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RESEARCH

Is Apple Stock A Buy After iPhone Maker's March-Quarter Earnings Beat?



PATRICK SEITZ | 08:15 AM ET 05/08/2023

Consumer electronics giant **Apple (AAPL)** has seen its sales hindered by weakening macroeconomic conditions, which have rocked Apple stock. Still, many investors might be wondering if AAPL stock is a buy right now.



Apple Stock News: iPhone 14 Sales

Apple introduced its third-generation 5G smartphones, the **iPhone 14 series**, on Sept. 7. It also debuted its Apple Watch Series 8 smartwatches and second-generation AirPods Pro wireless earbuds. Apple stock rose 0.9% on the news.

Analysts praised the innovative new devices but some worried that the premium products would be a **tough sell in the current economic climate**.

However, demand for the high-end iPhone 14 Pro models has been strong, while sales of the regular models have disappointed.

Covid-related production disruptions in China significantly impacted iPhone supply and sales in the December quarter. But Apple was able to capture much of those missed sales in the March quarter, executives said.

Apple now is preparing for the launch of its iPhone 15 smartphone lineup this September.

Apple Opportunities For Growth

With the iPhone business maturing, investors are wondering what the **next big growth driver** will be for Apple stock.

Recently, two businesses have given Apple's sales and profits a boost: services and wearables.

In the March quarter, Apple's services revenue increased 5% year over year to \$20.9 billion. Meanwhile, its hardware sales declined 5% to \$73.9 billion. Services include the App Store, AppleCare, iCloud, Apple Pay, Apple Music, Apple TV+, Apple Arcade and other offerings.

In late October, **Apple raised prices for the first time** on its Apple Music and Apple TV+ services. It also hiked the price for its Apple One services bundle.

In late March, Barclays analyst Tim Long said **Apple's advertising business** is "underappreciated" by investors.

Meanwhile, **Apple is facing antitrust scrutiny** in the U.S., Europe and Asia for its App Store policies, including its 30% commission fee.

Apple Product Rumors Persist

Apple's Wearables, Home and Accessories unit saw sales dip a fraction to \$8.8 billion in the March quarter. This unit includes wearables like the Apple Watch, AirPods wireless earbuds and Beats headphones. It also contains the Apple HomePod wireless speaker and other miscellaneous gadgets.

News leaks suggest that Apple will announce a **headset for virtual reality and augmented reality** in 2023. The **computer headset** could be a driver of Apple stock, analysts say. But many are skeptical about **prospects for the mixed-reality goggles**, which reportedly will cost about \$3,000.

Meanwhile, speculation continues that **Apple is looking to make a self-driving electric car**.

Apple Earnings: Beat and Guide Down

Late on May 4, Apple topped Wall Street's targets for its **fiscal second quarter** and guided lower for the current period. Apple stock rose on the news in the next trading session.

Apple earned \$1.52 a share on sales of \$94.8 billion for the quarter ended April 1. Analysts polled by FactSet had predicted Apple earnings of \$1.43 a share on sales of \$92.9 billion. On a year-over-year basis, Apple earnings were unchanged while sales fell 2.5%. It was the second consecutive quarter of sales declines for Apple.

For the June quarter, Apple forecast sales to decline 2.5% year over year, vs. Wall Street's estimate for an increase of 1.8%

In the March quarter, Apple's iPhone revenue increased 2% to \$51.3 billion, topping analyst estimates. Smartphones accounted for 54% of the company's total sales in the period.

Meanwhile, Apple's Mac computer sales tumbled 31% to \$7.2 billion. Apple's iPad sales declined 13% to \$6.7 billion. And revenue from Apple's wearables, home and accessories unit fell a fraction to \$8.8 billion.

The company's next earnings report is likely to happen in late July or early August. That could be a catalyst for Apple stock.

Apple Stock Retreats From Record High

In January 2022, Apple hit a market value of \$3 trillion when its shares reached 182.86. It was the first company to reach a market capitalization of \$3 trillion.

It notched a record high of 182.94 before pulling back. AAPL stock trended lower in the weeks that followed and it attempted to rally several times last year.

Apple's Storied History

Apple has been an American success story several times over. First, it ignited the personal computer revolution in the 1970s with the Apple II. Then it reinvented the PC in the 1980s with the Macintosh.

Co-founder Steve Jobs returned to run Apple in 1997 and oversaw a winning streak of innovations that included the iMac, iPod, iTunes, iPhone, iPad and the App Store.

The biggest driver of Apple's modern success is the iPhone. The game-changing smartphone, which debuted in 2007, sparked years of massive growth and created a loyal base of customers willing to buy Apple products and services.

Apple has an installed base of more than 2 billion devices in use today, including well over 1 billion iPhones.

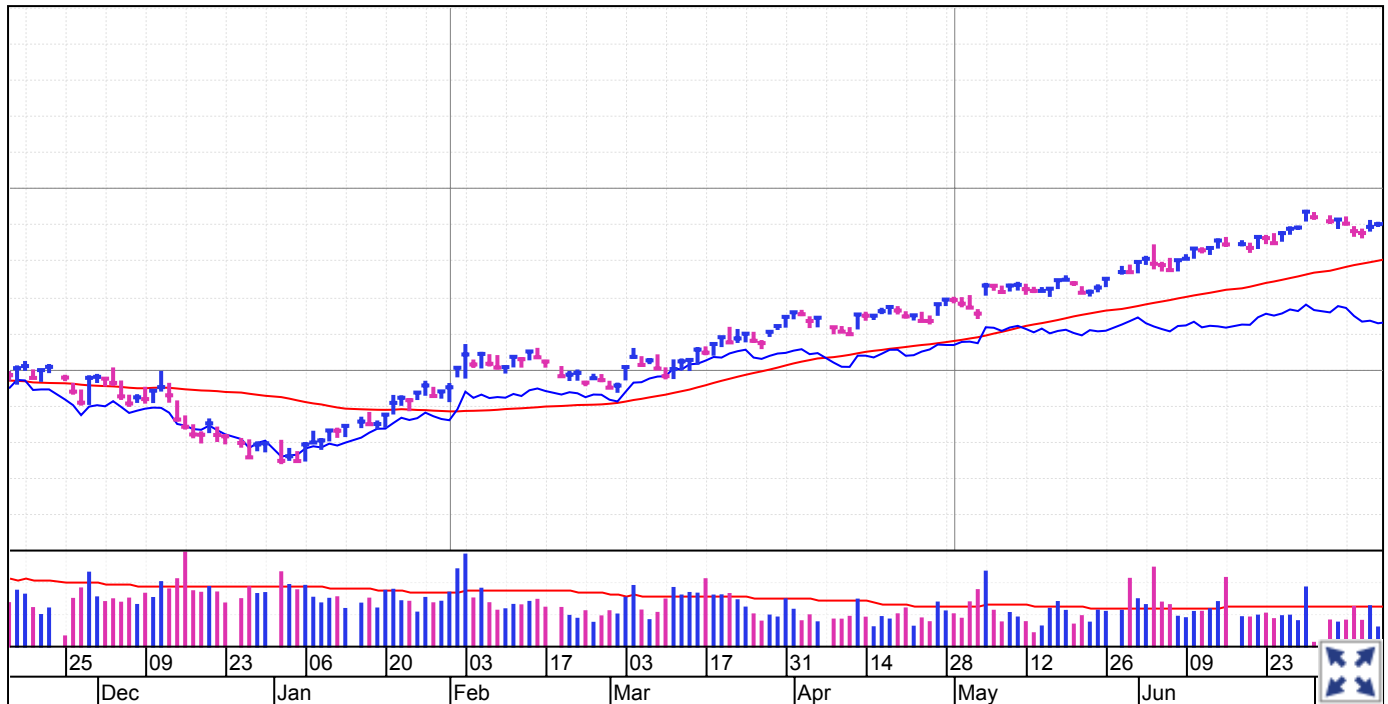
Exclusive Apple Stock Ratings

After hitting its record high at the start of 2022, Apple stock pulled back as much as 32%.

AAPL stock has an **IBD Relative Strength Rating** of 88 out of 99. The Relative Strength Rating shows how a stock's price performance stacks up against all other stocks over the last 52 weeks.

Apple (AAPL)

\$178.85 3.14 ↓ 1.73%



08/07/2023 (Market Close)

Apple stock has an **IBD Composite Rating** of 91 out of 99, according to **IBD Stock Checkup**. IBD's Composite Rating combines five separate proprietary ratings of fundamental and technical performance into one easy-to-use rating. The best growth stocks have a Composite Rating of 90 or better.

Also, Apple ranked No. 5 on **IBD's 2022 100 Best ESG Companies list**. ESG is short for environmental, social and governance.

AAPL Stock Technical Analysis

Year to date, Apple stock has climbed 33.6% through May 5. But it has not established a clear **buy point** during its ascent. It ended the regular session May 5 at 173.57.

In a positive sign, Apple stock has been trading above its **50-day moving average line**, as well as its 200-day line. Also, its **relative strength line** has been rising lately as it outperforms the S&P 500 this year.

Apple stock has an **IBD Accumulation/Distribution Rating** of B, indicating institutional buying of shares.

Is Apple Stock A Buy Right Now?

Apple stock is not a buy right now. It needs to form a **new base** in the right **market conditions** before setting a potential buy point. Check out **IBD's Big Picture** column for the current market direction.

Keep an eye on the **overall stock market**. If the market turns south, **don't try to fight the general stock market direction**.

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