

Dear Readers:

Please find below my predictions for 1999:

**10.** Apple Computer will announce its fifth consecutive profitable quarter for the calendar quarter ending December 31, 1998 (its first fiscal quarter of 1999). And, for the first time since 1995, Apple Computer will announce significant quarterly year-over-year revenue gains. Apple will also announce record shipments of Macs and a pronounced increase in the Mac's PC market share.

**9.** Apple's soon-to-be-released consumer portable will be positioned as an entry-level consumer machine. While attractive to students and others who would like the convenience of mobile computing, it will be absent many of the features desired by PowerBook users. However, it will compete very well with low-priced notebooks computers and contribute to Apple's renewed presence in the consumer marketplace.

**8.** Gaming will be an important part of Apple's focus on the consumer market. Apple's hardware will continue to receive game-friendly enhancements. High-end G3 chips and other hardware enhancements along with the forthcoming release of the G4 processor and Mac OS X will entice developers to write games specifically for the Mac platform. By the end of calendar year 1999, the Mac platform will have the best gaming machines available to the general consumer.

**7.** The Imatec suit will either be dismissed by the courts or settled out of court with little or no impact on Apple's financials. Imatec's PR machine is far more impressive than its legal claims.

**6.** No matter the formal outcome of the Justice Department's case against Microsoft, the trial will change the way that company does business. Its hold on the OS market will begin to loosen and PC manufacturers will be emboldened to negotiate better licensing terms and rates. Java, Linux, and Mac OS X (among other technologies) will begin to erode Microsoft's OS clout. Fears of a "Pandora's Box" being opened by the decline of Microsoft's influence on the OS market will prove to be unfounded. The fallout from the Justice Department's suit will force Microsoft to "play ball" with other software and technology companies

or run the risk of being “side-stepped” by the institutional customers that it covets. The days of Microsoft’s stranglehold on its customers will come to an unceremonious end.

**5.** QuickTime will become increasingly important to Apple’s future. It will eventually eclipse the Mac OS in terms of its importance to Apple’s bottom line and the company’s impact on the direction of personal computing.

**4.** Now that Apple has stabilized its revenue base and simplified its product line, the company will begin using its substantial cash resources to acquire needed technology. Apple’s R&D efforts will focus on Mac OS X, QuickTime, and revolutionary hardware designs. Other technologies needed to bring new products to market will either be licensed from other sources or gained through acquisition.

**3.** The first quarter of 1999 will see a significant slow down in consumer spending. By the end of calendar year 1999 U.S. economic growth will come to a halt. The change in economic times will precipitate a dramatic restructuring of the PC retail market. Manufacturers of brand name PC products will move aggressively to establish direct-to-consumer relationships. With the exception of its consumer line of products that will be available through a variety of retail chains, Apple will market most of its products through “value added” resellers and over the Internet. The Apple Web site and Apple Store will become a primary source for product sales and consumer information. The added margin from direct-to-consumer sales will be an important part of Apple’s future earning growth.

**2.** For the current fiscal year (period ending September, 1999), Apple will achieve gross sales of \$8 billion. Net profits for the fiscal year will meet or exceed \$600 million. The company will continue to increase its consumer PC market share and regain sales and sales momentum in the higher education market.

**1.** Based on my sales and earnings projections, I predict that Apple’s share price will end the fiscal year above \$70.00 per share.

I will discuss the basis for these predictions in forthcoming columns. Reader comments are welcome.

Happy New Year from my family to yours.

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