

# Apple Inc.

## Quarterly Earnings Report

### Q3 Fiscal Year 2024 (Quarter Ended June 29, 2024)

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#### Financial Highlights

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Apple Inc. reported total net revenue of \$85.8 billion for the third fiscal quarter of 2024, compared to \$81.8 billion in Q3 2023, an increase of approximately 5% year over year.

Gross margin for Q3 2024 was 46.3%, compared to 44.5% in Q3 2023. The improvement was driven by favorable product mix and cost efficiencies in the supply chain.

Diluted earnings per share were \$1.40, an 11% increase from the \$1.26 reported in the prior-year quarter, driven by higher revenue and improved operating margins.

Basic earnings per share were \$1.42 and diluted earnings per share were \$1.40 for Q3 2024. In Q3 2023, basic EPS was \$1.27 and diluted EPS was \$1.26. The weighted average diluted share count decreased to 15.41 billion from 15.70 billion due to the share repurchase program.

Revenue by Product Segment

Segment	Q3 2024	Q3 2023	YoY Change
iPhone	\$39.3B	\$39.6B	-1%
Mac	\$7.0B	\$6.8B	+2%
iPad	\$7.2B	\$5.8B	+24%
Wearables, Home & Acc.	\$8.1B	\$8.3B	-2%
Services	\$24.2B	\$21.2B	+14%
Total	\$85.8B	\$81.8B	+5%

iPhone revenue was \$39.3 billion, compared to \$39.6 billion in Q3 2023, representing a modest decline of approximately 1%. The iPhone 15 family continued to perform well despite typical seasonal patterns.

Mac revenue was \$7.0 billion, up 2% year over year, driven by the M3 chip family.

iPad revenue was \$7.2 billion, a 24% increase driven by the new M4 iPad Pro launch.

Wearables, Home, and Accessories revenue was \$8.1 billion, down 2% from the prior year. Apple Vision Pro launched during the quarter but was offset by softness in Apple Watch.

Services revenue reached an all-time record of \$24.2 billion, up 14% year over year. The segment includes the App Store, Apple Music, iCloud, Apple TV+, AppleCare, and licensing revenue.

## Revenue by Geographic Region

Region	Q3 2024	Q3 2023	YoY Change
Americas	\$37.7B	\$36.6B	+3%
Europe	\$21.9B	\$20.5B	+7%
Greater China	\$14.7B	\$15.6B	-6%
Japan	\$5.1B	\$4.8B	+6%
Rest of Asia Pacific	\$6.4B	\$5.7B	+12%
Total	\$85.8B	\$81.8B	+5%

Americas revenue was \$37.7 billion, up 3% year over year.

Europe revenue was \$21.9 billion, up 7% year over year.

Greater China revenue was \$14.7 billion, down 6% from \$15.6 billion in Q3 2023. The decline was attributed to increased competition from domestic smartphone manufacturers and macroeconomic headwinds.

Japan revenue was \$5.1 billion, up 6% year over year.

Rest of Asia Pacific revenue was \$6.4 billion, up 12% year over year.

## Operating Expenses

Total operating expenses for Q3 2024 were \$14.3 billion. Research and development expenses were \$7.9 billion, reflecting continued investment in AI and mixed reality technologies. Selling, general, and administrative expenses were \$6.4 billion.

R&D expenses were \$7.9 billion, up 8% from \$7.3 billion in Q3 2023, reflecting investment in AI and mixed reality. SG&A expenses were \$6.4 billion, up 3% from \$6.2 billion in Q3 2023.

R&D as a percentage of revenue increased to 9.2% from 8.9% in the prior year quarter.

Condensed Income Statement

Item	Q3 2024	Q3 2023
Total Revenue	\$85.8B	\$81.8B
Cost of Revenue	\$46.1B	\$45.4B
Gross Profit	\$39.7B	\$36.4B
Gross Margin	46.3%	44.5%
R&D Expenses	\$7.9B	\$7.3B
SG&A Expenses	\$6.4B	\$6.2B
Total Operating Expenses	\$14.3B	\$13.5B
Operating Income	\$25.4B	\$22.9B
Operating Margin	29.6%	28.0%
Net Income	\$21.4B	\$19.8B
Net Margin	24.9%	24.2%
Diluted EPS	\$1.40	\$1.26
Basic EPS	\$1.42	\$1.27

Cash Flow Statement

Operating cash flow was \$28.9 billion for Q3 2024. Capital expenditures were \$1.8 billion, resulting in free cash flow of \$27.1 billion.

The company returned over \$29 billion to shareholders, including \$26 billion in share repurchases and \$3.8 billion in dividends.

Acquisitions totaled \$0.4 billion during the quarter. Net decrease in cash was \$2.1 billion.

Cash Flow Item	Q3 2024
Operating Cash Flow	\$28.9B
Capital Expenditures	-\$1.8B
Free Cash Flow	\$27.1B
Share Repurchases	-\$26.0B
Dividends Paid	-\$3.8B
Acquisitions	-\$0.4B
Net Change in Cash	-\$2.1B

## Balance Sheet Highlights

Cash and cash equivalents at the end of Q3 2024 totaled \$29.8 billion. Including short-term and long-term marketable securities, total cash and investments were approximately \$153 billion.

Long-term debt at the end of Q3 2024 was \$95.3 billion, a decrease from \$98.1 billion at the end of fiscal year 2023. The company continues to manage its debt portfolio through a combination of fixed and floating rate instruments.

Net cash position was approximately \$58 billion, calculated as \$153 billion in cash and securities less \$95.3 billion in long-term debt.

Balance Sheet Item	Q3 2024
Cash and Equivalents	\$29.8B
Total Cash & Securities	\$153.0B
Accounts Receivable	\$22.3B
Total Current Assets	\$128.5B
Total Assets	\$364.8B
Current Liabilities	\$120.1B
Long-term Debt	\$95.3B
Total Liabilities	\$279.4B
Shareholders' Equity	\$85.4B

## Key Financial Ratios

Gross margin: 46.3%. Operating margin: 29.6% (\$25.4B operating income on \$85.8B revenue). Net profit margin: 24.9% (\$21.4B net income on \$85.8B revenue).

Return on equity: approximately 25.1%. Debt-to-equity ratio: 1.12 (\$95.3B debt / \$85.4B equity). Current ratio: 1.07 (\$128.5B current assets / \$120.1B current liabilities).

Trailing P/E ratio: approximately 34.2 based on TTM EPS of \$6.57.

## Quarterly Gross Margin Trend

Quarterly gross margin trend: Q4 2023 was 45.2%, Q1 2024 was 45.9%, Q2 2024 was 46.6%, and Q3 2024 was 46.3%. The year-over-year improvement from 44.5% in Q3 2023 to 46.3% in Q3 2024 was driven by product mix shift toward higher-margin Services and cost efficiencies.

## Capital Returns

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During Q3 2024, the company repurchased approximately \$26 billion of its common stock. The Board of Directors authorized an additional \$110 billion in share repurchases earlier in the fiscal year.

The Board declared a quarterly cash dividend of \$0.25 per share, payable on August 15, 2024. This represents a 4% increase over the prior year's dividend of \$0.24 per share.

Total capital deployment including buybacks, R&D, and dividends was approximately \$37.7 billion. Buybacks represented 69% of total capital deployment, R&D received 21%, and dividends accounted for 10%.

## Forward Guidance - Q4 2024

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For Q4 2024, management expects revenue between \$89 billion and \$93 billion. Gross margin is expected to be between 46% and 47%. Operating expenses are expected to be between \$14.2 billion and \$14.4 billion.

## Management Commentary - AI Strategy

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CEO Tim Cook emphasized Apple Intelligence as "a defining moment for Apple," noting the company's focus on privacy-preserving on-device AI models.

The partnership with OpenAI enables cloud-based generative AI features while maintaining Apple's privacy standards.

Apple Intelligence is expected to launch with iOS 18, iPadOS 18, and macOS Sequoia in Fall 2024.

R&D spending of \$7.9 billion reflects the company's significant investment in artificial intelligence and machine learning capabilities.

New AI-focused developer APIs were announced at WWDC, allowing third-party apps to leverage Apple Intelligence features.

## Risk Factors

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The company faces intense competition in all of its markets, particularly from Samsung, Google, and emerging Chinese manufacturers in smartphones.

Supply chain risks remain significant due to geographic concentration of manufacturing in China and Southeast Asia.

Regulatory risks include ongoing antitrust investigations by the European Commission and the US Department of Justice.

Approximately 60% of revenue is generated outside the United States, exposing the company to foreign exchange fluctuations.

The company depends on third-party manufacturers, principally Foxconn and TSMC, for the production of its products.

Cybersecurity threats continue to evolve, requiring ongoing investment in security infrastructure.

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