

Apple: a new CEO facing the artificial intelligence test



Image source: apple.com

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The appointment of John Ternus as head of Apple Inc. marks an expected yet structurally important transition for the group. The choice of an internal candidate, with more than two decades of experience at the heart of product engineering, reflects a desire for continuity. This succession comes at a time of exceptional operational strength (Apple generated \$123 billion of free cash flow over the last twelve months, or 28% of revenue, a level of efficiency rarely seen at this scale) which limits near-term risks. But behind this apparent stability, the strategic challenges Apple faces are unprecedented in scope.

The central challenge is artificial intelligence. The industry is entering a new phase in which value is shifting toward software platforms and ecosystems capable of capturing and monetising user engagement. Yet Apple, historically dominant in hardware-software integration, now appears to be lagging in the most advanced AI use cases, raising the risk of losing strategic centrality within the technology ecosystem.

The transformation of Siri into a truly differentiated interface is a key test in this regard. More broadly, the group must demonstrate its ability to build a credible AI platform adopted at scale.

This pivot comes as the historical business model is showing signs of maturity. The iPhone still accounts for 52% of revenue in a now saturated market, while attempts to expand into new product categories have delivered mixed results. The Vision Pro headset, despite notable technological progress, has not achieved the hoped-for adoption, while some design refreshes have received a more muted response. Together, they highlight a growing difficulty in turning innovation into mass-market success.

In this context, John Ternus's profile could mark a strategic shift. Where Tim Cook embodied a decade of operational excellence and the rise of Services (\$109 billion in revenue in 2025, or 26% of the total, up 14% year-on-year, with gross margins of 74% versus 37% for

hardware) his successor is above all an engineer. His role in developing proprietary technologies and advancing vertical integration argues for a more product- and innovation-focused approach.

Strategic priorities are likely to revolve around three axes. First, integrating artificial intelligence into the core user experience in a seamless and largely invisible way. Second, exploring new hardware formats (wearables, augmented reality, and smart home) that could become the main channels for AI adoption. Third, progressively reducing external dependencies remains an important priority. This applies first to Google LLC, whose \$20 billion in annual payments to Apple for default search placement on Safari remain under regulatory pressure, following the US Department of Justice's appeal of the favorable September 2025 ruling. It also applies to China, which represents \$64 billion of revenue and still accounts for 90% of production, despite diversification efforts toward India.

That said, a sharp break from the current strategy appears unlikely.

Tim Cook's presence as executive chairman ensures continuity in operational discipline and institutional relationship management. The most credible scenario remains a gradual transition, combining the preservation of core strengths with a progressive reallocation toward new growth drivers.

For investors, the equation remains favorable.

In the short term, visibility remains high, supported by the resilience of the business model and solid margins driven by vertical integration and the growing weight of Services. Over the medium term, the growth trajectory will depend on the new management team's ability to trigger a new innovation cycle centered on artificial intelligence. A valuation of 30x forward earnings reflects that option value: demanding, but justified by the quality of the model. It now requires the emergence of a tangible catalyst, whether through a new product cycle or credible AI monetisation.



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