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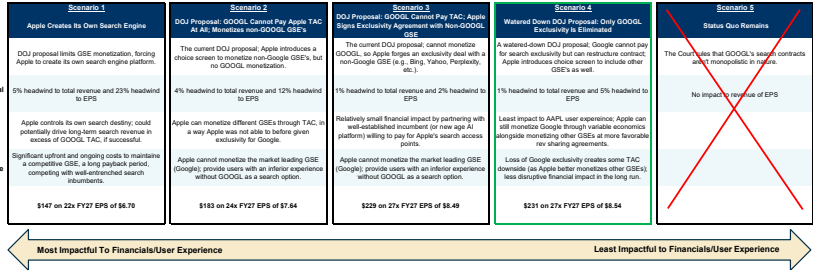
Apple, Inc. | North America

# A Reminder – What's at Stake for Apple in USA v. GOOGL?

The DOJ will announce its USA vs. GOOGL remedies any day. While not a party in the suit, Apple's \$20B+ search agreement is at risk. MSe base case is GOOGL search exclusivity is restricted, paving the way for broader search monetization (GOOGL+AI-powered), and just LSD% EPS downside, at worst.

**DOJ v. GOOGL remedy ruling is coming "by August".** The upcoming DOJ v. Google (covered by Brian Nowak) remedies ruling is a long-anticipated, and important, event for Apple – despite the fact that Apple is not a party in the lawsuit – given it will provide clarity on the future of the \$20B+ payments that Apple collects annually from Google. We anticipate Judge Mehta could announce his remedy ruling any day now, and thus we want to remind our readers of the 4 potential scenarios we believe are most likely to come out of this trial ([Exhibit 1](#)).

**Exhibit 1:** 4 potential outcomes to the DOJ vs. Google case – we now think the status quo is very unlikely



Source: Morgan Stanley Research

**Our base case remains that Judge Mehta restricts Google search exclusivity with Apple, but still allows Google to pay Apple traffic acquisition costs,** which would then require Apple to introduce a search "choice screen", somewhat akin to what Apple has done in the EU (a result of the Digital Markets Act). In this scenario (i.e., our Scenario 4), we expect only 2% EPS downside, as we see the choice screen as a mechanism for Apple to collect search economics in a different way, with Apple likely to better monetize traditional and AI-powered search partners (as well as Google). That said, the bear case scenario of Judge Mehta entirely restricting Google payments (\$20B+) to Apple could result in >10% EPS downside (i.e., our Scenario 2) and Apple likely re-testing its April lows, given Apple is unlikely to recoup the entirety of Google payments from a choice screen (without Google as an option). **Either way, we believe it's likely that Judge Mehta's ruling is appealed, and thus any structural actions to Apple's relationship with Google are likely multiple years away, though clarity on this event is important in removing a key valuation overhang.**

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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 (Jul 18, 2025)	\$211.18				
Mkt cap, curr (mm)	\$3,167,941				
52-Week Range	\$260.10-169.21				
Fiscal Year Ending	09/24	09/25e	09/26e	09/27e	
EPS (\$)**	6.75	7.12	7.69	8.67	
Prior EPS (\$)**	-	7.02	7.69	8.64	
P/E	34.5	29.7	27.5	24.4	
EPS (\$)\$	-	-	-	-	
Div yld (%)	0.4	0.5	0.5	0.5	

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

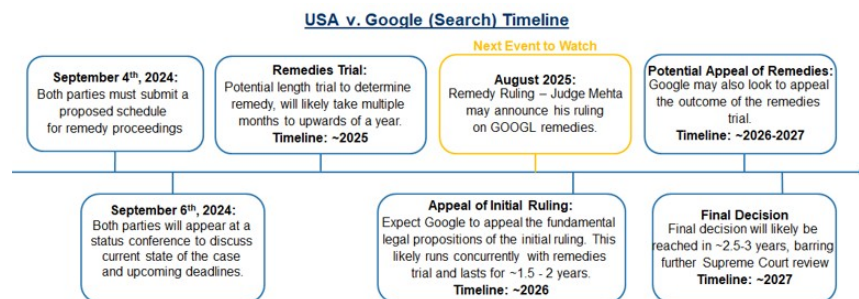
QUARTERLY EPS (\$)					
Quarter	2024	2025e Prior	2025e Current	2026e Prior	2026e Current
Q1	2.18	-	2.40a	2.36	2.36
Q2	1.53	-	1.65a	1.79	1.78
Q3	1.40	1.41	1.45	1.58	1.59
Q4	1.64	1.56	1.61	1.96	1.96

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.**

**Exhibit 2:** We outline the timeline of steps in U.S. vs Google, with a final decision still likely multiple years away



Source: Company data, Morgan Stanley Research

**We are revisiting the potential impact this trial could have on Apple with 4 scenarios.** Among the 7 major remedies proposed by the DOJ, "stopping and preventing exclusionary agreements with third parties" would be most relevant to Apple. However, the DOJ has proposed an even harsher scenario, where GOOGL isn't allowed to pay Apple at all (regardless of exclusivity, choice screen, or variable TAC), all of which we incorporate into the potential outcomes we evaluate. Specifically, we contemplate 4 potential outcomes for Apple ([Exhibit 3](#)):

- Scenario 1: The harshest DOJ remedy is accepted (no GOOGL monetization) and Apple decides to launch its own search engine.** We see a very low probability of this scenario playing out given filings from the Google case make clear Apple does not intend to launch its own search platform (and we don't believe AI changes this view). However, in the event it is forced, we see over 20% downside to FY27 EPS resulting from this decision, which takes into account very low levels of search monetization early on combined with over \$10B of annual spend to support the buildout of a search platform. In this scenario, we'd also expect Apple's valuation to re-test recent lows (22-24x), and thus see a stock floor closer to \$150, if this were to play out. Though again, this is our lowest probability scenario.
- Scenario 2: The harshest DOJ remedy is accepted (no GOOGL monetization) and Apple is forced to monetize all other GSEs except GOOGL.** In this scenario, we estimate that annual TAC revenue would be cut by over 60%, as we don't believe Apple would be able to monetize all non-GOOGL GSEs (traditional + AI-powered) as robustly as with GOOGL, resulting in a 12% headwind to FY27 EPS. We also believe this scenario would negatively impact the AAPL user experience given AAPL would not provide GOOGL as a choice for search, despite GOOGL's leading position. In this scenario, we expect Apple stock to derate to 24x, which on \$7.64 of FY27 would result in a hypothetical \$183 stock floor, 13% lower than today's price.
- Scenario 3: The harshest DOJ remedy is accepted (no GOOGL monetization) and Apple signs an exclusive partnership with a non-GOOGL GSE.** Notes from the GOOGL trial indicate that non-GOOGL GSEs have approached Apple in the past to replace GOOGL as the default search engine on Safari. We consider this scenario as least disruptive to AAPL financials, given it's likely Bing, DuckDuckGo or a new-age GenAI search

platform would likely pay a considerable amount for exclusivity on iOS/ MacOS/iPadOS, with the EPS impact just 2% (we think we are being conservative here too). Nevertheless, while least disruptive to financials, we believe this scenario would negatively impact the AAPL user experience given a lack of GOOGL optionality in search. In this scenario, we wouldn't expect a major impact on the Apple multiple, and see this as a "better than feared" scenario, though the search partner of choice would be critical for AAPL user experience.

- **Scenario 4: A watered-down version of the DOJ remedy is accepted whereby GOOGL can't pay for exclusivity, but can still monetize with Apple.** We believe this is the most likely scenario going forward – GOOGL is no longer allowed to pay for exclusivity/default placement on Apple devices, but can still monetize on the AAPL platform, while Apple can also monetize all other GSEs through a choice screen/TAC payments. In this scenario, we assume a 2% EPS headwind in FY27, and see little disruption to the Apple user experience. Given Apple has already introduced a choice screen in the EU, and we haven't seen any negative financial impact to Services growth to-date, we believe our 2% EPS downside estimate could still turn out to be conservative, and that there's a chance there's very little financial impact to Apple in this scenario.

**For our past thoughts on the DOJ vs. Google trial, please read: [US Internet: US vs GOOGL: 4 Remedy Scenarios, EBIT Impacts, and GOOGL's Trading Range from Here \(2 Sep 2024\)](#); [Apple, Inc.: The Ramifications of Monday's DOJ vs. GOOGL Ruling \(6 Aug 2024\)](#); and [Apple, Inc.: Apple, Epic, Google, and Open AI - What We've Learned in the Last Week \(13 May 2024\)](#).**

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# Updated DOJ v. GOOGL Scenario Analysis on Apple

**Exhibit 3:** Our scenario analysis suggests that the Google DOJ case could lead to 2-23% of EPS impact to Apple's FY27 EPS, but timing and magnitude of the financial impact remain to be seen given years of potential appeals ahead

Google TAC Scenario Analysis (\$B)	FY25E	FY26E	FY27E	FY28E
<b>Current MSe for Apple</b>				
Total Revenue	406.5	433.8	463.5	489.7
Gross Margin (%)	46.5%	46.4%	47.5%	47.9%
Services Revenue	107.9	120.5	133.2	144.2
Google TAC Revenue	22.7	25.8	26.2	27.8
Services Gross Margin (%)	75.5%	75.0%	75.0%	75.0%
<b>EPS (\$)</b>	<b>7.13</b>	<b>7.70</b>	<b>8.70</b>	<b>9.50</b>
<b>Scenario 1: Apple Creates Its Own Search Engine</b>				
<b>Assumptions</b>				
Google TAC Revenue	22.7	25.8	0.0	0.0
Apple's Search Revenue	0.0	0.0	1.5	3.0
Costs Expensed to Build GSE (COGS and Opex)	0.0	0.0	11.0	7.0
<b>Apple P&amp;L Implications</b>				
Total Revenue	406.5	433.8	438.7	465.0
Variance vs. MSe	0.0%	0.0%	-5.3%	-5.1%
Corporate Gross Margin (%)	46.5%	46.4%	44.0%	45.4%
Variance vs. MSe	0bps	0bps	-360bps	-250bps
Services Revenue	107.9	120.5	108.4	119.5
Variance vs. MSe	0.0%	0.0%	-18.6%	-17.2%
Services Gross Margin (%)	75.5%	75.0%	66.8%	71.0%
Variance vs. MSe	0bps	0bps	-820bps	-400bps
<b>EPS (\$)</b>	<b>7.13</b>	<b>7.70</b>	<b>6.70</b>	<b>7.71</b>
<b>Variance vs. MSe</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-23.0%</b>	<b>-18.8%</b>
<b>Scenario 2: GOOGL Cannot Pay Apple TAC At All; Monetizes non-GOOGL GSE's</b>				
<b>Assumptions</b>				
Google TAC Revenue	22.7	25.8	0.0	0.0
Non-Google TAC Revenue	0.0	0.0	10.0	12.0
<b>Apple P&amp;L Implications</b>				
Total Revenue	406.5	433.8	447.2	474.0
Variance vs. MSe	0.0%	0.0%	-3.5%	-3.2%
Corporate Gross Margin (%)	46.5%	46.4%	45.8%	46.3%
Variance vs. MSe	0bps	0bps	-170bps	-160bps
Services Revenue	107.9	120.5	116.9	128.5
Variance vs. MSe	0.0%	0.0%	-12.2%	-10.9%
Services Gross Margin (%)	75.5%	75.0%	72.2%	72.5%
Variance vs. MSe	0bps	0bps	-280bps	-250bps
<b>EPS (\$)</b>	<b>7.13</b>	<b>7.70</b>	<b>7.63</b>	<b>8.44</b>
<b>Variance vs. MSe</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-12.2%</b>	<b>-11.1%</b>
<b>Scenario 3: GOOGL Cannot Pay TAC; Apple Signs Exclusivity Agreement with Non-GOOGL GSE</b>				
<b>Assumptions</b>				
Google TAC Revenue	22.7	25.8	0.0	0.0
Non-Google TAC Revenue	0.0	0.0	23.0	25.0
<b>Apple P&amp;L Implications</b>				
Total Revenue	406.5	433.8	460.2	487.0
Variance vs. MSe	0.0%	0.0%	-0.7%	-0.6%
Corporate Gross Margin (%)	46.5%	46.4%	47.2%	47.6%
Variance vs. MSe	0bps	0bps	-30bps	-30bps
Services Revenue	107.9	120.5	129.9	141.5
Variance vs. MSe	0.0%	0.0%	-2.4%	-1.9%
Services Gross Margin (%)	75.5%	75.0%	74.5%	74.6%
Variance vs. MSe	0bps	0bps	-50bps	-40bps
<b>EPS (\$)</b>	<b>7.13</b>	<b>7.70</b>	<b>8.49</b>	<b>9.31</b>
<b>Variance vs. MSe</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-2.4%</b>	<b>-2.0%</b>
<b>Scenario 4: Watered Down DOJ Proposal: Only GOOGL Exclusivity Is Eliminated</b>				
<b>Assumptions</b>				
Google TAC Revenue	22.7	25.8	15.7	16.7
Non-Google TAC Revenue	0.0	0.0	8.0	10.0
<b>Apple P&amp;L Implications</b>				
Total Revenue (\$B)	406.5	433.8	461.0	488.6
Variance vs. MSe	0.0%	0.0%	-0.5%	-0.2%
Corporate Gross Margin (%)	46.5%	46.4%	47.3%	47.8%
Variance vs. MSe	0bps	0bps	-30bps	-10bps
Services Revenue (\$B)	107.9	120.5	130.7	143.1
Variance vs. MSe	0.0%	0.0%	-1.9%	-0.8%
Services Gross Margin (%)	75.5%	75.0%	74.6%	74.8%
Variance vs. MSe	0bps	0bps	-40bps	-20bps
<b>EPS (\$)</b>	<b>7.13</b>	<b>7.70</b>	<b>8.54</b>	<b>9.42</b>
<b>Variance vs. MSe</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-1.9%</b>	<b>-0.8%</b>

Source: Company data, Morgan Stanley Research estimates

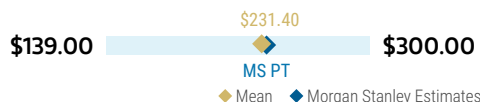
## Risk Reward – Apple, Inc. (AAPL.O)

Replacement Cycles Will Still Accelerate But Near-term Uncertainties Remain

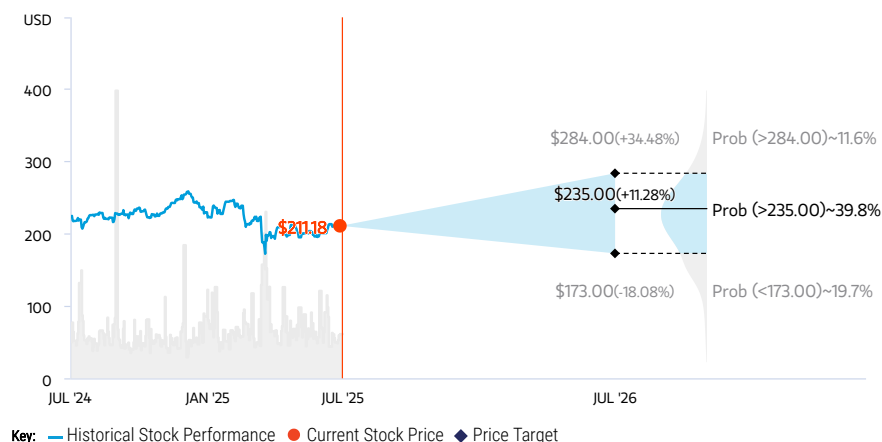
### PRICE TARGET \$235.00

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)

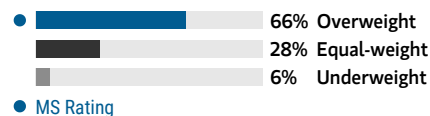


Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 18 Jul 2025. All figures are approximate risk-neutral probabilities 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 \$8.68 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

9.2x EV/Sales FY26; 33.8x Bull CY26 P/E of \$8.40

**iPhone replacement cycles accelerate in FY26 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 33.8x 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 7% Y/Y in FY26, driven by 10%+ Services growth and MSD Product growth. GM may stay flat Y/Y at mid-40s % in FY26 mainly due to incremental tariff costs, but should gradually resume to expand 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

\$173.00

6.5x EV/Sales FY26; 23.5x CY26 Bear EPS of \$7.36

**iPhone 17 cycle disappoints as consumer spending weakens more than expected amidst tariff-driven price increase.** Growth slows further across the portfolio as discretionary income is pressured by hard landing, leading to just LSD of Product rev growth and decelerating Services rev growth in FY26. With revenue slightly growing but margin contracting, CY26 EPS will only grow 7% to ~\$7.36. Our bear case valuation implies a 23.5x CY26 P/E, below T5Y avg of 26.0x due to plateauing Services profit mix.

## Risk Reward – Apple, Inc. (AAPL.O)

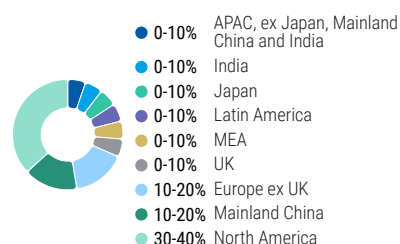
### KEY EARNINGS INPUTS

Drivers	2024	2025e	2026e	2027e
Total Revenue Growth (Y/Y) (%)	2.0	4.0	6.7	6.8
iPhone Revenue Growth (Y/Y) (%)	0.3	0.9	6.3	7.0
Services Revenue Growth (Y/Y) (%)	12.9	12.2	11.7	10.5
Gross Margin (%)	46.2	46.5	46.4	47.5
EPS Growth (Y/Y) (%)	10.0	5.5	8.0	12.8

### 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

<b>3/5 BEST</b>	<b>24 Month Horizon</b>	<b>1/5 MOST</b>	<b>3 Month Horizon</b>
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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	24.4%	<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

**Sales / Revenue** (\$, mm) **◆ 433,915**  
Note: There are not sufficient brokers supplying consensus data for this metric

**EBITDA** (\$, mm) **◆ 149,025**  
Note: There are not sufficient brokers supplying consensus data for this metric

**Net income** (\$, mm) **◆ 113,194**  
Note: There are not sufficient brokers supplying consensus data for this metric

**EPS** (\$) **◆ 7.69**  
Note: There are not sufficient brokers supplying consensus data for this metric

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

# Apple (AAPL) Financial Model

Exhibit 4: 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
<b>Revenues</b>	<b>119,575</b>	<b>90,753</b>	<b>85,777</b>	<b>94,930</b>	<b>124,300</b>	<b>95,359</b>	<b>90,716</b>	<b>96,464</b>	<b>129,834</b>	<b>101,578</b>	<b>94,107</b>	<b>108,396</b>	<b>383,285</b>	<b>391,035</b>	<b>406,838</b>	<b>433,915</b>	<b>463,581</b>
iPhone	69,702	45,963	39,296	46,222	69,138	46,841	41,447	45,651	72,051	50,875	41,412	51,553	200,583	201,183	203,077	215,890	231,095
iPad	7,023	5,559	7,162	6,950	8,088	6,402	7,511	6,454	7,898	6,160	7,056	7,470	28,300	26,694	28,455	28,584	28,646
Mac	7,780	7,451	7,009	7,744	8,987	7,949	7,542	8,342	8,568	7,856	7,688	9,183	29,357	29,984	32,820	33,295	33,552
Wearables, Home and Accessories	11,953	7,913	8,097	9,042	11,747	7,522	7,191	8,128	11,815	7,106	7,798	8,932	39,845	37,005	34,589	35,650	37,127
Services	23,117	23,867	24,213	24,972	26,340	26,645	27,024	27,888	29,503	29,581	30,153	31,259	85,200	96,169	107,898	120,496	133,161
<b>Cost of Sales</b>	<b>64,720</b>	<b>48,482</b>	<b>46,099</b>	<b>51,051</b>	<b>66,025</b>	<b>50,492</b>	<b>49,013</b>	<b>51,984</b>	<b>71,330</b>	<b>53,735</b>	<b>49,760</b>	<b>57,728</b>	<b>214,137</b>	<b>210,352</b>	<b>217,514</b>	<b>232,553</b>	<b>243,291</b>
<b>Gross Profit</b>	<b>54,855</b>	<b>42,271</b>	<b>39,678</b>	<b>43,879</b>	<b>58,275</b>	<b>44,867</b>	<b>41,703</b>	<b>44,480</b>	<b>58,504</b>	<b>47,843</b>	<b>44,347</b>	<b>50,668</b>	<b>169,148</b>	<b>180,683</b>	<b>189,325</b>	<b>201,362</b>	<b>220,290</b>
Gross Margin	45.9%	46.6%	46.3%	46.2%	46.9%	47.1%	46.0%	46.1%	45.1%	47.1%	47.1%	46.7%	44.1%	46.2%	46.5%	46.4%	47.5%
<b>Operating Expenses</b>	<b>14,482</b>	<b>14,371</b>	<b>14,326</b>	<b>14,288</b>	<b>15,443</b>	<b>15,278</b>	<b>15,512</b>	<b>15,627</b>	<b>16,645</b>	<b>16,456</b>	<b>16,516</b>	<b>16,530</b>	<b>54,847</b>	<b>57,467</b>	<b>61,861</b>	<b>66,147</b>	<b>71,005</b>
Research and Development	7,696	7,903	8,006	7,765	8,268	8,550	8,709	8,489	9,049	9,244	9,317	9,105	29,915	31,370	34,016	36,715	40,211
Selling, General and Administrative	6,786	6,468	6,320	6,523	7,175	6,728	6,804	7,138	7,595	7,212	7,199	7,425	24,932	26,097	27,845	29,432	30,794
<b>Operating Income</b>	<b>40,373</b>	<b>27,900</b>	<b>25,352</b>	<b>29,591</b>	<b>42,832</b>	<b>29,589</b>	<b>26,191</b>	<b>28,853</b>	<b>41,860</b>	<b>31,388</b>	<b>27,831</b>	<b>34,138</b>	<b>114,301</b>	<b>123,216</b>	<b>127,464</b>	<b>135,216</b>	<b>149,285</b>
<b>Total Interest &amp; Other Income</b>	<b>(50)</b>	<b>158</b>	<b>142</b>	<b>19</b>	<b>(248)</b>	<b>(279)</b>	<b>(301)</b>	<b>(253)</b>	<b>(260)</b>	<b>(153)</b>	<b>(56)</b>	<b>8</b>	<b>(565)</b>	<b>269</b>	<b>(1,081)</b>	<b>(461)</b>	<b>36</b>
<b>Pretax Income</b>	<b>40,323</b>	<b>28,058</b>	<b>25,494</b>	<b>29,610</b>	<b>42,584</b>	<b>29,310</b>	<b>25,890</b>	<b>28,599</b>	<b>41,600</b>	<b>31,235</b>	<b>27,775</b>	<b>34,146</b>	<b>113,736</b>	<b>123,485</b>	<b>126,383</b>	<b>134,755</b>	<b>149,321</b>
GAAP Income Tax Provision	6,407	4,422	4,046	14,874	6,254	4,530	4,142	4,576	6,656	4,998	4,444	5,463	16,741	29,749	19,502	21,561	23,891
Operating Tax Provision (excl one time tax ef	6,407	4,422	4,046	4,628	6,254	4,530	4,142	4,576	6,656	4,998	4,444	5,463	16,741	19,503	19,502	21,561	23,891
Effective Tax Rate	15.9%	15.8%	15.9%	15.6%	14.7%	15.5%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	14.7%	15.8%	15.4%	16.0%	16.0%
<b>Operating Net Income</b>	<b>33,916</b>	<b>23,636</b>	<b>21,448</b>	<b>24,982</b>	<b>36,330</b>	<b>24,780</b>	<b>21,748</b>	<b>24,024</b>	<b>34,944</b>	<b>26,237</b>	<b>23,331</b>	<b>28,682</b>	<b>96,995</b>	<b>103,982</b>	<b>106,881</b>	<b>113,194</b>	<b>125,430</b>
Operating Net Income Margin	28.4%	26.0%	25.0%	26.3%	29.2%	26.0%	24.0%	24.9%	26.9%	25.8%	24.8%	26.5%	25.3%	26.6%	26.3%	26.1%	27.1%
<b>Total Non-recurring Charges</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,246)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,246)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>GAAP Net Income</b>	<b>33,916</b>	<b>23,636</b>	<b>21,448</b>	<b>14,736</b>	<b>36,330</b>	<b>24,780</b>	<b>21,748</b>	<b>24,024</b>	<b>34,944</b>	<b>26,237</b>	<b>23,331</b>	<b>28,682</b>	<b>96,995</b>	<b>93,736</b>	<b>106,881</b>	<b>113,194</b>	<b>125,430</b>
<b>Fully-diluted EPS</b>																	
EPS - ModelWare	\$2.18	\$1.53	\$1.40	\$1.64	\$2.40	\$1.65	\$1.45	\$1.61	\$2.36	\$1.78	\$1.59	\$1.96	\$6.13	\$6.75	\$7.12	\$7.69	\$8.67
EPS - Reported	\$2.18	\$1.53	\$1.40	\$0.97	\$2.40	\$1.65	\$1.45	\$1.61	\$2.36	\$1.78	\$1.59	\$1.96	\$6.13	\$6.08	\$7.12	\$7.69	\$8.67
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 estimates



Exhibit 5: 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
<b>Margin Analysis</b>																	
<b>Gross Margin</b>	<b>45.9%</b>	<b>46.6%</b>	<b>46.3%</b>	<b>46.2%</b>	<b>46.9%</b>	<b>47.1%</b>	<b>46.0%</b>	<b>46.1%</b>	<b>45.1%</b>	<b>47.1%</b>	<b>47.1%</b>	<b>46.7%</b>	<b>44.1%</b>	<b>46.2%</b>	<b>46.5%</b>	<b>46.4%</b>	<b>47.5%</b>
Product	39.4%	36.6%	35.3%	36.3%	39.3%	35.9%	33.4%	34.2%	36.3%	35.6%	34.1%	35.3%	36.5%	37.2%	36.1%	35.4%	36.4%
iPhone	42.5%	40.0%	38.7%	39.8%	42.8%	39.3%	36.5%	37.4%	40.0%	38.5%	37.0%	38.5%	40.1%	40.6%	39.5%	38.7%	39.5%
iPad	30.0%	28.0%	28.0%	28.1%	29.7%	27.5%	26.5%	26.5%	26.0%	27.0%	27.5%	27.5%	27.8%	28.6%	27.6%	27.0%	28.1%
Mac	32.0%	29.2%	30.0%	30.0%	32.3%	28.5%	30.0%	30.0%	27.0%	29.3%	29.5%	29.8%	29.4%	30.3%	30.3%	28.9%	30.3%
Wearables, Home and Accessories	31.8%	29.6%	30.2%	30.1%	30.8%	29.9%	26.3%	26.3%	27.0%	28.8%	29.0%	29.0%	29.8%	30.6%	28.6%	28.3%	29.4%
Services	72.8%	74.6%	74.0%	74.0%	75.0%	75.7%	75.6%	75.5%	75.0%	75.2%	74.8%	75.0%	70.8%	73.9%	75.5%	75.0%	75.0%
R&D	6.4%	8.7%	9.3%	8.2%	6.7%	9.0%	9.6%	8.8%	7.0%	9.1%	9.9%	8.4%	7.8%	8.0%	8.4%	8.5%	8.7%
SG&A	5.7%	7.1%	7.4%	6.9%	5.8%	7.1%	7.5%	7.4%	5.9%	7.1%	7.7%	6.9%	6.5%	6.7%	6.8%	6.8%	6.6%
Operating Expenses	12.1%	15.8%	16.7%	15.1%	12.4%	16.0%	17.1%	16.2%	12.8%	16.2%	17.6%	15.3%	14.3%	14.7%	15.2%	15.2%	15.3%
EBITDA Margin	36.1%	33.9%	32.9%	34.2%	36.9%	33.8%	32.5%	33.4%	34.9%	34.3%	33.3%	34.7%	32.8%	34.4%	34.4%	34.3%	35.4%
PTOP Margin	33.8%	30.7%	29.6%	31.2%	34.5%	31.0%	28.9%	29.9%	32.2%	30.9%	29.6%	31.5%	29.8%	31.5%	31.3%	31.2%	32.2%
Pretax Margin	33.7%	30.9%	29.7%	31.2%	34.3%	30.7%	28.5%	29.6%	32.0%	30.7%	29.5%	31.5%	29.7%	31.6%	31.1%	31.1%	32.2%
Net Income	28.4%	26.0%	25.0%	26.3%	29.2%	26.0%	24.0%	24.9%	26.9%	25.8%	24.8%	26.5%	25.3%	26.6%	26.3%	26.1%	27.1%
<b>Year-Over-Year Growth (%)</b>																	
<b>Revenue</b>	<b>2%</b>	<b>-4%</b>	<b>5%</b>	<b>6%</b>	<b>4%</b>	<b>5%</b>	<b>6%</b>	<b>2%</b>	<b>4%</b>	<b>7%</b>	<b>4%</b>	<b>12%</b>	<b>-3%</b>	<b>2%</b>	<b>4%</b>	<b>7%</b>	<b>7%</b>
iPhone	6%	-10%	-1%	6%	-1%	2%	5%	-1%	4%	9%	0%	13%	-2%	0%	1%	6%	7%
iPad	-25%	-17%	24%	8%	15%	15%	5%	-7%	-2%	-4%	-6%	16%	-3%	-6%	7%	0%	0%
Mac	1%	4%	2%	2%	16%	7%	8%	8%	-5%	-1%	2%	10%	-27%	2%	9%	1%	1%
Wearables, Home and Accessories	-11%	-10%	-2%	-3%	-2%	-5%	-11%	-10%	-1%	-6%	8%	10%	-3%	-7%	-7%	3%	4%
Services	11%	14%	14%	12%	14%	12%	12%	12%	12%	11%	12%	12%	9%	13%	12%	12%	11%
<b>Gross Margin</b>	<b>9%</b>	<b>1%</b>	<b>9%</b>	<b>9%</b>	<b>6%</b>	<b>6%</b>	<b>5%</b>	<b>1%</b>	<b>0%</b>	<b>7%</b>	<b>6%</b>	<b>14%</b>	<b>-1%</b>	<b>7%</b>	<b>5%</b>	<b>6%</b>	<b>9%</b>
iPhone	11%	-10%	-1%	4%	0%	0%	-1%	-7%	-3%	6%	1%	16%	-2%	1%	-2%	4%	9%
iPad	-18%	-17%	24%	8%	14%	13%	-1%	-12%	-15%	-6%	-3%	20%	-3%	-3%	3%	-2%	5%
Mac	11%	3%	6%	2%	17%	4%	8%	8%	-20%	2%	0%	9%	-27%	5%	9%	-3%	6%
Wearables, Home and Accessories	-5%	-10%	0%	-3%	-5%	-4%	-23%	-21%	-12%	-9%	20%	21%	-7%	-5%	-12%	2%	8%
Services	14%	20%	20%	17%	17%	13%	14%	14%	12%	10%	10%	11%	8%	18%	15%	11%	11%
<b>R&amp;D</b>	<b>0%</b>	<b>6%</b>	<b>8%</b>	<b>6%</b>	<b>7%</b>	<b>8%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>8%</b>	<b>7%</b>	<b>7%</b>	<b>14%</b>	<b>5%</b>	<b>8%</b>	<b>8%</b>	<b>10%</b>
<b>SG&amp;A</b>	<b>3%</b>	<b>4%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>4%</b>	<b>8%</b>	<b>9%</b>	<b>6%</b>	<b>7%</b>	<b>6%</b>	<b>4%</b>	<b>-1%</b>	<b>5%</b>	<b>7%</b>	<b>6%</b>	<b>5%</b>
<b>Operating Expenses</b>	<b>1%</b>	<b>5%</b>	<b>7%</b>	<b>6%</b>	<b>7%</b>	<b>6%</b>	<b>8%</b>	<b>9%</b>	<b>8%</b>	<b>8%</b>	<b>6%</b>	<b>6%</b>	<b>7%</b>	<b>5%</b>	<b>8%</b>	<b>7%</b>	<b>7%</b>
PTOP Margin	12%	-1%	10%	10%	6%	6%	3%	-2%	-2%	6%	6%	18%	4%	8%	3%	6%	10%
Pretax Margin	13%	-1%	12%	10%	6%	4%	2%	-3%	-2%	7%	7%	19%	-5%	9%	2%	7%	11%
Net Income	13%	-2%	8%	9%	7%	5%	1%	-4%	-4%	6%	7%	19%	-3%	7%	3%	6%	11%
<b>ModelWare EPS</b>	<b>16%</b>	<b>0%</b>	<b>11%</b>	<b>12%</b>	<b>10%</b>	<b>8%</b>	<b>4%</b>	<b>-2%</b>	<b>-2%</b>	<b>8%</b>	<b>9%</b>	<b>22%</b>	<b>0%</b>	<b>10%</b>	<b>5%</b>	<b>8%</b>	<b>13%</b>
<b>Sequential Growth (%)</b>																	
<b>Revenue</b>	<b>34%</b>	<b>-24%</b>	<b>-5%</b>	<b>11%</b>	<b>31%</b>	<b>-23%</b>	<b>-5%</b>	<b>6%</b>	<b>35%</b>	<b>-22%</b>	<b>-7%</b>	<b>15%</b>					
iPhone	59%	-34%	-15%	18%	50%	-32%	-12%	10%	58%	-29%	-19%	24%					
iPad	9%	-21%	29%	-3%	16%	-21%	17%	-14%	22%	-22%	15%	6%					
Mac	2%	-4%	-6%	10%	16%	-12%	-5%	11%	3%	-8%	-2%	19%					
Wearables, Home and Accessories	28%	-34%	2%	12%	30%	-36%	-4%	13%	45%	-40%	10%	15%					
Services	4%	3%	1%	3%	5%	1%	1%	3%	6%	0%	2%	4%					
<b>Gross Margin</b>	<b>36%</b>	<b>-23%</b>	<b>-6%</b>	<b>11%</b>	<b>33%</b>	<b>-23%</b>	<b>-7%</b>	<b>7%</b>	<b>32%</b>	<b>-18%</b>	<b>-7%</b>	<b>14%</b>					
iPhone	67%	-38%	-17%	21%	61%	-38%	-18%	13%	69%	-32%	-22%	30%					
iPad	17%	-26%	29%	-3%	23%	-27%	13%	-14%	20%	-19%	17%	6%					
Mac	9%	-13%	-3%	10%	25%	-22%	0%	11%	-8%	0%	-1%	20%					
Wearables, Home and Accessories	35%	-38%	4%	11%	33%	-38%	-16%	13%	49%	-36%	11%	15%					
Services	6%	6%	1%	3%	7%	2%	1%	3%	5%	1%	1%	4%					
R&D	5%	3%	1%	3%	6%	3%	2%	-3%	7%	2%	1%	-2%					
SG&A	10%	-5%	-2%	3%	10%	-6%	1%	5%	6%	-5%	0%	3%					
<b>Operating Expenses</b>	<b>8%</b>	<b>-1%</b>	<b>0%</b>	<b>0%</b>	<b>8%</b>	<b>-1%</b>	<b>2%</b>	<b>1%</b>	<b>7%</b>	<b>-1%</b>	<b>0%</b>	<b>0%</b>					
PTOP Margin	50%	-31%	-9%	17%	45%	-31%	-11%	10%	45%	-25%	-11%	23%					
Pretax Margin	49%	-30%	-9%	16%	44%	-31%	-12%	10%	45%	-25%	-11%	23%					
Net Income	48%	-30%	-9%	16%	45%	-32%	-12%	10%	45%	-25%	-11%	23%					
<b>ModelWare EPS</b>	<b>49%</b>	<b>-30%</b>	<b>-9%</b>	<b>17%</b>	<b>46%</b>	<b>-31%</b>	<b>-12%</b>	<b>11%</b>	<b>46%</b>	<b>-25%</b>	<b>-11%</b>	<b>23%</b>					
<b>Revenue Mix</b>																	
iPhone	58%	51%	46%	49%	56%	49%	46%	47%	55%	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%	9%	7%	8%	8%	8%	8%	8%	8%	8%	7%
Wearables, Home and Accessories	10%	9%	9%	10%	9%	8%	8%	8%	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 estimates



Exhibit 6: 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					
<b>Assets</b>																	
<b>Current Assets:</b>																	
Cash and cash equivalents	40,760	32,695	25,565	29,943	30,299	28,162	28,041	61,166	54,639	43,042	52,683	58,439	29,965	29,943	61,166	58,439	69,495
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	21,931	34,601	39,515	31,602	22,751	37,703	29,508	33,410	34,601	37,703	35,914
Inventories	6,511	6,232	6,165	7,286	6,911	6,269	7,540	7,346	6,978	6,568	6,015	7,530	6,331	7,286	7,346	7,530	7,750
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
<b>Total Current Assets</b>	<b>243,167</b>	<b>223,603</b>	<b>216,675</b>	<b>244,466</b>	<b>220,833</b>	<b>203,098</b>	<b>197,777</b>	<b>226,456</b>	<b>221,150</b>	<b>194,925</b>	<b>192,783</b>	<b>228,738</b>	<b>244,110</b>	<b>244,466</b>	<b>226,456</b>	<b>228,738</b>	<b>241,122</b>
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Fixed Assets</b>	<b>110,347</b>	<b>113,808</b>	<b>114,937</b>	<b>120,514</b>	<b>123,252</b>	<b>128,135</b>	<b>125,174</b>	<b>122,956</b>	<b>129,012</b>	<b>131,623</b>	<b>128,884</b>	<b>126,966</b>	<b>108,473</b>	<b>120,514</b>	<b>122,956</b>	<b>126,966</b>	<b>131,967</b>
<b>Total Assets</b>	<b>353,514</b>	<b>337,411</b>	<b>331,612</b>	<b>364,980</b>	<b>344,085</b>	<b>331,233</b>	<b>322,951</b>	<b>349,412</b>	<b>350,162</b>	<b>326,549</b>	<b>321,667</b>	<b>355,705</b>	<b>352,583</b>	<b>364,980</b>	<b>349,412</b>	<b>355,705</b>	<b>373,089</b>
<b>Liabilities</b>																	
<b>Current Liabilities:</b>																	
Accounts payable	58,146	45,753	47,574	68,960	61,910	54,126	52,245	64,980	66,678	50,749	50,854	72,160	62,611	68,960	64,980	72,160	74,273
Accrued expenses	62,875	65,310	68,942	86,553	69,612	70,825	70,700	77,843	69,870	64,195	64,234	76,525	66,890	86,553	77,843	76,525	79,964
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>133,973</b>	<b>123,822</b>	<b>131,624</b>	<b>176,392</b>	<b>144,365</b>	<b>144,571</b>	<b>142,565</b>	<b>162,443</b>	<b>156,168</b>	<b>134,564</b>	<b>134,708</b>	<b>168,304</b>	<b>145,308</b>	<b>176,392</b>	<b>162,443</b>	<b>168,304</b>	<b>173,858</b>
<b>Non-Current Liabilities</b>																	
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	3,628	3,247	3,545	3,419	3,385	3,381	3,161	2,960	3,247	3,381	3,435
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
<b>Total Non-Current Liabilities</b>	<b>145,441</b>	<b>139,395</b>	<b>133,280</b>	<b>131,638</b>	<b>132,962</b>	<b>119,866</b>	<b>120,746</b>	<b>120,366</b>	<b>120,664</b>	<b>120,538</b>	<b>120,504</b>	<b>120,500</b>	<b>145,129</b>	<b>131,638</b>	<b>120,366</b>	<b>120,500</b>	<b>120,554</b>
<b>Total Liabilities</b>	<b>279,414</b>	<b>263,217</b>	<b>264,904</b>	<b>308,030</b>	<b>277,327</b>	<b>264,437</b>	<b>263,311</b>	<b>282,809</b>	<b>276,832</b>	<b>255,102</b>	<b>255,212</b>	<b>288,805</b>	<b>290,437</b>	<b>308,030</b>	<b>282,809</b>	<b>288,805</b>	<b>294,412</b>
Series A preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Shareholder's Equity</b>	<b>74,100</b>	<b>74,194</b>	<b>66,708</b>	<b>56,950</b>	<b>66,758</b>	<b>66,796</b>	<b>59,640</b>	<b>66,603</b>	<b>73,331</b>	<b>71,447</b>	<b>66,455</b>	<b>66,900</b>	<b>62,146</b>	<b>56,950</b>	<b>66,603</b>	<b>66,900</b>	<b>78,678</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>353,514</b>	<b>337,411</b>	<b>331,612</b>	<b>364,980</b>	<b>344,085</b>	<b>331,233</b>	<b>322,951</b>	<b>349,412</b>	<b>350,162</b>	<b>326,549</b>	<b>321,667</b>	<b>355,705</b>	<b>352,583</b>	<b>364,980</b>	<b>349,412</b>	<b>355,705</b>	<b>373,089</b>

Source: Company data, Morgan Stanley Research estimates

Exhibit 7: 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
<b>Cash Flow Statement (Non Cumulative)</b>																	
Operating activities:																	
Net Income / (Loss)	33,916	23,636	21,448	14,736	36,330	24,780	21,748	24,024	34,944	26,237	23,331	28,682	96,995	93,736	106,881	113,194	125,430
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	-	-	-	-	-	-	-	11,758	700	700	699	699	-	-	11,758	2,798	2,532
Changes in Operating Assets and Liabilities:																	
Accounts receivable	6,555	1,172	(1,030)	(10,485)	3,597	3,669	4,205	(12,670)	(4,914)	7,913	8,851	(14,952)	(1,688)	(3,788)	(1,199)	(3,102)	1,789
Inventories	(137)	190	(12)	(1,087)	215	643	(1,271)	195	368	410	553	(1,515)	(1,618)	(1,046)	(219)	(184)	(221)
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)	(1,881)	12,735	1,698	(15,928)	105	21,306	(1,889)	6,020	(3,750)	7,180	2,114
Deferred revenue	-	-	-	-	-	-	880	(381)	298	(126)	(34)	(4)	-	-	500	134	54
Accrued restructuring costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current liabilities	(3,865)	428	3,439	15,550	(11,998)	(3,581)	(125)	7,143	(7,973)	(5,675)	40	12,290	3,031	15,552	(8,561)	(1,319)	3,439
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Cash Provided by Operating Activities</b>	<b>39,895</b>	<b>22,690</b>	<b>28,858</b>	<b>26,811</b>	<b>29,935</b>	<b>23,952</b>	<b>31,509</b>	<b>34,731</b>	<b>25,556</b>	<b>20,470</b>	<b>41,991</b>	<b>38,103</b>	<b>110,543</b>	<b>118,254</b>	<b>120,127</b>	<b>126,120</b>	<b>141,758</b>
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)	-	-
<b>Net cash used in investing activities</b>	<b>1,927</b>	<b>(310)</b>	<b>(127)</b>	<b>1,445</b>	<b>9,792</b>	<b>2,917</b>	<b>(2,727)</b>	<b>27,212</b>	<b>(3,167)</b>	<b>(3,247)</b>	<b>(3,328)</b>	<b>(3,411)</b>	<b>3,705</b>	<b>2,935</b>	<b>37,195</b>	<b>(13,152)</b>	<b>(14,518)</b>
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)	-	-
<b>Net Cash used in Financing Activities</b>	<b>(30,585)</b>	<b>(30,433)</b>	<b>(36,017)</b>	<b>(24,948)</b>	<b>(39,371)</b>	<b>(29,006)</b>	<b>(28,904)</b>	<b>(28,819)</b>	<b>(28,916)</b>	<b>(28,821)</b>	<b>(29,022)</b>	<b>(28,936)</b>	<b>(108,488)</b>	<b>(121,983)</b>	<b>(126,099)</b>	<b>(115,695)</b>	<b>(116,184)</b>
<b>Increase/(decrease) in Cash and Cash Equivalents</b>	<b>11,237</b>	<b>(8,053)</b>	<b>(7,286)</b>	<b>3,308</b>	<b>356</b>	<b>(2,137)</b>	<b>(121)</b>	<b>33,125</b>	<b>(6,527)</b>	<b>(11,597)</b>	<b>9,641</b>	<b>5,756</b>	<b>5,760</b>	<b>(794)</b>	<b>31,223</b>	<b>(2,727)</b>	<b>11,056</b>
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	28,041	61,166	54,639	43,042	52,683	23,646	29,965	29,943	61,166	58,439
<b>Cash and Cash Equivalents at End of Period</b>	<b>40,760</b>	<b>32,695</b>	<b>25,565</b>	<b>29,943</b>	<b>30,299</b>	<b>28,162</b>	<b>28,041</b>	<b>61,166</b>	<b>54,639</b>	<b>43,042</b>	<b>52,683</b>	<b>58,439</b>	<b>29,965</b>	<b>29,943</b>	<b>61,166</b>	<b>58,439</b>	<b>69,495</b>

Source: Company data, Morgan Stanley Research estimates

## 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 June 30, 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	1497	40%	372	45%	25%	702	41%
Equal-weight/Hold	1632	44%	380	46%	23%	776	45%
Not-Rated/Hold	4	0%	0	0%	0%	2	0%
Underweight/Sell	593	16%	79	10%	13%	233	14%
Total	3,726		831			1713	

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.

## Analyst Stock Ratings

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.

Equal-weight (E). The stock's total return is expected to be in line with 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.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to 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.

Underweight (U). The stock's total return is expected to be below 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.

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

## Analyst Industry Views

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.

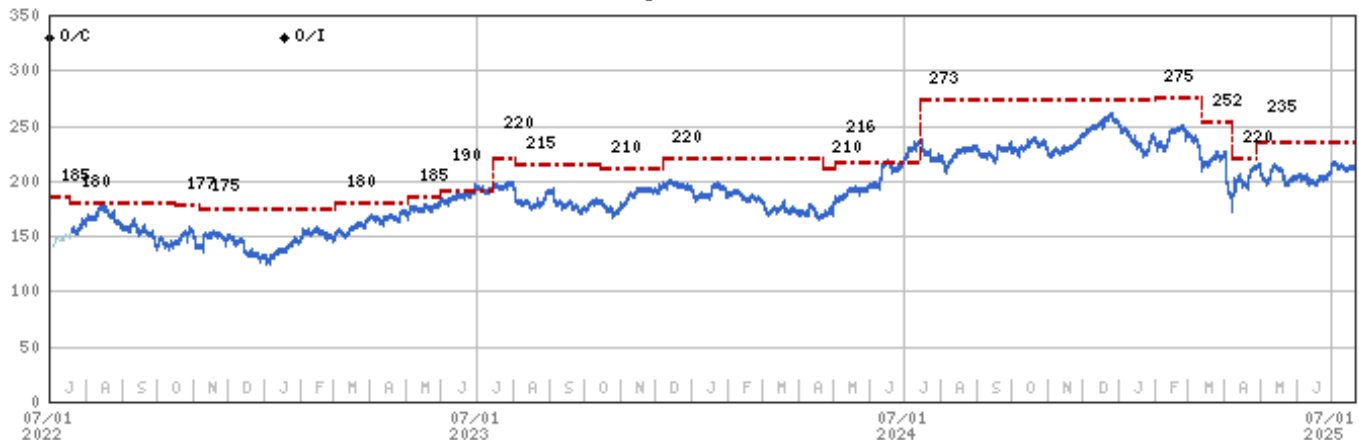
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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

Apple, Inc. (AAPL.O) - As of 07/21/25 GMT in USD  
Industry : IT Hardware



Stock Rating History: 7/1/20 : 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: 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) —

Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View

Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)

Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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## INDUSTRY COVERAGE: IT Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (07/18/2025)
<b>Erik W Woodring</b>		
Apple, Inc. (AAPL.O)	O (05/26/2009)	\$211.18
CDW Corporation (CDW.O)	O (04/08/2025)	\$179.59
Cricut Inc (CRCT.O)	U (08/12/2021)	\$5.44
Dell Technologies Inc. (DELL.N)	O (05/01/2023)	\$131.24
Garmin Ltd (GRMN.N)	U (10/07/2024)	\$227.89
GoPro Inc (GPRO.O)	U (12/12/2023)	\$0.88
HP Inc. (HPQ.N)	E (08/19/2024)	\$25.06
IBM (IBM.N)	E (01/18/2023)	\$285.87
Ingram Micro (INGM.N)	E (06/11/2025)	\$20.69
Kornit Digital Ltd. (KRNT.O)	O (08/10/2023)	\$21.49
Logitech International SA (LOGI.O)	E (01/23/2025)	\$95.71
Resideo Technologies Inc (REZI.N)	E (03/16/2021)	\$24.17
Seagate Technology (STX.O)	O (03/26/2024)	\$149.08
SmartRent, Inc. (SMRT.N)	++	\$0.97
Sonos Inc. (SONO.O)	U (09/26/2024)	\$10.52
TD Synnex Corporation (SNX.N)	O (06/11/2025)	\$143.29
Teradata (TDC.N)	O (04/08/2025)	\$21.59
Western Digital (WDC.O)	O (04/16/2025)	\$68.00
Xerox Corp (XRX.O)		\$5.07
<b>Meta A Marshall</b>		
Hewlett Packard Enterprise (HPE.N)	E (04/08/2025)	\$21.11
NetApp Inc (NTAP.O)	E (07/26/2023)	\$108.37
Nutanix Inc (NTNX.O)	O (10/28/2024)	\$75.55
Pure Storage Inc (PSTG.N)	E (06/11/2024)	\$58.12

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\* Historical prices are not split adjusted.