

## Apple increases stock buyback, will split stock (Update 2)

April 23 2014, by Michael Liedtke

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In this Dec. 23, 2013 file photo, a woman using a phone walks past Apple's logo near its retail outlet in Beijing. Apple reports quarterly earnings on Wednesday, April 23, 2014. (AP Photo/Ng Han Guan, File)

Apple is doling out more of its cash to shareholders and preparing to split its stock for the first time in nine years in an attempt to win back investors fretting about the iPhone maker's slowing sales growth and pace of innovation.

The moves announced Wednesday as part of Apple's fiscal second-quarter earnings report are aimed at boosting the company's stock price, which has been hovering about 25 percent below the peak it reached in September 2012. The bellwether Standard & Poor's 500 has climbed by 28 percent during the same period.

Apple Inc. earmarked an additional \$30 billion for buying back its stock through next year, bringing the total to \$90 billion during that time frame.

The Cupertino, California, company also is raising its quarterly dividend 8 percent to \$3.29 per share, up from \$3.05 per share.

The moves come amid worries investors have about the future of Apple since Steve Jobs, its co-founder and chief visionary, died in October 2011. Those worries have been compounded by the fierce competition that Apple faces in mobile devices, particularly from Samsung Electronics Co., which has been widening its lead in the smartphone market.

Although many analysts had been expecting Apple to distribute more money to shareholders, the stock split came as a surprise. After the seven-for-one split is completed June 9, the trading price of Apple's shares will fall dramatically. Had the split occurred at Wednesday's closing price of \$524.75, the stock would probably begin trading at around \$75.

At that level, more people should be able to afford to buy shares—a factor that could, in theory, fuel more demand for Apple's stock and eventually lift the price.

The company's escalating investment in its own stock also could increase the price by reducing the number of outstanding shares. That reduction increases earning per share, a key yardstick on Wall Street to appraise a

company's value. Apple's market value currently stands at about \$470 billion, more than any other publicly held company.

Since Apple's last split in February 2005, the stock has increased by nearly 12-fold. But CEO Tim Cook told analysts in a conference call that Apple's stock price "does not reflect the full value of the company."

Apple's stock soared \$41.40, or almost 8 percent, to \$566.15 in extended trading after the news came out.

Activist investor Carl Icahn, who had spent months pressuring Apple to buy back more stock, was among those applauding the company's moves. In a Twitter post, Icahn said he is "extremely pleased" and reiterated his belief that Apple's stock remains "meaningfully undervalued."

The results for the first three months of the year illustrated how Apple Inc. can afford to spend so much money on its own stock while also paying more than \$11 billion in dividends annually.

The company ended the quarter with nearly \$151 billion in cash, including \$132 billion it is keeping overseas to lower its U.S. tax bill. The money being held outside the U.S. isn't available to buy back stock or pay shareholder dividends.

Apple's earnings rose 7 percent to \$10.2 billion, or \$11.62 per share, an amount that exceeds what most technology companies make in an entire year. Revenue climbed 5 percent to \$45.6 billion. It represented the highest revenue that Apple has generated in any quarter occurring outside the holiday shopping season.

Nonetheless, Apple's revenue growth has been stuck between 1 percent and 6 percent for the past year. By contrast, the quarterly revenue of

rival Google Inc. has been rising at 12 to 19 percent during the same stretch.

Apple expects its revenue for the current quarter ending in June to come in at about \$37 billion, which would be another 5 percent increase from last year.

The quarter was highlighted by a 17 percent increase in iPhone sales from the same time last year to 43.7 million units, boosted by strong demand in China, the U.S., Western Europe and Japan.

But iPad sales fell 16 percent from last year to about 16.4 million tablets. Apple traced the decline to its inability to meet the demand for the iPad Mini during the holiday season of 2012. That prompted Apple to ramp up production in last year's January-March quarter, boosting sales higher than they otherwise would have been. The company said it managed iPad demand better during the 2013 holidays.

Even as Apple faces more competition from Samsung, other rivals have been releasing their own sleek and often cheaper devices. Most of those devices use Google Inc.'s free Android system, which Jobs believed had ripped off Apple's ideas.

Cook, Jobs' hand-picked successor, has repeatedly hinted that the company is putting the finishing touches on its first major breakthrough since the iPad came out four years ago. True to Apple's tight-lipped nature, Cook hasn't provided any details about what's in works.

Speculation has centered on an iPhone with a larger display screen, an Internet-connected watch that would also monitor users' health, a digital wallet built into Apple's devices, and a more sophisticated version of the Apple TV streaming device.

"We're expanding Apple's products and services into new categories and we are not going to underinvest in this business," Cook told analysts as he explained why the company isn't diverting even more cash to stock repurchases and dividends.

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