

AT&T 2Q earnings up 26 percent, raises forecast

July 22 2010, By PETER SVENSSON , AP Technology Writer



A woman enters a AT&T store in Palo Alto, Calif., Wednesday, July 21, 2010. AT&T said Thursday, July 22, 2010, its earnings rose 26 percent in the second quarter, helped by strong results in its wireless business and an one-time gain on a stock sale. (AP Photo/Paul Sakuma)

(AP) -- AT&T Inc. said Thursday that its earnings rose 26 percent in the latest quarter and raised its forecast for the year, helped by its iPhone-fueled wireless arm.

The country's largest telecommunications provider said it now expects a "strong" increase in earnings over last year, compared to its previous

forecast of "stable-to-improved" results.

The company, based in Dallas, also posted its first-ever decline in wired broadband subscribers, capping a decade of growth.

Its shares rose 52 cents, or 2 percent, to \$25.44 in premarket trading.

AT&T said its net income rose to \$4.02 billion, or 68 cents per share, in the April-June period, from \$3.2 billion, or 54 cents a share, a year ago.

Excluding a gain from the sale of stock in an overseas firm, earnings would have been 61 cents per share, still beating the average forecast of 57 cents per share by analysts surveyed by Thomson Reuters.

Revenue was \$30.8 billion, compared with \$30.7 billion a year ago and slightly below analyst expectations at \$30.9 billion. However, AT&T is no longer including e-business subsidiary Sterling Commerce in its results, which analysts have not taken into account. The unit is being sold.

The company signed up a net 496,000 new wireless contract customers, down slightly from the 512,000 it signed in the first quarter. That's about half of what it has signed up in recent years, but it will still likely prove a strong result compared to the rest of the industry, where contract signups have collapsed this year.

AT&T is helped by the iPhone, for which it is the exclusive U.S. carrier. AT&T said it once again activated a record number of iPhones: 3.2 million. That was boosted by the launch of the iPhone 4 in the last few days of the quarter.

Contract-signing customers are the most lucrative, but AT&T also added 300,000 no-contract, prepaying customers, more than it has in any

quarter since 2007. That's in the face of tough competition from Sprint Nextel Corp. and smaller upstarts.

With signups of new phone subscribers slowing to a crawl in the industry, AT&T and other carriers are banking on keeping growth going by providing wireless services to non-phone devices, like the iPad tablet and Kindle e-reader. AT&T said it add 896,000 such devices, less than the 1.05 million it added in the first quarter.

Wireless service revenue grew 10 percent from a year ago, as average monthly fees rose 3.4 percent, bucking the industry trend. Data plans for iPhones and other smart phones help AT&T offset declining prices for voice calls.

AT&T keeps laying off workers, mainly from the dwindling wireline business. It has cut more than 10,000 jobs this year, ending the quarter with 272,450 employees.

The layoffs helped AT&T cut costs faster than the 3.7 percent year-over-year revenue decline in wireline, letting it post a tiny increase in operating income for the segment. The revenue decline was the smallest since the first quarter of 2008.

AT&T stemmed revenue declines despite losing 92,000 wired broadband connections during the quarter, to end at 16 million. The decline reflects cut-throat competition from cable companies and saturation of the market, at least where broadband is available. The FCC reported recently that 14 million to 24 million people in rural America still can't get broadband.

AT&T is the first major telecommunications company to report for the quarter. Verizon Communications Inc., the second largest, reports early Friday.

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