

# Apple breaks out of recent sales slump as it gears up to make its leap into the AI craze

August 2 2024, by Michael Liedtke

---



Apple iPhone 15 ProMax phones are shown in an Apple store in Pittsburgh, on June 3, 2024. Apple reports earnings on Thursday, Aug. 1, 2024. Credit: AP Photo/Gene J. Puskar, File

Apple snapped out of a prolonged sales slump during its most recent

quarter as the trendsetting company prepares to launch into the artificial intelligence craze with an arsenal of new technology that's expected to juice demand for its next iPhone.

The fiscal third-quarter results announced Thursday covered an April-June period that's typically a sluggish stretch for Apple as its loyal customer bases awaits the next version of the iPhone that's traditionally unveiled shortly after Labor Day.

Even so, Apple boosted its sales from a year ago—a welcome reversal of fortune on the heels of five consecutive quarters of year-over-year revenue declines.

This time around, Apple's revenue rose 5% from a year to \$85.78 billion—a figure that exceeded analysts' projections. The Cupertino, California, company earned \$21.45 billion, or \$1.40 per share, an 8% increase from the same time last year. The profit also topped analyst forecasts.

Apple's shares swung between slight increases and modest declines in Thursday's extended trading as investors assessed the results.

Sales of the iPhone—Apple's marquee product—remained on a downward slope though, dipping 1% from last year to \$39.3 billion. That decrease wasn't as bad as the January-March period when iPhone sales plummeted 10% from last year, and now the product appears headed toward a major upswing.

That's because Apple is planning to roll out [a variety of artificial intelligence features](#) that are supposed to make its virtual assistant Siri smarter and also perform a variety of helpful and fun tasks, including helping to draft texts and even creating unique emojis on demand. The AI tools will be included in a free software update expected in the

autumn, but most of the features will only work on iPhones with a special chip that so far has only been available on two premium models Apple released last year.

The next model, the iPhone 16, is expected to be equipped with the AI chip—a factor that analysts believe will spur consumers who have been holding on to their older devices to splurge on upgrades so they can take advantage of the new features. That expectation is the main reason why Apple's stock price has surged 13% since the company previewed its AI tools in early June—a run-up that has created about \$400 billion in shareholder wealth so far.

"I believe it will be a very key time for a compelling upgrade cycle," Apple CEO Tim Cook told analysts during a Thursday conference call.

Apple's push into AI may also fuel its steadily growing services division, which saw its revenue climb 14% from last year to \$24.21 billion in the most recent quarter. Although the services division has been thriving for years, it's confronting regulatory threats that could drag down its performance.

A lucrative deal that generates about \$20 billion in revenue by making Google the default search engine on the iPhone and Safari browser is being targeted in a high-profile [antitrust case](#) that the U.S. Justice Department filed against Google. A [federal judge](#) is expected to issue a ruling by the end of this year.

The Justice Department also is targeting Apple in a separate lawsuit that it filed in March, alleging the company is illegally locking out competition by erecting unnecessary barriers around the iPhone. Apple has adamantly denied any wrongdoing and launched an attempt to have the case dismissed in documents filed Thursday in New Jersey federal court.

That started a legal process that will take several more months to play out before the presiding judge decides whether to throw out the case or allow it to proceed in a ruling likely to come late this year or early next year.

As has been happening during much of the past year, Apple's sales continued to erode in China—a worry for investors because the region is one of the company's key markets. Apple's revenue in China dropped 7% from last year in the past quarter.

© 2024 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed without permission.

Citation: Apple breaks out of recent sales slump as it gears up to make its leap into the AI craze (2024, August 2) retrieved 2 August 2024 from <https://techxplore.com/news/2024-08-apple-sales-slump-gears-ai.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.