

Apple earnings strong, couldn't meet iPad demand

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Apple customers Debra Der, left, and Morris Chu, right, try out the Apple iPad2 at an Apple store in Palo Alto, Calif., Tuesday, April 19, 2011. Apple Inc. reports quarterly financial earnings Wednesday, April 20, after the market close.(AP Photo/Paul Sakuma)

Apple Inc. is already the envy of the technology world. On Wednesday, it rubbed it in with quarterly results that had only one blemish: It couldn't make the new iPads fast enough.

"We sold every iPad 2 we could make," Chief Financial Officer Peter Oppenheimer said.

Apple sold 4.7 million iPads of both kinds in its latest quarter, below analyst expectations and the holiday quarter's sales. It launched the second version of the tablet computer two weeks before the end of the

period. Prospective buyers likely held off for the new model, which then turned out to be tough to find.

Chief Operating Officer Tim Cook told investors on a conference call that timing production lines to the transition from one model to the next is always difficult. He said the company has to make decisions "many, many weeks in advance."

Now, he said, progress is being made on expanding iPad production. The company is expanding sales of the tablet to 13 more countries next week, bringing the total to 39.

"I'm very confident that we can produce a very large number of iPads for the quarter," said Cook, who is known for deft management of supply chains and inventory.

Apple launched the original iPad last April, and it's turned out to be the first really successful tablet computer. The company has sold 19.5 million iPads through the latest quarter.

Analysts now see it encroaching significantly on PC sales. Competitors are rushing out their own tablets, but none have come close to matching the iPad's reception.

Apple said net income for its fiscal second quarter, which ended March 26, was \$5.99 billion, or \$6.40 per share. That's up 95 percent from \$3.07 billion, or \$3.33 per share, a year ago.

Analysts polled by FactSet were expecting earnings of \$5.37 per share.

Revenue was \$24.7 billion, up 83 percent from \$13.5 billion a year ago. Analysts were expecting \$23.4 billion.

The results were lifted by the record sale of 18.65 million iPhones, millions more than analysts had expected. Verizon Wireless started selling the phone in the quarter, ending AT&T Inc.'s three-and-half-year period of being the only U.S. iPhone carrier. In most of the 90 other countries where the iPhone is available, it is sold by more than one phone company.

Earlier Wednesday, AT&T reported strong iPhone sales, as it continued to upgrade many existing subscribers even in the face of competition from Verizon.

Apple, which is based in Cupertino, Calif., sold 3.8 million Mac computers in the quarter, a 28 percent increase over last year. The increase is particularly notable given that research firms found a contraction of 1 percent to 3 percent in the overall PC market in the same period.

For the current quarter, Apple said it expects revenue of \$23 billion and earnings of about \$5.03 per share. Both figures are below analyst expectations of \$23.9 billion and \$5.26 per share, respectively. Apple commonly lowballs its forecasts, but Cook said the effects of the earthquake on the Japanese economy would lower revenue by \$200 million, or about 1 percent.

Electronics manufacturers are struggling with disrupted supplies of components from Japan, but Cook said there are no unsolvable problems for Apple in sight.

After the release of the results, Apple shares rose \$14.34, or 4.2 percent, to \$356.75 in extended trading, climbing more than half of the way to the all-time high of \$364.90. They rose 1.4 percent in regular trading earlier.

CEO Steve Jobs went on medical leave in January and did not participate on Wednesday's conference call (he typically didn't participate in earnings calls even before his leave). Cook is running day-to-day operations.

"We do see him on a regular basis and as we've previously said, he continues to be involved in major strategic decisions," Cook said.

There has been speculation that the next iPhone model would arrive some months later than the usual June-July time frame. Cook said nothing substantive in response to analyst questions on the subject.

Cook reiterated Apple's position on 4G "Long-Term Evolution" chips, used for super-high data speeds on Verizon's new network. He said they force design compromises that Apple isn't prepared to make. Competitor HTC Corp. is already selling an LTE phone that uses Verizon's network, but Cook's comments appear to make it unlikely that Apple's next phone would do the same.

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