

# Apple 2Q income up 90 pct, shares jump to new high

JESSICA MINTZ - AP Technology Writer - Associated Press

Blockbuster iPhone sales helped Apple Inc. blow past Wall Street's expectations with a 90 percent leap in net income for the most recent quarter. Shares of the company skyrocketed to an all-time high in extended trading Tuesday.

Apple said it sold a record 8.8 million of its popular iPhone smart phones in the three months that ended March 27, more than double the number sold a year ago. Revenue from the phones made up 40 percent of Apple's total revenue. The previous high was 8.7 million phones sold in the October-December quarter last year.

Piper Jaffray analyst Gene Munster was astounded by the iPhone results. He said such ongoing growth is unheard of for a successful three-year-old device.

"It's defying the law of gravity," Munster said. "Internationally, it's catching fire."

Peter Oppenheimer, Apple's chief financial officer, said in an interview that strong sales came from both existing and new mobile carriers. Although AT&T Inc. remains the exclusive U.S. carrier, Apple has been selling phones through multiple carriers in other countries.

After a brief trading halt, investors sent Apple's stock bounding up \$13.71, or 5.6 percent, to \$258.30 in after-hours trading Tuesday, surpassing its previous high of \$251.14, which had been set Friday. Earlier Tuesday, the stock had shed \$2.48 to close at \$244.59.

Apple's net income and revenue were its highest ever in a non-holiday quarter, Oppenheimer said. Earnings rose to \$3.1 billion, or \$3.33 per share, from \$1.6 billion, or \$1.79 per share in the same period last year.

Revenue rose 49 percent to \$13.5 billion from \$9.1 billion in the year-ago quarter.

Analysts had expected Apple to earn \$2.45 per share on \$12 billion in revenue, according to a survey from Thomson Reuters.

The company said it sold 2.9 million Macs, a 33 percent increase. iPod unit sales edged down 1 percent — but Apple still sold 10.9 million of the digital players.

Apple didn't start selling the iPad, its new touch-screen tablet computer, until after the fiscal second quarter ended. During a conference call, analysts pressed for more details on Apple's decision to postpone by a month to late May the international launch of its new tablet computer.

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Tim Cook, Apple's chief operating officer, said there are no production problems with the iPad. The international launch has been delayed only because of demand in the U.S., where Apple said it sold more than 500,000 iPads in its first week.

"It has shocked us, the level of demand, at least initially. We'll see what happens from here," Cook said.

Brisk iPad sales will drag down Apple's gross margin in the current quarter, which ends in June. Gross margin is the profit Apple makes on each dollar of revenue once the costs of making products are subtracted. In the second quarter, gross margin rose because a greater share of Apple's revenue came from its profitable iPhones.

New products such as the iPad are generally less profitable until companies can buy parts in higher volumes to drive down prices. Cook also said Apple was aggressive in setting low prices for the iPad.

Apple also said its margin would be lower in the current quarter because of a "future product transition." That's likely the next version of the iPhone, which analysts expect Apple to unveil in June.

On Monday, technology blog Gizmodo published details about what appears to be a new iPhone model. Apple claimed the device belonged to the company but did not say whether it was an actual prototype. Gizmodo had paid an unknown person \$5,000 for the phone, which was found in a bar in the Silicon Valley. Apple has asked for the phone to be returned, and Gizmodo said Tuesday it would do so.

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