

Dish Network 1Q profit rises 21 percent

May 11 2009, By DEBORAH YAO , AP Business Writer



In this Jan. 10, 2009 photo a Dish Network booth at the Consumer Electronics Shows in Las Vegas, is shown. Dish Network Corp., the nation's second-largest satellite TV provider, said Monday, May 11, 2009, that its first-quarter profit rose 21 percent as revenue climbed partly on equipment sales. (AP Photo/Paul Sakuma)

Dish Network Corp., the second-largest satellite TV provider in the U.S., surprised investors Monday by posting first-quarter results that were not as bad as feared. Earnings rose by 21 percent on the back of price increases and lower costs.

Shares of Englewood, Colo.-based Dish rose by \$2.81, or more than 18 percent, to \$18.12 in afternoon trading Monday.

Dish is widely regarded as one of the weaker players in the pay-TV industry, which encompasses cable, satellite TV and phone companies that provide [TV services](#). Dish focuses on being the low-cost provider,

but that strategy hasn't led to growth amid cable and phone company discounts on their triple-play bundles of phone, Internet and cable TV.

But while the first quarter's loss of 94,000 subscribers net of cancellations was hardly cause for celebration, it was short of the 128,000 loss that Wall Street had expected.

"I think hopefully we're on a path to start getting better," Charlie Ergen, Dish's chief executive, said in a conference call with analysts. "Once you get better, then you've got to get to be best-in-class and so we've got a lot of work to do to get there."

Dish also must overcome the loss of a cross-selling deal with a major phone company, missteps in customer service and a court battle with [TiVo](#) Inc. that, in a worst-case scenario, could force Dish to yank its digital video recorders over patent claims.

In the quarter, Dish earned \$312.7 million, or 70 cents per share, compared with \$258.6 million, or 58 cents, in the same period a year earlier. Revenue rose by 2 percent to \$2.91 billion from \$2.84 billion.

Dish's earnings beat the 56-cent per share expected by analysts and revenue was in line with the \$2.9 billion forecast, according to Thomson Reuters.

Monthly revenue per subscriber, on average, rose 3 percent to \$70.03 from \$67.93, as the company raised prices and customers signed up for high-definition TV and digital video recorders.

The cost to acquire customers through marketing fell 7 percent to \$659 per subscriber from \$709. Analysts were expecting \$737.

Sanford Bernstein analyst Craig Moffett called the quarter's results "better-

than-awful." He said it was a "passably good" achievement that Dish could squeeze out a small increase in per-subscriber revenue despite aggressive promotional discounts in the first quarter.

"But risks are high; [Dish Network](#) has still shown few signs that it can actually get better any time soon," he said in a research note.

Dish actually added 653,000 total subscribers in the quarter, but cancellations led to a net loss of 94,000 because of the recession, increased competition and signal theft. It now serves 13.6 million subscribers nationwide.

By contrast, its main satellite competitor, DirecTV Group Inc. gained 460,000 net subscribers in pursuing a strategy of attracting customers who do not mind paying more for quality TV. Time Warner Cable Inc., AT&T Inc. and Verizon Communications Inc. also gained video customers.

To fight signal theft, Dish is replacing the security-access cards that are inserted into the set-top boxes of legitimate subscribers. The upgrades are to be completed during the first half of the year.

The company also ended relationships with retailers that it said has engaged in fraud and misrepresentation when signing up customers.

DirecTV also battled signal theft.

Dish said its subscriber numbers also suffered from the Jan. 31 end of a cross-selling partnership with AT&T, which had accounted for about 17 percent of all new customers that switched to Dish last year. For the quarter, AT&T contributed 5 percent of gross subscriber additions. AT&T now has a tie-up with DirecTV.

Dish said that unless it comes up with a replacement partner, it could have further trouble adding and keeping subscribers.

Dish also blamed itself.

In a filing Monday with the Securities and Exchange Commission, Dish acknowledged that it has "not always met our own standards for performing high quality installations." The company said it also fell short in answering customers' calls quickly, communicating with its subscribers and resolving customers' problems.

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