Charges drag DirecTV to 4th-quarter loss

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In this Nov. 3, 2009 file photo, an installer's truck is parked outside a DirecTV customer's home in Little Rock, Ark. A hefty merger-related charge drove DirecTV to report a loss for the fourth quarter Thursday, Feb. 18, 2010, and the weak economy and tight credit conditions resulted in the company adding fewer subscribers.(AP Photo/Danny Johnston, File)

(AP) -- DirecTV Inc. on Thursday reported a fourth-quarter loss after absorbing a hefty merger charge. The nation's largest satellite TV operator also added 60 percent fewer new subscribers as discounted bundles from competitors and a weak economy took their toll on growth.

DirecTV has benefitted from cable companies losing ground in the battle for subscribers. However, it is up against aggressive marketing from fellow satellite TV operator Dish Network Corp. which has offered hefty promotions aimed at stealing away bargain-hunters. Dish says its ads - which claim DirecTV service is more expensive - are bringing in customers. DirecTV is suing Dish for false advertising.

DirecTV still remains one of the brighter lights in the subscription TV industry. It has focused on customers with higher credit scores, and won higher-paying viewers by ramping up the number of high-definition channels and offering its exclusive NFL Sunday Ticket package that airs football games from other cities.

Still, the company isn't immune to the drag of competition that has lured customers with promises of cheaper TV. DirecTV's cancellation rate rose in the quarter.

CEO Michael White said it added fewer new customers due to "tighter credit policies, increased competition and a generally cautious consumer seeking value in what continues to be a sluggish economy."

DirecTV lost $32 million, or 3 cents per share, compared with a profit of $332 million, or 32 cents per share, in the same quarter a year earlier.

Excluding a $491 million pre-tax charge related to its merger with certain entertainment assets spun off by Liberty Media Corp. in November, DirecTV earned $454 million, or 48 cents per share. That's 37 percent higher than earnings in the 2008 quarter.

Revenue rose by nearly 13 percent to $5.98 billion from $5.31 billion.

Results beat the forecasts of analysts polled by Thomson Reuters, who expected adjusted earnings of 42 cents per share on revenue of $5.92 billion. The company also announced a new $3.5 billion stock buyback program which will help boost its bottom line.

Shares of DirecTV, based in El Segundo, Calif., were up $1.24, or 3.9 percent, to $32.89 in morning trading.

DirecTV added 119,000 new U.S. subscribers after cancellations, down from 301,000 in the 2008 quarter, to end the period with a total of 18.6 million customers. Analysts expected DirecTV to add 185,000 new customers.

However, customers paid more per month. The average monthly bill rose 2 percent to $92.36 as price increases and orders of HD, DVR and the NFL package more than offset DirecTV's promotional offers and lower pay-per-view revenue.

DirecTV's Latin America operations performed better than its U.S. business.

It added 254,000 net new customers in the region, up 59 percent from the prior year's comparable quarter, and the pace of cancellations slowed. Revenue rose 47 percent to $839 million, as demand rose for its prepaid plans, as well as for HD and DVR services. Business was especially strong in Venezuela, Colombia and Brazil.

The company holds a 74 percent stake in Sky Brazil, and owns 41 percent of Sky Mexico and PanAmericana in its entirety. Sky Mexico figures aren't included in the results because DirecTV treats its holding in the company as strictly an investment.

DirecTV directly serves more than 4.6 million subscribers in the region. Sky Mexico has nearly 2 million customers.