

Apple profit down 22% at \$6.9 bn but tops forecasts

July 23 2013, by Glenn Chapman

Apple delivered better-than-expected earnings Tuesday helped by strong sales of iPhones, boosting the sagging share price of the maker of the iPhone and iPad.

The profit of \$6.9 billion was down 22 percent from a year ago. This translated to \$7.47 per shares, well ahead of Wall Street expectations.

The California tech giant reported revenues of \$35.3 billion in the quarter ending June 30, helped by sales of 31.2 million iPhones, a record for the June quarter.

The quarterly data showed iPad sales disappointing however at 14.6 million compared with 17 million in the same period a year ago.

Apple shares jumped nearly five percent in after-hours trade to \$439.70, helping a stock which has tumbled from last year's high above \$700.

"We are especially proud of our record June quarter iPhone sales of over 31 million and the strong growth in revenue from iTunes, software and services," said Apple chief Tim Cook.

"We are really excited about the upcoming releases of iOS 7 and OS X Mavericks, and we are laser-focused and working hard on some amazing new products that we will introduce in the fall and across 2014."

Apple is expected to roll out smartphones and tablets in the coming

months with bigger screens in a move analysts say is an attempt to catch up with a trend set by its major rival Samsung.

Recent unconfirmed reports indicated that the Californian tech giant and its Asian suppliers are testing smartphone screens larger than four inches and tablet screens slightly less than 13 inches.

Samsung, which has released a series of handsets and tablets with increasingly larger screens, has seen its global market share rise as consumers flock to their products putting Apple under pressure to follow suit.

Rumors of new Apple unveilings include an "iWatch" wrist computer; an improved Apple TV, and lower-priced version of iPhone for developing markets such as China.

By offering multiple screen size options and handset prices, Samsung has seen its market share rise to 33.1 percent in the three months to March, while Apple was lagging with 17.9 percent, according to research by Strategy Analytics.

Apple generated \$7.8 billion in cash flow from operations in the recent quarter and paid stockholders \$18.8 billion through dividends and repurchasing shares, according to Apple chief financial officer Peter Oppenheimer.

Apple forecast that revenue in the current quarter would total between \$34 billion and \$37 billion and that its gross margin would be about 36 or 37 percent.

While Apple is still praised for its trend-setting devices, it has been losing market share in smartphones and tablets, mainly to companies using the Google Android operating system.

A recent IDC survey showed Android holding a 75 percent market share for smartphones in the first quarter, to 17.3 percent for Apple's iOS platform.

Apple still holds a majority in the tablet market but many analysts say Android will overtake the iPad sometime this year.

Brian White at Topeka Capital Markets said Apple's results were mixed, but that the company is poised to come out with new products soon which will fuel growth.

"We believe fiscal 2013 will prove to be a year to forget but fiscal 2014 will prove to be a year of new product innovations, which we believe will prove positive for the stock price," he said in a note.

"We believe Apple will trade higher into this new product cycle in fiscal 2014."

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