

BRIEFING APPLE

THE ISSUE OUT OF JUICE

Apple started the new year with a bang. Chief executive Tim Cook issued a letter to investors on January 2, revising down its first quarter guidance. In the aftermath, the stock dropped almost 10% as the news confirmed investors' worst fears relating to global growth.

The letter set out several headwinds, which were stronger than initially anticipated by management. These included adverse currency moves, "significantly" weaker economic activity in some emerging markets (namely China) and lower iPhone upgrades than anticipated. The letter highlighted lower iPhone revenues in China accounting for all the revenue shortfall in guidance.

Apple's woes are not unique in the smartphone sector — rival Samsung released similarly disappointing figures last week.

THE BOSS TIM COOK

Tim Cook joined Apple shortly after the return of Steve Jobs to the company in 1998. While Jobs brought the visionary products, Cook is credited with streamlining the company's operations. Cook holds an engineering degree from Auburn University and an MBA from Duke University. He held a variety of positions prior to being appointed chief executive, including chief operating officer and interim chief executive during Jobs's illness in 2009.

THE ANALYST PIERCE BYRNE, CANTOR

A 10% cut in revenue expectations highlights reliance on the iPhone. Management has two levers to pull: volume and pricing. Pricing looks to have maxed out, with a fourth quarter average selling price of \$793 (€688), and consumers balking at the latest iPhone pricing. Volume growth has also stuttered. A slowing Chinese market and failure to gain traction in India have hurt. Service revenue, through iCloud, Apple Music and Apple Pay, remains the bright spot, growth averaging 26% over the previous three years. At 14% of revenues, it now contributes more than iPad sales, but less than iMac, so it is some way off becoming the main driver of top-line growth. Apple trades at 12.63 times forecast 2019 earnings and has a dividend yield of 1.91%.

◆ Apple



Source: Yahoo

Market cap: \$720.3bn (€628bn);
Share price: \$152.29; **DPS:** 1.91%; **EPS:** FY19 \$12.06; **Top five shareholders:** Vanguard Group, 7.16%; Blackrock Inc, 6.25%; Berkshire Hathaway, 5.46%; State Street, 4.07%; FMT LLC, 2.34%