

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 29, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____.

Commission File Number: **001-36743**



Apple Inc.

(Exact name of Registrant as specified in its charter)

California

(State or other jurisdiction
of incorporation or organization)

94-2404110

(I.R.S. Employer Identification No.)

**One Apple Park Way
Cupertino, California**

(Address of principal executive offices)

95014

(Zip Code)

(408) 996-1010

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$0.00001 par value per share	AAPL	The Nasdaq Stock Market LLC
0.000% Notes due 2025	—	The Nasdaq Stock Market LLC
0.875% Notes due 2025	—	The Nasdaq Stock Market LLC
1.625% Notes due 2026	—	The Nasdaq Stock Market LLC
2.000% Notes due 2027	—	The Nasdaq Stock Market LLC
1.375% Notes due 2029	—	The Nasdaq Stock Market LLC
3.050% Notes due 2029	—	The Nasdaq Stock Market LLC
0.500% Notes due 2031	—	The Nasdaq Stock Market LLC
3.600% Notes due 2042	—	The Nasdaq Stock Market LLC

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

Yes ☒ No ☐

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Apple Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In millions, except number of shares, which are reflected in thousands, and per-share amounts)

	Three Months Ended		Nine Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Net sales:				
Products	\$ 61,564	\$ 60,584	\$ 224,908	\$ 230,901
Services	24,213	21,213	71,197	62,886
Total net sales	85,777	81,797	296,105	293,787
Cost of sales:				
Products	39,803	39,136	140,667	146,696
Services	6,296	6,248	18,634	18,370
Total cost of sales	46,099	45,384	159,301	165,066
Gross margin	39,678	36,413	136,804	128,721
Operating expenses:				
Research and development	8,006	7,442	23,605	22,608
Selling, general and administrative	6,320	5,973	19,574	18,781
Total operating expenses	14,326	13,415	43,179	41,389
Operating income	25,352	22,998	93,625	87,332
Other income/(expense), net	142	(265)	250	(594)
Income before provision for income taxes	25,494	22,733	93,875	86,738
Provision for income taxes	4,046	2,852	14,875	12,699
Net income	\$ 21,448	\$ 19,881	\$ 79,000	\$ 74,039
Earnings per share:				
Basic	\$ 1.40	\$ 1.27	\$ 5.13	\$ 4.69
Diluted	\$ 1.40	\$ 1.26	\$ 5.11	\$ 4.67
Shares used in computing earnings per share:				
Basic	15,287,521	15,697,614	15,401,047	15,792,497
Diluted	15,348,175	15,775,021	15,463,175	15,859,263

See accompanying Notes to Condensed Consolidated Financial Statements.

Apple Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In millions)

	Nine Months Ended	
	June 29, 2024	July 1, 2023
Cash, cash equivalents and restricted cash, beginning balances	\$ 30,737	\$ 24,977
Operating activities:		
Net income	79,000	74,039
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation and amortization	8,534	8,866
Share-based compensation expense	8,830	8,208
Other	(1,964)	(1,651)
Changes in operating assets and liabilities:		
Accounts receivable, net	6,697	7,609
Vendor non-trade receivables	11,100	13,111
Inventories	41	(2,570)
Other current and non-current assets	(5,626)	(4,863)
Accounts payable	(15,171)	(16,790)
Other current and non-current liabilities	2	2,986
Cash generated by operating activities	91,443	88,945
Investing activities:		
Purchases of marketable securities	(38,074)	(20,956)
Proceeds from maturities of marketable securities	39,838	27,857
Proceeds from sales of marketable securities	7,382	3,959
Payments for acquisition of property, plant and equipment	(6,539)	(8,796)
Other	(1,117)	(753)
Cash generated by investing activities	1,490	1,311
Financing activities:		
Payments for taxes related to net share settlement of equity awards	(5,163)	(5,119)
Payments for dividends and dividend equivalents	(11,430)	(11,267)
Repurchases of common stock	(69,866)	(56,547)
Proceeds from issuance of term debt, net	—	5,228
Repayments of term debt	(7,400)	(11,151)
Repayments of commercial paper, net	(2,985)	(5,971)
Other	(191)	(508)
Cash used in financing activities	(97,035)	(85,335)
Increase/(Decrease) in cash, cash equivalents and restricted cash	(4,102)	4,921
Cash, cash equivalents and restricted cash, ending balances	\$ 26,635	\$ 29,898
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 19,230	\$ 7,020

See accompanying Notes to Condensed Consolidated Financial Statements.

September 30, 2023

	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Current Marketable Securities	Non-Current Marketable Securities
Cash	\$ 28,359	\$ —	\$ —	\$ 28,359	\$ 28,359	\$ —	\$ —
Level 1:							
Money market funds	481	—	—	481	481	—	—
Mutual funds and equity securities	442	12	(26)	428	—	428	—
Subtotal	923	12	(26)	909	481	428	—
Level 2 ⁽¹⁾ :							
U.S. Treasury securities	19,406	—	(1,292)	18,114	35	5,468	12,611
U.S. agency securities	5,736	—	(600)	5,136	36	271	4,829
Non-U.S. government securities	17,533	6	(1,048)	16,491	—	11,332	5,159
Certificates of deposit and time deposits	1,354	—	—	1,354	1,034	320	—
Commercial paper	608	—	—	608	—	608	—
Corporate debt securities	76,840	6	(5,956)	70,890	20	12,627	58,243
Municipal securities	628	—	(26)	602	—	192	410
Mortgage- and asset-backed securities	22,365	6	(2,735)	19,636	—	344	19,292
Subtotal	144,470	18	(11,657)	132,831	1,125	31,162	100,544
Total ⁽²⁾	\$ 173,752	\$ 30	\$ (11,683)	\$ 162,099	\$ 29,965	\$ 31,590	\$ 100,544

(1) The valuation techniques used to measure the fair values of the Company's Level 2 financial instruments, which generally have counterparties with high credit ratings, are based on quoted market prices or model-driven valuations using significant inputs derived from or corroborated by observable market data.

(2) As of June 29, 2024 and September 30, 2023, total marketable securities included \$14.1 billion and \$13.8 billion, respectively, that were restricted from general use, related to the State Aid Decision (refer to Note 6, "Income Taxes") and other agreements.

The following table shows the fair value of the Company's non-current marketable debt securities, by contractual maturity, as of June 29, 2024 (in millions):

Due after 1 year through 5 years	\$ 64,209
Due after 5 years through 10 years	8,660
Due after 10 years	18,371
Total fair value	\$ 91,240

Derivative Instruments and Hedging

The Company may use derivative instruments to partially offset its business exposure to foreign exchange and interest rate risk. However, the Company may choose not to hedge certain exposures for a variety of reasons, including accounting considerations or the prohibitive economic cost of hedging particular exposures. There can be no assurance the hedges will offset more than a portion of the financial impact resulting from movements in foreign exchange or interest rates.

Foreign Exchange Rate Risk

To protect gross margins from fluctuations in foreign exchange rates, the Company may use forwards, options or other instruments, and may designate these instruments as cash flow hedges. The Company generally hedges portions of its forecasted foreign currency exposure associated with revenue and inventory purchases, typically for up to 12 months.

To protect the Company's foreign currency-denominated term debt or marketable securities from fluctuations in foreign exchange rates, the Company may use forwards, cross-currency swaps or other instruments. The Company designates these instruments as either cash flow or fair value hedges. As of June 29, 2024, the maximum length of time over which the Company is hedging its exposure to the variability in future cash flows for term debt-related foreign currency transactions is 18 years.

The Company may also use derivative instruments that are not designated as accounting hedges to protect gross margins from certain fluctuations in foreign exchange rates, as well as to offset a portion of the foreign currency gains and losses generated by the remeasurement of certain assets and liabilities denominated in non-functional currencies.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Item and other sections of this Quarterly Report on Form 10-Q ("Form 10-Q") contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. For example, statements in this Form 10-Q regarding the potential future impact of macroeconomic conditions on the Company's business and results of operations are forward-looking statements. Forward-looking statements can also be identified by words such as "future," "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "will," "would," "could," "can," "may," and similar terms. Forward-looking statements are not guarantees of future performance and the Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of the 2023 Form 10-K and Part II, Item 1A of this Form 10-Q, in each case under the heading "Risk Factors." The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

Unless otherwise stated, all information presented herein is based on the Company's fiscal calendar, and references to particular years, quarters, months or periods refer to the Company's fiscal years ended in September and the associated quarters, months and periods of those fiscal years.

The following discussion should be read in conjunction with the 2023 Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC") and the condensed consolidated financial statements and accompanying notes included in Part I, Item 1 of this Form 10-Q.

Available Information

The Company periodically provides certain information for investors on its corporate website, www.apple.com, and its investor relations website, investor.apple.com. This includes press releases and other information about financial performance, information on environmental, social and governance matters, and details related to the Company's annual meeting of shareholders. The information contained on the websites referenced in this Form 10-Q is not incorporated by reference into this filing. Further, the Company's references to website URLs are intended to be inactive textual references only.

Business Seasonality and Product Introductions

The Company has historically experienced higher net sales in its first quarter compared to other quarters in its fiscal year due in part to seasonal holiday demand. Additionally, new product and service introductions can significantly impact net sales, cost of sales and operating expenses. The timing of product introductions can also impact the Company's net sales to its indirect distribution channels as these channels are filled with new inventory following a product launch, and channel inventory of an older product often declines as the launch of a newer product approaches. Net sales can also be affected when consumers and distributors anticipate a product introduction.

During the third quarter of 2024, the Company announced the following product and operating system updates:

- iPad Air®;
- iPad Pro®;
- iOS 18, macOS® Sequoia, iPadOS® 18, watchOS® 11, visionOS™ 2 and tvOS® 18.

The Company also announced Apple Intelligence™, a personal intelligence system that uses generative models, which will be available on certain iPhone, Mac and iPad devices. Apple Intelligence is deeply integrated into iOS 18, macOS Sequoia and iPadOS 18.

Fiscal Period

The Company's fiscal year is the 52- or 53-week period that ends on the last Saturday of September. An additional week is included in the first fiscal quarter every five or six years to realign the Company's fiscal quarters with calendar quarters, which occurred in the first quarter of 2023. The Company's fiscal years 2024 and 2023 span 52 and 53 weeks, respectively.

Macroeconomic Conditions

Macroeconomic conditions, including inflation, interest rates and currency fluctuations, have directly and indirectly impacted, and could in the future materially impact, the Company's results of operations and financial condition.

Selling, General and Administrative

Selling, general and administrative expense increased \$347 million during the third quarter of 2024 and \$793 million during the first nine months of 2024 compared to the same periods in 2023.

Provision for Income Taxes

Provision for income taxes, effective tax rate and statutory federal income tax rate for the three- and nine-month periods ended June 29, 2024 and July 1, 2023 were as follows (dollars in millions):

	Three Months Ended		Nine Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Provision for income taxes	\$ 4,046	\$ 2,852	\$ 14,875	\$ 12,699
Effective tax rate	15.9%	12.5%	15.8%	14.6%
Statutory federal income tax rate	21%	21%	21%	21%

The Company's effective tax rate for the third quarter and first nine months of 2024 was lower than the statutory federal income tax rate due primarily to a lower effective tax rate on foreign earnings, the impact of the U.S. federal R&D credit, and tax benefits from share-based compensation, partially offset by state income taxes.

The Company's effective tax rate for the third quarter and first nine months of 2024 was higher compared to the same periods in 2023 due primarily to a higher effective tax rate on foreign earnings and lower tax benefits from share-based compensation, partially offset by lower state income taxes.

Liquidity and Capital Resources

The Company believes its balances of cash, cash equivalents and unrestricted marketable securities, along with cash generated by ongoing operations and continued access to debt markets, will be sufficient to satisfy its cash requirements and capital return program over the next 12 months and beyond.

The Company's contractual cash requirements have not changed materially since the 2023 Form 10-K, except for manufacturing purchase obligations.

Manufacturing Purchase Obligations

The Company utilizes several outsourcing partners to manufacture subassemblies for the Company's products and to perform final assembly and testing of finished products. The Company also obtains individual components for its products from a wide variety of individual suppliers. As of June 29, 2024, the Company had manufacturing purchase obligations of \$38.4 billion, with \$38.3 billion payable within 12 months.

Capital Return Program

In addition to its contractual cash requirements, the Company has authorized share repurchase programs. The programs do not obligate the Company to acquire a minimum amount of shares. As of June 29, 2024, the Company's quarterly cash dividend was \$0.25 per share. The Company intends to increase its dividend on an annual basis, subject to declaration by the Board of Directors.

During the third quarter of 2024, the Company repurchased \$26.0 billion of its common stock and paid dividends and dividend equivalents of \$3.9 billion.

Recent Accounting Pronouncements

Income Taxes

In December 2023, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), which will require the Company to disclose specified additional information in its income tax rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. ASU 2023-09 will also require the Company to disaggregate its income taxes paid disclosure by federal, state and foreign taxes, with further disaggregation required for significant individual jurisdictions. The Company will adopt ASU 2023-09 in its fourth quarter of 2026 using a prospective transition method.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Share repurchase activity during the three months ended June 29, 2024 was as follows (in millions, except number of shares, which are reflected in thousands, and per-share amounts):

Periods	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
March 31, 2024 to May 4, 2024:				
Open market and privately negotiated purchases	45,690	\$ 169.74	45,690	
May 5, 2024 to June 1, 2024:				
Open market and privately negotiated purchases	51,729	\$ 188.38	51,729	
June 2, 2024 to June 29, 2024:				
Open market and privately negotiated purchases	41,354	\$ 205.54	41,354	
Total	<u>138,773</u>			<u>\$ 114,074</u>

- (1) On May 4, 2023, the Board of Directors authorized the purchase of up to \$90 billion of the Company's common stock under a share repurchase program. As of June 29, 2024, remaining availability under the May 2023 program was \$4.1 billion. On May 2, 2024, the Board of Directors authorized an additional program to repurchase up to \$110 billion of the Company's common stock. The programs do not obligate the Company to acquire a minimum amount of shares. Under the programs, shares may be repurchased in privately negotiated or open market transactions, including under plans complying with Rule 10b5-1 under the Exchange Act.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information**Insider Trading Arrangements**

On May 24, 2024, Tim Cook, the Company's Chief Executive Officer, entered into a trading plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act. The plan provides for the sale, subject to certain price limits, of shares vesting during the duration of the plan pursuant to certain equity awards granted to Mr. Cook, excluding shares withheld by the Company to satisfy income tax withholding and remittance obligations. Mr. Cook's plan will expire on May 24, 2026, subject to early termination in accordance with the terms of the plan.