

# Apple shares hit hard on iPhone disappointment

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Apple chief executive Tim Cook praises the new iPhone 5S as the most refined model the company has ever introduced on September 10, 2013 in Cupertino, California.

Apple shares fell hard Wednesday after the US tech giant's unveiling of two new iPhones failed to allay concerns over a loss of momentum in the smartphone market.

Shares slid 5.5 percent to \$467.25 in morning trade in New York, a day after Apple unveiled two new iPhones, fielding a slick new top-end

model along with one aimed at budget-conscious smartphone shoppers around the world.

Analysts said the new devices were unlikely to be a hit in emerging markets, and that Apple failed to bring down prices enough to attract many new customers.

While the new iPhone 5C is being offered to US customers at \$99 with a subsidized carrier contract, the unsubsidized price will be \$549 in the United States, and more than \$700 in China.

"So much for the low end," said Credit Suisse analyst Kulbinder Garcha in a research note.

"We remain disappointed with Apple's decision to remain a premium priced smartphone vendor."

Garcha said that the new top-line iPhone 5S was "lacking real innovation" and that the lower-cost version may hurt sales of the premium product.

"The iPhone 5s has a new apps processor, improved camera functionality and new [motion sensor](#) functionality. However, these are not game changers and are more evolutionary rather than revolutionary changes," the analyst said.

"The iPhone 5c is essentially a multi-colored, plastic iPhone 5 and could cannibalize higher end sales and account for over 50 percent of unit mix over time bringing lower gross profit dollars."

Walter Piecyk at BTIG Research said Apple is not doing enough to target the customers buying phones without a carrier subsidy, which is the norm in many places around the world.

"The pricing on the iPhone 5c is simply not low enough to adequately address the significant global growth opportunity that we believe exists with unsubsidized prepaid customers that have not yet bought a smartphone," Piecyk said in a note to clients.

"To be clear, Apple never indicated that it was their intention to attack this market with the iPhone 5C and the global opportunity is still in its early stages. However, we believe Apple is foregoing a valuable and relatively easy way to return to earnings growth. The real question is whether Apple plans to ever go after these markets or rather just remain a high-end phone maker."

Bank of America/Merrill Lynch analysts downgraded their outlook for Apple to "neutral," over disappointment on the new handsets.

Bank of America analyst Scott Craig cited the "lack of a 'lower-end' iPhone and price points that will be too high to increase penetration in [emerging markets](#)."

He also expressed dismay that Apple did not, as expected, announce an agreement with China Mobile, which has some 700 million subscribers.

Apple said it will begin taking orders on Friday, and on September 20 the two devices will go on sale in the United States, Australia, Britain, China, France, Germany, Japan and Singapore.

The iPhone 5C is part of Apple's bid to counter the flood of low-cost smartphones from rivals, most of which use the Google Android operating system.

The smartphone market is now dominated by Android devices, with roughly three-fourths of all handsets, but a forecast by research firm IDC suggested Apple will increase its share this year to 17.9 percent

from 16.9 percent.

Apple executives argued that the iPhone 5C is a "beautiful" device despite its reduced cost, and that the 5S would be "the gold standard in smartphones."

Apple said its iOS 7 software will debut September 18. It includes a free iTunes Radio Service featuring more than 200 stations "and an incredible catalog of music from the iTunes Store."

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