

Apple fiscal 3Q net income jumps 78 percent

July 20 2010, By JESSICA MINTZ , AP Technology Writer

(AP) -- Apple Inc. blew past expectations with its latest quarterly report on Tuesday, selling almost as many of its new iPad tablets as it sold Mac computers.

Apple also gave higher revenue guidance than Wall Street was expecting, something the company rarely does. Investors sent shares up in after-hours trading.

Apple said net income rose 78 percent to \$3.25 billion, or \$3.51 per share, from \$1.8 billion, or \$2.01 per share a year ago.

Revenue for the April-to-June period rose 61 percent from last year to \$15.7 billion, making it the company's highest quarterly revenue ever, even beating the latest holiday season.

That's better than Wall Street predicted. Analysts surveyed by Thomson Reuters had forecast net income of \$3.11 per share on \$14.7 billion in revenue.

Apple sold 8.4 million iPhones, up 61 percent from last year, even though the company stopped shipping more of the previous-generation iPhones after the updated model, the iPhone 4, was announced in early June. Apple sold 1.7 million of the newest iPhone 4 during the last three days of the quarter.

Apple also said it sold about 3.3 million iPads in the gadget's first three months on the market.

Both the iPad and iPhone 4 have been out of stock in most stores and take a few weeks to ship to new buyers. During the conference call, an analyst asked whether Apple intentionally makes too few of the gadgets.

"We do not purposefully create a shortage for buzz," said Apple Chief Operating Officer Tim Cook. "We are currently still selling both of those products as fast as we can make them."

Cook said he doesn't know when Apple will have enough of the gadgets on hand to meet demand.

Some analysts had worried that the release of the iPad, which can be used to surf the Web, check e-mail, watch movies and read books among other tasks, would lure people who might otherwise buy a Macintosh computer.

The fear seems to have been unfounded: Mac unit sales jumped 33 percent to 3.5 million, helped by what CFO Peter Oppenheimer called record sales to educational institutions in the quarter.

Cook said it was too early to tell whether the iPad may steal revenue from other product categories in the future.

Apple's guidance consistently comes in lower than Wall Street estimates, so it's notable that Apple said it expects \$18 billion in revenue for the current quarter, compared with the Street forecast for \$17 million.

Rajesh Ghai of ThinkEquity LLC said the unexpectedly high outlook appears to be an attempt to redirect investors' attention away from "antennagate" - a problem with the iPhone 4's antenna design that prompted Apple to promise free cases through September - and back to consumers' seemingly insatiable demand for iPhones and iPads.

Apple shares rose \$7.36, or 2.9 percent, to \$259.25 in extended trading after the release of the results.

The company said it will wait until the October-through-December quarter to recognize about \$175 million in revenue to account for the free cases it plans to ship to buyers after the end of the current quarter.

The company did not say how much the case giveaway will cost.

Apple expects to earn \$3.44 per share for the current quarter, less than the \$3.83 analysts are predicting.

While several technology companies, including Intel Corp. and IBM Corp., saw revenue hurt in the quarter by the effects of a stronger U.S. dollar, Apple didn't seem to flinch.

"I'm sure they're seeing a negative impact, but it just doesn't matter because they're selling so much stuff," said Andy Hargreaves, an analyst for Pacific Crest Securities.

Apple, based in Cupertino, Calif., sold 9.4 million iPods in the quarter, 8 percent fewer than a year ago.

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