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IDEA

July 23, 2026 05:04 AM GMT

Apple, Inc. | North America

F3Q26 Earnings Preview – The Market Has Pre-Priced in a Solid June Q/Sept Guide

WHAT'S CHANGED

Apple, Inc. (AAPL.O)	From	To
Price Target	$360.00	**$364.00**

We expect a small June Q beat and a Sept Q guide that implies rev/EPS upside but margin downside vs. Street, driven by iPhone sell-in and pricing increases, but COGS inflation. Services growth and margin guidance are critical this Q. With shares now at 32x P/E, this setup feels largely priced in.

Key Takeaways

- June-quarter iPhone revenue should modestly exceed consensus forecasts (+22% Y/Y), driven by channel replenishment and 19% Y/Y shipment growth.
- Sept Q setup is more mixed – Street still under-appreciates Product pricing upside, and therefore we expect a rev guide higher...
- ... but our September-quarter gross margin of 46.8% (vs. 47.4% consensus) implies a headline GM guide lower (though in line with buyside).
- Also, we're 50-130bps below Street on Services growth in June/Sept quarter, embedding conservatism given App Store deceleration.
- Remain constructive on 12mo view ($364 PT), but tactically don't expect much ST follow-through post-EPS unless our Services/GM expects are too conservative.

Apple's fundamentals remain very solid, but with shares trading near all-time highs, the tactical setup into earnings is neutral/tougher as it requires zero blemishes across the board. We continue to believe that Apple fundamentals are very strong, with myriad price hikes likely to drive upside to revenue and EPS over the next 6-18 months. Case in point, our new FY27 revenue and EPS of $563B and $10.39, respectively, are ~1% higher than our prior forecasts and 7-8% higher than consensus, as we incorporate higher ASPs across the board, partially offset by modestly lower units. However, shares are now trading at 32x our FY27 EPS (and 34x consensus FY27 EPS), just a few turns below Apple's valuation peak, suggesting the market generally has similar elevated expectations. Heading into F3Q earnings next week, we expect June-quarter results and September-quarter guidance to reflect this dynamic – above Street revenue growth, but with mixed margins, though still leading to healthy EPS upside vs. consensus. However, there are 2 areas where we see some near-term risk, namely: (1) June-quarter Services growth, where we are 130bps below consensus due to weak App Store results; and (2) September-quarter gross margin guidance, where we are 60bps below consensus due to a more

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Apple, Inc. (AAPL.O, AAPL US)

IT Hardware | United States of America

Stock Rating	**Overweight**
Industry View	**Cautious**
Price target	**$364.00**
Shr price, close (Jul 22, 2026)	$325.89
Mkt cap, curr (mm)	$4,797,186
52-Week Range	$334.99-201.50

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conservative outlook on the impact of near-term component cost inflation. If these were secondary KPIs, we'd characterize the tactical setup as positive given expected EPS upside. But both metrics are critical to a re-rating, meaning that next week's print/guide has to be flawless to get a positive T+1 move. As such, we would characterize the tactical setup as more neutral after Apple's recent run of outperformance.

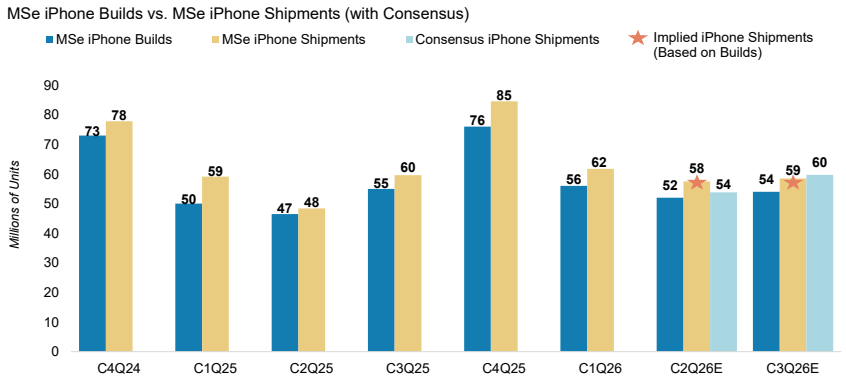
First, strong June-quarter iPhone shipments suggest Apple replenished channel inventory, supporting a healthy iPhone backdrop. We expect June-quarter iPhone revenue of more than $54B (+22% Y/Y), driven by iPhone shipments growing 19% Y/Y as Apple executed a planned channel fill. Recall that Apple exited the March quarter with "*very lean channel inventory.*" Combined with softer China iPhone sell-through during the quarter, we believe channel inventory returned to a healthier level exiting June. Looking into C2H, our supply chain checks have not pointed to any meaningful changes in iPhone builds despite recent headlines suggesting potential cuts, and China sell-through in MTD July has improved meaningfully to double-digit Y/Y growth (Exhibit 1). For the September quarter, iPhone builds of 54M units (+4% Q/Q) are tracking below the typical seasonal increase of +26% Q/Q, which we attribute to: (1) a well-telegraphed slower ramp of the foldable iPhone; and (2) a staggered iPhone launch schedule (Exhibit 2). However, builds still imply >58M iPhone shipments in the September quarter, generally in line with our slightly reduced 58.5M forecast.

Exhibit 1: September-quarter builds of 54M (+4% Q/Q) are tracking below seasonality of +26% Q/Q due to a staggered iPhone product launch

	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24	3Q24	4Q24	2024	1Q25	2Q25	3Q25	4Q25	2025	1Q26	2Q26e	3Q26e
iPhone Builds																		
iPhone SE3 / SE 5G / 16e	1.0	2.5	5.0	3.0	11.5	1.0	2.0	5.0	3.0	11.0	4.0	9.0	4.0	1.0	18.0	2.0	10.0	8.0
iPhone X					-					-	-	-	-	-	-	-	-	-
iPhone XR					-					-	-	-	-	-	-	-	-	-
iPhone 12 mini (5.4")					-					-	-	-	-	-	-	-	-	-
iPhone 12 (6.1")	0.5	0.5			1.0					-	-	-	-	-	-	-	-	-
iPhone 12 Pro (6.1")	0.5				0.5					-	-	-	-	-	-	-	-	-
iPhone 12 Pro Max (6.7")	0.5				0.5					-	-	-	-	-	-	-	-	-
iPhone 13 mini (5.4")	1.0	0.5			1.5					-	-	-	-	-	-	-	-	-
iPhone 13 (6.1")	1.0	0.5			1.5					-	-	-	-	-	-	-	-	-
iPhone 13 Pro (6.1")	1.0	2.0	1.0		4.0	0.5	0.5			1.0	-	-	-	-	-	-	-	-
iPhone 13 Pro Max (6.7")	2.0	2.0	1.0		5.0	0.5	0.5			1.0	-	-	-	-	-	-	-	-
iPhone 14 (6.1")	7.0	4.0	5.0	2.0	18.0	1.0	0.5			1.5	-	-	-	-	-	-	-	-
iPhone 14 Plus (6.7")	5.0	3.0	1.0	1.0	10.0	1.0	0.5			1.5	-	-	-	-	-	-	-	-
iPhone 14 Pro (6.1")	15.0	12.0	7.0	3.0	37.0	2.0	2.0	1.0	1.0	6.0	1.0	1.0	1.0	-	3.0	-	-	-
iPhone 14 Pro Max (6.7")	19.5	14.0	9.0	4.0	46.5	2.0	2.0	1.0	1.0	6.0	1.0	1.0	1.0	-	3.0	-	-	-
iPhone 15 (6.1")			6.0	12.0	18.0	6.0	5.0	4.0	1.0	16.0	1.0	0.5	0.5	0.5	2.5	-	-	-
iPhone 15 Plus (6.7")			5.0	10.0	15.0	4.0	3.0	1.0	1.0	9.0	1.0	0.5	0.5	0.5	2.5	-	-	-
iPhone 15 Pro (6.1")			8.0	16.0	24.0	12.0	10.0	8.5	2.0	32.5	2.0	2.0	2.0	1.0	7.0	1.0	1.0	-
iPhone 15 Pro Max (6.7")			2.0	24.0	26.0	18.0	13.0	10.5	3.0	44.5	3.0	3.0	2.0	1.0	9.0	1.0	1.0	-
iPhone 16 (6.1")								6.0	12.0	18.0	5.0	4.0	4.0	1.0	14.0	2.0	2.0	1.0
iPhone 16 Plus (6.7")								5.0	6.0	11.0	4.0	3.0	1.0	-	8.0	-	-	-
iPhone 16 Pro (6.3")								8.0	17.0	25.0	11.5	9.5	4.0	2.0	27.0	2.0	2.0	2.0
iPhone 16 Pro Max (6.9")								4.0	26.0	30.0	16.5	13.0	10.0	4.0	43.5	5.0	3.0	2.0
iPhone 17 (6.1")													6.0	16.0	22.0	10.0	8.0	6.0
iPhone 17 Air (6.7")													4.0	4.0	8.0	-	-	-
iPhone 17 Pro (6.3")													8.0	22.0	30.0	18.0	13.0	9.0
iPhone 17 Pro Max (6.9")													7.0	23.0	30.0	15.0	12.0	9.0
iPhone 18 Pro (6.3")																		8.0
iPhone 18 Pro Max (6.9")																		8.0
Foldable iPhone																		1.0
Total Builds	**54.0**	**41.0**	**50.0**	**75.0**	**220.0**	**48.0**	**39.0**	**54.0**	**73.0**	**214.0**	**50.0**	**46.5**	**55.0**	**76.0**	**227.5**	**56.0**	**52.0**	**54.0**
Y/Y Growth	0%	-9%	0%	-3%	-3%	-11%	-5%	8%	-3%	-3%	4%	19%	2%	4%	6%	12%	12%	-2%
Q/Q Growth	-30%	-24%	22%	50%		-36%	-19%	38%	35%		-32%	-7%	18%	38%		-26%	-7%	4%

Source: Morgan Stanley Research estimates

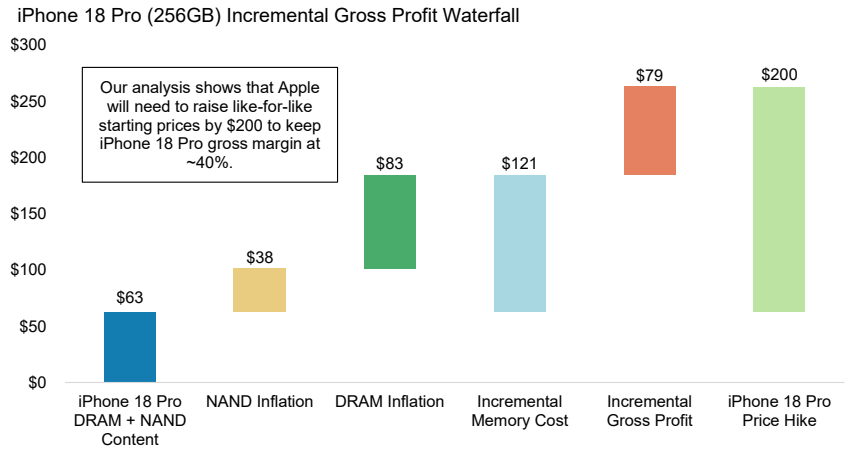
Exhibit 2: Our 57.5M Jun Q shipments are in line with build-implied shipments of 57.5M but are ~4M above consensus, while our Sept Q iPhone shipment estimates of 58.5M are now largely aligned to what are implied by builds, 1.2M below consensus



Source: IDC, FactSet, Morgan Stanley Research estimates

Meanwhile, our checks continue to support a largely unchanged CY26 iPhone production outlook, though we modestly reduce shipments to reflect greater pricing-related demand elasticity. Our latest supply chain work continues to point to roughly 265M CY26 iPhone builds, largely unchanged from prior checks, and we have not seen evidence of lower wafer orders at TSMC. That said, Apple typically communicates supplier plans based on a "bull case" demand scenario and often refines orders as early as mid-to-late October once post-launch sell-through trends become visible. Incorporating a more significant pricing increase for the iPhone 18 into our model ($200 like-for-like starting price increase vs. our prior assumption of $100), we lower our CY26 iPhone shipment forecast slightly to ~250M units from 252M – below the current consensus estimate of 255M (Exhibit 3), but raise our ASPs by 3%. In our view, consensus in the September quarter – and overall for CY26 – does not appear to fully reflect: (1) a more meaningful like-for-like pricing increase for the iPhone 18; and/or (2) a staggered iPhone launch schedule, with 3 higher-end models launching this September, and 3 lower-end models launching next March. This means that our September-quarter iPhone revenue forecast is well above (8%) Street expectations, but is below Street in December (-5%), as we incorporate lower units, but higher ASPs.

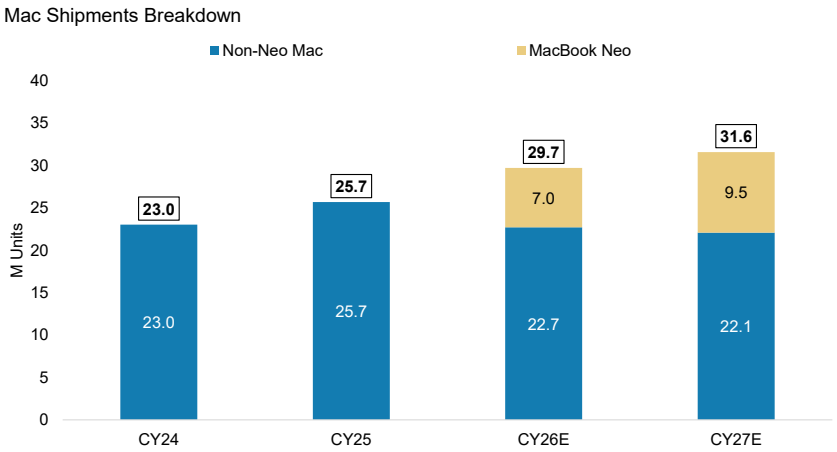
Exhibit 3: To protect iPhone gross margins, we estimate that Apple will need to raise iPhone 18 Pro starting price by $200



Source: Company data, IDC, Morgan Stanley Research estimates

Second, Mac upside appears capped by supply constraints, creating modest downside to our unit estimates but little impact on overall results. Mac lead times lengthened during the June quarter as demand outpaced supply, particularly for Mac mini, Mac Studio, and MacBook Neo, largely due to limited availability of advanced-node SoCs. We therefore reduce our June- and September-quarter Mac shipment forecasts by 11% and 8%, respectively, to reflect both supply bottlenecks and some demand elasticity following Apple's late-June price increases (Exhibit 4). Even so, our checks continue to indicate Apple is ramping MacBook Neo production into C2H26, with output potentially reaching 8-10M units (vs. the original plan of 6-8M). After incorporating higher Mac pricing (along with iPad pricing increases of $100-150), our September-quarter Mac revenue estimate moves 1% higher despite lower shipment assumptions, reflecting Mac demand elasticity of 0.8 vs. ~1.0 for iPad.

Exhibit 4: We slightly lower our Mac shipment forecasts to reflect advanced node SoC supply constraints



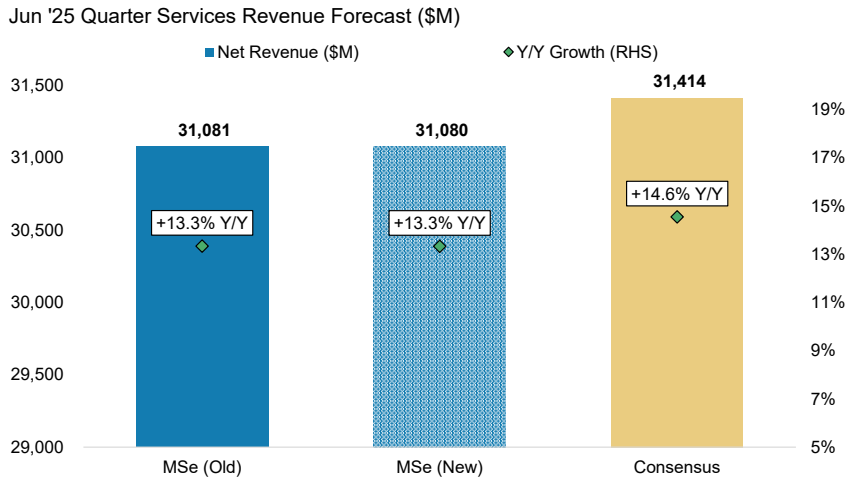
Source: IDC, Morgan Stanley Research estimates

We remain conservative on June-quarter Services growth, but September-quarter growth should find some support from recent pricing actions. We

forecast June-quarter Services revenue growth of 13.3% Y/Y, below both the Street at 14.6% and Apple's implied guidance of roughly +13.8% Y/Y ("in line" with March-quarter growth of 16.3% after adjusting for a 2.5-point favorable FX; Exhibit 5). The primary driver is softer App Store performance, with developer revenue up 3.2% Y/Y, representing roughly 460bps of deceleration from the March quarter. That said, slowing App Store growth has been a recurring theme in recent quarters, yet Apple has consistently met or exceeded overall Services guidance. Our tracker also points to an FX benefit largely in line with guidance (+1.1% Y/Y vs. guidance of +1.0%), while Apple recently raised iCloud+ pricing in select international markets, citing FX impacts. Taken together, we leave our June-quarter Services estimate largely unchanged, and see downside risk to consensus.

Looking ahead, we expect September-quarter Services growth to remain resilient despite further App Store deceleration. We forecast Services revenue growth of 12.7% Y/Y, representing a 60bp slowdown from June and roughly 50bps below consensus at 13.2% Y/Y. While App Store trends continue to soften – July MTD developer revenue is tracking at just +1.0% Y/Y, according to Sensor Tower – we estimate that Apple's recent Apple Music price increases ($1 for individual/student plans and $3 for family plans) should contribute roughly 1 point of incremental Services growth. As a result, we expect only a 60bp deceleration in September despite a roughly 180bp tougher Y/Y comparison from June, though also remain below Street here as well.

Exhibit 5: Our June-quarter Services revenue is 130bps below consensus due to weaker App Store revenues



Source: Company data, FactSet, Morgan Stanley Research estimates

Finally, we expect the bulk of the debate this quarter to rest with the September-quarter gross margin guide. We don't see much risk to Apple's June-quarter gross margin and expect results likely come in between the 48% midpoint and 48.5% high-end of the guidance range. This is generally a well-agreed-upon view. However, we do see downside risk to Street September-quarter gross margins – we're at 46.8%, while Street is at 47.4%. Higher component costs, lower low-cost component inventory, and limited price hike protection (primarily on iPhone) serve as the basis for our more conservative Sept Q forecast, which implies that while

historically September-quarter Products gross margins are up 130bps Q/Q, our September '26 quarter Products gross margins fall 70bps Q/Q. Again, we believe our forecasts are largely in line with buyside expectations, but given how critical gross margin are to the Apple debate, a headline margin guide below consensus creates tactical risk for the earnings setup, even if revenue and EPS outperform.

Taken together, our June- and September-quarter revenue forecasts remain largely unchanged – Services and gross margins are where we are most focused on. Our June-quarter estimates sit modestly below consensus, primarily reflecting supply-related constraints, though we wouldn't be surprised to see EPS come in closer to $1.90-1.95, in line with Apple's historical "upside EPS surprise". Our September-quarter forecasts are mixed vs. consensus – our total revenue forecast remains 6% above the Street as we see greater upside from iPhone pricing – and we expect Apple to guide revenue closer to MSe than consensus (Exhibit 6). However, our gross margins are below consensus, and we expect a 46.5-47.5% gross margin guide, technically amounting to a gross margin guide down. While the combination of these two factors still leaves our September-quarter EPS 5% above Street – an otherwise positive outcome – we're just cognizant that at 32x P/E, and having outperformed the market by 7 points over the last 4 weeks, shares have already pre-priced this "beat" in. As such, we remain constructive over a 12-month horizon with a new $364 PT – or 35x our new FY27 EPS of $10.39 – but don't expect much, if any, follow-through post-earnings.

Exhibit 6: Our June- and September-quarter revenue are 0-6% above consensus, driven primarily by iPhone pricing strength, with EPS in line to 5% above Street forecasts

	F3Q26 (Jun Q)					F4Q26 (Sept Q)				
	MSe	MSe (Old)	% Diff	Consensus	% Diff	MSe	MSe (Old)	% Diff	Consensus	% Diff
Total Revenue	**108,468**	**108,714**	**-0.2%**	**108,848**	**-0.3%**	**121,294**	**121,542**	**-0.2%**	**114,699**	**5.7%**
Y/Y Growth	*15.3%*	*15.6%*	-26bps	*15.8%*	-40bps	*18.4%*	*18.6%*	-24bps	*11.9%*	644bps
iPhone	***54,473***	***54,207***	***0.5%***	***53,742***	***1.4%***	***62,329***	***62,581***	***-0.4%***	***57,911***	***7.6%***
ASP ($)	*946*	*941*	*0.5%*	*965*	*-1.9%*	*1,064*	*1,017*	*4.6%*	*947*	*12.3%*
Unit (K units)	*57,500*	*57,500*	*0.0%*	*53,797*	*6.9%*	*58,500*	*61,500*	*-4.9%*	*59,722*	*-2.0%*
iPad	*6,649*	*6,848*	*-2.9%*	*7,098*	*-6.3%*	*7,104*	*7,892*	*-10.0%*	*7,284*	*-2.5%*
Mac	*8,092*	*8,839*	*-8.5%*	*8,680*	*-6.8%*	*9,806*	*9,702*	*1.1%*	*9,365*	*4.7%*
Wearables	*8,175*	*7,796*	*4.9%*	*7,904*	*3.4%*	*9,668*	*9,106*	*6.2%*	*9,178*	*5.3%*
Services	*31,080*	*31,081*	*0.0%*	*31,414*	*-1.1%*	*32,387*	*32,354*	*0.1%*	*32,547*	*-0.5%*
Gross Profit	52,239	52,268	-0.1%	52,339	-0.2%	56,811	56,901	-0.2%	54,380	4.5%
EBIT	33,149	33,179	-0.1%	33,401	-0.8%	37,161	37,257	-0.3%	35,370	5.1%
Pre-tax Profits	33,399	33,430	-0.1%	33,451	-0.2%	37,316	37,413	-0.3%	35,516	5.1%
Net Income	27,721	27,747	-0.1%	27,731	0.0%	30,972	31,427	-1.4%	29,412	5.3%
EPS	**$1.89**	**$1.89**	**-0.1%**	**$1.89**	**-0.3%**	**$2.12**	**$2.15**	**-1.4%**	**$2.02**	**4.8%**
Gross Margin	48.2%	48.1%	*8bps*	48.1%	*8bps*	46.8%	46.8%	*2bps*	47.4%	*-57bps*
Products	*36.8%*	*36.7%*	*8bps*	*36.4%*	*37bps*	*36.1%*	*36.2%*	*-2bps*	*35.3%*	*80bps*
Services	*76.5%*	*76.5%*	*0bps*	*76.3%*	*22bps*	*76.2%*	*76.2%*	*0bps*	*75.4%*	*84bps*
OpM	30.6%	30.5%	*4bps*	30.7%	*-13bps*	30.6%	30.7%	*-2bps*	30.8%	*-20bps*
Effective Tax Rate	17.0%	17.0%	*0bps*	17.1%	*-10bps*	17.0%	16.0%	*100bps*	17.2%	*-19bps*
Net Margin	25.6%	25.5%	*3bps*	25.5%	*8bps*	25.5%	25.9%	*-32bps*	25.6%	*-11bps*

Source: Company data, FactSet, Morgan Stanley Research estimates

Exhibit 7: While our gross margin estimates are 20-45bps below consensus, our EPS forecasts are 1-7% above Street, primarily driven by higher iPhone ASP forecasts

	FY26E					FY27E				
	MSe	MSe (Old)	% Diff	Consensus	% Diff	MSe	MSe (Old)	% Diff	Consensus	% Diff
Total Revenue	**484,702**	**485,346**	**-0.1%**	**478,173**	**1.4%**	**562,660**	**557,504**	**0.9%**	**520,807**	**8.0%**
Y/Y Growth	*32.5%*	*32.7%*	-18bps	*14.9%*	1,760bps	*16.1%*	*14.9%*	122bps	*8.9%*	717bps
iPhone	***259,065***	***259,051***	***0.0%***	***253,587***	***2.2%***	***316,581***	***308,590***	***2.6%***	***270,889***	***16.9%***
ASP ($)	*988*	*977*	*1.1%*	*980*	*0.8%*	*1,227*	*1,152*	*6.5%*	*1,031*	*19.0%*
Unit (K units)	*262,329*	*265,329*	*-1.1%*	*257,473*	*1.9%*	*258,000*	*268,000*	*-3.7%*	*256,839*	*0.5%*
iPad	*29,262*	*30,249*	*-3.3%*	*29,906*	*-2.2%*	*29,740*	*31,816*	*-6.5%*	*30,166*	*-1.4%*
Mac	*34,683*	*35,326*	*-1.8%*	*34,863*	*-0.5%*	*37,285*	*38,626*	*-3.5%*	*37,317*	*-0.1%*
Wearables	*37,236*	*36,296*	*2.6%*	*36,543*	*1.9%*	*38,993*	*39,014*	*-0.1%*	*37,867*	*3.0%*
Services	*124,456*	*124,423*	*0.0%*	*124,889*	*-0.3%*	*140,061*	*139,458*	*0.4%*	*139,599*	*0.3%*
Gross Profit	233,062	233,181	-0.1%	231,004	0.9%	266,707	264,928	0.7%	249,193	7.0%
EBIT	157,047	157,173	-0.1%	155,173	1.2%	179,048	177,549	0.8%	167,091	7.2%
Pre-tax Profits	157,551	157,677	-0.1%	155,692	1.2%	179,646	178,146	0.8%	168,048	6.9%
Net Income	130,369	130,848	-0.4%	128,657	1.3%	150,902	149,643	0.8%	139,451	8.2%
EPS	**$8.86**	**$8.89**	**-0.4%**	**$8.76**	**1.1%**	**$10.39**	**$10.30**	**0.8%**	**$9.67**	**7.4%**
Gross Margin	48.1%	48.0%	*4bps*	48.3%	*-23bps*	47.4%	47.5%	*-12bps*	47.8%	*-45bps*
Products	*38.3%*	*38.2%*	*3bps*	*38.4%*	*-7bps*	*37.5%*	*37.6%*	*-9bps*	*37.0%*	*55bps*
Services	*76.5%*	*76.5%*	*0bps*	*76.3%*	*20bps*	*77.3%*	*77.3%*	*0bps*	*76.7%*	*57bps*
OpM	32.4%	32.4%	*2bps*	32.5%	*-5bps*	31.8%	31.8%	*-3bps*	32.1%	*-26bps*
Effective Tax Rate	17.3%	17.0%	*24bps*	17.4%	*-11bps*	16.0%	16.0%	*0bps*	17.0%	*-102bps*
Net Margin	26.9%	27.0%	*-6bps*	26.9%	*-1bps*	26.8%	26.8%	*-2bps*	26.8%	*4bps*

Source: Company data, FactSet, Morgan Stanley Research estimates

AlphaSignals Earnings Preview

Focus KPI	Focus KPI Surprise	Likely impact to consensus EPS*
Apple, Inc. AAPL.O		
September quarter gross margin guidance	— In-line	↑ Modest revision higher

*Likely impact to consensus EPS is for the next 12 months
Source: Company data, Morgan Stanley Research

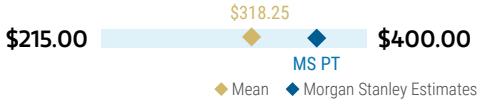
Risk Reward – Apple, Inc. (AAPL.O)

Higher Pricing, Higher Earnings Power, And A Catalyst-Laden 2H

PRICE TARGET $364.00

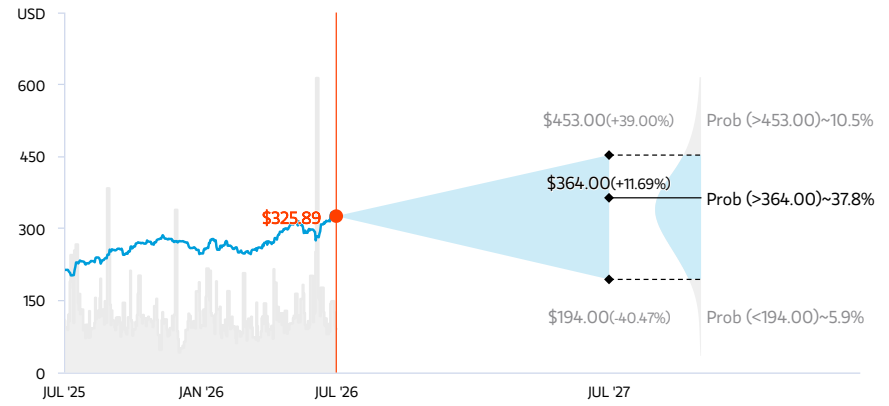
Our $364 PT is based an 9.2x EV/Sales FY27 multiple, which is derived from a regression of tech and consumer platform peers. Our price target implies ~35x P/E on $10.39 FY27 EPS.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



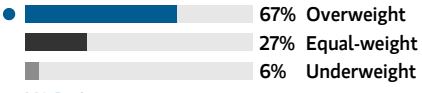
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

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 22 Jul 2026. 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 most elongated iPhone replacement cycles, new AI features rolling out around the world, and a renewed focus on device form factor changes, we believe Apple can accelerate iPhone growth starting in CY26, with replacement cycles peaking as aged installed base starts to upgrade. When combined with consistent, double digit services growth and moderate operating leverage, we believe Apple can earn $8.86 in FY26 and $10.39 by FY27. Memory cost dynamic could create uncertainties in the near term. 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 $453.00

11x EV/Sales FY27; ~41x Bull FY27 P/E of $11.02

iPhone replacement cycles accelerate in FY26/FY27 with Robotics as an long-term upside. 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 rising component costs are mitigated given Apple's bargaining power against consumers and the supply chain. Our bull case valuation implies a 41.1x P/E multiple on FY27 Bull EPS, which embeds $22 per share of upside from its Robotics efforts.

BASE CASE $364.00

9.2x EV/Sales FY27 or ~35x FY27 EPS of $10.39

Services and margins remain resilient, while investors start to expect stronger iPhone cycles ahead. Revenue grows mid-teens % Y/Y in FY27, driven by 10%+ Services growth and high-teens % Products growth. GM may contract Y/Y in FY27 driven by higher Product revenue mix and memory costs, while Apple leverages the supply chain and repricing to mitigate the cost impact. The iPhone replacement cycle is elongating again in FY27 due to demand elasticity amidst memory-induced pricing increases.

BEAR CASE $194.00

6.3x EV/Sales FY27; 24.6x FY27 Bear EPS of $7.89

iPhone 17 cycle disappoints as consumer spending weakens more than expected amidst synthetic price increases. 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, FY26 EPS will only grow MSD to ~$7.36. Our bear case valuation implies a 24.6x FY27 P/E, below T5Y avg of 26.0x due to plateauing Services profit mix.

Risk Reward – Apple, Inc. (AAPL.O)

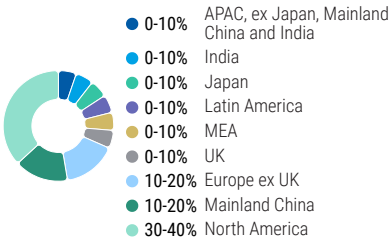
KEY EARNINGS INPUTS

Drivers	Sep 2025	Sep 2026e	Sep 2027e	Sep 2028e
Total Revenue Growth (Y/Y) (%)	6.4	16.5	16.1	6.7
iPhone Revenue Growth (Y/Y) (%)	4.2	23.6	22.2	6.2
Services Revenue Growth (Y/Y) (%)	13.5	14.0	12.5	11.2
Gross Margin (%)	46.9	48.1	47.4	48.1
EPS Growth (Y/Y) (%)	10.6	18.7	17.3	8.7

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

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

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
- Higher memory input costs
- Limited progress on AI features
- Geopolitical tensions
- Increased regulation, particularly with App Store

OWNERSHIP POSITIONING

Inst. Owners, % Active	47.5%
HF Sector Long/Short Ratio	2.1x
HF Sector Net Exposure	29.5%

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 2027e

Sales / Revenue ($, mm)	487,423	562,660 / 523,002	584,689
EBITDA ($, mm)	160,270	193,904 / 184,220	208,000
Net income ($, mm)	127,262	150,902 / 140,025	161,457
EPS ($)	8.81	10.39 / 9.75	10.96

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Apple (AAPL) Financial Model

Exhibit 8: Apple Income Statement

	2025A				2026E				2027E				Fiscal Year				
($ in millions)	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	2024A	2025A	2026E	2027E	2028E
Revenues	**124,300**	**95,359**	**94,036**	**102,466**	**143,756**	**111,184**	**108,468**	**121,294**	**154,264**	**134,732**	**134,261**	**139,402**	**391,035**	**416,161**	**484,702**	**562,660**	**600,376**
iPhone	69,138	46,841	44,582	49,025	85,269	56,994	54,473	62,329	90,368	75,687	74,512	76,015	201,183	209,586	259,065	316,581	336,275
iPad	8,088	6,402	6,581	6,952	8,595	6,914	6,649	7,104	8,624	6,996	7,007	7,112	26,694	28,023	29,262	29,740	30,002
Mac	8,987	7,949	8,046	8,726	8,386	8,399	8,092	9,806	9,330	9,489	8,589	9,878	29,984	33,708	34,683	37,285	36,564
Wearables, Home and Accessories	11,747	7,522	7,404	9,013	11,493	7,901	8,175	9,668	12,181	8,062	8,594	10,156	37,005	35,686	37,236	38,993	41,733
Services	26,340	26,645	27,423	28,750	30,013	30,976	31,080	32,387	33,761	34,498	35,560	36,241	96,169	109,158	124,456	140,061	155,802
Cost of Sales	**66,025**	**50,492**	**50,318**	**54,125**	**74,525**	**56,403**	**56,229**	**64,483**	**82,378**	**69,926**	**70,326**	**73,322**	**210,352**	**220,960**	**251,640**	**295,952**	**311,886**
Gross Profit	**58,275**	**44,867**	**43,718**	**48,341**	**69,231**	**54,781**	**52,239**	**56,811**	**71,886**	**64,806**	**63,936**	**66,080**	**180,683**	**195,201**	**233,062**	**266,707**	**288,490**
Gross Margin	*46.9%*	*47.1%*	*46.5%*	*47.2%*	*48.2%*	*49.3%*	*48.2%*	*46.8%*	*46.6%*	*48.1%*	*47.6%*	*47.4%*	*46.2%*	*46.9%*	*48.1%*	*47.4%*	*48.1%*
Operating Expenses	**15,443**	**15,278**	**15,516**	**15,914**	**18,379**	**18,896**	**19,090**	**19,650**	**21,366**	**21,692**	**22,019**	**22,583**	**57,467**	**62,151**	**76,015**	**87,659**	**95,538**
Research and Development	8,268	8,550	8,866	8,866	10,887	11,419	11,823	12,190	13,267	13,810	14,366	14,637	31,370	34,550	46,319	56,080	62,425
Selling, General and Administrative	7,175	6,728	6,650	7,048	7,492	7,477	7,267	7,460	8,099	7,882	7,653	7,946	26,097	27,601	29,696	31,580	33,113
Operating Income	**42,832**	**29,589**	**28,202**	**32,427**	**50,852**	**35,885**	**33,149**	**37,161**	**50,520**	**43,114**	**41,917**	**43,497**	**123,216**	**133,050**	**157,047**	**179,048**	**192,952**
PTOP Margin	*34.5%*	*31.0%*	*30.0%*	*31.6%*	*35.4%*	*32.3%*	*30.6%*	*30.6%*	*32.7%*	*32.0%*	*31.2%*	*31.2%*	*31.5%*	*32.0%*	*32.4%*	*31.8%*	*32.1%*
Total Interest & Other Income	**(248)**	**(279)**	**(171)**	**377**	**150**	**(52)**	**251**	**155**	**122**	**139**	**159**	**178**	**269**	**(321)**	**504**	**598**	**286**
Pretax Income	**42,584**	**29,310**	**28,031**	**32,804**	**51,002**	**35,833**	**33,399**	**37,316**	**50,642**	**43,253**	**42,076**	**43,675**	**123,485**	**132,729**	**157,551**	**179,646**	**193,238**
GAAP Income Tax Provision	6,254	4,530	4,597	5,338	8,905	6,255	5,678	6,344	8,103	6,920	6,732	6,988	29,749	20,719	27,182	28,743	30,918
Operating Tax Provision (excl one time tax ef	6,254	4,530	4,597	5,338	8,905	6,255	5,678	6,344	8,103	6,920	6,732	6,988	19,503	20,719	27,182	28,743	30,918
Effective Tax Rate	*14.7%*	*15.5%*	*16.4%*	*16.3%*	*17.5%*	*17.5%*	*17.0%*	*17.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*15.8%*	*15.6%*	*17.3%*	*16.0%*	*16.0%*
Operating Net Income	**36,330**	**24,780**	**23,434**	**27,466**	**42,097**	**29,578**	**27,721**	**30,972**	**42,539**	**36,332**	**35,344**	**36,687**	**103,982**	**112,010**	**130,369**	**150,902**	**162,320**
Operating Net Income Margin	*29.2%*	*26.0%*	*24.9%*	*26.8%*	*29.3%*	*26.6%*	*25.6%*	*25.5%*	*27.6%*	*27.0%*	*26.3%*	*26.3%*	*26.6%*	*26.9%*	*26.9%*	*26.8%*	*27.0%*
Total Non-recurring Charges	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,246)**	**-**	**-**	**-**	**-**
GAAP Net Income	**36,330**	**24,780**	**23,434**	**27,466**	**42,097**	**29,578**	**27,721**	**30,972**	**42,539**	**36,332**	**35,344**	**36,687**	**93,736**	**112,010**	**130,369**	**150,902**	**162,320**
Fully-diluted EPS																	
EPS - ModelWare	**$2.40**	**$1.65**	**$1.57**	**$1.85**	**$2.84**	**$2.01**	**$1.89**	**$2.12**	**$2.92**	**$2.50**	**$2.44**	**$2.54**	**$6.75**	**$7.46**	**$8.86**	**$10.39**	**$11.29**
EPS - Reported	$2.40	$1.65	$1.57	$1.85	$2.84	$2.01	$1.89	$2.12	$2.92	$2.50	$2.44	$2.54	$6.08	$7.46	$8.86	$10.39	$11.29
EPS - ModelWare excl. Stock Option Expe	$2.61	$1.86	$1.78	$2.06	$3.09	$2.25	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Dividend Payment	3,856	3,758	3,945	3,862	3,921	3,822	4,057	3,981	4,043	3,952	4,208	4,131	15,234	15,421	15,780	16,334	16,974
Dividend Per Share	$0.25	$0.25	$0.26	$0.26	$0.26	$0.26	$0.28	$0.27	$0.28	$0.27	$0.29	$0.29	$0.99	$1.03	$1.08	$1.13	$1.18
Period Ending Outstanding Shares	15,040.7	14,939.3	14,856.7	14,773.3	14,702.7	14,667.7	14,613.0	14,567.5	14,523.7	14,481.4	14,440.7	14,401.5	15,116.8	14,773.3	14,567.5	14,401.5	14,268.8
Avg Shares (Basic)	15,081.7	14,994.1	14,902.9	14,815.3	14,748.2	14,673.3	14,640.3	14,590.2	14,545.6	14,502.5	14,461.1	14,421.1	15,343.8	14,948.5	14,663.0	14,482.6	14,332.7
Avg Shares (Fully Diluted)	15,150.9	15,056.1	14,948.2	14,863.6	14,810.4	14,725.9	14,692.9	14,642.8	14,587.6	14,544.5	14,503.1	14,463.1	15,408.1	15,004.7	14,718.0	14,524.6	14,374.7

Source: Company data, Morgan Stanley Research estimates

Exhibit 9: Apple Income Statement Analysis

	2025A				2026E				2027E				Fiscal Year				
($ in millions)	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	2024A	2025A	2026E	2027E	2028E
Margin Analysis																	
Gross Margin	**46.9%**	**47.1%**	**46.5%**	**47.2%**	**48.2%**	**49.3%**	**48.2%**	**46.8%**	**46.6%**	**48.1%**	**47.6%**	**47.4%**	**46.2%**	**46.9%**	**48.1%**	**47.4%**	**48.1%**
Product	39.3%	35.9%	34.5%	36.2%	40.7%	38.7%	36.8%	36.1%	38.0%	38.0%	36.9%	37.0%	37.2%	36.8%	38.3%	37.5%	37.6%
iPhone	42.8%	39.3%	37.4%	40.0%	44.5%	43.0%	41.0%	40.0%	41.5%	41.5%	40.0%	40.3%	40.6%	40.2%	42.4%	40.8%	40.5%
iPad	29.7%	27.5%	26.8%	26.8%	28.0%	28.0%	25.5%	26.0%	27.0%	26.0%	27.0%	27.0%	28.6%	27.8%	26.9%	26.8%	27.7%
Mac	32.3%	28.5%	30.0%	30.0%	31.0%	28.0%	26.0%	26.0%	27.0%	26.8%	26.8%	27.1%	30.3%	30.3%	27.7%	26.9%	28.6%
Wearables, Home and Accessories	30.8%	29.9%	28.9%	28.9%	28.8%	28.3%	28.5%	29.0%	28.5%	28.5%	28.5%	29.0%	30.6%	29.7%	28.7%	28.6%	29.0%
Services	75.0%	75.7%	75.6%	75.3%	76.5%	76.7%	76.5%	76.2%	77.2%	77.5%	77.3%	77.1%	73.9%	75.4%	76.5%	77.3%	77.8%
R&D	6.7%	9.0%	9.4%	8.7%	7.6%	10.3%	10.9%	10.1%	8.6%	10.3%	10.7%	10.5%	8.0%	8.3%	9.6%	10.0%	10.4%
SG&A	5.8%	7.1%	7.1%	6.9%	5.2%	6.7%	6.7%	6.2%	5.3%	5.9%	5.7%	5.7%	6.7%	6.6%	6.1%	5.6%	5.5%
Operating Expenses	12.4%	16.0%	16.5%	15.5%	12.8%	17.0%	17.6%	16.2%	13.9%	16.1%	16.4%	16.2%	14.7%	14.9%	15.7%	15.6%	15.9%
EBITDA Margin	36.9%	33.8%	33.0%	34.7%	37.6%	35.4%	33.9%	33.6%	35.1%	34.7%	34.0%	33.9%	34.4%	34.8%	35.3%	34.5%	34.8%
PTOP Margin	34.5%	31.0%	30.0%	31.6%	35.4%	32.3%	30.6%	30.6%	32.7%	32.0%	31.2%	31.2%	31.5%	32.0%	32.4%	31.8%	32.1%
Pretax Margin	34.3%	30.7%	29.8%	32.0%	35.5%	32.2%	30.8%	30.8%	32.8%	32.1%	31.3%	31.3%	31.6%	31.9%	32.5%	31.9%	32.2%
Net Income	29.2%	26.0%	24.9%	26.8%	29.3%	26.6%	25.6%	25.5%	27.6%	27.0%	26.3%	26.3%	26.6%	26.9%	26.9%	26.8%	27.0%
Year-Over-Year Growth (%)																	
Revenue	**4%**	**5%**	**10%**	**8%**	**16%**	**17%**	**15%**	**18%**	**7%**	**21%**	**24%**	**15%**	**2%**	**6%**	**16%**	**16%**	**7%**
iPhone	-1%	2%	13%	6%	23%	22%	22%	27%	6%	33%	37%	22%	0%	4%	24%	22%	6%
iPad	15%	15%	-8%	0%	6%	8%	1%	2%	0%	1%	5%	0%	-6%	5%	4%	2%	1%
Mac	16%	7%	15%	13%	-7%	6%	1%	12%	11%	13%	6%	1%	2%	12%	3%	8%	-2%
Wearables, Home and Accessories	-2%	-5%	-9%	0%	-2%	5%	10%	7%	6%	2%	5%	5%	-7%	-4%	4%	5%	7%
Services	14%	12%	13%	15%	14%	16%	13%	13%	12%	11%	14%	12%	13%	14%	14%	13%	11%
Gross Margin	**6%**	**6%**	**10%**	**10%**	**19%**	**22%**	**19%**	**18%**	**4%**	**18%**	**22%**	**16%**	**7%**	**8%**	**19%**	**14%**	**8%**
iPhone	0%	0%	10%	7%	28%	33%	34%	27%	-1%	28%	33%	23%	1%	3%	30%	18%	5%
iPad	14%	13%	-12%	-5%	0%	10%	-4%	-1%	-3%	-6%	12%	4%	-3%	2%	1%	1%	5%
Mac	17%	4%	15%	13%	-10%	4%	-13%	-3%	-3%	8%	9%	5%	5%	12%	-6%	5%	4%
Wearables, Home and Accessories	-5%	-4%	-12%	-4%	-8%	-1%	9%	8%	5%	3%	5%	5%	-5%	-6%	1%	5%	8%
Services	17%	13%	16%	17%	16%	18%	15%	14%	13%	13%	16%	13%	18%	16%	16%	14%	12%
R&D	**7%**	**8%**	**11%**	**14%**	**32%**	**34%**	**33%**	**37%**	**22%**	**21%**	**22%**	**20%**	**5%**	**10%**	**34%**	**21%**	**11%**
SG&A	**6%**	**4%**	**5%**	**8%**	**4%**	**11%**	**9%**	**6%**	**8%**	**5%**	**5%**	**7%**	**5%**	**6%**	**8%**	**6%**	**5%**
Operating Expenses	**7%**	**6%**	**8%**	**11%**	**19%**	**24%**	**23%**	**23%**	**16%**	**15%**	**15%**	**15%**	**5%**	**8%**	**22%**	**15%**	**9%**
PTOP Margin	6%	6%	11%	10%	19%	21%	18%	15%	-1%	20%	26%	17%	8%	8%	18%	14%	8%
Pretax Margin	6%	4%	10%	11%	20%	22%	19%	14%	-1%	21%	26%	17%	9%	7%	19%	14%	8%
Net Income	7%	5%	9%	10%	16%	19%	18%	13%	1%	23%	27%	18%	7%	8%	16%	16%	8%
ModelWare EPS	**10%**	**8%**	**12%**	**13%**	**19%**	**22%**	**20%**	**14%**	**3%**	**24%**	**29%**	**20%**	**10%**	**11%**	**19%**	**17%**	**9%**
Sequential Growth (%)																	
Revenue	**31%**	**-23%**	**-1%**	**9%**	**40%**	**-23%**	**-2%**	**12%**	**27%**	**-13%**	**0%**	**4%**					
iPhone	50%	-32%	-5%	10%	74%	-33%	-4%	14%	45%	-16%	-2%	2%					
iPad	16%	-21%	3%	6%	24%	-20%	-4%	7%	21%	-19%	0%	2%					
Mac	16%	-12%	1%	8%	-4%	0%	-4%	21%	-5%	2%	-9%	15%					
Wearables, Home and Accessories	30%	-36%	-2%	22%	28%	-31%	3%	18%	26%	-34%	7%	18%					
Services	5%	1%	3%	5%	4%	3%	0%	4%	4%	2%	3%	2%					
Gross Margin	**33%**	**-23%**	**-3%**	**11%**	**43%**	**-21%**	**-5%**	**9%**	**27%**	**-10%**	**-1%**	**3%**					
iPhone	61%	-38%	-9%	18%	93%	-35%	-9%	12%	50%	-16%	-5%	3%					
iPad	23%	-27%	0%	6%	29%	-20%	-12%	9%	26%	-22%	4%	2%					
Mac	25%	-22%	7%	8%	-1%	-10%	-11%	21%	-1%	1%	-9%	16%					
Wearables, Home and Accessories	33%	-38%	-5%	22%	27%	-33%	4%	20%	24%	-34%	7%	20%					
Services	7%	2%	3%	4%	6%	3%	0%	4%	6%	3%	3%	2%					
R&D	6%	3%	4%	0%	23%	5%	4%	3%	9%	4%	4%	2%					
SG&A	10%	-6%	-1%	6%	6%	0%	-3%	3%	9%	-3%	-3%	4%					
Operating Expenses	**8%**	**-1%**	**2%**	**3%**	**15%**	**3%**	**1%**	**3%**	**9%**	**2%**	**2%**	**3%**					
PTOP Margin	45%	-31%	-5%	15%	57%	-29%	-8%	12%	36%	-15%	-3%	4%					
Pretax Margin	44%	-31%	-4%	17%	55%	-30%	-7%	12%	36%	-15%	-3%	4%					
Net Income	45%	-32%	-5%	17%	53%	-30%	-6%	12%	37%	-15%	-3%	4%					
ModelWare EPS	**46%**	**-31%**	**-5%**	**18%**	**54%**	**-29%**	**-6%**	**12%**	**38%**	**-14%**	**-2%**	**4%**					
Revenue Mix																	
iPhone	56%	49%	47%	48%	59%	51%	50%	51%	59%	56%	55%	55%	51%	50%	53%	56%	56%
iPad	7%	7%	7%	7%	6%	6%	6%	6%	6%	5%	5%	5%	7%	7%	6%	5%	5%
Mac	7%	8%	9%	9%	6%	8%	7%	8%	6%	7%	6%	7%	8%	8%	7%	7%	6%
Wearables, Home and Accessories	9%	8%	8%	9%	8%	7%	8%	8%	8%	6%	6%	7%	9%	9%	8%	7%	7%
Services	21%	28%	29%	28%	21%	28%	29%	27%	22%	26%	26%	26%	25%	26%	26%	25%	26%

Source: Company data, Morgan Stanley Research estimates

Exhibit 10: Apple Balance Sheet

($ in millions)	2025A				2026E				2027E				Fiscal Year				
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	2024A	2025A	2026E	2027E	2028E
Assets																	
Current Assets:																	
Cash and cash equivalents	30,299	28,162	36,269	35,934	45,317	45,572	56,850	63,413	80,119	100,332	119,310	124,782	29,943	35,934	63,413	124,782	174,271
Short-term investments	111,069	104,760	96,717	96,486	99,478	101,023	101,023	101,023	101,023	101,023	101,023	101,023	126,707	96,486	101,023	101,023	101,023
Accounts receivable	29,639	26,136	27,557	39,777	39,921	30,339	35,759	46,144	36,889	37,426	41,311	48,488	33,410	39,777	46,144	48,488	39,891
Inventories	6,911	6,269	5,925	5,718	5,875	6,747	6,797	8,411	8,954	8,547	8,501	9,564	7,286	5,718	8,411	9,564	8,020
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	37,369	32,225	28,091	42,219	39,855	32,975	30,045	44,642	42,634	34,829	31,664	47,429	41,574	42,219	44,642	47,429	51,192
Total Current Assets	**220,833**	**203,098**	**200,105**	**225,680**	**235,992**	**222,202**	**236,020**	**269,179**	**275,165**	**287,702**	**307,355**	**336,831**	**244,466**	**225,680**	**269,179**	**336,831**	**379,942**
Property, Plant & Equipment, ne	46,069	46,876	48,508	49,834	50,159	50,116	49,412	48,770	48,371	47,965	47,969	48,267	45,680	49,834	48,770	48,267	52,257
Acquired Intangible Assets	29,043	30,577	31,188	31,506	35,050	37,164	36,502	35,884	35,307	34,768	34,265	33,796	28,160	31,506	35,884	33,796	32,045
Other assets	48,140	50,682	51,694	52,221	58,096	61,600	56,863	57,443	63,905	67,760	62,550	63,188	46,674	52,221	57,443	63,188	69,506
Non-current debt and equity inve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Fixed Assets	**123,252**	**128,135**	**131,390**	**133,561**	**143,305**	**148,880**	**142,777**	**142,097**	**147,583**	**150,493**	**144,784**	**145,250**	**120,514**	**133,561**	**142,097**	**145,250**	**153,808**
Total Assets	**344,085**	**331,233**	**331,495**	**359,241**	**379,297**	**371,082**	**378,797**	**411,276**	**422,749**	**438,195**	**452,140**	**482,082**	**364,980**	**359,241**	**411,276**	**482,082**	**533,750**
Liabilities																	
Current Liabilities:																	
Accounts payable	61,910	54,126	50,374	69,860	70,587	57,349	57,465	80,604	71,633	73,811	71,099	91,652	68,960	69,860	80,604	91,652	84,214
Accrued expenses	69,612	70,825	71,478	75,442	77,956	66,985	74,776	78,721	82,002	84,000	90,591	89,178	86,553	75,442	78,721	89,178	88,931
Current Debt	12,843	19,620	19,268	20,329	13,824	10,307	10,307	10,307	10,307	10,307	10,307	10,307	20,879	20,329	10,307	10,307	10,307
Other current liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	**144,365**	**144,571**	**141,120**	**165,631**	**162,367**	**134,641**	**142,548**	**169,631**	**163,943**	**168,118**	**171,996**	**191,137**	**176,392**	**165,631**	**169,631**	**191,137**	**183,452**
Non-Current Liabilities																	
Long-term debt	83,956	78,566	82,430	78,328	76,685	74,404	74,404	74,404	74,404	74,404	74,404	74,404	85,750	78,328	74,404	74,404	74,404
Deferred revenue - non-curren	3,199	2,747	2,851	2,731	3,457	3,772	3,187	2,861	2,862	3,087	3,352	2,931	2,960	2,731	2,861	2,931	2,859
Deferred tax liabilities	44,957	37,703	38,414	37,968	47,748	50,924	50,924	50,924	50,924	50,924	50,924	50,924	42,078	37,968	50,924	50,924	50,924
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	**132,962**	**119,866**	**124,545**	**119,877**	**128,740**	**129,950**	**129,364**	**129,038**	**129,039**	**129,265**	**129,530**	**129,109**	**131,638**	**119,877**	**129,038**	**129,109**	**129,037**
Total Liabilities	**277,327**	**264,437**	**265,665**	**285,508**	**291,107**	**264,591**	**271,913**	**298,670**	**292,982**	**297,383**	**301,526**	**320,246**	**308,030**	**285,508**	**298,670**	**320,246**	**312,489**
Series A preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Shareholder's Equity	**66,758**	**66,796**	**65,830**	**73,733**	**88,190**	**106,491**	**106,884**	**112,606**	**129,766**	**140,812**	**150,613**	**161,836**	**56,950**	**73,733**	**112,606**	**161,836**	**221,261**
Total Liabilities and Shareholde	**344,085**	**331,233**	**331,495**	**359,241**	**379,297**	**371,082**	**378,797**	**411,276**	**422,749**	**438,195**	**452,140**	**482,082**	**364,980**	**359,241**	**411,276**	**482,082**	**533,750**

Source: Company data, Morgan Stanley Research estimates

Exhibit 11: Apple Statement of Cash Flows

($ in millions)	2025A				2026E				2027E				Fiscal Year				
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	2024A	2025A	2026E	2027E	2028E
Cash Flow Statement (Non Cumulative)																	
Operating activities:																	
Net Income / (Loss)	**36,330**	**24,780**	**23,434**	**27,466**	**42,097**	**29,578**	**27,721**	**30,972**	**42,539**	**36,332**	**35,344**	**36,687**	**93,736**	**112,010**	**130,369**	**150,902**	**162,320**
Cumulative effect of accounting change	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments to reconcile net income:	-	-	-	-	-	-											
Depreciation & Amortization	3,080	2,661	2,830	3,127	3,214	3,439	3,645	3,646	3,673	3,696	3,726	3,761	11,445	11,698	13,943	14,856	15,827
Stock based compensation expense	3,286	3,226	3,168	3,183	3,594	3,528	-	-	-	-	-	-	11,688	12,863	7,122	-	-
Provision for (benefit from) deferred inc	(2,009)	(208)	469	1,659	(528)	(1,189)	-	-	-	-	-	-	(2,266)	(89)	(1,717)	-	-
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	-	-	-	-	-	-	699	699	633	633	633	633	-	-	1,398	2,532	1,937
Changes in Operating Assets and Liabilities:																	
Accounts receivable	3,597	3,669	(1,581)	(12,367)	(153)	9,448	(5,420)	(10,386)	9,255	(536)	(3,886)	(7,176)	(3,788)	(6,682)	(6,510)	(2,343)	8,597
Inventories	215	643	365	177	(211)	(873)	(50)	(1,614)	(543)	408	46	(1,063)	(1,046)	1,400	(2,748)	(1,153)	1,543
Other current assets	3,166	6,005	4,384	(13,902)	2,781	7,227	2,930	(14,597)	2,008	7,805	3,165	(15,765)	(11,731)	(347)	(1,659)	(2,787)	(3,763)
Other assets	939	(5,310)	(1,745)	(3,081)	(10,250)	(4,079)	4,736	(580)	(6,462)	(3,854)	5,210	(638)	(1,356)	(9,197)	(10,172)	(5,744)	(6,319)
Accounts payable	(6,671)	(7,933)	(3,875)	19,381	848	(13,145)	116	23,139	(8,970)	2,178	(2,712)	20,553	6,020	902	10,958	11,048	(7,438)
Deferred revenue	-	-	-	-	-	-	(586)	(326)	1	226	265	(421)	-	-	(912)	70	(72)
Accrued restructuring costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current liabilities	(11,998)	(3,581)	418	4,085	12,533	(5,232)	7,791	3,944	3,282	1,998	6,591	(1,413)	15,552	(11,076)	19,037	10,457	(247)
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Provided by Operating Activities	**29,935**	**23,952**	**27,867**	**29,728**	**53,925**	**28,702**	**41,584**	**34,898**	**45,415**	**48,885**	**48,380**	**35,159**	**118,254**	**111,482**	**159,109**	**177,838**	**172,387**
Investing activities:																	
Purchase of short-term investments	(6,124)	(6,318)	(5,149)	(6,816)	(12,693)	(19,739)	-	-	-	-	-	-	(48,656)	(24,407)	(32,432)	-	-
Proceeds from maturities of short-term inv	15,967	10,620	8,449	5,871	7,510	11,181	-	-	-	-	-	-	51,211	40,907	18,691	-	-
Proceeds from sales of short-term investm	3,492	1,718	5,575	2,105	2,824	5,791	-	-	-	-	-	-	11,135	12,890	8,615	-	-
Purchases of long-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Proceeds from sale of PP&E	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of PP&E	(2,940)	(3,071)	(3,462)	(3,242)	(2,373)	(1,971)	(2,279)	(2,385)	(2,698)	(2,751)	(3,227)	(3,589)	(9,447)	(12,715)	(9,008)	(12,265)	(18,066)
Cash paid for acquisition of technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of ARM shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	(603)	(32)	(340)	(505)	(154)	(1,430)	-	-	-	-	-	-	(1,308)	(1,480)	(1,584)	-	-
Net cash used in investing activities	**9,792**	**2,917**	**5,073**	**(2,587)**	**(4,886)**	**(6,168)**	**(2,279)**	**(2,385)**	**(2,698)**	**(2,751)**	**(3,227)**	**(3,589)**	**2,935**	**15,195**	**(15,718)**	**(12,265)**	**(18,066)**
Financing activities:																	
Proceeds from issuance of common stock	-	-	-	-	-	-	30	31	31	32	33	34	-	-	61	130	141
Excess tax benefits from stock-based com	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes paid related to net share settlement	(2,921)	(284)	(2,514)	(241)	(2,922)	(330)	-	-	-	-	-	-	(5,441)	(5,960)	(3,252)	-	-
Dividends and dividend equivalent rights p	(3,856)	(3,758)	(3,945)	(3,862)	(3,921)	(3,822)	(4,057)	(3,981)	(4,043)	(3,952)	(4,208)	(4,131)	(15,234)	(15,421)	(15,780)	(16,334)	(16,974)
Repurchase of common stock	(23,606)	(25,898)	(21,075)	(20,132)	(24,701)	(12,288)	(24,000)	(22,000)	(22,000)	(22,000)	(22,000)	(22,000)	(94,949)	(90,711)	(82,989)	(88,000)	(88,000)
Increase (decrease) in long-term borrowing	(1,009)	1,009	4,481	-	(2,164)	2,164	-	-	-	-	-	-	-	4,481	-	-	-
Increase (decrease) in notes payable to ba	(7,979)	(75)	(1,780)	(3,241)	(5,948)	(8,003)	-	-	-	-	-	-	(6,359)	(13,075)	(13,951)	-	-
Net Cash used in Financing Activities	**(39,371)**	**(29,006)**	**(24,833)**	**(27,476)**	**(39,656)**	**(22,279)**	**(28,027)**	**(25,950)**	**(26,012)**	**(25,920)**	**(26,175)**	**(26,098)**	**(121,983)**	**(120,686)**	**(115,912)**	**(104,204)**	**(104,832)**
Increase/(decrease) in Cash and Cash Equ	**356**	**(2,137)**	**8,107**	**(335)**	**9,383**	**255**	**11,278**	**6,563**	**16,706**	**20,213**	**18,977**	**5,472**	**(794)**	**5,991**	**27,479**	**61,369**	**49,489**
Adjustments for restatements	-	-	-	-	-	-	-	-	-	-	-	-	772	-	-	-	-
Cash and Cash Equivalents at Beginning of P	29,943	30,299	28,162	36,269	35,934	45,317	45,572	56,850	63,413	80,119	100,332	119,310	29,965	29,943	35,934	63,413	124,782
Cash and Cash Equivalents at End of Peri	**30,299**	**28,162**	**36,269**	**35,934**	**45,317**	**45,572**	**56,850**	**63,413**	**80,119**	**100,332**	**119,310**	**124,782**	**29,943**	**35,934**	**63,413**	**124,782**	**174,271**

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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Global Stock Ratings Distribution

(as of June 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1544	42%	453	49%	29%	757	44%
Equal-weight/Hold	1577	43%	390	42%	25%	769	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	544	15%	89	10%	16%	204	12%
Total	3,668		933			1731	

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

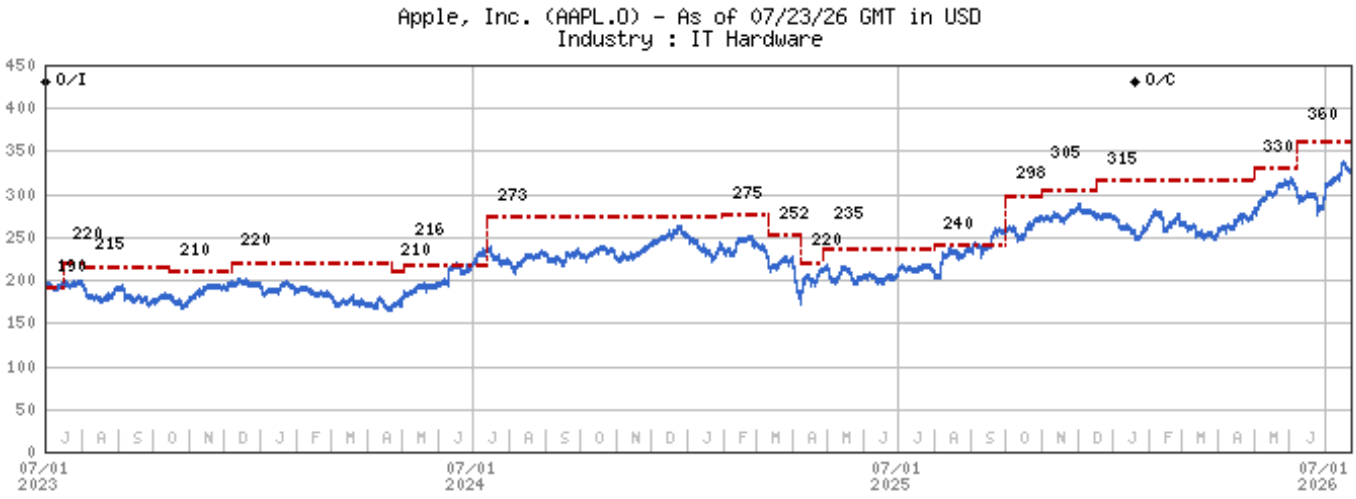
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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)



Stock Rating History: 7/1/21 : O/I; 10/5/21 : O/C; 1/18/23 : O/I; 1/20/26 : O/C

Price Target History: 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; 7/31/25 : 240; 10/1/25 : 298; 10/31/25 : 305; 12/17/25 : 315; 5/1/26 : 330; 6/8/26 : 360

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.

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INDUSTRY COVERAGE: IT Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (07/22/2026)
Erik W Woodring		
Apple, Inc. (AAPL.O)	O (05/26/2009)	$325.89
CDW Corporation (CDW.O)	O (06/23/2026)	$129.83
Cricut Inc (CRCT.O)	U (08/12/2021)	$4.45
Dell Technologies Inc. (DELL.N)	E (06/01/2026)	$441.80
Everpure, Inc. (P.N)	E (06/11/2024)	$74.58
Garmin Ltd (GRMN.N)	E (02/18/2026)	$240.51
GoPro Inc (GPRO.O)	U (12/12/2023)	$0.74
Hewlett Packard Enterprise (HPE.N)	E (11/16/2025)	$48.13
HP Inc. (HPQ.N)	U (11/16/2025)	$25.10
IBM (IBM.N)	E (01/18/2023)	$205.77
Ingram Micro (INGM.N)	E (06/11/2025)	$29.90
Kornit Digital Ltd. (KRNT.O)	E (11/06/2025)	$15.25
Logitech International SA (LOGI.O)	U (01/20/2026)	$104.42
NetApp Inc (NTAP.O)	U (01/20/2026)	$166.54
Resideo Technologies Inc (REZI.N)	O (08/11/2025)	$34.09
Seagate Technology (STX.O)	O (03/26/2024)	$908.10
SmartRent, Inc. (SMRT.N)	++	$0.97
Sonos Inc. (SONO.O)	E (11/06/2025)	$14.66
TD Synnex Corporation (SNX.N)	O (06/11/2025)	$252.68
Teradata (TDC.N)	O (04/08/2025)	$28.09
Western Digital (WDC.O)	O (04/16/2025)	$556.67
Sanjit K Singh		
Nutanix Inc (NTNX.O)	E (01/12/2026)	$53.36

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