

July 29th, 2022

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.

Financial results for Apple's recent quarter came in ahead of Tim and Luca's expectations and produced record sales figures for the June quarter. Sales grew by 1.9% Y/Y, but net profit declined by 10.5% as gross margins decreased and operational expenses increased.

Expectations for the quarter were that COVID restrictions in the Shanghai corridor would cause a \$4B - \$8B decrease in sales. The actual results showed a decline which came in below the \$4B bottom range.

Additional points from the quarter were as follows:

- Active installed base reached an all-time high for all major product categories.
- Double digit sales growth occurred in Brazil, India & Vietnam.
- iPhone sales increased by 3% Y/Y.
- Services increased by 12% Y/Y.
- Mac sales decreased by 10% Y/Y.
- iPad sales decreased by 2% Y/Y.
- Wearables, etc. decreased by 8% Y/Y.
- Paid subscriptions totaled 860 million, an increase of 22.8% Y/Y.
- Gross margins were 43%, down .4% Y/Y.

Once again, Tim and Luca did not provide directional guidance for the upcoming quarter but did share the following expectations:

- Year-over-year revenue growth will accelerate during the September quarter compared to the June quarter.
- The strong dollar may impact gross earnings as much as -6% may occur due to the strong dollar.
- Supply constraints will likely be lower than what was experienced during the June quarter.
- The services business will continue to grow, but decelerate compared to the June quarter.
- Gross margins are expected to fall to be between 41.5% and 42.5%, a decline of 1-2%.

As of 7:03 Apple stock price is \$165.4 per share, up 3.21% due to the better-than-expected quarterly performance.

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

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