

AAPL

# A record year. A full price.

Apple closed its fiscal 2026 on Nov. 2 with a September-quarter record: revenue of $114.5B, up 12%, iPhone at a record $57.6B, Services at an all-time high, and full-year revenue of $478.8B. The stock fell anyway, down 1.8% on the day and lower after hours, because $338 already pays 37.7 times the earnings Apple just reported. This report separates the two stories: a franchise compounding exactly as advertised, and a price that leaves no room for error. The desk buys the franchise on weakness, in a defined zone, not at the close that followed the print.

**BUY · STAGED · ZONE $320 TO $334**

THE CALL

## BUY, STAGED

Buy zone $320 to $334, in tranches. The Nov. 2 close of $338.32 sits just above the zone; the after-hours session already probed its top. Do not chase above the zone.

AS-OF CLOSE · NOV 2, 2026

## $338.32

Down 1.83% on the day, 3.0% below the all-time high close of $348.91 set Oct. 29. Above the rising 50-day average ($333.62) on a closing basis until today; the zone is built on it.

WHAT THE PRICE PAYS FOR

## 37.7x

Times FY2026 diluted EPS of $8.98, on revenue of $478.8B and net income of $132.2B. A full multiple for the best hardware franchise in the world. The zone exists because the multiple, not the business, is the risk.

INVALIDATION

## Wk close < $309

A weekly close below $309 breaks the call: it undercuts the September swing low ($309.90) and the autumn uptrend the zone is staged against. Detail on page 15.



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02 · KEY TAKEAWAYS

# Five things matter.

## 1 The print beat, cleanly, on the lines that count

Q4 FY2026 revenue of $114,477M rose 11.7% year over year and diluted EPS of $2.10 beat the $1.98 consensus. iPhone grew 17.5% to a September-quarter record of $57,583M (from $49,025M), Mac grew 23.7%, and Services set an all-time high at $31,573M. The full year: revenue $478,834M, up 15.1%, net income $132,175M, EPS $8.98, up 20.4%.

## 2 Part of the beat was a refund, and Apple said so

Tariff refunds added $0.05 to EPS and about a point to the 47.9% gross margin, roughly $731M at the quarter's share count. Excluding the refund, EPS was $2.05, still a beat. The quality question is not the refund; it is that gross margin stepped down from 50.1% in Q3 to 47.9% in Q4 as component costs rose, refund included.

## 3 The cash machine had its best year on record

Operating cash flow of $145,097M against capex of only $9,041M left $136,056M of free cash flow. Apple returned $102,111M of it, $86,390M of buybacks and $15,721M of dividends, and still ended the year with $136.9B of cash and securities against $80.1B of debt. Capex of $2,242M in Q4 is a rounding error next to what the AI builders spend; Apple's AI bill arrives through research and development, up 32% to $45,765M.

## 4 Two categories shrank, and the warehouse filled up

iPad fell 10.4% and Wearables fell 7.9% in Q4. Inventories more than doubled year over year, to $14,541M from $5,718M, a build the holiday quarter now has to absorb. Neither item breaks the story. Both are dated, checkable questions for the January print, and they are on the watch list on page 15.

## 5 The stock, not the company, is the risk at $338

The shares compounded at about 24% a year for three years while net income compounded at 10.9%. The difference is the multiple: 37.7 times FY2026 earnings at the Nov. 2 close, 3.0% below the all-time high. The desk call is BUY, staged into the $320 to $334 zone where the 50-day and 100-day averages and the October 30 low converge, with a weekly close below $309 as the exit discipline.


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03 · THE COMPANY

# The installed base is the business.

Apple designs the iPhone, Mac, iPad, Apple Watch and AirPods, and runs the services layered on top of them: the App Store, iCloud, Apple Music, Apple Pay and Apple TV. The hardware creates the customer; the services rent the relationship back monthly. In the CFO's words in the Q4 release, the installed base of active devices reached a new all-time high across every major product category and geographic segment in fiscal 2026. More than 150,000 employees, headquartered in Cupertino, California.

## What Apple sells

- iPhone: $254,098M in FY2026, 53% of revenue, up 21.2% in the iPhone 17 and iPhone Duo cycle year.
- Services: $123,301M, 26% of revenue, at a 76% gross margin, the profit engine under the hardware.
- Mac: $37,929M, up 12.5%, with a record September quarter after Touch came to Mac for the first time.
- iPad ($27,929M) and Wearables, Home and Accessories ($35,577M): roughly flat on the year, down in Q4.

## How Apple makes money

- Products earned a 39.3% gross margin in FY2026; Services earned 76.2%. Every point of mix shift toward Services lifts the whole company's margin.
- The Americas are 41% of sales, Europe 27%, Greater China 17%, Japan 6%, Rest of Asia Pacific 8% (FY2026, filed segment detail).
- Cash returns are structural, not discretionary: $102,111M went back to shareholders in FY2026, and the board declared a $0.27 dividend payable Nov. 16, 2026.
- New leadership: John Ternus led his first earnings report as CEO with this print. The product slate he named: iPhone Duo, iPhone 18 Pro, new home hardware, and the all-new Siri AI.

## Why the model endures

Apple's moat is not any single device. It is the switching cost of a household whose photos, messages, payments, health data and apps live inside one system, refreshed on a two to three year hardware rhythm. Fiscal 2026 showed both halves working at once: a hardware supercycle year (iPhone up 21.2%) layered on a services annuity that grew 13.0% to a record. The risk to that model is rarely a competitor's phone. It is the price of memory and components inside the box, the regulators around the App Store, and a multiple that already assumes the rhythm never breaks.

| 1980 | $4,916B | 53% | 150,000+ | $0.27 |
|---|---|---|---|---|
| PUBLIC SINCE THE IPO | MARKET VALUE AT NOV. 2 CLOSE | OF FY2026 SALES FROM IPHONE | EMPLOYEES | DIVIDEND PAYABLE NOV. 16, 2026 |


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04 · THE Q4 FY2026 PRINT

# A record quarter, told straight.

Q4 REVENUE

**$114,477M**

Up 11.7% from $102,466M. A September-quarter record. Beat the $112.95B consensus by 1.35% (Zacks consensus, as reported by Zacks).

DILUTED EPS

**$2.10**

Up 13.5% from $1.85, against $1.98 expected. Includes $0.05 of tariff refunds; ex-refund EPS of $2.05 still beat.

GROSS MARGIN

**47.9%**

Down from 50.1% in Q3 FY2026, even with about a point of tariff refund benefit. Component costs are the story inside the beat.

| INCOME STATEMENT | Q4 FY2026 | Q4 FY2025 | FY2026 | FY2025 |
|---|---|---|---|---|
| **Total net sales** | $114,477M | $102,466M | $478,834M | $416,161M |
| **Products / Services sales** | $82,904M / $31,573M | $73,716M / $28,750M | $355,533M / $123,301M | $307,003M / $109,158M |
| **Gross margin** | $54,820M (47.9%) | $48,341M (47.2%) | $233,602M (48.8%) | $195,201M (46.9%) |
| **Research and development** | $11,730M | $8,866M | $45,765M | $34,550M |
| **Operating income** | $35,631M (31.1%) | $32,427M | $158,063M (33.0%) | $133,050M |
| **Net income** | $30,711M | $27,466M | $132,175M | $112,010M |
| **Diluted EPS** | $2.10 | $1.85 | $8.98 | $7.46 |

Exhibit 99.1 to the Form 8-K furnished Nov. 2, 2026 (release-basis, unaudited condensed statements, confirmed against the FY2026 Form 10-K filed Nov. 3, 2026; see Filed and confirmed, below). Year-ago gross margin percentages are computed from the same exhibit.

**Filed and confirmed (update, Nov. 3, 2026):** Apple filed its FY2026 Form 10-K on Nov. 3, 2026 (accession 0000320193-26-000026, for the fiscal year ended Sep. 26, 2026). The filed statements confirm the release figures this report is built on: fiscal 2026 revenue of $478,834M, net income of $132,175M and diluted EPS of $8.98. The verdict on page 15 now stands on filed numbers.

## The refund, sized honestly

Apple disclosed that tariff refunds added about one percentage point to gross margin and $0.05 to diluted EPS. At the quarter's 14,630M diluted shares, $0.05 is about $731M of after-tax benefit. Reported EPS of $2.10 therefore contains a one-time item worth about a third of the $0.12 beat over consensus. The desk counts $2.05 as the operating print: still a beat, still a record, and the right base for the multiple math on page 10.

## What the segments said

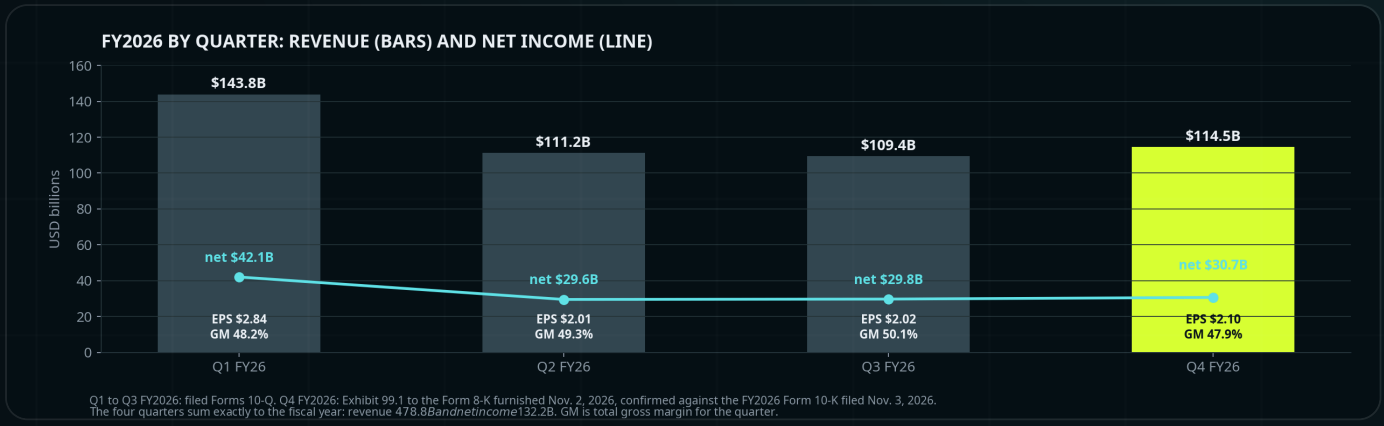
Greater China grew 21.0% to $17,539M, the fastest of the five segments, after a year in which China was the standing worry. The Americas grew 10.2% to $48,680M, Europe 11.5% to $32,008M, Rest of Asia Pacific 15.0% to $9,710M. Japan was the only decline, down 1.4% to $6,540M. There is no geographic hole in this print.



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05 · FY2026 BY QUARTER

# Four quarters, one tie-out.




Q1 to Q3 FY2026: filed Forms 10-Q. Q4 FY2026: Exhibit 99.1 to the Form 8-K furnished Nov. 2, 2026, confirmed against the FY2026 Form 10-K filed Nov. 3, 2026. The four quarters sum exactly to the fiscal year: revenue 478.8*Bandnetincome*132.2B. GM is total gross margin for the quarter.

| FY2026 BY QUARTER | REVENUE | NET INCOME | DILUTED EPS | GROSS MARGIN |
|---|---|---|---|---|
| **Q1 (ended Dec. 27, 2025)** | $143,756M | $42,097M | $2.84 | 48.2% |
| **Q2 (ended Mar. 28, 2026)** | $111,184M | $29,578M | $2.01 | 49.3% |
| **Q3 (ended Jun. 27, 2026)** | $109,417M | $29,789M | $2.02 | 50.1% |
| **Q4 (ended Sep. 26, 2026)** | $114,477M | $30,711M | $2.10 | 47.9% |
| **Full year** | $478,834M | $132,175M | $8.98 | 48.8% |

Q1 to Q3: filed Forms 10-Q. Q4: the 8-K exhibit (release-basis). The four quarters sum exactly to the fiscal year on revenue, net income and gross profit; EPS sums to $8.97 against the reported $8.98, one cent of rounding across four quarters.

## The margin path is the year's one blemish

Gross margin climbed for three quarters, 48.2%, 49.3%, 50.1%, then stepped down to 47.9% in Q4. The release attributes about a point of support to tariff refunds, which means the underlying step-down was closer to three points, on the rising component costs the whole hardware industry is paying. The full-year margin still improved to 48.8% from 46.9%, because Services mix did its work. Management has since guided the December quarter to 45% to 46% (page 14). Whether the print lands inside that guided range is a graded checkpoint on page 15.


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06 · THE MIX

# An iPhone year, a Services annuity.

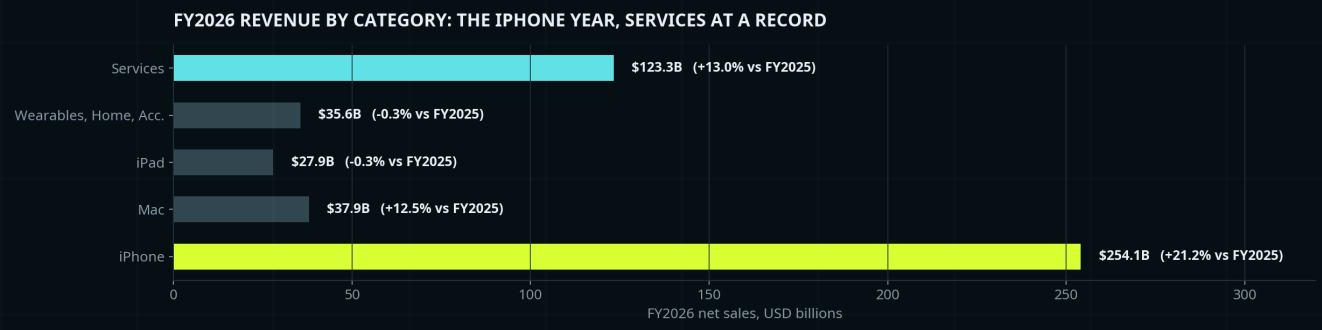



Exhibit 99.1 to the Form 8-K furnished Nov. 2, 2026. Categories sum to total FY2026 net sales of $478.8B. iPhone was 53% of the year; Services was 26% of sales and, at a 76% gross margin, the larger share of profit.

## The hardware cycle delivered

iPhone revenue of $254,098M grew 21.2%, the strongest year since the 5G cycle, on the iPhone 17 family and the iPhone Duo launch the CEO led with in the release. Mac added a record September quarter, $10,792M, up 23.7%, as Touch came to Mac. Hardware did the growing in FY2026; that is precisely why the market will ask whether the cycle can repeat.

## Services did the compounding

Services revenue of $123,301M grew 13.0% to an all-time high, at a 76.2% gross margin for the year (75.9% in Q4). Services is 26% of sales and roughly 40% of gross profit. It does not need a launch event, it does not carry memory costs, and it grows with the installed base the CFO confirmed is at a record. This is the line that makes the multiple arguable.

## The two soft lines

iPad revenue of $6,229M fell 10.4% in Q4 and was flat on the year at $27,929M. Wearables, Home and Accessories fell 7.9% in Q4 to $8,300M and was flat on the year at $35,577M, even with a new generation of home hardware introduced. Together they are 13% of sales: too small to carry the thesis, large enough that a second year of decline becomes a strategy question about where the next growth category comes from. The all-new Siri AI and the home lineup are management's stated answer; the January and April prints grade it.



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07 · CASH AND BALANCE SHEET

# The machine, by the filings.

OPERATING CASH FLOW, FY2026

**$145,097M**

Up from $111,482M in FY2025. Q4 alone generated about $28,101M (fiscal-year figure less the nine months in the filed 10-Qs), matching the CFO's stated $28B.

FREE CASH FLOW, FY2026

**$136,056M**

Operating cash flow less capex of $9,041M. Q4 capex was about $2,242M. While rivals commit hundreds of billions to AI buildout, Apple's entire year of capex is under $10B; its AI spend runs through R&D.

NET CASH, SEP. 26, 2026

**$56,824M**

Cash and securities of $136,935M against total debt of $80,111M (term debt $78,114M plus commercial paper $1,997M). The fortress is intact after returning $102,111M in the year.

| FY2026 CASH FACTS (8-K EXHIBIT) | FIGURE |
|---|---|
| **Operating cash flow** | $145,097M |
| **Capital expenditures** | $9,041M |
| **Free cash flow (derived)** | $136,056M |
| **Share repurchases** | $86,390M |
| **Dividends paid** | $15,721M |
| **Cash and marketable securities** | $136,935M |
| **Total debt** | $80,111M |
| **Inventories (vs $5,718M a year ago)** | $14,541M |
| **Total shareholders' equity** | $112,093M |

## The one line that moved the wrong way

Inventories rose to $14,541M from $5,718M a year earlier, a $8,905M cash drag across the year, and intangible assets nearly doubled to $20,278M. A holiday build and component stockpiling ahead of price increases are the innocent explanations, and both are consistent with a record launch quarter. The guilty explanation is demand misread. The balance sheet can afford either; the stock, at 37.7 times earnings, cannot. The Q1 FY2027 print resolves which it was, and page 15 grades it.

## Why this matters to the call

A company converting 28 cents of every sales dollar into free cash flow, holding net cash, and shrinking its share count 1.9% a year does not need the market's permission to compound. The buyback alone retires stock at a pace that adds roughly two points a year to EPS growth. That is the floor under the BUY call: even a flat year operationally is not a flat year per share.



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08 · THE PRICE

# Three percent off the high.




| $351.73 | $348.91 | $338.32 | $320 to $334 | < $309 |
|---|---|---|---|---|
| INTRADAY HIGH · OCT. 23, 2026 | ALL-TIME HIGH CLOSE · OCT. 29 | CLOSE · NOV. 2, 2026 | BUY ZONE · STAGED | INVALIDATION · WEEKLY CLOSE |

## Where the stock stands

AAPL closed the print day at $338.32, down 1.83%, on 58.2M shares, 1.44 times its 20-day average volume: a real distribution day, not a drift. The close is 3.0% below the Oct. 29 all-time high close of $348.91, above the rising 50-day average ($333.62) by 1.4%, below the 20-day average ($342.36) it surrendered on the day, and far above the 200-day average ($296.96). One-year return: +24.7%. Year to date: +24.5%. The trend is intact; the entry is the argument.

## How the zone was built

The zone top, $334, is a cluster, not a round number: the 50-day average at $333.62, the October 30 intraday low at $334.35 (the market-wide rout low, printed on 67.8M shares), and the Nov. 2 after-hours low near $334.53 all sit within a dollar. The zone bottom, $320, sits just below the 100-day average at $321.91, the next shelf if the first one fails. Below that, the September swing low at $309.90 is the last structural floor of the autumn uptrend, which is why the invalidation is a weekly close below $309 rather than a touch.


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09 · THE REACTION

# Beat the number, missed the whisper.

Apple beat the published consensus on both lines and the stock still closed down 1.83% and slipped further after hours, to about $335 with an early dip to $334.53 (press-reported). Three things explain it, and only one of them is about Apple.

## Why it fell

- The whisper number was higher than the consensus: press reports put informal expectations near $2.07 of EPS. Against that bar, the ex-refund EPS of $2.05 was a miss, and $0.05 of the reported $2.10 was a tariff refund, a one-time item.
- Gross margin stepped down to 47.9% from 50.1% in Q3. In a week when the market has punished every AI spender's cash economics, a hardware margin squeeze on component costs read as the same story in a different costume.
- The tape was hostile: Nov. 2 was a split, risk-off session (Nasdaq Composite down 1.07%) and Apple fell with the complex it had outperformed all autumn.

## Why the desk is not rattled

- The operating print, ex-refund, still beat: $2.05 against $1.98 expected, on revenue $1.5B ahead of consensus, with China up 21% and Services at a record.
- Nothing in the reaction repriced the cash machine: $145B of operating cash flow and a $102B capital return do not change because a whisper was missed.
- The fall stopped where the desk's map said it should matter: the after-hours low near $334.53 sits on the 50-day average and the October 30 low. The zone on page 8 was drawn before the reaction, and the reaction respected it.

A beat that falls is information about positioning, not about the business. Into the print, AAPL sat 3% from its all-time high after a 22% six-month run, owned by everyone, with a whisper above the published bar. That is a setup for selling good news. The desk's answer is not to argue with the tape; it is to let the tape come to the zone.


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10 · VALUATION

# What $338 pays for.

PRICE TO FY2026 EARNINGS

**37.7x**

On diluted EPS of $8.98. On the ex-refund run-rate the multiple is higher still. This is the fullest sustained multiple Apple has carried, and it is the single largest risk in the stock.

PRICE TO FREE CASH FLOW

**36.6x**

FCF per diluted share of $9.24, a 2.7% FCF yield. The dividend adds 0.32% ($1.08 annualized at the declared $0.27 quarterly rate). Cash returns, not yield, carry the total return math.

PRICE TO SALES

**10.4x**

On FY2026 sales of $478,834M. Market value of about $4,916B on 14,532M shares outstanding, against $56,824M of net cash on the balance sheet.

## The honest arithmetic

At 37.7 times earnings, Apple's stock needs roughly a decade of the FY2026 growth pattern to grow into a market multiple: EPS compounding in the low teens (revenue high single digits, margin flat to up, buybacks adding about two points) with the multiple compressing toward the mid-20s still produces a mid-single-digit annual return. The bull case is not the multiple; it is that the FY2026 pattern understates the engine, because a services mix shift keeps lifting margins while the installed base compounds. The bear case is that 47.9% gross margin was the tell: component costs reset the hardware model lower while the multiple still prices the old one.

## Why stage the entry, then

Every dollar lower in the zone is multiple insurance bought with patience: at $334 the price is 37.2 times FY2026 EPS; at $320 it is 35.6 times, with the invalidation 3.4% below that. Staging converts a binary judgment (is 37.7x right?) into a process (buy defined shelves, exit on a defined break). For a franchise of this quality, that is the correct trade of precision for discipline.

| 37.7x | 37.2x | 35.6x | 34.4x | $8.98 |
|---|---|---|---|---|
| AT $338.32 | AT ZONE TOP $334 | AT ZONE BOTTOM $320 | AT INVALIDATION $309 | FY2026 DILUTED EPS BASE |


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11 · COMPOUNDING VIEW

# The band, and its reality check.

| GEOMETRIC COMPOUNDING, TOTAL RETURN (DIVIDENDS IN) | WINDOW ENDING NOV. 2, 2026 | CAGR |
|---|---|---|
| **1 year** | Nov. 2025 to Nov. 2026 | +25.5% |
| **2 years** | Nov. 2024 to Nov. 2026 | +23.7% |
| **3 years** | Nov. 2023 to Nov. 2026 | +24.5% |
| **5 years** | Nov. 2021 to Nov. 2026 | +18.0% |

Geometric CAGR on dividend-adjusted daily closes, each window ending at the Nov. 2, 2026 close of $338.32. Price-only CAGR: +24.0% over 3 years, +17.5% over 5. Annualized volatility of daily returns: 24.2% over one year, 26.6% over three.

## The one-year band

Run the 3-year total-return CAGR of 24.5% forward one year from $338.32 and the central path is about $421. Widen it by one standard deviation of the stock's own daily volatility (26.6%, lognormal) and the honest one-year frame is about $323 to $550. The width is the point: a stock with 26% volatility does not travel in straight lines, and any plan that needs it to is not a plan. The desk zone, $320 to $334, sits at the bottom edge of that band, which is a statistical way of saying the same thing page 8 says technically: buy where the last three years of compounding math says the price is cheap relative to its own path, not in the middle of it.

> **Reality check:** the filing record compounds slower than the stock has. Revenue grew 7.7% a year from FY2023 to FY2026 ($383,285M to $478,834M) and net income 10.9% a year ($96,995M to $132,175M), with buybacks lifting EPS growth above both. A 24.5% share CAGR against 10.9% earnings compounding means the multiple did heavy lifting, expanding to 37.7 times. If the next three years deliver only the earnings compounding, the share return converges toward low double digits even with no multiple damage, and toward zero if the multiple normalizes at the same time. The band is a frame, not a forecast.

12 · HOW THIS GOES WRONG

# Four ways to lose.

### The multiple normalizes before earnings catch up

At 37.7 times FY2026 EPS, the stock prices a decade of clean execution. A re-rating to the high 20s, unremarkable by Apple's own history, is a 25% drawdown with the business performing fine. This is the risk the zone and the invalidation exist to manage; it cannot be diversified away inside the position.

### Component costs reset hardware margins

Gross margin fell from 50.1% to 47.9% in one quarter, refund included, as memory and component prices rose. Management has guided the December quarter to 45% to 46% (page 14), so part of the step-down is now the company's own plan. A print below that guided range tells the market the cost reset is deeper than management concedes, and the FY2027 earnings base the multiple sits on falls with it.

### The cycle does not repeat

FY2026 was a supercycle year: iPhone up 21.2%. iPad and Wearables already shrank in Q4, and inventories doubled to $14,541M. If the iPhone Duo cycle fades early, that inventory unwinds through the same margin line that is already under pressure, and the growth half of the story halves.

### Policy, in both directions

This print was flattered by tariff refunds; the next policy move can run the other way, and Greater China, up 21% to $17,539M, remains exposed to trade escalation and local competition. App Store regulation in the US and Europe threatens the 76% margin Services stream that carries the valuation argument.

**Discipline:** the call is graded at dated checkpoints, not defended in between. The weekly close against $309, the zone fills against $334 and $320, and the January print against the margin and inventory tests on page 15. Evidence over narrative, in that order.


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13 · SOURCES AND VERIFICATION

# Every number, sourced.

### Apple Q4 FY2026 earnings release, Exhibit 99.1 to Form 8-K (SEC EDGAR, CIK 0000320193)

Furnished Nov. 2, 2026, accession 0000320193-26-000024, for the quarter and fiscal year ended Sep. 26, 2026. Source for all Q4 and FY2026 income statement, category, segment, balance sheet and cash flow figures in this report, the tariff refund disclosures (about one point of gross margin, $0.05 of EPS), the $28B of Q4 operating cash flow and capital return (CFO statement), the installed base record, and the $0.27 dividend declared for payment Nov. 16, 2026. These are unaudited condensed statements furnished with the 8-K. The FY2026 Form 10-K, filed Nov. 3, 2026, confirms the fiscal-year figures; see the next block.

### Apple FY2026 Form 10-K and the Q4 FY2026 earnings call (SEC EDGAR; call transcript)

Form 10-K filed Nov. 3, 2026, accession 0000320193-26-000026, for the period ended Sep. 26, 2026: source for the Filed and confirmed note on page 4. Filed values as carried in EDGAR CompanyFacts: fiscal 2026 revenue $478,834M, net income $132,175M, diluted EPS $8.98. The earnings call of Nov. 2, 2026 (transcript published by the Motley Fool, corroborating reporting by Reuters and CNBC) is the source for the December-quarter guidance and all call color on page 14: the revenue, margin and services guides and the memory and Siri AI cost drivers (CFO Kevan Parekh), the memory pricing commentary (CEO John Ternus), and the supply-constraint statements (COO Sabih Khan).

### Apple Forms 10-Q for Q1, Q2 and Q3 FY2026 (SEC EDGAR CompanyFacts)

Filed quarterly reports for the periods ended Dec. 27, 2025, Mar. 28, 2026 and Jun. 27, 2026. Source for the quarterly revenue, net income, EPS and gross margin path on page 5, and the nine-month operating cash flow ($116,996M) and capex ($6,799M) used to derive the Q4-only figures on page 7. The four quarters tie exactly to the fiscal year on revenue, net income and gross profit.

### Prices: Nasdaq /historical, cross-checked against the Yahoo daily series

Closing prices, moving averages, swing points, returns and volatility are computed from the full daily close series (1,254 sessions, Nov. 3, 2021 to Nov. 2, 2026). Nasdaq /historical closes and the Yahoo v8 daily series agree on every overlapping October 2026 session. The Nov. 2 close of $338.32 (-1.83% from the Nasdaq Oct. 30 close of $344.63) is corroborated by two independent press reports published the same evening. The Nov. 2 after-hours low of about $334.53 is press-reported, not exchange data, and is labeled as such where used.

### Consensus and reaction color (press, labeled)

Zacks consensus for Q4 FY2026 (EPS $1.98, revenue $112.95B) as reported by Zacks; the whisper estimate near $2.07 and the after-hours trading detail as reported by Shacknews and KuCoin on Nov. 2, 2026. Press items are used only for expectations and reaction context, never for company financials; company filings win any disagreement.

> **Verification method:** every headline figure was pulled from the filing and checked against a second source or an internal tie-out before use. Figures labeled derived are arithmetic on filed figures, with the derivation stated where they appear. Anything that could not be verified to a primary source was left out rather than estimated.


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14 · GUIDANCE AND THE CALL

# A record guide, a cost warning.

Apple guided the December quarter in full on the Nov. 2 earnings call, and used the call to name the force acting on the model: memory. The guide, the cost drivers and the supply picture below are from that call: CFO Kevan Parekh on the numbers, CEO John Ternus and COO Sabih Khan on memory and supply, as transcribed and reported the same evening.

| DECEMBER-QUARTER GUIDANCE, GIVEN NOV. 2, 2026 | GUIDE |
|---|---|
| **Revenue growth** | +7% to +10% |
| **Implied revenue (derived from the year-ago quarter)** | About $153.8B to $158.1B |
| **Gross margin** | 45% to 46% |
| **Services growth** | +8% to +9% |

Guidance as stated on the Q4 FY2026 earnings call. If hit, the revenue guide is a record holiday quarter. The bar it sets for the January print: margins are graded against this guided 45% to 46% range, not against the 47.9% just reported. Checkpoints on page 15.

## Memory is the margin story

Ternus called current memory pricing "unprecedented," and said purchase pricing for memory keeps rising into the December quarter and beyond. Parekh said memory costs will keep rising into next year. The guided step-down to 45% to 46% is attributed to those higher memory costs and to the expense of ramping Siri AI. In Q4 the memory hit was partly offset by inventory on hand and by lower costs on some non-memory components. Those offsets are finite. That is why the guide, not the Q4 print, is the honest run-rate for the hardware margin.

## Supply, not demand, caps the quarter

Khan said the new iPhone (the Duo) is supply-constrained "as of today," and that Apple cannot predict when supply and demand will balance. Mac and iPad will also be supply-constrained in the December quarter, primarily driven by memory, with demand higher than the company expected. Purchase commitments rose $33B in the quarter as Apple moved to secure supply. Two demand facts sit underneath the constraint: the iPhone 18 Pro had only eight selling days in Q4, and the Duo went on sale after the quarter closed, so it contributed no Q4 revenue at all. Reported price increases (the iPhone Pro line up $100, and some MacBook models) pass part of the component bill to the customer.

> Read together, the guide and the color describe a company that can sell more than it can build, at margins it has already marked down. That is the better problem to have. It also reframes the December quarter: the revenue guide is a constrained number, not a demand number, and the margin guide is a floor management chose to publish. Both are graded on page 15.


Research and education only. Not investment advice.

15 · THE VERDICT

# BUY, staged, $320 to $334.

VERDICT

## BUY, STAGED

Accumulate in tranches inside the zone. Above $334, patience is the position; the Nov. 2 close of $338.32 is 1.3% above the zone top.

BUY ZONE

## $320 to $334

Top: the 50-day average ($333.62), the Oct. 30 low ($334.35) and the after-hours low (about $334.53) in one cluster. Bottom: just below the 100-day average ($321.91).

INVALIDATION

## Wk close < $309

A weekly close below $309 undercuts the Sep. 9 swing low ($309.90) and ends the call, 3.4% below the zone bottom. A touch does not trigger it; a weekly close does.

## What we're watching

FILED NOV. 3, 2026 · CONFIRMED

**The FY2026 Form 10-K confirms the print**

Checkpoint closed. The filed 10-K confirms the release figures this report was built on: revenue of $478,834M, net income of $132,175M, diluted EPS of $8.98 and operating cash flow of $145,097M. The verdict stands on filed numbers.

NOV. 12 AND NOV. 16, 2026

**Dividend record and payment dates**

$0.27 a share, record Nov. 12, payable Nov. 16. A declared dividend is a promise; the dates make it a checkable one.

EVERY FRIDAY CLOSE

**The zone and the line, graded weekly**

Closes inside $320 to $334 are fills. A weekly close below $309 ends the call. A weekly close back above $348.91, the all-time high close, retires the staged plan in favor of trend rules.

LATE JAN. 2027 · Q1 FY2027 PRINT

**The holiday quarter grades three tests**

Gross margin inside or above the guided 45% to 46% range: below 45%, the guide itself was optimistic and the component cost story is a trend. Inventories down materially from $14,541M: still elevated means the build was a misread. Services growth at or above the guided 8% to 9%: below the guide, the annuity half of the thesis is slowing into a full multiple.

THROUGH DEC. 2026

**iPhone Duo cycle tracking**

The CEO led the release with the Duo and the all-new Siri AI. Holiday sell-through color, carrier data and supply chain checks either confirm a second supercycle leg or mark FY2026 as the peak year. The stock at 37.7 times needs the former.

## Position in the ZeroGamma book

AAPL joins the published book with a graded call like every other name in it: a verdict, a zone, an invalidation, and dated checkpoints. The desk holds no AAPL position at publication. When the evidence changes, the call changes, and the change will be published the same way this call was.


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16 · DISCLAIMER

# Read this last page.

**Purpose.** This report is research and education only. It is not investment advice, a recommendation tailored to any individual, or an offer to buy or sell any security. The verdict framework (a call, a zone, an invalidation, and dated checkpoints) is published so the call can be graded after the fact; grading is part of the product. ZeroGamma Research is not a registered investment adviser. Past performance is not indicative of future results.

**Data and as-of dates.** Q4 and FY2026 financial figures are from Exhibit 99.1 to Apple's Form 8-K furnished Nov. 2, 2026, and are confirmed against the FY2026 Form 10-K filed Nov. 3, 2026. Q1 to Q3 FY2026 figures are from filed Forms 10-Q. Prices are as of the Nov. 2, 2026 close ($338.32) unless a figure is explicitly stamped otherwise; the after-hours figures cited are press-reported. Consensus figures are Zacks consensus as reported by Zacks on Nov. 2, 2026. Prepared November 2, 2026.

**Forward-looking statements.** Statements about future quarters, the holiday cycle, future margins, future dividends and the compounding band on page 11 are expectations and statistical frames, not facts or price targets. They depend on consumer demand, component pricing, trade policy and regulatory outcomes, and they can be wrong. The invalidation on page 15 states the condition under which the desk's view changes.

**Holdings.** ZeroGamma Research and its principals hold no position in Apple Inc. shares at the time of publication. Nothing in this report creates any duty to update it, except through the desk's published checkpoint reviews.

*Prepared November 2, 2026. Updated November 3, 2026: 10-K filed and confirmed; guidance and earnings-call color added. Sources and methodology: page 13. ZeroGamma Research.*