



Apple Earnings Show That Growth Is Back (and Likely Here to Stay)

Description

Apple ([NASDAQ: AAPL](#)) already returned to growth in its [third quarter of fiscal 2019](#). It barely pulled it off, however, growing its top line by just 1% year over year during the period. And the midpoint of management's guidance range for fiscal Q4 implied a return to declining revenue, suggesting the top-line resurgence might have been short-lived.

But Apple's strong fourth quarter results and management's optimistic outlook for the company's important holiday quarter not only show an acceleration in the company's top-line growth, but they also paint a picture of a company with a revived growth story.

Apple's fiscal fourth-quarter results

Revenue in the fourth quarter increased 2% year over year to \$64.04 billion. While this is a small increase in percentage terms, the period's total revenue was above management's guidance range, which was \$61 billion to \$64 billion. Furthermore, the top line was also more than \$1 billion ahead of analysts' average forecast for fourth-quarter revenue of \$63.0 billion.

Earnings per share of \$3.03 also exceeded analysts' consensus estimate of \$2.84. In addition, the 4% year-over-year growth in EPS marked a return to bottom-line growth; in fiscal Q2, earnings per share were down 7% year over year.

Fueling the quarter was strong performance from iPad, services, and the wearables, home, and accessories segment. iPad revenue increased 17% year over year to \$4.7 billion. Services, which is Apple's second-largest segment, saw its revenue increase 18% year over year — an acceleration from 13% growth in fiscal Q3. This put services revenue at \$12.5 billion.

Meanwhile, wearables, home, and accessories revenue soared 54% year over year — also an acceleration from 48% growth in fiscal Q3. Total wearables, home, and accessories revenue was \$6.5 billion.

As expected, the iPhone business continued to face headwinds — namely a tough year-over-year

comparison. Revenue was down 9% to \$33.4 billion. But this year-over-year decline importantly moderated from a 12% decline in iPhone revenue in fiscal Q3, meaning the segment didn't drag on overall business as much as it has in recent quarters.

Mac revenue declined 5% year over year to \$7.0 billion.

Looking ahead

One of the most encouraging figures from Apple's fiscal fourth-quarter updates were its guidance.

Management said it expects revenue in its first quarter of fiscal 2020 to be between \$85.5 billion and \$89.5 billion. Not only is the midpoint of this guidance range (\$87.5 billion) ahead of analysts' average estimate for fiscal first-quarter revenue of \$86.9 billion, but it also implies a 4% year-over-year increase in revenue. In other words, Apple expects revenue growth to accelerate once again — good news for investors since Apple's holiday quarter is its most important period.

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