

# Apple profits slip but iPhone sales soar

SAN FRANCISCO, USA: Apple has reported that it raked in billions of dollars as iPhone sales soared to new highs, but that costs of making these devices was squeezing profits.



New iPad Air is in time for Christmas. Image: Apple

Apple said that it made a profit of US\$7.5bn as iPhone sales sizzled in its recently-ended fourth fiscal quarter.

The US technology company closed out its fiscal year with a net annual profit of US\$37bn, an impressive figure but the first annual decline in earnings in 11 years.

"We're pleased to report a strong finish to an amazing year with record fourth quarter revenue, including sales of almost 34m iPhones," Apple's chief executive Tim Cook said in a release.

The quarterly profit was down 8.6% from a year earlier, but ahead of most analyst forecasts. It came on revenues of about US\$37.5bn in the quarter ending September 28, up four percent year-on-year.

California-based Apple reported selling 33.8m iPhones, setting a new record for sales for a September quarter. Apple said that iPad sales inched up to 14.1m in a slight rise from the 14m sold during the same quarter last year.

## Predictions of an iPad Christmas

The current quarter was expected to be a more telling one for iPads, since Apple last week beefed up the range with a slim iPad Air model and an improved iPad Mini ahead of the prime holiday shopping season.

The new iPads will be sold alongside existing versions starting in November. They will be available in more than 40 markets around the world. For the first time, China will be among the countries getting the latest iPad models on launch day.

"I think it's going to be an iPad Christmas," Cook said during an earnings conference call.

Apple last week also showed off upgrades to its notebooks and desktop computers along with free software to sweeten the deal. Apple reported that it sold 4.6m Macs, compared with 4.9m in the same quarter last year.



iPhone 5S in gold. The top of the iPhone line up. Image: Apple

"We're excited to go into the holidays with our new iPhone 5c and iPhone 5s, iOS 7, the new iPad mini with Retina Display and the incredibly thin and light iPad Air, new MacBook Pros, the radical new Mac Pro, OS X Mavericks and the next generation of iWork and iLife apps for OS X and iOS," Cook said.

## Dividends keep flowing

Apple's board declared a cash dividend of US\$3.05 per share.

"We generated US\$9.9bn in cash flow from operations and returned an additional US\$7.8bn in cash to shareholders through dividends and share repurchases during the September quarter, bringing cumulative payments under our capital

return programme to US\$36bn," said Apple's chief financial officer Peter Oppenheimer.



New models of Mac computers unveiled. Image: Apple

Apple shares were about a dollar below the market close of \$529.88 in after-market trading that followed release of the earnings figures.

Apple said its gross profit margin was 37% compared with 40% in the same quarter last year.

"The narrowing of Apple's profit margin was due in part to a richer mix of iPads with higher cost structures and some new Mac computer models that also cost more to make," Oppenheimer said adding that the outlook for the current quarter was similar, with margins expected to be between 36.5% and 37.5%.

iPhones doing really well

"Where (Steve) Jobs was focused like a laser on profit, Cook is focused like a laser on revenue," independent Silicon Valley analyst Rob Enderle said.

"The problem is that Apple stock trades on the Jobs model and the profit margin is slowly collapsing," he said.

Cook told analysts that, contrary to speculation by analysts and in news stories, Apple's recently released iPhone 5C was not intended as a low-priced model aimed at developing countries.

"If you look at the iPhone line, we are selling the iPhone 4S as our entry level product, the 5C as a mid-tier offer, and then the 5S as the top produce," Cook said.

In a sign of the strategy's merit, iPhone sales in China were reported to be up by about 25% in the last quarter.

"We have a pretty good quarter in China," Cook said. "We obviously want to do better." He said that Apple is continuing to invest in extending its reach to more parts of the Greater China region.

"Apple is still outperforming most of the companies on the market," Enderle said. "It is not the difference between failure and success; it is the difference between being a superstar and being a reasonable company," he added.

Source: AFP via I-Net Bridge

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