

Apple profit jumps but shares slip



Customers stand beneath an Apple logo at the Apple store in Grand Central station in New York City on Tuesday.

AFP, San Francisco

Apple's latest quarterly profit leapt as people around the world snapped up big-screen iPhones but its shares slipped as analysts had expected even more.

The US tech giants reported Tuesday that its profit jumped 38 percent to \$10.7 billion on surging iPhone sales, compared to \$7.7 billion in the same period last year.

Nevertheless, Apple shares fell sharply in after hours trading, at one point down around eight percent as traders noticed lower than expected sales forecasts.

"We had an amazing quarter," chief executive Tim Cook insisted, noting that iPhone revenue in the quarter that ended on June 27 was up 59 percent from the same period a year earlier.

Analysts had expected Apple to sell even more iPhones and were looking for a brighter forecast than

was given for the current quarter.

Apple shares dropped more than six percent to \$122.41 in after-market trades that followed release of the earnings figures.

Sales of iPhones have been powering Apple profits, and any hint of a plateau spooks investors.

Apple sold 47.5 million iPhones in the quarter, with sales up 85 percent in Greater China where the company's overall revenue more than doubled to \$13 billion, accord to chief financial officer Luca Maestri.

Big gains in China came despite stock market woes there.

"We remain extremely bullish on China and we are continuing to invest," Cook said, remaining confident that China is poised to be Apple's biggest market at some point in the future.

"We would be foolish to change our plans. I think China is a fantastic geography with an incredible,

unprecedented level of opportunity."

He brushed aside any worry about iPhone sales growth, expressing confidence it has 'lots of legs' that it will be running with for many years to come given market factors such as customer satisfaction rates and the booming overall global smartphone market. "It is an incredible market," Cook said.

"I think everyone is going to own a smartphone, and we can compete for a fair number of them."

Apple did not detail specifics on sales of its newly-launched smartwatch, instead folding the figure into an "other" category that rose 49 percent to \$2.64 billion.

Cook said during an earnings call that sales of iPhone, iPad, Apple Watch and Macintosh computers "topped internal expectations."

Nearly three months after the launch of Apple's fashionably smart wrist wear, some analysts say it's not

a mainstream hit.

But others see promise in its popularity with Internet-savvy younger people.

A recent study by research firm Slice Intelligence suggested that, based on a large sampling of email receipts in the United States, orders for Apple Watch have plunged since the week that the wearable computing gadget made its debut.

The estimate did not factor in data about Apple Watch sales at real-world stores.

However, Cantor Fitzgerald experts believe Apple Watch will be a "go-to gift" during the year-end holiday season and become the best selling new product in Apple's history.

Apple Watch was the first new product line introduced by the culture-changing company behind iPhone, iPad, iPod, and Macintosh computers since 2010.

Global Equities Research managing director Trip Chowdhry has estimated Apple could sell 20 million to 25 million of the watches in the final three months of this year.

"We are convinced the watch is going to be one of the top gifts of the holiday season," Cook said, while fielding questions from analysts on the earnings call.

"I never go anywhere without the watch; not because I am the CEO but it's because I am attached to it. And, I know a lot of people who feel the same way."

He said Apple decided from the outset to remain mum about smartwatch shipments to avoid providing insights to competitors but that the company feels "really great" about sales and how it is positioned for the long-term.

"The investors may have gotten a little ahead of themselves," Forrester analyst Frank Gillett said of Apple profit soaring but shares dipping.

"Forget the Wall Street guys. This is an amazing performance."

Microsoft posts record loss as it writes down Nokia

REUTERS

Microsoft Corp reported a \$3.2 billion quarterly net loss, its biggest ever, as the company wrote down its Nokia phone business and demand fell for its Windows operating system.

The company took a charge of \$7.5 billion in the fourth quarter related to the restructuring of its Nokia handset business, which it bought last year.

Microsoft's shares fell 4 percent to \$45.38 in extended trading on Tuesday.

Under Chief Executive Satya Nadella, the company has been shifting its focus to software and cloud services as demand for its once-popular Windows operating system slows.

Sales of Windows to computer manufacturers to install on new PCs fell 22 percent in the quarter. The company is scheduled to roll out Windows 10 on July 29, a much-awaited launch after a lackluster response to Windows 8.

Microsoft wants to generate revenue by building search and gaming into the Windows 10 interface, Chief Financial Officer Amy Hood said in April.

Bing, the company's online search

engine, will be profitable in the year ending June 2016, Hood said on Tuesday.

Sales of Windows to businesses fell 21 percent from the year-earlier quarter, when demand for the operating system had surged after Microsoft discontinued support for Windows XP.

Revenue from Microsoft's commercial cloud business, which includes offerings such as Office 365 and Azure, rose 96 percent, excluding the impact of a strong dollar.

Microsoft said it added 3 million subscribers for Office 365 in the quarter, taking the total number of subscribers for the product to 15.2 million at the end of June.

The company said this month that it would cut 7,800 jobs, or nearly 7 percent of its workforce, mainly in the phone hardware business.

Microsoft reported a net loss of 40 cents per share for the quarter ended June 30. The company had posted net income of \$4.61 billion, or 55 cents per share, a year earlier.

Microsoft also took a charge of \$940 million related to job cuts announced this month and last year.

Excluding items, the company earned 62 cents per share.

Revenue fell 5 percent to \$22.18 billion.



A woman checks a Surface tablet at a Microsoft store in Paramus, New Jersey.

REUTERS



A waiter carries a tray of food past mock-ups of passenger jeepneys as part of a decoration to attract customers at a restaurant in Manila yesterday. Philippine economic growth in the first quarter slowed to a three-year low of 5.2 percent, well below forecasts, due to lethargic government spending and weak exports.

AFP

BHP spinoff writes down \$1.9b on manganese, coal

AFP, Sydney

Mining giant BHP Billiton's spinoff South32 on Wednesday flagged pre-tax impairments of US\$1.9 billion on manganese and coal assets in Australia and South Africa as commodity prices struggle.

South32 -- which debuted on the Australian Securities Exchange in mid-May -- demerged from the Anglo-Australian giant and has a diversified metals and mining portfolio including aluminium, coal, nickel, manganese, silver, lead and zinc, with most of its mines in the southern hemisphere.

The charges of US\$1.9 billion stem from US\$445 million at the Australian Manganese unit, US\$882 million at South Africa Manganese and US\$539 million at the Wolvekrans Middelburg complex within South Africa Energy Coal, South32 said in a statement to the Australian stock exchange.

Airbus China plant plans to deliver first A330 plane in 2018

REUTERS, Shanghai

Airbus' China plant is expected to deliver its first A330 wide-body passenger jet in 2018, one of the European planemaker's Chinese partners said on Wednesday.

Airbus earlier this month signed an agreement to establish an A330 'cabin completion center' in the northeastern Chinese city of Tianjin, where the firm already has a final assembly plant for smaller A320 jets.

The agreement was signed with the Aviation Industry Corp of China and the Tianjin Port Free Trade Zone. Airbus hopes the increased presence in China would lead to more demand for the profitable but ageing wide-body A330 jets.

In a statement posted on its website, the Tianjin Port Free Trade Zone, said it expects construction of the plant to be completed by the fourth quarter of 2017, with the first plane to be delivered to customers in early 2018.

The plant will help further China's goal of building its own jets to cater to what is expected to become the world's biggest air transport market. Currently it depends mostly on imported jets from Airbus and Boeing. Facilities for cabin decoration, painting, and flight testing of the A330 series would also be established.

The deal to build the plant came after China placed an order for 45 A330 aircraft worth at least \$11 billion, together with provisional purchases of another 30 planes.

IMF told China it's worried about investors' mobility in Chinese markets

REUTERS, Beijing

The International Monetary Fund (IMF) has told China about its concern over investors' ability to enter or leave Chinese financial markets as they wish, said sources with direct knowledge of the matter.

Those worries were raised last month when the IMF met with Chinese officials in China to discuss the chances of including the yuan in the fund's basket of currencies, also known as the Special Drawing Rights (SDR).

The SDR is an international reserve asset, and Beijing has been lobbying the IMF to include the yuan in the basket to boost the currency's global clout to complement a rising Chinese economy and reduce China's reliance on the dollar.

The talks were held before Chinese shares plunged as much as a third in late June, prompting Beijing to stage its biggest-ever rescue of the stock market.

The measures, which included steps such as barring some investors from selling their shares, drew criticism of unwarranted government interference and cast doubt on China's appetite for market reforms.

The IMF requires any SDR currency to be "freely usable", a crite-

ria that U.S. Treasury Secretary Jack Lew said in April that China has yet to meet.

The sources said the IMF had asked China - which still has a closed capital account - to improve the transparency of its financial markets, but said the fund did not voice any concerns about the yuan's value.

It also did not flag any issues with the yuan's exchange rate mechanism, in particular the way China fixes a mid-point for the yuan every day from which it can rise or fall 2 percent, they said.

China's central bank, which the sources said had held the talks with the IMF, declined to comment.

The fund, when asked about the discussions, said, "The five-yearly SDR review is underway and the technical work is ongoing."

IMF Managing Director Christine Lagarde said in March that it is a matter of time before the yuan is incorporated into the SDR, but the fund has otherwise given no public indication on whether it thinks the yuan is ready for the basket.

The SDR is set to be formally reviewed in the autumn. A 70 or 85 percent majority of the IMF council is needed to support any changes, which will take effect in January 2016.

Amazon expands services in US cities

REUTERS, Seattle

Amazon said on Wednesday it would expand a marketplace that offers services from plumbing to fence repairs in 15 cities and help customers find contractors for more expensive home projects as it develops its role as a middleman for third-party vendors.

The e-commerce giant said it now had more than 15 million unique services offered through its home services marketplace, up from 2 million when it launched in March.

Home services are a new frontier for Amazon, pitting the company against consumer review sites Yelp Inc and Angie's List Inc as well as US home improvement chains Home Depot Inc and Lowe's Companies Inc, which have both invested in ways to link customers with service providers.

"We have seen an incredible surge in applications from providers to be part of the platform since our launch and that's what has allowed us to expand so rapidly," Nish Lathia, general manager of Amazon Home Services, told Reuters.

"Our plan is to add more services and locations," said Lathia, adding that Amazon was focused for now on the home but could eventually offer a wider variety of services.

Amazon is to offer its home services to customers in 15 metropolitan areas including Chicago, Houston and Miami after applications from plumbers, electricians and other service providers wanting to list on the marketplace quadrupled since it launched in March. It declined to disclose the number of service providers currently available.

Customers can select a variety of services such as plumbing and TV installation and see recommended local contractors and pricing.

Yahoo swings to loss as revenues rise

AFP, San Francisco

Yahoo swung to a loss in the second quarter, but revenues grew as the Internet pioneer refocused its efforts on mobile and other growing sectors.

The \$22 million loss in Tuesday's earnings report compared with a profit of \$270 million in the same period a year ago.

But chief executive Marissa Mayer said she was pleased with the revenue growth, saying, "Yahoo's transformation continues to make great progress."

Total revenues jumped nearly 15 percent to \$1.24 billion, led by what Mayer has dubbed the new emerging areas for Yahoo of "Mavens," or mobile, video, native advertising and social.

"Our Mavens investment businesses across mobile, video, native and social grew to nearly \$400 million in revenue this quarter, delivering 60 percent... growth year-over-year," she said in a statement.

For overall revenues, it was the best top-line growth in nearly nine years, Mayer said. Yahoo has been struggling in recent years since losing its lead in Internet search to Google, and has been aiming for new niches under Mayer's leadership.

A key asset for Yahoo is its stake in Chinese online giant Alibaba. That stake is to be spun off into a separate company later this year.

Yahoo made no comment about its awaited ruling by the US Internal Revenue Service on whether the transaction will be tax-free but said the spinoff was on track to be completed by the end of the year.

Yahoo has warned in the filing that there could be tax implications,

potentially in the billions of dollars.

The Alibaba stake is worth some \$30 billion, and the spinoff is expected to add to pressure on Mayer and Yahoo to show growth in the core business.

Mayer said she sees Yahoo's focus on "search, communications and digital content that inform, connect and entertain our users."

She especially expressed optimism about mobile search, where Yahoo has a better opportunity to gain market share. "Mobile has fundamentally changed the search landscape," she said.

With its own mobile search engine dubbed Gemini, Mayer said "we believe we can deliver a better, more intuitive experience... we will continue to innovate and we are very

excited about the future."

She said search remains a key area for Yahoo and that mobile search "is fertile ground for innovation."

Mayer said Yahoo also sees potential gains from video, digital magazines and its Tumblr blogging platform, acquired in 2013 to help Yahoo connect with younger online users.

But she said the coming quarter may see "pressure" on revenues because of investment in new products, and that it may be difficult to match the totals from a year ago when it saw some one-time gains.

Yahoo last week formally notified US regulators that it is spinning off its stake in Alibaba to an independent new company called Aabaco Holdings.



Jerry Yang, co-founder and former CEO of Yahoo, arrives for the annual Allen and Co media conference at Sun Valley, Idaho on July 7.

REUTERS