

Sample OUTPUT

# EARNING CALL TRANSCRIPTS

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## TEAM

Rahasya Barkur, Nimit Shah, Annlin Chacko, Kancharapu Anil Kumar

## MENTOR

Manpreet Makkad

## INPUT

The input transcript file is

“apple-inc-aapl-q2-2020-earnings-call-transcript.txt” inside the “apple” subfolder in the “textfiles” folder.

## TASK 0 : Web Scraping

The files included in the “textfiles” folder is a result of web scraping

## TASK 1: Summarization

The following summary is generated

Topic 1: PRODUCT

Let's look quickly across the business. At the same time that they were leaving no stone unturned to get our latest generation of devices manufactured and into our customers' hands, our worldwide network of supply chain partners, logistics and operations folks in every part of the company were also sourcing more than 30 million masks for frontline medical workers, ensuring they're donated to places of greatest need in every region around the world.

And services like FaceTime and Messages set new all-time records for daily volume during this quarter as users relied on their devices to stay connected

in a new reality. In software, at the same time that our teams work with great creativity and excitement as we prepare to deliver our first-ever all-online Worldwide Developers Conference later this quarter, they also worked with the same creativity and speed to put together our COVID-19 symptom checking website and app, in partnership with the CDC.

While we felt some temporary supply constraints in February, our operations team, suppliers and manufacturing partners have been safely returning to work and production was back at typical levels toward the end of March.

However, on a demand basis, our performance was stronger than our reported results as we reduced iPhone channel inventory more than we did a year ago. Importantly, our installed base of active devices reached an all-time high in all of our geographic segments and all major product categories. Services revenue followed a different trend with very strong year-over-year growth of 17%.

As Tim mentioned, we are well on our way to accomplishing our goal of doubling our fiscal '16 Services revenue during 2020. App Store revenue grew by strong double digits, thanks to robust customer demand for both in-app purchases and subscriptions.

Our third-party subscription business grew across multiple categories and increased over 30% year-over-year, reaching a new all-time high.

With this momentum, we are confident we will reach our increased target of 600 million paid subscriptions before the end of calendar 2020. Wearables, Home and Accessories established a new March quarter record, with revenue of \$6.3 billion, up 23% year-over-year, with strong double-digit performance across all five geographic segments.

And the most recent surveys of consumers from 451 Research measured customer satisfaction at 95% for iPad and 96% for Mac. In the enterprise market, businesses everywhere have been making the transition to working remotely.

We have also realigned our own retail business and enterprise teams to provide timely and relevant support to customers as they navigate new work environments.

Advertising, which is comprised of third-party agreements, our App Store search ads and Apple News ads, has been impacted by overall economic weakness

and uncertainty on when businesses will reopen. For gross margin, sequential headwinds include foreign exchange, the mix within products and the seasonal loss of leverage on our product business.

And do you feel comfortable that the supply chain and the manufacturing base is well situated today to launch the traditional fall products that they used to get from Apple? Tim Cook -- Chief Executive Officer Yeah.

Apple Care is essentially comprised of our product repair business and the warranty agreements that we signed with our customers when they purchased our devices.

## Topic 2: QUARTER

While our product teams were preparing to launch a new iPad Pro, Magic Keyboard, MacBook Air and the new iPhone SE, all of which have been very well received by reviewers and consumers alike, they were also working with our suppliers to design, test, manufacture and distribute more than 7.5 million face shields, and we continue to ship more than 1 million of these every week to the doctors, nurses and medical personnel on the frontlines. In a quarter, where our Services teams achieved strong growth, which Luca will dig into in a minute and which speaks to the real durability of our services strategy, these teams were also putting COVID-19 front and center.

Based on Apple's performance during the first five weeks of the quarter, we were confident we were headed toward a record second quarter at the very high end of our expectations. In the next five weeks of the quarter, as COVID-19 started impacting China, iPhone supply was temporarily affected, as well as demand for our products within China.

During the last three weeks of the quarter, as the virus spread globally and social distancing measures were put in place worldwide, including the closure of all our retail stores outside of Greater China on March 13 and many channel partner points of sales around the world, we saw a downward pressure on demand particularly for iPhone and Wearables.

Apple will continue to do everything we can do to help the global response and to keep our customers learning, creating, sharing and connecting so that life can remain as normal as it can during this challenging time. With that, I'll

hand things off to Luca. Luca Maestri -- Senior Vice President and Chief Financial Officer Thank you, Tim. Good afternoon, everyone. It has been a very different quarter than we were expecting when we last talked to you at the end of January, but we could not be more proud of our Apple teams around the world, our role in supporting local communities and our partners throughout the value chain, and how resilient our business and financial performance has been during these challenging times. So the revenue for the quarter was \$58.3 billion, up 1% from a year ago, despite the extreme circumstances from the impact of COVID-19 and a headwind of 100 basis points from foreign exchange.

After a very strong January, our performance was impacted, particularly during the last three weeks of the quarter when lockdowns and point-of-sale closures increased due to COVID-19 spreading around the world and affected our product sales.

Our operations team and manufacturing partners put forth an extraordinary effort to restore production quickly, and we exited the quarter in a good supply position for most of our product lines. On the demand side, after a very strong first five weeks, we saw the impact of COVID-19 affect demand in China for the next five weeks and then more broadly around the world for the last three weeks of the quarter when lockdowns and point-of-sale closures became more widespread in many countries.

Customer engagement in our ecosystem continues to grow strongly, and the number of both transacting and paid accounts on our digital content stores reached a new all-time high during the March quarter.

For example, Apple Watch continues to extend its reach as over 75% of the customers purchasing Apple Watch around the world during the quarter, were new to the product. Next, I'd like to talk about Mac and iPad. Towards the end of the quarter, we launched a brand-new iPad Pro that includes a first-in-class LiDAR scanner with some really exciting augmented reality applications, and MacBook Air, with significantly improved performance at a lower price.

We returned \$22 billion to shareholders during the March quarter, including \$18.5 billion through open market repurchases of 64.7 million Apple shares and \$3.4 billion in dividends and equivalents. Finally, as we move ahead into the June quarter, I'd like to provide some color on what we are seeing, which includes the types of forward-looking information that Tejas referred to at the beginning of the call.

However, based on what we have seen in April and how we think things might play out, I would like to provide some additional insight on headwinds and tailwinds we're facing. From a foreign exchange standpoint, the US dollar has appreciated recently against most currencies around the world, and as a result, we expect our revenue to be negatively impacted by more than \$1.5 billion on a year-over-year basis.

First, customers are actively engaging with our ecosystem and digital services, and we believe the very strong recent performance in the App Store, video, Music and cloud services will continue throughout the June quarter.

We will continue to stay focused on what we do best, investing in our product and service pipeline, managing the business wisely and taking care of our teams, and believe we will come out from this stronger. With that, let's open the call to questions. Tejas Gala -- Senior Manager, Corporate Finance and Investor Relations Thank you, Luca.

We think by looking at it, a part of it is due to just our new products, a part of it is due to the stimulus programs taking effect in April, and then a part of it is probably the consumer behavior of knowing this is going to go on for a little while longer and getting some devices and so forth lined up to work at home more. In particular for, as I think Luca shared, we believe that iPad and Mac are going to improve on a year-over-year basis during this quarter.

And obviously, we want to develop that technology because we consider it's a core technology for us. And so we will try to balance the need to continue to invest during difficult circumstances and the fact that we like to manage the business wisely. Tejas Gala -- Senior Manager, Corporate Finance and Investor Relations Thank you, Shannon.

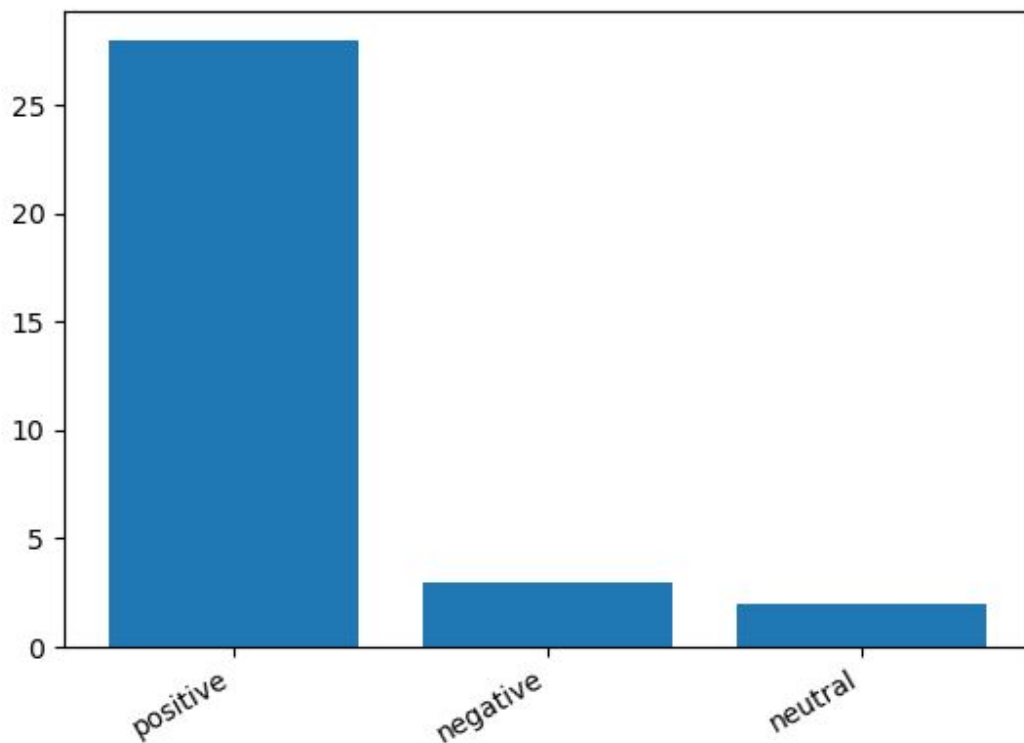
They are even more important in these times. Wamsi Mohan -- Bank of America -- Analyst Thank you, Tim. As a follow-up, I know you're doing a lot with both the Apple Card and financing plan for iPhones to get your products in the hands of customers.

And then I have a follow-up. Tim Cook -- Chief Executive Officer I think there are things from just a great reminder of how important our products are and -- for remote work.

And so we expect our digital services to continue at the same level of performance that we have seen during the March quarter.

And that includes the App Store, of course, our video business, our Music business, cloud services, so we expect all these businesses to continue to grow very strongly. Given the overall economic environment, the level of demand right now, there are two businesses that we believe are going to be impacted during the June quarter

## TASK 2 : Sentimental Analysis

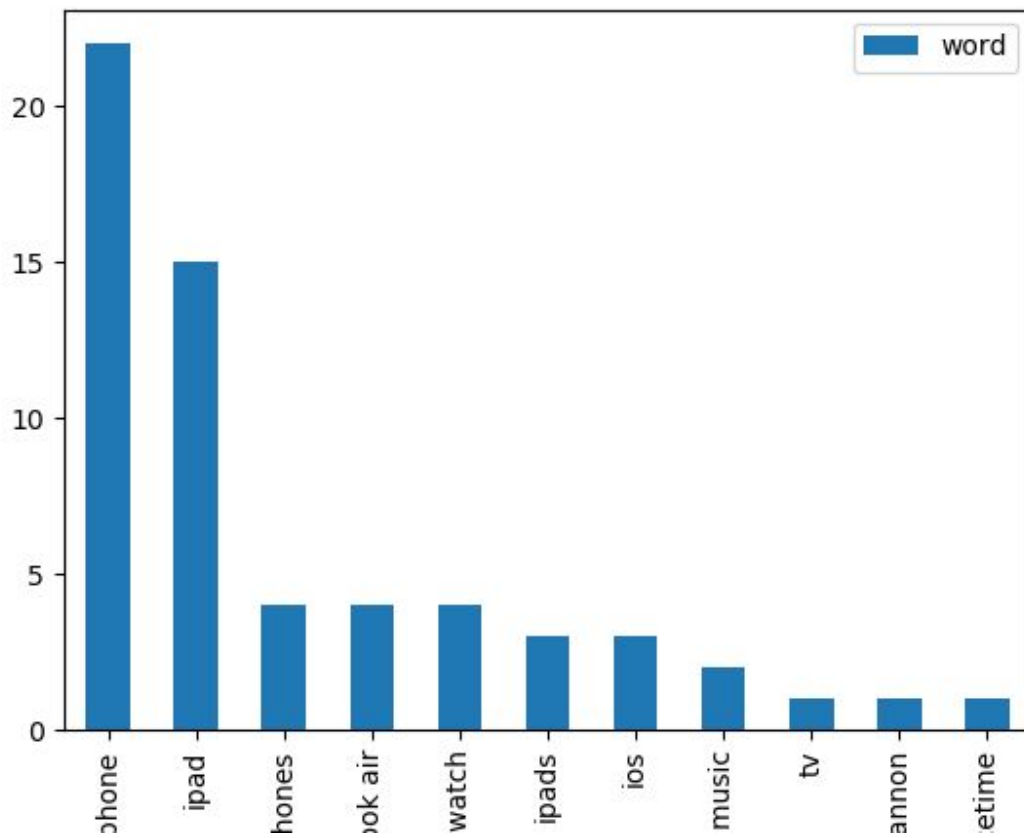


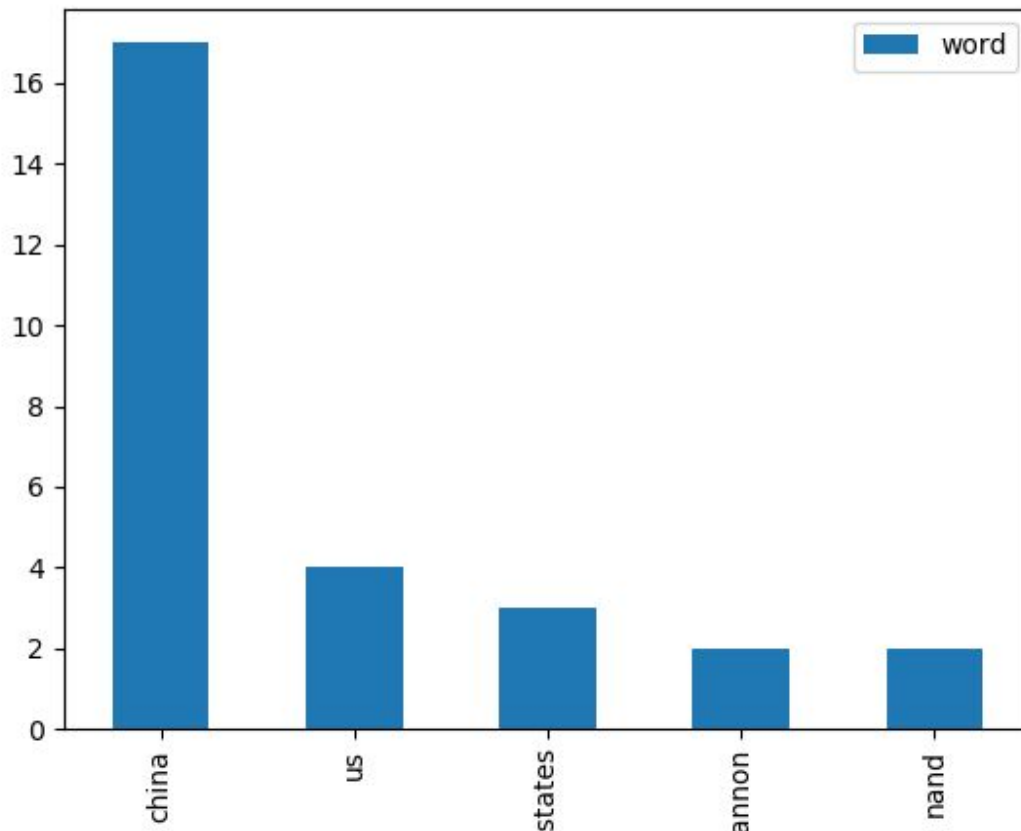
### TASK 3 : Linguistic Complexity

Dale-Chall Score: 6.52

Flesch Score: 54.46

### TASK 4 : Entity Recognition





## TASK 6 : Clustering Similar Companies or Trade ideas

### Cluster 1:

prepared remarks:operator good day, everyone. good afternoon, thank joining  
us. speaking first today apple's ceo, tim cook, followed cfo, luca  
maestri. information, please refer risk factor discussed apple's recently filed  
periodic report form -k form -q form -k filed sec today, along associated  
press release. apple assumes obligation update forward-looking statement  
information speak respective dates. i'd like turn call tim introductory  
remarks. tim cook -- chief executive officer thanks, tejas. good afternoon,  
everyone. thanks joining u today. also speaks apple's unmatched capacity  
creative, think always term long term, forge ahead others may feel instinct  
pull back. before covid- horizon, anticipated q going prolific energetic period  
apple. apple news reached million monthly active users, elevated trusted



information reliable source special covid- vertical.worked everyone oprah lady  
gaga, inform, entertain give back apple tv.tally thing consider ongoing  
two-to-one match employee donations, apple's contribution global response  
significant, diverse great source pride whole team.we're also help employees,  
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jobs.example, bank america purchasing ten thousand additional io device  
workforce.let turn cash position.first, want note liquidity issue u highly  
unusual financial market conditions.global supply chain back running.regard  
capital allocation, approach remains unchanged.board also authorized %  
increase quarterly dividend today declared cash dividend \$. per share common  
stock payable may , , shareholder record may , .finally, importantly, managing  
apple long term we've always done.[operator instructions]operator, may first  
question, please?questions answers:operatoryes.come shannon cross, cross  
research.shannon cross -- cross research -- analystthank much taking  
question.hope everyone well.tim, talked seeing improvement second half  
april.wondering could talk maybe bit segment geographic basis, seeing various  
region selling hearing customers.follow-up.thank you.tim cook -- chief  
executive officersure, shannon.look -- i'll start china.look happened china,  
really good january.look kind today, we've seen improvement april compared  
march.that's china.step april look that, early april started like end march,  
second half april, we've seen uptick across -- really across board.complex  
answer question, that's we're seeing.shannon cross -- cross research --  
analystthank you.helpful.know mentioned cost saving cog line.thank you.luca  
maestro -- senior vice president chief financial officeryes, well, shannon,  
said, manage company long term, right.know, purchased baseband activity  
intel.next question, please?operatorthat wamsi mohan bank america.wamsi mohan  
-- bank america -- analystyes, thank you.tim, think speak everyone call we're  
appreciative apple's contribution pandemic.appreciate it.tim cook -- chief

executive officerthank much that.wamsi mohan -- bank america -- analystno, great.tim, past downturns, really seen apple pull back investing, company largely maintained product introduction cadence.follow-up.tim cook -- chief executive officerwell, we're continuing operate.we're continuing work.everybody getting used work home.area company, people may even productive.even important times.wamsi mohan -- bank america -- analystthank you, tim.follow-up, know lot apple card financing plan iphones get product hand customers.wondering, would consider using strength balance sheet maybe little differently structured, maybe deferred payment thing like that?think could step like bundling consider versus already currently do?thank you.tim cook -- chief executive officerwell, know, launched payment plan earlier apple card iphone.we're focused affordability point.trade-in program also fairly wide across board act something great environment, also something great way get entry price down.term deferred payments, nothing announce today.know, access card, least united states, give u degree freedom, using balance sheet.play key role deciding kind program go card.tejas gala -- senior manager, corporate finance investor relationsthanks, wamsi.next question, please?operatorthat come morgan stanley's katy huberty.katy huberty -- morgan stanley -- analystthank question.hope whole team staying healthy safe.tim, want start longer-term question.i'm particularly thinking past comment health augmented reality, i'm sure there's even area inspiration creativity coming company.follow-up.tim cook -- chief executive officeri think thing great reminder important product -- remote work.pretty clear thing get lot closer normal today, obviously, think many people finding learn remotely, suspect trend accelerate some.bet we're looking area this.already we've viewed area huge opportunity company way u help lot people.say health door opened wider.would say already opened fairly wide.katy huberty -- morgan stanley -- analystokay.follow-up, \$ billion share repurchase authorization impressive absolute terms, bit lower last couple years.context around thought process landing \$ billion?related that, one strongest balance sheet world.current environment change thinking around m&a opportunities?luca maestro -- senior vice president chief financial officerwell, let answer that, katy.first all, buyback, said, general, approach capital allocation remained last several years, changing now.keep mind, we're talking authorization, right.total available outstanding term authorization \$ billion.and look run rate last several years, know adequate amount.nothing really changed there.nothing changed approach m&a.we've quite active last several years.purchase company regular basis.also m&a front, nothing changed.katy huberty -- morgan stanley

-- analystthank you.well.luca maestro -- senior vice president chief financial officerthank you.tejas gala -- senior manager, corporate finance investor relationsthanks, katy.next question, please?operatorthat come amit daryanani evercore.amit daryanani -- evercore isi -- analystthanks taking question.two well.discussion june quarter performance iphones, embedding channel building back inventory level expectation?tim cook -- chief executive officeramit, tim.that's seasonal thing.hopefully, answer question.way, ended comfortable position, could conclude within target range.amit daryanani -- evercore isi -- analystthat's really helpful.could follow up?tim, hoping could maybe talk little bit think apple's manufacturing strategy perhaps need diversity, especially given everything company everyone gone last months.think that?feel comfortable supply chain manufacturing base well situated today launch traditional fall product used get apple?tim cook -- chief executive officeryeah.know, supply chain global product truly made everywhere.would focus versus focus one element manufacturing process, tends get visibility, final assembly.final assembly united states.final assembly china well.think conclude, least conclude, look shock supply chain took place quarter, come back quickly really demonstrates durable resilient.feel good are.said, we're always looking tweaks, something talk view confidential competitive information.look -- get totally, look see learned change.tejas gala -- senior manager, corporate finance investor relationsthank you, amit.next question, please?operatorwe'll hear jeriel ong deutsche bank.jeriel ong -- deutsche bank -- analysthi guys, thanks letting ask couple questions.want focus question services.typically give lot specific categories.continuing grow double digit number transacting account paid accounts.appreciate that.second question come overall purchasing decision consumer making.example, somebody might shift maybe toward lower end storage mix certain products.thanks.tim cook -- chief executive officeri seen asking, no.two principal kind segment versus somebody buying talking it.next question, please?jeriel ong -- deutsche bank -- analystall right.thanks, guys.operatorthat jp morgan's samik chatterjee.samik chatterjee -- jp morgan -- analysthi, thanks taking question.start question kind seeing china, mentioned kind pickup activity.thought that, please?tim cook -- chief executive officeryeah.whether that's permanent shift, would hesitate go far think people like about.know time that.samik chatterjee -- jp morgan -- analystgot it.follow previous comment strong demand seeing iphone se, given price point, i'm wondering expecting change term geographic mix demand come relative typically see iphones lineup given lower price point.tim cook -- chief executive officeri think play every geo, would expect see even

better area median income less.we'll see play out.unbelievable offer.it's, will, engine top phone affordable package.next question, please?operatorcertainly.last question today chris caso raymond james.chris caso -- raymond james -- analystyes, thank you.wanted follow another question iphone se decision bring back sits within total iphone strategy.guess coupled fact iphone , made decision bring lower price point, tell u respect approach iphone pricing flexibility?so, imply gross margins?tim cook -- chief executive officerchris, we've always delivering best product good price, fundamental strategy changed all.know, se while.great bring back.read anything want give people best deal making best product.chris caso -- raymond james -- analystokay.follow-up, follow-up question commodity pricing, think expected see commodity price decline march quarter.please enter confirmation code .member press additional question contact kristin huguet () -.financial analyst contact additional question () -.thank joining us.operator[operator closing remarks]duration: minutescall participants:tejas gala -- senior manager, corporate finance investor relationstim cook -- chief executive officerluca maestro -- senior vice president chief financial officershannon cross -- cross research -- analystwamsi mohan -- bank america -- analystkaty huberty -- morgan stanley -- analystamit daryanani -- evercore isi -- analystjeriel ong -- deutsche bank -- analystsamik chatterjee -- jp morgan -- analystchris caso -- raymond james -- analystmore aapl analysisall earnings call transcript

## Cluster 2:

welcome apple inc. second quarter fiscal year earnings conference call.today's call recorded.that, we'll open call question analysts.please note information hear discussion today consist forward-looking statement including without limitation regarding revenue, gross margin, operating expenses, income expense, taxes, capital allocation future business outlook, including potential impact covid- company's business result operations.hope staying safe well.today apple report \$. billion revenue, all-time record service quarterly record wearables, home accessories.pandemic strike, team succeeded growing business introducing powerful new product meeting customer needs, also rose occasion term meeting broader obligation community live work.let's look quickly across business.at time leaving stone unturned get latest generation device manufactured customers' hands, worldwide network supply chain partners,

logistics operation folk every part company also sourcing million mask frontline medical workers, ensuring they're donated place greatest need every region around world.service like facetime message set new all-time record daily volume quarter user relied device stay connected new reality.in software, time team work great creativity excitement prepare deliver first-ever all-online worldwide developer conference later quarter, also worked creativity speed put together covid- symptom checking website app, partnership cdc.today, app installed nearly million time web tool received million unique visits.we've made major corporate donation response effort around world support global citizen, well new fund american experiencing food security result crisis.time social distance, shuttered school gathering places, delayed plan new way socializing, seen significant evidence product taken renewed importance customers.said outset, achieved revenue \$. billion, underneath product revenue \$ billion.long term though, high degree confidence enduring strength business.our global supply chain profoundly durable resilient.continued deliver innovative new product across multiple category appeal broad cross section customers, including all-new iphone se, achieved unmatched technological capacity incredible value.company whose business innovation, real upside periodically figure everything brand new way.our long running investment service strategy succeeding.business growing reflection enduring large growing installed base.major investments, including five-year commitment contribute \$ billion economy united state moving forward full speed ahead.good afternoon, everyone.it different quarter expecting last talked end january, could proud apple team around world, role supporting local community partner throughout value chain, resilient business financial performance challenging times.so revenue quarter \$. billion, % year ago, despite extreme circumstance impact covid- headwind basis point foreign exchange.product revenue \$ billion, %.however, demand basis, performance stronger reported result reduced iphone channel inventory year ago.importantly, installed base active device reached all-time high geographic segment major product categories.services revenue followed different trend strong year-over-year growth %.set new all-time revenue record \$. billion, all-time record many service category country track.net income \$. billion earnings per share \$., %.operating cash flow strong \$. billion, improvement \$. billion year ago.let get detail revenue categories.iphone revenue \$ billion declined % year-over-year iphone supply demand affected impact covid- point quarter.see slight elongation replacement cycle toward end quarter, attribute widespread point-of-sale closures, active installed base iphones reached all-time

high.set all-time revenue record \$. billion.third-party subscription business grew across multiple category increased % year-over-year, reaching new all-time high.first-party subscription service also continued perform well.paid subscription three service strong double digits.particular, number paid account increased double digit geographic segments.we million paid subscription across service platform, million year ago.sequential basis, paid subscription grew million.momentum, confident reach increased target million paid subscription end calendar .wearables, home accessory established new march quarter record, revenue \$. billion, % year-over-year, strong double-digit performance across five geographic segments.wearable business size fortune company, we're excited many opportunity front u product category.mac revenue \$. billion.ipad revenue \$. billion.active installed base mac ipad reached new all-time high.also realigned retail business enterprise team provide timely relevant support customer navigate new work environments.we've seen countless example new project remote deployment implemented hours.ended quarter \$ billion cash plus marketable securities, total debt \$ billion, result, net cash \$ billion end quarter.returned \$ billion shareholder march quarter, including \$. billion open market repurchase . million apple share \$. billion dividend equivalents.finally, move ahead june quarter, i'd like provide color seeing, includes type forward-looking information tejas referred beginning call.however, based seen april think thing might play out, would like provide additional insight headwind tailwind we're facing.from foreign exchange standpoint, u dollar appreciated recently currency around world, result, expect revenue negatively impacted \$. billion year-over-year basis.typical supply position, including usual ramp associated new product recently launched.iphone wearables, expect year-over-year revenue performance worsen june quarter relative march quarter.ipad mac, expect year-over-year revenue performance improve june quarter.on services, seeing two distinct trends.foreign exchange basis point impact sequentially basis point impact year-over-year.continue invest confidently future also returning value shareholders.we midst developing exciting pipeline product service ever contributing \$ billion u economy expanding footprint many city around country five-year period.also continue believe great value stock, maintaining target reaching net cash neutral position time.testament confidence business today future, board authorized \$ billion share repurchase addition \$ billion authorization remaining current share repurchase plan.uncertain time historically, continued invest business, remains philosophy.think looking it, part due new products, part due stimulus program taking effect april, part

probably consumer behavior knowing going go little longer getting device forth lined work home more.in particular for, think luca shared, believe ipad mac going improve year-over-year basis quarter.making new investment new service launched recently.given unprecedented time lot challenge associated product development time global footprint activity unable really lot thing person, think product development introduction cadence go next several quarters?business continues new product lifeblood.see structural change back health crisis might present opportunity new revenue stream apple?\$ billion addition \$ billion still remaining past authorization we've received board, right.know, provide additional update year now.look iphone channel inventory q, reduction reduction previous year.unusual reduce q, fact, look back -- generally speaking, first half calendar year, reduce channel inventories.second half calendar year, generally raise channel inventories.believe -- sitting today, believe happen year well.kind look rest year, think that's sustained?could talk expect go year perhaps new environment, again, whether turned tailwind headwind gross margin go second half.tim cook -- chief executive officeryeah.replay available approximately : pm pacific time today.

### Cluster 3:

time opening remark introductions, would like turn call mr. tejas gala, senior manager, corporate finance investor relations.please go ahead.tejas gala -- senior manager, corporate finance investor relationsthank you.actual result trend could differ materially forecast.also quarterly revenue record apple retail, powered phenomenal growth online store.amid challenging global environment we've ever operated business, proud say apple grew quarter.but dive deeply numbers, want speak bit covid-.something apple contending since january, think responded, inspired tell important story apple's great durability business enduring importance product customers' lives.product team preparing launch new ipad pro, magic keyboard, macbook air new iphone se, well received reviewer consumer alike, also working supplier design, test, manufacture distribute . million face shields, continue ship million every week doctors, nurse medical personnel frontlines.in quarter, service team

achieved strong growth, luca dig minute speaks real durability service strategy, team also putting covid- front center.let customer skipped payment without incurring interest apple card march april light financial hardship many families.month, accelerate contact tracing, launching joint effort google enable use bluetooth technology help government health agency spread -- reduce spread virus user privacy security central design.we paired programmatic effort broader strategy give back needed most.they're apple's face customer instrumental part business, we're compensating normally despite store closures.during quarter circumstance evolve hour, gratified resilience adaptability global supply chain.felt temporary supply constraint february, operation team, supplier manufacturing partner safely returning work production back typical level toward end march.teacher student around world relying technology teach, learn stay connected other.we process deploying major order ipads school system working keep learning going strong distance, including ten thousand ontario, canada, glasgow, scotland, puerto rico, , city los angeles, , new york city, largest educational ipad deployment ever.since early march, we've seen unprecedented demand pro apps students, enthusiast creative professionals.folk keeping u entertained inspired stay home, help it, made final cut pro x logic pro x available free day everyone.new fda guidance non-invasive remote patient monitoring example, ecg app apple watch increasingly used facilitate remote ecg measurement recording telemedicine usage, reducing patient healthcare provider contact exposure.many hospital geisinger health system, nyu langone health stanford health care using apps ipad iphone support communication video conference hospitalized patient care teams.enables care team keep close watch patient without entering isolation rooms, help minimize exposure reduces need personal protective equipment.now, step back tally up, consider way covid- touched apple, customer way work, may quarter could absent pandemic.think recall quarter i've prouder it.performance product business three different phase march quarter.based apple's performance first five week quarter, confident headed toward record second quarter high end expectations.in next five week quarter, covid- started impacting china, iphone supply temporarily affected, well demand product within china.caused u withdraw revenue guidance february.point, demand product outside china still strong line expectations.last three week quarter, virus spread globally social distancing measure put place worldwide, including closure retail store outside greater china march many channel partner point sale around world, saw downward pressure demand particularly iphone wearables.given lack visibility certainty near term, issuing guidance coming quarter.shown consistent ability meet



manage temporary supply challenge like caused covid-.expect meet long-standing goal doubling fiscal service revenue .always run apple long term.entered period unmatched financial strength, robust cash position best product pipeline ever.apple continue everything help global response keep customer learning, creating, sharing connecting live remain normal challenging time.with that, i'll hand thing luca.luca maestro -- senior vice president chief financial officerthank you, tim.strong january, performance impacted, particularly last three week quarter lockdown point-of-sale closure increased due covid- spreading around world affected product sales.company gross margin .%, flat sequentially cost saving mix shift toward service offset seasonal loss leverage.product gross margin .%, decreasing basis point sequentially, due loss leverage unfavorable mix.drop pronounced normal circumstance due covid- impact mentioned earlier.services gross margin .%, basis point sequentially, driven favorable mix.reported tax rate quarter .%.supply side, suffered temporary supply shortage february, we've extremely pleased resilience adaptability global supply chain well ability get people back work safely circumstance allow.operation team manufacturing partner put forth extraordinary effort restore production quickly, exited quarter good supply position product lines.on demand side, strong first five weeks, saw impact covid- affect demand china next five week broadly around world last three week quarter lockdown point-of-sale closure became widespread many countries.speaks quality product strength ecosystem.fact, us, latest survey consumer research indicates iphone customer satisfaction % iphone , pro pro max combined.turning services.strong performance across board all-time revenue record app store, apple music, video, cloud service app store search ad business.also set march quarter record apple care.new services, apple tv+, apple arcade, apple news+ apple card, continued add users, content feature contributing overall service growth.tim mentioned, well way accomplishing goal doubling fiscal ' service revenue .app store revenue grew strong double digits, thanks robust customer demand in-app purchase subscriptions.apple music cloud service set all-time revenue records, apple care set march quarter record.customer engagement ecosystem continues grow strongly, number transacting paid account digital content store reached new all-time high march quarter.highest sequential growth ever experienced.example, apple watch continues extend reach % customer purchasing apple watch around world quarter, new product.next, i'd like talk mac ipad.towards end quarter, launched brand-new ipad pro includes first-in-class lidar scanner really exciting augmented reality applications, macbook air, significantly improved performance lower price.we're pleased

strong customer interest products.importantly, around half customer purchasing mac ipads around world quarter new product.recent survey consumer research measured customer satisfaction % ipad % mac.in enterprise market, business everywhere making transition working remotely.we've created content assist customer transition, including on-demand video learning series focused topic like remote deployment ipads mac security.largest customer offering mac employees, ibm sap, able pivot quickly allow employee easily set secure device home, benefiting apple business manager zero-touch deployment.peloton, instance, worked new york team deploy entire fleet mac overnight team could work remotely.in essential sector grocery financial services, we're seeing organization adopt technology better serve customer safely.leading grocer around world like trader joe's, woolworths, lawsons, sainsbury's, lidl carrefour offer apple pay customer use contactless payments.store shift become fulfillment center online orders, organization leveraging apps remote shopper food delivery reduce foot traffic.extraordinarily strong balance sheet, deep access capital market unmatched free cash flow generation.tim mentioned, given lack visibility certainty near term, issuing guidance coming quarter.newly launched products, ipad pro, macbook air iphone se received outstanding customer response even extreme circumstances.first, customer actively engaging ecosystem digital services, believe strong recent performance app store, video, music cloud service continue throughout june quarter.second, due overall reduced level economic activity due lockdown around world, service like apple care advertising impacted.apple care comprised product repair business warranty agreement customers, obviously affected store closure reduced level customer traffic.advertising, comprised third-party agreements, app store search ad apple news ads, impacted overall economic weakness uncertainty business reopen.for gross margin, sequential headwind include foreign exchange, mix within product seasonal loss leverage product business.regarding product mix, keep mind commentary provided revenue level.sequential tailwind include cost saving mix shift toward services.continue stay focused best, investing product service pipeline, managing business wisely taking care teams, believe come stronger.with that, let's open call questions.tejas gala -- senior manager, corporate finance investor relationsthank you, luca.lockdown started toward end january, know.february, saw steep decline demand.closed store february.lockdown completed mid-february, toward second half february, began open stores.opened staggered basis took day mid-march.and demand point view, saw improvement march february.look rest world, great january, first five week quarter.believe

headed toward sort top end expectation talked last call, next five week spent reacting getting supply chain back full force, working sharp decline china already talked about.the real thing rest world happened march shelter-in-place order went work home began.two, three-week's period end quarter, saw sharp decline demand.related certain geo certain product.that's customer either taking online education working remotely.luca, unless missed it, talked various put take quarter really discuss operating expenses.i'm curious thinking spending opex, given macro challenge may facing.know core business, core company innovation product service development, continue invest pipeline.we're excited store continue invest there.obviously, aware environment, manage sg&a portion company tightly.obviously, want develop technology consider core technology us.and try balance need continue invest difficult circumstance fact like manage business wisely.tejas gala -- senior manager, corporate finance investor relationsthank you, shannon.tell, along everything else going on, able launch ship iphone se, ipad pro magic keyboard macbook air.areas, they're productive, mixed depending upon role are.but tell quarter, despite environment, head down, working know customer want product we've got.we're working product well, see something shortly.think that's probably also true working remotely -- area jobs.think significant solution product -- groups.on health area, gave example opening comment ecg used watch.see u continue that.look actual result end every quarter, see much actually term share repurchases.we're always looking way accelerate product road map fill gap portfolio, hardware side, software side, service side.continue that.guess, first off, channel inventory, hoping could talk channel inventory looked like march quarter, sound like may historical ranges.segment solid quarter spite overall macro weakness.kind see logic behind strong despite product weakness overall.point, macro impact worldwide impact service line?luca maestro -- senior vice president chief financial officerjeriel, let take one.i've said, look june quarter, see two distinct trend service business overall.ecosystem strong.customer engaged.expect digital service continue level performance seen march quarter.includes app store, course, video business, music business, cloud services, expect business continue grow strongly.given overall economic environment, level demand right now, two business believe going impacted june quarter.one apple care.apple care essentially comprised product repair business warranty agreement signed customer purchased devices.business affected obviously store closures, retail store also partners' point sale.obviously, reduced level customer traffic social distancing measures, right.expect apple care affected june quarter.the business think going

impacted overall economic weakness uncertainty business reopen advertising, sum advertising business app store, apple news third-party agreement advertising front. two thing that, june quarter, create headwind service business. jeriel ong -- deutsche bank -- analyst got it. far april, seen increased perhaps downtick across product line? expect going forward unemployment uptick macro impact kind layer rest 'seen strong customer response iphone se, affordable iphone. appears customer primarily coming wanting smaller form factor latest technology coming android. we've also seen -- launched ipad pro midst this, reception also incredibly good. that's obviously top-of-the-line ipad. i'm seeing alluding least point. tejas gala -- senior manager, corporate finance investor relations thanks, jeriel. driven kind footfall store seeing relative online activity much recovery driven online? saw china full quarter -- i'll speak mainland china think that's source question, saw strong result ipad wearable services. look underneath full quarter, saw strong january significantly reduced demand february shelter-in-place order lockdown went effect china store closed. march, store reopened, recovery began we've seen recovery april. goes, see, that's kind we've seen far there. to question store traffic, store traffic obviously february, back pre lockdown. been, however, move online. i'd mentioned earlier remarks, -- pretty phenomenal actually. retail quarterly record u quarter, that's despite store closed three-week period around world ex china, china closed prior three weeks. that's partly online store phenomenal quarter, included china also region well. so definitely move. expect fair number people switching ios. think -- faster fastest android phones, exceptional value. tejas gala -- senior manager, corporate finance investor relations thank you. helping add user kind bring people ecosystem? beloved product. march, chris, saw nand pricing increase slightly, dram display commodity declined. june quarter, would expect nand dram pricing remain historically low level, display commodity prices, expect decline. chris caso -- raymond james -- analyst thank you. tejas gala -- senior manager, corporate finance investor relations thank you, chris. a replay today's call available two week apple podcasts, webcast [apple.com/investor](http://apple.com/investor), via telephone. number telephone replay () - () -.

