


Apple (AAPL) Fiscal 4Q17 Results: Beats Estimates, Meets Guidance as the iPhone 8 and iPhone X Begin Shipping
Figure 1. Apple Fiscal 4Q17 Key Metrics

	4Q17	4Q16	YoY Change
Revenues (USD Bil.)	\$52.6	\$46.9	12.2%
Gross Margin	37.9%	38.0%	(11) bps
SG&A/Sales	7.3%	7.4%	(18) bps
Operating Margin	25.0%	25.1%	(15) bps
Diluted EPS (USD)	\$2.07	\$1.67	23.7%

Source: Company reports/FGRT

- Apple reported fiscal 4Q17 EPS of \$2.07, up 23.7% year over year and beating the consensus estimate of \$1.87. Revenues were \$52.6 billion, up 12.2% year over year and beating the \$50.7 billion consensus estimate.
- The company sold 46.7 million iPhones in the quarter, above the consensus estimate of 46.4 million units. iPad units sold increased by 11% and Mac units sold increased by 10% year over year. Service revenue was \$8.5 billion, up 34% year over year.
- Apple guided for fiscal 1Q18 revenues of \$84–\$87 billion, in line with the consensus estimate of \$85.2 billion. The margin and expense ranges the company provided result in an EPS range of \$3.56–\$3.80, in line with the consensus estimate of \$3.75.

Fiscal 4Q17 Results

Apple reported fiscal 4Q17 revenues of \$52.6 billion, up 12.2% year over year. Revenues were at the low end of the company's \$52–\$59 billion guidance range but slightly above of the \$50.7 billion consensus estimate. The company saw little revenue from its new iPhones in the quarter, since the iPhone 8 began shipping only on September 22 and the iPhone X starts shipping on November 3, i.e., after the quarter's end.

In the quarter, Apple sold 46.7 million iPhones, above the consensus estimate of 46.4 million units and up 1% year over year, generating revenues of \$28.8 billion, up 2% year over year.

Apple sold 10.3 million iPads in the quarter, above the 10.0 million unit consensus estimate and up 11% year over year. iPad revenue was \$4.8 billion, up 14% year over year.

Apple sold 5.4 million Macs in the quarter, beating the 5.0 million unit consensus estimate and up 10% year over year. Mac revenues were \$7.2 billion, up 25% year over year.

Service revenue—which includes revenue from Digital Content and Services, AppleCare, Apple Pay, licensing, and other services—was \$8.5 billion, up 34% year over year.

Revenue from other products—which include the Apple TV and Apple Watch, Beats products, and iPod and Apple-branded third-party accessories—was \$3.2 billion, up 36% year over year.

EPS was \$2.07, up 23.7% year over year and beating the consensus estimate of \$1.87.



FLASH REPORT

Additional Details from the Quarter

CEO Tim Cook called 4Q17 a very strong finish to a great fiscal year, with record fourth-quarter revenue and year-over-year growth in all product categories in addition to being a record quarter for the Service business. New product introductions included the iPhone 8 and iPhone 8 Plus, the Apple Watch Series 3 and Apple TV. Cook offered the following additional points from the quarter:

iPhone

- The iPhone 8 and iPhone 8 Plus began shipping in the last week and a half of September to customers in more than 50 countries, and the launch of the iPhone X is now under way in Australia and Asia.
- The iPhone X includes new technologies such as the TrueDepth camera system, Super Retina display and A11 bionic chip with neural engine.

Mac

- The Mac had its best year ever, posting its highest annual revenue in Apple's history. The Mac also recorded its best September quarter ever, with revenue growth of 25% driven by notebook refreshes in June and a strong back-to-school season.

iPad

- The iPad saw an 11% increase in unit demand and revenue growth in all geographic segments. iPad results were particularly strong in emerging markets.
- The NPD Group estimates that the iPad had a 54% share of the US tablet market in the September quarter, and that iPad models represented seven of the 10 best-selling tablets.

Apple Watch

- The Apple Watch recorded unit growth of over 50% for the third consecutive quarter, and it remains the best smartwatch in the world. The Series 3, which includes cellular, phone-free connectivity, began shipping just six weeks ago.

Apple TV

- Late in the quarter, Apple launched the Apple TV 4K, which delivers movies and shows in 4K high-dynamic range (HDR) quality and streams live sports and news.

Geography and Apple Stores

- Apple opened a store on Chicago's Michigan Avenue two weeks ago. It is the first store that brings together Apple's vision for the future of retail, providing a welcoming place for everyone to experience its products, services and educational programs in the heart of the city.

App Store, Apple Music and Apple Pay

- Both customers and developers have responded positively to the App Store's new design in iOS 11, as reflected by frequency of customer visits, amount of time spent in-store and number of apps downloaded.
- Apple Music continues to see ever-higher conversion rates.
- Apple Pay was expanded to include Denmark, Finland, Sweden and the United Arab Emirates last month and continues to grow rapidly.



FLASH REPORT

Outlook

Apple guided for fiscal 1Q18 revenues of \$84–\$87 billion, up 7%–11% year over year and in line with the consensus estimate of \$85.2 billion.

The margin and expense ranges the company provided result in a 1Q18 EPS range of \$3.56–\$3.80 (midpoint: \$3.68), in line with the consensus estimate of \$3.75.



FLASH REPORT

Deborah Weinswig, CPA

Managing Director
FGRT
New York: 917.655.6790
Hong Kong: 852.6119.1779
China: 86.186.1420.3016
deborahweinswig@fung1937.com

John Harmon, CFA
Senior Analyst

Hong Kong:

2nd Floor, Hong Kong Spinners Industrial Building Phase 1&2
800 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 4406

London:

242–246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

New York:

1359 Broadway, 18th Floor
New York, NY 10018
Tel: 646 839 7017

FungGlobalRetailTech.com