

APPLE INC  
Form 10-Q  
February 02, 2018

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 30, 2017  
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from            to            .  
Commission File Number: 001-36743

Apple Inc.  
(Exact name of Registrant as specified in its charter)

California	94-2404110
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1 Infinite Loop	95014
Cupertino, California	
(Address of principal executive offices)	(Zip Code)
(408) 996-1010	
(Registrant's telephone number, including area code)	

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes      No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes      No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
(Do not check if a smaller reporting company)	Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes      No

5,074,013,000 shares of common stock, par value \$0.00001 per share, issued and outstanding as of January 19, 2018

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For the Fiscal Quarter Ended December 30, 2017

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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements

Apple Inc.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In millions, except number of shares which are reflected in thousands and per share amounts)

	Three Months Ended	
	December 31,	
	2017	2016
Net sales	\$88,293	\$ 78,351
Cost of sales	54,381	48,175
Gross margin	33,912	30,176
Operating expenses:		
Research and development	3,407	2,871
Selling, general and administrative	4,231	3,946
Total operating expenses	7,638	6,817
Operating income	26,274	23,359
Other income/(expense), net	756	821
Income before provision for income taxes	27,030	24,180
Provision for income taxes	6,965	6,289
Net income	\$20,065	\$ 17,891
Earnings per share:		
Basic	\$3.92	\$ 3.38
Diluted	\$3.89	\$ 3.36
Shares used in computing earnings per share:		
Basic	5,112,875	5,298,661
Diluted	5,157,785	5,327,995
Cash dividends declared per share	\$0.63	\$ 0.57

See accompanying Notes to Condensed Consolidated Financial Statements.

Apple Inc.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(In millions)

	Three Months Ended	
	December 31, 2017	December 31, 2016
Net income	\$20,065	\$ 17,891
Other comprehensive income/(loss):		
Change in foreign currency translation, net of tax effects of \$(1) and \$76, respectively	40	(375 )
Change in unrealized gains/losses on derivative instruments:		
Change in fair value of derivatives, net of tax benefit/(expense) of \$(66) and \$(228), respectively	88	1,468
Adjustment for net (gains)/losses realized and included in net income, net of tax expense/(benefit) of \$(21) and \$(211), respectively	102	306
Total change in unrealized gains/losses on derivative instruments, net of tax	190	1,774
Change in unrealized gains/losses on marketable securities:		
Change in fair value of marketable securities, net of tax benefit/(expense) of \$464 and \$989, respectively	(846 )	(1,808 )
Adjustment for net (gains)/losses realized and included in net income, net of tax expense/(benefit) of \$41 and \$(11), respectively	(75 )	20
Total change in unrealized gains/losses on marketable securities, net of tax	(921 )	(1,788 )
Total other comprehensive income/(loss)	(691 )	(389 )
Total comprehensive income	\$19,374	\$ 17,502
See accompanying Notes to Condensed Consolidated Financial Statements.		

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Apple Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(In millions, except number of shares which are reflected in thousands and par value)

	December 30, 2017	September 30, 2017
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 27,491	\$ 20,289
Short-term marketable securities	49,662	53,892
Accounts receivable, less allowances of \$59 and \$58, respectively	23,440	17,874
Inventories	4,421	4,855
Vendor non-trade receivables	27,459	17,799
Other current assets	11,337	13,936
Total current assets	143,810	128,645
Long-term marketable securities	207,944	194,714
Property, plant and equipment, net	33,679	33,783
Goodwill	5,889	5,717
Acquired intangible assets, net	2,149	2,298
Other non-current assets	13,323	10,162
Total assets	\$ 406,794	\$ 375,319
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
Current liabilities:		
Accounts payable	\$ 62,985	\$ 49,049
Accrued expenses	26,281	25,744
Deferred revenue		