

Sprint Nextel posts wider 2Q loss, shares skid

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FILE - In this Jan. 26, 2009 file photo, the sign for a Sprint store is shown in San Francisco. Sprint Nextel Corp., the third-largest U.S. wireless provider, on Wednesday, July 29, 2009, said its loss widened in the second quarter as revenue and subscribers continued to decline.(AP Photo/Jeff Chiu, file)

(AP) -- Sprint Nextel Corp., the nation's third-largest wireless provider, on Wednesday said its loss widened in the second quarter as revenue and subscribers continued to decline. Its shares skidded 10 percent in morning trading.

Chief Executive Officer Dan Hesse said he was encouraged that the overall loss of subscribers slowed and the number of prepaid customers continued to rise, but acknowledged, "we are not satisfied that we lost a quarter of a million customers in the quarter."

The Overland Park, Kan.-based company reported a loss of \$384 million, or 13 cents per share, in the three months ended June 30. That's

larger than its loss of \$344 million, or 12 cents per share, a year ago.

Revenue fell 10 percent to \$8.14 billion from \$9.06 billion a year ago.

Analysts surveyed by Thomson Reuters had expected a loss of 2 cents per share on lower revenue of \$8.12 billion. Analysts typically exclude one-time items from their [earnings](#) estimates. The company didn't report an adjusted earnings figure that excludes one-time items.

Sprint shares fell 52 cents, or 11.3 percent, to \$4.07 in morning trading Wednesday. They are still about midway within their 52-week range of \$1.35 to \$9.57.

Wireless revenues fell 9 percent to \$7 billion as the company shed another 257,000 subscribers during the quarter, a small increase from the 182,000 lost in the first quarter.

The losses included 991,000 valuable customers who sign annual contracts, which was an improvement from the 1.25 million lost in the previous quarter but worse than the 780,000 shed a year ago.

By comparison, Verizon Wireless picked up a net of 1.1 million subscribers during the second quarter while AT&T Inc. added 1.37 million.

Making up some of the difference for Sprint were net gains of 938,000 prepaid customers on its iDEN network.

Most of the iDEN increase came from Sprint's Boost Mobile prepaid subsidiary, which earlier this year began offering unlimited calling, texting and data services for \$50 a month. Unlike postpaid customers, prepaid subscribers don't sign contracts and generally generate less revenue.

Sprint signaled its dedication to the fast-growing prepaid phone market on Tuesday when it announced it is buying Virgin Mobile USA Inc. for \$483 million. Sprint already owned 13.1 percent of Virgin Mobile, which uses Sprint's network to offer service and has 5.2 million subscribers who pay an average of \$20 a month.

Sprint has 48.8 million subscribers.

During a conference call with analysts, Hesse offered few details about sales of Palm Inc.'s Pre, a smartphone Sprint began selling on an exclusive basis last month and which has been compared favorably to Apple Inc.'s iPhone.

He did say the Pre has "mitigated" some of the effect Sprint would have felt from the release of Apple's latest update to the iPhone. He also said that while much of the initial interest in the Pre came from existing customers, the company is expanding distribution of the Pre beyond its network of retail stores to third-party retailers, such as Best Buy and Radio Shack, which have so far had limited access to the devices.

"We'll see what the mix of upgrades and (new customers) is there," he said.

The company, which hasn't seen a quarterly net gain in subscribers since the second quarter of 2007, has struggled attracting and retaining customers since buying Nextel Communications Inc. in 2005. The Pre is considered a key step toward attracting customers lured away by the iPhone and other flashy devices offered by competitors.

Revenues for Sprint's wireline division, which serves long-distance, business customers and back-haul operations, declined 11 percent to \$1.4 billion, reflecting the general industry decline as more customers switch to wireless and Internet-based phone services.

Sprint didn't provide specific financial guidance for the remainder of the year, other than to say that it expected total and prepaid subscriber losses to be smaller than in 2008.

Analysts are expecting an annual loss of 7 cents per share on \$32.4 billion in revenue.

In a research note, Bernstein Research analyst Craig Moffett said he doubted the company will be able to improve subscriber losses for the year.

"Their first half post-paid subscriber losses have been significantly worse than last year," Moffett wrote. "A second half turn-around appears highly uncertain, at best."

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