



APERTURE

INSIGHTFUL AND RELEVANT RESEARCH UPDATES

Apple Inc. 2Q 2026 Results

Share Price	US\$276.45
Date	05 May 2026

RESULTS SUMMARY

With strong momentum from the iPhone 17 launch, Apple delivered a solid set of 2Q results. Demand for the iPhone 17 was exceptionally strong, particularly in China, although memory chip shortages constrained Mac supply. Management expects these supply issues to improve in the coming months and provided positive guidance for the June quarter, exceeding expectations.

Group revenue rose 17% to US\$111.2bn, beating the top end of guidance. iPhone revenue grew 22% to US\$57bn, a record for the March quarter, while Services revenue increased 16% to US\$31bn, also reaching an all-time high. Gross margin was 49.3%, above the guidance and approximately 2.2 percentage points higher than last year. Diluted earnings per share increased 22% to US\$2.01, ahead of the US\$1.95 expected.

China stood out, with revenue up 28.1%, significantly outpacing the broader market and indicating market share gains. All regions achieved double-digit growth and set revenue records for the quarter. Looking ahead, management expects revenue growth of 14% - 17% for the June quarter, well above the roughly 9% expected. However, rising memory costs are a concern, with management noting these will increase meaningfully in the second half of the year.

OUR LONG-TERM INVESTMENT VIEW

- Apple has a dominant market share in the premium smartphone market due to the widely regarded quality of the iPhone. Over time, the group has successfully extended this superior design and manufacturing excellence across multiple devices, enabling it to price its products at a premium relative to competitors. We believe this enduring advantage differentiates Apple from its competitors and, in some respects, positions the company as a luxury brand.
- Apple's brand loyalty has been further strengthened by the group's own operating system and app store, which are used across its devices. This has created a walled garden for Apple in the attractive software and services sub-segments of the technology industry. Apple's app store enjoys a duopoly in its market. The structure of this market allows Apple to generate revenue from a wide range of app developers and at a high margin. We view this as a key driver in Apple's continued transition towards offering more services, a segment we expect to drive revenue growth and support margins.
- Thanks to the group's dominant market share, strong margins, and the recurring nature of some of its revenue streams, Apple is highly cash generative. Over time, the group has built a fortress-like balance sheet, which holds excess cash. Historic capital allocation has been impressive, and we believe this will continue to underpin Apple's valuation.

UNPACKING 2Q 2026 RESULTS

High-level numbers

- **Group revenue** rose 17% over the period to US\$111.2bn during the March quarter, marking a record quarter for Apple.
- **Gross margins** increased by 1.1 percentage points to 49.3% (vs. 48.2% in the prior year). This was driven by a favourable mix, with Services' gross margin at 76.7% and Products' gross margin at 38.7%.
- **Operating margins** increased by 1.3 percentage points to 32.3% during the year,
- **Wearables, Home & Accessories revenue** rose 5% to US\$7.9bn, driven by the performance of the wearables. Management commented that half of Apple Watch purchasers in the quarter were new to the product.
- **Services (28% of sales)** were again a standout performer, with revenue reaching an all-time high of US\$31bn, up 16% year-over-year. Strong performance was observed across developed and emerging markets, with all-time revenue records set in most Services categories. Both

despite a 34% increase in research and development expenditure. Operating profit was US\$35.9bn vs US\$29.6bn in the prior year.

- **Diluted earnings per share came in at US\$2.01**, 22% higher than last year.
- The group ended the year with US\$147bn in cash and marketable securities and US\$85bn in debt. As a result, the **group's balance sheet** remains in a net cash position of US\$62bn.

Key segment performance

- **Products (72% of revenue) sales rose 16.7% over the period to US\$80.2bn.** iPhone sales, which make up nearly 71% of product sales, increased 22% y-o-y to US\$57bn, setting a new March record despite ongoing supply constraints. Management highlighted that the iPhone 17 family is the most popular in Apple's history and that the company gained market share in the quarter.
- **Apple's installed base** of all products, including the iPhone, reached an all-time high of over 2.5 billion devices. Management noted robust momentum in emerging markets, with double digit growth in India, Indonesia, Mexico, and Thailand.
- **Mac revenue** rose 6% to US\$8.4bn, with strong performance in key emerging markets. Demand for Mac models, particularly the Mac mini, Mac Studio, and MacBook Neo, exceeded expectations, leading to supply constraints for several Mac models in the March quarter.
- **iPad sales increased 8% to US\$6.9bn.** The iPad installed base reached a new all-time high, with double-digit revenue growth in emerging markets, and over half of iPad purchasers in the quarter were new to the product.

transacting and paid accounts reached new all-time highs, indicating increased customer engagement with Services offerings. Services gross margin was 76.7%, up 20 basis points sequentially. **We continue to see Services as a key driver of Apple's future growth as the company focuses on actively monetising its expanding subscriber base and deepening customer engagement.**

Looking ahead

Management provided an upbeat outlook for the June quarter, guiding to 14% - 17% revenue growth, exceeding estimates of approximately 9%. Services are expected to grow by 13% - 14%. Gross margins are forecast between 47.5% - 48.5% for the quarter, reflecting pressure from rising memory costs.

Despite the upbeat outlook, management cautioned that the impact of higher memory is expected to increase as the year progresses. Without providing details, management expects to implement actions that offset some of the higher input costs.

Over the medium term, we expect Apple to deliver low double-digit earnings growth, driven by strength across Products and Services.

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4th Floor, Block A, Old Mutual Wealth, Mutualpark, Jan Smuts Drive, Pinelands, 7405 | Tel: +27 (0)21 524 4678 | Email: privateclients@omwealth.co.za