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October 31st,

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 4th quarter came with very few surprises. Apple executed particularly well and surpassed expectations across the business. The lone negative outlier was the decline of sales in China. Overall revenue grew 7.9% year-over-year (Y/Y) and earnings per share were up 13%. Once again, the installed base set records across all product categories and geographic segments. The new iPhone models are already seeing robust demand from consumers and are currently supply constrained in several markets. This supply/demand dynamic is not likely to be resolved until next year. A few additional highlights from the call are as follows:

- Apple returned $24 billion dollars to shareholders in the quarter.
- Net cash on the balance sheet is now $34 billion.
- Services grew faster than expected at 15% Y/Y.
- Global tariffs had a $1.1 billion dollar negative impact.
- iPhone sales grew 6% Y/Y.
- Every geographic segment grew, other than China.
- Company gross margins were 47.2%.
    - Services gross margins were 75.3% and product gross margins were 36.2%.
- Apple is committing $600 billion to the US economy over the next 4 years with a focus on advanced manufacturing, silicon engineering, and artificial intelligence.
- Of all geographic segments, Europe increased the most at 15% Y/Y.
- iPad and Wearables, etc. were flat Y/Y.

Tim and Kevin provided bullish guidance for the upcoming December quarter despite continued tariff headwinds of $1.4 billion dollars. They provided the following forecast:

- Total revenue to increase by 10-12% Y/Y.
- iPhone to grow double digits.
- Mac to have a "tough" quarter.
- Services to grow 13% - 14%.
- Gross margins to be between 47% and 48%.

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

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