

Ahead of the Bell: Analysts See iPhone Sales Down

Associated Press

NEW YORK (AP) — Apple Inc. is set to report fiscal second-quarter results after the market close Tuesday, and analysts expect to see the first quarter ever in which iPhone sales declined.

The launch of the first iPhone in 2007 set off a boom in smartphone sales, one that propelled Apple from a successful technology company to the world's most valuable publicly traded company in any industry. That boom is fading now that most people in the developed world already have a smartphone. Apple, which sells only a few models, all of which are relatively expensive, isn't able to take advantage of the appetite for smartphones in developing countries.

Apple's stock is down 43 percent from its all-time high, hit Sept. 21 when the iPhone 5 launched, and it's lost its position as the world's most valuable company to Exxon Mobil Corp.

Analysts expect Apple to report selling about 34 million iPhones, which would be down from 35 million in the same quarter last year. They still expect growth in iPad sales, from 12 million to about 18 million, but the increase will be due to the iPad mini, which is cheaper and less profitable than the full-size iPad.

Together, the iPad and iPhone make up three-quarters of Apple's revenue.

Overall, analysts expect earnings of \$9.97 per share on revenue of \$42.3 billion, according to FactSet.

Apple has said it expects revenue of \$41 billion to \$43 billion. It had a long tradition of low-balling forecasts, but has signaled that its new forecasts are more realistic.

A fall in iPhone sales could force Apple to diversify its iPhone line, with a cheaper model and, perhaps, a higher-end model with a bigger screen.

On the conference call after the report, analysts will be listening closely for signs that the company is getting closer to instituting new plans for handing over cash to shareholders. Apple started paying a dividend last summer and is buying back a modest number of shares, but not enough to make a dent in its \$137 billion cash pile, which keeps growing. The company has engaged in a public debate with a

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Published on Wireless Week (<http://www.wirelessweek.com>)

hedge fund manager who wanted it to institute a new class of preferred shares, and said it is looking at ways to use its cash.

Source URL (retrieved on 06/11/2013 - 11:11pm):

<http://www.wirelessweek.com/news/2013/04/ahead-bell-analysts-see-iphone-sales-down>