

April 10, 2026 01:30 AM GMT

Apple, Inc. | North America

Evidence of Ramping Apple Silicon for Private Cloud Compute

Apple's significant SoIC wafer commitment in CY26 and CY27 points to a large-scale ramp of its in-house AI server ASIC ("Baltra") for Private Cloud Compute (PCC), reinforcing Apple's conviction in Apple Intelligence and its strategy of in-house AI infrastructure over 3P clouds for cost efficiency.

Apple is materially ramping SoIC capacity at TSMC, pointing to a major push in Apple silicon for AI servers. Based on [the latest checks by our Greater China Semiconductors team](#), TSMC (covered by Charlie Chan) is expanding its SoIC (System on Integrated Circuit) capacity, with Apple placing orders equivalent to 36K wafers in CY26 and 60K wafers in CY27 ([Exhibit 1](#)). We believe Apple's SoIC demand is driven primarily by its upcoming in-house AI server ASICs rather than high-end Mac CPUs. This aligns with [a recent report](#) that SEMCO (covered by Shawn Kim) has provided T-glass samples to both Broadcom and Apple, likely for Apple's in-house AI server ASIC (internally dubbed "Baltra"), and [another report](#) that Apple is expected to deploy its own AI ASIC servers in CY27.

What is SoIC, and how is Apple likely using it? SoIC is TSMC's advanced 3D packaging platform, enabling high-performance chiplet designs. Today, AMD (covered by Joe Moore) is the single largest SoIC customer, using the technology across its MI-series AI GPUs and high-end gaming CPUs (e.g. Ryzen 9000X3D). While Apple could deploy SoIC in its top-end Mac processors (i.e. M series Ultra), the scale of Apple's orders suggests a different use case. Based on IDC data, Apple shipped ~80K Mac Pro/Studio units powered by M2/M3 Ultra processors in CY25 (<0.5% of total Mac shipments). Assuming 50 Ultra processors per wafer, this equates to at most ~1,600 wafers of SoIC demand – well below the 36K wafers Apple is securing for CY26. Given Apple's 2nm application processors for the iPhone 18 family use WMCM (Wafer-level Multi-Chip Module; without SoIC), we believe the bulk of SoIC capacity is for Apple's 3nm AI ASIC ("Baltra") for Private Cloud Compute (PCC). This is to replace the current M-series Ultra processors used in PCC today for better AI inference performance and efficiency, consistent with reports of [Apple's multi-year collaboration with Broadcom](#).

What this means for Apple – bullish on Apple Intelligence, which will run on PCC. The scale of the SoIC order underscores Apple's conviction in Apple Intelligence and Private Cloud Compute. For context, AMD's 42K SoIC wafers in CY26 translates into nearly 800K MI-series AI GPUs plus select high-end gaming CPUs, based on our Semi teams' estimates. This means Apple's 36K wafers in CY26, and 60K in CY27 – dedicated largely to PCC – represent a significant internal AI buildout. **While Apple may still be open to the option of leveraging external**

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IT Hardware | United States of America

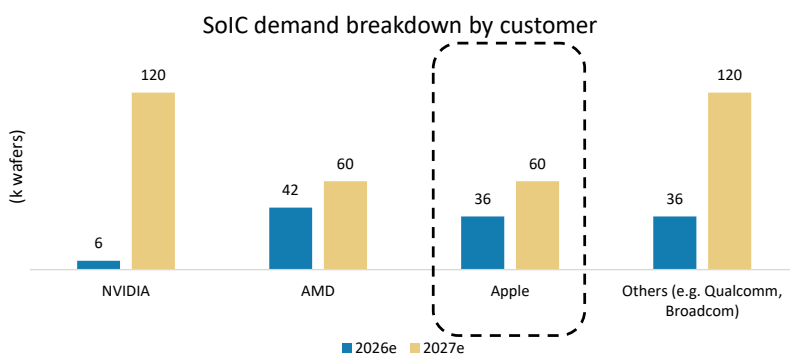
Stock Rating	Overweight
Industry View	Cautious
Price target	\$315.00
Shr price, close (Apr 8, 2026)	\$258.90
Mkt cap, curr (mm)	\$3,822,583
52-Week Range	\$288.62-169.21

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accelerators (e.g. TPUs via GCP), the magnitude of the SoIC commitment in CY26 and CY27 suggests that (1) most Apple Intelligence workloads likely will run on Apple silicon servers within PCC, and (2) that Apple is bullish on Apple Intelligence inference adoption. We therefore believe Apple's spending on the infrastructure for Apple Intelligence may be more capex-driven, rather than opex/COGS, which could be more cost-efficient over time. While the Apple silicon strategy is clear – for better cost control and more custom/vertically integrated technology stacks – performance and efficiency of Apple's AI ASIC at scale remain key unknowns.

Exhibit 1: TSMC SoIC demand breakdown: Apple's SoIC demand this year is now close to AMD, the biggest user of SoIC in CY26



Source: Company data, Morgan Stanley Research estimates

Valuation Methodology and Risks

Apple, Inc. (AAPL.O)

Our \$315 PT is based a 8.5x EV/Sales FY27 multiple, which is derived from a regression of tech and consumer platform peers. Our price target implies ~32x P/E on \$9.75 FY27 EPS.

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

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(as of March 31, 2026)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1534	42%	461	50%	30%	698	43%
Equal-weight/Hold	1573	43%	372	40%	24%	716	44%
Not-Rated/Hold	4	0%	1	0%	25%	1	0%
Underweight/Sell	568	15%	89	10%	16%	209	13%
Total	3,679		923			1624	

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.

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

Apple, Inc. (AAPL.O) - As of 04/10/26 GMT in USD
Industry : IT Hardware



Stock Rating History: 4/1/21 : 0/A; 6/10/21 : 0/I; 10/5/21 : 0/C; 1/18/23 : 0/I; 1/20/26 : 0/C
 Price Target History: 1/27/21 : 164; 4/5/21 : 156; 4/15/21 : 157; 4/20/21 : 158; 4/28/21 : 161; 6/23/21 : 162; 7/14/21 : 166;
 7/27/21 : 168; 10/26/21 : 166; 10/28/21 : 164; 12/7/21 : 200; 1/27/22 : 210; 4/28/22 : 195; 6/14/22 : 185; 7/19/22 : 180;
 10/17/22 : 177; 11/7/22 : 175; 3/3/23 : 180; 5/4/23 : 185; 6/1/23 : 190; 7/16/23 : 220; 8/3/23 : 215; 10/15/23 : 210; 12/7/23 : 220;
 4/22/24 : 210; 5/3/24 : 216; 7/14/24 : 273; 1/31/25 : 275; 3/12/25 : 252; 4/8/25 : 220; 4/28/25 : 235; 7/31/25 : 240; 10/1/25 : 298;
 10/31/25 : 305; 12/17/25 : 315

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)

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INDUSTRY COVERAGE: IT Hardware

COMPANY (TICKER)	RATING (AS OF)	PRICE* (04/09/2026)
Erik W Woodring		
Apple, Inc. (AAPL.O)	O (05/26/2009)	\$260.49
CDW Corporation (CDW.O)	E (01/20/2026)	\$126.75
Cricut Inc (CRCT.O)	U (08/12/2021)	\$4.14
Dell Technologies Inc. (DELL.N)	U (11/16/2025)	\$181.46
Everpure, Inc. (PSTG.N)	E (06/11/2024)	\$60.19
Garmin Ltd (GRMN.N)	E (02/18/2026)	\$256.53
GoPro Inc (GPRO.O)	U (12/12/2023)	\$0.74
Hewlett Packard Enterprise (HPE.N)	E (11/16/2025)	\$24.83
HP Inc. (HPQ.N)	U (11/16/2025)	\$18.38
IBM (IBM.N)	E (01/18/2023)	\$237.18
Ingram Micro (INGM.N)	E (06/11/2025)	\$26.70
Kornit Digital Ltd. (KRNT.O)	E (11/06/2025)	\$16.02
Logitech International SA (LOGI.O)	U (01/20/2026)	\$91.06
NetApp Inc (NTAP.O)	U (01/20/2026)	\$95.67
Resideo Technologies Inc (REZI.N)	O (08/11/2025)	\$37.82
Seagate Technology (STX.O)	O (03/26/2024)	\$500.77
SmartRent, Inc. (SMRT.N)	++	\$1.38
Sonos Inc. (SONO.O)	E (11/06/2025)	\$13.04
TD Synnex Corporation (SNX.N)	O (06/11/2025)	\$199.46
Teradata (TDC.N)	O (04/08/2025)	\$25.12
Western Digital (WDC.O)	O (04/16/2025)	\$337.88
Xerox Corp (XRX.O)		\$1.28
Sanjit K Singh		
Nutanix Inc (NTNX.O)	E (01/12/2026)	\$36.94

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.

