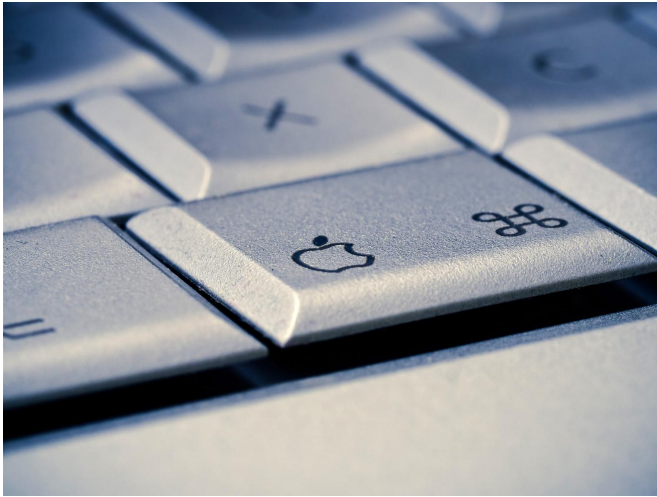


First company to \$1 trillion: Apple zeroes in on historic market cap for ultimate 'icing on the cake'

5 May 2018, by Seung Lee And Rex Crum, The Mercury News



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For the past few months, Apple has flirted with the possibility of becoming the first company ever to reach the once-thought-impossible \$1 trillion market capitalization.

Now, after stronger-than-expected earnings announced on Tuesday and Warren Buffett doubling down his confidence with a major stock purchase, the Cupertino tech giant is an arm's length distance from the ultimate stock market summit. Apple's share price on Friday reached its all-time high of \$183.83, and with about 5.07 billion shares on the market, the company's market cap currently sits at about \$931 billion.

Analysts and longtime Apple watchers are bracing for the moment Apple reaches the \$1 trillion valuation, a reality that could occur within a matter of months or even weeks. One analyst predicts the accomplishment will come when Apple introduces its three new models of iPhones, due to be

released later this year.

It will be a symbolic accomplishment, without any intrinsic important other than as a reminder of Apple's astonishing success. But oh, what a symbol.

"It would be icing on the cake," said Dan Ives, chief strategy officer and head of technology research at GBH Insights. "It's symbolic. It's historic. I think that, going into September, there's a very good likelihood that they will hit \$1 trillion with the next iPhone product cycle."

To reach the \$1 trillion threshold, assuming the number of its shares in the market stays flat, Apple needs to hit a [share price](#) of \$197.24. Apple could do that soon, with its current share buyback plan and a second planned buyback, for which Apple plans to pay up to \$100 billion using its recently repatriated offshore cash. With buyback plans, the amount of Apple shares on the market will decrease, most likely boosting the stock's value even more.

The new tax reform law and a healthy earnings report Tuesday, which sent stocks soaring 3.5 percent when the market opened Wednesday, have contributed to Apple's rising valuation in 2018. Then the company saw its [share](#) prices reach historic highs Friday, following revelations of Buffett's move. In an interview with CNBC, the billionaire investor said his company Berkshire Hathaway bought about 75 million shares of Apple stock in the first three months of 2018. In total, Berkshire Hathaway owns 241.7 million Apple shares worth more than \$44 billion.

"It's an amazing business," said Buffett. "You can put all their products on a dining room table. That's not the way it used to be in this country. It's

incredible to me."

In its earnings call for the quarter accounting January to March, Apple said it sold 52.2 million iPhones, beating Wall Street's skepticism and notching a 14 percent increase in sales from a year ago. But Apple saw its biggest growth in its services sector—which includes Apple Music, App Store and Apple Pay—with a 31 percent increase year-over-year.

"When you look at the combination of Apple, and Buffett buying the stock, that's naturally going to provide a lot of upside to its value," said Angelo Zino, an analyst with CFRA Research. "The iPhone business is holding up. Services are a key going forward. With that going on, we think they're headed that way (to \$1 trillion mark)."

When Apple does reach that mark, the impact will be strictly psychological, according to IDC research analyst John Jackson. But he notes that the moment will serve as an important benchmark in Silicon Valley's history, especially when comparing Apple to other tech giants, such as Amazon (\$764.2 billion and quickly rising), Google's parent company Alphabet (\$729.2 billion) and Facebook (\$518.1 billion).

As companies such as Facebook wrangle with how to build its business while respecting user data privacy, Apple stands out as a company that has taken a "high ground on privacy issues," according to Jackson.

"I think with (Facebook CEO) Mark Zuckerberg testifying in front of Congress and Cambridge Analytica scandal, this throws into stark contrast the mega-tech companies that's focused on building data like Facebook and mega-tech companies that's focused on building future on product like Apple," said Jackson. "Apple can be an example of the biggest tech [company](#) that doesn't use your data to target ads."

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