

# Apple's 1Q disappoints Wall Street, stock falls (Update)

January 27 2014, by Michael Liedtke

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In this Wednesday, Nov. 20, 2013, file photo, the Apple logo is illuminated in the entrance to the Fifth Avenue Apple store, in New York. Apple Inc. reports quarterly financial results after the market closes Monday, Jan 27, 2014. (AP Photo/Mark Lennihan, File)

Apple's holiday season proved to be a letdown, even though the company sold a record number of iPhones and iPads during its latest quarter.

The results released Monday further crystalized the challenges facing

Apple as the world's most valuable company struggles to lift its stock back to where it stood in September 2012. That was before investors began to fret about fiercer competition in mobile devices and the lack of a breakthrough product since the iPad came out nearly four years ago.

Apple's management amplified those concerns with a revenue forecast that fell below analysts' predictions for the current quarter. The cautious outlook is likely to feed perceptions that Apple expects to lose more ground to competing devices running Google Inc.'s Android software.

Apple's stock to shed \$45.45, or more than 8 percent, to \$505.05 in extended trading after the release of results.

By most measures, Apple Inc. had its best quarter during its fiscal first quarter, which ended Dec. 28. Besides hitting new quarterly highs for the sales of its most popular products, Apple also delivered earnings that exceeded analyst projections. It also produced the highest quarterly revenue in its 38-year history.

But Wall Street had higher hopes after Apple stoked consumer demand by unveiling new versions of its iPhone and iPad in time for the holidays. The iPhone 5S added several new features, including a sensor that can read fingerprints to unlock the device, while the iPad Air dangled the appeal of being the slimmest and lightest full-sized tablet made by Apple so far.

The company sold 51 million iPhones during the three months ending Dec. 28. That marked a 7 percent increase from the previous sales record of nearly 48 million iPhones set a year earlier.

Analysts, though, were expecting even bigger things and had predicted about 55 million iPhones in what is traditionally the company's best quarter. Apple's stock had been rising on the expectation that the

company would clear the hurdle.

Apple sold 26 million iPads during the quarter, in line with analyst predictions. The iPad volume represented a 14 percent increase from the same time in 2012.

Apple earned \$13.07 billion, or \$14.50 per share, in the quarter. That's roughly unchanged from \$13.08 billion, or \$13.81 per share, in the prior year. The per-share figure increased because Apple had fewer shares outstanding in the recent quarter.

The company has spent \$28 billion buying back its stock in the past five quarters. Despite that spree, Apple still ended 2013 with nearly \$159 billion in cash. Activist investor Carl Icahn, who owns about \$3.6 billion worth of Apple stock, is pressuring Apple to spend \$50 billion buying back its stock during this fiscal year. The company has rebuffed Icahn so far.

Revenue for the fiscal first quarter rose 6 percent to \$57.6 billion.

Analysts, on average, had expected Apple to earn \$14.09 per share on revenue of \$57.5 billion, according to FactSet.

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