

Apple's stellar earnings might not last

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Apple's robust earnings report for the latest quarter surprised few, given the runaway success of its ubiquitous iPod, yet there already is concern sales of the digital music devices will not suffice to keep Apple growing in the longer term. Moreover, criticism against iPods is on the rise, particularly from environmentalists.

Late Wednesday the Cupertino, Calif., company announced both its revenue and earnings reached an all-time high in its fiscal third quarter, which ended June 25. Apple's net profit reached \$320 million, while revenues hit \$3.52 billion, compared to \$61 million and \$2.01 billion, respectively, for the same quarter a year ago. The single biggest factor in Apple's soaring fortunes was the surge in demand for the iPod, as the company sold 6.155 million units of the device across the world during the latest three months, up 616 percent from last year. Meanwhile, sales of its Macintosh computers rose 35 percent from the previous year, to 1.182 million units.

In addition, Peter Oppenheimer, the company's chief financial officer, said in a news release Apple remains upbeat about its future prospects. For the fourth quarter, he said, "We expect revenue of about \$3.5 billion and earnings per diluted share of about \$0.32."

Steve Jobs, Apple's chief executive, echoed that optimism. "We have more amazing new products in the pipeline," he said in the statement.

The problem, however, is many analysts are already worried that Apple is far too heavily dependent on a single product. Creating a product as

successful as the iPod, which effectively has changed the way people listen to music on the go, is something all electronics manufacturers dream about. Apple faces the problem, however, that even its computer sales hinge on the success of the musical device, said Chris Green of London's Computing magazine. Green said the company needed to "branch out into other devices" that would be attractive to "media-savvy users."

There are other risks in being too heavily dependent on the success of the iPod. For one, other companies are trying to emulate the iPod's success and actually are winning over some of Apple's potential customers, especially outside of the United States and Europe. Japan's Sony, for instance, is seeing increased demand for its VAIO digital music players.

Meanwhile, environmentalists have complained that Apple has been less responsible than other companies in using recyclable products in its music devices. The batteries and microprocessors inside iPods contain potentially hazardous material, and the company should be "more proactive in using materials that are less harmful to the environment," Zeina al-Hajj, campaign coordinator for toxic-waste disposal at Greenpeace International in Amsterdam, told United Press International. She said companies such as Sony, Finland's Nokia and South Korea's Samsung have committed themselves to phase out toxic substances from their products over the next few years.

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