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# Carl Icahn plays nice with Tim Cook – but for how long?

If iWatch fails to become popular Carl Icahn may agitate for bigger changes at Apple in his role as shareholder

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Investor Carl Icahn. Photograph: Chip East/Reuters

Carl Icahn's arrival on the shareholder roster at [Apple](#) may be an unwelcome distraction for its chief executive.

[Tim Cook](#) is preparing what could come to be seen as the defining months of his time at the top of the world's largest technology company. Designers and programmers are working around the clock, preparing to unveil Apple's first low-cost smartphone, alongside the next iteration of the [iPhone](#), on 10 September. Many expect these will be followed by an internet-connected watch and a revamped television service.

"A new device will have a much longer impact not just on sales but as a testament that Apple can deliver under the new leadership," says Gartner analyst Carolina Milanesi.

"There are still doubts that Apple can be as strong without Steve [Jobs] as it was with him. Stock buyback cannot get rid of those doubts; a new product certainly can."

Share buybacks involve a company acquiring and cancelling its shares, and are designed to increase the dividend per share for those stocks that remain in the market. They can also help increase the price. Cook has committed Apple to spending \$60bn (£38bn) on buybacks in the biggest return of cash to shareholders in history. Icahn wants that spend more than doubled, to \$150bn.

While many on Wall Street have been banging the drum for bigger distributions to shareholders, others believe the coming product launches will have more impact on Apple's shares and whether they return to the \$700 peak reached last year, against their current price of \$500.

Success with a cheaper phone is important. Unit shipments of smartphones will reach 1.6bn by 2017, according to a forecast by IDC, up from 1bn this year. Many of those new phones will be sold into developing markets, or to younger and less affluent buyers in the west.

Since Apple reinvented the smartphone in 2006 it has been losing share to rivals, while Samsung has captured an ever larger part of the market.

"This period is crucial for Tim Cook and the company in general," says IDC analyst Francisco Jeronimo. "If Apple launches a cheap iPhone, the second wave of adopters will probably buy one instead of any other brand. If they sell a cheaper phone to this second wave, they will be potential new buyers of the very expensive new iPhones in the future."

Horace Dediu at Asymco believes that neither a buyback nor that more elusive goal of the next game-changing invention will shift Wall Street's view of Apple. "What will do most for the share price is a change in the perception that Apple is not going to survive as a going concern," he says. "It's a consequence of being dependent on breakthrough products for its survival. No matter how many breakthroughs it makes, the assumption is that there will never be another."

Icahn's timing, ahead of Apple's biggest wave of new releases since Cook succeeded Jobs, can be no coincidence. His Twitter page says he makes money from "studying natural stupidity". But for now Icahn's stance is friendly. He described his conversation with its chief executive as "nice". Should the iWatch and other inventions fail to set the world on fire, Icahn could use his rumoured \$1bn investment to agitate for bigger changes.

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