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An Independent Firm

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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 2018 3rd quarter produced record results once again. Revenue and earnings for the June quarter period were the highest ever reported. The June quarter marks the 7th straight quarter of Y/Y revenue growth. Overall revenue for the 3rd quarter was \$53.3 billion, producing year over year (Y/Y) growth of 17.3%. Quarterly earnings per diluted share were \$2.36, a (Y/Y) change of 40%.

The iPhone business segment grew by 20% Y/Y. The number of iPhones sold compared to the previous year was essentially flat as Apple sold only 274 more phones. However, revenue grew because of an increase in the iPhone ASP. Last year, the ASP for the iPhone was \$605.62. This year, the ASP for the iPhone was \$724.11 – an increase of 19.6%.

On the earnings call, Tim and Luca continued to stress the impressive performance of the Services business. It grew by over 31% Y/Y. Regarding the Services business, Tim highlighted the following:

- Paid subscriptions are now at 300M, an increase of 60%.
- 3rd party research estimates that the Apple app store generated more than twice the revenue of Google play.
- The app store turned 10 years old this month and developers have collectively earned over 100B since its launch.
- Apple music revenue grew by over 50% Y/Y.
- Cloud service revenue was up over 50% Y/Y.
- Siri requests have exceeded over 100B this fiscal year.
- Apple pay now has over 4,900 bank partners.

Tim was asked a question on the call regarding the impact of tariffs on Apple's business and margins. He provided Apple's view that tariffs ultimately are a tax on the consumer and lead to lower economic growth. He also stated that none of Apple's products have been affected by the currently in force tariffs.

As of 7:04 a.m. Apple stock is up 4.4% due to earnings and revenue performance that beat analyst expectations.

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

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