

Apple Sells 51M iPhones in 1Q as Profits Hold Steady

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[As expected](#) [1], Apple broke records during its holiday quarter, [selling 51 million iPhones and posting \\$57.6 billion in quarterly revenue](#) [2].

On those sales figures, Apple saw \$13.1 billion in net profit, matching what it posted in the year-ago quarter despite gross margins shrinking annually to 37.9 percent from 38.6 percent.

The 51 million iPhones sold during the quarter easily topped the 47.8 iPhones sold a year ago. The company also beat its iPad sales record, selling 26 million tablets as compared to 22.9 million sold a year ago.

Despite beating estimates for revenue and earnings per share, Apple's shares dove sharply in after-hours trading. Analysts had predicted the company would sell 56-57 million iPhones this quarter. Apple's projected earnings of \$42 to \$44 billion for its second quarter also came up short of analyst predictions, which had placed the target at around \$46 billion.

CFO Peter Oppenheimer attributed the annual dip in second quarter earnings guidance to channel inventory issues and declining iPod sales.

In its earning release, Apple disclosed that international sales accounted for 63 percent of its revenue during the quarter. Moving into the second quarter, international sales will continue to be a hot topic for Apple as the company just inked a long-awaited iPhone deal with China Mobile, a huge mobile provider with more than 700 million subscribers.

"We've got some things that we're seeing that we factored into the guidance," Oppenheimer said, talking about how deals with China Mobile and NTT DoCoMo will reflect positively on revenue later this year, specifically pointing toward the projected progress for China Mobile's LTE buildout in 2014. The carrier's LTE network is only in 16 cities currently.

Tim Cook said last week was the best week Apple had ever seen for iPhone activations on China Mobile.

"We've got quite the ramp in front of us," Cook said.

In the U.S., Cook admitted that Apple's iPhone business "contracted," which he attributed to having, for the first time, two iPhones and adjusting the product mix to meet product demand.

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He also placed part of the blame on carriers lengthening their device upgrade cycles.

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[1] <http://www.wirelessweek.com/news/2014/01/apple-poised-record-quarter-market-share-slides>

[2] <http://www.apple.com/pr/library/2014/01/27Apple-Reports-First-Quarter-Results.html>