

Apple Earnings Miss Wall Street Target as Buyers Wait for New iPhone

Economic weakness in Europe hurts Apple's quarterly results, but the main issue was consumers holding out for the new iPhone

By Sam Gustin | July 25, 2012

(excerpt)

Apple has put together one of the most amazing runs in corporate history, so when the company reports earnings results that miss expectations, it's tempting to look for a grand narrative about the tech juggernaut. Are consumers starting to cool on Apple's products? Is Apple's incredible streak over? Is the sky falling? Nope. Although weakness in Europe played a factor, the main reason for Apple's earnings miss on Tuesday was the simple fact that many consumers are holding out in anticipation of a new version of the company's signature product, the iPhone, due out some time this fall. Apple shares declined more than 5% after-hours on the lackluster earnings report. ...

...Despite results that were lackluster by Apple standards, the company's long-term prospects remain very strong, in part because there remains so much potential upside for iPad sales worldwide. "We're thrilled with record sales of 17 million iPads in the June quarter," Apple CEO Tim Cook said in a statement. "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." ...

...David Kudla of Mainstay Capital Management, which owns Apple shares, told CNBC that the earnings miss and resulting share slide could be a buying opportunity. "The miss is going to drive the stock price down, and we think this is really a buying opportunity," said Kudla. "We still see a good second half for Apple," he added.

Despite the lower-than-expected results, there were several positive notes in the report. On a conference call with Wall Street analysts, Apple CFO Peter Oppenheimer touted the increasing number of iPhones that are being used by corporate customers — further eroding Research in Motion's traditional enterprise dominance with the BlackBerry. "We estimate that the number of iPhones in the Fortune 500 has doubled in the past year," he said. The company also sold 17 million iPads, up 84% over the past year. ...

...Bottom line: Apple's recent performance has been so superlative that a missed earnings report is bound to set tongues wagging. But in this case, we can chalk up the company's weaker-than-expected showing to consumers (finally) starting to understand the rhythm of Apple's product cycle. Why would you buy a new iPhone when a brand-new model is expected in a few months? As long as Apple continues to introduce new products that wow consumers, Apple is going to be just fine. And as Mainstay's Kudla noted, temporary weakness in the company's stock price may just make for a rare buying opportunity.