

Apple market value hits \$500B, where few have gone

February 29 2012, BY PETER SVENSSON , AP Technology Writer



This Oct. 4, 2011 file photo, shows the Apple logo during an announcement at Apple headquarters in Cupertino, Calif. Apple's market capitalization topped \$500 billion in opening trading Wednesday, Feb. 29, 2012, climbing to a mountain peak where few companies have ventured and none have stayed for long. (AP Photo/Paul Sakuma, File)

(AP) -- Apple's market capitalization topped \$500 billion Wednesday, climbing to a mountain peak where few companies have ventured - and none have stayed for long.

Apple was already the world's most valuable company. The gap between it and No. 2 Exxon Mobil Corp. has widened rapidly in the past month, as investors have digested Apple's report of blow-out holiday-season

sales of iPhones and iPads. And, more recently, Apple has raised investors' hopes that it might institute a dividend.

The company's market capitalization was near \$506 billion in late-morning trading as the shares rose \$7, or 1.3 percent, to \$542.41.

On Tuesday, the Cupertino, Calif., company sent out invites to reporters for an event in San Francisco next Wednesday, apparently to reveal its next iPad model. The launch of the new model was expected around this time, a year after the launch of the iPad 2.

Apple is in rare company. It is the sixth U.S. corporation to reach the \$500 billion milestone, and the only one to be worth that much at current prices.

Exxon, now worth \$411 billion, was worth just over \$500 billion for two short stretches at the end of 2007.

Apple's arch-nemesis Microsoft Corp. was worth just more than \$500 billion briefly at the end of 1999, and again in early 2000. It even shot up above \$600 billion for one day. The company is now worth \$267 billion.

Cisco Systems Inc., Intel Corp. and General Electric Co. also peaked just above \$500 billion in early 2000. Cisco and Intel are now worth a bit more than \$100 billion each, while GE is worth \$200 billion.

Exxon's ascent to the \$500 billion level was propelled by record oil prices. Cisco, Intel, Microsoft and GE were boosted by the general stock mania of 1999 and 2000, and the hunger for technology stocks in particular.

Apple's rise, by contrast, is powered by its mammoth sales and profits,

which are growing at rates unheard of for a company its size. And despite its sky-high market capitalization, Apple's shares aren't expensive compared to its earnings. It's worth 15 times its earnings for the last year. That compares to 21 times earnings for Google Inc. and 14 times for the S&P 500 overall. Yet few companies in the index grow their earnings as fast as Apple does: In its latest quarter, its earnings rose 118 percent from a year ago, to \$13.06 billion.

Analysts expect the Apple rally to have some legs. The 35 analysts who have reported to FactSet since Apple's latest earnings report have set an average price target of \$592 per share, or 8 percent higher than Wednesday's level. That implies a market capitalization of \$552 billion.

Apple has been helped by a general recovery in the stock market after the doldrums of the financial crisis and the recession. The S&P 500 index has posted its best February performance in 14 years, and on Tuesday, the Dow Jones industrial average closed above 13,000 for the first time since May 2008.

Apple's stock accounts for 3.8 percent of the value of the S&P 500, according to Standard & Poor's, and it made up 6 percent of the operating income of the 500 companies in the fourth quarter.

Analysts say Apple's sheer size works against its stock price. Apple stock already makes up a large share of the holdings of technology and growth-focused funds, and they have little appetite for more. Meanwhile, value-focused funds are often prevented from buying the shares because the company doesn't pay a dividend.

However, the company has been signaling that a dividend is under consideration, and several analysts now consider it a given that one will be announced this year. Last week, CEO Tim Cook told shareholders at the annual meeting that the company has more money than it needs, and

the board and management are thinking "very deeply" about ways to use the cash.

Former CEO Steve Jobs, apparently haunted by the company's lean years in the 90s, had a policy of accumulating cash. The company now sits on \$97.6 billion.

China's largest oil company, PetroChina, was briefly worth \$1 trillion after it listed on the Shanghai stock exchange in 2007, but only based on its price on that exchange. Its shares also trade in Hong Kong and on the New York Stock Exchange. Based on trading there, its market capitalization has never reached \$500 billion.

©2012 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: Apple market value hits \$500B, where few have gone (2012, February 29) retrieved 23 June 2024 from <https://phys.org/news/2012-02-apple-500b.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.