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PARTNERSHIP SINCE 1590

25 October 2013

Dear Tim and Art,

I hope I find you both in good health. As you know, I have followed the technology industry for nearly two decades. In that time, Apple has re-invented a few industries: computers via the iMac, music players and their distribution via the iPod and iTunes, computing platforms again via the iPad, and the handset industry via the iPhone. The success of these products has led to an annual revenue base approaching $170bn, and operating profits and free cash flow in the $40bn-50bn range. It has also allowed you to amass a net cash position in the $150bn range and a market capitalisation sitting around $460bn today. All these are staggering and very large numbers; however, therein lies the rub.

I think the key to Apple's future and investors' perception is not how many iPhones are going to ship, nor the margin you achieve in the next few quarters, nor whether a larger display iPhone is introduced at some point in 2014; nor is it going to be whether further cash is returned to shareholders. I think it is all about what new avenues of growth there are for Apple over the next five years and beyond, and how they can take that revenue and free cash flow base significantly higher. When I look through the different options available to Apple, the ones wheeled out most often are "Apple is going to come out with a TV", or "Apple is going to launch a smartwatch" or "the future of Apple is monetisation of its ecosystem".

Let's take these three options separately. I estimate that global TV revenues are around $100bn versus a smartphone market in the $300bn range for 2013. Samsung, the global leader in TVs, has annual revenues in the $25bn range and operating margins of around 5%. I agree that Apple's design capabilities could be a differentiator, but how much thinner and brighter can a TV get? Industry observers have also stated that you can replicate and transfer your success in the music industry to the TV/film segment. I disagree! The music industry was down on its knees when Apple "saved" it from the Napsters of the world, but the TV/film industry is still enjoying a strong profit profile. Moving on, the watch industry is approximately a $40bn market globally. Some vendors enjoy very robust gross margins in the 60%+ territory (Longines and Swatch come to mind), but once again, it is difficult to see how this end-market can significantly move your financial model upwards. On monetisation of services, this is a $16bn revenue line item for you today. There are obvious opportunities in mobile payments, advertising and digital (and potentially physical) sales. On the flip side, you are a product company (90% of your revenues suggest that) and your track record on services has been mixed to date at best (Siri, Maps, MobileMe etc).

So why am I ranting on here? Well, Tim and Art, the law of large numbers is against you and in fact the history of consumer electronics is against you as well.There is no precedent of a consumer technology company sustaining 50%+ gross margins in its handset business. Maybe this time it is different, but I am not so sure. So here is my proposal to you on what you should do to transform Apple and its financial business model again.

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1. Apple's strength is its brand, cult-like following and product design differentiation. There is one industry out there where a) you can leverage these strengths and which b) has a TAM that is six times larger than the current smartphone market. The auto industry.

2. The auto industry is going through a technological discontinuity in its shift to hybrid and electric vehicles. This is still in its very early innings. Apple needs know-how (technology, platform strategy and dealer network) in this space and hence I propose that you should buy Tesla. I know this is radical and potentially "transformative" but this would radically alter Apple's growth profile given the auto industry's $1.6trn TAM. Hybrid and electric vehicles should increase to 10% of this TAM in 2025. Your entry would be the catalyst to accelerate this shift as it has been in other industries that you have disrupted in the past, such as the smartphone market, which had less than 1% penetration of handset shipments in 2007 when the iPhone was launched but which should have nearly 100% of the handset market by 2016/17. I am also sure that your co-board-member, Al Gore, would be happy with a "greener" Apple!

3. Given the shift into another vertical, this move would be additive to your revenues, operating profits and earnings. Every 1ppt of global revenue share for a potential "iCar" equates to at least $16bn in annual revenues – or put another way, a 16% revenue share in TVs, or a 40% revenue share in the existing watch industry. In addition, on my estimates, a 1ppt global share with industry leading margins (let's assume 15%) would justify a 30% premium take-out of Tesla. I note that Porsche has had low 20% operating margins in its history and that BMW and Toyota both have 8-10% operating margins today.

4. From a US national policy perspective, Apple could re-ignite the US auto industry and give it a competitive edge versus the current Asian and European leaders, similar to what you have done in the smartphone and wireless space where the US is now at the forefront of technological leadership after having been a laggard for over two decades.

5. And finally, in Elon Musk, you could strike up a partnership and obtain a new iconic partner to lead Apple's innovation drive. Furthermore, given his understanding of the payment industry, he could also help accelerate your efforts in services around geo-location via iBeacon and Passbook.

I know this proposal is likely to be ridiculed by many, and even by you, but the problem I see with your stock is that in the absence of any "out of the box" move to a sizable new vertical market, the key debate will always be about your ability to sustain these "abnormal" margins in your iPhone business – and let's not forget, the consumer technology industry has been the graveyard for many historically great brands (Sony and Nokia spring to mind).

When you are both next in London, let's go for breakfast and I can take you through my thoughts in more detail, and I promise not to "tweet" about the meeting afterwards.

With compliments,

Adnaan