

Apple profit jumps to \$8.8 bn, but below forecasts

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A customer passes an Apple store in Shanghai on July 20. Apple on Tuesday reported that quarterly profit grew to \$8.8 billion on hot iPad sales but the company's stock slipped on a rare revenue miss.

Apple on Tuesday reported a rise in its quarterly profit to \$8.8 billion on hot iPad sales but missed lofty Wall Street expectations due, in part, to iPhone lovers waiting for a rumored new model.

The profit in the fiscal quarter to June was up 20.5 percent from a year earlier, but short of analyst forecasts. Revenues rose 22.5 percent to \$35 billion, also below expectations of more than \$37 billion.

In a conference call, Apple chief financial officer Peter Oppenheimer said that revenue in the quarter was hampered by weak sales in Europe, a strengthened US dollar, and rumor of a new iPhone poised for release.

"Our weekly iPhone sales continue to be impacted by rumors and speculation about new products," Oppenheimer said.

Apple factored a "product transition" in September into financial guidance for the current quarter, fueling wild talk of a next-generation iPhone on the horizon.

"We try very hard to keep our product roadmap secret and confidential," Apple chief Tim Cook said during the call.

"I'm not going to put any energy into stopping people from speculating," he added. "I'm glad that people want the next thing; I'm super happy about it."

With Apple's rare miss of analyst forecasts, shares slid more than five percent in after-hours trade to \$567.80.

Apple said it was pleased with the results, including sales of 17 million iPads, a year-over-year rise of 84 percent.

Cook said that none of the iPad competitors fielded in the past year has gained "any level of traction at all."

"I still think that most customers feel they are not looking for a tablet, they are looking for an iPad," Cook said.

While iPad sales sizzled, the introduction of a model with a relatively low price tag of \$399 in the line trimmed how much profit Apple made.

Apple also did not release the new iPad in mainland China until Friday, after resolving a trademark dispute there over ownership of the tablet's name.

"We remain confident about our plans and very excited about our opportunities in China," Cook said.

The company also sold 26 million iPhones in the quarter, up 28 percent, and four million Macs, a two percent unit increase despite overall computer industry sales inching down a percent in the quarter.

Apple highlighted its recent revamp of the MacBook line and the release on Wednesday of a new Mountain Lion operating system for the Apple computers.

A next-generation iOS operating system for Apple mobile gadgets will be released by the end of the year and the Cupertino, California-based company has "amazing new products" on the way, Cook said.

Some analysts were upbeat, saying that Apple could get a lift if rumors prove true and a new-generation iPhone 5 smartphone debuts later this year.

Reports have said Apple may also release a smaller version of its iPad tablet, which dominates the market.

Peter Misek at Jefferies & Co. said the disappointing results came from a "pre-iPhone 5 inventory adjustment" and advised buying the company's stock.

Barclays Capital analyst Ben Reitzes was similarly optimistic about Apple.

"We still believe that Apple is perhaps the most disruptive company in tech and is poised to gain more share in smartphones, tablets and PCs, but we will be watching the developing situation closely," he said in a note to clients.

Apple saw a 177 percent jump, year over year, in sales of its Apple TV device for routing entertainment content from the Internet to home screens, according to Cook.

"It's still at a level where we would call it a hobby but we continue to pull strings to see where it takes us," Cook said. "We don't keep around products that we don't believe in."

Apple declared a cash dividend of \$2.65 per share of common stock and announced that in November it will commence a three-year plan to buy back \$10 billion in stock.

The earnings news comes with Apple battling in the courts over patents, mainly with South Korean archrival Samsung.

A trial is set to begin Monday in a case in which Apple accused Samsung of infringing on copyrights by copying certain features of the iPad and iPhone in rival devices powered by Google-backed Android software.

Apple is seeking \$2.5 billion in the case in a federal court in California.

Apple and Samsung are fighting patent battles in more than half a dozen countries.

Each company accuses the other of infringing on patented technology in smartphones or tablets.

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