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<http://online.wsj.com/articles/apple-profit-jumps-13-on-boost-from-iphone-6-1413837044>

### TECHNOLOGY

# iPhone 6 Recharges Apple's Growth

Strong Demand for New Larger-Screen Phones Helps Offset Sluggish iPad Sales to Drive Results

Apple's fiscal fourth quarter earnings show the iPhone carrying its weight once again, while the iPad continues to lose steam.

By **DAISUKE WAKABAYASHI**

Updated Oct. 20, 2014 7:32 p.m. ET

A year ago, the story line around Apple Inc. was that its formidable growth had petered out and Samsung Electronics Co. was eating its lunch. What a difference a year makes.

Driven by booming sales of its new bigger-screen iPhones, Apple on Monday said its quarterly profit rose 13%, and it predicted record holiday sales in the current three-month period.

Meanwhile, Samsung's approach of offering smartphones at all sizes and prices in every market is struggling amid a wave of Chinese manufacturers with low-cost offerings.

Apple's resurgence is driven by the iPhone 6 and iPhone 6 Plus, which the company introduced in September. The iPhone 6 with a 4.7-inch screen and the iPhone 6 Plus with a 5.5-inch display are in short supply. With its latest phones, Apple is catching up with Samsung and others that have posted strong sales of larger phones. (Graphic: Compare the iPhone 6 with other phones.)

In an interview, Apple Chief Executive Tim Cook said the reception for the new iPhones has been better than expected with combined sales of iPhone 6 and 6 Plus exceeding same-period sales of last year's iPhone 5S—Apple's high-end model at the time—in every market where the phones were available. The larger iPhone 6 Plus sells for \$100 more than the 5S did last year.

“We knew it would be good, but it's selling faster than even we thought,” said Mr. Cook. “It's clear that this is a big one.”

Apple said it sold 39.3 million iPhones in the period ended Sept. 27, a 16% increase from 33.8 million units in the year ago period. Analysts had predicted that Apple would sell 37.8 million iPhones in the period.

Mr. Cook said the company still sees “a significant backlog” for new iPhones. Apple just began selling the new iPhones in China, the world's biggest smartphone market, on Friday.

“The company is gaining momentum heading into the holiday season,” said Bill Kreher, technology analyst for Edward Jones. He warned, however, that the phone's success will create “difficult comparisons” in the current fiscal year.

Apple's results also benefited from record sales of its Macintosh line of personal computers, which are growing even as PC sales shrink. Apple said Mac sales rose 21% by units and 18% by revenue. Meanwhile, research firm IDC said global PC sales fell by 1.7%.

The iPhone's strength is in contrast to sluggish iPad sales. Apple said it sold 12.3 million iPads in the period, down from 13.1 million a year ago, marking the third consecutive quarter in which sales declined, compared with the prior year.

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## MORE ON APPLE

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- How to Get Apple Pay Today—and Where to Use It

As laptops become lighter and smartphones becomes larger and more capable, tablet computers are feeling the squeeze. Apple refreshed its iPad lineup last week and

introduced a thinner, more powerful iPad Air 2 with a Touch ID fingerprint reader.

The iPhone's strength stands in contrast to the problems gripping Samsung's smartphone business. Samsung is forecasting a fourth straight quarter of falling operating profit for the period that ended in September.

The Korean electronics conglomerate sold more phones in the third quarter, but margins were weighed down by higher marketing costs and a decline in average selling prices.

Samsung still sells twice as many smartphones as Apple, but Apple generates more profit, according to financial-services firm Canaccord Genuity.

Apple said fiscal fourth quarter net income totaled \$8.47 billion, compared with \$7.51 billion in the year-ago period. Earnings per share rose more sharply, to \$1.42 from a split-adjusted \$1.18, because the company's stock-repurchase program reduced the share count by roughly 400 million shares, or 6%. The buybacks boosted earnings per share by nine cents.

Apple said it bought back \$17 billion worth of stock during the September quarter. Earlier this month, activist investor Carl Icahn sent Mr. Cook a letter urging the company to buy back more shares because he considered the company's stock undervalued. Apple made its share purchases before Mr. Icahn's letter.

Revenue rose 12% to \$42.12 billion from \$37.47 billion in the same period a year earlier.

Analysts, on average, estimated that Apple would post earnings of \$1.31 a share on revenue of \$39.87 billion, according to Thomson Reuters.

For the current quarter to December, Apple is forecasting revenue of \$63.5 billion to \$66.5 billion. The higher number would exceed Apple's revenue in the fiscal year ended September 2010.

Apple said its gross margin, a closely watched indicator of profitability reflecting the percentage of revenue that remains after manufacturing costs, was 38% in the September quarter—at the high end of the company's estimate range of 37% to 38%. For the December quarter, Apple forecast a gross margin of 37.5% to 38.5%.

Apple shares rose 1.4% in after-hours trading, after climbing \$2.09, or 2.1% to \$99.76, in 4 p.m. trading on the Nasdaq Stock Market.

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## Tablet Wars

Compare tablet specs and features. (Last updated Oct. 16, 2014)

**Samsung Galaxy Tab S 10.5**



WSJ review >>  
(<http://online.wsj.com/articles/samsung-galaxy-tab-s-review-at-long-last-samsungs-worthy-ipad-competitor-1403614863>)

**Starting Price**

\$499

**Microsoft Surface Pro 3**



WSJ review >>  
(<http://online.wsj.com/articles/microsoft-surface-pro-3-a-tablet-that-desperately-wants-to-be-a-laptop-1401209377>)

\$799

**Apple iPad Air 2**



\$499

**Amazon Kindle Fire HDX**



WSJ  
(<http://online.wsj.com/articles/amazon-kindle-fire-hdx-review-1403614863>)

\$339

<b>Operating System</b>	Android 4.4	Windows 8.1 Pro	iOS 8	Fire (Anc
<b>Diagonal Length</b>	10.5"	12"	9.7"	8.9"
<b>Pixels</b>	2560 x 1600 (288 pixels per inch)	2160 x 1440 (216 pixels per inch)	2048 x 1536 (264 pixels per inch)	2560 per i
<b>Measurements</b>	9.74" x 6.98" x 0.26"	11.5" x 7.93" x 0.36"	9.4" x 6.6" x 0.24"	9.1"
<b>Weight</b>	1 pound	1.76 pounds	0.96 pound (Wi-Fi); 0.98 pound (Wi-Fi + Cellular)	13.2
<b>Camera</b>	8MP rear, 2.1MP front	5MP rear, 5MP front	8 MP (iSight camera); 1.2 MP (FaceTime camera)	8MP vide
<b>Processor</b>	Exynos 5 Octa or Qualcomm Snapdragon 800 (quad)	4th generation Intel Core i3, i5 or i7	A8X chip with 64-bit architecture and M8 motion coprocessor	Snap proc

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