Apple Inc. is facing an identity crisis on Wall Street.

As Apple prepares to report what analysts project may be the company’s first year-over-year quarterly earnings decline in a decade on Tuesday, it is also grappling with jittery investors and a recent share-price plunge that has wiped about $280 billion off its market capitalization since its stock reached a high of $702.10 last September.

Much of the investor nervousness is rooted in how Wall Street is treating and valuing the Cupertino, Calif., company as a traditional hardware maker. One camp of analysts and some investors said there is strong evidence that Apple should be viewed in a different light: as a software-hardware hybrid.

The distinction matters. If it continues to be seen as a hardware business, Apple’s streak—driven by products like the iPhone and iPad—could run out quickly as smartphones and tablets get commoditized and consumer tastes change. It is a lesson learned by companies like BlackBerry-maker Research In Motion Ltd., whose tech hardware was quickly eclipsed by products from Apple itself.

If Apple is classified as a software-hardware hybrid, the company could be valued more like Internet and software makers that have recurring revenue streams and that often trade at higher price-to-earnings ratios than hardware firms.

"The market views Apple as a consumer hardware company tied to product cycles that drive volatile revenue and earnings streams," says Morgan Stanley analyst Katy Huberty. But that view isn’t complete, she says, since "Apple customers buy into a brand that offers ease of use similar to companies like Amazon.com or enterprise companies like NetApp."

An Apple spokesman declined to comment ahead of Tuesday’s earning report.

With Wall Street categorizing Apple as a hardware maker, investors value the company—which made an
astounding $13 billion in profits in the quarter ended in December—at 8.6 times expected earnings per share for the next 12 months. Investors are currently valuing Hewlett-Packard Co., which made $1.2 billion in profits during its most recent quarter, at a price-to-earnings ratio of 5.6. Troubled PC maker Dell Inc., whose stock price inflated after signing a buyout deal earlier this year, trades at a P/E ratio of 8.5.

Apple's gross margins are around 40%, an important measure of the company's efficiency at making money. That is roughly twice as high as H-P's and Dell's.

Apple has characteristics that differ from many other hardware businesses. Its customers often upgrade their Apple products annually, far more frequently than the four-year PC upgrade cycles typically found at tech hardware businesses including Hewlett-Packard or Dell.

While H-P and Dell have tried beefing up the enterprise software side of their business, Apple's operating system and iTunes software is already ubiquitous. Apple also has more than 500 million accounts for its App Store tied to credit cards—and a customer base to sell new services to—giving it a recurring software and services revenue stream. Apple took in revenue of $3.7 billion from iTunes and other software and services in its last quarter, or 7% of its total revenue.

That gives Apple at least some properties of enterprise software companies like storage hardware and services company EMC Corp., which has a P/E ratio of 11.4. Some analysts are urging a comparison to cable companies like Comcast Corp., which also enjoys steady revenue from subscriptions. That company has a P/E ratio of 16.4.

At Apple, Chief Executive Tim Cook has been lobbying Wall Street to change its hardware-centric views.

At an investor conference in February, Mr. Cook said "because we're not a hardware company, we have other ways to make money and reward shareholders." He added that unlike other hardware businesses, "we don't look at the sale of a product as our last part of the relationship with the customer. It's the first."

Even if Wall Street shifts its view on Apple as a software-hardware hybrid, however, the company's woes aren't over. The history of hardware companies that stayed on top through software is short. Sony Corp., for instance, lost its supremacy to Apple when the Walkman couldn't compete with iTunes and the iPod. RIM enjoyed huge sales spurred by its email service, only to have that eclipsed by Apple and its App Store.

Now, some say there are signs Google Inc. may do the same to Apple with online services. Piper Jaffray analyst Gene Munster says Apple builds great software, but gets a "C" on software services like data syncing service iCloud.

And while customer loyalty to Apple remains high with 80% to 90% of U.S. iPhone users saying their next phone will be an iPhone, the clock is ticking, Mr. Munster says. "People love their Apple products and want to buy them but they have six months. There has to be something cool coming."

Many analysts believe Apple's next big software play will be payments—a sticky service that could keep users buying Apple products in the same way iTunes and the App Store have. Still, that could take years to reach fruition and Apple faces pressure to boost profits now.

For the second fiscal quarter, analysts surveyed by Thomson Reuters expect the company to report 8% revenue growth to $42.3 billion in the quarter. Apple's earnings are projected to be $9.5 billion, down from $11.6 billion a year earlier.

Write to Jessica E. Lessin at jessica.lessin@wsj.com

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