

October 28th, 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.

Apple’s results for the period produced a record for their September quarter and the close of fiscal 2022. Revenue for the quarter increased by 8.1% and EPS increased by 4%. Overall for the year, Apple grew by 8% or 29B, reaching over \$394B of revenue. Diluted earnings per share grew by 9% and generated over \$111B of free cash flow, up 20% in fiscal 2022.

The chart below illustrates Apple’s expectations as they entered the quarter vs. the actual results reported yesterday.

Forecast	Q4 Actual Results
Year-over-year revenue growth will accelerate during the September quarter compared to the June quarter.	Revenue grew by 6.2% Y/Y when compared to June quarter.
The strong dollar may impact gross earnings up to as much as -6%	The strong dollar did, in fact, impact earnings by -6%.
Supply constraints will likely be lower than what was experienced during the prior June quarter.	There were significantly less supply constraints as expected with more inventory channels being filled.
Gross margins are expected to fall to be between 41.5% and 42.5%, a decline of 1-2%.	Gross margins came in at 42.3%, in-line with the range.

Additional points from the call were as follows:

- All-time revenue record for Mac, up 25% Y/Y.
- Double digit sales growth occurred in India, Southeast Asia and Latin America.
- iPhone set a quarterly record for “upgraders” and grew “switchers” double-digits.
- Services increased by 5% with all-time records in cloud and payment services.
- iPad sales decreased by 13% Y/Y.
- Paid subscriptions totaled 900 million, up more than 155 million during the last 12 months, and more than double over the past 3 years.

For the upcoming quarter, Tim and Luca expect total company year-over-year revenue performance to decelerate during the December quarter as compared to the September quarter (growing less than 8.1%). The reasons they provided for the expected slowdown are as follows:

- They expect nearly 10% of negative Y/Y impact from foreign exchange (FX).
- Mac revenues expected to decline substantially Y/Y during the quarter due to increasing FX headwinds and in comparison to last years outsized performance.
- Services revenues are expected to grow, but will likely be impacted by the macroeconomic factors, such as foreign exchange, digital advertising, and gaming.
- Gross margins are expected to be between 42.5% and 43.5%.

As of 7:19 Apple stock price is \$153.77 per share, up 6.2% 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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