

Apple profit ebbs as iPhone sales under pressure

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Apple's increased focus on selling services and digital goods to iPhone users comes as regulators and app makers seek to loosen the tech giant's grip on the App Store.

Apple on Thursday said its quarterly profit ebbed but topped market forecasts as it announced an unprecedented \$110 billion share buyback.

The iPhone maker reported a profit of \$23.6 billion on \$90.8 billion in revenue in the first three months of this year.

"Given our confidence in Apple's future and the value we see in our stock, our Board has authorized an additional \$110 billion for share repurchases," chief financial officer Luca Maestri said in the earnings release.

Shares were up nearly 6 percent to \$183.20 in after-market trading, buoyed by the epic buyback program.

Apple took in a record high amount from digital goods and services sold to fans of the iPhone-maker's gadgets, chief executive Tim Cook said in an earnings release.

As expected, iPhone sales dropped with pressure growing from China and increased competition from Huawei.

The Silicon Valley giant reported \$45.7 billion in revenue from iPhone sales, its main money maker, versus \$51.3 billion in the same period a year earlier, a ten percent drop.

In the key Greater China market, sales of iPhones shrank to \$16.4 billion from \$17.8 billion in a year-over-year comparison, earnings figures showed.

"It's been a tough year for Apple, no longer the world's most valuable company nor the top smartphone provider," Emarketer analyst Jacob Bourne said in a note to investors.

"Waning iPhone demand in China has notably dented revenues."

Tech giant Huawei recently reported that its first-quarter profits surged

over fivefold year-on-year, as the US-sanctioned firm continues to bite into competitor Apple's sales.

"Apple's sales were subdued during the quarter as Huawei's comeback has directly impacted Apple in the premium segment," Counterpoint senior research analyst Ivan Lam said.

In another setback for the iPhone, Samsung regained its position as the top smartphone seller worldwide in the first quarter of this year, according to industry tracker International Data Corporation.

Cook said he remains very optimistic about the China market, noting iPhones were top sellers in urban areas and his recent visit to open an Apple store in Shanghai was "fantastic."

"I maintain a great view of China in the long term," Cook said.

Apple's sales decline in China was less than feared, and the company appears to be holding up better than expected there, according to CFRA senior equity analyst Angelo Zino.

No Vision Pro impact

As competitive pressure mounts on the iPhone, the Silicon Valley tech giant continues a push to ramp up revenue from services and digital content sold to fans of its devices.

But that move faces a threat from regulators and app makers who accuse Apple of essentially having a monopoly due to its tight control of the App Store and gadget operating software.

The US Department of Justice is suing Apple, accusing the company of illegally maintaining a monopoly for its iPhone by stifling competition

and imposing exorbitant costs on consumers.

Apple said the suit was "wrong on the facts and the law, and we will vigorously defend against it."

The EU is, meanwhile, is probing whether the App Store is allowing developers to show consumers offers, free of charge, outside of those app marketplaces.

Apple is also under pressure not to be left behind when it comes to incorporating artificial intelligence into its offerings.

Apple has said little about the technology, which rivals Google and Microsoft have been aggressively developing.

"We see generative AI as a very key opportunity across our products," Cook said.

"We'll be talking more about it as we go through the the weeks ahead."

An Apple event next week is expected to spotlight new iPads, and software innovation news will be the focus of an annual WWDC developers conference in June.

"WWDC announcements could dispel concerns over Apple's AI strategy," analyst Bourne said.

Meanwhile, the recently launched Vision Pro "spacial reality" headgear and new MacBook Air laptop models are not likely to have "any impact at all on the company's bottom line anytime soon," Forrester principal analyst Thomas Husson said in a note to investors.

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