

Economy and iPhone subsidies trim AT&T's 2Q profit

July 23 2009, By PETER SVENSSON , AP Technology Writer



A customer walks out of an AT&T store in San Jose, Calif., Wednesday, July 22, 2009. AT&T said Thursday, July 23 its earnings fell 15 percent in the second quarter as it subsidized a record-setting launch of a new iPhone model. The weak economy also continued to sap its landline business.(AP Photo/Marcio Jose Sanchez)

(AP) -- AT&T Inc.'s earnings fell 15 percent in the second quarter as it subsidized a record-setting launch of the newest iPhone. The weak economy also continued to sap its landline business.

The profit beat Wall Street estimates, however.

The country's largest telecommunications provider said Thursday it earned \$3.20 billion, or 54 cents per share, in the April to June period. That was down from \$3.77 billion, or 63 cents per share, a year earlier.

Analysts polled by Thomson Reuters were expecting earnings of 51 cents per share.

Dallas-based AT&T's revenue fell 0.6 percent to \$30.7 billion, matching analyst expectations.

AT&T activated more than 2.4 million iPhones in the quarter, and more than a third of those were for customers who were new to the carrier. Apple Inc. and AT&T launched a new model of the phone on June 19.

AT&T subsidizes each new iPhone by hundreds of dollars, expecting to make the money back in service fees over a two-year contract. AT&T's operating margin in wireless declined to 23.8 percent from 25.5 percent a year ago.

AT&T added a net 1.37 million wireless subscribers, a strong showing in a market that's approaching saturation, and more than analysts had expected. Together with the evident popularity of the [iPhone](#), it could mean that AT&T has benefited at the expense of other carriers this quarter.

AT&T is the first major telecom company to post results for the season. Verizon Communications Inc. reports on Monday, followed by Sprint Nextel Corp. and Qwest Communications International Inc. on Wednesday.

AT&T ended the quarter with 79.6 million wireless subscribers, remaining in second place behind Verizon Wireless.

In pre-market trading Thursday, AT&T shares rose 66 cents, or 2.7 percent, to \$25.50. While the stock held up well in the market meltdown last fall, it has failed to keep pace with the recovery this spring. It has traded between \$20.90 and \$33.56 over the past year.

A long-running trend continued in the second quarter as AT&T lost 921,000 residential phone lines. Households are signing up for phone service from cable TV providers or opting to rely on cell phones alone.

AT&T said its earnings were also weighed down by pension and retiree benefit expenses that were \$400 million higher, or 5 cents per share, than in the same period last year.

©2009 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: Economy and iPhone subsidies trim AT&T's 2Q profit (2009, July 23) retrieved 9 April 2024 from <https://phys.org/news/2009-07-economy-iphone-subsidies-trim-att.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--