

Apple F1Q08 (Qtr End 12/29/07) Earnings Call Transcript

Executives

Nancy Paxton - Investor Relations

Peter Oppenheimer - Chief Financial Officer, Senior Vice President

Timothy D. Cook - Chief Operating Officer

Analysts

Katy Huberty - Morgan Stanley

Bill Fearnley - FTN Midwest

David Bailey - Goldman Sachs

Bill Shope - J.P. Morgan

Richard Gardner - Citigroup

Ben Reitzes - UBS

Shannon Cross - Cross Research

Keith Bachman - Bank of Montreal

Charles Wolf - Needham & Company

Gene Munster - Piper Jaffray

Andrew Neff - Bear Stearns

Toni Sacconaghi - Sanford Bernstein

Mike Abramsky - RBC Capital Markets

Tavis McCourt - Morgan Keegan

Shaw Wu - American Technology Research

Chris Whitmore - Deutsche Bank

Andy Hargreaves - Pacific Crest Securities

Apple Inc. ([AAPL](#)) F1Q08 Earnings Call January 22, 2008 5:00 PM ET

Operator

Good day and welcome to the Apple Incorporated first quarter 2008 quarterly results conference call. Today's call is being recorded. At this time, for opening remarks and introductions, I would like to turn the conference over to Ms. Nancy Paxton, Senior Director of Investor Relations and Corporate Finance. Please go ahead, Madam.

Nancy Paxton

Thank you. Good afternoon and thanks for joining us. Speaking today is Apple CFO Peter Oppenheimer and he'll be joined by Apple COO Tim Cook and Treasurer Gary Wipfler for the Q&A session with analysts.

It's interesting to note that in achieving all three of these, we grew iPod revenue 17% year over year and this growth rate is the highest growth rate that we've seen in revenue in iPod for a year.

Ben Reitzes - UBS

Thanks a lot.

Timothy D. Cook

So that's kind of how we --

Ben Reitzes - UBS

I got you. The Touch sacrificed a little unit growth but you are happy overall with your execution.

Timothy D. Cook

We're thrilled with it.

Ben Reitzes - UBS

Okay. Thank you very much.

Nancy Paxton

Thanks, Ben. Could we have the next question, please?

Operator

The next question will come from Shannon Cross with Cross Research.

Shannon Cross - Cross Research

Good afternoon. Could we first get an update on Mac channels, Best Buy, what you are thinking in terms of distribution?

Timothy D. Cook

We ended the quarter with about 286 stores in Best Buy. We are thrilled with the results that we've seen. It's added to the Mac momentum. We have elected to expand that further and have jointly agreed with Best Buy that we'll expand from the 286 to 600 over the next six months, so we're very, very happy with how that relationship is coming out.

Shannon Cross - Cross Research

Okay, and I don't know, Tim or Peter, could you give us an idea on your goals for iTunes rentals? How should we think about the success of that business and is it more a way to drive incremental Apple TV sales or are you looking at it more from a profitability standpoint for that specific unit?

Peter Oppenheimer

We just introduced it. We think customers are really going to love it but we'll have to see. Our objective with the iTunes store is to run it just a little above break even and we think that it helps us to sell iPods and Macs and that is really our strategy.

Shannon Cross - Cross Research

Okay, and then sort of shifting over to MacBook Air, I don't know, Tim, if you could give anymore ideas as to how we should think about this fitting from a longer term standpoint into your product roadmap -- how do you think about the ultra mobile market? Is this more of a niche product? Should we think technology trickles down over time? Just anymore clarity you can give us, because obviously it could be fairly instrumental in terms of driving revenue.

Timothy D. Cook

We create products that we hope will appeal to all types of people and we think that the MacBook Air will appeal to travelers, to professors, to all different kinds of people who want to access the computer very quickly wherever they are. We think it's very leading edge, it's a superior combination of size, weight and performance and form factor,

Timothy D. Cook

This is something that we are looking at but have nothing specific to talk about today.

Andy Hargreaves - Pacific Crest Securities

Okay, and then also just wondering if there's anything you guys are doing actively to try to promote more corporate use outside of the traditional customers in either your reseller channel or in education that you are doing, training, that kind of thing?

Timothy D. Cook

The education market had a record Q1 for us. We grew about five times the IDC's forecasted market rate of growth of 6%, and this was led by both K-12 and higher ed, and so we were doing excellent in this business.

There are many, many examples of small business using Mac and larger businesses continue to be interested in the Macintosh as well.

Nancy Paxton

Thanks very much, Andy and thanks to everyone. A replay of today's call will be available for two weeks as a podcast on the iTunes store, a webcast on apple.com/investor and via telephone. And the numbers for the telephone replay are 888-203-1112 or 719-457-0820, and the confirmation code for the telephone replays is 4273792. And these replays will be available beginning at approximately 5:00 p.m. Pacific Time today.

Members of the press with additional questions can contact Kristin Huguet at 408-974-2414 and financial analysts can contact Joan Hoover or me with additional questions. Joan is at 408-974-4570 and I am at 408-974-5420. Thanks again for joining us.

Operator

Ladies and gentlemen, that does conclude today's presentation. We do thank everyone for your participation and have a wonderful day.

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