Apple Soars to Record Amid Optimism About Coming Products

By Adam Satariano - Aug 20, 2014

Apple Inc. (AAPL)’s stock closed at an all-time high, surpassing a 2012 record as investors look ahead to new products such as bigger-screen iPhones and a wristwatch-like device that may jump-start revenue growth.

Apple rose 1.4 percent to $100.53 yesterday, topping the split-adjusted record of $100.30 reached on Sept. 19, 2012, just before the iPhone 5 went on sale. The shares have gained 25 percent this year.

After rising more than sevenfold following the 2007 debut of its smartphone, Apple stock lost a third of its value in the year after the iPhone 5’s release on concerns that the company was running out of hit product ideas without co-founder Steve Jobs. The tenor has changed, with analysts estimating record sales for the next batch of iPhones, set to be released later this year.

Activist investor Carl Icahn, who had pushed Apple to buy back more of its own stock earlier this year, said the rise in the company’s share price validated his earlier claim that the iPhone maker was undervalued.

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“All my chips still on the table and in fact increased position over past year,” Icahn said in a Twitter post. Icahn owns 52.8 million shares in Apple worth $5.3 billion, according to a recent filing.

In June, people familiar with the plans said Apple planned to start mass production on two smartphones with larger screens, a response to devices from rivals such as Samsung Electronics Co. and HTC Corp.

Spending Cash

In Germany, Apple shares traded at the equivalent of $100.80 as of 9:03 a.m. in Frankfurt.

The stock’s rise shows investors are buying into the strategy outlined by Chief Executive Officer Tim Cook, who has been prodded to introduce bigger iPhones, give more money back to stockholders and introduce new devices.
Those shareholders are now getting what they want. In addition to the larger iPhones, Cook has vowed that Apple will enter a new product category this year. The company is said to be developing a smartwatch, and Morgan Stanley’s Katy Huberty has said Apple may sell as many as 60 million of the new wearable device in its first year on the market, adding up to $9 billion in revenue for fiscal 2015. Apple hasn’t commented on the prospect of larger iPhones or a possible smartwatch.

Cook also has been more open than Jobs was to using the company's cash hoard to return money to shareholders. Apple is in the midst of a program to give back $130 billion through buybacks and dividends. He’s also been more active in acquisitions, including spending $3 billion to buy Beats Electronics LLC, the company's biggest-ever purchase.

**Modest Growth**

Apple’s stock price makes it the world’s [most valuable](http://www.bloomberg.com/news/print/2014-08-19/apple-soars-t...) company -- more than 30 percent bigger than Exxon Mobil Corp., the second-largest by market capitalization.

The company also appears to be settled in to an era of modest earnings growth after last year reporting its first decline in a decade. On July 22, Apple reported its second straight profit gain as a rise in iPhone and Mac sales helped make up for a drop in iPad demand. Net income rose 12 percent to $7.75 billion, its biggest gain since 2012.

Meanwhile, Samsung, Apple's biggest competitor, has seen its stock decline 8.6 percent this year. Earnings at the world’s largest maker of mobile phones have fallen for three consecutive quarters, pinched between competition with Apple for customers of high-end smartphones and Chinese manufacturers such as Xiaomi Corp. and Lenovo Group Ltd. for less-expensive models.

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