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FINANCIAL, INC.

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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 third quarter produced solid results. Apple's revenue for the quarter was \$45.4 billion and the quarterly earnings per diluted share were \$1.68. Fifty-four percent of the revenue came from iPhone sales.

Year over year (hereafter referred to as Y/Y) top – line sales grew by 7%. Y/Y earnings per diluted share grew by 17.4%. iPhone average sales price (ASP) was \$606, up from \$595 a year ago. Sales outside the U.S. accounted for 61% of revenue.

Return on equity for the quarter was 6.58% and gross profit margins came in at 38.5%, up 0.5% from a year ago.

Positives Included:

- Higher than expected earnings and revenue.
- Services business growth of 22% Y/Y.
- Apple corporate cash balances grew to \$261 billion.

Negatives Included:

- Hong Kong market remains a drag on mainland China sales. Revenue in China decreased by 25% from the previous quarter.
- Currency risk caused a 200 bp decrease in gross margins.

As of 6:35 a.m. Apple stock is up 5.9% due to better than expected earnings and revenues. Additionally, Apple's quarterly guidance came in higher than analysts had forecasted.

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

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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