

Apple's Earnings Fall Despite Rising iPhone Sales

The Associated Press

SAN FRANCISCO (AP) -- Apple's quarterly earnings are still sagging even as sales of its iPhones are rising, a vexing phenomenon feeding investor worries about whether stiffer competition in the mobile device market will continue to undercut the company's prosperity.

The fiscal fourth-quarter results announced Monday closed the books on a sobering year that saw Apple's market value plunge by about 25 percent, or about \$160 billion. Apple Inc. remains the world's most valuable company, despite the downturn.

The company's earnings have been shrinking along with its share of the smartphone and tablet computer market that Apple reshaped with the 2007 release of the first iPhone and the 2010 introduction of the iPad. Apple hasn't come up with another breakthrough product in a new category since then, raising questions about the company's ability to innovate following the death of co-founder and chief visionary Steve Jobs two years ago.

Apple's earnings have now fallen from the previous year in three consecutive quarters after a decade of steady growth.

The Cupertino, California, earned \$7.5 billion, or \$8.26 per share, during the three months ending Sept. 28. That compared to income of \$8.2 billion, or \$8.67 per share, last year.

The latest quarterly earnings topped the average estimate of \$7.92 per share among analysts polled by FactSet.

Revenue rose 4 percent to \$37.5 billion — about \$600 million above analyst predictions.

Investors were evidently hoping for a better showing and, perhaps, a more optimistic forecast for the current quarter, which covers the crucial holiday shopping season. Management predicted Apple's revenue will range from \$55 billion to \$58 billion in the quarter ending in late December. Analysts had projected revenue of \$55.6 billion. Apple also indicated that its profit margins would be in the same range as the past quarter.

Apple's stock dipped \$6.45, or about 1.2 percent, to \$523.43 in extended trading after the numbers came out.

Activist investor Carl Icahn, who holds a 0.5 percent stake in Apple, is pressuring the company to spend \$150 billion buying back its own stock in an effort to boost the price. His idea would more than double the \$60 billion that Apple's board has

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budgeted for buying back stock during the next three years.

Apple apparently doesn't have any immediate plans to placate Icahn. CEO Tim Cook told analysts on a Monday conference call that the board won't announce any potential changes to its current program for buying back stock until early next year.

The latest quarter included early sales of the latest iPhones released last month.

The models consist of a 5S, a high-end version featuring a faster chip and a fingerprint reader, and the 5C, a slightly cheaper version that comes in a variety of brightly colored plastic cases. Apple didn't specify how many of each of the new models sold during the final week of the quarter.

The company sold 33.8 million iPhones in the past quarter, a 26 percent increase from the same time last year. But the prices for those iPhones averaged \$577, a 7 percent decrease from an average price of \$618 a year ago.

Apple's iPad sales edged slightly upward, with 14.1 million of the devices sold versus 14 million a year ago. The average price for an iPad slipped 14 percent to \$439, a shift reflecting the growing popularity of a smaller version featuring an 8-inch display screen.

An update to the iPad Mini with a higher definition display screen and a higher price is scheduled to go on sale at a still-to-be determined date next month. At the same time, Apple is cutting the price of the original iPad Mini by \$30 to \$299. A thinner and lighter version of the full-sized iPad, called Air, will go on sale Friday.

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