Apple's buys back shares, pays dividends

SAN FRANCISCO, USA: Apple reported on Tuesday (23 April) that its quarterly profit dipped for the first time in nearly a decade as it squeezed less money from the competitive smartphone and tablet markets.

The manufacturer of iPhones, iPads, iPods, and Macintosh computers stepped in to bolster its stock price by saying it will invest US100bn in buying back stock and paying dividends.

Apple raised a coming stock dividend by 15% to US$3.05 per common share.

While Apple coffers bulged with US$144.7bn, the company said most of that money is offshore and it will be shrewder to borrow cash to implement the stock buy-back plan.

"We will fund the capital return programme from operations and borrowing," said Peter Oppenheimer, Apple's chief financial officer.

"They bought themselves some extra time," Silicon Valley analyst Rob Enderle said of Apple tapping into its cash reserves to pay investors.

"They are basically selling off Apple's future to prop up Apple's stock price in the short term," he said.

The move veers from the way late Apple co-founder Steve Jobs fiercely guarded cash reserves.

The California-based company posted a profit of US$9.5bn on revenue of US$43.6bn in the first three months of this year, compared with a profit of US$11.6bn on US$39.2bn in the same quarter last year.

Gross margins fall

It said its gross margin, or the amount of money it makes in profit from its devices, shrank from 47,5% to 37.5%.

The number of iPhones sold in the quarter rose to 37.4m from 35.1m last year. The number of iPads sold reached 19.5m, up from 11.8m a year earlier.

According to Oppenheimer, sales of iPod MP3 players dropped by more than a million units to 5.6m and Macintosh computers sales slipped by about 2% to just below four million units.

The Apple board raised the overall stock repurchase target to US$60bn from US$10bn.

Apple chief executive Tim Cook said that the decline in Apple stock in recent quarters has been "very frustrating for everyone."

Shares in Apple are well below their 52-week peak of above US$700 recorded in September last year as the technology company faces stiff competition from South Korea's Samsung and others.

"Although we've achieved incredible results, we acknowledge our growth rate has slowed," Cook said during an earnings call with financial analysts.

"We will continue to focus on the long term and remain very optimistic about our future," he added.

Cook remained adamant that Apple was well-positioned in the booming smartphone and tablet markets.

Innovations coming

"We have a lot more innovations in the works," Cook said, promising "some really great stuff coming in autumn this year and in 2014."

"For its size Apple is plugging along very nicely," said Forrester analyst Frank Gillett.

"The question we are asking is whether they can create a new category. My hunch is there are a bunch of new things brewing," Gillett said.

Apple's revenue in China was up 11% to US$8.8bn, with iPad sales more than doubling despite Apple reporting that growth had slowed there.

China served as an example of an Apple strategy to win over smartphone buyers with affordable prices on iPhone and iPad models, letting margins shrink in order to build a loyal customer base.

"China has an unusually large number of potential first-time smartphone buyers and that is not lost on us," Cook said.

He cited data showing that Apple ranks impressively when it comes to customer loyalty and the willingness of users of its gadgets to spend money on digital songs, music and apps at the iTunes store.

"We do want to grow faster, but we don't look at it as the only measure of our financial health," Cook said.

Oppenheimer says the iTunes shop pulled in more than US$4bn in revenue in the first three months of the year, setting a new record for the company.

Source: AFP via I-Net Bridge

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