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Apple: Growth Strategy and Sentiment Analysis

Aug 2023

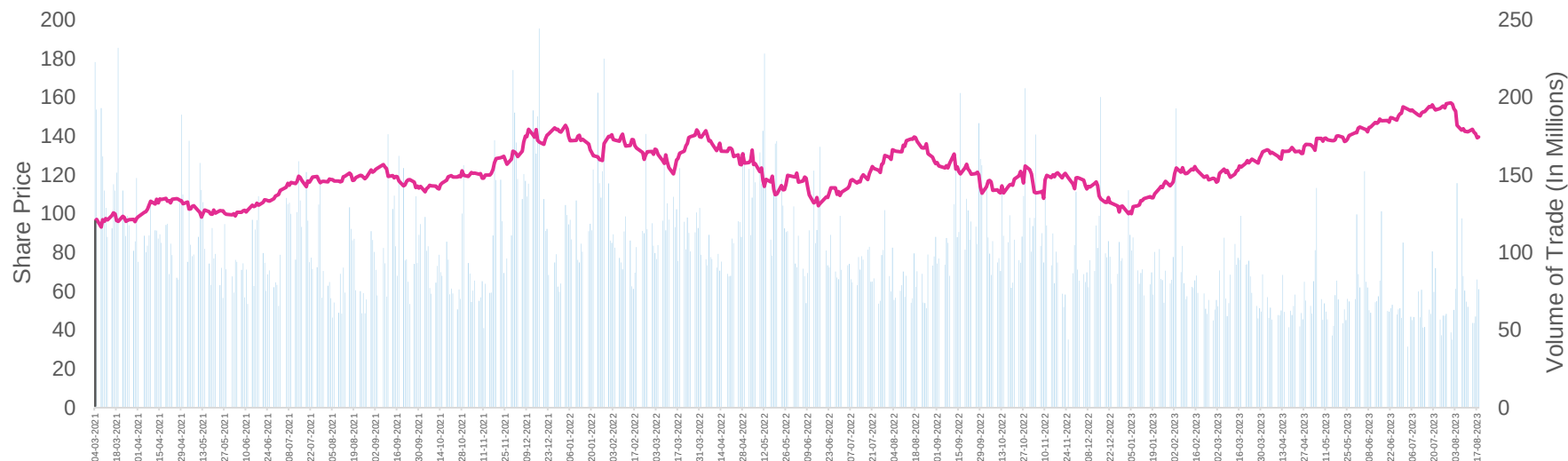


Disclaimer:

This report is not intended as investment advice. It is a review of information presented during the company's earnings call. The accuracy and completeness of this information are sourced from company disclosures and discussions. Investors should conduct their own research and consult with financial advisors before making decisions. Past performance is not indicative of future results. The author and publisher are not liable for any investment actions taken based on this report.



Company Sentiments and Growth Forecast (Q3 FY23)



Mayirp View

Growth Strategy: Neutral

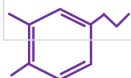
- ✓ iPhone active install base grew to a new all-time high and continues to have a loyal customer base and support
- ✓ A 2 Billion strong installed base will remain one of the most difficult areas for any competitor to compete and compare
- ✓ Apple Card has become one of the most successful credit card programs in the U.S and will drive significant topline growth
- ✓ iPad and Mac revenues are taking a hit on growth and will likely plateau due to strong competition and comparable products
- ✓ Investing heavily in its services business, which includes iCloud, Apple Music, and Apple TV+; considering this area is highly competitive, will be difficult to make space

Revenue Growth: Positive

- ✓ Strong topline growth expected from Apple's financial products as well as its iPhone base which is anticipated to drive momentum
- ✓ Record number of switchers, particularly in Greater China, contributing to strong iPhone results.
- ✓ Strong customer satisfaction parameters enabling loyalty (96-98%)
- ✓ Negative year-over-year revenue expected for the September for wearables on the quarter due to foreign exchange headwinds.
- ✓ The opening of retail stores in India is beating expectations and the company is seeing strong double-digit growth in the country

Profitability: Positive

- ✓ Anticipate strong gross margins in the range of 44 and 45 percent, an all-time record for the company
- ✓ The uncertain period in the last few quarters has led to deliberate cost control measures, suggesting a cautious approach to spending.



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Company Sentiments and Growth Forecast (Q3 FY23)

Earnings Call Sentiments and Highlights

Positive: 47%

Neutral: 30%

Negative: 23%

- ✓ Revenue of \$81.8B for June quarter, surpassing expectations.
- ✓ Strong iPhone sales in emerging markets, record revenue in several countries.
- ✓ Services revenue reaching \$21.2B, setting an all-time record.
- ✓ Apple TV+ success, Apple Card, AI integration, strong customer satisfaction.
- ✓ Europe's 5% revenue growth, positive performance in emerging markets.
- ✓ Strong growth in wearables, home, and accessories business, with \$40B in revenue.

- ✓ Mac revenue down 7% YoY, impacted by factory shutdowns last year.
- ✓ iPad revenue down 20% YoY, challenged by difficult comparisons.
- ✓ Mac and iPad sales hindered by supply disruptions from previous year's factory closures.
- ✓ Foreign exchange headwinds continue to impact Mac and iPad sales.
- ✓ Commodity backlog duration and cost dynamics remain unspecified.
- ✓ Americas segment still declining due to challenging US smartphone market.
- ✓ R&D growth less than 10% YoY, indicating a departure from historical trend.

Company Sentiments and Growth Forecast: Detailed Overview (1/5)

Time	Positive	Negative	Positive Driver	Negative Driver
5 mins	43%	15%	✓ Apple CEO Tim Cook and CFO Luka Maestry are leading the earnings call. ✓ The call is being recorded for future reference. ✓ The call will include discussions on revenue, gross margin, operating expenses, and future business outlook.	✓ The potential impact of macroeconomic conditions on the company's business and results of operations is uncertain. ✓ Some of the information shared during the call will consist of forward-looking statements, which may not be accurate or reliable.
10 mins	16%	61%	✓ Apple reported revenue of \$81.8 billion for the June quarter, exceeding expectations. ✓ Strong sales of iPhone in emerging markets, with record revenue in India, Indonesia, Mexico, the Philippines, Poland, Saudi Arabia, Turkey, and the UAE. ✓ All-time revenue record in services, driven by over one billion paid subscriptions. ✓ Introduction of innovative products at the worldwide developers conference, including the Revolutionary Apple Vision Pro.	✓ Faced a challenging macroeconomic environment, including foreign exchange headwinds. ✓ iPhone revenue down 2% from the previous year, but grew on a constant currency basis. ✓ Mac revenue down 7% year-over-year. ✓ iPad revenue down 20% year-over-year due to difficult comparisons. ✓ Wearables, home, and accessories revenue up only 2% year-over-year.
15 mins	95%	1%	✓ WWDC was the biggest and most exciting yet, with developers from across the globe attending. ✓ Revenue from services reached \$21.2 billion, exceeding expectations and setting an all-time record. ✓ Apple Card has become one of the most successful credit card programs in the U.S. ✓ Apple TV+ has earned over 1500 nominations and 370 wins, including 54 Emmy Award nominations. ✓ Apple Music launched new discovery features for live music.	✓ No negative sentiments expressed in the statement.

Company Sentiments and Growth Forecast: Detailed Overview (2/5)

Time	Positive	Negative	Positive Driver	Negative Driver
20 mins	75%	5%	✓ Apple is committed to supporting education, economic empowerment, and criminal justice reform. ✓ They are focused on advancing equity and opportunity and building a culture of belonging. ✓ Apple is making strides in their commitment to be carbon neutral across their entire supply chain. ✓ They are expanding their Apple learning coach program to teach educators how to utilize Apple technology in the classroom. ✓ Apple is celebrating the graduations of students from their app developer academies around the world.	✓ Apple's revenue for the June quarter was down 1% from last year. ✓ iPhone revenue was down 4% from last year due to FX headwinds and an uneven macroeconomic environment. ✓ Gross margin for products was down 130 basis points from last quarter. ✓ Operating expenses were below the low end of the guidance range. ✓ Despite these challenges, Apple still delivered strong net income and operating cash flow.
25 mins	55%	33%	✓ iPhone active install base grew to a new all-time high. ✓ Extremely high levels of customer satisfaction for iPhone (98%). ✓ Strong upgrade activity and a high number of new customers for Mac. ✓ Almost half of Mac buyers during the quarter were new to the product. ✓ High customer satisfaction for Mac (96%). ✓ Apple Watch expanding its reach with two-thirds of customers being new to the product. ✓ All-time revenue record for Services (\$21.2 billion). ✓ Install base of over 2 billion active devices continues to grow. ✓ Increased customer engagement with services. ✓ Reached 1 billion paid subscriptions across services, up 150 million in the last 12 months. ✓ Improved breadth and quality of current services. ✓ Enterprise customers leveraging Apple products to improve productivity.	✓ Mac revenue down 7% year over year. ✓ iPad revenue down 20% year over year. ✓ Difficult compare against the full quarter impact of the iPad Air launch. ✓ Wearables, home, and accessories revenue up only 2% year over year. ✓ Negative year-over-year revenue expected for the September quarter due to foreign exchange headwinds.

Company Sentiments and Growth Forecast: Detailed Overview (3/5)

Time	Positive	Negative	Positive Driver	Negative Driver
30 mins	66%	5%	✓ Expect iPhone and services year-over-year performance to accelerate from the June quarter. ✓ Gross margin expected to be between 44 and 45 percent, an all-time record for the company in June. ✓ Cost savings and a mixed shift towards Services driving gross margin improvement. ✓ Favorable commodity environment and strong product mix contributing to gross margin improvement.	✓ Expect revenue for Mac and iPad to decline by double digits year over year. ✓ Supply disruptions from factory shutdowns in the June quarter a year ago impacting Mac and iPad sales. ✓ Foreign exchange continues to be a significant drag on year-over-year basis.
35 mins	31%	19%	✓ Revenue performance is expected to accelerate sequentially for iPhone and services. ✓ Majority of iPhones are sold using some kind of installment basis or financing, which helps reduce the affordability threshold and strengthens product mix.	✓ Mac and iPad are expected to decline double digits due to difficult comparisons with last year's factory shutdowns. ✓ The comp for iPhone acceleration is about two points easier from FX improvement, indicating a potential impact on growth. ✓ The duration of the commodity backlog and its favorable cost dynamic is not specified.
40 mins	43%	10%	✓ The company's guidance for the September quarter is historically high at 44 to 45, reflecting a favorable environment. ✓ The company performed exceptionally well in emerging markets, with a significant acceleration in China. ✓ Europe saw a record quarter, indicating positive signs in most places in the world. ✓ The company has been effective in controlling expenses and slowing down spending, particularly in hiring, while still prioritizing innovation and product development.	✓ The Americas segment is still declining somewhat year over year, primarily due to a challenging smartphone market in the US. ✓ The company's R&D growth was less than 10% year over year, indicating a potential deviation from historical seasonality. ✓ The uncertain period in the last few quarters has led to deliberate cost control measures, suggesting a cautious approach to spending.

Company Sentiments and Growth Forecast: Detailed Overview (4/5)

Time	Positive	Negative	Positive Driver	Negative Driver
45 mins	15%	52%	✓ Improvement in June quarter and expected further improvement in September quarter. ✓ All-time records in various categories such as cloud, video, Apple Care, payments, app store advertising, and music. ✓ Growing install base and increased customer engagement in the ecosystem. ✓ Healthy subscriptions business with significant growth in paid subscriptions. ✓ Providing more content to attract more paid customers. ✓ Impressive growth in the wearables segment, particularly in Greater China. ✓ Growing install base of wearables, with two-thirds of Apple Watch buyers being new to the product. ✓ Success of AirPods in the marketplace.	✓ None mentioned in the statement.
50 mins	47%	25%	✓ The company has seen significant growth in the wearables, home, and accessories business, with \$40 billion in revenue over the last 12 months. ✓ This revenue is nearly the size of a Fortune 100 company, indicating the importance of this segment. ✓ The growth in Europe, particularly in emerging markets, has been notable, with a 5% increase.	✓ The company faces currency headwinds and tries to hedge its foreign exchange exposures to minimize volatility. ✓ The impact of foreign exchange movements on revenue and costs is dependent on spot rates and there may be a lag in both directions. ✓ The specific details of carrier programs for phone upgrades and promotions are not revealed, but it is generally expected that promotions can be found during the December quarter.

Company Sentiments and Growth Forecast: Detailed Overview (5/5)

Time	Positive	Negative	Positive Driver	Negative Driver
55 mins	63%	5%	✓ The company is focused on original content and giving storytellers a platform to tell great stories. ✓ The partnership with MLS is going well and exceeding expectations in terms of subscribers. ✓ The opening of retail stores in India is beating expectations and the company is seeing strong double-digit growth in the country. ✓ The company views AI and machine learning as core technologies that are integral to their products. ✓ The introduction of Vision Pro has generated enormous excitement and positive feedback.	✓ None mentioned in the given statement.
60 mins	16%	48%	✓ Excitement about the upcoming release of their apps and shipping early next year. ✓ Record number of switchers, particularly in Greater China, contributing to strong iPhone results. ✓ Retail stores are seen as a key part of their go-to-market approach and provide a competitive advantage.	✓ Difficult to estimate the real-time upgrade cycle for iPhones. ✓ The iPhone SC announcement in the year ago quarter provides a headwind on the year-over-year comparison. ✓ No specific information provided about foot traffic and sales in retail stores during the June quarter.