

February 3rd, 2023

We listened, (as you may have as well), to Apple’s earnings call yesterday. What follows is a summary of the results and our thoughts.

For the 1st time in 9 quarters, Apple did not produce record quarterly results. Revenue for the quarter decreased by 5.5%, operating income decreased by 13.2%, and diluted EPS decreased by 10.5%. Net income margins were down to 25.6%, from 28% the year prior.

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

Forecast	Q1 Actual Results
Year-over-year revenue growth to grow by less than 8.1% Y/Y.	Revenue declined by 5.5% Y/Y.
Nearly 10% of negative Y/Y impact from foreign exchange (FX).	Foreign exchange impacted revenues by 8%.
Mac revenues to decline substantially Y/Y.	Mac revenues were down 28.7% Y/Y
Services revenues are expected to grow, but will likely be impacted by the macroeconomic factors, foreign exchange, digital advertising, and gaming.	Services grew by 6.4% and would have grown double digits in constant currency.
Gross margins are expected to be between 42.5% and 43.5%.	Gross margins were 43% for the quarter.

Additional points from the call were as follows:

- iPhone sales were down 8.2% Y/Y.
- iPad grew 30% to 9.3B.
- Free cash flow was strong, but down 31% Y/Y.
- Active install base now over 2B devices – a doubling in 7 years.
- More than 935 million paid subscriptions, up over 150 million Y/Y.

For the upcoming quarter, Tim and Luca expect similar year-over-year growth expectations as the previous December quarter (growth less than 8.1%). Additional specifics were provided as follows:

- Macroeconomic challenges to remain and foreign exchange to impact revenues by 5%.
- Services to grow Y/Y (numeric guidance not provided).
- iPhone sales to accelerate relative the December quarter.
- Mac and iPad to decline double digits.
- Gross margins to land between 43.5% and 44.5%.

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

Source: Apple, Inc.

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