

# Apple services revenues, including media and advertising, soar to record amid hardware slump

Article

**The news:** Apple's fiscal Q4, which ended September 30, saw the tech giant outperform analysts' expectations, with earnings per share (EPS) of \$1.46 against the projected \$1.39 and revenues of **\$89.50 billion**, slightly above the \$89.28 billion forecast. Despite this, Apple's overall sales declined for the fourth consecutive quarter.

- iPhones stood out as the lone warrior among Apple's hardware offerings: Revenues of \$43.81 billion met Wall Street expectations and rose over 2% from the previous year. This was particularly notable since the quarter included only roughly a week of iPhone 15 sales.
- Apple's services division emerged as a bright spot: Achieving **\$22.31 billion** in revenues, it not only surpassed analyst predictions but also marked an impressive 16.3% annual increase, representing an all-time high. This division comprises online subscriptions, such as iCloud and Apple Music, not to mention significant revenues from **Google** for being the default search engine on Safari.
- Lauding the segment's performance, Cook noted that major services including the App Store, iCloud, and Apple Music set internal records. CFO **Luca Maestri** highlighted Apple's expanding device base, signaling future growth for its services division. Services revenues also include **Apple TV+**, which [raised its prices](#) in October—the second price increase in a year.

**Yes, but:** The iPad and Mac divisions, crucial components of Apple's product ecosystem, faced significant downturns.

- Mac sales took a **sharp 34% plunge** year over year, even as Apple introduced new MacBook Pro laptops and iMac desktops featuring the innovative M3 chips. Cook, however, remains optimistic, attributing the current Mac downturn to exceptional sales in 2022 and anticipating a brighter current quarter.
- The iPad sector wasn't spared either, with revenues dropping by 10% YoY. Unlike previous years, Apple didn't launch new iPad models before the holiday season, potentially contributing to this decline.

**Ad ambitions:** While no news was announced during its earnings call, Apple is reportedly exploring the development of its own demand-side platform (DSP) which would enable advertisers to purchase digital ad inventory across Apple's suite of services through automated bidding.

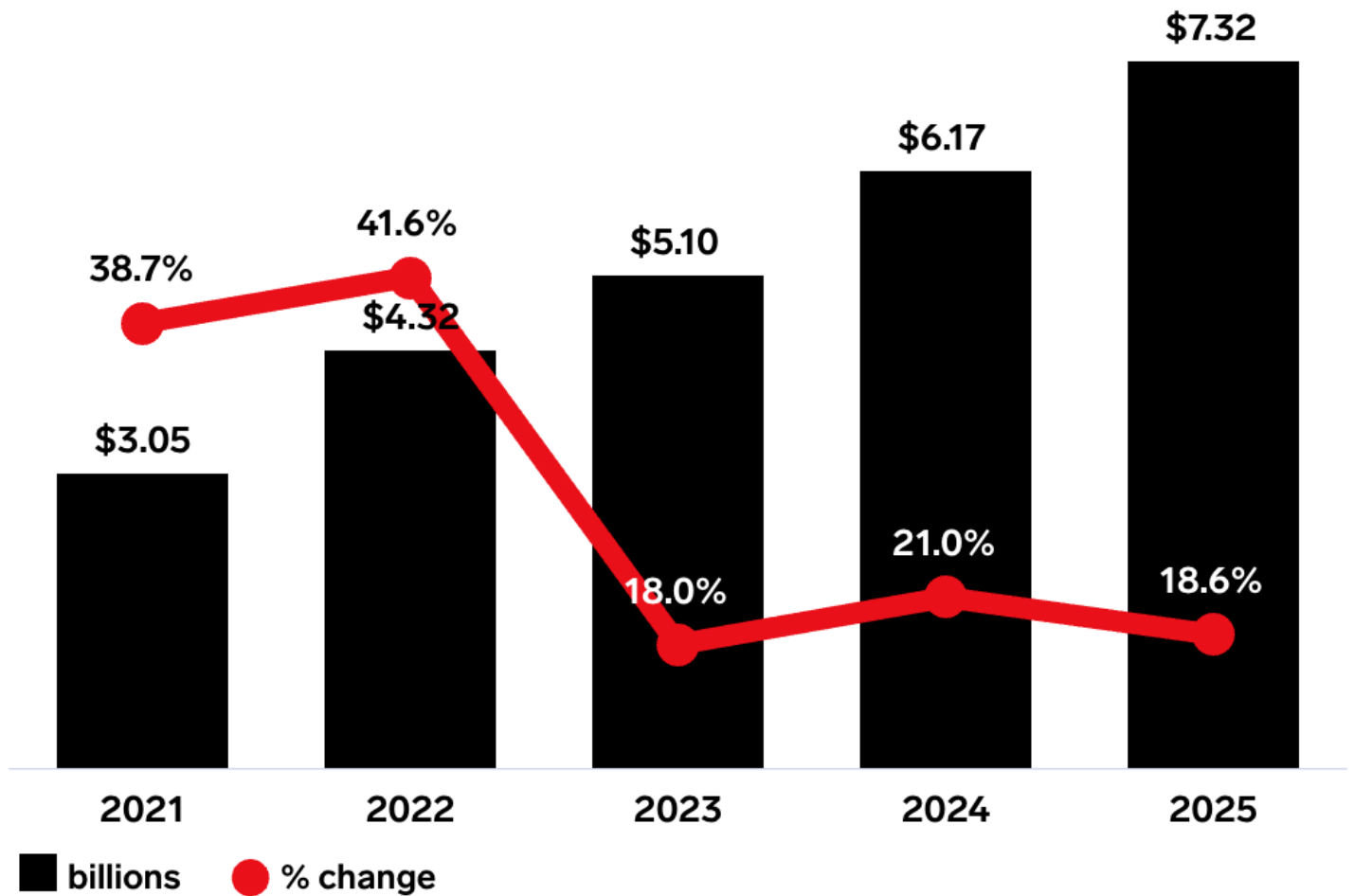
- A DSP would mark a pivotal enhancement for Apple's advertising strategy, allowing for scalable and direct ad purchases on platforms like the App Store, Apple News, and Apple TV.
- There's buzz around whether Apple will venture into creating a supply-side platform (SSP) or an advertising exchange. An SSP could enable media owners to automate and optimize ad sales, boosting revenue; an Apple ad exchange might simplify transactions, connecting publishers and advertisers in a real-time marketplace for streamlined trading.

**Worth watching:** On the earnings call, Cook hinted at significant investment in generative AI, promising responsible innovation and future products centered on this tech. We've previously written how Apple may spend \$1 billion per year to catch up on the genAI front.

**The final word:** Aiming to reinvigorate device sales amidst competition and longer replacement cycles, Apple faces a cost-of-living crisis in key markets that could keep causing it issues. But while Apple wrestles with challenges in hardware, the growth of its services division suggests a promising path forward.

# Apple Ad Revenues

US, 2021-2025



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites

Source: Insider Intelligence | eMarketer, October 2023

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