

Apple reports slumping iPhone sales as global demand weakens

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Apple released its earnings report on Thursday, revealing a drop in overall revenue fueled by slackening iPhone sales. Earnings exceeded market expectations, however, and Apple's shares rose in after-hours trading. Tim Cook, Apple's chief executive, said in a statement released before the call that "Apple is reporting revenue of \$90.8bn for the March quarter, including an all-time revenue record in services". The iPhone manufacturer reported revenue of \$90.8bn, down 4% year-over-year, but surpassing anticipated earnings of \$90.1bn. It declared \$0.25 in cash dividend for each share, an increase of 4%. iPhone revenue was \$45.96bn, down 10% from the same time period last year, whereas Wall Street's estimations were \$46bn. The company also reported that its board had authorized a \$110bn stock buyback. "Longer term, I think that Apple's shift to a service business model is a robust approach to compensate for its dependence on iPhone sales performance," said Forrester vice-president and principal analyst Thomas Husson. Apple unseated Samsung late last year as the world's largest smartphone provider, capturing about 20% of the global market share. Shipments of Apple's smartphones declined in the first quarter of this year, however, as Chinese competitors such as Huawei gained ground. Samsung, which saw a lighter fall in its shipments than Apple, took back the top spot among smartphone makers in the first months of 2024. During the Q&A portion of the earnings call, Cook and Apple's chief financial officer, Luca Maestri, fielded multiple questions about the company's performance in China. Demand in the country has fallen, although the earnings report showed that the situation was less dire than many investors feared. Cook also said Apple would make "significant investments" in generative AI in the coming quarter, in line with similar announcements from Amazon, Alphabet, Microsoft and Meta in recent weeks. He repeatedly brought up artificial intelligence, claiming that the MacBook Air was the "best consumer laptop for AI". "We continue to feel very bullish about our opportunity in generative AI," Cook said on the call. "We are making significant investments and we're looking forward to sharing some very exciting things with our customers soon." As with many big tech companies over the past year, Apple made cuts in several departments, laying off a sizable number of employees. It shuttered a decade-long project in February to produce an autonomous electric car and laid off about 600 workers last month following the announcement. It is estimated the development of the car, codenamed Project Titan, cost Apple roughly \$10bn. The company's electric vehicle operation had a long history of turmoil, but the full shutdown of the multibillion-dollar effort surprised both the public and Apple employees working on the project. When the electric vehicle project was canceled, Apple executives also announced that they would be dedicating more resources to artificial intelligence projects. Apple has been poaching AI researchers from other tech companies such as Google, according to a Financial Times analysis, and is quietly setting up an AI research lab in Zurich. Apple has also been releasing AI research papers that may predict

new features in its phones. Apple has been less public about its foray into generative AI than rivals like Microsoft and Google, but has similarly poured money into staffing up and acquiring AI startups. It is expected to reveal more of its plans for integrating generative AI into smartphones later this year. The Vision Pro headset, Apple's first new gadget in a decade, was released in early February. According to its two most recent earnings reports, the product does not make a significant contribution to Apple's revenue. The company is also facing numerous legal battles in the coming months, as regulators in the US and Europe have issued fines and levied antitrust lawsuits. The US Department of Justice filed a landmark antitrust lawsuit in March, accusing Apple of engaging in "a broad, sustained, and illegal course of conduct" to establish a smartphone monopoly. "Apple creates barriers and makes it extremely difficult and expensive for both users and developers to venture outside the Apple ecosystem," Merrick Garland, the attorney general, said while announcing the suit. European authorities also fined Apple €1.8bn for EU antitrust violations, alleging that the company blocked competition from other music streaming services through unnecessary restrictions on its app store. Apple has rejected the allegations from European and US regulators, and vowed that it will contest the cases against its business practices. Apple's stock price declined in recent months to fluctuate around \$170 per share, down from its all-time high of about \$199 which it hit last December. Shares of Apple rose in the days before the earnings report after a well-known financial analyst at Bernstein upgraded the stock to a prediction that it would outperform current market expectations and advised people to buy Apple stock. Cook ended his part of the call touting Apple's commitment to environmentally friendly operations, and putting a positive spin on the company's forthcoming products. "I couldn't be more excited for the future we have ahead of us, driven by the imagination and innovation of our teams and the enduring importance of our products and services in people's lives," Cook said.