

APPLE INC

FORM 8-K (Current report filing)

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|-------------|--|
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| Telephone | (408) 996-1010 |
| CIK | 0000320193 |
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| SIC Code | 3571 - Electronic Computers |
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| Sector | Technology |
| Fiscal Year | 09/24 |

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

January 26, 2016

Date of Report (Date of earliest event reported)



Apple Inc.

(Exact name of Registrant as specified in its charter)

California
(State or other jurisdiction
of incorporation)

001-36743
(Commission
File Number)

94-2404110
(IRS. Employer
Identification No.)

1 Infinite Loop
Cupertino, California 95014
(Address of principal executive offices) (Zip Code)

(408) 996-1010
(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

On January 26, 2016, Apple Inc. ("Apple") issued a press release regarding Apple's financial results for its first fiscal quarter ended December 26, 2015, a related data sheet and supplemental materials. A copy of Apple's press release is attached hereto as Exhibit 99.1, a copy of the related data sheet is attached hereto as Exhibit 99.2 and a copy of the supplemental materials is attached hereto as Exhibit 99.3.

The information contained in this Current Report shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

| Exhibit Number | Exhibit Description |
|---------------------------|--|
| 99.1 | Press release issued by Apple Inc. on January 26, 2016. |
| 99.2 | Data sheet issued by Apple Inc. on January 26, 2016. |
| 99.3 | Supplement materials issued by Apple Inc. on January 26, 2016. |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: January 26, 2016

Apple Inc.

By: /s/ Luca Maestri
Luca Maestri
Senior Vice President,
Chief Financial Officer

Exhibit Index

| Exhibit Number | Exhibit Description |
|---------------------------|--|
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| 99.3 | Supplemental materials issued by Apple Inc. on January 26, 2016. |

Apple Reports Record First Quarter Results

iPhone, Apple Watch, Services & Apple TV Drive All-time Record Revenue

Results Produce Record Quarterly Profit of \$18.4 Billion

CUPERTINO, California — January 26, 2016 — Apple® today announced financial results for its fiscal 2016 first quarter ended December 26, 2015. The Company posted record quarterly revenue of \$75.9 billion and record quarterly net income of \$18.4 billion, or \$3.28 per diluted share. These results compare to revenue of \$74.6 billion and net income of \$18 billion, or \$3.06 per diluted share, in the year-ago quarter. Gross margin was 40.1 percent compared to 39.9 percent in the year-ago quarter. International sales accounted for 66 percent of the quarter's revenue.

"Our team delivered Apple's biggest quarter ever, thanks to the world's most innovative products and all-time record sales of iPhone, Apple Watch and Apple TV," said Tim Cook, Apple's CEO. "The growth of our Services business accelerated during the quarter to produce record results, and our installed base recently crossed a major milestone of one billion active devices."

"Our record sales and strong margins drove all-time records for net income and EPS in spite of a very difficult macroeconomic environment," said Luca Maestri, Apple's CFO. "We generated operating cash flow of \$27.5 billion during the quarter, and returned over \$9 billion to investors through share repurchases and dividends. We have now completed \$153 billion of our \$200 billion capital return program."

Apple is providing the following guidance for its fiscal 2016 second quarter:

- revenue between \$50 billion and \$53 billion
- gross margin between 39 percent and 39.5 percent
- operating expenses between \$6 billion and \$6.1 billion
- other income/(expense) of \$325 million
- tax rate of 25.5 percent

Apple's board of directors has declared a cash dividend of \$.52 per share of the Company's common stock. The dividend is payable on February 11, 2016, to shareholders of record as of the close of business on February 8, 2016.

Apple will provide live streaming of its Q1 2016 financial results conference call beginning at 2:00 p.m. PST on January 26, 2016 at www.apple.com/investor/earnings-call/. This webcast will also be available for replay for approximately two weeks thereafter.

[Q1'16 Earnings Supplemental Material](#)

This press release contains forward-looking statements including without limitation those about the Company's estimated revenue, gross margin, operating expenses, other income/(expense), and tax rate. These statements involve risks and uncertainties, and actual results may differ. Risks and uncertainties include without limitation the effect of competitive and economic factors, and the Company's reaction to those factors, on consumer and business buying decisions with respect to the Company's products; continued competitive pressures in the marketplace; the ability of the Company to deliver to the marketplace and stimulate customer demand for new programs, products, and technological innovations on a timely basis; the effect that product introductions and transitions, changes in product pricing or mix, and/or increases in component costs could have on the Company's gross margin; the inventory risk associated with the Company's need to order or commit to order product components in advance of customer orders; the continued availability on acceptable terms, or at all, of certain components and services essential to the Company's business currently obtained by the Company from sole or limited sources; the effect that the Company's dependency on manufacturing and logistics services provided by third parties may have on the quality, quantity or cost of products manufactured or services rendered; risks associated with the Company's international operations; the Company's reliance on third-party intellectual property and digital content; the potential impact of a finding that the Company has infringed on the intellectual property rights of others; the Company's dependency on the performance of distributors, carriers and other resellers of the Company's products; the effect that product and service quality problems could have on the Company's sales and operating profits; the continued service and availability of key executives and employees; war, terrorism, public health issues, natural disasters, and other circumstances that could disrupt supply, delivery, or demand of products; and unfavorable results of legal proceedings. More information on potential factors that could affect the Company's financial results is included from time to time in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of the Company's public reports filed with the SEC, including the Company's Form 10-K for the fiscal year ended September 26, 2015, and its Form 10-Q for the fiscal quarter ended December 26, 2015 to be filed with the SEC. The Company assumes no obligation to update any forward-looking statements or information, which speak as of their respective dates.

Apple revolutionized personal technology with the introduction of the Macintosh in 1984. Today, Apple leads the world in innovation with iPhone, iPad, Mac, Apple Watch and Apple TV. Apple's four software platforms — iOS, OS X, watchOS and tvOS — provide seamless experiences across all Apple devices and empower people with breakthrough services including the App Store, Apple Music, Apple Pay and iCloud. Apple's 100,000 employees are dedicated to making the best products on earth, and to leaving the world better than we found it.

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NOTE TO EDITORS: For additional information visit Apple's PR website (www.apple.com/pr), or call Apple's Media Helpline at (408) 974-2042.

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Apple Inc.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except number of shares which are reflected in thousands and per share amounts)

| | Three Months Ended | |
|---|------------------------------|------------------------------|
| | December 26, 2015 | December 27, 2014 |
| Net sales | \$ 75,872 | \$ 74,599 |
| Cost of sales (1) | 45,449 | 44,858 |
| Gross margin | 30,423 | 29,741 |
| Operating expenses: | | |
| Research and development (1) | 2,404 | 1,895 |
| Selling, general and administrative (1) | 3,848 | 3,600 |
| Total operating expenses | 6,252 | 5,495 |
| Operating income | 24,171 | 24,246 |
| Other income/(expense), net | 402 | 170 |
| Income before provision for income taxes | 24,573 | 24,416 |
| Provision for income taxes | 6,212 | 6,392 |
| Net income | <u>\$ 18,361</u> | <u>\$ 18,024</u> |
| Earnings per share: | | |
| Basic | \$ 3.30 | \$ 3.08 |
| Diluted | \$ 3.28 | \$ 3.06 |
| Shares used in computing earnings per share: | | |
| Basic | 5,558,930 | 5,843,082 |
| Diluted | 5,594,127 | 5,881,803 |
| Cash dividends declared per share | \$ 0.52 | \$ 0.47 |
| (1) Includes share-based compensation expense as follows: | | |
| Cost of sales | \$ 204 | \$ 140 |
| Research and development | \$ 466 | \$ 374 |
| Selling, general and administrative | \$ 408 | \$ 374 |

Apple Inc.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except number of shares which are reflected in thousands and par value)

| | <u>December 26, 2015</u> | <u>September 26, 2015</u> |
|---|------------------------------|-------------------------------|
| ASSETS: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 16,689 | \$ 21,120 |
| Short-term marketable securities | 21,385 | 20,481 |
| Accounts receivable, less allowances of \$63 in each period | 12,953 | 16,849 |
| Inventories | 2,451 | 2,349 |
| Vendor non-trade receivables | 11,668 | 13,494 |
| Other current assets | 11,073 | 15,085 |
| Total current assets | 76,219 | 89,378 |
| Long-term marketable securities | 177,665 | 164,065 |
| Property, plant and equipment, net | 22,300 | 22,471 |
| Goodwill | 5,202 | 5,116 |
| Acquired intangible assets, net | 3,924 | 3,893 |
| Other non-current assets | 7,974 | 5,556 |
| Total assets | \$ 293,284 | \$ 290,479 |
| LIABILITIES AND SHAREHOLDERS' EQUITY: | | |
| Current liabilities: | | |
| Accounts payable | \$ 33,312 | \$ 35,490 |
| Accrued expenses | 24,032 | 25,181 |
| Deferred revenue | 8,989 | 8,940 |
| Commercial paper | 7,259 | 8,499 |
| Current portion of long-term debt | 2,500 | 2,500 |
| Total current liabilities | 76,092 | 80,610 |
| Deferred revenue, non-current | 3,546 | 3,624 |
| Long-term debt | 53,204 | 53,463 |
| Other non-current liabilities | 32,175 | 33,427 |
| Total liabilities | 165,017 | 171,124 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Common stock and additional paid-in capital, \$0.00001 par value: 12,600,000 shares authorized; 5,544,487 and 5,578,753 shares issued and outstanding, respectively | 28,253 | 27,416 |
| Retained earnings | 101,494 | 92,284 |
| Accumulated other comprehensive income/(loss) | (1,480) | (345) |
| Total shareholders' equity | 128,267 | 119,355 |
| Total liabilities and shareholders' equity | \$ 293,284 | \$ 290,479 |

Apple Inc.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

| | Three Months Ended | |
|--|------------------------------|------------------------------|
| | December 26, 2015 | December 27, 2014 |
| Cash and cash equivalents, beginning of the period | \$ 21,120 | \$ 13,844 |
| Operating activities: | | |
| Net income | 18,361 | 18,024 |
| Adjustments to reconcile net income to cash generated by operating activities: | | |
| Depreciation and amortization | 2,954 | 2,575 |
| Share-based compensation expense | 1,078 | 888 |
| Deferred income tax expense | 1,592 | 2,197 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | 3,896 | 751 |
| Inventories | (102) | (172) |
| Vendor non-trade receivables | 1,826 | (3,508) |
| Other current and non-current assets | (893) | (1,648) |
| Accounts payable | (852) | 9,003 |
| Deferred revenue | (29) | 945 |
| Other current and non-current liabilities | (368) | 4,667 |
| Cash generated by operating activities | <u>27,463</u> | <u>33,722</u> |
| Investing activities: | | |
| Purchases of marketable securities | (47,836) | (44,915) |
| Proceeds from maturities of marketable securities | 3,514 | 2,807 |
| Proceeds from sales of marketable securities | 28,262 | 24,166 |
| Payments made in connection with business acquisitions, net | (86) | (23) |
| Payments for acquisition of property, plant and equipment | (3,612) | (3,217) |
| Payments for acquisition of intangible assets | (394) | (48) |
| Other | (298) | 65 |
| Cash used in investing activities | <u>(20,450)</u> | <u>(21,165)</u> |
| Financing activities: | | |
| Proceeds from issuance of common stock | 1 | 80 |
| Excess tax benefits from equity awards | 224 | 264 |
| Payments for taxes related to net share settlement of equity awards | (597) | (512) |
| Payments for dividends and dividend equivalents | (2,969) | (2,801) |
| Repurchase of common stock | (6,863) | (5,030) |
| Proceeds from issuance of term debt, net | 0 | 3,485 |
| Change in commercial paper, net | (1,240) | (2,409) |
| Cash used in financing activities | <u>(11,444)</u> | <u>(6,923)</u> |
| Increase/(decrease) in cash and cash equivalents | <u>(4,431)</u> | <u>5,634</u> |
| Cash and cash equivalents, end of the period | <u>\$ 16,689</u> | <u>\$ 19,478</u> |
| Supplemental cash flow disclosure: | | |
| Cash paid for income taxes, net | \$ 3,398 | \$ 3,869 |
| Cash paid for interest | \$ 396 | \$ 202 |

Apple Inc.
Q1 2016 Unaudited Summary Data
 (Units in thousands, Revenue in millions)

| | Q1 2016 | | Q4 2015 | | Q1 2015 | | Sequential Change | | Year/Year Change | |
|---------------------------|-----------|------------------|-----------|------------------|-----------|------------------|-------------------|------------|------------------|-----------|
| | Revenue | | Revenue | | Revenue | | Revenue | | Revenue | |
| Operating Segments | | | | | | | | | | |
| Americas | \$ | 29,325 | \$ | 21,773 | \$ | 30,566 | | 35% | | - 4% |
| Europe | | 17,932 | | 10,577 | | 17,214 | | 70% | | 4% |
| Greater China | | 18,373 | | 12,518 | | 16,144 | | 47% | | 14% |
| Japan | | 4,794 | | 3,929 | | 5,448 | | 22% | | - 12% |
| Rest of Asia Pacific | | 5,448 | | 2,704 | | 5,227 | | 101% | | 4% |
| Total Apple | \$ | 75,872 | \$ | 51,501 | \$ | 74,599 | | 47% | | 2% |
| | | | | | | | | | | |
| | Q1 2016 | | Q4 2015 | | Q1 2015 | | Sequential Change | | Year/Year Change | |
| | Units | Revenue | Units | Revenue | Units | Revenue | Units | Revenue | Units | Revenue |
| Product Summary | | | | | | | | | | |
| iPhone (1) | 74,779 | \$ 51,635 | 48,046 | \$ 32,209 | 74,468 | \$ 51,182 | 56% | 60% | 0% | 1% |
| iPad (1) | 16,122 | 7,084 | 9,883 | 4,276 | 21,419 | 8,985 | 63% | 66% | - 25% | - 21% |
| Mac (1) | 5,312 | 6,746 | 5,709 | 6,882 | 5,519 | 6,944 | - 7% | - 2% | - 4% | - 3% |
| Services (2) | | 6,056 | | 5,086 | | 4,799 | | 19% | | 26% |
| Other Products (1)(3) | | 4,351 | | 3,048 | | 2,689 | | 43% | | 62% |
| Total Apple | | \$ 75,872 | | \$ 51,501 | | \$ 74,599 | | 47% | | 2% |

(1) Includes deferrals and amortization of related software upgrade rights and non-software services.

(2) Includes revenue from Internet Services, AppleCare, Apple Pay, licensing and other services.

(3) Includes sales of Apple TV, Apple Watch, Beats products, iPod and Apple-branded and third-party accessories.

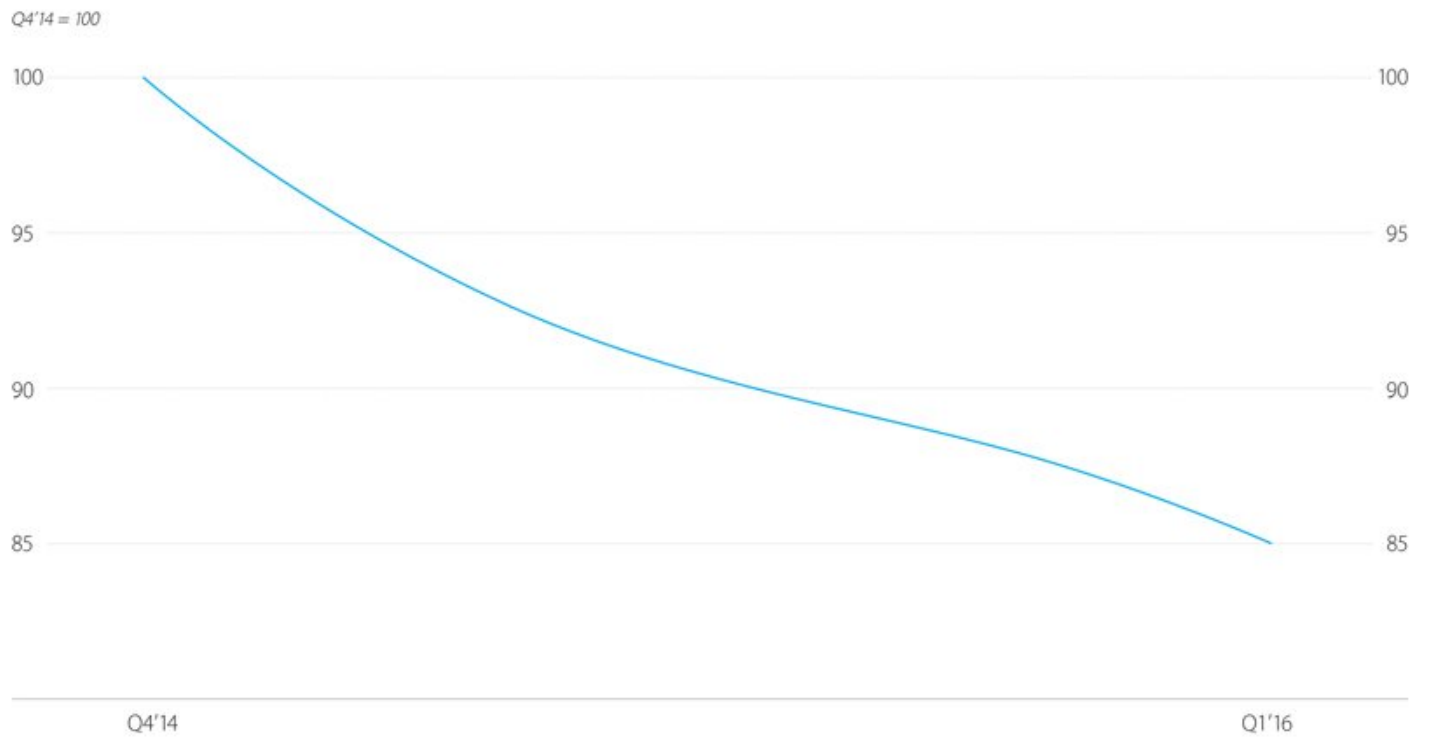


Q1'16 Earnings Supplemental Material

January 26, 2016

Currency Index

\$100 of Apple's non-U.S. dollar revenue in Q4'14 translates into only \$85 U.S. dollars today



The currency index is based on the average exchange rate per quarter weighted by Apple's non-U.S. dollar revenue for each quarter.

Q1'16 Constant Currency Revenue Growth

In constant currency, Q1'16 revenue would have been \$5 billion higher, reflecting an 8% Y/Y increase

| Operating Segments | As Reported | | | In Constant Currency (1) | |
|----------------------|---------------|---------------|-----------|--------------------------|----------------|
| | Q1'16 Revenue | Q1'15 Revenue | Y/Y | Q1'16 Revenue (Non-GAAP) | Y/Y (Non-GAAP) |
| Americas | \$29.3 | \$30.6 | -4% | \$30.2 | -1% |
| Europe | 17.9 | 17.2 | 4% | 20.2 | 18% |
| Greater China | 18.4 | 16.1 | 14% | 19.0 | 17% |
| Japan | 4.8 | 5.4 | -12% | 5.3 | -4% |
| Rest of Asia Pacific | 5.4 | 5.2 | 4% | 6.2 | 19% |
| Total Apple | \$75.9 | \$74.6 | 2% | \$80.8 | 8% |

Reconciliation from GAAP Revenue to Non-GAAP Constant Currency Revenue (1)

| | Americas | Europe | Greater China | Japan | Rest of Asia Pacific | Total Apple |
|--|---------------|---------------|---------------|--------------|----------------------|---------------|
| Q1'16 Revenue (GAAP) | \$29.3 | \$17.9 | \$18.4 | \$4.8 | \$5.4 | \$75.9 |
| Foreign exchange effect on revenue | 0.8 | 2.3 | 0.6 | 0.5 | 0.8 | 5.0 |
| Q1'16 Constant Currency Revenue (Non-GAAP) | \$30.2 | \$20.2 | \$19.0 | \$5.3 | \$6.2 | \$80.8 |
| Q1'15 Revenue (GAAP) | \$30.6 | \$17.2 | \$16.1 | \$5.4 | \$5.2 | \$74.6 |
| Constant Currency Revenue Growth (Non-GAAP) | -1% | 18% | 17% | -4% | 19% | 8% |

(1) Apple calculates non-GAAP constant currency revenue by translating current quarter local currency revenue to U.S. dollars based on prior period average exchange rates. That amount is compared to prior period GAAP revenue to derive non-GAAP constant currency revenue growth (expressed as a percentage). Apple considers non-GAAP constant currency revenue and revenue growth to be useful metrics to investors and management as they facilitate a more useful comparison of current performance to historical performance.

Note: Numbers may not add precisely due to rounding.

Services Revenue

Apple's installed base drove over \$31 billion in related purchases in FY15, up 23% Y/Y, and almost \$9 billion in Q1'16, up 24% Y/Y

| <i>\$ in Billions</i> | FY14 | FY15 | Q1'16 (1) |
|---|--------|--------|-----------|
| Services Revenue | \$18.1 | \$19.9 | \$5.5 |
| Y/Y Change | | 10% | 15% |
| <i>Services Revenue Driven by Installed Base:</i> | | | |
| iTunes Purchased Content | | | |
| Apple Music | | | |
| App Store | | | |
| Licensing | | | |
| Service Parts | | | |
| iCloud | | | |
| Apple Pay | | | |
| Installed Base Related Revenue | \$14.9 | \$16.8 | \$4.7 |
| Adjustment to Reflect Certain Unrecognized Services Purchases (2) | \$10.5 | \$14.3 | \$4.2 |
| Installed Base Related Purchases | \$25.3 | \$31.2 | \$8.9 |
| Y/Y Change | | 23% | 24% |

(1) Amounts exclude \$548 million received from a patent infringement lawsuit.

(2) For third-party applications sold through the App Store and certain digital content sold through the iTunes Store, Apple accounts for such purchases on a net basis by recognizing in Services revenue only the commission it retains from each purchase. This non-GAAP adjustment reflects the portion of the gross amounts billed to customers that Apple remits to third-party app developers and certain digital content owners. Apple considers non-GAAP installed base related purchases to be a useful metric for investors and management as it provides a more complete picture of the transactions generated by the installed base.

Note: Numbers may not add precisely due to rounding.

Active Installed Base

1 Billion

iPhone, iPad, Mac, iPod touch, Apple TV, and Apple Watch devices that have been engaged with our services within the past 90 days.

Non-GAAP Measures

The presentation of non-GAAP financial measures in this supplemental material is not intended to be considered in isolation or as a substitute for, or superior to, Apple's GAAP financial information, and investors are cautioned that the non-GAAP financial measures are limited in their usefulness, may be unique to Apple, should be considered only as a supplement to Apple's GAAP financial measures and do not reflect any positive or negative trend in the Company's performance.