Apple Services now Generate more Revenue than Nike and McDonald’s Combined

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Over the past few years, tech giant Apple (NASDAQ: AAPL) has diversified its portfolio from focusing on hardware to expanding into various services such as music and streaming. Apple Services business has now grown to become one of its most lucrative segments, with revenue surpassing that of major corporations.

In particular, data acquired by Finbold on February 9 indicates that Apple Services

recorded a revenue of $79.4 billion in 2022.

The revenue emanated from services including Apple Cloud, Apple TV, Apple App Store, Apple Music, Apple Arcade, and Apple Fitness+.

The revenue by Apple Services exceeded that of several established Fortune 500 companies. Apple Services surpassed aerospace manufacturer Boeing (NYSE: BA), which recorded a revenue of $66.6 billion in 2022. Among the selected companies, Intel (NASDAQ: INTC) recorded $63.1 billion, followed by Nike (NYSE: NKE) at $49.1 billion. American Airlines (NASDAQ: AAL), with a revenue of $49 billion.

Other companies trailing Apple Services include beverage giant Coca-Cola (NYSE: KO) at $42.3 billion, Netflix (NASDAQ: NFLX) at $31.6 billion, and McDonald's (NYSE: MCD) at $23.3 billion. Interestingly, Apple Services' revenue for 2022 was more than that of McDonald's and Nike combined which stood at $72.3 billion.

How the Apple Services Segment Rose to Record Huge Revenue

Apple's diversification into services has proven to be a successful move for the tech giant following years of putting in place mechanisms to shift. This success highlights Apple's long-term goal to migrate the company to services, creating a steadier source of revenue and insulating its earnings growth from the swings affecting its manufacturing unit that has been weighed down by factors such as supply chain constraints.

With services a major focus for the company, and the current macroeconomic environment impacting overall results, this focus could prove to be crucial in offsetting any lost sales.

By offering a range of services, Apple has positioned itself as a leading provider of innovative digital solutions. With its focus on services, the company has been able to mitigate the impact of declining iPhone sales and maintain its profitability and growth despite the competitive market environment.

Indeed, the significant revenue generated by the service segments has also emerged from Apple's dedication and commitment to research and development. With a massive budget dedicated to hardware developments and the establishment

of digital solutions, the company can keep innovating and improving its product offerings. The company is also dedicated to identifying and introducing new service-based businesses, such as the speculated entry into the Buy Now, Pay Later market.

This shift has resulted in increased competition and pressure on prices for players in the consumer electronics industry, especially those heavily dependent on hardware. On the other hand, for consumers, it presents a unique opportunity to experience the Apple ecosystem without having to pay exorbitant prices for the hardware.

Furthermore, the significance of Apple's shift towards services cannot be overstated, as it brings together the various strategies the company has implemented over the past few years. One of these strategies is to attract more users to the iOS platform through the adoption of subscription- based payment models and the introduction of cost-effective devices.

It is worth noting that Apple provides little transparency relating to the individual services segments; therefore, it becomes difficult to gauge the critical drivers for the revenue. However, several products have stood out, such as the App Store and the growing device install base.

Apple Services Outlook

In general, most Apple Services have mainly targeted consumers; the revenue is likely to increase, with the company hoping to venture into enterprises with the recent rollout of Apple Business Essentials as a roadmap.

Overall, Apple still focuses on expanding its services business, showing no signs of slowing down as it continues to launch new ventures and reach new customer markets. With the gap between the size of the hardware business and services expected to narrow, it will be interesting to see how this shift affects Apple's approach to its hardware operations. Despite its current success, the company seems to have a lot of potential for growth in its services segment.

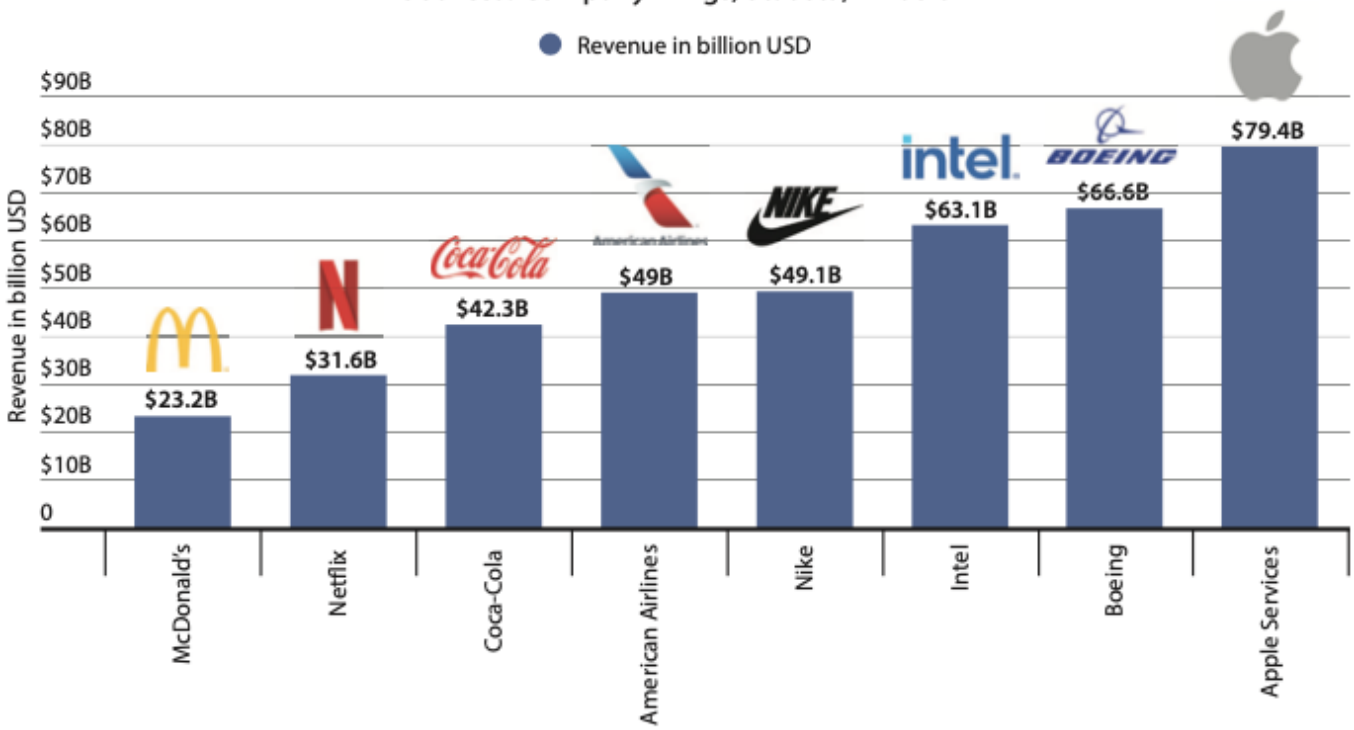
Justin crafts insightful data-driven stories on finance, banking, and digital assets. His reports were cited by many influential outlets globally like Forbes, Financial Times, CNBC, Bloomberg, Business Insider, Nasdaq.com, Investing.com, Reuters, among others.

Apple Services Revenue Compared to Total Revenue of Selected Fortune 500 Companies in 2022*

(Rounded figures; In billion USD)

Information: This chart shows Apple Services revenue compared to the total revenue of selected Fortune 500 companies in 2022. Apple services include Apple Cloud, Apple TV, Apple App Store, Apple Music, Apple Arcade, Apple Fitness+.

Sources: Company filings, Statista, Finbold



*Supplementary note: 2022 or the latest reported four quarters.