

Apple's dividend heralds 'changing of the guard'

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In this Oct. 4, 2011 file photo, Apple CEO Tim Cook gestures during the introduction of the iPhone 4S, at Apple headquarters in Cupertino, Calif. Apple Inc. is finally using its \$98 billion pile of cash to reward shareholders, saying it's instituting both a dividend and share buyback program. (AP Photo/Paul Sakuma, File)

What would Steve have done? It's a question that Apple CEO Tim Cook can't escape. From the naming of the new iPad to his choice of clothing at public events, company-watchers parse Cook's every move, looking for differences between him and the company's revered founder Steve Jobs.

But Cook seems determined to stamp his own legacy on the world's most valuable company. In the biggest break from Jobs' philosophy since Cook succeeded him as CEO seven months ago, Apple is dipping into its nearly \$100 billion cash stash to start paying a [quarterly dividend](#) of \$2.65 per share to its stockholders.

The commitment announced Monday draws a clear line of demarcation between Cook and Jobs.

"This is indicative of the changing of the guard at Apple," says ISI Group analyst Brian Marshall. "I don't think this would have happened under [Steve Jobs](#). This clearly shows [Tim Cook](#) is his own man."

Jobs hoarded cash like a man afraid of running out of it. Plagued by memories of Apple's flirtation with bankruptcy in the late 1990s, he steadfastly resisted calls for the company to pay a dividend. Jobs never wanted Apple to be so destitute that it would need [financial help](#), as it did in 1997 when he negotiated a \$150 million infusion from rival [Microsoft Corp.](#)

With Cook in charge, Apple is now ready to herald a new era and dole out about \$10 billion in [dividends](#) each year. It's an amount that Apple can easily afford, given the size of its current bank account and the billions more pouring in amid feverish demand for its iPhones, iPads and iPods.

Obviously, no one knows what Jobs would have thought about Apple paying a dividend. He died Oct. 5 after a long battle with cancer. It's unclear whether he had softened his stance on the dividend by the time he resigned as CEO last August.

The dividend decision didn't fall entirely to Cook. It required the approval of Apple's eight-member board of directors, which hasn't

changed in the past year except for the addition of Cook and the loss of Jobs. Cook joined the board when he became CEO.

Apple's board had been discussing a possible dividend since at least January, based on what Cook has publicly told analysts and Apple shareholders.

Analysts and investors viewed the dividend as a sign of Cook's willingness to listen to shareholders.

"The new management is very shareholder friendly, and it has been very nice to see," says Sterne Agee analyst Shaw Wu.

Longtime Apple shareholder Asif Khan believes the dividend suggests that Cook is serious about honoring one of Jobs' final bits of advice. Based on published accounts, Cook told Apple employees at an Oct. 19 memorial that Jobs wanted management to "just do what's right" instead of trying to figure out what the company's late leader would have done.

"It's an intriguing moment in Apple's history because this is a departure from Steve's philosophy," says Khan, whose family has accumulated 20,000 Apple shares since 1997 when Jobs returned to the company. Cook "is changing the culture of the company just a little bit, but in a good way. Everything I have seen him do so far seems to be making Apple into a kinder and gentler company."

Before Apple's dividend announcement, Cook's most significant change from the Jobs' regime had been to introduce a company program that matched employee donations to charities of up to \$10,000.

Cook, who worked closely with Jobs since joining Apple in 1998, has made it clear he still intends to hew to the vision of his predecessor and mentor. Just last month, Cook told Apple shareholders that he still thinks

of Jobs every day he goes to work.

Forgetting Jobs would be nearly impossible for Cook to do anyway, given the comparisons that are regularly made between the two. Some Apple fans even comment on how Cook's fashion tastes seem to differ from Jobs, who adopted a pair of jeans and a mock black turtleneck as his daily uniform. Cook seems to favor button-up shirts in his public appearances.

Cook hasn't come close to matching Jobs' panache. The missing pizzazz stood out earlier this month at Apple's unveiling of its latest iPad. Cook spent relatively little amount of time on stage, leaving most of the presentation to several of his top lieutenants. "Steve was a vibrant and charismatic figurehead, so it's really not fair to compare Tim's persona to that," says Creative Strategies analyst Tim Bajarin, who has been following Apple for 32 years.

Apple didn't even bother anointing the third-generation iPad with a distinctive name, prompting some Apple pundits to wonder whether the company might have tried to come up with something more creative if Jobs were still running things.

Not that it mattered. The latest [iPad](#) set a new sales record during its first weekend in stores, Cook said during a Monday conference call to discuss the dividend.

That's just the latest example of Apple's growing prosperity under Cook's leadership.

The company's stock price has soared 60 percent since [Cook](#) became CEO to propel Apple's market value to \$560 billion - the most in the world. The shares hit a new high Monday before closing at \$601.10, up \$15.53. In Apple's first quarter following Jobs' death, the company

generated more revenue than any other three-month period in its 36-year history.

Apple is doing so well now that analyst Wu expects [Apple](#) to add another \$70 billion to \$85 billion to its cash hoard this year. That works out to an average of \$1.3 billion to \$1.6 billion in cash per week.

"You would have to give Tim an `A plus' as CEO so far," Bjarin says. "This is probably the best transition in corporate leadership that we have ever seen. And you really have to give Steve credit for that. He really spent the last four years of his life making sure the company would be prepared to carry on without him."

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