

Apple

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Corporate Participants

Tim Cook

CEO | Apple

Kevan Parekh

SVP and CFO | Apple

Suhasini Chandramouli

Director of Investor Relations | Apple

Call Participants

Amit Daryanani

Analyst | Evercore

Samik Chatterjee

Analyst | JPMorgan

Erik Woodring

Analyst | Morgan Stanley

Krish Sankar

Analyst | TD Cowen

Michael Ng

Analyst | Goldman Sachs

Atif Malik

Analyst | Citi

Ben Reitzes

Analyst | Melius

Aaron Rakers

Analyst | Wells Fargo

David Vogt

Analyst | UBS

Richard Kramer

Analyst | Arete Research

Wamsi Mohan

Analyst | Bank of America

Presentation

**Suhasini Chandramouli**

Director of Investor Relations | Apple

Good afternoon, and welcome to the Apple Q1 Fiscal Year 2026 Earnings Conference Call. My name is Suhasini Chandramouli, Director of Investor Relations. Today's call is being recorded. Speaking first today is Apple's CEO, Tim Cook, and he'll be followed by CFO, Kevan Parekh. After that, we'll open the call to questions from analysts.

Please note that some of the information you'll hear during our discussion today will consist of forward-looking statements, including, without limitation, those regarding revenue, gross margin, operating expenses, other income and expense, taxes, capital allocation, and future business outlook. These statements involve risks and uncertainties that may cause actual results or trends to differ materially from our forecast, including risks related to the potential impact to the company's business and results of operations from macroeconomic conditions, tariffs and other measures, and legal and regulatory proceedings.

For more information, please refer to the risk factors discussed in Apple's most recently filed reports on Form 10-Q and Form 10-K, and the Form 8-K filed with the SEC today, along with the associated press release. Additional information will also be in our report on Form 10-Q for the quarter ended December 27th, 2025 to be filed tomorrow, and in other reports and filings we make with the SEC. Apple assumes no obligation to update any forward-looking statements which speak only as of the date they are made.

I'd now like to turn the call over to Tim for introductory remarks.

**Tim Cook**

CEO | Apple

Thank you, Suhasini. Good afternoon, everyone, and thanks for joining the call.

I am proud to say that we just had a quarter for the record books. We are reporting our best ever quarter with \$143.8 billion in revenue, up 16% from a year ago and exceeding our expectations. The demand for iPhone was simply staggering, with revenue growing 23% year-over-year and all-time records across every geographic segment. Services set an all-time revenue record as well, up 14% from a year ago, and EPS reached an all-time record of \$2.84, growing a robust 19% year-over-year. We set all-time revenue records in the Americas, Europe, Japan, and rest of Asia Pacific, and grew in the vast majority of markets we track. We continue to gain momentum in emerging markets, which includes India, where we saw strong double-digit revenue growth. Greater China also grew 38% year over year, driven by iPhone, which had record upgraders and double-digit growth on switchers. Apple's December quarter results underscore our relentless commitment to innovation, to our customers, and to our mission to build the best products and services in the world.

Now I'd like to take a closer look at results from across our lineup, beginning with iPhone. As I mentioned earlier, it was a fantastic quarter for iPhone, with an all-time revenue record of \$85.3 billion, up 23% year over year. This is the strongest iPhone lineup we've ever had, and by far the most popular. Throughout the quarter, customer enthusiasm for iPhone was simply extraordinary. Users were incredibly excited about everything it enables them to do. iPhone 17 Pro and 17 Pro Max deliver the ultimate iPhone experience. They feature the best ever performance and battery life on an iPhone, the most advanced camera system, and a striking design. iPhone Air, our slimmest and lightest smartphone yet, packs powerful capabilities into an ultra slim and sleek design. An iPhone 17 is a truly fantastic upgrade at an incredible value.

Turning to Mac; revenue was \$8.4 billion for the December quarter. We were pleased to see the Mac installed base reach another all-time high with nearly half of customers who purchased the Mac being new to the product. The M5-powered 14-inch MacBook Pro takes a huge leap in AI performance thanks to the next-generation GPU architecture and a faster neural engine. From the world's most popular laptop for consumers and businesses in MacBook Air to the small and spectacular Mac Mini, every Mac in our lineup has something special to offer users. And with the recently released Apple Creator Studio, available across Mac, iPad, and iPhone, creators have more tools at their fingertips to make incredible music or turn their devices into a video production studio.

Meanwhile, iPad saw December quarter revenue of \$8.6 billion, up 6% from a year ago, with an all-time record for upgraders. We are proud to have our strongest lineup ever, from iPad powered by A16, which is proving to be incredibly popular, to iPad Air with its amazing versatility, to the unbelievably powerful M5 iPad Pro with its remarkably thin and light design. It's no wonder that iPad continued to be the most popular tablet in the world.

Across wearables, home and accessories, revenue was \$11.5 billion, with Apple Watch Ultra 3 and Apple Watch Series 11, users are tapping into a comprehensive set of health and wellness features to help them meet their health goals. In a recent survey, we see an increasing number of users telling us they're wearing their watch to sleep, which allows them to check their sleep scores each morning and find ways to improve their sleep quality. And Apple Watch alerts are enabling important conversations between users and their doctors regarding potential signs of hypertension. These are just some of the many ways that watch is helping people live healthier lives.

The response to AirPods Pro 3 has been amazing. Customers are raving about the rich, immersive sound quality, the unmatched level of active noise cancellation, and the noticeably improved comfort that makes them effortless to wear. Features like live translation are also changing the way people can communicate by helping users connect across languages in real time and making everyday conversations feel more natural and accessible. Together, these innovations create an experience that feels both powerful and personal, and the enthusiasm we are seeing reflects just how strongly AirPods Pro 3 are resonating with customers.

Across our product categories, we are seeing very high levels of customer satisfaction, and we are proud to report that we have a new record for our installed base with more than 2.5 billion active devices. During the quarter, we were excited to see that the majority of users on enabled iPhones are actively leveraging the power of Apple Intelligence. Since the launch of Apple Intelligence, we've introduced dozens of features, including writing tools and cleanup, and made it available in 15 languages. These AI experiences are personal, private, integrated across our platforms, and relevant to what our users do every day.

We are bringing intelligence to more of what people already love about our products, so we can make every experience even more capable and effortless. One of our most popular features is visual intelligence, which helps users learn and do more than ever with the content on their iPhone screen, making it faster to search, take action, and answer questions across their apps. And as I touched on earlier, we are hearing powerful stories of people using live translation to communicate seamlessly across languages. And these are just some of the many powerful AI features that are enabling our users to do remarkable things with our products, which are far and away the best platforms in the world for AI. That's in no small part because of the extraordinary power and performance of Apple Silicon.

Building on our efforts in the AI space, we are also collaborating with Google to develop the next generation of Apple Foundation models. This will help power future Apple Intelligence features, including a more personalized series coming this year. We're incredibly excited for what's to come with so many new experiences to unlock.

Turning to services; we achieved an all-time revenue record of \$30 billion, 14% higher from a year ago. Services also set all-time revenue records in both developed and emerging markets. Apple TV+ has seen fantastic momentum, with December seeing a 36% increase in viewership over the previous year. It's no wonder with shows like *Pluribus*, which are creating landmark cultural moments that audiences are loving. Anticipation is building for upcoming new productions like *Cape Fear* from Steven Spielberg and Martin Scorsese. And we are thrilled to announce that *Ted Lasso* will be returning for a fourth season this summer.

Six years since launch, we're excited by the growing enthusiasm viewers have for Apple TV+, and we are grateful for the accolades that have followed, most recently at the Critics' Choice and Golden Globe Awards. To date, Apple TV+ productions have earned more than 650 wins and more than 3,200 nominations, including a recently announced Oscar nomination for Best Picture for F1, the movie.

And speaking of F1, we're also approaching the start of a new Formula 1 season. And for F1 fans in the US, Apple TV+ will be the place to watch every practice, qualifying, Sprint, and Grand Prix. MLS fans will also be able to watch every regular and post-season game with their Apple TV+ subscription this year, and we're looking forward to kickoff in the coming weeks.

Looking back, 2025 was a fantastic year for services as we rolled out amazing new features and broke records. Apple Music climbed to all-time highs in both listenership and new subscriber growth. Apple Pay eliminated more than \$1 billion in fraud for our partners last year, and we've made it available in more markets than ever before. And last year, we welcomed more than 850 million users every week on average to the App Store, the world's safest and most innovative app marketplace. Developers have now earned more than \$550 billion on our platform since 2008.

In retail, we continue to bring a magical experience to our customers all around the world, and we were thrilled to have our best ever results in retail during the quarter. We were excited to open our fifth store in India in December and have plans to open another store in Mumbai soon. Wherever we are, we see ourselves as part of a larger whole. That's why we show up with our values in everything we do. That means working with partners in places like Vietnam to bring more clean water to rural areas. It means celebrating graduations of new classes of innovators from our developer academies in places such as Brazil, Indonesia, and South Korea. It means 3D printing titanium cases for Apple Watch using recycled materials so that they're better for the planet without compromising quality, and so much more.

We're especially proud of the work we're doing to support American innovation. Last year, we committed to invest \$600 billion over four years in vital industries like advanced manufacturing, silicon engineering, and artificial intelligence. As we're building on our longstanding investments in America, we're supporting nearly 0.5 million jobs with thousands of suppliers across all 50 states. In the year since we made our initial commitment, we're making great progress. Today we're shipping servers to power Apple Intelligence from our new manufacturing facility in Houston. Through our advanced manufacturing program, we're working with Corning in Kentucky to make 100% of cover glass for iPhone and Apple Watch.

We're working with Micron, which broke ground on a new advanced chip packaging and test facility, and we continue to advance the development of an end-to-end silicon supply chain across the country, sourcing 20 billion US chips in 2025. Through our Apple Manufacturing Academy in Detroit, we're already training American businesses and innovators on the latest smart manufacturing and artificial intelligence techniques. Six months since opening, the Academy is already making an enormously positive impact for businesses working alongside Apple engineers to drive productivity, efficiency, and quality in their supply chains.

As I said at the beginning of my remarks, this was in so many ways a remarkable quarter for Apple. And we're excited for all the opportunities we'll have in the year ahead to deliver innovations that have never been seen before and enrich the lives of users every step of the way. With so much to look forward to in the weeks and months ahead, I have every confidence that our best work is yet to come.

With that, I'll turn it over to Kevan.



Kevan Parekh

SVP and CFO | Apple

Thanks, Tim, and good afternoon, everyone. Our revenue of \$143.8 billion was up 16% year over year, our best quarter ever. Across the world, we set all-time revenue records in both developed and emerging markets. And we saw double-digit growth year over year across the majority of the markets we track, including the US, Latin America, Western Europe, Greater China, India, and South Asia. Products revenue was \$113.7 billion, up 16% year over year, driven by double-digit growth in iPhone, setting a new all-time record. And as Tim mentioned, thanks to our strong levels of customer loyalty and satisfaction, our installed base of active devices has now surpassed 2.5 billion, reaching another all-time high across all product categories and geographic segments.

Services revenue was \$30 billion, up 14% year over year. This performance continues to be broad-based with double-digit growth in almost every market we track. We also reached all-time revenue records for advertising, cloud services, music, and payment services with December quarter records on the App Store and video.

Company gross margin was at 48.2%, above the high end of our guidance range and up 100 basis points sequentially, driven by favorable mix and leverage. Products gross margin was 40.7%, up 450 basis points sequentially, driven by favorable mix and leverage. Services gross margin was 76.5%, up 120 basis points sequentially, driven by mix. Operating expenses landed at \$18.4 billion, up 19% year over year. This was within the range we provided and driven by increased investment in R&D.

Net income was \$42.1 billion and diluted earnings per share was \$2.84, up 19% year over year. Both net income and diluted EPS were all-time records and these incredibly strong business results drove an all-time record for operating cash flow coming in at \$53.9 billion.

Now, I'm going to provide some more details for each of our revenue categories. iPhone revenue was \$85.3 billion, up 23% year over year, driven by the iPhone 17 family. iPhone saw strength around the world, reaching all-time revenue records in many of the markets we track, including the US, Greater China, Latin America, Western Europe, the Middle East, Australia, and South Asia, as well as a December quarter record in India. The iPhone Active installed base grew to an all-time high and set a new all-time high for upgraders in aggregate and across many countries, including the US, Mainland China, Japan and India.

According to a recent survey from World Panel, iPhone was a top-selling model in the US, Urban China, the UK, Australia, and Japan. Customers are loving the latest iPhone lineup. The latest customer satisfaction for the iPhone 17 family in the U.S. was measured at 99% by 451 Research.

Mac revenue was \$8.4 billion, down 7% year over year. As we described in the last call, we faced a very difficult compare against an M4 MacBook Pro, Mac Mini, and iMac launches in the year-ago quarter. Despite this difficult compare, we continued to see growth in several emerging markets, including Brazil, India, Malaysia, Vietnam, and more. And as Tim mentioned earlier, the Mac installed base reached another all-time high, with nearly half of the customers who purchased a Mac being new to the product. And in the US, customer satisfaction for Mac was measured at 97%.

iPad revenue was \$8.6 billion, up 6% year over year, driven by the M5-powered iPad Pro and the A16-powered iPad. We continued to add new users to the iPad. In fact, over half the customers who purchased the iPad during the quarter were new to the product. This helped the iPad installed base to reach an all-time high, and we also reached an all-time high for upgraders. Based on the latest reports from 451 Research, customer satisfaction was 98% in the US.

U.S. wearables, home and accessories revenue was \$11.5 billion, down 2% year over year. During the quarter, we experienced constraints on the AirPods Pro 3, and we believe the overall category would have grown had it not been for these constraints. The wearables installed base reached a new all-time high, with over half of customers purchasing an Apple Watch during the quarter being new to the product. And in the US, customer satisfaction was recently reported at 96%.

Our services revenue reached an all-time high of \$30 billion, up 14% year-over-year. As we said earlier, we had all-time revenue records on advertising, music, payment services, and cloud services, where we saw a double-digit growth on paid subscribers. We continue to be optimistic about the future of our services business. With our installed base of over 2.5 billion active devices, we have an incredibly strong foundation for new growth opportunities.

We saw increased customer engagement across our service offerings with both transacting and paid accounts reaching all-time highs in the quarter. And we continue to improve the quality and expand the breadth of our services offerings. From new wallet features like Digital ID, which provides a way for users to create an ID and wallet using information from their US Passport to additional ads coming to search in the App Store, which provides advertisers more ways to drive downloads from search.

Turning now to enterprise; organizations are continuing to expand their fleet of Apple devices to drive productivity while remaining secure. Snowflake has deployed over 9,000 Mac devices company-wide, establishing Mac as a primary laptop across all business units, resulting in increased performance and a reduction in support tickets. AstraZeneca is rolling out over 5,000 M5-powered iPad Pros to its pharmaceutical sales team to take advantage of AI capabilities, including Apple Intelligence, while meeting with clinicians daily. And in Mexico, Coppel, the country's largest domestic retailer, recently added MacBook Air in addition to a growing fleet of over 10,000 iPad devices.

Let's turn to our cash position and capital return program. We ended the quarter with \$145 billion in cash and marketable securities. We had \$2.2 billion of debt maturities and decreased commercial paper by \$6 billion, resulting in \$91 billion in total debt. Therefore, at the end of the quarter, net cash was \$54 billion.

During the quarter, we returned nearly \$32 billion to shareholders. This included 3.9 billion in dividends and equivalents and \$25 billion through open market repurchases of 93 million Apple shares.

As we move ahead into the March quarter, I'd like to review our outlook, which includes the types of forward-looking information that Suhasini referred to. Importantly, the color we're providing assumes that global tariff rates, policies, and their application remain in effect as of this call, and the global macroeconomic outlook does not worsen from today. We expect our March quarter total company revenue to grow by 13% to 16% year over year, which comprehends our best estimates of constrained iPhone supply during the quarter. We expect services revenue to grow at a year-over-year rate similar to what we've reported in the December quarter.

We expect gross margin to be between 48% and 49%. We expect operating expenses to be between \$18.4 billion and \$18.7 billion, which is at a similar level to what we reported in the December quarter and driven by higher R&D on a year-over-year basis. We expect OI&E to be around \$100 million excluding any potential impact from the mark-to-market of minority investments and our tax rate to be around 17.5%. Finally, today our Board of Directors has declared a cash dividend of \$0.26 per share of common stock payable on February 12, 2026 to shareholders of record as of February 9, 2026.

With that, let's open the call to questions.

**Suhasini Chandramouli**

Director of Investor Relations | Apple

Thank you, Kevan. We ask that you limit yourself to two questions. Operator, may we have the first question, please?

Questions and Answers

**Operator**

Certainly. We'll go ahead and take our first question from Amit Daryanani of Evercore.

**Amit Daryanani**

Analyst | Evercore

Yes, I have two. Maybe to start with, there's a lot of focus on the impact of memory to a host of companies. And I'd love to kind of get your perspective when you folks are guiding gross margins up into the March quarter. Just talk about, A, your comfort in securing the bits that you need for shipments? And B, how do we think about memory inflation flowing through Apple's model over time?

**Tim Cook**

CEO | Apple

Yeah, Amit, hi, it's Tim. Let me back up a bit and talk about the constraints that Kevan referred to in his remarks and memory. and try to get both of these out at once. First of all, we were thrilled with the customer response on the latest iPhone lineup. It exceeded our expectations to say the least and iPhone grew 23%. What the result of that was that we exited the December quarter with very lean channel inventory due to that staggering level of demand. And based on that, we're in a supply chase mode to meet the very high levels of customer demand. We are currently constrained, and at this point, it's difficult to predict when supply and demand will balance. The constraints that we have are driven by the availability of the advanced nodes that our SoCs are produced on.

And at this time, we're seeing less flexibility supply chain than normal, partly because of our increased demand that I just spoke about. From a memory point of view, to answer your question, memory had a minimal impact on the Q1, so the December quarter gross margin. We do expect it to be a bit more of an impact to the Q2 gross margin and that was comprehended in the outlook of 48 to 49% that Kevan gave earlier. Beyond Q2, you know, we don't obviously provide outlooks beyond the current quarter, but we do continue to see market pricing for memory increasing significantly. And as always, we'll look at a range of options to deal with that. So hopefully that gives you the full view.

 Amit Daryanani

Analyst | Evercore

No, thank you. I appreciate all the clarity on that, Tim. Maybe the second question I have for you is maybe just touch on the China strength you folks had. I think this is very close to all-time high revenues we've had in China. What's driving the strength over here and just sort of the durability of the growth rate we saw in the December quarter would be helpful to understand. Thank you.

 Tim Cook

CEO | Apple

Sure. Greater China was up 38% year-on-year. It was driven by iPhone, where we set an all-time revenue record. So it was the best iPhone quarter in history in Greater China. It's driven by the customer enthusiasm for the iPhone 17 lineup. And I would tell you that during the quarter, traffic in our stores in China grew by strong double-digit year-over-year. It was a terrific quarter. Our installed base reached an all-time high in both Greater China and Mainland China.

We set an all-time record for the upgraders, and we saw strong double-digit growth on switchers. According to a survey from World Panel, iPhones were the top three smartphones in urban China during the quarter. So it's really driven primarily by the product strength and the customer response to the product strength. We do see on non-iPhone products that the majority of customers that are buying a Mac, and iPad, a Watch, are still new to that product.

So that's a very good sign for us. And if you look at iPad, on that same survey, iPad was the top tablet model in urban China. And according to CounterPoint, the MacBook Air was the top-selling laptop model, and Mac Mini was the top-selling desktop model in the December quarter. So overall, a great quarter in China. we could not be more happy with it.

 Operator

Our next question is from Erik Woodring of Morgan Stanley. Please go ahead.

 Erik Woodring

Analyst | Morgan Stanley

Great guys, thank you for taking my questions. Tim, congrats on announcing the partnership with Google and we're all excited to see what you bring to market later this year. When I think about your AI initiatives, It's clear there are added costs associated with that. We're obviously seeing that flow through in OpEx. Can you help us understand maybe what the revenue upside potential that exists with AI? Many of your competitors have already integrated AI into their devices, and it's just not clear yet what incremental monetization they're seeing because of AI, but you're always disciplined with investing, you obviously have a differentiated product. So how do you monetize AI, and what's the timeline to realizing that ROI? Then a quick follow-up. Thank you.

**Tim Cook**

CEO | Apple

Well, let me just say that we're bringing intelligence to more of what people love and we're integrating it across the operating system in a personal and private way and I think that by doing so it creates great value and that opens up a range of opportunities across our products and services. And we are very happy with the collaboration with Google as well, I should add.

**Erik Woodring**

Analyst | Morgan Stanley

Okay. Thank you, Tim.

And then maybe just a follow-up. Now that you have kind of more time and data to evaluate this cycle, can you maybe help us understand what the primary factors are driving strength in the iPhone? I'm sure there's a number of factors, but if you had to point to one or two, just what would they be and how sustainable do you think those are?

**Tim Cook**

CEO | Apple

I think it's different for different cohorts of where people are coming from in the device that they have, but it's a combination of things always that make the product thing. It's the display, it's the camera, it's the performance. It's the new selfie camera. It's the design. The design is beloved. And so it's all of these things that come together at once and are producing a very strong product cycle as witnessed by our December quarter results.

**Erik Woodring**

Analyst | Morgan Stanley

Great. Thank you, Tim. Best of luck.

**Operator**

We'll now go to Michael Ng of Goldman Sachs. Please go ahead.

**Michael Ng**

Analyst | Goldman Sachs

Wonderful. Good afternoon. Thank you for the questions. I have two as well, if I could. First, it was encouraging to hear about the revenue growth outlook of 13 to 16% for the March quarter. I was just wondering if you could talk about any comps that we should be particularly aware of as we kind of think about each of the product categories. I know last year you guys had MacBook Air with

M4, the iPhone 16e, the iPad with A16, and the iPad Air with M3. So just wanted to ask if those things would create tough comps, or is it just less of an issue just given the new product outlook? Thank you.

**Kevan Parekh**

SVP and CFO | Apple

Yeah, Mike, it's Kevan. Thanks for the question. Yeah, I wouldn't say there's any particular comp issue that we'd note. As you recall, last quarter we talked about the difficult comparison, we had a Mac, but there's nothing that rises to that kind of color that we'd outlined in the outlook. And so, I think it's just, you know, continuation of the strong cycle we're seeing subject to the constraints that I had mentioned in the prepared remarks that Tim, you know, alluded to a little earlier as well.

**Michael Ng**

Analyst | Goldman Sachs

Great. Wonderful. And then, you know, just on services, advertising strong in the quarter, I wanted to ask about some of the, you know, new growth opportunities in advertising. I know you guys are doing the new ad slots in the App Store. Maybe you could just talk a little bit about that and then any plans to do more in advertising across other products like Maps or TV. Thank you.

**Kevan Parekh**

SVP and CFO | Apple

Yeah, sure, like what I was saying, just if I step back in general, I think as we outlined, we saw a really good broad-based performance in our cross-services business, so ranging from all-time records and advertising, Music, payment services, and cloud services. So I think we see really good opportunities across a lot of our service categories, and we continue to add new service offerings. We talked about what we added to the wallet, like Digital ID, and then you referenced the additional kind of additional ads coming into search in the App Store, which we are excited about. It provides advertisers more ways to be discovered. And so I think we'll continue to look for ways to expand opportunities to add value to users, and also create opportunities for Apple. I think as we talked about, we've crossed a really significant milestone at 2.5 billion active devices. So we really feel excited about the opportunity that provides for our services business as well.

**Michael Ng**

Analyst | Goldman Sachs

Wonderful. Thanks for the thoughts, Kevan.

**Operator**

The next question will be coming from Ben Reitzes of Melius. Please go ahead.

**Ben Reitzes**

Analyst | Melius

Hey, Tim. First question is on Google partnership again. I wanted to understand how you came to that decision with regard to the AI and Siri in particular, and if there's an opportunity for you guys to share in revenue too with that partnership like you do in search. Thanks.

**Tim Cook**

CEO | Apple

Yeah, we basically determined that Google's AI technology would provide the most capable foundation for AFM, I'm sorry, Apple Foundation Models. And we believe that we can unlock a lot of experiences and innovate in a key way due to the collaboration. We'll continue to run on the device and run in private cloud compute and maintain our industry-leading privacy standards in doing so. In terms of the arrangement with Google, we're not releasing the details of that.

**Ben Reitzes**

Analyst | Melius

Okay, well, I tried. So, yeah, you knew it would be me. So, the next question is on gross margin. You know, I'm pretty shocked. I got to hand it to you, Tim, that you're able to do 48 to 49. What's really going on there? How are you doing that with this memory, the NAND prices? Is it due to mix that there's, you know, a good, a less hardware and more services and services margins are going up? How are you doing it to go to keep it at 48 to 49?

**Kevan Parekh**

SVP and CFO | Apple

Yeah, Ben, this is Kevan. How are you doing? Let me start maybe by just reflecting on the Q1 gross margin. I think we talked about the fact that we landed at 48.2%, so just above the high end of the range that we provided on the last call. I think if you look at that performance, we were up 100 basis points sequentially.

We talked about the fact that we had favorable mix. I mean, as you know, when we have a good product cycle, strong price cycle we're seeing for iPhone, that does lend itself to a bit more favorable opportunity on the mix and leverage side. So we're having a strong iPhone cycle as Tim outlined, And so that also translated itself. We talked about products sequentially went up by 450 basis points. So I think in general, I think we're just seeing favorable mix dynamics as well. Services continues to contribute as well. That business is growing double digits. So that also is a contributor.

And I think that if we looked at our guidance, we're providing a similar range to where we reported in December. And there's going to be a few puts and takes. We do expect to see favorable mix in the services. As you know, when we move from Q1 to Q2, that tends to be the case. That's partly offset by a seasonal loss of leverage. So there'll be puts and takes, but, you know, again, we feel pretty good about the guide of 48 to 49%, which is similar to the range we reported in December.

 **Operator**

The next question will be coming from David Vogt of UBS.

 **David Vogt**
Analyst | UBS

Great. Thanks, guys, for taking my question. Maybe Tim or Kevan, And if we could pull out a little bit, can you help us understand how you're thinking about the overall kind of smartphone market demand, particularly given where memory prices are headed? And we've heard some conversations with some other OEMs as well as component providers that are worried about either the availability of components, potential market weakness in terms of demand destruction, and some of the actions to offset or higher prices. I know you don't give outlooks for the full year, but how are you thinking about all of those different vectors and what that might mean for the overall smartphone market, and then ultimately what that might mean for demand for iPhones as we move through the rest of this calendar year.

 **Tim Cook**
CEO | Apple

Yeah, on the supply side, I had made comments earlier about the constraint that we are seeing in Q2. You know, and that's reflected in the revenue guidance that Kevan gave earlier. The constraint, as I had mentioned, is due to the advanced node capacity, and it's really a result of growing so well in Q1 with the 23%, and having less flexibility, partly due to that, in the process to increase it as much as we would like to increase it. Beyond Q2, I don't really want to comment on supply. You know, supply is a function of a lot of things in the industry that move around a lot. So I wouldn't want to comment on that. And I commented before on memory pricing. And so, hopefully that answers your question. In terms of smartphone demand, you know, we believe that based on the information that we've got is we gained share in the December quarter. Obviously, the market wasn't growing at 23%, so we feel good about doing that, but I wouldn't want to predict how the market reacts in the future. It's very difficult to do that.

 **David Vogt**
Analyst | UBS

Got it. At the risk of not getting this answered, I'm going to follow up with, can you maybe help us understand, you know, you mentioned there's a range of options that you're looking at how should we think about kind of like LTAs in the marketplace? I mean, is that an option as we move through the year or is it more spot-based from a perspective, particularly around memory, just trying to get a better sense for how we should think about kind of the dynamics in the marketplace?

 **Tim Cook**
CEO | Apple

It's a range and so I don't want to get more specific than that. I mean, there are different levers that we can push, and who knows how successful they'll be, but there's just a range of options.

 **Operator**

We'll now be taking questions from Wamsi Mohan from Bank of America.

 **Wamsi Mohan**

Analyst | Bank of America

Tim, on services, you grew a pretty impressive 14%, and I know you said that the App Store was a record for the December quarter, but third-party data is showing a notable deceleration in App Store growth, maybe 7% in the December quarter relative to your 14% growth. I was hoping if you could maybe confirm that, secondarily, if it's correct, what might be some of the drivers of that and what could be things that you could do to reverse that in future quarters? I have a follow-up.

 **Kevan Parekh**

SVP and CFO | Apple

Wamsi. It's Kevan here. Look, I think we want to reiterate the fact that during the December quarter, we had a quarterly record on the App Store. As you know, we don't provide, you know, specific color on how the individual services categories have done. But again, if we step back, I think we saw, again, broad-based growth across all the different categories, also across various geographies. We had all-time records in both developed and emerging markets as well, and double-digit growth in both of those too. And so I think, in general, we don't provide the color at the detailed services level.

 **Wamsi Mohan**

Analyst | Bank of America

I guess back to the memory price, I appreciate you have a range of options to address that. Historically, Apple has not used a pricing lever unless FX markets got maybe very dislocated to prevent arbitrage or issues like that, but given some of theSE unprecedeted moves in memory would pricing be a lever that you would be willing to pull or push portion outside of every other thing that - outside of everything else that you can do?

 **Tim Cook**

CEO | Apple

Yeah, I wouldn't want to speculate on that one.

 **Wamsi Mohan**

Analyst | Bank of America

Okay, thanks, Tim.

 Operator

We'll now go to Samik Chatterjee of JPMorgan. Please go ahead. Your line is open.

 **Samik Chatterjee**
Analyst | JPMorgan

Maybe for the first one, I'm just looking at your capital investment in the first quarter, which did moderate from the last one, and wondering if the partnership with Google on Gemini and sort of help collaboration to develop the next generation of Apple Foundation models, does that have any near-term sort of impact on your intent to use Apple Private Cloud? I know you emphasized sort of the role Apple Private Cloud plays in the long term, but are there any changes on that front through this collaboration? Any thoughts around that, and I have a quick follow-up. Thank you.

 **Kevan Parekh**
SVP and CFO | Apple

Yeah, sure. I think this is Kevan here. I think in general, you know, as Tim outlined, we're going to provide any details on our arrangement and collaboration with Google. Just speaking of CapEx in general, as you know, we have a hybrid model for CapEx. And so I think that what happens is our CapEx can be volatile, independent of kind of the volume of performance of our business.

And as you know, our CapEx is made of several different line items that include tooling, our facilities, retail investments in our retail store, data centers, and on tooling and data centers, we leverage this hybrid model that I mentioned before, which we leverage a combination of first and third party capacity. So in general, it's hard to read into the CapEx and draw any conclusions. And so I think I would just say there's going to be some ebbs and flows in CapEx. Last year, remember, we did build out our private cloud compute environment. And so we did have CapEx spending related to that in our results in December.

 **Samik Chatterjee**
Analyst | JPMorgan

Got it. And my follow-up probably is for you again. You did mention product gross margin and the sort of drivers there for the product gross margin improvement. When you sort of highlighted mix as a driver, can you just sort of talk through what are the big differences in mix you're seeing for iPhone 17 versus 16, and did tariffs and tariffs coming in more favorably play a role at all and what you're expecting for tariffs for the next quarter?

 **Kevan Parekh**
SVP and CFO | Apple

Yeah, so there's a few things to unpack there. So on the overall margin on product side, I think I mentioned that we had favorable mix of products and leverage. I think given the strong iPhone cycle we're seeing, that was, I would say, probably a higher favorability than you might've seen in maybe other cycles. And as well, as you know, in Q1, typically we do see the impact of the

cost structure of our new products that we launch. And in this case, we were seeing a more favorable offset from mix of products and leverage versus historical sequential changes from Q4 to Q1. On the tariff piece, we had outlined an amount of \$1.4 billion for the December quarter, and we landed roughly in that range, at that level.

 **Operator**

We'll now go to Krish Sankar of TD Cowen, please go ahead.

 **Krish Sankar**

Analyst | TD Cowen

Hi, thanks for taking my question. The first one I have for us for Tim, I think you touched upon this earlier on the Gemini integration and Apple Foundation model. How to think about kind of like the, you know, the difference between Apple Foundation model functionality and third party models, like, does the Apple Foundation model evolve to a different layer in the AI software stack? Or how to think about it as you partner with third-party frontier models? I had a follow-up.

 **Tim Cook**

CEO | Apple

Yeah, Krish, you should think of it as a collaboration. And we'll obviously independently continue to do some of our own stuff, but you should think of what is going to power the personalized version of Siri is the collaboration with Google.

 **Krish Sankar**

Analyst | TD Cowen

And then a quick follow-up for maybe Kevan or Tim, just a lot of discussion on memory pricing. Given that the memory constraint or commodity scarcity is impacting both the smartphone and the PC markets and Apple arguably having more purchasing power, do you think this is a chance for you to increase your market share both in iPhone and Mac at the expense of competition who might have more constraints in getting access to memory?

 **Tim Cook**

CEO | Apple

Yeah, I'd only want to talk about kind of what has happened. And we do believe, as I had shared, that iPhone gained share in the December quarter. And if you look at Mac for the full calendar year of '25, we also believe we gained share. And so we feel very good about our position.

 Operator

We'll now go to Atif Malik, calling from Citi. Please go ahead.

 Atif Malik

Analyst | Citi

Hi, thank you for taking my question. The first one for Tim. Tim, some of the industry pundits are comparing the iPhone 17 upgrade cycle to the 2020-2021 years as some of the iPhone 12, 13 users upgrade. Curious if you agree with that view, And also, if you can layer on the impact from Apple Intelligence to the refresh rate.

 Tim Cook

CEO | Apple

I think each iPhone cycle has its own unique characteristics. And so I wouldn't compare it to a specific one. I think iPhone 17, the family of 17, is a unique product that brings several very compelling features in one product. and it has done extremely well, and so we feel quite good about it.

 Kevan Parekh

SVP and CFO | Apple

Yeah, and I'll just add to Tim's comment that we talked about the fact we have a large and diverse installed base of customers, and so this product has really resonated with multiple cohorts, whether you're on older devices or newer iPhones as well, so we've seen really strong reaction to the product lineup.

 Atif Malik

Analyst | Citi

Great. As my follow-up, There was a lot of discussion supply constraints, and I'm surprised that you guys are constrained on advanced packaging as you generally get your share at the big foundry. How long will these supply impact your ability to ship to true demand?

 Tim Cook

CEO | Apple

It's difficult to estimate demand when you haven't met the demand. And so, obviously, we have internal estimates on that, but I don't want to share those. But it's very difficult. And just to be clear, it's the advanced nodes that we, like 3 nanometer to be specific, where our SoCs, the latest SoCs are produced on as to what is gating the Q2 supply. And it's a direct result of the 23% growth and that far outstripping what we had internally estimated and having more limited flexibility in the supply chain for some period of time. But I don't want to estimate when supply and demand will balance at this point.

 **Operator**

The next question will be coming from Aaron Rakers coming from Wells Fargo. Please go ahead.

 **Aaron Rakers**

Analyst | Wells Fargo

Yeah. Thanks for taking the question. I have two as well. And I'll try and stay away from the memory question. I'm curious, and, you know, obviously a lot of focus on the China demand, but I'm curious you also called out India. And so can you maybe unpack some of the things that you're seeing in the Indian market as far as iPhone traction? Any kind of color on what is the very large installed base in India that seems to be a good growth opportunity for Apple still?

 **Tim Cook**

CEO | Apple

Yeah, thanks for the question. We did set a quarterly revenue record during the December quarter and to go a little further down we set quarterly revenue records on iPhone and Mac and iPad and an all-time revenue record on services. So it was a terrific quarter in India. We really like what we see there. It's the second largest smartphone market in the world and the fourth largest PC market. And we still have, despite very nice growth history, we have modest share there. And so we think there's a huge opportunity for us there. and we could not be more excited about it. If you look at the other thing that I would point out is that the majority of customers that are buying iPhone and Mac and iPad and Watch are all new to that product, and so it speaks very well to opportunity there.

 **Kevan Parekh**

SVP and CFO | Apple

Yes. And Aaron, I'd add, you mentioned the installed base, we're seeing strong double-digit growth in the installed base in India as well, which is really encouraging.

 **Aaron Rakers**

Analyst | Wells Fargo

And then as a quick follow-up, kind of tied to memory, maybe not so much, but part of this current generation iPhone cycle is you clearly deepened some of your own internal silicon capabilities on the device. I'm curious if that, if we should think about that as a lever and maybe a supportive factor to gross margin that might be underappreciated. And any thoughts on where we go from here as far as continued opportunities of internalizing your own silicon. Thank you.

**Tim Cook**

CEO | Apple

Yeah, I'll let Kevan talk about the gross margin. But in terms of the product, which is at the heart of what we think about in the user, Apple Silicon has just been an incredible game changer for us, starting with iPhone and then on iPad, and of course, the Mac as of a few years ago. And so we believe it's a game-changer and a major competitive advantage.

**Kevan Parekh**

SVP and CFO | Apple

And as far as impact on gross margin, we have been, as you know, investing in core technologies like our own silicon, our own modem. And certainly while those do provide opportunities for cost savings and can be reflected in margins, they also importantly provide the differentiation that's really important for our products as well and give us more control of our roadmap. So I think there's a lot of strategic value to it, but also we are seeing investments in our core technologies impacting gross margins in a positive way.

**Operator**

Our last question will be coming from Richard Kramer, calling from Arete Research. Please go ahead.

**Richard Kramer**

Analyst | Arete Research

Thanks very much. I have two questions. Tim, when you think about how Apple might manage AI, do you see that evolving towards more edge AI or on-device services versus cloud-based AI? And are you confident you've reserved sufficient data center capacity to support the widespread Siri adoption, especially given that you're not following the other hyperscalers and sharply increasing CapEx?

**Tim Cook**

CEO | Apple

The answer is that we see both being important, the on-device and the private cloud compute. And so we don't see it as an either-or, we see it as a both. And we believe it's a differentiator because of our privacy approach. In terms of do we have enough capacity, it's hard to estimate with precision what the demand will be. But we've done sort of the best job that we can do and either have or are putting capacity in for it.

**Richard Kramer**

Analyst | Arete Research

Okay, and you also, you mentioned the 2.5 billion active device number, but Apple Intelligence features have only been available since the 15 Pro. So can you speak at all to roughly what portion of your iPhone or overall active device installed base is now AI capable? And has this been a factor in maybe a more gradual pace of launching wider AI services?

**Kevan Parekh**

SVP and CFO | Apple

Yeah, Richard, this is Kevan. You know, we don't provide that specific number, but it is a growing number, as you can imagine, in our installed base. And so I'm encouraged by the amount of devices now that are capable, but we're not going to provide a specific figure on that today.

**Richard Kramer**

Analyst | Arete Research

Okay. Well, had to try. Thank you.

**Suhasini Chandramouli**

Director of Investor Relations | Apple

All right, thank you, Richard. A replay of today's call will be available for two weeks on Apple Podcasts as a webcast on apple.com/investor and via telephone. The number for the telephone replay is 866-583-1035. Please enter confirmation code 890-2968 followed by the pound sign. These replays will be available by approximately 5 p.m. Pacific Time tonight. Members of the press with additional questions can contact Josh Rosenstock at 408-862-1142 and financial analysts can contact me, Suhasini Chandramouli, with additional questions at 408-974-3123. Thanks again for joining us today.

**Operator**

Once again, this does conclude today's conference. We do appreciate your participation.

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