

Apple 3Q beats Street despite recession

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An Apple store employee, right, talks with a customer about a MacBook Pro at an Apple store in Palo Alto, Calif., Tuesday, July 21, 2009. Apple Inc., the closest thing the tech industry has to a luxury brand, said Tuesday its profit jumped 15 percent in the most recent quarter despite the recession. (AP Photo/Paul Sakuma)

(AP) -- Apple Inc. seems to have missed the memo - you know, the one about the recession.

Cupertino, Calif.-based [Apple](#) coasted past Wall Street's expectations for its fiscal third quarter on a wave of laptop and iPhone sales. It did it during a quarter in which total computer shipments fell worldwide. And it did it without sacrificing profit.

Investors sent Apple's stock up \$6.82, or 4.5 percent, to \$158.33 in after-hours trading Tuesday. Shares had dipped \$1.40 to end regular trading at

\$151.51.

"Times are tough. Apple continues to post pretty strong numbers," said Shaw Wu, an analyst for Kaufman Bros. "It's pretty incredible. It truly is."

Apple, the closest thing the tech industry has to a luxury brand, said earnings for the three months that ended June 27 jumped 15 percent to \$1.23 billion, or \$1.35 per share. Apple's profit was \$1.07 billion, or \$1.19 per share, in the same period last year.

The company, which recently welcomed CEO and co-founder [Steve Jobs](#) back from medical leave, said sales increased 12 percent to \$8.34 billion from \$7.46 billion in the year-ago quarter.

Apple beat Wall Street's forecast on both measures. Analysts were expecting Apple to earn \$1.17 per share - less than last year - on \$8.20 billion in revenue, according to a Thomson Reuters survey.

"In a better economy I think we would have sold even more," Apple [Chief Financial Officer](#) Peter Oppenheimer said in an interview.

Apple said it sold more than 5.2 million iPhones in the quarter, more than seven times what it sold in the 2008 quarter, thanks in part to a newly released version of the device.

Apple also sold 4 percent more Mac computers than a year ago, with a 13 percent rise in laptop unit sales more than making up for a 10 percent drop in desktops. Meanwhile, researchers recently reported a 3 percent to 5 percent decline for the overall worldwide PC market in the same period.

Apple's decision to cut laptop prices during the quarter helped it buck

the industry trend, even though the move dragged laptop revenue down 2 percent. Tim Cook, Apple's chief operating officer, said Mac sales picked up after the company announced the cuts, its first major price reductions in the recession.

Cook said Mac revenue was also hurt as businesses that typically buy more expensive models continued to put off technology spending. Other computer makers, such as Dell Inc., have also said customers are holding on to their existing machines for longer than normal.

Wu noted that lowering prices didn't eat into Apple's gross margin, which improved from a year ago and beat his expectations. Apple said component costs weren't as high as anticipated, and Wu said he thinks the Mac remained one of Apple's most profitable businesses.

The main weak spot was Apple's iPod line. Even though iPod Touch unit sales more than doubled, total iPod unit sales fell 7 percent, hurt by declines in what Apple considers its traditional MP3 players - iPod Classic, Nano and Shuffle. Oppenheimer told analysts on a conference call that such declines are to be expected as Apple "cannibalizes" iPod sales by offering similar features, plus access to thousands of third-party applications, in the \$229-and-up iPod Touch and the [iPhone](#) - the cheapest of which is now \$99, plus a monthly service contract.

Apple's revenue increased in every region, including the U.S. and Europe. Average revenue in each of Apple's retail stores was \$5.9 million, lower than the \$6.8 million Apple reported at the same time last year.

At the end of the quarter, Apple's cash hoard totaled \$31.1 billion, up from \$28.9 billion at the end of the previous quarter.

For the current fourth quarter, Apple said it expects to earn \$1.18 to

\$1.23 per share on \$8.7 billion to \$8.9 billion in sales. Analysts are looking for a stronger performance - profit of \$1.30 per share on revenue of \$9.1 billion - but Apple's guidance is typically conservative.

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