Apple Sales Miss Estimates, Shares Fall As iPhone Pause Begins

Apple did something today that it rarely does. It missed analyst expectations for earnings.

While it continued to capitalize on demand for the iPhone and iPad, reporting a gain in third-quarter sales as customers around the world kept taking home its tech gadgets, Apple didn't sell as many iPhones as analysts hoped.

Sales rose to $35 billion from $28.6 billion a year ago in the quarter ended June 30, Apple said in a statement. Net income was $8.8 billion, up from $7.3 billion. Profit was $9.32 a share. Analysts on average [1] were expecting sales of $37.2 billion and profit of $10.36 a share.

This is a rare miss for the Cupertino, California-based company, which has topped analyst estimates in every quarter except for one since 2003, according to data from Bloomberg.

Investors are focused on how well the iPhone is selling since it accounts for more than half of revenue (this chart [2] shows a breakdown of sales by product and geography). Apple has been enjoying spectacular demand for the iPhone 4S, released in October, in the U.S. and in China, it's fastest-growing market.

Apple said today it sold 26 million iPhones, down from 35 million last quarter. Analysts were anticipating iPhone sales of 25 million to 27 million, though some started saying their estimates might be low since Verizon and AT&T delivered better-than-expected iPhone activations in the U.S. in their recent earnings reports.

Apple also said today that it saw a huge gain in sales of the iPad tablet to 17 million units, up from 9.25 million last year and 11.8 million in the second quarter. Sales of the Mac, including new MacBook Air and MacBook Pro laptops introduced at Apple's developer conference in June, came in at 4 million computers.

Apple's board of directors also declared a cash dividend of $2.65 per share of the company's common stock. The dividend is payable on August 16, 2012, to stockholders of record as of the close of business on August 13, 2012, Apple said.

Apple shares dropped about 5 percent in late trading after the report was released. They earlier fell $2.91 to close at $600.92 in regular Nasdaq trading. They've gained 48 percent so far this year.

"We're thrilled with record sales of 17 million iPads in the June quarter," Tim Cook,

Apple's CEO, said in the statement. [3]"We've also just updated the entire MacBook line, will release Mountain Lion tomorrow and will be launching iOS 6 this fall. We are also really looking forward to the amazing new products we've got in the pipeline."

The biggest takeaway from today's report is that analysts are likely to move past it as they look for new products later this year and in early 2013, including an updated iPhone, a smaller-screen iPad mini and a smart TV.

View the complete article here: Forbes [4]

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