



INSTANT VIEW: Apple, Yahoo unveil quarterly earnings

Tue Jul 21, 2009 5:49pm EDT

LOS ANGELES/SAN FRANCISCO (Reuters) - Apple Inc reported higher-than-expected quarterly results, fueled by robust sales of the iPhone, sending shares up more than 2 percent on Tuesday.

Yahoo projected a drop in income from operations for the current quarter from the second quarter, and the Internet company's shares fell more than 4 percent.

COMMENTARY:

APPLE

ANDY HARGREAVES, CONSUMER ELECTRONICS ANALYST, PACIFIC

CREST SECURITIES

"The numbers are great. Their gross profits continue to surprise people and there is a return to product momentum..., a return to growth in the Mac business, and then the iPhone is doing tremendously well and that is a potent combination.

"Margins are great. The forecast for Q4 is strong relative to what I thought they were going to do."

SHAW WU, ANALYST, KAUFMAN BROS

The upward movement of shares "is more excitement about the current quarter. The two big surprises were the Mac business was strong ...and the upside on the gross margin as well. (Margins) held up much better than expected.

The light Q4 forecast "is not a surprise. They tend to be somewhat conservative in guidance.

"The overall takeaway is that Apple continues to execute in this tough environment. We think they are very uniquely positioned with their competitive advantages. They do the hardware, software and service, and that really allows them to have a leg up against its competitors."

BRIAN MARSHALL, ANALYST, BROADPOINT AMTEC

"It was a solid quarter all around. They did a great job in every category. Most impressive were the gross margins, which were well above expectations.

"iPhones also beat expectations, selling north of 5.2 million units. iPods came in line with 10.2 million units, which was not a big deal particularly with a big refresh due this quarter."

DANIEL ERNST, ANALYST, HUDSON SQUARE RESEARCH

"Obviously its a phenomenal beat, particularly on the bottom line, printing \$1.35. We were at \$1.17.

"It demonstrates operating efficiencies. Most of the numbers were better than expected, particularly the Macs."

YAHOO

LAXMI PORURI, ANALYST, PRIMARY GLOBAL RESEARCH

"The revenue was a little bit under what people wanted but earnings per share was better than expected. This is definitely a sign that they're trying to be more efficient.

"What's really holding (the stock) up is an imminent deal that people are expecting with Microsoft.

"The truth of the matter is that they have not, and they are still not executing extremely well on one business, unlike Google.

"Yahoo seems to be floundering on search and display, their two main businesses, and they need to show the Street that they can blow the water out of one of those lines of businesses before they're going to be loved again.

"Their quality of traffic has suffered and they've been losing share to Google, who have done a good job with their search advertisers and keeping up traffic, relatively.

"The revenue going under what the consensus was is not a surprise. They're just not executing they don't have the sales force."

JASON HELFSTEIN, MEDIA AND INTERNET ANALYST, OPPENHEIMER

"Revenue generally looked in line with our expectations but costs were higher than expected so margins were lower. They beat EPS on below the line items but we haven't had time to go through and see what they were yet.

The bottom line is it looks like they spent more money than people expected in the quarter ... The guidance is worse for both revenue and EBITDA. Basically the guidance suggests the margins will be below expectations for the third quarter.

The display business is basically in line with what we thought. Their weakness is in search. It highlights Google's position with respect to Yahoo right now.

ROSS SANDLER, ANALYST, RBC CAPITAL MARKETS

"It looks a little bit like where expectations were going in the quarter. The net revenue is generally in line with our number, a little bit lighter than the Street

"It appears the upside came from other income and a few other things that were moving around below line, versus the core operating line.

"Everybody expected conservative guidance. It's more conservative than even most people had expected. There aren't great estimates out there. The consensus revenue expected was \$1.58 billion and they provided \$1.45 to \$1.55, so about 80 million light of where consensus is at the midpoint.

"We're in challenging times in all of the sectors within advertising, including online. These guys are being disproportionately hit by overexposure to premium display, which has been an area that has been especially weak. And searches held up better than display but is not immune to the pullback we see in this economy.

"the first half this year is basically a resetting of the bar. In the back half, we expect better things."

COLIN GILLIS, ANALYST, BRIGANTINE ADVISORS

"Looks like guidance is a little light for the third quarter. But she (CEO Carol Bartz) is probably moving it to the game of guide light and beat."

(Reporting by Bill Rigby in Seattle, Gina Keating, Sue Zeidler and Laura Isensee in Los Angeles;
Compiled by Edwin Chan)