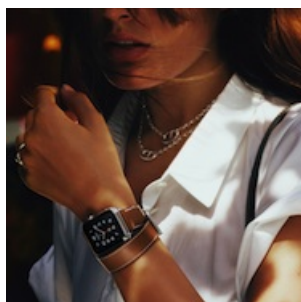


COMMERCE

## iPhone slowdown intensifies focus on cloudy Apple Watch picture

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Promotional image for Hermès Apple Watch

By CHANTAL TODE

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While Apple delivered another monster quarter, warning signals are mounting that the iPhone's role in buoying results is close to over, drawing attention to the lack of details about sales volume for the Apple Watch.

Apple reported yesterday that year-over-year quarterly unit volume for the iPhone was flat while revenue grew 1 percent. While overall quarterly revenue grew 2 percent, the total still fell short of expectations.

"While the iPhone results are disappointing for Apple, we must remember that Q4 2014 was a phenomenal quarter for iPhone sales with 50 percent year-on-year growth from the previous year - far higher growth that it had achieved for many quarters prior," said Daniel Gleeson, senior analyst for mobile devices at [IHS](#).

"Nonetheless, Apple, like many other handset makers, is finding it harder and harder to keep make each new handset stand out from the previous flagship," he said. "This will likely result in consumers keeping their devices for longer which will have a huge impact on handset sales.

"Apple is already taking steps to address this threat with its upgrade program which it launched alongside the iPhone 6S last September. This scheme will encourage loyal Apple customers to upgrade regularly as well as providing Apple with second hand devices that it can resell to emerging markets."

### 1B active devices

For the fiscal first quarter ended Dec. 26, 2015, Apple's revenue totaled \$75.9 billion, compared with \$74.6 billion during the same period a year ago. The company's net income was \$18.4 billion, or \$3.28 per diluted share, for the quarter, up from \$18 billion, or \$3.06 per diluted share, a year ago.

It was the company's biggest quarter ever based on record sales of iPhone, Apple Watch and Apple TV.

The company also said that its installed base recently passed 1 billion active devices and that number of users switching from Android to iOS grew.

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IPad was down 25 percent in units and 21 percent in revenue while services grew 26 percent in revenue and other products grew 62 percent in revenue.

"We sold 74.8 million iPhones in the December quarter, an all time high," said Tim Cook, CEO of Apple. "To put that volume into perspective, it is an average of over 34,000 iPhones an hour, 24 hours a day, seven days a week for 13 straight weeks.

"It is almost 50 percent than our Q1 volume just two years ago and more than four times our volume five years ago," he said.

## Apple Pay

Drilling down on the numbers, Apple's revenue contracted 4 percent in the Americas region from the same period a year ago. Japan saw an even greater drop in revenue, at 12 percent.

The results point to how China and international markets are increasingly driving growth for Apple, with revenue up 14 percent in China, 4 percent in Europe and 4 percent in the rest of Asia Pacific. However, significant currency fluctuations in several international markets dragged down results.

Apple's achievements during the quarter included launching the iPad Pro and expanding distribution for the Apple Watch.

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Apple Pay launched in Canada and Australia, with plans to come to China, Hong Kong and Singapore.

"Consumers have spent billions of dollars with Apple Pay," Mr. Cook said. "In the second half of 2015, we saw significant acceleration in usage with a growth rate ten times higher than in the first half of the year.

"There are now over 5 million contactless payment locations where Apple Pay is available today and it is soon to be accepted at Exxon and Mobil stations across the U.S. via the Speed Plus app," he said.

## Services growth

Apple's stock has dropped by close to 5 percent this year and is down 25 percent from earlier highs. While it is still the most valuable company in the world, investors and industry watchers are concerned that Apple has lost some of its innovative edge and that the iPhone's sales growth has peaked.

"The slowdown in iPhone sales puts increasing focus on the lack of detail revealed about sale of the Apple Watch," Mr. Gleeson said. "The Watch as Apple's newest product category will bear the burden of growing Apple as a company as iPhone sales slow and iPad sales decline.

"The growth in services however is a strong sign that Apple users remain strongly tied into Apple's platform, so it will still have a steady stream of loyal, well paying customers for a long time," he said.