%	45.1%	46.9%	47.1%	46.7%	44.1%	46.2%	46.3%	46.4%	47.5%
Product	39.4%	36.6%	35.3%	36.3%	39.3%	35.9%	33.3%	33.4%	36.3%	35.5%	34.1%	35.3%	36.5%	37.2%	35.9%	35.4%	36.5%
iPhone	42.5%	40.0%	38.7%	39.8%	42.8%	39.3%	36.5%	37.0%	40.0%	38.5%	37.0%	38.5%	40.1%	40.6%	39.4%	38.7%	39.5%
iPad	30.0%	28.0%	28.0%	28.1%	29.7%	27.5%	26.0%	25.0%	26.0%	27.0%	27.5%	27.5%	27.8%	28.6%	27.2%	27.0%	28.1%
Mac	32.0%	29.2%	30.0%	30.0%	32.3%	28.5%	27.5%	26.0%	27.0%	29.3%	29.5%	29.8%	29.4%	30.3%	28.7%	28.9%	30.3%
Wearables, Home and Accessories	31.8%	29.6%	30.2%	30.1%	30.8%	29.9%	28.0%	27.0%	27.0%	28.8%	29.0%	29.0%	29.8%	30.6%	29.1%	28.3%	29.4%
Services	72.8%	74.6%	74.0%	74.0%	75.0%	75.7%	75.3%	74.5%	75.0%	75.2%	74.8%	75.0%	70.8%	73.9%	75.1%	75.0%	75.0%
R&D	6.4%	8.7%	9.3%	8.2%	6.7%	9.0%	9.8%	8.9%	7.0%	9.0%	10.0%	8.6%	7.8%	8.0%	8.4%	8.5%	8.7%
SG&A	5.7%	7.1%	7.4%	6.9%	5.8%	7.1%	7.7%	7.3%	5.9%	7.1%	7.5%	6.7%	6.5%	6.7%	6.8%	6.7%	6.6%
Operating Expenses	12.1%	15.8%	16.7%	15.1%	12.4%	16.0%	17.4%	16.2%	12.9%	16.1%	17.5%	15.3%	14.3%	14.7%	15.3%	15.2%	15.3%
EBITDA Margin	36.1%	33.9%	32.9%	34.2%	36.9%	33.8%	32.3%	32.6%	34.8%	34.2%	33.3%	34.7%	32.8%	34.4%	34.2%	34.3%	35.4%
PTOP Margin	33.8%	30.7%	29.6%	31.2%	34.5%	31.0%	28.6%	29.1%	32.2%	30.8%	29.6%	31.5%	29.8%	31.5%	31.1%	31.2%	32.2%
Pretax Margin	33.7%	30.9%	29.7%	31.2%	34.3%	30.7%	28.2%	29.0%	32.1%	30.7%	29.6%	31.5%	29.7%	31.6%	30.9%	31.1%	32.2%
Net Income	28.4%	26.0%	25.0%	26.3%	29.2%	26.0%	23.7%	24.3%	27.0%	25.8%	24.8%	26.4%	25.3%	26.6%	26.1%	26.1%	27.1%
Year-Over-Year Growth (%)																	
Revenue	2%	-4%	5%	6%	4%	5%	4%	1%	4%	7%	5%	13%	-3%	2%	3%	7%	7%
iPhone	6%	-10%	-1%	6%	-1%	2%	3%	-2%	4%	9%	2%	14%	-2%	0%	0%	7%	7%
iPad	-25%	-17%	24%	8%	15%	15%	-4%	-9%	-5%	0%	-1%	21%	-3%	-6%	4%	3%	-3%
Mac	1%	4%	2%	2%	16%	7%	7%	3%	-5%	-1%	4%	10%	-27%	2%	8%	2%	1%
Wearables, Home and Accessories	-11%	-10%	-2%	-3%	-2%	-5%	-11%	-7%	1%	1%	8%	6%	-3%	-7%	-6%	4%	4%
Services	11%	14%	14%	12%	14%	12%	11%	11%	12%	11%	11%	12%	9%	13%	12%	11%	10%
Gross Margin	9%	1%	9%	9%	6%	6%	3%	-1%	0%	7%	8%	17%	-1%	7%	4%	7%	9%
iPhone	11%	-10%	-1%	4%	0%	0%	-3%	-9%	-3%	7%	4%	19%	-2%	1%	-3%	5%	9%
iPad	-18%	-17%	24%	8%	14%	13%	-11%	-19%	-17%	-1%	5%	33%	-3%	-3%	-1%	3%	1%
Mac	11%	3%	6%	2%	17%	4%	-2%	-11%	-20%	2%	11%	26%	-27%	5%	2%	2%	6%
Wearables, Home and Accessories	-5%	-10%	0%	-3%	-5%	-4%	-18%	-12%	-12%	-3%	12%	14%	-7%	-5%	-10%	1%	8%
Services	14%	20%	20%	17%	17%	13%	13%	12%	12%	10%	10%	13%	8%	18%	14%	11%	10%
R&D	0%	6%	8%	6%	7%	8%	8%	10%	10%	8%	8%	9%	14%	5%	8%	9%	9%
SG&A	3%	4%	6%	6%	6%	4%	7%	7%	6%	8%	3%	3%	-1%	5%	6%	5%	4%
Operating Expenses	1%	5%	7%	6%	7%	6%	8%	9%	8%	8%	6%	6%	7%	5%	7%	7%	7%
PTOP Margin	12%	-1%	10%	10%	6%	6%	0%	-6%	-3%	7%	9%	22%	-4%	8%	2%	8%	10%
Pretax Margin	13%	-1%	12%	10%	6%	4%	-2%	-6%	-2%	7%	10%	23%	-5%	9%	1%	8%	10%
Net Income	13%	-2%	8%	9%	7%	5%	-2%	-6%	-4%	7%	10%	23%	-3%	7%	1%	7%	10%
ModelWare EPS	16%	0%	11%	12%	10%	8%	1%	-5%	-2%	9%	12%	25%	0%	10%	4%	10%	12%
Sequential Growth (%)																	
Revenue	34%	-24%	-5%	11%	31%	-23%	-7%	8%	35%	-21%	-9%	15%					
iPhone	59%	-34%	-15%	18%	50%	-32%	-14%	12%	59%	-29%	-19%	25%					
iPad	9%	-21%	29%	-3%	16%	-21%	7%	-8%	22%	-16%	6%	12%					
Mac	2%	-4%	-6%	10%	16%	-12%	-6%	7%	7%	-8%	-1%	13%					
Wearables, Home and Accessories	28%	-34%	2%	12%	30%	-36%	-4%	17%	40%	-36%	3%	15%					
Services	4%	3%	1%	3%	5%	1%	1%	3%	6%	0%	1%	4%					
Gross Margin	36%	-23%	-6%	11%	33%	-23%	-9%	6%	35%	-18%	-8%	15%					
iPhone	67%	-38%	-17%	21%	61%	-38%	-20%	14%	72%	-32%	-22%	30%					
iPad	17%	-26%	29%	-3%	23%	-27%	2%	-12%	26%	-13%	8%	12%					
Mac	9%	-13%	-3%	10%	25%	-22%	-9%	1%	12%	0%	0%	14%					
Wearables, Home and Accessories	35%	-38%	4%	11%	33%	-38%	-10%	13%	40%	-32%	4%	15%					
Services	6%	6%	1%	3%	7%	2%	0%	2%	7%	1%	0%	5%					
R&D	5%	3%	1%	-3%	6%	3%	1%	-2%	6%	2%	1%	0%					
SG&A	10%	-5%	-2%	3%	10%	-6%	1%	3%	8%	-4%	-3%	2%					
Operating Expenses	8%	-1%	0%	0%	8%	-1%	1%	0%	7%	-1%	-1%	1%					
PTOP Margin	50%	-31%	-9%	17%	45%	-31%	-14%	10%	50%	-24%	-12%	23%					
Pretax Margin	49%	-30%	-9%	16%	44%	-31%	-14%	11%	50%	-24%	-12%	23%					
Net Income	48%	-30%	-9%	16%	45%	-32%	-15%	11%	50%	-24%	-12%	23%					
ModelWare EPS	49%	-30%	-9%	17%	46%	-31%	-14%	11%	51%	-24%	-12%	24%					
Revenue Mix																	
iPhone	58%	51%	46%	49%	56%	49%	45%	47%	56%	50%	44%	48%	52%	51%	50%	50%	50%
iPad	6%	6%	8%	7%	7%	7%	8%	7%	6%	6%	7%	7%	7%	7%	7%	7%	6%
Mac	7%	8%	8%	8%	7%	8%	8%	8%	7%	8%	8%	8%	8%	8%	8%	8%	7%
Wearables, Home and Accessories	10%	9%	9%	10%	9%	8%	8%	9%	9%	7%	8%	8%	10%	9%	9%	8%	8%
Services	19%	26%	28%	26%	21%	28%	30%	29%	23%	29%	32%	29%	22%	25%	27%	28%	29%

Source: Company Data, Morgan Stanley Research

Exhibit 5: Apple Balance Sheet

(\$ in millions)	2024A				2025E				2026E				2023A	2024A	2025E	2026E	2027E
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26					
Assets																	
Current Assets:																	
Cash and cash equivalents	40,760	32,695	25,565	29,943	30,299	28,162	25,181	48,106	40,405	29,245	36,913	41,999	29,965	29,943	48,106	41,999	53,372
Short-term investments	131,815	129,642	127,476	126,707	111,069	104,760	104,760	74,760	74,760	74,760	74,760	74,760	132,134	126,707	74,760	74,760	74,760
Accounts receivable	23,194	21,837	22,795	33,410	29,639	26,136	21,465	34,334	39,424	31,857	22,635	37,601	29,508	33,410	34,334	37,601	32,041
Inventories	6,511	6,232	6,165	7,286	6,911	6,269	7,378	7,401	6,961	6,640	5,990	7,511	6,331	7,286	7,401	7,511	7,704
Deferred tax assets	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546	5,546
Other current assets	35,341	27,651	29,128	41,574	37,369	32,225	29,959	43,038	39,713	33,408	31,029	44,761	40,626	41,574	43,038	44,761	47,657
Total Current Assets	243,167	223,603	216,675	244,466	220,833	203,098	194,289	213,185	206,809	181,456	176,873	212,179	244,110	244,466	213,185	212,179	221,081
Property, Plant & Equipment, net	43,666	43,546	44,502	45,680	46,069	46,876	46,817	46,758	47,010	47,268	47,535	47,818	43,715	45,680	46,758	47,818	48,988
Acquired Intangible Assets	25,092	26,439	26,504	28,160	29,043	30,577	30,032	29,524	29,049	28,606	28,192	27,806	24,368	28,160	29,524	27,806	26,503
Other assets	41,589	43,823	43,931	46,674	48,140	50,682	48,324	46,674	52,954	55,750	53,156	51,342	40,390	46,674	46,674	51,342	56,476
Non-current debt and equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Fixed Assets	110,347	113,808	114,937	120,514	123,252	128,135	125,174	122,956	129,012	131,623	128,884	126,966	108,473	120,514	122,956	126,966	131,967
Total Assets	353,514	337,411	331,612	364,980	344,085	331,233	319,462	336,141	335,821	313,079	305,756	339,145	352,583	364,980	336,141	339,145	353,048
Liabilities																	
Current Liabilities:																	
Accounts payable	58,146	45,753	47,574	68,960	61,910	54,126	51,120	65,473	66,513	51,306	50,641	71,978	62,611	68,960	65,473	71,978	73,826
Accrued expenses	62,875	65,310	68,942	86,553	69,612	70,825	69,139	77,340	69,610	64,573	63,757	76,159	66,890	86,553	77,340	76,159	79,361
Current Debt	12,952	12,759	15,108	20,879	12,843	19,620	19,620	19,620	19,620	19,620	19,620	19,620	15,807	20,879	19,620	19,620	19,620
Other current liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	133,973	123,822	131,624	176,392	144,365	144,571	139,879	162,433	155,743	135,498	134,019	167,757	145,308	176,392	162,433	167,757	172,807
Non-Current Liabilities																	
Long-term debt	95,088	91,831	86,196	85,750	83,956	78,566	78,566	78,566	78,566	78,566	78,566	78,566	95,281	85,750	78,566	78,566	78,566
Deferred revenue - non-current	3,231	3,107	3,130	2,960	3,199	2,747	3,506	3,168	3,493	3,378	3,306	3,303	3,161	2,960	3,168	3,303	3,333
Deferred tax liabilities	46,272	43,607	43,104	42,078	44,957	37,703	37,703	37,703	37,703	37,703	37,703	37,703	45,837	42,078	37,703	37,703	37,703
Other non-current liabilities	850	850	850	850	850	850	850	850	850	850	850	850	850	850	850	850	850
Total Non-Current Liabilities	145,441	139,395	133,280	131,638	132,962	119,866	120,625	120,287	120,612	120,497	120,425	120,422	145,129	131,638	120,287	120,422	120,452
Total Liabilities	279,414	263,217	264,904	308,030	277,327	264,437	260,503	282,720	276,355	255,995	254,443	288,178	290,437	308,030	282,720	288,178	293,260
Series A preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Shareholder's Equity	74,100	74,194	66,708	56,950	66,758	66,796	58,959	53,421	59,466	57,084	51,313	50,966	62,146	56,950	53,421	50,966	59,789
Total Liabilities and Shareholder's Equity	353,514	337,411	331,612	364,980	344,085	331,233	319,462	336,141	335,821	313,079	305,756	339,145	352,583	364,980	336,141	339,145	353,048

Source: Company Data, Morgan Stanley Research

Exhibit 6: Apple Statement of Cash Flows

(\$ in millions)	2024E				2025E				2026E				2023A 2024A 2025E 2026E 2027E				
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	2023A	2024A	2025E	2026E	2027E
Cash Flow Statement (Non Cumulative)																	
Operating activities:																	
Net Income / (Loss)	33,916	23,636	21,448	14,736	36,330	24,780	21,067	23,281	34,961	26,439	23,251	28,590	96,995	93,736	105,457	113,241	125,006
Cumulative effect of accounting change	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments to reconcile net income:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation & Amortization	2,848	2,836	2,850	2,911	3,080	2,661	3,330	3,356	3,390	3,431	3,474	3,514	11,519	11,445	12,427	13,809	14,651
Stock based compensation expense	2,997	2,964	2,869	2,858	3,286	3,226	-	-	-	-	-	-	10,833	11,688	6,512	-	-
Provision for (benefit from) deferred income taxes	(989)	(982)	7	(302)	(2,009)	(208)	-	-	-	-	-	-	(2,227)	(2,266)	(2,217)	-	-
Gain on non-current investments, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on short-term investments, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unrealized loss on conv. securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on sale of PP&E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-cash restructuring	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
In-Process R&D	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax benefit from ESO	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in Operating Assets and Liabilities:																	
Accounts receivable	6,555	1,172	(1,030)	(10,485)	3,597	3,669	4,671	(12,869)	(5,090)	7,567	9,222	(14,966)	(1,688)	(3,788)	(932)	(3,267)	5,560
Inventories	(137)	190	(12)	(1,087)	215	643	(1,109)	(23)	441	321	650	(1,521)	(1,618)	(1,046)	(274)	(109)	(193)
Other current assets	4,569	7,595	(1,064)	(22,831)	3,166	6,005	2,266	(13,079)	3,324	6,305	2,379	(13,733)	(5,684)	(11,731)	(1,642)	(1,724)	(2,896)
Other assets	(1,457)	(2,981)	(1,188)	4,270	939	(5,310)	2,358	1,649	(6,279)	(2,796)	2,594	1,814	1,271	(1,356)	(364)	(4,667)	(5,134)
Accounts payable	(4,542)	(12,168)	1,539	21,191	(6,671)	(7,933)	(3,006)	14,353	1,040	(15,207)	(664)	21,337	(1,889)	6,020	(3,257)	6,505	1,848
Deferred revenue	-	-	-	-	-	-	759	(338)	325	(115)	(72)	(3)	-	-	421	135	30
Accrued restructuring costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current liabilities	(3,865)	428	3,439	15,550	(11,998)	(3,581)	(1,686)	8,201	(7,729)	(5,038)	(815)	12,401	3,031	15,552	(9,064)	(1,181)	3,203
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Provided by Operating Activities	39,895	22,690	28,858	26,811	29,935	23,952	28,649	24,532	24,382	20,907	40,019	37,433	110,543	118,254	107,068	122,741	142,075
Investing activities:																	
Purchase of short-term investments	(9,780)	(15,262)	(13,032)	(10,582)	(6,124)	(6,318)	-	-	-	-	-	-	(29,513)	(48,656)	(12,442)	-	-
Proceeds from maturities of short-term investments	13,046	14,416	12,376	11,373	15,967	10,620	-	30,000	-	-	-	-	39,686	51,211	56,587	-	-
Proceeds from sales of short-term investments	1,337	2,977	3,068	3,753	3,492	1,718	-	-	-	-	-	-	5,828	11,135	5,210	-	-
Purchases of long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Proceeds from sale of PP&E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of PP&E	(2,392)	(1,996)	(2,151)	(2,908)	(2,940)	(3,071)	(2,727)	(2,788)	(3,167)	(3,247)	(3,328)	(3,411)	(10,959)	(9,447)	(11,525)	(13,152)	(14,518)
Cash paid for acquisition of technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of ARM shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	(284)	(445)	(388)	(191)	(603)	(32)	-	-	-	-	-	-	(1,337)	(1,308)	(635)	-	-
Net cash used in investing activities	1,927	(310)	(127)	1,445	9,792	2,917	(2,727)	27,212	(3,167)	(3,247)	(3,328)	(3,411)	3,705	2,935	37,195	(13,152)	(14,518)
Financing activities:																	
Proceeds from issuance of common stock	-	-	-	-	-	-	30	30	28	29	30	31	-	-	60	118	130
Excess tax benefits from stock-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes paid related to net share settlement	(2,591)	(284)	(2,288)	(278)	(2,921)	(284)	-	-	-	-	-	-	(5,431)	(5,441)	(3,205)	-	-
Dividends and dividend equivalent rights paid	(3,825)	(3,710)	(3,895)	(3,804)	(3,856)	(3,758)	(3,933)	(3,849)	(3,944)	(3,850)	(4,052)	(3,967)	(15,025)	(15,234)	(15,396)	(15,813)	(16,314)
Repurchase of common stock	(20,139)	(23,205)	(26,522)	(25,083)	(23,606)	(25,898)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(77,550)	(94,949)	(99,504)	(100,000)	(100,000)
Increase (decrease) in long-term borrowing	-	-	-	-	(1,009)	1,009	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in notes payable to banks	(4,030)	(3,234)	(3,312)	4,217	(7,979)	(75)	-	-	-	-	-	-	(10,482)	(6,359)	(8,054)	-	-
Net Cash used in Financing Activities	(30,585)	(30,433)	(36,017)	(24,948)	(39,371)	(29,006)	(28,904)	(28,819)	(28,916)	(28,821)	(29,022)	(28,936)	(108,488)	(121,983)	(126,099)	(115,695)	(116,184)
Increase/(decrease) in Cash and Cash Equivalents	11,237	(8,053)	(7,286)	3,308	356	(2,137)	(2,981)	22,925	(7,701)	(11,161)	7,669	5,086	5,760	(794)	18,163	(6,107)	11,373
Adjustments for restatements	(442)	(12)	156	1,070	-	-	-	-	-	-	-	-	559	772	-	-	-
Cash and Cash Equivalents at Beginning of Period	29,965	40,760	32,695	25,565	29,943	30,299	28,162	25,181	48,106	40,405	29,245	36,913	23,646	29,965	29,943	48,106	41,999
Cash and Cash Equivalents at End of Period	40,760	32,695	25,565	29,943	30,299	28,162	25,181	48,106	40,405	29,245	36,913	41,999	29,965	29,943	48,106	41,999	53,372

Source: Company Data, Morgan Stanley Research

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - [Options_Probabilities_Exhibit_Link.pdf](#)
2. View descriptions of Risk Rewards Themes - [RR_Themes_Exhibit_Link.pdf](#)
3. View explanation of regional hierarchies - [GEG_Exhibit_Link.pdf](#)
4. View explanation of Theme/Exposure methodology - [ESG_Sustainable_Solutions_External_Link.pdf](#)
5. View explanation of HERS methodology - [ESG_HERS_External_Link.pdf](#)

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(as of May 31, 2025)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1493	40%	379	46%	25%	698	41%
Equal-weight/Hold	1650	44%	372	45%	23%	782	46%
Not-Rated/Hold	4	0%	0	0%	0%	2	0%
Underweight/Sell	602	16%	74	9%	12%	235	14%
Total	3,749		825			1717	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

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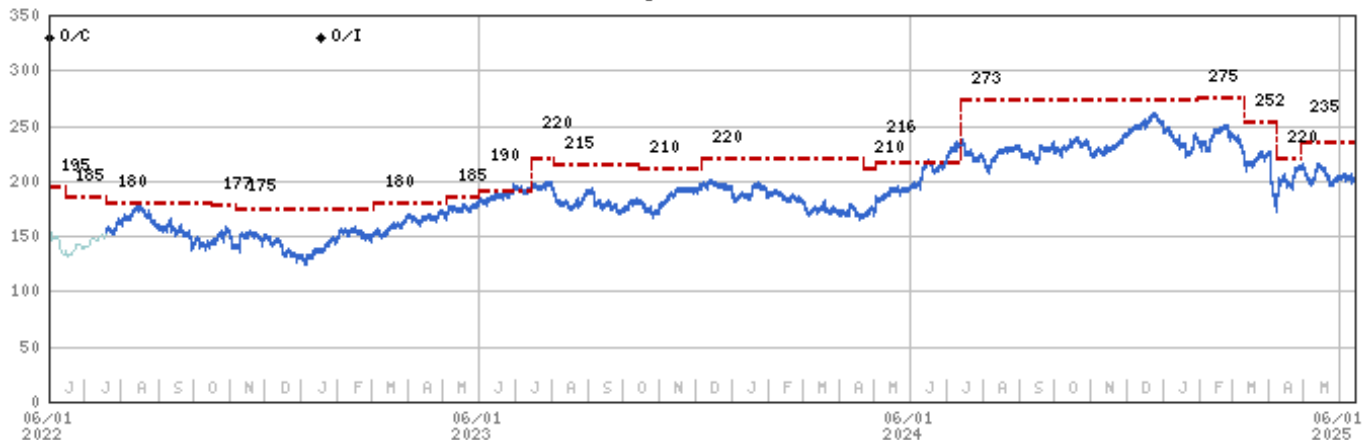
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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Stock Price, Price Target and Rating History (See Rating Definitions)

Apple, Inc. (AAPL.O) - As of 06/13/25 GMT in USD
Industry : IT Hardware



Stock Rating History: 6/1/20 : 0/I; 10/12/20 : 0/A; 6/10/21 : 0/I; 10/5/21 : 0/C; 1/18/23 : 0/I

Price Target History: 4/30/20 : 81.5; 6/2/20 : 85; 7/13/20 : 104.75; 7/30/20 : 107.75; 8/23/20 : 130; 10/13/20 : 136; 12/15/20 : 144; 1/20/21 : 152; 1/27/21 : 164; 4/5/21 : 156; 4/15/21 : 157; 4/20/21 : 158; 4/28/21 : 161; 6/23/21 : 162; 7/14/21 : 166; 7/27/21 : 168; 10/26/21 : 166; 10/28/21 : 164; 12/7/21 : 200; 1/27/22 : 210; 4/28/22 : 195; 6/14/22 : 185; 7/19/22 : 180; 10/17/22 : 177; 11/7/22 : 175; 3/3/23 : 180; 5/4/23 : 185; 6/1/23 : 190; 7/16/23 : 220; 8/3/23 : 215; 10/15/23 : 210; 12/7/23 : 220; 4/22/24 : 210; 5/3/24 : 216; 7/14/24 : 273; 1/31/25 : 275; 3/12/25 : 252; 4/8/25 : 220; 4/28/25 : 235

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)

Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —

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INDUSTRY COVERAGE: IT Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (06/12/2025)
Erik W Woodring		
Apple, Inc. (AAPL.O)	O (05/26/2009)	\$199.20
CDW Corporation (CDW.O)	O (04/08/2025)	\$174.75
Cricut Inc (CRCT.O)	U (08/12/2021)	\$6.55
Dell Technologies Inc. (DELL.N)	O (05/01/2023)	\$113.40
Garmin Ltd (GRMN.N)	U (10/07/2024)	\$208.39
GoPro Inc (GPRO.O)	U (12/12/2023)	\$0.85
HP Inc. (HPQ.N)	E (08/19/2024)	\$24.74
IBM (IBM.N)	E (01/18/2023)	\$281.03
Ingram Micro (INGM.N)	E (06/11/2025)	\$19.44
Kornit Digital Ltd. (KRNT.O)	O (08/10/2023)	\$20.38
Logitech International SA (LOGI.O)	E (01/23/2025)	\$87.45
Resideo Technologies Inc (REZI.N)	E (03/16/2021)	\$21.08
Seagate Technology (STX.O)	O (03/26/2024)	\$126.07
SmartRent, Inc. (SMRT.N)	++	\$0.90
Sonos Inc. (SONO.O)	U (09/26/2024)	\$10.17
TD Synnex Corporation (SNX.N)	O (06/11/2025)	\$126.08
Teradata (TDC.N)	O (04/08/2025)	\$22.19
Western Digital (WDC.O)	O (04/16/2025)	\$55.78
Xerox Corp (XRX.O)	++	\$5.34
Meta A Marshall		
Hewlett Packard Enterprise (HPE.N)	E (04/08/2025)	\$18.13
NetApp Inc (NTAP.O)	E (07/26/2023)	\$102.94
Nutanix Inc (NTNX.O)	O (10/28/2024)	\$73.60
Pure Storage Inc (PSTG.N)	E (06/11/2024)	\$54.49

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* Historical prices are not split adjusted.