

Sprint Nextel posts first subscriber gain in 3 yrs

July 28 2010, By PETER SVENSSON , AP Technology Writer



In this file photograph taken April 27, 2010, a man using a cell phone walks past a Sprint store, in New York. Sprint Nextel gained subscribers in its latest quarter, the first such gain in three years, as it continued to improve customer service and retention Wednesday, July 28, 2010. (AP Photo/Mark Lennihan, file)

(AP) -- Sprint Nextel Corp. said Wednesday that it gained subscribers in its latest quarter, the first such gain in three years, as it continued to improve customer service and retention.

However, it continued to lose the most lucrative customers, those who sign two-year contracts, and posted a wider loss for its second quarter due to tax effects.

Sprint shares rose 6 cents, or 1.5 percent, to \$4.90 in morning trading. In pre-market trading, shares were up as much as 10 percent before investors fully digested the numbers.

Sprint gained a net 111,000 subscribers in the April to June period, compared to a loss of 257,000 in the same quarter last year. It said it expects to keep adding wireless subscribers for the rest of the year, and reduce the number of contract customers who leave.

Sprint still lost 55,000 subscribers under its own brands - which include [Virgin Mobile](#) and Boost - in the latest quarter, but made up for that by adding 166,000 wholesale and affiliate subscribers, who buy access to the network through resellers.

It lost 228,000 contract subscribers, a figure much improved from the 991,000 it lost in the same quarter last year.

Sprint has been hemorrhaging subscribers nearly constantly since its 2005 acquisition of Nextel. That network, incompatible with Sprint's, is valued for its walkie-talkie-like push-to-talk function, but is poorly suited to [smart phones](#), and more than a million subscribers have been leaving every year.

The rate of contract subscribers canceling service every month was 1.85 percent in the quarter. That was Sprint's lowest figure ever, though it's still higher than the corresponding figure at AT&T and Verizon Wireless.

Sprint CEO Dan Hesse said the company had some help from the launch of its first "4G" phone, the HTC EVO, which can tap into Clearwire Corp.'s wireless broadband network for faster downloads in some areas. But Sprint would still have achieved subscriber growth without it, he said.

"Our improvements are foundational," Hesse told analysts on a conference call.

In May, the American Customer Satisfaction Index showed that Sprint was the only major wireless carrier to demonstrate a significant improvement from last year, allowing it to catch up to its rivals. The differences between the scores of the four national carriers - Verizon Wireless, AT&T, Sprint and T-Mobile USA - are now statistically insignificant.

Sprint ended the quarter with 48.2 million subscribers.

Its quarterly loss amounted to \$760 million, or 25 cents per share. That compares with a loss of \$384 million, or 13 cents per share, a year earlier.

Analysts who took into account a change in Sprint's tax treatments were on average expecting a loss 24 cents per share, according to the company.

The Overland Park, Kan., wireless carrier's revenue slipped 1 percent to \$8.03 billion. Analysts expected \$8.0 billion in revenue.

The improvement in Sprint's numbers comes as other carriers are reporting drastically fewer contract-signing customers, since nearly everyone who has a sufficient credit rating already has a phone. That makes Sanford Bernstein analyst Craig Moffett question the sustainability of Sprint's turnaround. Its Boost-branded prepaid business did poorly in the quarter, overall margins are low and the company needs to invest more in its network, in his view.

"The results paint a picture that holds up better on a cursory review of headlines than it does to sustained scrutiny of the details," he wrote in a

morning research report.

Hesse acknowledged that the Nextel side of the business is still doing poorly, but said the Sprint part is doing much better, and should revive overall results.

"You had a business that was in rapid decline," Hesse said. "Now we got it to stable. Then the next phase will be growth."

(This version corrects last year's loss of contract subscribers to 991,000)

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