

AT&T profit dips but wireless results strong

October 22 2009, By PETER SVENSSON , AP Technology Writer



In this photo made Tuesday, Oct. 20, 2009, people walk through the Northshore Mall beyond near an AT&T kiosk, in Peabody, Mass. AT&T Inc.'s net income dipped as revenue from traditional landlines fell faster than the company could cut costs. But in the growing wireless industry, AT&T is thriving, adding a record 3.2 million iPhones. (AP Photo/Lisa Poole)

(AP) -- AT&T Inc.'s net income dipped as revenue from traditional landlines fell faster than the company could cut costs. But in the growing wireless industry, AT&T is thriving, adding a record 3.2 million iPhones.

AT&T, the country's largest telecommunications provider, said Thursday it added 2 million wireless subscribers in the third quarter, matching the pace of a year ago despite a general slowdown in industry growth because most people already have a cell phone.

Analysts had expected AT&T to add about 1.5 million wireless subscribers. The fact that it blew past these expectations bodes poorly

for the other major wireless carriers, because any gains for one carrier is likely to come at the expense of others.

AT&T is the first major [telecommunications company](#) to report for the quarter. Rival Verizon Communications Inc. posts its results Monday.

AT&T earned \$3.19 billion, or 54 cents per share, from July through September. That was down 1.2 percent from the same period a year earlier.

Analysts polled by Thomson Reuters had on average expected a profit of 50 cents per share.

AT&T's revenue fell 1.6 percent to \$30.9 billion, matching analyst expectations.

Shares of AT&T, which is based in Dallas, were up 92 cents, or 3.6 percent, to \$26.86 in pre-market trading.

Wireless generates most of AT&T's profit, while wireline is still where most of the revenue comes from. That revenue is shrinking rapidly as people switch to phone service from cable companies or give up on landlines entirely. AT&T is cutting jobs to save money, but it's difficult to scale back a century-old business in a cost-efficient fashion. It lost nearly 1 million home phone lines in the third quarter.

While the wireless results were strong, they continued to demonstrate AT&T's reliance on Apple Inc.'s iPhone, for which it is the sole U.S. carrier. The company's big focus is on increasing revenue from data services by selling more phones that encourage e-mail use and Web surfing. It added 4.3 million such phones in the quarter, but iPhones accounted for three-quarters of them.

Neither AT&T nor Apple have revealed how long their exclusive deal lasts. Apple doesn't seem to consider exclusive carrier contracts a long-term strategy - in many countries, there are now multiple iPhone carriers.

Also, AT&T has to subsidize the purchase price of the phone heavily, so each new wave of buyers costs the company money up front. Heavy data traffic generated by the phone is clogging AT&T's wireless network, forcing infrastructure upgrades.

Meanwhile, other carriers are trying to position their phones as worthy competitors to the iPhone. Verizon Wireless last weekend launched a TV ad campaign for the Droid, a new phone from Motorola Inc. that runs Google Inc.'s software. The ad aggressively targets the [iPhone](#), listing features it lacks and the Droid has.

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