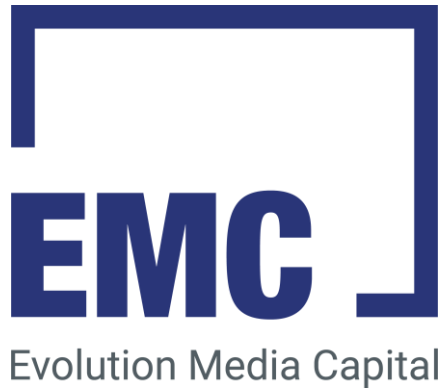




Apple (AAPL) 2018 Q2 Earnings Summary

August 2018

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# Apple (AAPL) 2018 Q2 Earnings Summary

August 2018



## Apple Is Quietly Working On A Video Offering, But Is Keeping The Details Close To The Chest

### VIDEO

- **Have got great talent in the area that they have sourced from different places and feel really good about what they will eventually offer**
  - Very excited to work with Oprah and there's no matching her talent to connect with audiences around the world
- **Seeing things on the periphery that all point to dramatic changes speeding up in the content industry**
  - Different Pay-TV providers are using Apple TV as their box to go to market with their subscription service
  - Third-party video subscriptions are growing 100% year over year

### MUSIC

- **Have well over 50 million listeners when you combine paid subscribers and trial users**
  - Took the leadership position in North America during the quarter, and had leadership position in Japan
  - Apple Music revenues grew over 50% year over year
- **The real challenge is growing the market, not the competition between companies that are providing music**
  - **Outside of China, there are less than 200 million subscribers around the world across streaming music services**

### IPHONE

- **Smartphone market is very healthy and the success of the iPhone X shows that customers want innovative products**
  - Active installed base on iPhones grew by double digits, driven by switchers, first-time smartphone buyers and existing customers
- **A lot of people buy Apple products for the whole ecosystem even though they might not currently use all the different products**
  - The iPhone isn't always the entry point because it is somewhat fluid and different for each user

### SERVICES

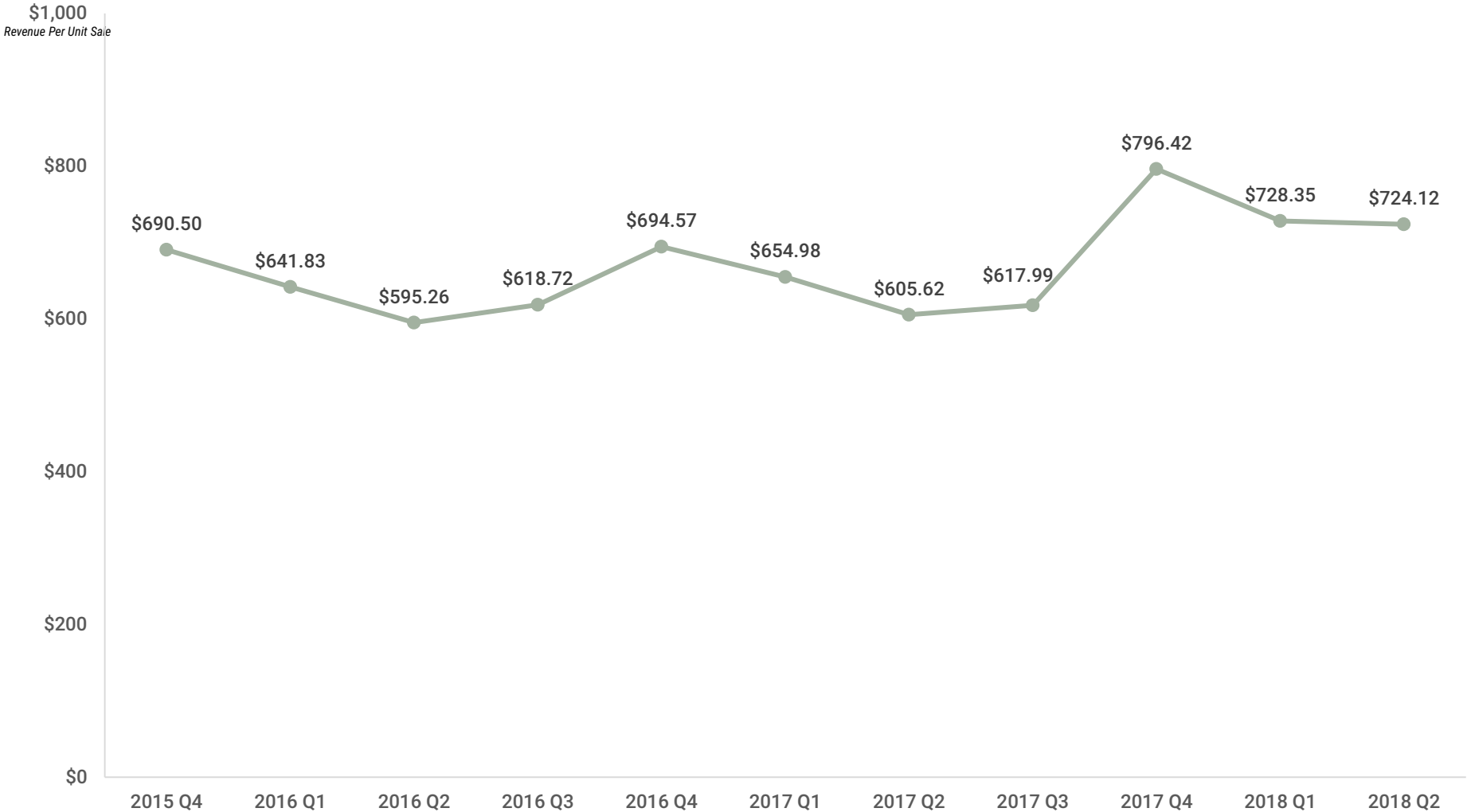
- **The App Store turned 10 years old this month and there are almost 30,000 available in the App Store today**
  - The App Store has generated nearly twice the revenue of Google Play so far in 2018
- **Paid subscriptions from Apple and third parties have now surpassed 300 million, an increase of more than 60% in the past year alone**
  - Revenue from subscription accounts for a significant and increasing percentage of their overall Services business

*The rapid rise in Apple Music subscribers highlights the benefits of combining hardware and software*

# Revenue Per Unit



Customers Have Not Been Deterred By The Higher Price Point For The iPhone X

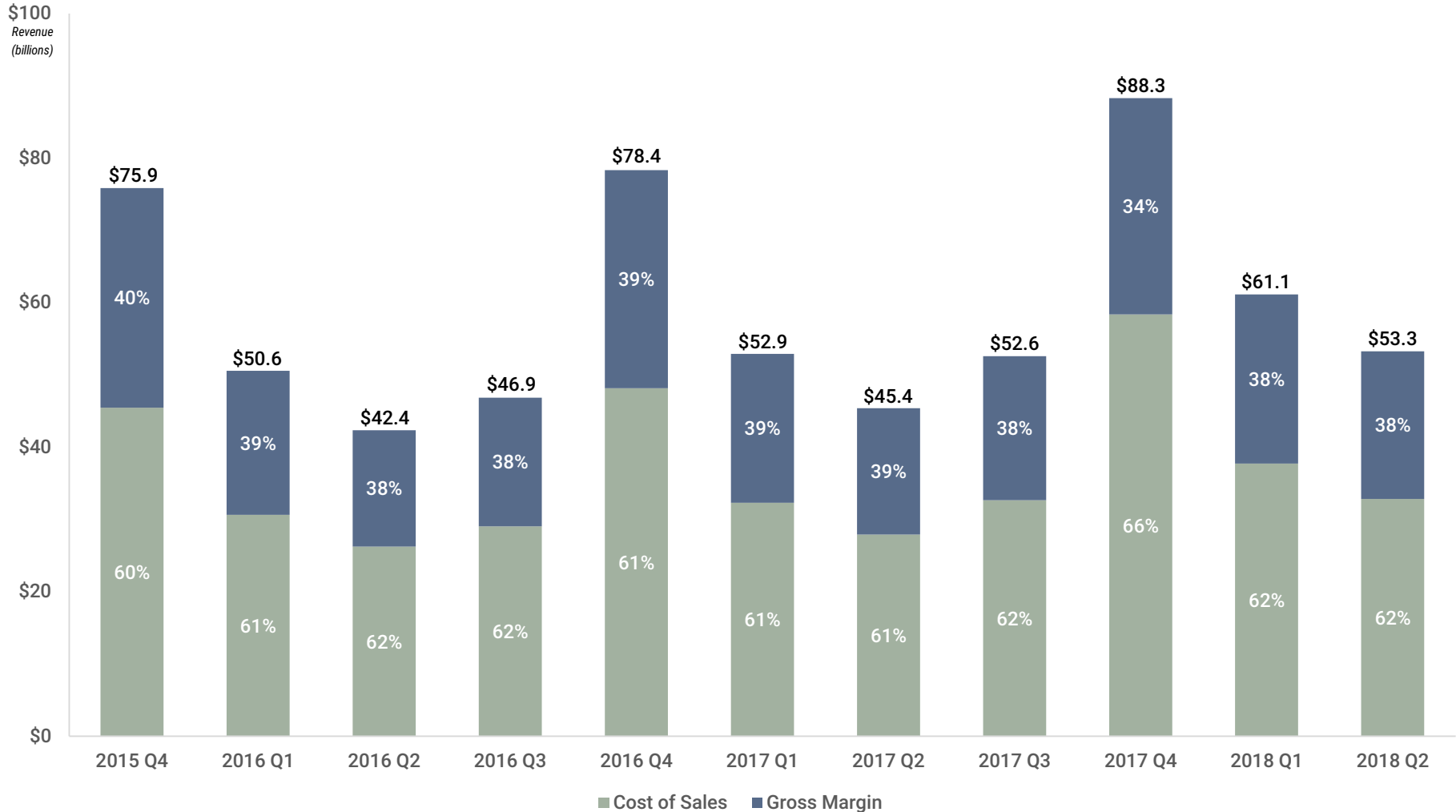


*Building out the suite of home products and wearables keeps users entrenched in the Apple ecosystem*

# Margins



While New iPhone Models Generate Spikes In Revenue, Margins Tend To Remain Consistent



*As replacement cycles lengthen, it becomes even more important to offer innovative features with every new iPhone*

# Services Revenues



The App Store Has Revolutionized The Mobile Industry And Is Driving Increasing Revenues



*No one really knows if the upcoming video product will transform the content business or be just another OTT service*