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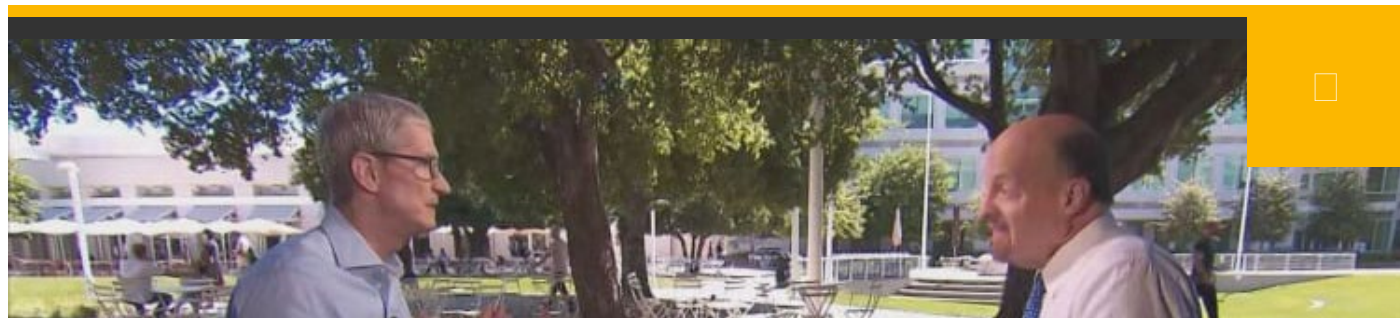
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Jim Cramer interviews Tim Cook: the complete transcript

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“[Mad Money](#)” host [Jim Cramer](#) interviewed [Apple](#) CEO [Tim Cook](#) on Wednesday about Apple’s recent earnings report, plans to create U.S. manufacturing jobs, and more. This is a full transcript, lightly edited for clarity.

Cramer: Tim, last year at this time we sat down, the stock was at \$93, the headlines were all about how the company’s best days were behind it. You said that “the customers loved the product, as long as they do, then I’m not gonna worry.” Do you feel vindicated?

Tim Cook: “You know, I didn’t really worry about what people were saying then because I care very much about our users, and I strongly believe that if they’re happy over the long term, other things will take care of itself. And so we had a lot of confidence and it’s good to be here today. But we don’t really look at the stock, you know? Because for us, it’s about the long term. And so we’re very much focused on long term shareholder value, but not the short term kind of stuff.”

But there has to be a sense, when you read that the company is dead, that it's a bit unfair.

“Well, I just thought it was absurd.”

OK.

“And people just not understanding the company.”

Do people understand the headlines today that it was a disappointing quarter even though every company in the world would kill for what you just did?

“Yeah. I look at that, honestly, and we had a great quarter. If you get into the numbers just a little bit for a few minutes, the Mac grew 14 percent. This is huge. Services continued this really fast growth. It grew 18 percent year on year and we continue to be on target to be a Fortune 100 company this year with our services business. The watch almost doubled year on year. iPhone grew in revenue sense because the iPhone 7 Plus was just off the charts. It's so incredibly popular, so much more popular than we planned. We knew we had a killer product, but so many people love Portrait mode and the large, beautiful screen and all the other aspects of the phone, and it's become such an integral part of their life that a lot of people are loving that 7 Plus. And so we grew strongly in four out of five of the operating segments, of the geographic segments. We didn't grow in China, but we did remarkably better than we did over the second half of last year, which is what we expected, and it's what we delivered. And we feel that we'll do even better this quarter.”

Let's think about that notion of the consumer and what you care about. Let's say a consumer product company had 5 percent organic growth, 10 percent earnings per share, beat by \$0.08, and at the same time had price

increases when all consumer products companies are struggling with price decreases. I believe that you would sell at 24 times earnings, which coincidentally, is the same price-to-earnings multiple of Clorox, which is a bleach company. Do you find it somewhat ironic that the most basic commodity has a much higher price-to-earnings multiple than the greatest consumer product of all time?

“You know, for us, we look at that and we say, you know, we can invest in our company and invest in our stock and we do believe it’s undervalued. And so we’re buying it back, and so from that point of view there’s an opportunity in that as well. But over the long haul, I think it will, I strongly believe that it’ll be at a fair value. And so, you know, that’s how we look at it.”

But is it reasonable to think it’s the greatest consumer product technology company as opposed to a razor blade that sells at 23 times earnings?

“I think the iPhone is the best consumer product ever. That’s what I feel about it. And it’s become so integrated and integral to our lives, you wouldn’t think about leaving home without it. It’s- your health data is there, it’s- you’re paying with it from an Apple Pay point of view, you’re messaging your friends, the community that you’re a part of. It’s your navigation system. It’s your news. For many people, they’ve moved all of their video to watching on a mobile product. And, you know, the iPhone is at the center of that.”

Plus, clearly, is a cord-cutter.

“Absolutely. Absolutely. And so there’s so many of these things that it has, that- it’s so integrated into all aspects of your life, that I think- I don’t know that there is a consumer product that’s made such a profound change in people. And with the

ecosystem behind it, the fact that it's unleashed millions of developers to develop their passion and provide to customers something that they've been, maybe it's been a hobby for them, but now they're unleashing it around the world. And it's unbelievable.”

But on the conference call you mentioned two troubling issues. You talked about how we are working on getting China better. And then you also talked about the idea that yes, people are holding back. Some are waiting, perhaps because of a new phone. These were things you addressed. So I'd like to just flesh them out with the people who watch who own the phone who are confused by this.

“I think the last one is kind of simple, honestly. It's that there are more rumors floating and more press articles and mentions of new things, and when that happens, a percentage of people delay. And so, yeah, we see a piece of that. That probably affects us more in China than other places because there's a tendency there to buy the latest thing, although I have to say, the 7 Plus has done extraordinarily well there, and it's up double-digit from the previous year, comparing to the previous generation product. But we didn't do as well on some of the previous generation iPhones there, and we're looking at why and trying to address that.”

Now, the 7 Plus, had you had enough, the quarter would've been a different-looking quarter.

“No, I wouldn't say that, because I feel that we were in supply-demand balance at the beginning of the quarter. But when I back up from China, what I see is the Mac business grew 20 percent. You know, this is extraordinary. The Watch grew nicely. Services is just on a tear there. Chinese developers

have really done a great job of delivering apps that people really want there. And so there's a whole set of things that's going well, and we just have to get them all to head. In the scheme of things, though, you know, if you back up from it, we're probably, we're one of the largest foreign companies there. And we're really proud to be there and serve the market, and we're going to keep working on it."

You've mentioned the service revenue stream several times. I think, okay, so you have say 150 million, which is a conservative number, of subscribers who, like me, don't even look at the price of the bill like we do for Netflix and Amazon. I'm thinking, what else can you put in there? I know that you've been talking original content. I know there's the possibility of using some of the \$256 billion you have to augment that stream. The stream is one that we are very excited about on Wall Street, and the consumer is excited about. Wouldn't it be a natural to put more money on that horse and bet that I could change the complexion of the company's valuation?

"First of all, for this year, we think we can become a Fortune 100 company without adding something new, so that's looking at our existing sort of services. We've also said that we're going to double the services business. Our objective is to double by 2020. And, you know, that projection is a sum of new services and existing services. On video in particular, we see that the video world has kind of hit an air pocket. And where cord-cutting has been happening on some kind of basis, we think it's accelerating massively and that it's clear what the end story looks like here. The trajectory is a debate. But we'd like to play in this. Because we do think that the best experience for a customer is to view things when they want, the way they want, and have many different additional

information around what they're watching, you know, not just the linear TV feed. And so we are working on some original content now. We're learning, and we'll see where this takes us."

Now, is there a possibility that someone could say, "You know what? These numbers are great. Samsung had the fire phone, and now they've got a new edition." But meantime you've picked up a lot of your ecosystem. You've always talked about people switching to Apple. Are you concerned about people switching back to Samsung?

"No, we don't see much of that. We don't want to see any of that, and we try really hard to retain people by giving them an experience that they really love. That's our objective. But generally speaking we measure that fairly closely, and we don't see very much of that. On the switcher side, we were very pleased that we set a record for switchers outside of China for the first six months of this fiscal year. As you know, we start in October and we just finished the first half in March. And we set a record there and we set a record for upgraders across the world. And so this felt really good."

VIDEO 12:09

Exclusive: Apple just promised to give US manufacturing a \$1 billion boost

Tim, let's talk about Apple's role in the world. You're a huge company. What are you doing to create jobs?

“That’s a good question. You know, a lot of people as me, ‘Do you think it’s a company’s job to create jobs?’ and my response is a company should have values because a company is a collection of people. And people should have values, so by extension, a company should. And one of the things you do is give back. So how do you give back? We give back through our work in the environment, in running the company on renewable energy. We give back in job creation.

And so if you look at job creation in particular, we’ve now created two million jobs in America. Two million. And so let me give you a little bit of information on this – and this doesn’t include the multiplier effect, by the way, that would make it a ton more. As you look around this campus, we now have 80,000 people in the United States, so about 25,000 are here doing R&D. but we have a huge facility in Austin as well that has 6,000 people that does everything from engineering to customer support to financial services, et cetera, and, of course, we have stores across the United States. In addition to this, we buy a lot from U.S. suppliers, and this includes things like we manufacture here, our suppliers manufacture here. Corning is an example of this. We buy the glass from iPhone and iPad from Corning. But there’s many other examples. We buy adhesives from 3M. 3M manufactures in my home state of Alabama and many other places as well. And so we actually spent over \$50 billion last year in this country. I mean, this is incredible. And then we have a developer community. And this developer community is almost 1.5 million people now. These

are folks from really small businesses, a party of one, to larger companies, and they're writing apps that change the world. And we're giving them the platform, and we've created [an] incredible store that allows them to sell their product in 155 countries in the world. It's a really unbelievable, empowering experience as a new business.

And so each of these areas, Jim, we ask ourselves: How can we increase it further? How can we create even more? We're not satisfied with just two million. And so you can bet we're going to be hiring thousands of employees in the future. Thousands more employees in the future. On the developer community, we're asking ourselves: How can we empower the next generation of developers? How can we touch even more people? How can we train more people to code so they can pursue their passion?"

Would you ever put money behind that?

"We would. We would and we will and you'll be hearing more about that across the summer. In the other category, manufacturing, we ask ourselves: How can we get more people to do advanced manufacturing in the United States? And I'm proud to tell you that we're creating an advanced manufacturing fund. We're initially putting \$1 billion in the fund."

This I did not know about.

"Right, we're announcing it today. So you're the first person I'm telling. Well, not the first person because we've talked to a company that we're going to invest in already."

But this is \$1 billion of Apples \$256 billion, putting it in.

"It's \$1 billion of our U.S. money, which we have to borrow to

get, that's another whole topic, but yeah, we're really proud to do it. And by doing that, we can be the ripple in the pond. Because if we can create many manufacturing jobs around, those manufacturing jobs create more jobs around them because you have a service industry that builds up around them. And we'll be announcing the first investment for this fund later in the month of May. And so we're really proud of this, and so you can see, we're really looking at this thing deeply. How do we grow our employee base? How do we grow the developer base? How do we grow manufacturing? And you will see us bring things to market in all of those areas across this year. We're really proud to do that."

You know, when you do that, do you ever look at the government as perhaps saying, "Okay, look, Cook is putting \$1 billion of his company to it. Let's get in," you know, President Trump's saying, "We've gotta give him a repatriation. Who knows what he'll do with all that money over there. We've gotta give 'em the tax break." Would you work closely with the president to get some of these things done so that you can do more job creation?

"I think that repatriation- actually, I think comprehensive tax reform is the, is so important to this economy. If you think about it, many, many companies now sell globally. If you sell globally, you earn money globally. If you earn money globally, you can't bring it back into the United States unless you pay 35 percent plus your state tax. And you look at this and you go, 'This is kind of bizarre.' You want people to use this money in the United States to invest more. We are in a good position, but an unusual one. Our good position is we can borrow. And so to invest in the United States, we have to borrow. This doesn't make sense on a broad basis, and so I think the administration, you saw that they're really getting this and want

to bring this back and I hope that that comes to pass.”

Now, Tim, your company stands for things. You’ve got closely held principles – human rights, civil rights. What happens if they clash with the president’s views?

“You know, my view on working with any government in the world is that there are things that you will agree upon and things that you will not. And you don’t want to let the things you don’t mean that you don’t have any interface. Because what we want to do when we disagree is we want to say why we view the way we do – ”

Immigration.

” – because we want to influence it. Yes, immigration is one of those, where you saw how we talked out about the executive order and how we felt about that. And I think that, you know, I think that most people, when you disagree, if you do so and you say why, and I think you have a good chance of influencing things. And so that’s kind of the way we look at it.”

Sounds like the relationship with the White House is one of give and take, but getting something done.

“You know, again, I think with each administration in every country in the world, there are things you disagree and things you agree, and you look to find common ground and try to influence the things you don’t. If you don’t show up, I think that’s the worst scenario because then you’re quiet and this doesn’t do your cause any good or your point of view any good.”

Now, let’s talk about you. You’ve come out with some phenomenal products, but we’re still waiting for something. You know, iPad comes out and you change the

world. We've got new products that advance the ball. Is there something coming our way that is just gonna knock us out, that we can't believe? A game changer that we never thought of that we just can't live without?

"Jim, we always are working on an incredible number of things."

Car?

"I can't say, I can't say that."

Health?

"You know, the Watch has been an incredible move into health, in the wellness and fitness piece."

For you too?

"Yes, for me too. I've lost 30 pounds thanks partly to my watch."

Because it prompts us.

"Because it motivates you and it constantly gives you feedback, it constantly gives you rewards, and this makes a difference over time. And I'm getting calls and letters from so many people where the Watch has made a difference in their life, and this is why we are in business. We're in business to help people achieve their objectives, to empower them to do great things."

But are there dating factors to a new product, the artificial intelligence, machine learning, where the phone just can't get you there because of the physical infrastructure around the world that we have to leapfrog that somehow?

"I think AI is huge. We use AI in so much of what we do today,

but we're going to be able to use it even more in the future because the processing and GPUs are getting so incredible, the capability so incredible, we're going to be able to do a lot more. I don't want to get into details, but there's a lot more there. AR, you know, I've said in the past, this is something we're really excited about."

Still loving the job, still getting the people you want?

"I love it. Yes. Yes. You know, there's no bigger privilege in the world than to work at this company at this moment in time. And to be able to work with all the great people I get to work with every day. It's, was beyond my wildest imagination and there's not a day that I don't go by that I thank God for it."

Well, and do you feel that— there will be something that tells me maybe this year, because you haven't given us any date for the new phone, right? But can we get a date? Can we get a date because I want to get my daughter a new phone, I just need to know when.

"No, no. If you want to get her a new phone, I would suggest you get her an iPhone 7 or an iPhone 7 Plus because they're extraordinary and, you know, I'm getting all these photos from people that are using Portrait mode on the 7 Plus and they're unbelievable. It's like we've all become professional photographers."

Well, I do ask because every time the product is so good that I come back and say, "If it's so good, why do I need a new one?" Are you not your own worst enemy in some ways, Tim?

"No, because it's always something that you didn't expect. You know, who thought you could—"

Old battery?

"--take a photo like a portrait mode—"

Long battery?

"You know, the-- the-- the current ones are better than the previous ones. And-- and, you know, the AirPods, I get so many emails every day about AirPods in terms—"

But weren't they supposed to be the reason why we didn't buy?

"Now people that are using them, they really love them. And I'm not exaggerating a bit, they really love them."

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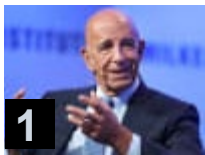
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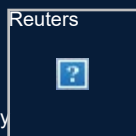
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