

Apple to pay dividend, start stock buybacks

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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. said it will announce the outcome of its internal discussion concerning its enormous cash balance on Monday morning March 19, 2012. (AP Photo/Paul Sakuma, File)

Thirty-six years after its founding, Apple Inc. is finally loosening up its purse strings to reward shareholders directly, by instituting a dividend and share buyback program.

Investors had been expecting Monday's announcement, driving up Apple shares 37 percent since management hinted in January that a dividend

was in the works.

Apple, the world's most valuable company, sits on \$97.6 billion in cash and securities. For years, CEO Steve Jobs resisted calls to reward shareholders with some of that money. He used to say that the money was better used to give Apple maneuvering room, for instance by giving it the ability to buy other companies.

Jobs died in October after a long fight with cancer. On Monday, new CEO Tim Cook said that with this much cash on hand, a dividend wouldn't restrain the company's options.

"These decisions will not close any doors for us," he told analysts and reporters on a conference call.

Apple generated \$31 billion in cash in the fiscal year that ended in September, and is on pace to generate even more in the current year. That means its cash pile will continue to grow even with a dividend and a buyback program, albeit at a lower rate.

Had it kept amassing cash and low-yielding securities, Apple could eventually have opened itself to legal challenge from shareholders, who could have argued that it was misusing their money.

Apple said Monday that it will pay a quarterly dividend of \$2.65 per share, starting in its fiscal fourth quarter, which begins July 1.

The dividend works out to \$10.60 annually, or 1.8 percent of the current stock price. That annual yield - how much the company pays out in dividends compared to its stock price - is below that of other big technology companies like Microsoft Corp., currently at 2.5 percent, and Hewlett-Packard Co., at 2 percent.

However, in absolute terms, Apple will pay one of the richest dividends in the U.S. It will spend more than \$10 billion on dividends in its first year, placing it just below companies including AT&T Inc. and Verizon Communications Inc., for whom the dividend is the main way of attracting investors.

Exxon Mobil Corp., the world's second largest company by market cap, pays about \$9 billion in dividends annually.

The dividend opens up ownership of Apple shares to a wider range of funds, potentially boosting the stock price in the long term. Many "value-oriented" funds are not allowed to buy stocks that don't pay dividends

Apple said the \$10 billion share buyback program will begin next fiscal year, which starts Sept. 30, and run for three years.

Buybacks are a popular alternative to dividends, since they reduce the number of shares outstanding. That means every remaining investor has title to a larger share of the company.

Cook said the main point of Apple's buyback is to offset the shares issued to reward the Cupertino, Calif., company's employees.

In morning trading, Apple shares rose \$7.75, or 1.3 percent, to \$593.32. Last week, the shares hit an all-time record of \$600.01. The company is worth \$555 billion.

The dividend and buyback announcement comes three days after the launch of Apple's latest iPad tablet in the U.S. and nine other countries.

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