

## Thoughts on Tariffs and Tech; Minimal Impact to Apple Despite the Noise in the Market

Daniel Ives, Head of Technology Research | 917.210.3220 | [daniel.ives@gbhinsights.com](mailto:daniel.ives@gbhinsights.com)

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With the Beltway and the market blanketed by trade war worries and potential onerous tariffs on aluminum and steel proposed by the Trump administration, which are gaining further steam with last night's Cohn departure, many tech investors are asking about the potential negative impact to the FANG names and broader universe looking ahead. We continue to strongly believe that given the primarily services nature of traditional FANG names and very internationally distributed from a revenue perspective, that Facebook, Amazon, Netflix, and Google/Alphabet are "primarily insulated" from tariff worries and a potential trade wars. While in a draconian scenario depending on how far the potential China/US trade war goes there could be some tangential crosshairs that could negatively impact Amazon on the e-commerce front (input prices), however these would be negligible and not a concern at all in our opinion. When it comes to Apple, depending on the tariff being levied on raw materials or finished products we would see in a "worst case" scenario costs increase to produce Macs and iPhones of \$50 million annually for Cook & Co, given the amount of steel/aluminum in various products, which is a rounding error in a given year. In a base case scenario, input costs would only rise \$20 million to \$30 million for Apple on aluminum/steel tariffs, a diminutive number. Given the tightly woven integration between Apple and Foxconn in China, we believe there is minimal risk to this relationship, cost increases, and backlash to Apple selling its iPhone devices within China (domestic competition remains a lingering worry), which is a key market opportunity for Apple over the coming years. In a nutshell, despite many yelling fire in a crowded theater on the negative impacts to some of these tech stalwarts with Apple front and center from potential tariffs and trade war backlash, we believe this is more "bark rather than bite" and would be buyers of weakness on these names. While it will be a hand holding period over the coming weeks as the tariff details become better known, we see minimal impact on these tech names despite worries on the Street.