Apple Inc. (AAPL / NASDAQ)

Initiating Coverage | BUY | 12M PT $330

MAG7 OVERWEIGHT | Investment Research | April 2026

Agenda

PART 1

Why Buy / Why Now

- Price implies what
- Three pillars thesis
- Catalyst calendar

PART 2

Industry & Competition

- Stalled smartphone TAM
- Competitor + AI threat matrix
- 4-front regulatory map

PART 3

Business Quality

- iPhone supercycle KPIs
- Services ARPU compounder
- Apple Silicon + ecosystem

PART 4

Financial Deep-Dive

- 5Y margin bridge
- OpEx + FCF discipline
- Net cash to net debt

PART 5

Valuation

- Street consensus & sell-side
- PE x EPS sensitivity
- $330 derivation logic

PART 6

Risk & Position

- 6 testable downsides
- What could be wrong
- Position framework + KPI dashboard

Source: Investment Research

Agenda

PART 1

Why Buy / Why Now

- Price implies what
- Three pillars thesis
- Catalyst calendar

PART 2

Industry & Competition

- Stalled smartphone TAM
- Competitor + AI threat matrix
- 4-front regulatory map

PART 3

Business Quality

- iPhone supercycle KPIs
- Services ARPU compounder
- Apple Silicon + ecosystem

PART 4

Financial Deep-Dive

- 5Y margin bridge
- OpEx + FCF discipline
- Net cash to net debt

PART 5

Valuation

- Street consensus & sell-side
- PE x EPS sensitivity
- $330 derivation logic

PART 6

Risk & Position

- 6 testable downsides
- What could be wrong
- Position framework + KPI dashboard

Source: Investment Research

$270 prices FY26E $9.35 + 28.9x ONLY - FY27 $10 EPS + 33x re-rate both absent = +22% asymmetry source

Market Implies

28.9x x $9.35

= $270 (anchored FY26)

Forward PE: 28.9x = 5Y median anchor; no AI/Services re-rate priced in.

EPS anchor: FY26E $9.35 (40-analyst Bloomberg consensus).

Street mean TP: $297.46 implies only ~30x x $9.5 = $285.

Anchor

33x x $10

= $330 (FY27 path + Services re-rate)

Multiple: 33x = Citi/MS explicit anchor + 5Y median 27x + 6 turns AI/Services premium.

EPS: FY27 $10 = MS 'line of sight'; Citi $9.50 + use full $10 = $330.

Re-rate driver: Services FY25 +14% YoY + App Store Mar-Q +7% (GS+UBS).

Gap (Alpha Source)

+22%

EPS +5% x multiple +14%

EPS gap: +5% from market FY26 anchor to FY27 path.

Multiple gap: +4 turns (28.9x to 33x) from Services re-rate.

Time arbitrage: Apr-Jul earnings + May-Jun Siri = forced cover events.

Market is anchored on FY26 base only

$330 is centrist not aggressive

Asymmetry +22% / -13% bear = 1.7x

Price Implies Insights:

- **Math identity:** $270.23 / 28.9x Fwd PE = $9.35 EPS exactly — confirms market anchored on FY26E only, NOT FY27 $10.
- **Re-rate basis::**
  - Citi 33x x $9.50 = $315.
  - MS 'line of sight to $10' x 33x = $330.
  - Bernstein 34x x $10 = $340 — our $330 sits at 50pct of the 33x consensus band.
- **Bull-case option:** iPhone 17e 10% capture of 458M Android base = +$1.24 EPS per Bernstein — purely upside option not in our base, would push to $378+.
- **.r Market may be correct::**
  - If DRAM 50-100% spike H2'26 + UBS-style 'no perfect offset' → FY26E EPS slips to $9.00.
  - 26x x $9.00 = $234 (-13%) is hard floor — see SLIDE 26.

Source: Bloomberg consensus (40 analysts) + yfinance + Citi/MS/Bernstein research, as of 2026-04-18

AI Gateway x Services Compounder x Capital Return - the only MAG7 name with three pillars firing ...

(1) AI Gateway

2.35B

active devices | >1B paid subs | M5 chip 3.5x AI vs M4

Distribution moat: Single largest on-device AI distribution pipe; Citi/MS underwrite 33x CY27 EPS on this alone.

Tech substrate: M5 chip 3.5x AI vs M4; A19 Pro on parallel curve; Houston Private Cloud Compute servers live.

Partnership: ~$1B/yr Google integration into Personalized Siri = rivals as suppliers.

Spring 2026 Siri = AI-rerate gate

(2) Services Compounder

75.4%

Services GM | FY25 $109B (+14%) | ARPU $77 (+5.6% CAGR)

Margin spread: Services 75.4% GM vs Hardware 37.2% = 38pp spread; each +1pp mix shift → blended GM +38bps → EPS +2-3%.

Runway math: $77 ARPU x 2.35B devices = $181B theoretical ceiling vs $109B actual = 40% penetration left.

Reaccel signal: App Store Mar-Q +7% YoY (GS+UBS double-source), reaccelerating from Dec-25 +4-5%.

Each +1pp Services mix = +2-3% EPS

(3) Capital Return

$100B

May 2025 fresh authorization | ~2.6% buyback yield

Track record: FY24 $95.85B + FY25 $89.3B buyback + $15.4B dividend = ~$104.7B/yr returned.

Runway: $100B new authorization at $85-90B/yr pace = 3-year clean buyback runway.

Floor return: Even in zero-growth bear, 3-4%/yr capital return alone provides return floor.

Hard floor under bear case

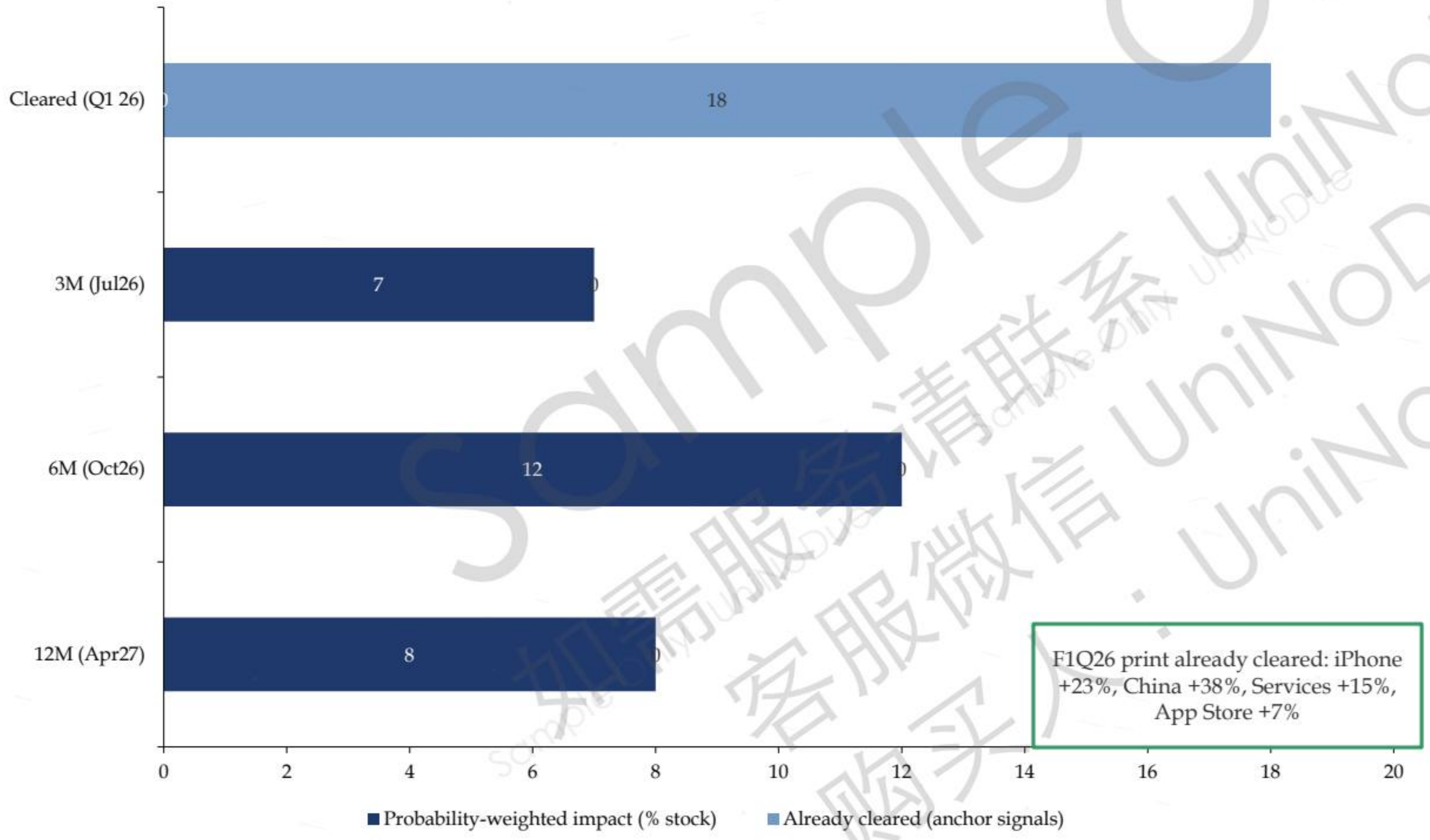
Pillar Synthesis:

- **MAG7 uniqueness::**
  - Apple alone has all three pillars firing simultaneously.
  - MSFT has Services-only.
  - GOOG has AI-only.
  - META has none of the capital return pillar.
  - AMZN no margin compounder.
- **FY27 $10 EPS bridge:** Services mix shift → +2-3% EPS + Pro mix premium → +2% + buyback share count -1.5% + revenue +6% = math to $10 from FY26 $9.35 = +7%.
- **Triple-pillar = 33x defense::**
  - 5Y median 27x + 6 turns premium = 33x — premium justified ONLY if all three pillars deliver.
  - Any one breaks → 28-30x.
- **.r Pillars NOT independent::**
  - If Services YoY <10% for 2Q + net cash <-$50B → buyback forced down to $70B/yr (= ~FCF) → simultaneously hits multiple AND EPS path.
  - 3 pillars become 2.5 → bear PT $194-230.

Source: Apple 10-K FY24/FY25, Q1 FY25 10-Q, MS/Citi/UBS/Bernstein research, May 2025 press release

Apr-Jul earnings + May-Jun Siri launch = two forced-cover events within 6 months

Catalyst Timeline 12M Forward (Probability x Impact, Internal Analysis 2026-04-19)



Catalyst Read:

- **3M (Apr-Jul 2026):** F2Q26 print — Citi models $109B revenue / $1.93 EPS vs Street $105B / $1.83 = +6% beat optionality + EU DMA EUR500M appeal ruling + Bernstein tracker continuation.
- **6M (May-Oct 2026):** Personalized Siri Spring launch (the AI-rerate gate) + iPhone 17e $599 ramp into India/SEA + F3Q26 GM print (first DRAM stress test) + WWDC 2026 Apple Intelligence ARPU monetization signals.
- **12M (through Apr 2027):** iPhone 18 cycle commentary + Vision Pro Gen-2/lower SKU + FY27 Services ARPU breaking $296/user threshold + FY27 $10+ EPS path confirmation.
- **.r Failure signals (any single triggers BUY → HOLD review):** (a) F2Q26 EPS miss <$1.85 (b) F3Q26 Greater China YoY <+10% (c) F2Q26 Services YoY <12% (d) Spring 2026 Siri delayed >=1Q (e) DOJ Google appeal upholds TAC ban.

Source: Citi/MS/Bernstein research; EU Commission docket; Apple investor relations; Internal scenario analysis

Agenda

PART 1

Why Buy / Why Now

- Price implies what
- Three pillars thesis
- Catalyst calendar

PART 2

Industry & Competition

- Stalled smartphone TAM
- Competitor + AI threat matrix
- 4-front regulatory map

PART 3

Business Quality

- iPhone supercycle KPIs
- Services ARPU compounder
- Apple Silicon + ecosystem

PART 4

Financial Deep-Dive

- 5Y margin bridge
- OpEx + FCF discipline
- Net cash to net debt

PART 5

Valuation

- Street consensus & sell-side
- PE x EPS sensitivity
- $330 derivation logic

PART 6

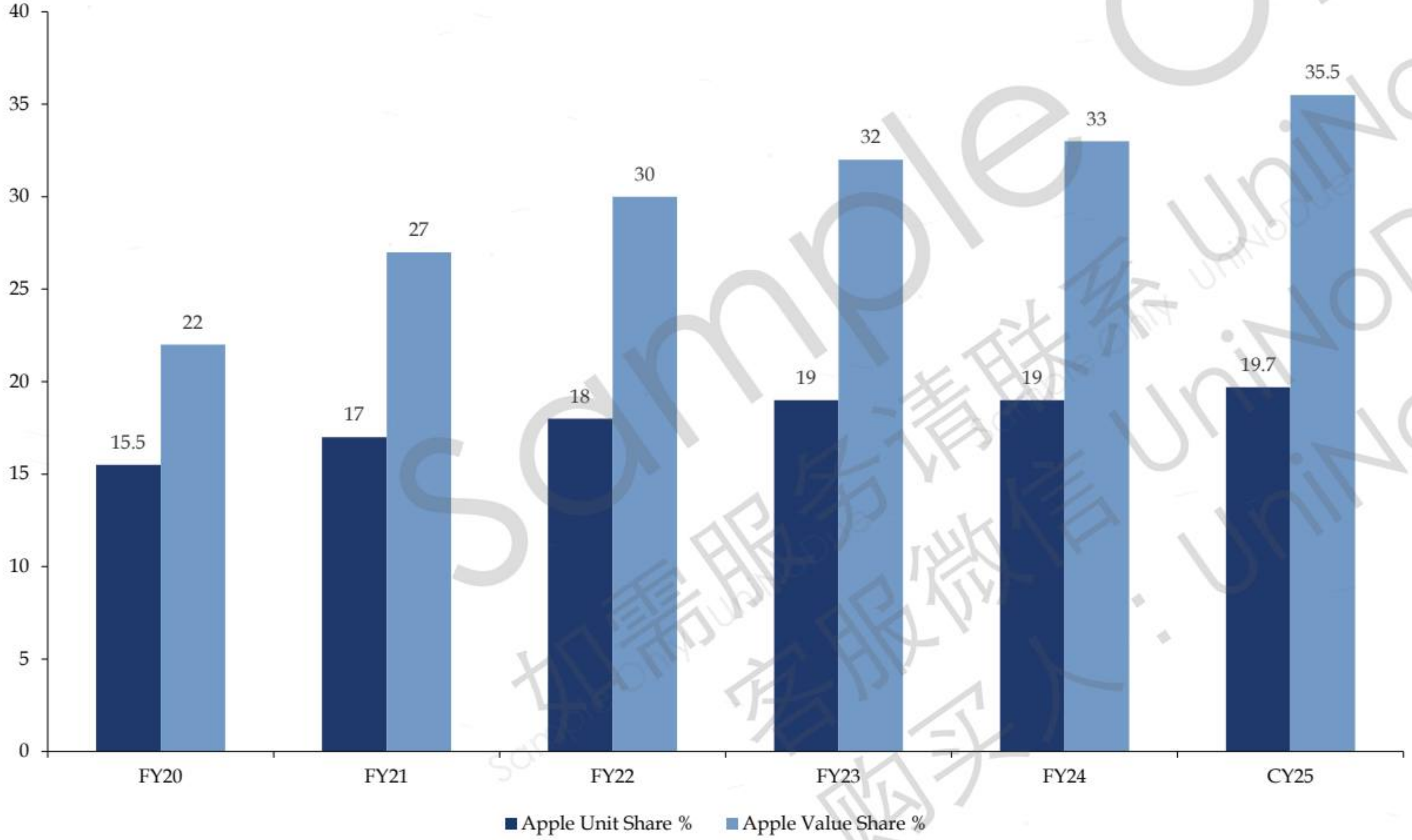
Risk & Position

- 6 testable downsides
- What could be wrong
- Position framework + KPI dashboard

Source: Investment Research

Apple is the only MAG7 name capturing 150-200bps share inside a zero-growth smartphone TAM

Apple Share in Global Smartphone TAM - Units vs Value (%, IDC + Counterpoint, FY20-CY25)



TAM + Share Read:

- **TAM stalled::**
  - Q4 CY25 global shipments only 3.36B units (+2.3% YoY).
  - Counterpoint forecasts CY26 -2%.
  - IDC forecasts CY27 +1.9% / CY28 +5.2% — unit TAM stalled for next 2 years.
- **Apple share grab::**
  - CY25 full-year shipments +10% YoY (Counterpoint).
  - Q4 81M units (+5% YoY, IDC) → 19.7%/20% share = +150-200bps captured in zero/negative TAM.
- **Value share faster::**
  - Unit share +5pp over 5Y, value share leapt 22% to 35%+, gap widens 2-3pp/yr = Pro/Pro Max premium-tier penetration.
  - Bernstein Apr tracker shows Feb-26 ASP +6.9% YoY (China +20.2%).
- **.r Down-market risk:** If iPhone 17e $599 fails to extract from Huawei/Honor/Vivo/Xiaomi/Oppo 458M/yr base — Samsung 2010-13 history (price-band push, then 2014 share retreat 19%, op-profit -42%) is the cautionary precedent.

Source: IDC, Counterpoint, Bernstein research (Apr-26 tracker); Apple 10-K

Of 5 competitor vectors, only Google LLM gap is Medium-High - everything else neutralized by ...

Competitor Profile + AI Threat Matrix (Q1 2026 snapshot)

Competitor	Threat Vector	Quantified Signal	Apple's Counter	Threat
Samsung Galaxy	Mid-low end after S26 hike	Galaxy S26/S26+ across-board hike Feb-Mar 26	iPhone 17e $599 + 2.35B device ecosystem (Samsung never had)	Low
Huawei (China)	Mate 80 5G + Kirin + HarmonyOS	China top-selling 2026 W1-W9	Trade-In accepts Huawei flagships; F1Q26 China +38% / OM 46.6% (13Y high)	Low-Med
Xiaomi/Honor	Online-first low-cost	Combined share ~7% to ~11% in recent years	iPhone 17e + Trade-In; AI smart glasses partnership unquantified	Low-Med
Google (Pixel + Siri)	Underlying LLM capability	Apple pays ~$1B/yr to integrate Google	M5 3.5x AI inference; Private Cloud Compute privacy diff.	Med-High
Open-source LLM (ChatGPT)	Direct user bypass of Siri	iOS sees usage shift if Siri delays again	Spring 2026 Personalized Siri = the gate	Med-High (gates)

Competitive Read:

- **Samsung loop closed:** Hist 2010-2013 Samsung KRW 95k Galaxy Star pushed share 4% to 32%, but no ecosystem → 19% by 2014 + op-profit -42% from KRW 14.6T peak — Apple has the moat Samsung lacked.
- **Huawei reality check:** F1Q26 China +38% YoY + Pro/Pro Max mix 67% + OM 46.6% (13Y high) = empirical refutation of 'Huawei high-end push compresses Apple China profitability' bear thesis.
- **AI is the single-vector risk::**
  - Of 5 competitor vectors, 4 are neutralized.
  - Only Google LLM gap matters.
  - If Spring 2026 Siri lands → AI Gateway thesis confirmed → multiple re-rate.
  - If delays again → 6 turns compression possible.
- **.r Death-of-Apple bear:** Requires (1) AI laggard crystallizes (Siri delay) + (2) ChatGPT-style direct bypass habit forms + (3) Services GM compresses below 70% — none individually triggered yet, but PART VI quantifies joint scenario.

Source: Counterpoint, IDC, Bernstein, Apple earnings call commentary, Internal Analysis

EU + China + India absorbed by 33x PE (combined EPS impact <$0.15); only DOJ Google TAC ban is real ...

Regulatory 4-Front Matrix (EU / US / China / India, as of 2026-04-18)

Front	Core Allegation	Financial Impact	Timeline	Apple's Response
EU DMA	Anti-steering + alt-stores	EUR500M fine = ~$0.04/share; future fines up to 10% global net sales	Fine landed 2025-04-23; Article 6(4) probe ongoing	Take rate 30% to 17% (10% small dev) + EUR0.50 CTF + 3% pmt fee
US DOJ Antitrust	Smartphone monopolization + Google TAC	Equitable relief; Google case may ban TAC for up to 10 years	Filed 2024-03-21; Sep-2025 district court inj. on Google	Vigorous defense; TAC ban = -$1.20 EPS / -15% (single largest tail)
China App Store fee	30% to 25% (15% to 12% small)	China = ~19% of App Store; ~1% Services drag = ~$0.06 EPS	Announced 2026-03-12 / effective 03-15	Gradual decompression; no third-party payment opened
India localization	Vast majority of US-sold iPhones now in India	Tariff absorption + supply-chain costs	Ongoing	4 new stores; quarterly revenue record; iPhone 17 Pro/Max constrained

Regulatory Read:

- **3 of 4 fronts absorbable:** EU EUR500M ($0.04) + China commission (~$0.06) + India tariffs already in margins → combined <$0.15 EPS = ~1.5% — fully covered by FY25 Services +14% YoY growth = ~$0.40 incremental EPS.
- **DOJ TAC is the real tail:** Google paid Apple ~$20B/yr for default search = ~$18B direct profit (90%+ flow-through). If 2026 appeal upholds the ban → instant -$1.20 EPS / -15% stock — quantified in PART VI bear PT.
- **DOJ timing unknown::**
  - 2025-09-02 district court injunction issued.
  - Google appeal pending in 2026.
  - Specific calendar undisclosed. Market only partly priced via 30D ATM IV ~22% (vs 1Y avg 18%) — not extreme, joint tail underpriced.
- **.r Why 33x absorbs 3 of 4::**
  - Citi/MS sustaining 33x PE (vs historical 27x mean) explicitly because regulatory drag ALREADY built into base case.
  - If any single front escalates beyond modeled, multiple compresses 2-3 turns immediately.

Source: EU Commission docket; US DOJ Department; China NDRC announcements; Apple regulatory filings; Internal Analysis

Agenda

PART 1

Why Buy / Why Now

- Price implies what
- Three pillars thesis
- Catalyst calendar

PART 2

Industry & Competition

- Stalled smartphone TAM
- Competitor + AI threat matrix
- 4-front regulatory map

PART 3

Business Quality

- iPhone supercycle KPIs
- Services ARPU compounder
- Apple Silicon + ecosystem

PART 4

Financial Deep-Dive

- 5Y margin bridge
- OpEx + FCF discipline
- Net cash to net debt

PART 5

Valuation

- Street consensus & sell-side
- PE x EPS sensitivity
- $330 derivation logic

PART 6

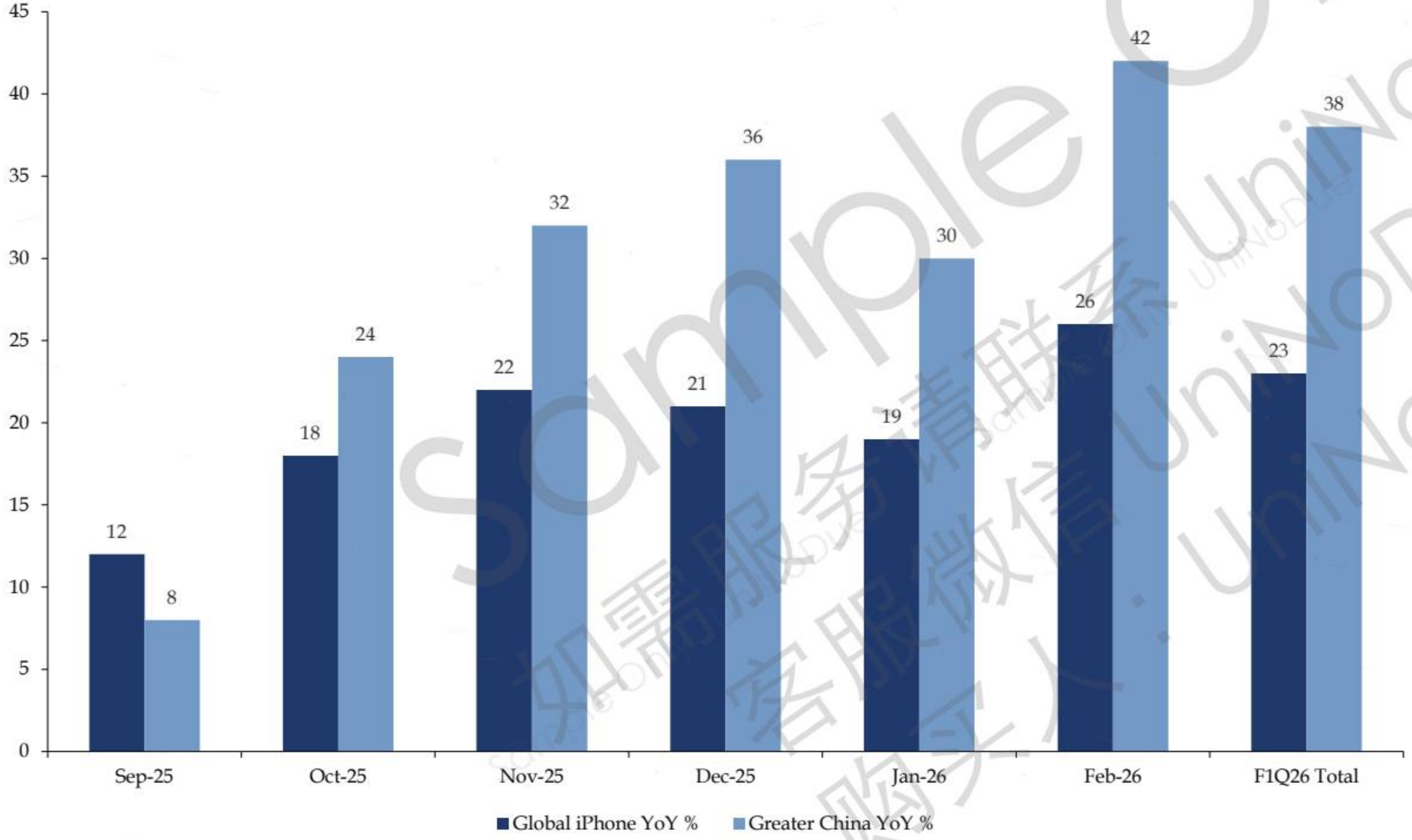
Risk & Position

- 6 testable downsides
- What could be wrong
- Position framework + KPI dashboard

Source: Investment Research

Three supercycle signals firing: Feb +26% / iPhone 17 series +20% vs 16 series / F1Q26 China +38% ...

iPhone Sell-Through YoY % - Monthly + Quarterly (Bernstein tracker + 10-Q, Sep-25 to F1Q26)



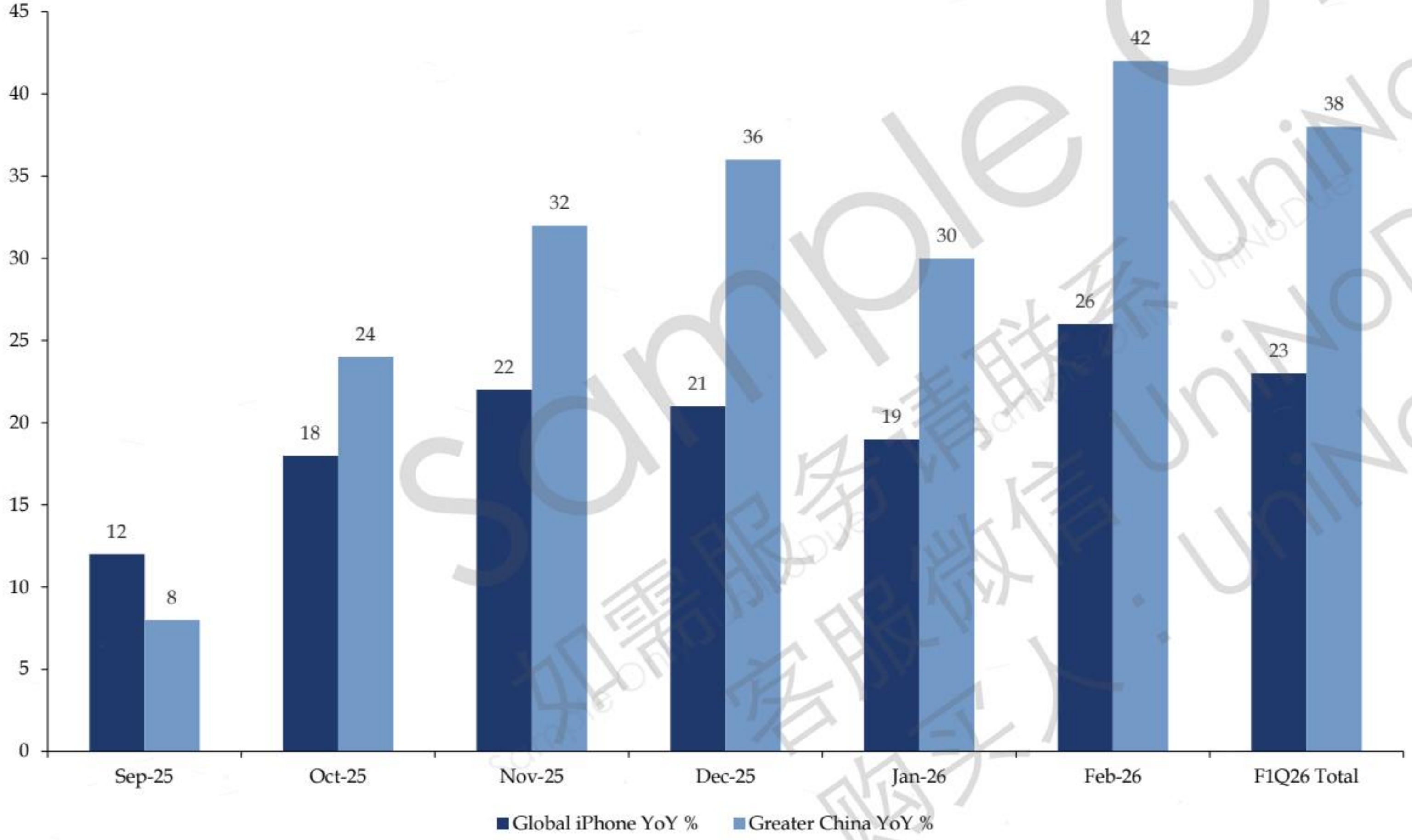
iPhone Cycle Read:

- **Supercycle confirmed::**
  - Feb-26 global sell-through +26% YoY (Bernstein tracker, single-month).
  - IPhone 17 series total +20% YoY vs iPhone 16 series same window.
  - Base +39% / Pro Max +21%.
  - F1Q26 iPhone revenue +23% YoY to $85.3B.
- **Citi unit forecast::**
  - CY25/26/27 iPhone units 244M/247M/261M (+7.2% / +1.2% / +5.6%).
  - Bernstein 3.7-year replacement cycle → CY20-21 iPhone 12/13 base just entering upgrade window = multi-year tailwind.

Source: Apple Q1 FY25 10-Q; Bernstein April 2026 tracker; Citi/UBS/GS reports; IDC + Counterpoint cross-validation

Three supercycle signals firing: Feb +26% / iPhone 17 series +20% vs 16 series / F1Q26 China +38% ...

iPhone Sell-Through YoY % - Monthly + Quarterly (Bernstein tracker + 10-Q, Sep-25 to F1Q26)



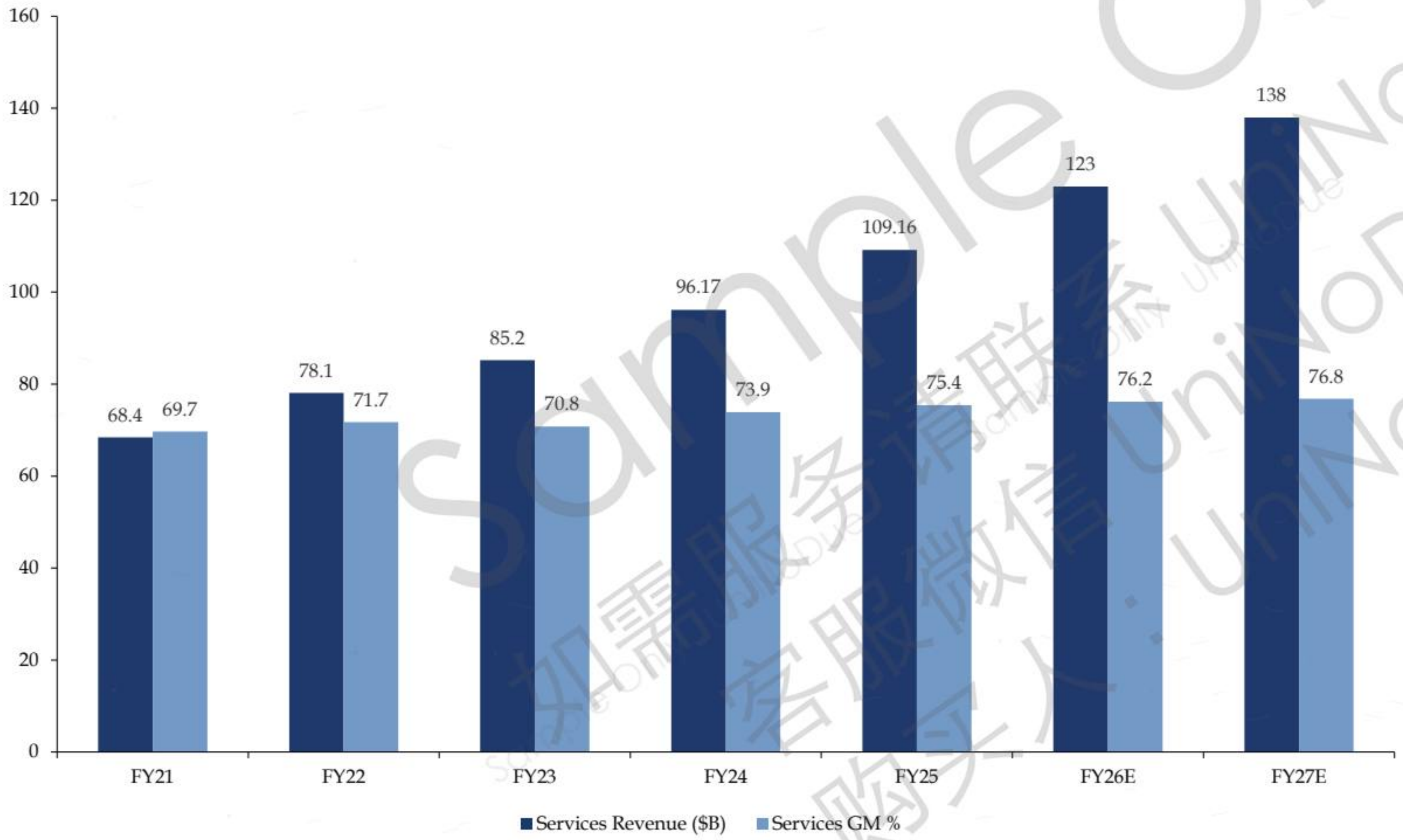
iPhone Cycle Read:

- **China is the swing::**
  - F1Q26 Greater China +38% YoY to $25.53B (IDC + Counterpoint cross-validated).
  - Pro/Pro Max mix 67% (vs 65% LY).
  - ASP +20.2% YoY (Feb).
  - OM 46.6% (13-year high).
- **.r CAICT red flag::**
  - Jan-26 foreign-brand shipments -37% YoY = warning signal — if Greater China F2Q26/F3Q26 returns to negative YoY, '+38% was low-base bounce' bear thesis confirmed.
  - Base requires +10-20% YoY for 2 Q.

Source: Apple Q1 FY25 10-Q; Bernstein April 2026 tracker; Citi/UBS/GS reports; IDC + Counterpoint cross-validation (continued)

Each +1pp Services mix lifts blended GM +38bps (= +2-3% EPS); $77 ARPU x 2.35B = $181B ceiling vs …

Services Revenue + GM Trajectory (FY21-FY27E, Apple filings + Citi/MS estimates)



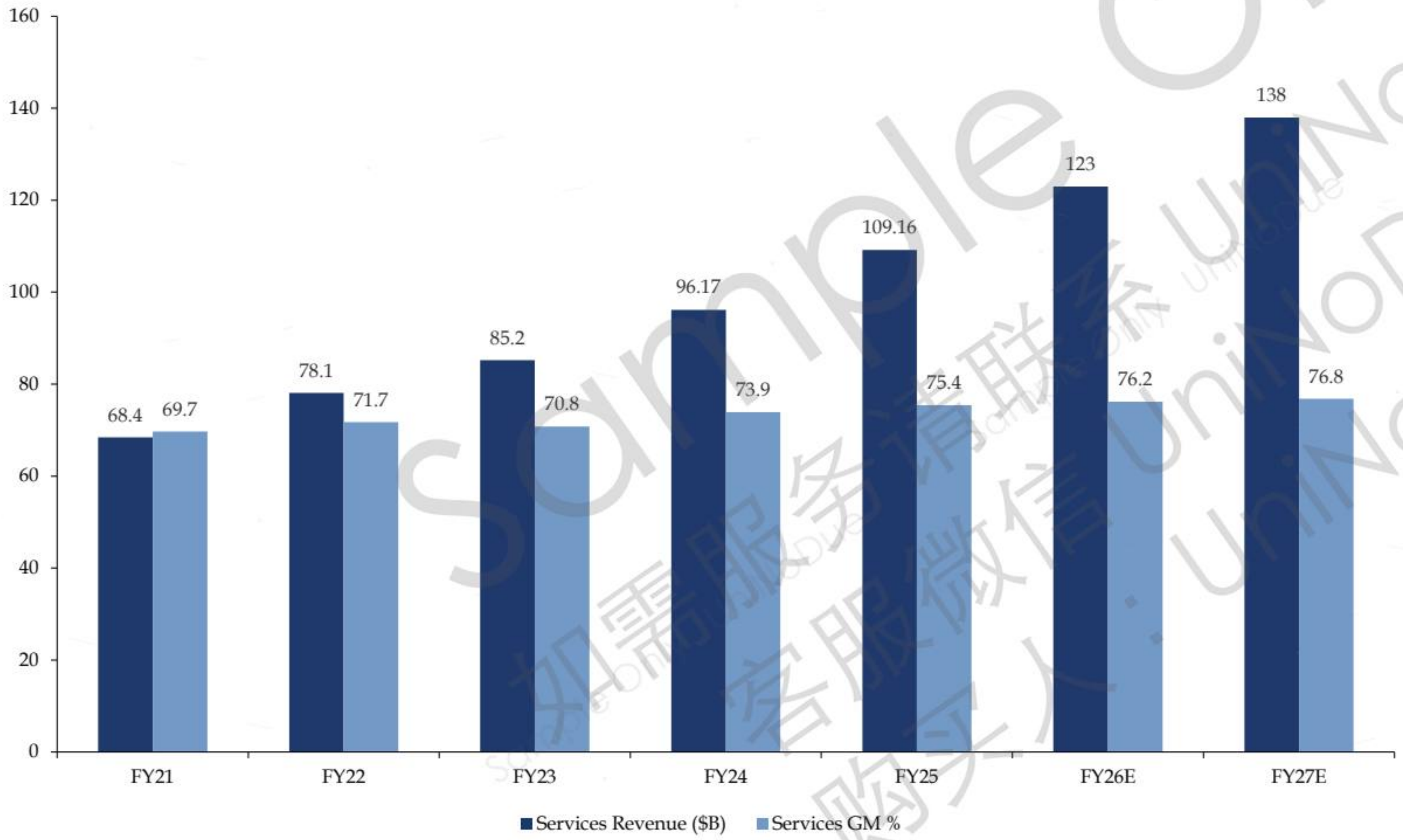
Services Read:

- **Margin spread = lever::**
  - Services 75.4% GM vs Hardware 37.2% = 38pp spread.
  - FY24 Services 24.6% mix → FY25Q3 hit 29.2%.
  - If FY27 reaches 30% mix → +200bps blended GM = ~$0.45 EPS = the FY26 to FY27 $9.35 to $10 bridge.
- **ARPU is the next leg::**
  - $69 (CY23) → $72 (CY24) → $77 (CY25) = +5.6% 3Y CAGR (MS).
  - 2.35B devices x $77 = $181B theoretical ceiling vs $109B actual = 40% penetration runway.
  - Citi notes >50% of transaction accounts still untapped.

Source: Apple 10-K FY21-FY25; MS/Citi consensus FY26E/27E; GS+UBS App Store cross-source

Each +1pp Services mix lifts blended GM +38bps (= +2-3% EPS); $77 ARPU x 2.35B = $181B ceiling vs ...

Services Revenue + GM Trajectory (FY21-FY27E, Apple filings + Citi/MS estimates)



Services Read:

- **Reaccel in print::**
  - App Store Mar-Q +7% YoY (GS+UBS double-source), reaccelerating from Dec-25 Q +4-5%.
  - FY25 Services +14% YoY total.
  - F1Q26 Services $28.8B (+15% YoY).
- **.r Saturation check::**
  - Paid subs 'well over 1B' has had no specific update for 5 quarters → may be entering ARPU-driven phase.
  - If FY26 Services YoY <10% for 2 consecutive Q → saturation thesis confirmed = single most important BUY failure signal.

Source: Apple 10-K FY21-FY25; MS/Citi consensus FY26E/27E; GS+UBS App Store cross-source (continued)

Vertical integration delivers Products GM 5pp+ above Samsung mobile; ecosystem lock-in is the ...

Ecosystem Lock-In Metrics (Q4 FY25 disclosure, Apple Earnings Call)

Lock-in Vector	Metric	Data Point	Source
iCloud paid accounts	Growth	All-time revenue record Q4 FY25; YoY paying-account growth	10-K
Apple Pay merchants	Geographic reach	~90 countries (Q4 FY25); ~90% US store acceptance (Q1 2021)	Mgmt EC
Apple Pay volume	Active users	Double-digit YoY active-user growth Q4 FY25; >15B txns/yr	Mgmt EC
iMessage / FaceTime	Engagement	Record daily volumes since Q2 2020	Mgmt EC
Cross-device installed base	All-time high	2.35B active devices, all-time high Q1 FY25	10-Q
iPhone customer satisfaction	US survey	98% US iPhone satisfaction	Mgmt EC
Mac new-user mix	Q4 FY25	Nearly half Mac buyers are new to Mac	Mgmt EC
iPad new-user mix	Q4 FY25	Over half iPad buyers new to iPad	Mgmt EC
Apple Watch new-user mix	Q4 FY25	Over half Watch buyers new to Watch	Mgmt EC

Lock-in Read:

- **Silicon as physical moat::**
  - Mac from FY23 -27% to FY25Q4 +13% YoY ($8.73B).
  - Each M-series cycle resets baseline (M1→M5).
  - Products GM from FY22 ~32% to FY25Q1 39.3% = silicon-driven.
  - M5 chip 3.5x AI vs M4 already powers Houston PCC servers.
- **98% satisfaction = retention::**
  - 98% US iPhone satisfaction is psychological anchor under 3.7-year replacement cycle.
  - This level is inconsistent with large-scale defection — forces competitors to compete on price not loyalty.

Source: Apple Q4 FY25 earnings call transcript; FY25 10-K disclosures; Internal Analysis

Vertical integration delivers Products GM 5pp+ above Samsung mobile; ecosystem lock-in is the ...

Ecosystem Lock-In Metrics (Q4 FY25 disclosure, Apple Earnings Call)

Lock-in Vector	Metric	Data Point	Source
iCloud paid accounts	Growth	All-time revenue record Q4 FY25; YoY paying-account growth	10-K
Apple Pay merchants	Geographic reach	~90 countries (Q4 FY25); ~90% US store acceptance (Q1 2021)	Mgmt EC
Apple Pay volume	Active users	Double-digit YoY active-user growth Q4 FY25; >15B txns/yr	Mgmt EC
iMessage / FaceTime	Engagement	Record daily volumes since Q2 2020	Mgmt EC
Cross-device installed base	All-time high	2.35B active devices, all-time high Q1 FY25	10-Q
iPhone customer satisfaction	US survey	98% US iPhone satisfaction	Mgmt EC
Mac new-user mix	Q4 FY25	Nearly half Mac buyers are new to Mac	Mgmt EC
iPad new-user mix	Q4 FY25	Over half iPad buyers new to iPad	Mgmt EC
Apple Watch new-user mix	Q4 FY25	Over half Watch buyers new to Watch	Mgmt EC

Lock-in Read:

- **Multi-product attach = ARPU mechanism:** Q4 FY25 Mac/iPad/Watch new-user mix all ~50% = the funnel pulling new users into ADDITIONAL categories within existing iPhone household = mechanism propagating ARPU from $69 → $296/yr.
- **.r Lateral expansion crack::**
  - Wearables FY25 -4% YoY + Vision Pro units undisclosed (sell-side estimates hundreds of thousands vs initial 1.5-2M model = 5-10x miss) → ecosystem lateral expansion shows cracks.
  - If Watch + AirPods cannot turn positive in FY26, new-user funnel breaks.

Source: Apple Q4 FY25 earnings call transcript; FY25 10-K disclosures; Internal Analysis (continued)

Agenda

PART 1

Why Buy / Why Now

- Price implies what
- Three pillars thesis
- Catalyst calendar

PART 2

Industry & Competition

- Stalled smartphone TAM
- Competitor + AI threat matrix
- 4-front regulatory map

PART 3

Business Quality

- iPhone supercycle KPIs
- Services ARPU compounder
- Apple Silicon + ecosystem

PART 4

Financial Deep-Dive

- 5Y margin bridge
- OpEx + FCF discipline
- Net cash to net debt

PART 5

Valuation

- Street consensus & sell-side
- PE x EPS sensitivity
- $330 derivation logic

PART 6

Risk & Position

- 6 testable downsides
- What could be wrong
- Position framework + KPI dashboard

Source: Investment Research

GM 41.8% to 46.9% (+510bps over 5 years) - Services own GM contributes 60% / Mix shift 40% ...

5Y Blended GM Bridge - Products + Services + Mix Decomposition (FY21 to FY25, Apple filings, bps)

Bridge Read:

- **Bridge decomposition::**
  - FY21 41.8% to FY25 46.9% = +510bps.
  - Services own GM expansion ~570bps contributes ~60%.
  - Mix shift (+7.5pp x 38pp spread) contributes ~40%.
  - Hardware +140bps modest.
- **TTM continues::**
  - TTM (2026-04-18) GM 47.3%.
  - Citi FY26E 47.0-47.4% / FY27E 47.8-48.3% — Mix-shift mechanism continues mechanically.
- **Tariff already real::**
  - FY25 Products GM step-back (37.2% to 36.8%) = real warning that tariffs already materialized (FY25 single Q ~$800M, next Q est $1.1-1.4B).
  - DRAM 2H26 +50-100% is next GM test.

Source: Apple 10-K FY21-FY25; Citi DRAM analysis; decomposition

GM 41.8% to 46.9% (+510bps over 5 years) - Services own GM contributes 60% / Mix shift 40% ...

5Y Blended GM Bridge - Products + Services + Mix Decomposition (FY21 to FY25, Apple filings, bps)

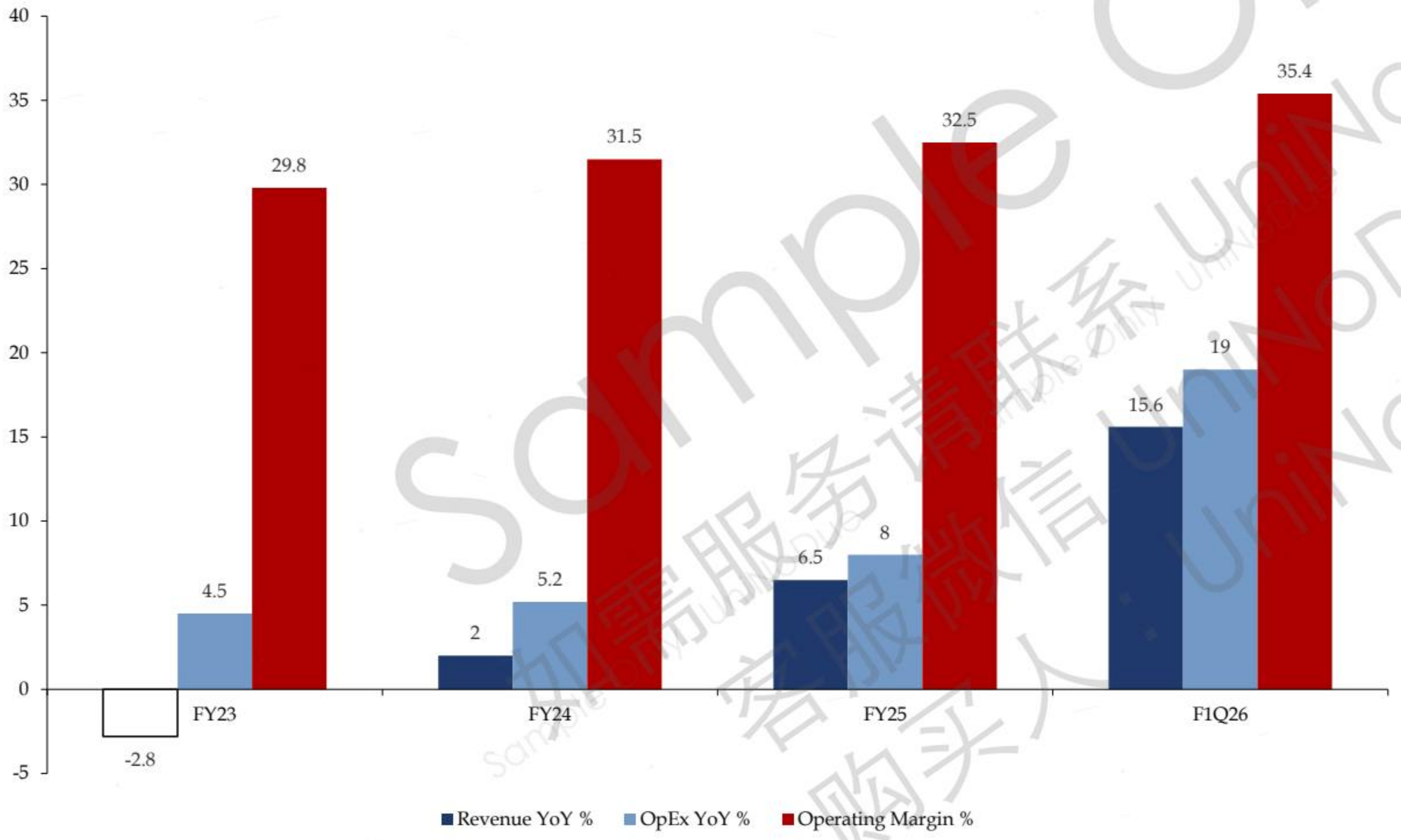
Bridge Read:

- .r DRAM blow-out scenario::
  - Citi models 140bps DRAM GM headwind in CY26.
  - If Pro mix shift + USD pricing cannot cover → FY26 EPS slips to $9.00 vs $9.35.
  - 29x x $9 = $261 (-3% from current).
  - UBS explicitly rejects 'perfect offset' — risk live.

Source: Apple 10-K FY21-FY25; Citi DRAM analysis; decomposition (continued)

F1Q26 GM 48.2% / OM 35.4% - Apple in 'harvest phase' during AI capex cycle, unique vs AMZN/META/GOOG ...

OpEx vs Revenue Growth & GM/OM Trajectory (FY23-F1Q26, Apple filings)



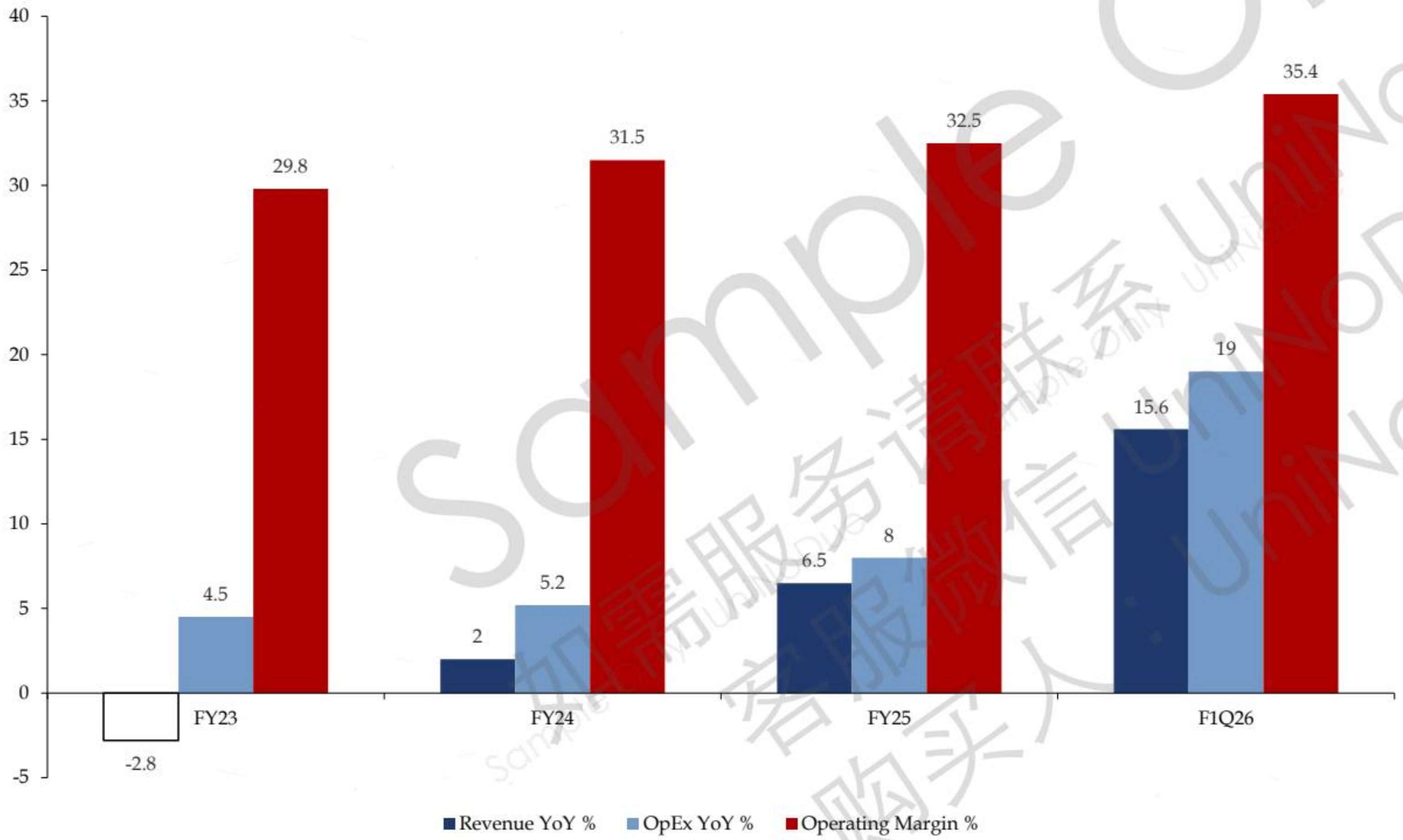
Operating Leverage Read:

- **Surface OpEx lead is intentional:** F1Q26 OpEx +19% vs Revenue +15.6% looks negative, but R&D intensity from FY23 7.8% to FY25 8.3% to F1Q26 7.6% (single-Q record) all flowing into AI infrastructure + Houston PCC + ~$1B/yr Google partnership.
- **Counter-argument in numbers::**
  - GM from FY23 44.1% to F1Q26 48.2% = +410bps, more than covers OpEx overage → OM from 29.8% to 35.4% = +560bps. AMZN/META/GOOG AI capex compresses profitability simultaneously.
  - Apple alone expands during capex = harvest phase.

Source: Apple 10-K FY23-FY25; Q1 FY25 (F1Q26) 10-Q; Citi FY26E/27E model

F1Q26 GM 48.2% / OM 35.4% - Apple in 'harvest phase' during AI capex cycle, unique vs AMZN/META/GOOG ...

OpEx vs Revenue Growth & GM/OM Trajectory (FY23-F1Q26, Apple filings)



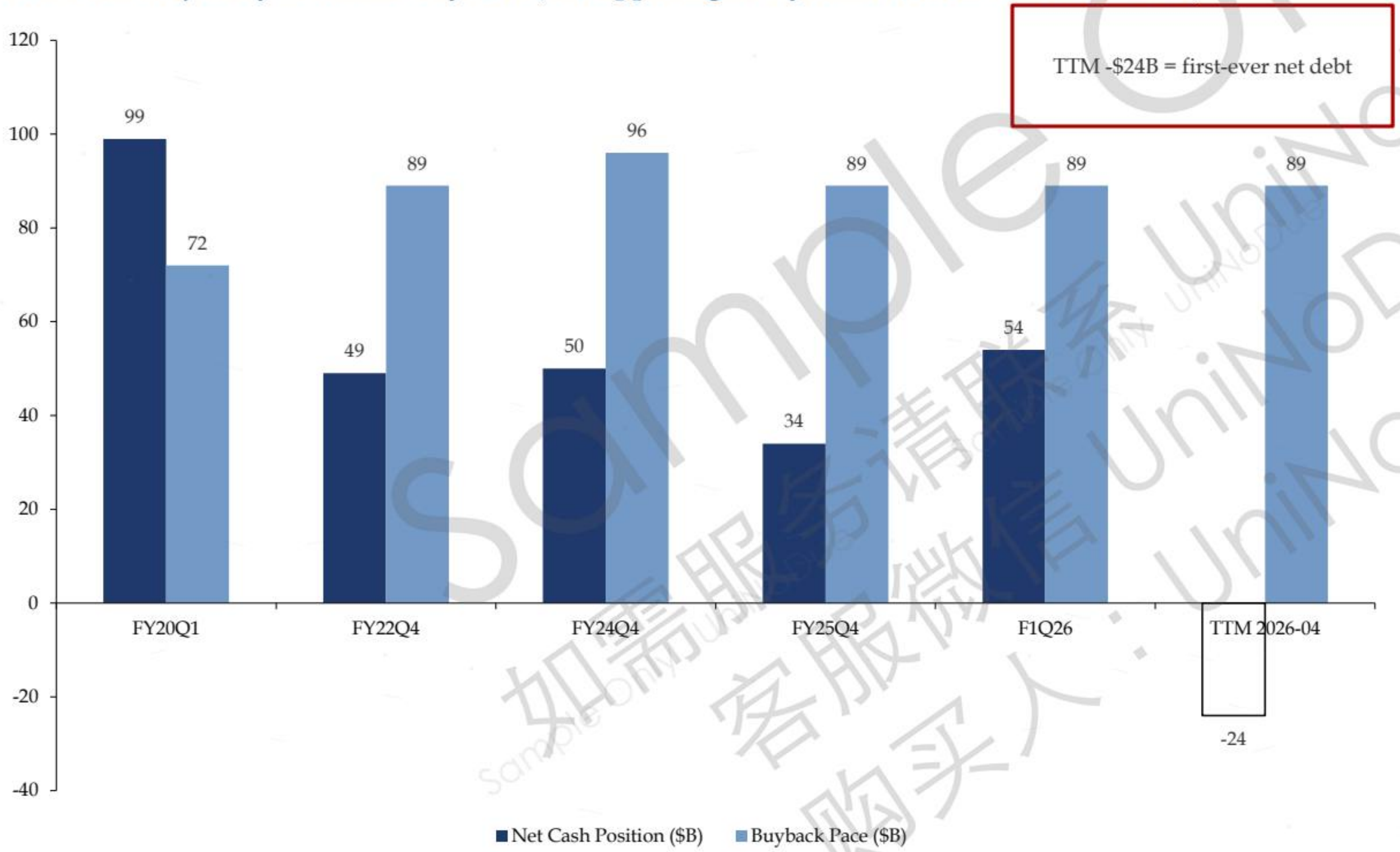
Operating Leverage Read:

- **FCF generation::**
  - 5Y average FCF ~$102B with conversion 88-116% (avg ~103%) places Apple in top 5% of S&P 500 cash generators.
  - FY25 conversion 88.2% trough due to Capex +35% YoY to $12.7B (AI infra).
- **.r OM ceiling check::**
  - F1Q26 OM 35.4% is single-Q peak.
  - Citi FY26E OM 32.0% / FY27E 33.6% assumes +160bps — if R&D intensity continues rising + DRAM drags GM, OM expansion could stall at FY26E 32.0%.
  - FY27 EPS $10 path requires +160bps to deliver, else $9.5.

Source: Apple 10-K FY23-FY25; Q1 FY25 (F1Q26) 10-Q; Citi FY26E/27E model (continued)

From FY20 +$99B net cash to TTM -$24B net debt - $123B drained = 6 years of $599B shareholder return

Net Cash Trajectory + Annual Buyback ($B, Apple mgmt + yfinance, FY20 to TTM 2026-04)



Net Cash Transition Read:

- **The trajectory:** FY20Q1 +$99B (peak) → FY22Q4 +$49B → FY24Q4 +$50B → FY25Q4 +$34B → F1Q26 +$54B (rebound) → TTM 2026-04-18 -$23.6B (yfinance) = first-ever net debt position.
- **Mechanics::**
  - FY24 buyback $95.85B + dividend $15.4B = $111.3B vs FCF $108.8B.
  - FY25 buyback $89.3B + div $15.4B = $104.7B vs FCF $98.8B → cumulative excess ~$9B + EU State Aid ~$10B one-off → must replenish via debt (FY25 issued $4.5B fixed at 4.0-4.75% + $9.9B commercial paper at 5.0%).
- **Signal read (positive)::**
  - Management actively achieving 'net cash neutral' target = confidence signal (FCF stable enough to no longer require buffer).
  - Citi/MS already model FY26E buyback decelerating to ~$85B/yr.
- **.r Three-layer reverse risk:** (a) If FCF impaired, no net cash buffer → buyback forced to $60-70B/yr → EPS accretion drops from ~4% to ~2% (b) New debt 4.0-4.85% vs FY21 0.7-2.85% → interest expense +$300-500M/yr (c) Net cash <-$50B → multiple re-rate pressure trigger.

Source: Apple 10-K FY20-FY25; Q1 FY25 10-Q; yfinance TTM as of 2026-04-18; mgmt earnings call disclosure

Agenda

PART 1

Why Buy / Why Now

- Price implies what
- Three pillars thesis
- Catalyst calendar

PART 2

Industry & Competition

- Stalled smartphone TAM
- Competitor + AI threat matrix
- 4-front regulatory map

PART 3

Business Quality

- iPhone supercycle KPIs
- Services ARPU compounder
- Apple Silicon + ecosystem

PART 4

Financial Deep-Dive

- 5Y margin bridge
- OpEx + FCF discipline
- Net cash to net debt

PART 5

Valuation

- Street consensus & sell-side
- PE x EPS sensitivity
- $330 derivation logic

PART 6

Risk & Position

- 6 testable downsides
- What could be wrong
- Position framework + KPI dashboard

Source: Investment Research

FY27 $10 EPS only requires +6.3% revenue + 50bps OM + 1.5% buyback - all within 3Y historical averages

Street Consensus FY26E / FY27E Detail (40-analyst Bloomberg + Visible Alpha, 2026-04-18)

Metric	FY25A	FY26E (Street)	FY27E (Street + MS path)
Total Revenue ($B)	416.5	430-445 (mean 437)	458-470 (mean 464)
Services Revenue ($B)	109.16 (+14% YoY)	120-126 (+10-13% YoY)	135-145 (+13% YoY)
Gross Margin %	46.9%	47.0-47.4%	47.8-48.3%
Operating Margin %	32.5%	32.0%	33.6% (+160bps)
Net Income ($B)	112	~135	~150
EPS ($)	8.00	9.35 (+19% YoY)	10.00 (+7% YoY)
Share Count (B, diluted avg)	15.0	14.6 (-2.7%)	14.4 (-1.4%)
Buyback ($B)	89.3	85.0 (Citi/MS modeled decel)	80.0

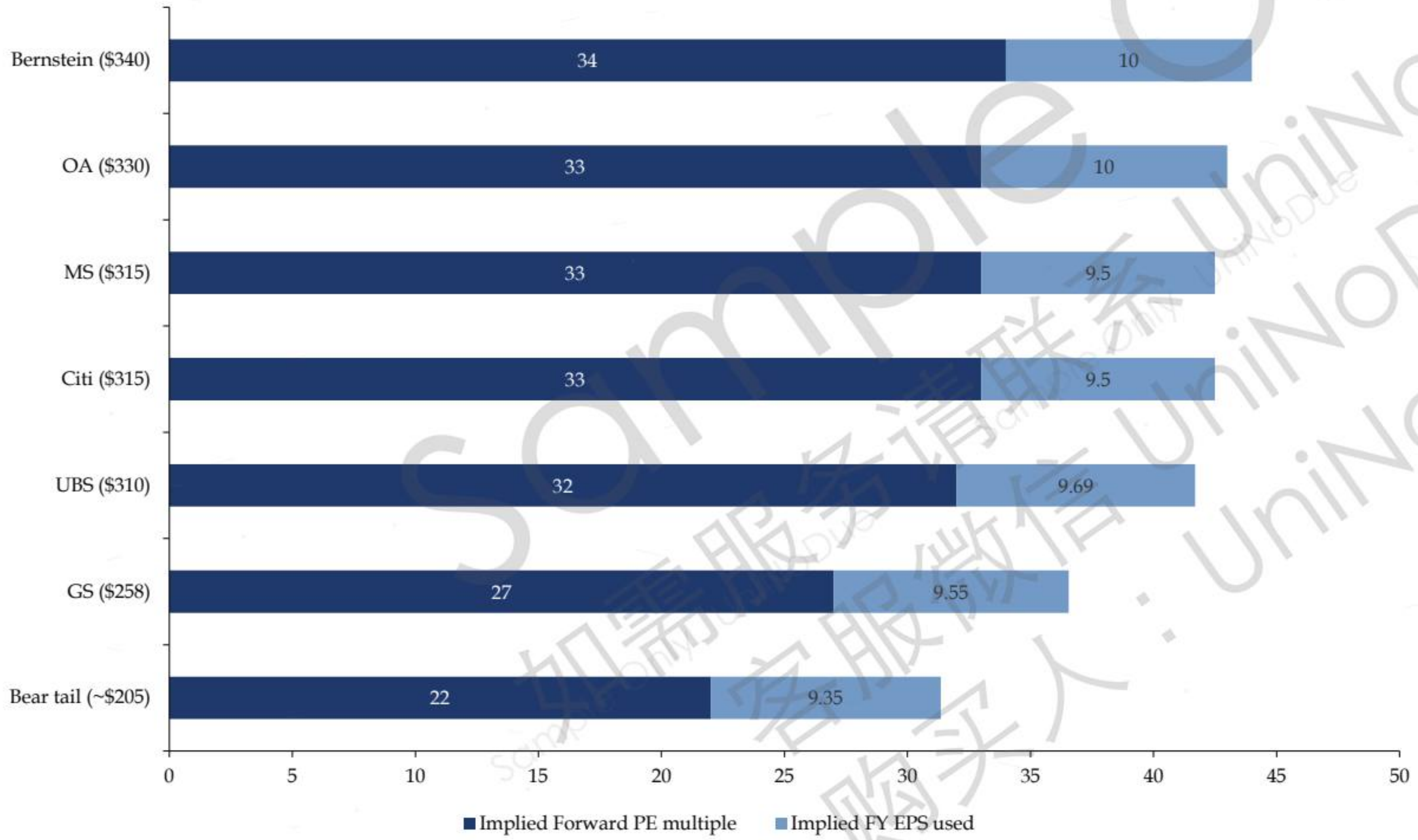
Consensus Read:

- **Leverage source identified:**FY26 GM only +30bps but EPS +19% — leverage = Services mix +1pp blended GM +38bps PLUS FY25 buyback $89.3B compressing share base another ~2.5% = mechanical EPS acceleration.
- **FY27 $10 EPS lever check:** Revenue +6.3% YoY (3Y avg ~6%) + OM +50bps (3Y avg +60bps) + share count -1.5% (3Y avg -2%) — every lever within 3Y history. No bull-case assumption required.
- **MS explicit path::**
  - Morgan Stanley: 'line of sight to $10 EPS' on Spring 2026 Services + iPhone 17 cycle continuation.
  - Citi using $9.50 as base (still hits $315 at 33x).
  - We use full $10 for $330.
- **.r If DRAM + tariff scenario::**
  - FY26 EPS could slip to $9.00, FY27 to $9.50.
  - 33x x $9.5 = $314 still in PT lower bound, but if multiple compresses to 28x simultaneously = $266 (-2% from current) — covered in PE x EPS sensitivity SLIDE 22.

Source: Bloomberg consensus (40 analysts), Visible Alpha, Morgan Stanley/Citi/UBS/Bernstein/GS individual reports as of 2026-04-18

$315-$340 = Citi/MS/Bernstein 33x consensus band; our $330 = Citi $315 + use MS full $10 EPS = +$15 ...

Sell-side 12M TP Distribution by House (USD per share, as of 2026-04-18)



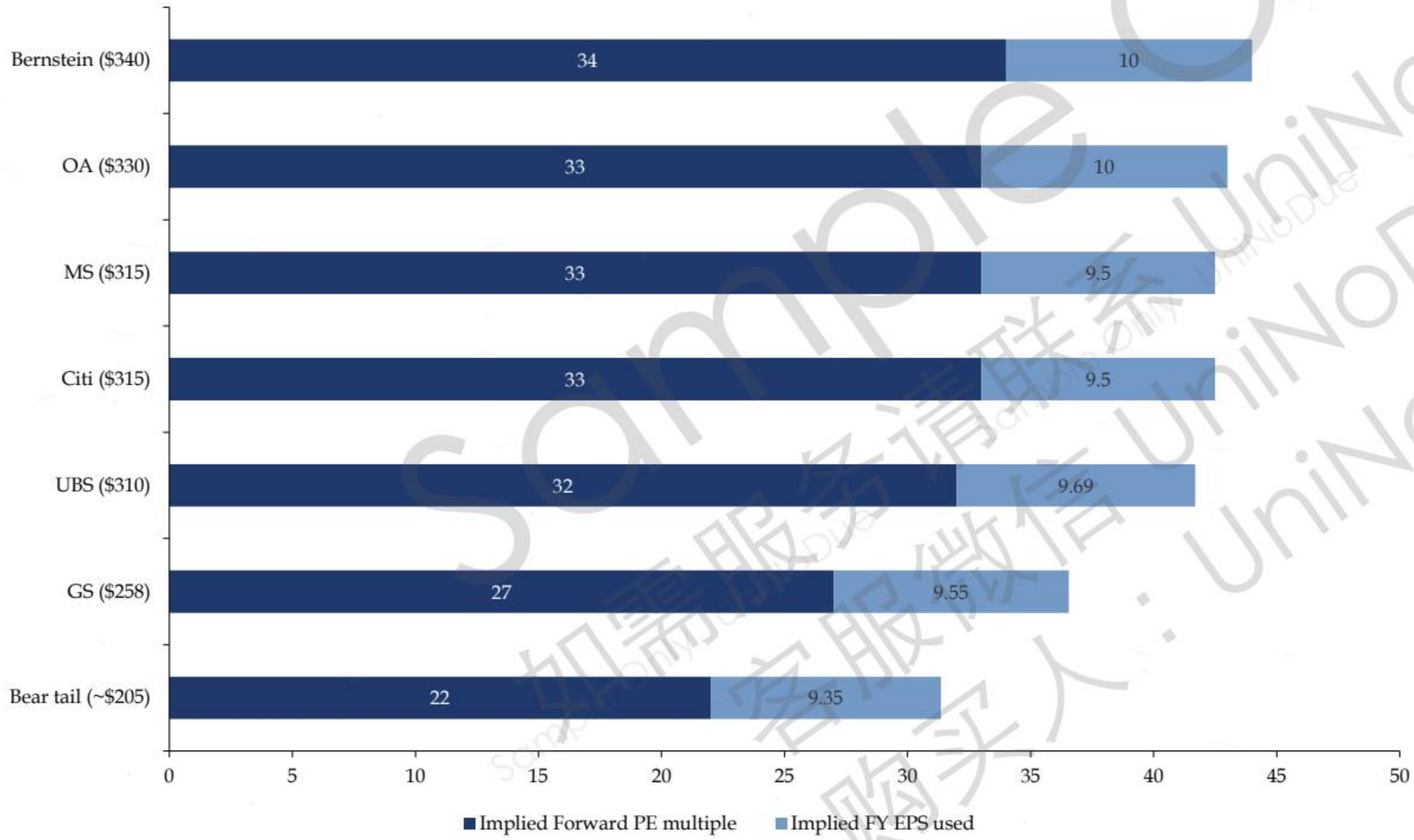
TP Distribution Read:

- **The 33x consensus band::**
  - Citi $315 + MS $315 + Bernstein $340 + $330 all anchor on 33x forward multiple.
  - Only differ in which EPS used ($9.50 vs $10) — 33x is the dual-consensus base of our framework.
- **Our $15 premium source:**vs Citi $315: (1) using MS full $10 EPS rather than Citi $9.50 (+$15) (2) granting Services reaccel (App Store Mar-Q +7% GS+UBS double-source) 1x turn multiple premium = total path to $330.
- **Position is centrist::**
  - $330 sits between Citi/MS $315 (50pct) and Bernstein $340 (90pct) — no bull-case assumption required, only base path execution + EPS fully utilized.
  - 40-analyst mean $297.46 lags = the asymmetry source.

Source: Bloomberg analyst consensus (40 analysts), individual broker research from Bernstein/Citi/MS/UBS/GS, as of 2026-04-18

$315-$340 = Citi/MS/Bernstein 33x consensus band; our $330 = Citi $315 + use MS full $10 EPS = +$15 …

Sell-side 12M TP Distribution by House (USD per share, as of 2026-04-18)



TP Distribution Read:

- .r Lonely call risk::
  - If 4-month consensus refresh window does not lift Street mean to >=$310 → market still has not priced FY27 $10 → our $330 may be lonely call short-term (3M).
  - Recommend initial 3% NAV.
  - Revisit add to 5% after end-April mean revision.

Source: Bloomberg analyst consensus (40 analysts), individual broker research from Bernstein/Citi/MS/UBS/GS, as of 2026-04-18 (continued)

$10 x 33x = $330 in median; $9.5 + only 32x already = $304 (+13%); $10.5 + 36x = $378 approaches bull

Forward PE x FY27E EPS Sensitivity Grid (USD per share, 12M Horizon, Internal Analysis)

EPS \ PE	24x	28x	30x	33x	36x
$8.50 (DRAM blow-out)	204	238	255	281	306
$9.00 (Citi DRAM model)	216	252	270	297	324
$9.35 (FY26E Street)	224	262	281	309	337
$9.50 (Citi FY27E)	228	266	285	314	342
$10.00 (FY27E base / MS path)	240	280	300	330	360
$10.50 (iPhone 17e share capture)	252	294	315	347	378

Sensitivity Read:

- **Current price decomposed::**
  - $270.23 = $9.35 EPS x 28.9x Forward PE = market priced base EPS but ZERO multiple expansion.
  - $330 base path requires EPS and multiple to each contribute roughly half.
- **Modest scenario already cleanrs floor:** Just $9.50 EPS + slight re-rate to 32x = $304 (+12.5%) — even 'EPS half-delivered, multiple only +3 turns' clears PT lower bound $315 within rounding.
- **Bull asymmetry::**
  - $10.5 x 36x = $378 approaches bull ceiling but still short of $414 (which embeds $22/share robotics/Vision Pro optionality).
  - $8.5 x 26x = $221 = upper end of bear floor — base case 4.5x bull asymmetry vs bear.
- **.r Truly fragile combo (R1+R3)::**
  - Sensitivity reveals: if DRAM breaches AND DOJ TAC ban simultaneous → $8.5 x 24x = $204 = 7% lower than published bear $194-230 floor.
  - This joint-tail probability IC must confirm — quantified in SLIDE 26.

Source: Internal Analysis based on Citi/MS FY26E/FY27E EPS framework + Apple 5Y historical PE band

Apple ROIC 71% (MAG7 #1) + Cap Return 3.5% (MAG7 #1); SOTP $322 - our $330 only +2.5% buffer (1/2)

Apple vs MAG7 Peer Comp + SOTP Cross-Check (Bloomberg consensus, 2026-04-18)

Company	Mkt Cap	Fwd PE	Rev Growth	GM %	ROIC %	Cap Return Yield
AAPL	$3.97T	28.9x	~6%	47.3%	71%	3.5%
MSFT	$3.5T	32.0x	~12%	70.1%	29%	0.8%
GOOG	$2.6T	21.5x	~14%	57.5%	27%	0.4%
META	$1.7T	26.5x	~18%	82.0%	22%	0.5%
AMZN	$2.4T	44.0x	~11%	48.5%	11%	0.0%
NVDA	$3.4T	38.0x	~52%	75.0%	85%	0.1%
TSLA	$1.0T	75.0x	~16%	18.0%	12%	0.0%
MAG7 Median (ex-AAPL)	—	32.4x	~14%	63.7%	23%	0.4%
AAPL 5Y Median	—	27.0x	~6%	44.0%	55%	2.5%

Peer Comp + SOTP Read:

- **Simple PEG/PEGY says 'not cheap'::**
  - Apple Fwd PE 28.9x vs MAG7 median 32.4x = -3.5 turns.
  - Revenue growth lags -500bps.
  - GM lags -1640bps — on naive comp Apple looks fairly priced.
- **True value support is structural:** (1) ROIC 71% MAG7-leading by wide margin (NVDA 85% only peer that beats) (2) Capital return yield 3.5% vs MSFT 0.8% / GOOG 0.4% (3) 2.35B installed base provides cash flow optionality discount-rate floor.
- **SOTP cross-check::**
  - Conservative (Services 30x + Hardware 18x) = $220 floor.
  - Optimistic (Services 35x + Hardware 21x) = $322.
  - 65/35 weight = $290-305 (= Street mean $297.46).
  - $330 = SOTP ceiling + only +2.5% buffer.

Source: Bloomberg consensus 2026-04-18; FactSet ROIC/yield calculations; Internal SOTP analysis

Apple ROIC 71% (MAG7 #1) + Cap Return 3.5% (MAG7 #1); SOTP $322 - our $330 only +2.5% buffer (2/2)

Apple vs MAG7 Peer Comp + SOTP Cross-Check (Bloomberg consensus, 2026-04-18)

Company	Mkt Cap	Fwd PE	Rev Growth	GM %	ROIC %	Cap Return Yield
AAPL	$3.97T	28.9x	~6%	47.3%	71%	3.5%
MSFT	$3.5T	32.0x	~12%	70.1%	29%	0.8%
GOOG	$2.6T	21.5x	~14%	57.5%	27%	0.4%
META	$1.7T	26.5x	~18%	82.0%	22%	0.5%
AMZN	$2.4T	44.0x	~11%	48.5%	11%	0.0%
NVDA	$3.4T	38.0x	~52%	75.0%	85%	0.1%
TSLA	$1.0T	75.0x	~16%	18.0%	12%	0.0%
MAG7 Median (ex-AAPL)	–	32.4x	~14%	63.7%	23%	0.4%
AAPL 5Y Median	–	27.0x	~6%	44.0%	55%	2.5%

Peer Comp + SOTP Read:

- **.r 5Y median 27x means 33x is +6 turns premium::**
  - If AI/Services optionality fails to deliver, multiple mean reverts to 28-30x (-15%).
  - This underpins PART VI bear PT $234 — premium has to be earned, not granted.

Source: Bloomberg consensus 2026-04-18; FactSet ROIC/yield calculations; Internal SOTP analysis (continued)

4-layer logic stack: $315 = Citi pure EPS / $330 = MS full $10 EPS / $340 = Bernstein Services-high

LOW: Citi Anchor

$315

33x x $9.50 = +17% upside

EPS basis: Citi FY27E $9.50 (conservative).

Multiple: 33x = explicit Citi target.

What it requires: Pure EPS execution; NO multiple expansion.

Execution risk: Tariff drag persists; DRAM sub-100% spike.

Floor of consensus 33x band

BASE: Anchor

$330

33x x $10 = +22% upside

EPS basis: MS 'line of sight to $10 EPS' fully utilized.

Multiple: 33x = Citi/MS dual-consensus + 5Y median 27x + 6 turns AI/Services premium.

What it requires: (1) FY26 EPS in line $9.35 (2) F2Q26 print confirms (3) Services YoY >=14% sustained.

Probability: 60% base case scenario.

Centrist not aggressive

HIGH: Bernstein Anchor

$340

34x x $10 = +26% upside

EPS basis: $10 + iPhone 17e share capture optionality.

Multiple: 34x = Services reaccel + Spring Siri delivers.

What it requires: (1) Spring 2026 Siri on time (2) iPhone 17e captures 5%+ Android (3) Services >=15% Mar-Q.

Probability: 20% bull case scenario.

Upper bound of 33x band

Derivation Read:

- **Layer 1 EPS anchor::**
  - FY27E $10 EPS explicitly defined by MS, implicitly carried by Citi framework (Citi 33x x $9.50 = $315.
  - Using $10.00 → $330) — not our independent assumption, reduces key-person risk.
- **Layer 2 Multiple anchor::**
  - 33x = Citi explicit target multiple, consistent with Apple 5Y median 27x + 6 turns AI/Services re-rating premium.
  - Quartile bracket mathematically supports $315-340.
- **Layer 3 SOTP ceiling::**
  - Ecosystem premium scenario yields SOTP $322.
  - Our $330 only requires +2.5% buffer to acknowledge AI gateway value thickness — internally consistent.
- **.r Layer 4 Street positioning risk::**
  - $330 sits between Citi/MS $315 (50pct) and Bernstein $340 (90pct) — probability-weighted.
  - If Street consensus does not lift in April refresh, may be lonely call within 3M.
  - Mitigated by initial 3% NAV sizing.

Source: Bloomberg consensus 2026-04-18; Citi/MS/Bernstein/UBS/GS individual research notes; Internal SOTP cross-check

Agenda

PART 1

Why Buy / Why Now

- Price implies what
- Three pillars thesis
- Catalyst calendar

PART 2

Industry & Competition

- Stalled smartphone TAM
- Competitor + AI threat matrix
- 4-front regulatory map

PART 3

Business Quality

- iPhone supercycle KPIs
- Services ARPU compounder
- Apple Silicon + ecosystem

PART 4

Financial Deep-Dive

- 5Y margin bridge
- OpEx + FCF discipline
- Net cash to net debt

PART 5

Valuation

- Street consensus & sell-side
- PE x EPS sensitivity
- $330 derivation logic

PART 6

Risk & Position

- 6 testable downsides
- What could be wrong
- Position framework + KPI dashboard

Source: Investment Research

DRAM + China share + DOJ TAC = three primary risks; any single hit -10% to -15%; all three ...

Primary Risks (P x Impact)

- **R1 - DRAM 100% 2H26 spike:** P=40% / Impact -8% to -13%. Citi models 140bps GM headwind, FY26 EPS slips to $9.00 vs $9.35; UBS rejects perfect-offset thesis. Trigger: F3Q26 GM print < 47%.
- **R2 - Greater China structural loss (17% to 10%):** P=20% / Impact -8% to -10%. F1Q26 +38% bounce, but CAICT Jan-26 foreign-brand -37% suggests pull-in; long-term 17% to 10% share = ~$30B/yr revenue = -$0.80 EPS. Trigger: Quarterly China YoY <0% for 2 consec.
- **R3 - DOJ Google TAC ban ($20B/yr):** P=15% / Impact -15%. Single-event -$1.20 EPS; 2025-09-02 district injunction issued; 2026 appeal calendar undisclosed. Trigger: DOJ ruling upholds TAC ban.

Secondary Risks

- **R4 - AI laggard narrative crystallizes:** P=25% / Impact -12%. Personalized Siri delay + ChatGPT direct bypass habit forms; Multiple reverts 33x to 29x. Trigger: Spring 2026 Siri delayed >1Q.
- **R5 - EU DMA forces alt-stores:** P=30% / Impact -3%. EU App Store revenue ~$18B faces 20-30% take-rate pressure → Services -$3-5B/yr. Trigger: EU 2026 appeal failure.
- **R6 - iPhone replacement cycle extends to 5+ years:** P=20% / Impact -5%. MS notes 'longest on record'; CY27 units 262M to 240M → revenue -$20B → EPS -$0.55. Trigger: Bernstein replacement cycle update >4.5 years.

Joint Tail Probability

- **Bear PT $194 condition:** Requires R1 + R2 + R3 simultaneous — joint P ≈ 1.2% under independence assumption; realistic P ~5-10% with correlation adjustment (DRAM and DOJ both linked to broader macro stress).
- **Why this matters for sizing:** Asymmetry +22% base / -28% extreme bear = 0.79x asymmetry — still holdable but at 5% NAV cap not larger; SLIDE 26 quantifies the R1+R3 transmission chain in detail.

Source: Internal risk decomposition; Citi DRAM analysis; Bernstein iPhone tracker; CAICT monthly data; DOJ filings

Extreme R1+R3 joint scenario - DRAM 100% + DOJ TAC ban → FY26 EPS $7.80 / 25x = $194 floor (-28%) ...

Transmission Chain (R1 + R3 joint extreme)

- **Step 1 - DRAM 100% spike:** DRAM cost +100% in 2H26 → Pro mix offset fails (UBS thesis) → FY26 GM drops to 45.5% (-140bps from 46.9%) → FY26 EPS $9.00.
- **Step 2 - DOJ Google TAC ban overlay:** DOJ 2026 appeal upholds Google TAC ban → direct profit -$18B (90%+ flow-through of ~$20B/yr) → -$1.20 EPS → FY26 EPS $7.80.
- **Step 3 - Multiple compression:** AI narrative breaks (loss of search-default integration confirms 'AI laggard') → multiple compresses 33x to 25x (5Y median 27x minus 2 turns penalty for narrative break).
- **Step 4 - Floor calculation:** $7.80 x 25x = $195 ≈ $194 published bear PT = -28% from current $270.23.

Failure Signals (any one triggers BUY → HOLD review)

- **Quarterly fundamentals:** (a) F2Q26 EPS miss < $1.85 (b) F3Q26 Greater China YoY < +10% (c) F2Q26 Services YoY < 12%
- **Catalyst delivery:** (d) Spring 2026 Personalized Siri delayed >= 1 quarter (e) DOJ Google appeal ruling bans payment (single event)
- **Operational margin:** (f) F3Q26 Product GM < 35% (vs current 36.8%)

Why Asymmetry STILL Holdable in Worst Case

- **Capital return floor delivers:** Even at bear $194, capital return 3-4%/yr (~$104B/yr) still delivered; 3-year cumulative +9-12% cash return; cushions paper loss.
- **Hedge architecture:** Put spread $260/$240 covers 8% downside → net downside capped at -20%; position cap 5% NAV → portfolio contribution -1.0% to -1.4% (manageable).
- **Kelly framework:** Base 60% × base + Bear 15% × (-28%) + Bull 20% × (+53%) → Kelly fraction ~9%; we recommend 5% = 0.55× Kelly (conservative).
- **Market partly priced this:** 30D ATM IV ~22% (vs 1Y avg 18%) + Put/Call 0.86 — partly priced; but $260 strike skew shows put NOT at extreme = R1+R3 joint NOT fully priced (joint P 5-10% real vs option-implied ~3%).

Source: scenario modeling; Citi DRAM headwind analysis; UBS GM offset rejection; option chain implied vol from CBOE; bear PT cross-check vs Bernstein worst case

Probability-weighted EV $321 (+18.7%) - Initial 3% NAV; add to 5% post F2Q26 print if 3/4 signals ...

Initial Position

3% NAV

Split entry $270 / $262 within 1 week

Entry batch 1: $270 (week 1) — 1.5% NAV established at current price as anchor.

Entry batch 2: $262 (week 2 if pulls back) OR market order if no pullback — completes 3% NAV.

Position rationale: EV $321 vs $270 = +18.7%; Kelly 9% theoretical; 3% = aggressive but pre-catalyst conservative.

Hedge: Put spread $260/$240 (cover 8% downside).

Pre-F2Q26 anchor position

Target Position

5% NAV

Add post F2Q26 if >=3/4 continuation signals

Trigger event: F2Q26 print (May 2026).

Continuation signals (need 3/4): (1) F2Q26 EPS >= $1.85 (2) Greater China YoY > +10% (3) Services YoY > 12% (4) Spring Siri launch confirmed.

Position cap: 5% NAV (= 0.55x Kelly) - cap respected even in pure bull scenario.

Bull-only escalation: If 2 bull signals trigger (Siri + iPhone 17e share) → add short-dated $300 strike calls (6M).

Post-F2Q26 conviction add

Stop-loss

$220

-19% trigger - halve to 1.5% NAV

Stop logic: $220 is upper bound of bear $194-230 range; stop above the floor preserves optionality.

Action: Halve position from 5% to 1.5% NAV; do NOT exit fully (capital return floor still delivers).

Below stop: Reassess at $200 — if still IC-conviction and bear thesis holds → maintain 1.5%; if thesis broken → exit fully.

Bear-signal trigger: Any 2 simultaneous bear signals → immediate IC re-review (don't wait quarter).

Halve not exit - preserves optionality

Position + Monitoring Read:

- **Probability-weighted EV::**
  - Base 60% x $330 + Bull 20% x $414 + Bear 15% x $212 + Tail 5% x $160 = EV $321 = +18.7% from $270 — already approaching base +22% lower bound.
  - Math itself supports BUY without overweighting base.
- **8 monitoring KPIs (deterministic system):** (1) F2Q26 EPS/Rev (2) Services YoY (3) Greater China YoY (4) CAICT foreign-brand (5) Net cash trajectory (6) Spring Siri timing (7) DOJ Google ruling (8) Buyback utilization rate.
- **Bull-add path:** If Spring Siri delivers + iPhone 17e China share captures + Services >15% Mar-Q → add to 5% cap + $300 calls = upside leverage on confirmed thesis.
- **.r Bear-cut path::**
  - Any 2 simultaneous bear signals → immediate IC re-review (don't wait next quarter).
  - R1+R3 joint quantified in SLIDE 26.
  - Stop $220 halves not exits — capital return floor (3-4%/yr) preserves return optionality even in bear $194 scenario.

Source: scenario probability + Kelly framework; risk decomposition SLIDE 25; transmission chain SLIDE 26