

Apple trumps expectations, sells 35M iPhones in 2Q

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In this Oct. 14, 2011 file photo, Elliott Johns, of Boston, holds up an iPhone 4S in front of an Apple Store location in Boston. Apple Inc., the world's most valuable company, on Tuesday, April 24, 2012 trumped skeptics once again by reporting blow-out iPhone sales. Apple says it sold 35 million iPhones in the quarter, almost twice as many as it sold a year ago and above analyst expectations. (AP Photo/Steven Senne, File)

(AP) -- Apple Inc., the world's most valuable company, trumped skeptics once again by reporting blowout iPhone sales.

Apple says it sold 35 million iPhones in the January-to-March quarter, almost twice as many as it sold a year ago and above analyst expectations.

Apple's stock was down 2 percent at the close of regular trading, as

investors believed phone companies had reined in iPhone sales. In extended trading, the stock rallied \$38.34, or 6.8 percent, to \$598.62.

Net income in the company's fiscal second quarter was \$11.6 billion, or \$12.30 per share. That was nearly double the net income of \$6 billion, or \$6.40 per share, a year ago.

Analysts polled by FactSet were expecting earnings of \$10.07 per share for the latest quarter, Apple's fiscal second.

Revenue was \$39.2 billion, up 59 percent from a year ago. Analysts were expecting \$37 billion.

iPad sales came in below analyst expectations, at 11.8 million units. But that was still two and a half times as many as it sold in the same quarter a year ago. Apple launched a new iPad model in the quarter.

Mac sales were also slightly below expectations, at 4 million. That was up 7 percent from last year. Meanwhile, the overall PC market grew about 2 percent.

Windows PC makers are now hoping Windows 8 will give them a better chance at competing with Apple, both in PCs and tablets. Intel CEO Paul Otellini last week said he believes PCs and tablets will merge into one light device with a keyboard and a touch-sensitive screen.

Apple CEO Tim Cook dismissed that idea on a conference call with analysts Tuesday. Tablets and PCs work best as separate devices, playing to their own strengths, he said.

"You can converge a toaster and a refrigerator, but those things are probably not going to be pleasing to the user," he said.

Cook also dismissed concerns that phone companies aren't satisfied subsidizing each new iPhone by hundreds of dollars, and are trying to curb iPhone upgrades by their subscribers. AT&T Inc.'s Tuesday morning earnings report provided signs that the company is doing just that.

"iPhone is the best smartphone on the planet to entice the customer who is currently using a traditional mobile phone to upgrade to a smartphone." Cook said. "There's a win-win-win there."

Analyst Abhey Lamba at Mizuho Securities agreed, saying he doesn't expect phone companies to change their subsidies any time soon.

"iPhone is selling well because consumers want it, not because carriers are pushing it," he said.

iPhone sales accounted for 58 percent of Apple's revenue, more than ever. Three years ago, the figure was 27 percent.

Keeping with the trend over the last year, Asia, and in particular China, accounted for much of the revenue growth. Sales in "Greater China," which includes Hong Kong and Taiwan, were triple those of a year ago, and accounted for 20 percent of Apple's revenue.

For the third fiscal quarter, ending in June, Apple is expecting earnings of \$8.68 per share and revenue of \$34 billion. Both figures are well below analyst expectations, but that's usually the case with Apple's forecasts. The company is famous for low-balling its forecasts.

During the quarter, Apple announced that it would start paying a dividend this summer. It has ample cash to pay for one: the company's hoard grew to \$110 billion during the quarter. However, the company doesn't look at the whole pile when it decides how much it can pay out in

dividends. Instead, it only looks at the \$63 billion it has in U.S. accounts. Like other U.S. multinationals, it doesn't want to bring back overseas earnings and have them taxed again at the U.S. corporate tax rate of 35 percent.

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