

January 29th, 2020

We listened, (as you may have as well), to Apple's earnings call yesterday. What follows is a summary, our thoughts, and the market's general reactions.

Overall revenue for the first quarter was \$91.8 billion, producing a year over year (Y/Y) increase of 8.9%. iPhone revenue grew 7.6% (Y/Y). The last time the iPhone grew on a year over year basis was Q4 2018. The earnings for the quarter were \$4.99 per share, up 19% (Y/Y). Additional positive highlights were as follows:

- Services revenue grew 17% Y/Y.
- Company gross margins expanded to 38.4%, up 40 bps.
- Services gross margin expanded to 64.4%, up 34 bps.
- 480 million paid subscriptions across the Services platform, up over 100 million Y/Y.
- Apple Arcade successfully launched 100 new and exclusive games.
- \$386MM spent by Apple subscribers on New Year's Day alone.
- Apple Pay on pace to facilitate 15 billion transactions this year, and post a Y/Y doubling of revenue.
- Wearables, Home and Accessories revenue increased by 37% Y/Y.

Negative highlights from the call were as follows:

- iPad revenue was down 11.2% Y/Y.
- Mac revenue was down 3.5% Y/Y.

Tim and Luca's guidance for the upcoming quarter was broader than typical due to the coronavirus in Asia. Apple has closed one store in the affected area and is expecting a decrease in Asian demand due to the outbreak. The lower side of the guidance range suggests revenue growth of 8.6% (Y/Y) and net income of \$15B.

As of 7:32 a.m. Apple stock is \$325 per share, up 2.2%.

Please don't hesitate to contact us with any questions, concerns, or specific issues regarding your Apple holdings.

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