Apple touches record high as iPad 3 sales run hot

By Lee Chyen Yee and Pauline Askin

HONG KONG/SYDNEY (Reuters) - Apple's new iPad proved to be another hot-seller on Friday, with hundreds queuing at stores across Asia to be the first to get their hands on the 4G-ready tablet computer as the company's share price hit $600 for the first time.

As consumers lined up around city streets to buy the iPad, one firm that took the new device apart said Qualcomm, Broadcom, and Samsung Electronics had all held onto their prized roles as key parts suppliers.

David Tarasenko, a 34-year-old construction manager who was the first to pick up the iPad from a Telstra store at midnight in Sydney, said ever since Apple Chief Executive Tim Cook revealed the tablet's third iteration, he couldn't wait to get one.

"When Tim Cook announced it, it sounded like such a magical tool. I just got hyped into it, I guess," he said.

The new iPad is a progressive development of Apple's tablet, with a more powerful CPU and screen and better camera. It was not marketed as a revolutionary product like earlier versions, yet Apple devotees still snapped up the latest version.

"The iPad is already a pretty mature product and it's hard to revolutionize it any further," said Dickie Chang, an analyst with research firm IDC based in Hong Kong.

"It's slightly heavier than its predecessors and I think Asian consumers will be more concerned about that," he said.

"Going ahead, with Tim Cook at the helm now, I think he may have to come up with another product to mark his stamp. That could come in the form of launching a smaller iPad with a longer battery life, for instance."

Crowds were down on previous Apple launches, but there was still excitement as stores opened. "I've come from Russia to buy an iPad for my three-year-old son David," Oleg Konovalov, a newspaper salesman, told Reuters in Tokyo. "Everyone in Russia wants an iPad, but to buy it there I will have to wait several months." "This reminds me of the time 30 years ago when I waited 8 hours in the cold to see Lenin's Mausoleum." The buzz helped propel Apple shares to record highs in U.S. trade on Thursday, with Apple stock touching a high of $600.01 before easing back.

It peaked half an hour after the first iPad went on sale in Australia, extending the market worth of the world's most valuable company to almost $560 billion.

Only a month earlier, the stock price had crossed $500 for the first time. The stock has jumped 45 percent this year.

At Thursday's closing price of $585.56, the stock is far more expensive than the $499 starting price for a Wi-Fi iPad.

QUEUES AND SMUGGLERS

The new iPad goes on sale on Friday in 10 countries, including the United States, Canada, Singapore, France and Britain, with diehards lining up overnight in front of Apple stores in Munich, Paris, London, Singapore and Hong Kong.

"After this, well, I'll first of all open it up and check it's as beautiful as I thought. Then I'll get some sleep," said Shintaro Aizawa, 16, who waited 15 hours outside a Tokyo store.

Just across the border from Hong Kong in the Chinese city of Shenzhen, people keen to get their hands on the new iPad had to wait for the tablet to be smuggled into mainland China.

"We don't have iPad 3s yet, but some will arrive later in the day when the students deliver them to us. We'll have more supplies over this weekend," said a store operator in Shenzhen.

"Customs has become stricter, but if you take one at a time across the border, that's still pretty safe. At most they'll ask you to take it out of the box to prove that it's for self use."

Wall Street expects a strong start for the latest iPad and some analysts even expect sales of the current model to overtake the iPad 2. Apple will continue to sell the iPad 2 but dropped its price by $100 to start at $399.

Apple may sell 65.6 million iPads, according to an estimate by Canaccord Genuity analysts who also raised their target price on Apple stock to $710 from $665. So far, the company has sold 55 million iPads since it was launched in 2010.

Tablet sales are expected to increase to 326 million by 2015 with Apple largely dominating the market, according to research firm Gartner.

The new iPad is a progressive development of Apple's tablet, with a more powerful CPU and screen and better camera. It was not marketed as a revolutionary product like earlier versions, yet Apple devotees still snapped up the latest version.

IMPROVEMENT NOT INNOVATION

The third-generation iPad is seen more as a collection of incremental improvements, such as a high-definition "retina" display and a better camera, rather than a major innovation.

Online reviews of the new iPad overwhelmingly praised Apple for its improved screen resolution.

"My epiphany came when I placed my iPad 2 next to the new model, with the same text on the screen. Letters and words that had seemed sharp on the older model five minutes earlier suddenly looked fuzzier," said one online reviewer.

The inner workings of the iPad are similar to previous models, based on a "teardown" by a tinkerer from California gadget-repair firm iFixit, who queued up in Australia to get one of the new tablets and quickly took it apart for a Web blog.

iFixit co-founder Luke Soules' pre-dawn teardown at a Melbourne computer shop found Apple suppliers Qualcomm, Broadcom and Samsung had maintained their key roles in the newest iPad.

The iPad includes a Qualcomm LTE cellphone chip and a Qualcomm wireless modem for 3G and 4G. Broadcom supplies a semiconductor...
handling wireless tasks like WiFi and Bluetooth, according to iFixit.

The iPad's new A5X application processor, with improved graphics horsepower, is based on energy-efficient technology licensed from Britain's ARM Holding and is manufactured by Qualcomm, as in past Apple devices.

Supplying parts for Apple's iPhones and iPads, the industry's gold standards, is considered a coup for chipmakers and other manufacturers.

Analysts recommend caution in drawing conclusions from the teardowns because Cupertino, California-based Apple sometimes uses more than one supplier for a part. What is found in one iPad may not be found in others.

Still, teardowns remain a key source of information for investors interested in betting on Apple's suppliers, and the appearance of unexpected chips can move stocks.

"There are a whole lot of hedge funds out there that like to shoot first and ask questions later," said Alex Gauna, an analyst at JMP who covers technology stocks.

iFixit said the iPad's display appears to be from Samsung.

A NAND flash memory chip, used to store media like music and video, is supplied by Toshiba. Japan's Elpida provides the DRAM chips.

The iPad teardown also revealed chips from Avago Technologies, Triquint Semiconductor and Fairchild. ($1 = 0.9499 Australian dollars)

(Reporting by James Topham and Ruairidh Vikllar in Tokyo, Sisi Tang in Hong Kong; Editing by Michael Perry)