

Verizon profit falls 30 pct on restructuring costs

October 26 2009, By DEBORAH YAO , AP Business Writer



In this photo taken Friday, July 24, 2009, pedestrians pass by a Verizon Wireless store in Palo Alto, Calif. Verizon Communications Inc. said Monday, Oct. 26, 2009, third-quarter profit fell by 10 percent as higher operating costs offset an increase in revenue that was driven by its cell phone business.(AP Photo/Paul Sakuma)

(AP) -- Verizon Communications Inc. reported a 30 percent drop in third-quarter earnings Monday as it couldn't sign up enough new subscribers to offset higher costs from laying off workers and absorbing an acquisition.

The nation's second-largest phone company is evolving its business - managing the downturn of its landline phone business and putting more emphasis on cell phones and its fiber-optic FiOS TV and Internet

service. Verizon said it is halfway through cutting the jobs of more than 8,000 employees and contractors by year's end.

The last three months amounted to a "good balancing" quarter for the company as it tries to get a better feel for what it needs to do, Verizon CEO Ivan Seidenberg said. "We have better line of sight now," he said.

Shares of Verizon rose 18 cents to \$29.03 in morning trading.

Verizon, which is based in New York, earned \$1.18 billion, or 41 cents per share, in the third quarter, compared with \$1.67 billion, or 59 cents per share, a year ago. Excluding one-time items such as restructuring costs, Verizon says it earned 60 cents per share - a penny above the average estimate of analysts polled by Thomson Reuters.

Revenue rose 10 percent to \$27.3 billion, a tad higher than analysts forecast, as Verizon got a boost from its acquisition of wireless provider Alltel Corp. If Alltel's operations had been included in last year's third-quarter results, Verizon said its revenue would have risen by 0.6 percent.

While continuing declines in the landline phone business are to be expected, Verizon's performance in growing segments let some analysts down.

For instance, Verizon's heavily promoted FiOS TV service gained 191,000 customers. That increase was 18 percent lower than the level of a year ago and far less than the 253,000 expected by Wall Street, said Sanford Bernstein analyst Craig Moffett. He called the growth in FiOS a "clear disappointment."

Verizon also lost 135,000 DSL customers in the quarter, which Moffett said was the company's worst on record. In recent quarters, cable TV operators reported snagging DSL customers with higher broadband

speeds, which can be key as online video usage increases.

Combining the DSL losses with gains in FiOS Internet, Moffett said Verizon added 63,000 net Internet customers, down 51 percent from last year's third quarter.

A downturn in corporate spending on technology also hit Verizon's business services division, although Chief Financial Officer John Killian said he is "cautiously optimistic" that a recovery is taking hold. Verizon faces competition from cable TV providers, which have targeted businesses for Internet and phone services.

Verizon Wireless, which is jointly owned with Vodafone Group PLC of Britain, continues to grow, with 1.2 million net customers added in the quarter. Last week rival AT&T said it had added 2 million in the same quarter.

Verizon is banking on new feature-packed "smart" phones and is working closely with Google to design devices based on its Android software. Among these phones is the Droid, which is made by Motorola Inc. and being advertised by Verizon as a challenger to Apple's iPhone.

Seidenberg said Verizon would still be open to carrying the iPhone, however. It's not clear when AT&T's exclusive deal with Apple expires.

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Citation: Verizon profit falls 30 pct on restructuring costs (2009, October 26) retrieved 25 March 2023 from <https://phys.org/news/2009-10-verizon-profit-falls-pct.html>

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