Apple Inc. took dual steps to reassure investors concerned with its growth prospects, reporting a surge in iPhone sales and giving its shareholder payout program a $30 billion boost.

The world’s most valuable company said fiscal second-quarter profit grew 7 percent to $10.2 billion and sales rose 4.7 percent to $45.6 billion after making the iPhone available through China’s largest wireless carrier, China Mobile Ltd., earlier this year. iPhone sales were 43.7 million, topping analysts’ estimates of 37.7 million, the company said in a statement today.

Apple said it will also increase its repurchase authorization to $90 billion from $60 billion and announced a seven-for-one stock split. In addition, the company boosted its dividend. Apple said it plans to take on debt to pay for the added stock buyback and dividend plans.

**Related:**


The results and expanded capital program sent the stock soaring in extended trading. With investors having griped that Apple’s business is slowing and that the company wasn’t doing enough with its cash, the actions buy Chief Executive Officer Tim Cook time to reignite growth with new products that he today reiterated are in development. The company is said to be readying bigger-screen iPhones, a watch-like wearable device and a new Apple TV set-top box.

**New Devices**

“The possibility is out there that in the next several months, they will have a string of new devices so that by the time Christmas time comes around, they will be ready to sell them all,” said Giri Cherukuri, head trader at OakBrook Investments LLC, which has about $3.2 billion under management.

Shares rose as much as 8.5 percent in extended trading. The stock, which closed today at $524.75, is down 6.5 percent for the year and 25 percent from an all-time high in 2012.

The quarterly results topped Wall Street projections. Analysts had estimated net income of $9.1 billion, or $10.17 a share, on sales of $43.5 billion.

Gross margins, a measure of Apple’s profitability, was 39.3 percent, up from 37.5 percent a year ago.
Revenue from what Apple calls the greater China region rose 13 percent to $9.3 billion from $8.2 billion a year ago.

**IPad Struggles**

Yet while iPhone sales exceeded estimates, iPad sales dropped 16 percent, its steepest drop on record. As lower-cost tablets flood the market, the iPad isn’t the growth driver for Apple that it once was.

Cook said on a conference call that Apple’s current stock price doesn’t reflect the company’s proper value.

“Apple has created tremendous value for shareholders by creating great products that enrich people’s lives,” the CEO said. “That will always be our top priority.”

Apple has been struggling with growth in recent quarters as the iPhone and iPad, which together account for about three-quarters of total revenue, face stiffer competition from rivals such as Samsung Electronics Co. and other lower-cost device makers using Google Inc.’s Android operating system.

Meanwhile, the biggest locations of mobile device growth are in emerging markets such as China, where inexpensive and bigger-screen models are popular. Many customers in the U.S. and Europe also already own an adequate smartphone or tablet, leading to less frequent upgrades.

**June Forecast**

For the June quarter, Apple forecast sales in line with analysts’ estimates. The company said revenue would be between $36 billion and $38 billion, with gross margin at 37 percent to 38 percent. Analysts had predicted sales of $37.9 billion and gross margins of 37.3 percent, according to data compiled by Bloomberg.

“Apple is proving that they are not losing their place at the high-end of the market,” Frank Gillett, an analyst at Forrester Research, said in an interview.

In a reminder that he is keeping his eyes on the company’s future growth, Cook also said in a statement that he was “eagerly looking forward to introducing more new products and services that only Apple could bring to market.”

Apple holds its annual developer conference in June, when it is anticipated to unveil new software and offer a peek into its product road map.

**Breaking Away**

With the expanded buyback program and stock split, Cook is breaking further from his predecessor, Steve Jobs, who had dismissed calls for Apple to do more with its cash hoard. Cook, who has faced calls from activists including David Einhorn and Carl Icahn to do more for shareholder payouts, had
in April 2013 announced a plan for a total of $100 billion in dividends and buybacks.

With today’s announcement, the program increases by another $30 billion. Apple’s cash and equivalents stood at $150.6 billion as of the end of March.

Apple said it spent $66 billion for its capital return program from August 2012 through March 2014. The company will increase its quarterly dividend about 8 percent.

Apple said it was doing the stock split so shares would be available to a wider pool of investors. With the split, each investor on June 2 will receive six additional shares. Those split-adjusted shares will begin trading on June 9.

The company may have other uses for its cash. Apple isn’t averse to making acquisitions to augment its business, Cook said. He said Apple bought 24 companies over the past 18 months. The deals have tended to be small compared with the multi-billion-dollar deals that companies like Facebook Inc. and Google have done in recent months.

“We are not in the race to spend the most or acquire the most,” Cook said.

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