

Apple takes \$14B bite of its stock via buyback (Update)

February 7 2014, by Michelle Chapman



In this Tuesday, Sept. 10, 2013, file photo, Apple CEO Tim Cook speaks on stage before a new product introduction in Cupertino, Calif. Apple has reportedly repurchased \$14 billion of its stock in the two weeks after its first-quarter financials and second-quarter revenue outlook disappointed investors. Its shares climbed in premarket trading Friday, Feb. 7, 2014. (AP Photo/Marcio Jose Sanchez, File)

Apple has repurchased \$14 billion of its stock in the two weeks after its

first-quarter financial results and second-quarter revenue outlook disappointed investors.

Apple bought \$12 billion of the shares through an accelerated repurchase program and \$2 billion on the open market, the company confirmed.

Late Thursday Apple Inc. CEO Tim Cook said in an interview with The Wall Street Journal that the company was "surprised" when its stock dropped 8 percent the day after its earnings report and revenue outlook. He told the newspaper he wanted to be "aggressive" and "opportunistic."

Apple has grown accustomed to being a leader in the technology sector. In the Steve Jobs era, consumers and investors alike eagerly awaited each new product announcement and have been rewarded as devices like the iPhone and iPad won accolades for innovation and pushing technology forward.

But with each new innovation over the years, there have been increasingly higher expectations for the future. So when Apple's first-quarter iPad and iPhone sales were not as big as expected by investors, and its second-quarter revenue forecast fell short of Wall Street's view, the stock got dinged.

In the past year Apple's shares have started losing some ground due to concerns about slowing growth and increasing competition.

And with the smartphone market becoming inundated with options, Apple may be hard pressed to lift its stock back to where it stood at its peak price of more than \$700 in September 2012. That was before investors began to fret about fiercer competition in mobile devices and Apple's lack of a breakthrough product since the iPad came out nearly four years ago.

But Apple isn't sitting idle. Its \$14 billion stock buyback signals the company remains confident in its business. This is good news for investors, including Carl Icahn. The billionaire activist investor has been pressuring Apple to boost its share repurchases. Just last month Icahn raised his stake in Apple, revealing on Twitter that he'd put another \$500 million into Apple stock. He already owned about 4.7 million Apple Inc. shares worth more than \$2.5 billion.

Icahn has said he wants the Cupertino, California, company to spend \$50 billion buying back its own stock during the current fiscal year ending in September.

"Keep buying Tim!" Icahn implored in a message posted Friday on his Twitter account. His tweet also noted that Apple still should have about \$145 billion in cash even after the company's recent investment spree.

Apple has repurchased more than \$40 billion of its shares in the last 12 months.

The company's stock added \$7.24, or 1.4 percent, to \$519.75 in late afternoon trading. Apple shares are up almost 11 percent since a year ago.

Icahn contends that stock remains a bargain at that price. He also used his Twitter account to make a case that Apple's stock would be trading at more than \$1,200 now if investors valued the company's operating profit as highly as they do the operating profit of Google Inc., the maker of the Android operating system that powers many of the devices competing against the iPhone and iPad.

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