

Verizon adds 872,000 smart-phone subscribers

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In this photo taken Friday, Jan. 21, 2011, a sales representative shows a BlackBerry with the Verizon logo in Hialeah, Fla. Verizon said Tuesday, Jan. 25, it attracted more than half a million smart-phone subscribers in the last quarter, showing strength even before it starts selling the iPhone in February. (AP Photo/Alan Diaz)

(AP) -- Verizon Communications Inc. on Tuesday said it attracted more than half a million smart-phone subscribers in the latest quarter, showing strength even before it starts selling the iPhone in February.

Verizon Wireless added 872,000 subscribers on contract-based plans, well above analyst expectations of about 650,000. Contract-based

subscribers are the most lucrative, and Verizon said three-quarters of the new subscribers bought [smart phones](#), which come with added data fees.

Verizon was also helped by an Apple device, even before it started selling the [iPhone](#). That's because it started selling the iPad [tablet computer](#) in November, and bundled it with an Internet access device that comes with a two-year contract. It also started selling a competing tablet, [Samsung Electronics](#) Co.'s Galaxy Tab, with a data plan. Together, Verizon sold 86,000 tablets.

Verizon was also helped by the launch of its new "4G" cellular data network in December. It sold 65,000 plug-in modems for laptops for that network in three weeks.

The New York-based telecommunications company reported [net income](#) of \$2.64 billion, or 93 cents per share, for the last three months of 2010. That's up from \$617 million, or 22 cents per share, a year ago, but the increase was mainly due to adjustments for the value of the company's retirement plans.

Excluding items, earnings were 54 cents per share, a penny shy of estimates by analysts surveyed by FactSet.

Revenue fell 2.6 percent to \$26.4 billion from \$27.1 billion and also just below analyst estimates of \$26.5 billion. Verizon sold off landlines in outlying areas last summer, reducing revenue compared to last year.

Its shares rose 85 cents, or 2.4 percent, to \$36.10 in morning trading. The shares hit a multi-year high of \$37.70 in early January as investors grew excited about the prospect of a Verizon iPhone.

Verizon confirmed rumors two weeks ago, announcing that it would start selling Apple Inc.'s iPhone on Feb. 10. AT&T Inc.'s exclusive hold on

the phone has left Verizon well behind in attracting smart-phone subscribers, but it now hopes to catch up. Analysts believe it could sell anywhere from 5 million to 13 million iPhones this year.

Verizon announced last week that it was changing how it accounts for the value of the plans that cover pensions and retiree health care. Instead of looking at their performance once a year and then amortizing any gains or shortfalls over several years, as has been standard practice. Verizon will adjust its results full every year to account for the plans.

The change also had the effect of allowing Verizon to adjust past earnings to reflect changes in the value of the pension plans. It had accumulated \$20.2 billion in losses from the plans that were going to weigh on future earnings, but the maneuver allowed it to move those losses into the past.

In making the change, Verizon was following in the footsteps of AT&T, which moved \$17 billion from future losses to the past. Analysts believe other companies with substantial retiree benefit plans may follow suit, allowing them to move the dismal fund returns of 2008 into the past.

While [Verizon Wireless](#) is doing well, that doesn't help the parent company, [Verizon Communications](#), as much as it would like. Vodafone Group PLC, a British wireless company with global reach, owns 45 percent of Verizon Wireless, and claims that proportion of its earnings. Meanwhile, Verizon's local-phone business operates essentially at break-even, despite massive investment in upgrading its lines with optical fiber for FiOS Internet and TV service.

For the full year, Verizon said its net income fell to \$2.5 billion, or 90 cents per share, from \$4.9 billion, or \$1.72 per share, in 2009. Revenue fell 1.2 percent to \$106.6 billion, though it rose 3.9 percent excluding the summer's sale of landlines to Frontier.

AT&T, Verizon's chief rival in the wireless business, reports fourth-quarter results on Thursday.

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