

# Apple Inc.

10:30 06 Sep 2019

## Morgan Stanley reiterates \$247 price target on Apple, sees App Store growth outperforming

Morgan Stanley has reiterated an Overweight rating and \$247 price target on Apple (NASDAQ:AAPL) after Sensor data showed growth driven by a veritable surge in Apple App Store revenue.

In a note on Friday, analysts at the investment bank said the Cupertino, California-based device and services company's App Store hauled in record revenue in August.

"App Store net revenue growth accelerated to +25.8% Y/Y in August from +18.9% in July, representing the strongest Y/Y growth since February 2018 and the third largest month-to-month acceleration in Y/Y growth since early 2015, according to data from Sensor Tower," they said.

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"Results were very well-rounded, with each of the 10 largest markets posting an acceleration in Y/Y growth from July," the analysts added.

Meanwhile, shares in Apple continued to trade higher on Friday at \$213.94 after the US and China agreed to meet for another round of trade negotiations in October.

### China driving revenue

According to the Morgan Stanley analysts, China contributed significantly to the App Store's revenue growth.

"In China, total App Store spend grew 31.8% Y/Y, a considerable acceleration from just 4.8% Y/Y growth 2 months ago, with total gaming revenue in China growing 29.1% Y/Y in August vs 21% Y/Y in July and 1% Y/Y in June," they said in the note.

The analysts also pointed out that the entertainment category, which is the second largest next to gaming and "represents 7% of App Store spend, posted 28.0% Y/Y growth in August," despite concerns among bears that large entertainment companies bypassing the App Store billing platform will become more widespread and drive a deceleration in entertainment App Store revenue growth.

"Quarter-to-date through August, we estimate the App Store has generated \$2.9 billion in net revenue, up 22.4% Y/Y and well ahead of our +18% Y/Y growth forecast for the September quarter," the Morgan Stanley analysts said.

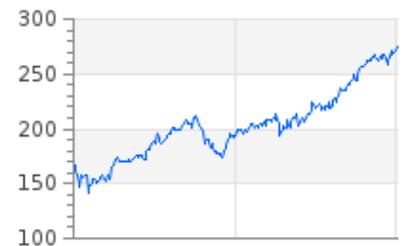
"For App Store results to come in-line our September quarter estimate, the App Store needs to generate \$1.3 billion in net revenue in September, which implies just 9.1% Y/Y growth on easing comps," they added.

### Must-see TV at Apple's fall event

**Price:** 275.15

**Market Cap:** \$1.22 trillion

#### 1 Year Share Price Graph



December 2018 June 2019 December 20

#### Share Information

**Code:** AAPL

**Listing:** NASDAQ

<b>52 week</b>	<b>High</b>	<b>Low</b>
	275.3	142

**Sector:** Hardware & electrical equipment

**Website:** www.apple.com

#### Company Synopsis:

Apple Inc. designs, manufactures, and markets personal computers, mobile communication devices, and portable digital music and video players, and sells a variety of related software, services, peripherals, and networking solutions.

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Meanwhile, a CFRA analyst is expecting a "boring" slate of iPhones on Tuesday at Apple's annual fall event, but he's still betting that the event will be "must-see TV" due to the expected announcements on services.

"We think Apple could look to perhaps bundle its Apple TV+ offering (for instance, alongside Apple Music) at a discounted rate to spur new subscribers," said the CFRA analyst in a note.

New iPhones typically go on sale just over a week after the Apple September event. Apple is likely to release three new iPhone models. According to CNBC, the two higher-end iPhones will have a 5.8-inch and a 6.1-inch OLED display.

"These phones can be seen as sequels to the current iPhone XS and iPhone XS Max, which cost a minimum of \$999 and \$1099 respectively," reported CNBC.

The upcoming low-end model may again feature an LCD screen, but this might be the last time Apple goes with LCD technology in one of its new phones. Refreshed versions likely promise a faster processor across all models and a triple-lens camera for the two more expensive versions.

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