Apple loses luster on fears that 'wow' days over

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Apple shares were down more than six percent to $93.80 in late trade as investors grappled with news of slowing sales growth of iPhones that have driven many booming quarters for the California tech giant

Apple's image took a bruising Wednesday amid signs of a shift from wowing the world with wonders to making steady money from lovers of its devices.

Apple shares were down 6.5 percent to end at $93.80 as investors grappled with news of slowing sales growth of iPhones that have driven many booming quarters for the California tech giant.

Apple raised the specter of the end of a technological era after reporting Tuesday the slowest growth sales ever of its market-leading, life-changing iPhone and warning it expects worse to come.

The California technology colossus said it expects to see its first decline in iPhone sales in the current quarter on a year-over-year basis.

Some of the softness comes from a strong US dollar and other global economic challenges, Apple said. The company sold a record 74.8 million iPhones in the December quarter, but the growth pace of two percent was the weakest since the 2007 launch of the device.

Many analysts say Apple is evolving from a device-making superstar racking up dizzying financial quarters to a company that can make a sizable and steady income from selling apps, digital music and more to the huge number of people using its devices.

Shift to service

"Apple currently is still viewed as a hardware company, with majority of their revenue coming from one product—the iPhone," Phillip Capital said in an analyst note Wednesday.

"While it is not wrong to view them currently as such, Apple has taken strides to transition themselves into a service company."

Apple services include iTunes, iCloud, Apple TV, and the App Store along with Apple Pay.

Apple reported that, over all, a billion iPhones, iPads, Macintosh computers, iPod touch devices, Apple TV units, and Apple Watch wearable computers had "engaged" with its services in the past three months.

Revenue in "Greater China" was up 14 percent for Apple but weaker in the US and Japan

The banking firm Morgan Stanley said in a research note that "Apple has the world's most valuable technology platform" and is thus "best positioned to capture more of its users' time in areas such as health, autos and home, as these platforms expand in the Internet of Things computing era."

Investors drawn to Apple by its ability to wow the world with must-have new gadgets and dazzle Wall Street by trouncing sales expectations might be put off by the idea the company could evolve into a predictable maker of money from services and content.

"This is not Steve Jobs's Apple, which had hit after hit," said independent technology industry analyst Rob Enderle.

"There may be good news in the Apple Watch and Apple TV, but because they don't break them out in earnings results you can't tell."

And Apple Watch remains tethered to the iPhone, analysts noted.

Apple is widely expected to release new versions of the iPhone this year in a move that typically delivers a sales bump.

The company also saw tremendous potential remaining in the smartphone market and would continue investing in the China market.

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"We remain very bullish on China, and, you know, don't subscribe to the doom and gloom kind of predictions frankly," Apple chief Tim Cook said during the earnings call. "India is also incredibly exciting."

Thick cash cushion

Apple also has a war chest of some $215 billion in cash and securities, most of it overseas.

Cook said the company would invest in research and innovation through the down period in the global economy.

Areas being focused on by Apple include electric cars and virtual reality, according to hires and widespread reports the company has declined to comment upon.

"Apple's slowdown is completely normal and priced in as the ending iPhone 6 replacement cycle is making it very difficult to grow revenues beyond current levels," said Edison Investment Research analyst Richard Windsor.

He was among a group of analysts that saw the sink in Apple shares as an opportunity.

Edison portrayed Apple shares as "one of the cheapest technology stocks available in the market" and maintained that the slowdown was more than reflected in the price.

"However, the shares are unlikely to race away again before a new avenue of growth is found and of this there is little sign," Edison said in a note.

"Consequently, we think that Apple remains a great place to hide for anyone fearful of a volatile market but it is not the place to be when looking for upside."

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