

DirecTV shows subscriber gains, as rivals see loss

November 5 2009, By DEBORAH YAO , AP Business Writer

(AP) -- Satellite TV operator DirecTV Group Inc. was one of the few pay-TV companies to attract new subscribers in the third quarter, as it reported revenue growth of 10 percent that was partly offset by higher costs to attract and serve those customers.

DirecTV said Thursday that a marketing tie-up with AT&T Inc. that began in February accounted for most of the increase in U.S. subscribers, though it likely also retained subscribers and gained new ones because of a perennial favorite, the NFL Sunday Ticket package that airs out-of-market games to football fans.

DirecTV, which is controlled by media mogul John Malone's Liberty Media Corp., has focused on attracting consumers who don't mind paying more for quality TV as long as they get football and other packages they want.

"DirecTV's high-end positioning has insulated it from the downturn," Craig Moffett, senior analyst at Sanford Bernstein, said in a research note. "Among all the cable and satellite incumbents, DirecTV has been the sole provider able to maintain video subscriber growth."

The company believes the Sunday Ticket is so valuable that in March it agreed to pay the National Football League 43 percent more - to \$1 billion a year - to extend the contract another five years.

Shares jumped in trading Thursday as DirecTV reported third-quarter

revenue rose to \$5.47 billion, slightly above Wall Street's expectations. DirecTV's U.S. operations posted revenue of \$4.7 billion, up 9 percent from last year.

Earnings suffered because of higher marketing and equipment costs to attract and service new customers, though the company said acquisition costs fell on average for every customer it gained, before cancellations.

Net income was largely flat at \$366 million, or 37 cents per share, slightly short of analyst expectations of 39 cents per share, according to a Thomson Reuters survey.

DirecTV, the nation's largest [satellite-TV](#) provider and second-largest behind cable [TV operator](#) Comcast Corp. in the pay-TV industry, said that after factoring in cancellations, it added 136,000 net U.S. subscribers during the quarter, ending with 18.4 million.

That's lower than the 156,000 net gains in the same period last year because DirecTV tightened its credit standards and faced more aggressive promotions from competitors.

Still, thanks to the AT&T deal, DirecTV managed to report a net gain while Comcast, Time Warner Cable Inc. and Cablevision Systems Corp. saw losses. Dish Network Corp. reports on Monday.

U.S. customers on average paid \$85.32 per month for DirecTV's services, up 2 percent from last year, in part because of fee increases.

Shares in DirecTV, which is based in El Segundo, Calif., rose \$1.71, or 6.4 percent, to \$28.55 in afternoon trading Thursday.

The company, once controlled by News Corp., is on track to be spun off into a separate company by the end of the year. In February 2008,

Liberty Media swapped its 16.3 percent stake in News Corp. plus \$625 million in cash for a controlling stake in DirecTV and three regional sports networks.

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