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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.

Apple's 2017 second quarter produced mixed results. Apple's revenue for the quarter was 52.8 billion and the quarterly earnings per diluted share were \$2.10. Sixty-five percent of the revenue was acquired outside of the United States.

Year over year (hereafter referred to as Y/Y) revenue grew by 4.6%. Y/Y earnings per diluted share grew by 10.53%. iPhone revenue grew Y/Y by 1.19% due to price increases from \$641.83 to \$654.98. The number of iPhones sold decreased by 0.84%. Revenue in China decreased Y/Y by 14.1%.

Highlights Include:

- Total count of subscribers grew by 15 million.
- Services business grew 18% Y/Y.
- An increase in the capital return program of \$50b.
- App store revenue grew 40% Y/Y.
- Dividend increase of 10.5% to \$0.63 per share.

Headwinds:

- Revenues continue to decline in China.
- Currency risk persists in causing a 100 bp decrease in gross margins.

As of 6:35 a.m. Apple stock is down 1.68% due to a surprise fall in iPhone sales (source: Thomson One Reuters) and business concerns in China. Investor focus now shifts to the second half of 2017 with the upcoming iPhone 8 cycle.

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

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