

New iPhones deliver big profits for Apple (Update)

20 October 2014, by Rob Lever



Apple said its quarterly profit rose 13 percent to \$8.5 billion, as revenues jumped to \$42.1 billion on strong iPhone sales

New big-screen iPhones helped propel Apple's profit and revenue in the last quarter, as the California tech giant smashed earnings expectations.

The company reported on Monday that profit rose 13 percent to \$8.5 billion, as revenues jumped to \$42.1 billion in the fiscal fourth quarter ending September 27.

Apple said it sold more than 39 million iPhones in the quarter, boosted by last month's launch of the large-screen iPhone 6 and 6 Plus, which hit some markets on September 19. That compared with 33.8 million in the same period a year ago.

The iPhone accounted for more than \$23 billion in revenue, over half of Apple's overall earnings for the quarter.

Sales of iPads—which may have been lower ahead of the October launch of new models—fell from a

year earlier to 12.3 million, producing some \$5.3 billion in revenues.

"I view it as a speed bump, not a huge issue," Apple chief executive Tim Cook said of the decline in iPad sales during a conference call with analysts.

"I know there is a popular view the (tablet) market is saturated, we don't see that."

As appetites for tablet have diminished, Apple's market share has slipped to 25 percent, compared to 70 percent for the rival Android platform, according to Strategy Analytics.

People are holding onto iPads longer than they do iPhones, and Apple is still researching when consumers typically upgrade to new tablets, according to Cook.

He saw some promising developments for iPad sales, including a recent alliance with IBM to improve tablet capabilities for businesses.

"I am very bullish on where we can take iPad over time," Cook said.

'Blow-away quarter'

Apple sold 5.5 million Mac computers and 2.6 million iPods in the quarter.

Growing Mac sales came as the overall personal computer market shrank.

"On the Mac, it was just an absolutely blow-away quarter," Cook said. "The back-to-school season voted, and the Mac won."

The financial results were the best ever for a September quarter, and the fiscal year that just ended "was one for the record books," Cook said earlier in a statement.

Apple, the world's biggest firm by market value, closed its fiscal year with a profit of \$39.5 billion on revenues of nearly \$183 billion.

Trip Chowdhry at Global Equities Research said Apple's quarterly report "handsomely beats (expectations) on both top line and bottom line.

"These results validate our investment thesis Apple is a multi-year, multi-product, multi-service and multi-geography growth company."

Apple shares rose 1.47 percent to \$101.23 in after-hours trading following the results.

"Apple continues to hit it out of the park," independent analyst Jeff Kagan said.

"Apple was showing strong growth, year after year, until a couple years ago. That's when they fell and that lasted for a while. However, Apple now appears to be back."

The rise of the 'phablet'

Amit Daryanani at RBC Capital Markets said Apple's guidance for the key upcoming holiday season was also ahead of most predictions.

Apple forecast revenue between \$63.5 billion and \$66.5 billion and gross profit margins between 37.5 percent and 38.5 percent.

"The big upside driver in the quarter was iPhone units," Daryanani said, adding that Apple's forecast "leaves plenty for upside surprises."

Apple last month increased the screen size for its new iPhones, yielding to consumer preference and following a trend started by rivals, including Samsung.

The iPhone 6 Plus is Apple's first product in the growing market for "phablet" phones, which are increasingly replacing tablets.

Apple's smartphone market share is strong in the United States but globally was less than 12 percent in the second quarter, before the latest launch, according to research firm IDC.

iPhone sales climbed in China despite the new models not being released there until last week, and sales of Mac computers soared even though the overall market for personal computers there contracted, according to Apple.

"It is just an incredible market where people want the latest technology," Cook said of China, adding that the California company is investing heavily there.

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