

Apple Inc. (AAPL)

Post-earnings equity research note | Q3 FY2026 reported 30 July 2026 | Prepared 5 August 2026

WATCHLIST

Unchanged from previous report

Last close (4 Aug 2026)	\$309.38
Move since the print (30 Jul close \$333.43)	-7.2%
Q3 revenue	\$109.4bn (+16%)
Services revenue	\$30.74bn (+12%) — missed
Q4 revenue growth guidance	+9% to +11%
Probability-weighted fair value	\$299.50

What the Quarter Changed

Apple reported its strongest June quarter on record and the shares fell 7.35% the following session, closing at \$308.91 on volume of 132.5 million shares, roughly 2.4 times the twenty-day average. Four days later they remain 7.2% below the pre-release level, making Apple the only large technology company reporting that week whose decline has not been recovered.

The reported quarter was, on its own terms, excellent. Revenue of \$109.4 billion grew 16%, with double-digit growth in every geographic segment. iPhone revenue of \$54.25 billion grew 21.7% and beat expectations. Mac grew 28.7%. Greater China grew 22.4% to \$18.8 billion. Diluted earnings per share of \$2.02 rose 29%. Operating cash flow set a June quarter record.

Three things nonetheless changed, and together they explain the market's response. Services revenue of \$30.74 billion grew 12.1% and missed the roughly \$31.2 billion consensus. For a company whose valuation premium rests on the recurring, high-margin Services annuity rather than on hardware units, a Services miss carries more weight than an iPhone beat. Second, the September quarter guidance implies a sharp deceleration: total revenue growth of 9% to 11% against the 16% just delivered, with gross margin guided to 47-48% against the 50.1% reported. Third, this was Tim Cook's final earnings call as chief executive; incoming chief executive John Ternus joined the call and took analyst questions.

One further detail belongs in any honest reading of the headline figures. The reported 50.1% gross margin included approximately 2 percentage points of favourable impact from tariff refunds, and the \$2.02 of earnings per share included \$0.11 from the same source. Excluding it, earnings were approximately \$1.91 and gross margin approximately 48.1%. The September quarter guidance still assumes about 1 percentage point of tariff-refund benefit, so this is a tailwind that is fading rather than one that has ended.

Q3 FY2026 reported results (quarter ended 27 June 2026)

Measure	Q3 FY26	Q3 FY25	Change	Note
Total net sales	\$109,417m	\$94,036m	+16.4%	June quarter record
iPhone	\$54,252m	\$44,582m	+21.7%	Beat (~\$53.9bn est.)
Mac	\$10,352m	\$8,046m	+28.7%	June quarter record
iPad	\$6,191m	\$6,581m	-5.9%	Only declining category
Wearables, Home, Accessories	\$7,883m	\$7,404m	+6.5%	—
Services	\$30,739m	\$27,423m	+12.1%	Miss (~\$31.2bn est.)

Measure	Q3 FY26	Q3 FY25	Change	Note
Greater China	\$18,816m	\$15,369m	+22.4%	Below ~\$19.5bn estimate
Europe	\$29,395m	\$24,014m	+22.4%	—
Americas	\$45,781m	\$41,198m	+11.1%	—
Gross margin	50.1%	46.5%	+3.6pts	Includes ~2pts of tariff refunds
Research and development	\$11,729m	\$8,866m	+32.3%	Sharp investment ramp
Operating income	\$35,695m	\$28,202m	+26.6%	—
Net income	\$29,789m	\$23,434m	+27.1%	—
Diluted EPS	\$2.02	\$1.57	+28.7%	Includes \$0.11 of tariff refunds
Diluted EPS excluding tariff refunds	~\$1.91	—	—	The underlying figure
Inventories	\$11,092m	\$5,718m*	+94%	*versus 27 Sep 2025 balance

Source: Apple Inc. Q3 FY2026 press release and Condensed Consolidated Financial Statements (apple.com/newsroom), 30 July 2026.
Consensus figures are aggregator estimates.

September Quarter Guidance

Measure	Q4 FY2026 guidance	Comparison
Total revenue growth	+9% to +11%	Against +16.4% just reported
iPhone revenue growth	mid-teens	Against +21.7% just reported
Services growth	similar to June quarter	After removing ~2.5pt FX drag
Gross margin	47% to 48%	Against 50.1%; includes ~1pt tariff benefit
Operating expenses	\$19.1 - 19.4bn	—
Other income and expense	~\$350m	—
Foreign exchange	~2.5pt sequential headwind	—
Supply constraints	increasing significantly	Affecting iPhone, Mac and iPad

The single most important qualification in the guidance is the nature of the deceleration. Chief financial officer Kevan Parekh attributed the step down from 16% to 9-11% growth to two factors: a foreign exchange headwind of roughly 2.5 percentage points, and supply constraints that are expected to increase significantly from the June to the September quarter, affecting iPhone, Mac and iPad. On demand, the company was explicit that it continues to expect high levels of demand, with the limitation being “less flexibility in supply chain”.

That distinction matters more than any other line in this report. A demand shortfall destroys revenue. A supply constraint defers it, and deferred iPhone revenue generally arrives in a later quarter rather than going to a competitor, because the customer is inside an ecosystem with high switching costs. Nearly doubling inventories, to \$11.1 billion from \$5.7 billion at the September 2025 balance sheet date, is consistent with a company securing components into a tight market rather than one accumulating unsold product.

The caveat is that this cannot be verified from outside. Companies facing weakening demand have described it as supply constraint before. The evidence that supports management's version here is the 21.7% iPhone growth just

delivered, the 22.4% growth in Greater China, and an installed base management described as reaching an all-time high across every major product category and geography. Those are not the readings of a franchise losing customers.

The Services Question and the Leadership Transition

Services is where Apple's valuation is earned. It carries a gross margin far above hardware, it is recurring, and it scales with an installed base rather than with a replacement cycle. Growth of 12.1% is respectable in absolute terms and slower than the market expected, and the September quarter is guided to a broadly similar rate once the foreign exchange drag is stripped out. There is no acceleration in prospect. On a company trading in the mid-thirties on earnings, a Services line growing at 12% and decelerating is the most defensible reason for caution in this entire report.

Research and development spending of \$11.73 billion rose 32.3% year over year, far ahead of the 16% revenue growth. Apple is spending heavily, most obviously on the all-new Siri AI introduced at WWDC26. That spending is the mechanism by which Services could reaccelerate, through a more capable assistant driving subscription attach and engagement, and it is also a near-term drag on operating margin.

The leadership transition is the least quantifiable item and should not be over-interpreted. Tim Cook has run Apple since 2011 and delivered the strongest June quarter in its history on his final call. John Ternus, previously responsible for hardware engineering, has been widely expected to succeed him and answered analyst questions on competitive positioning during the call. An orderly, long-signalled succession from within is the lowest-risk form of chief executive change available. It nonetheless removes a known quantity at the precise moment the company is spending heavily on artificial intelligence, guiding to decelerating growth and facing compressing margins.

Risks

Risk	Probability	Severity	Comment
Services deceleration	Medium	High	12.1% growth missed, and Q4 is guided to a similar rate. The valuation premium depends on this line.
Gross margin compression	High	Medium	Guided to 47-48% from 50.1%, with the tariff-refund benefit falling from ~2pts to ~1pt
Supply constraints persisting	Medium	Medium	Management expects them to increase significantly in Q4. If they extend beyond, deferred revenue becomes lost revenue.
Leadership transition	Medium	Medium	Orderly and long-signalled, but arriving during a heavy investment cycle
Greater China competition	Medium	High	22.4% growth was strong but below expectations; domestic competition and policy risk are persistent
Valuation	High	High	~35x estimated FY26 earnings against guided growth of 9-11%
Regulatory	Medium	Medium	App Store economics remain under challenge in multiple jurisdictions

Valuation and Balance Sheet

At \$309.38 across roughly 14.71 billion diluted shares, Apple carries a market capitalisation near \$4.55 trillion. Nine-month diluted earnings per share stand at \$6.88. Applying the September quarter guidance, at a 47.5% gross margin, roughly \$110 billion of revenue, operating expenses near \$19.25 billion and a tax rate around 18%, produces an estimated fourth-quarter figure near \$1.87 and a full-year fiscal 2026 result of approximately \$8.75. That places the shares near 35.4 times estimated fiscal 2026 earnings. This is an estimate built from disclosed guidance, not a company figure.

Thirty-five times earnings for a business guiding to 9-11% revenue growth with gross margin falling to 47-48% is the crux of the case against. Apple has traded at such multiples before and justified them through Services expansion and relentless share reduction, and both mechanisms are still operating: the company repurchased \$62.1 billion of stock in the first nine months of the fiscal year and paid \$11.8 billion of dividends, against nine-month operating cash flow of \$117.0 billion.

The balance sheet remains the strongest in corporate history and is the principal reason this is a Watchlist rather than anything more negative. Cash, equivalents and marketable securities total approximately \$146.5 billion against \$82.3 billion of term debt and \$2.0 billion of commercial paper, leaving roughly \$62.2 billion of net cash. Shareholders' equity rose to \$107.5 billion from \$73.7 billion at the September 2025 year end. A company generating \$117 billion of operating cash flow in nine months while returning \$74 billion of it has enormous latitude to absorb a soft period.

Metric	Value	Assessment
Price (4 Aug 2026 close)	\$309.38	10.2% below the 29 Jul high of \$344.57
Market capitalisation	~\$4.55tn	14.71bn diluted shares
Estimated FY26 diluted EPS	~\$8.75	9M actual \$6.88 plus a guidance-derived Q4 estimate
P/E on estimated FY26 EPS	~35.4x	Demanding against 9-11% guided growth
Net cash	~\$62.2bn	\$146.5bn securities less \$84.3bn of debt
Operating cash flow (9 months)	\$117.0bn	Up from \$81.8bn
Buybacks and dividends (9 months)	\$73.9bn	Share count falling steadily
Probability-weighted fair value	\$299.50	Approximately 3.2% below the current price

Technical Position

Indicator (as of 4 Aug 2026)	Value	Reading
Close	\$309.38	Sitting almost exactly on the 50-day average
SMA20	\$323.84	Price 4.5% below
SMA50	\$309.61	Price essentially level — the decisive line
SMA100	\$289.55	Price 6.9% above — next support
SMA200	not computed	Insufficient history in the 100-session series; not estimated
RSI(14)	44.7	Neutral
MACD / signal / histogram	+3.11 / +6.64 / -3.52	Momentum rolling over
ATR(14)	\$9.77	3.2% of price
100-session range	\$245.51 - \$344.57	Price in the upper half

Indicators computed from 100 daily OHLCV sessions (12 Mar - 4 Aug 2026). The 200-day average could not be derived from that window and has deliberately not been estimated.

Scorecard

Category		Score	Comment
Business quality		9/10	Installed base at an all-time high across every category and geography

Category		Score	Comment
Financial strength		10/10	\$62.2bn net cash and \$117bn of nine-month operating cash flow
Competitive advantage		9/10	Ecosystem switching costs remain the most durable in consumer technology
Management		7/10	Record quarter delivered, but a Services miss and a chief executive transition (was 8)
Growth potential		6/10	Guided to 9-11%, decelerating from 16%, with Services flat at ~12%
Valuation		4/10	~35x estimated FY26 earnings against single-digit guided growth
Risk (higher = safer)		6/10	Supply constraints, China exposure and margin compression, against a fortress balance sheet
Technical setup		3/10	Fell 7.35% and has not recovered; MACD histogram negative

Overall Investment Score: 69/100

Weightings: valuation 17, business quality 15, growth 14, risk 13, financial strength 12, competitive advantage 12, management 12, technicals 5.

Recommendation: Watchlist (reaffirmed)

The rating is unchanged at Watchlist. The quarter was better than the share price reaction implies, and the valuation is still higher than the guided growth rate supports.

The bear reading is straightforward and has the near-term evidence on its side. Services, the segment that justifies the multiple, grew 12.1%, missed, and is guided to no acceleration. Gross margin falls to 47-48% next quarter from a reported 50.1% that itself flattered by roughly two points of tariff refunds. Total revenue growth is guided to roughly two-thirds of what was just delivered. Research and development is rising 32% against 16% revenue growth. And the chief executive who presided over the entire modern era of the company has just taken his last call. At 35 times estimated earnings, none of that is comfortable.

The bull reading is equally serious and rests on the character of the slowdown. Management stated plainly that demand remains high and that the constraint is supply, affecting iPhone, Mac and iPad, and the near-doubling of inventories is consistent with securing components rather than accumulating unsold stock. iPhone grew 21.7%, Greater China grew 22.4%, Europe grew 22.4%, and the installed base reached record levels everywhere. Deferred revenue inside an ecosystem this sticky is usually recovered rather than lost. Behind it all sits \$62.2 billion of net cash, \$117 billion of nine-month operating cash flow and \$62.1 billion of buybacks that shrink the denominator every quarter.

Neither reading is strong enough to displace the other, which is precisely what a Watchlist rating describes. Two developments would resolve it. Services reaccelerating above the mid-teens, most plausibly through the new Siri driving subscription attach, would justify a Buy and would validate the research and development ramp. Alternatively, a retreat toward the hundred-day average near \$290, which would put the shares closer to 33 times, would offer adequate compensation for the uncertainty. Conversely, a second consecutive Services miss, or evidence that the September supply constraints reflect demand rather than components, would move the rating to Avoid.

Scenario analysis

Scenario	Prob.	Earnings path	Fair value	Conditions
Bull	30%	FY27 EPS ~\$10.20	\$347	Supply constraints ease, Siri AI drives a Services reacceleration and an upgrade cycle; multiple holds near 34x

Scenario	Prob.	Earnings path	Fair value	Conditions
Base	45%	FY27 EPS ~\$9.60	\$307	9-11% growth as guided, margin settles at 47-48%, orderly transition under Ternus; multiple ~32x
Bear	25%	FY27 EPS ~\$8.80	\$229	Constraints persist, Services decelerates further, Chinese competition intensifies; multiple de-rates to ~26x

Probabilities sum to 100%. Probability-weighted fair value: \$299.50, approximately 3.2% below the 4 August close of \$309.38.

Final Verdict

Apple delivered its best June quarter ever and lost 7% of its value, and both of those facts are defensible.

What the market punished was not the quarter but the shape of the year ahead: revenue growth guided down to 9-11%, gross margin guided down to 47-48%, a Services line growing at 12% with no acceleration in sight, and a change of chief executive arriving alongside all of it. Strip the tariff refunds out of the reported numbers and the underlying earnings were \$1.91 rather than \$2.02, and the underlying gross margin roughly 48% rather than 50.1%. The premium multiple has less support than the headline suggested.

What the market may be underweighting is that management described the coming slowdown as a supply problem rather than a demand problem, and the surrounding evidence is consistent with that: 21.7% iPhone growth, 22.4% growth in Greater China, record installed base, and inventories nearly doubled. If that account is accurate, the September quarter defers revenue rather than losing it, and the shares are being marked down for a timing effect.

That is an unusually clean disagreement, and it will be settled by observable facts within two quarters rather than by argument. Owning Apple through it is entirely reasonable for anyone already positioned; the balance sheet alone underwrites considerable patience. Initiating at 35 times earnings, before either the Services trajectory or the supply explanation has been verified, is paying full price for an unresolved question. Watchlist, with \$290 and a Services reacceleration as the two things worth watching for.

Sources

Apple Inc. — Q3 FY2026 press release and Condensed Consolidated Financial Statements (apple.com/newsroom, 30 Jul 2026) • Six Colors — complete transcript of Apple's Q3 2026 earnings call, 30 July 2026 • Alpha Vantage — daily OHLCV series, 12 Mar to 4 Aug 2026 • 9to5Mac and MacRumors — Q3 2026 results coverage

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