August 1, 2025

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.

Results for the quarter were very strong, headlined by record-breaking revenues of $94 billion. This is a 10% increase Y/Y (year over year), exceeded forecasts, and is the company's largest quarterly revenue growth since December 2021. New records for revenue were also strong in nearly all geographic markets, including China, Europe, Latin America and the US. Both Tim & Kevin gave significant and repeated attention to the strength of iPhone sales, sharing that Y/Y sales were up 13% and that the company shipped its 3 billionth phone since the device was first introduced. As investors have come to expect, Apple also reached a new all-time high on the installed base.

The Q3 2025 call also included dialogue and helpful information across a broad group of other categories, including the AI landscape, tariffs, Chinese vs. Indian manufacturing decisions, Google's anti-trust case, and US manufacturing. All of these areas are materially impactful for the business, which continues to perform extremely well. Executive leadership is navigating a tumultuous and ever-changing landscape with great success.

Services continues to be the darling of the company, as its growth is astounding, its revenues are predictable, and it delivers very high in margins. The services segment now accounts for nearly 30% of total company revenues and grew last quarter at a rate of 13% Y/Y. Margins are typically 75% or higher. However, there remains significant concern regarding several outstanding lawsuits, the most meaningful being an anti-trust case that is proceeding against Google. Google pays Apple an estimated $20 billion annually in exchange for Apple setting Google as the default search engine on all devices. And while this recurring payment of $20 billion only accounts for 6% of total annual revenues it's impact is outsized, "because it has essentially no costs associated with it, it falls straight to the bottom line, where it accounts for 19%, or nearly a fifth, of Apple's total operating profit."[1] Multiple analysts asked questions of Tim in an effort to have him to share his thoughts, insights or possible future reactions should a negative ruling be made in the case, which will prohibit Google from making these continued payments. He declined to comment. The ruling is forthcoming (likely by the end of August).

Tim & Kevin's comments from last quarter, regarding tariffs, were reiterated again during the call along with additional information as follows:

- Expected tariff costs are projected at $1.1 billion for the coming quarter, with a repeated caveat that this cost projection is only valid if current trade guidelines don't change.
- Apple has been able to capably navigate tariffs by sourcing the country of production origin to a non (or lower) tariff customer. US sold iPhones are produced in India, while US sold Macs & other products are produced in Vietnam. These countries have much lower tariff rates than China, which is still producing nearly all other units consumed in Europe and elsewhere.
- In February of this year, $500 Billion was committed (over a 4 year period) to investment in US manufacturing and significant production is already occurring, particularly in the Apple silicon space.
- Supply chain efficiencies and flexibility have also provided a lessening of tariff exposure.

Tim and Kevin provided minimal guidance for the upcoming quarter (just as they did on last quarter's call). Kevin shared that they expect "mid to high single digit growth" but declined to elaborate when questioned further.

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

Source: Apple, Inc.

[1] Winkler, Rolfe & Rattner, Nate. "The Driver of Apple's Exploding Valuation is Under Threat. See What's at Stake" Wall Street Journal, July 29, 2025, https://www.wsj.com/tech/apple-stock-service-value-growth-analysis

MARINER
408-947-7321

99 Almaden Boulevard, Suite 730, San Jose, CA 95113
mariner.com