

Apple's overall earnings slump despite record iPhone and services revenue

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Apple posted its fourth consecutive revenue loss for the quarter ending in September, with \$89.5bn in revenue – a 1% decrease from the previous quarter. The decline was not unexpected, though the total quarterly revenue beat Wall Street predictions of \$89.28bn. Apple did enjoy \$43.81bn in iPhone revenue and \$22.3bn in services revenue for the quarter ending in September – quarterly revenue records, according to Apple CEO Tim Cook. Despite the expected drop in sales, Apple's stock rose more than 2% ahead of the scheduled earnings call and shares have been up about 32.5% so far this year. The earnings report comes as the company is in the middle of what is typically the busiest quarter, with the holiday season coming up. Investors will likely be looking for details on how the current quarter is faring and the status of demand for the iPhone 15 – released just days before the end of the quarter. Revenue from Macs fell 34% year-over-year to \$7.6bn, and iPad revenue fell 10%. "We now have our strongest lineup of products ever heading into the holiday season, including the iPhone 15 lineup and our first carbon-neutral Apple Watch models, a major milestone in our efforts to make all Apple products carbon neutral by 2030," Cook said in a statement. Apple's revenue from its services, which analysts say are what make the company's hardware more valuable, has grown from \$19.2bn to \$22.3bn, another record high, according to Cook. Apple now boasts 1bn active subscriptions across all its products – double the number from three years ago, according to the earnings call. The company announced a price increase on offerings last week, including Apple TV+ and Apple News, and analysts are expecting to see the benefits of that increase in the next quarter. (Apple TV+ has gone from \$6.99 to \$9.99 a month.) Dipanjan Chatterjee, a principal analyst at Forrester, said the rapid growth in services "offset declines from the Mac and iPad lines of business". "This is a good thing because services create stickiness and recurring revenue and have much higher margins than products," Chatterjee said in an emailed statement. "The recent across-the-board pricing increases for subscription revenues will further boost services revenue, although the impact will be felt next quarter." Apple faces uncertain markets outside of its home in the US. The company has been expanding its retail operations, opening its first-ever store in India in April and a new store in China just this week. However, Apple's quarterly revenue from China, \$15.5bn, missed analysts' expectations of \$16.8bn. According to Forrester vice-president principal analyst Julie Ask, consumers are also more likely to buy another Apple device if they are longtime users of its services. "Services revenue is the important number," Ask said. "Apple is playing a long game. Services make hardware more valuable. More devices make the services more valuable. The more a consumer uses their devices and services, the better Apple understands the consumer and can act as a virtual assistant to them."