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Apple Looks to Overseas Growth to Stay on Top Without Jobs: Tech
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(For more on Jobs's passing, see {EXT5 <GO>}.)

By Adam Satariano

Oct. 6 (Bloomberg) -- Steve Jobs built Apple Inc. into the world's most valuable technology company with easy-to-use products that transformed the computing, wireless and music industries. The company will look for overseas growth to extend that legacy and remain an investor favorite.

Apple, which said its visionary founder died yesterday at 56, aims to maintain its expansion in markets such as China, fueling sales of the iPhone and iPad. The company also stands to gain from updated versions of those best-sellers and the new iCloud service, which makes it easier for its gadgets to share information -- and harder for users to switch to rival devices.

For Chief Executive Officer Tim Cook, the challenge will be developing Apple's next generation of hot sellers and facing down competition in the markets Jobs pioneered. Google Inc.'s Android has emerged as one of Apple's biggest threats after gaining momentum in phones and tablets. Cook, who this week led the debut of the iPhone 4GS, will lean on a cadre of fellow veteran executives who have long worked together under Jobs.

"He created an infrastructure that this management team can build on for a long time," said Tim Bajarin, a technology analyst at Creative Strategies Inc. "The bigger question is how fast will they innovate and take advantage of that infrastructure for things like new devices, applications and services."

Jobs had resigned as Apple Inc. chief executive officer on Aug. 24. He was diagnosed in 2003 with a neuroendocrine tumor, a rare form of pancreatic cancer, and had a liver transplant in 2009.

Apple Investors

Investors have had mixed reactions since Jobs stepped down as CEO. The shares rose more than 7 percent in the month after he resigned, and have since slipped back to little changed. They rose \$5.75 to \$378.25 yesterday.

The shares are recommended by 49 analysts, with no sell ratings, according to Bloomberg data. On average, analysts predict the shares will rise another 32 percent to \$499.40.

In German trading today, the stock dropped as much as 5.3 percent to the equivalent of \$357.14 and was down 3.7 percent as of 9:31 a.m. in Frankfurt.

"Steve Jobs has set up the company for the next few years to have some more blockbuster products," said Giri Cherukuri, an Apple investor with Oakbrook Investments who has been following the company since the late 1980s. Updated models of the iPhone and iPad, as well as potential new products like a television, will keep the company growing, he said.

'Final Great Act'

Apple's stock price has risen more than 9,000 percent since Jobs returned to the company in 1997. The stock has more than doubled in the past two years, while Microsoft Corp. has gained 5.1 percent and Intel Corp. has risen 14 percent. Hewlett-Packard Co. is down 48 percent.

While analysts once predicted that Apple shares would plunge when Jobs left the company, investors have grown more comfortable with other executives since he first went on medical leave in 2004. In 2008, Piper Jaffray Cos. analyst Gene Munster estimated that Apple shares would tumble 25 percent if Jobs departed.

Munster, who now has a target price of \$607 for the stock, said Jobs's "final great act" was grooming Cook as a successor.

Apple benefited from record purchases of iPads and iPhones in the quarter that ended in June, helping profit more than double to \$7.31 billion. Sales climbed 82 percent to \$28.6 billion.

"For now, people are comfortable, but that could change if there are signs to the contrary," said Mike Abramsky, an analyst at RBC Capital Markets in Toronto.

Cook's Team

In addition to Cook, Apple's executive team includes Jonathan Ive, senior vice president of industrial design; Scott Forstall, who is in charge of the iOS software that powers the iPhone and iPad; and Philip Schiller, who leads product marketing. Additionally, Bob Mansfield heads Mac hardware engineering; Eddy Cue runs iTunes, the App Store and iCloud; Bruce Sewell is chief counsel, putting him at the helm of the company's patent disputes; and Chief Financial Officer Peter Oppenheimer is tasked with overseeing Apple's more than \$75 billion in cash and long-term holdings.

While Apple has turned its website into a memorial to Jobs and is flying the flags at its Cupertino, California, headquarters at half-mast, the company will quickly have to shift its focus back to the looming release of the iPhone 4S. The device, unveiled Oct. 4, goes on sale Oct. 14.

Nokia, RIM

The iPhone helped Apple upend the mobile-phone industry, increasing the popularity of touch-screen devices. That came at the expense of Nokia Oyj and Research In Motion Ltd., which have lost market share and shed workers.

As Apple's sales and profit grew, its market value soared past rival technology companies. Its valuation now exceeds the combined worth of Microsoft and Intel, two companies that once pushed Apple to the fringes of the personal-computer industry.

To stay on top, Apple will have to maintain its expansion in China, where the company generated about \$3.8 billion in the most recent quarter, up more than sixfold from a year earlier. The company's retail outlet in Shanghai had 100,000 visitors on its opening weekend, Cook said at the iPhone 4S event. Apple is opening its first store in Hong Kong this year.

The new version of the iPhone, Apple's top money-maker, will face competition from Samsung Electronics Co., Motorola Mobility Holdings Inc. and HTC Corp., which use Android software in their smartphones.

New Products

Apple's iCloud, which lets customers access pictures, music and other information across a broad range of its devices, will be released on Oct. 12. The service was first showcased at Jobs's last public appearance, Apple's developer conference in June.

When Apple needs to introduce entirely new products, Jobs's vision may be missed -- if the company introduces a TV, for example, Piper Jaffray's Munster said.

Jobs was critical in hiring and pushing the company into new areas, Abramsky said. He was vital in negotiations with media companies for securing content such as music and movies that are sold through iTunes.

"There's a certain unknown about how Apple will be different," Abramsky said.

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