

February 1st, 2017

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

Apple's results for the 2017 first quarter beat expectations, as the company posted records for quarterly revenue and profit. Apple's revenue for the quarter was 78.4 billion and the quarterly earnings per diluted share were \$3.36. Sixty-four percent of the revenue was acquired outside of the United States.

Year over year (hereafter referred to as Y/Y) revenue grew by 3.2%. Y/Y earnings per diluted share grew by 2.38%. iPhone revenue grew Y/Y by 5.04%, but revenue in China decreased Y/Y by 11.65%.

Highlights Include:

- iPhone 5.04% Y/Y revenue growth.
- Ex-China geographical growth.
- Services business grew 18% Y/Y.
- Music business has grown for 3 consecutive quarters.

Headwinds:

- Chinese market continues to decline with little expectation of significant improvement. Additionally, China has devalued their currency by 6%.
- Currency risk is expected to cause a 100 bp decrease in gross margins.

Apple stock is trading significantly higher this morning due to surprise record revenue and EPS results. Furthermore, Apple sold more phones than Samsung for the first time since the fourth quarter of 2011 (source: Thomas One Reuters). Apple provided a cautious outlook for Q2' 2017 which was mainly attributed to the strong U.S. dollar hurting overseas sales.

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

Raymond James & Associates, Inc., member New York Stock Exchange, makes a market in AAPL. This stock is also followed by the Raymond James & Associates Equities Research Department. Raymond James Financial Services, Inc., its affiliates, officers, directors or branch offices may in the normal course of business have a position in any securities mentioned in this report. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation.

HAYES

FINANCIAL, INC.

An Independent Firm

www.hfinancial.com
99 Almaden Blvd, Ste 730. San Jose, CA 95113 • 408-947-7321 • Fax 408-947-7328
Toll Free 866-607-7321 • contact@hfinancial.com

Securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC