

AT&T gains few contract subscribers in 4Q

January 27 2011, By PETER SVENSSON , AP Technology Writer

(AP) -- AT&T Inc. on Thursday it signed up a net of just 400,000 customers on contract-based wireless plans in the fourth quarter, the lowest number in at least five years.

The result demonstrated that even though sales of the iPhone were strong, it's lost much of its power to attract customers from other carriers. In two weeks, AT&T will face more competition as Verizon Wireless starts selling the iPhone.

[Subscribers](#) who sign two-year contracts are the most lucrative for wireless carriers and are an important measure of their performance. AT&T balanced the weakness somewhat by adding large numbers of other subscribers. It added a record 1.5 million "Connected devices," a category that collects non-phone devices like Kindle e-book readers and Internet-enabled GPS units. AT&T is taking a lead in this area, but the earns much less per subscriber than it does for phones.

AT&T also added 442,000 subscribers with tablets like the iPad. They generally don't sign contracts, and can drop their \$30 monthly fees at any time.

All told, AT&T added a record 2.8 million wireless subscribers, to reach 95.5 million. That number is 86.2 million excluding "connected devices."

Verizon Wireless, AT&T's chief competitor, on Tuesday reported adding more than twice as many subscribers under contract. However,

difference is exaggerated by the fact that Verizon sells tablets with contracts, while AT&T doesn't. Excluding "connected devices," Verizon has 94.1 million subscribers.

Dallas-based AT&T posted net income of \$1.09 billion, or 18 cents per share, for the October to December period. That was down 60 percent from \$2.8 billion, or 46 cents per share, in the same period of 2009.

Excluding items, chiefly due to the performance of its pension and health care plans for retirees, earnings were 55 cents per share, a penny above the average estimate of analysts polled by FactSet.

Revenue was \$31.4 billion, up 2.1 percent from a year ago. It was slightly short of analyst expectations at \$31.5 billion.

For 2011, AT&T said it expects earnings to grow in by a "mid-single digit" percentage or more from 2010 adjusted earnings of \$2.22 per share. That points to earnings of at least \$2.33 per share. Analysts have been forecasting earnings of \$2.48 per share.

AT&T shares fell 76 cents, or 2.7 percent, to \$27.97 in pre-market trading.

Two weeks ago, AT&T Inc. announced a change to its accounting practices. It's now recognizing losses and gains in its plans that fund pensions and other retirement benefits, like health care, in the same year that they occur rather than amortizing them over time, as has been standard practice.

For the fourth quarter, this meant that AT&T post a \$2.7 billion charge to reflect the performance of its pension plans and changes in assumptions on returns and benefits.

It also allowed AT&T to adjust past earnings, reducing them to reflect the disastrous fund returns in 2008, when the financial crisis started. In effect, AT&T was able to move \$17 billion in losses that would reduce future earnings to past periods.

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