

Verizon rakes in subscribers with help of iPhone

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In this Feb. 10, 2011 file photo, a Verizon sign is displayed in one of its stores in New York. Helped by the iPhone, Verizon Wireless is pulling in more high-paying subscribers than it has in a year, and 15 times more than rival AT&T. (AP Photo/Seth Wenig, file)

(AP) -- Helped by the iPhone, Verizon Wireless is pulling in more high-paying subscribers than it has in a year, and 15 times more than rival AT&T.

Verizon Communications Inc. on Thursday said it added 906,000 wireless subscribers on contract-based plans in the January to March period, more than double the number of a year ago.

The increase corresponds neatly with the half-million iPhones Verizon sold to new subscribers. Verizon started selling the [iPhone](#) on Feb. 10, ending AT&T's exclusive grip on the device in the U.S.

In total, Verizon said it had activated 2.2 million iPhones, with most of them going to customers upgrading from other Verizon phones.

Wall Street analysts had expected slightly more. Verizon shares fell \$1.15, or 3.1 percent, to \$36.63 in morning trading, retreating from a three-year high of \$38.95 hit three weeks ago.

Verizon Chief Financial Officer Fran Shammo defended the iPhone sales performance on a conference call with analysts,

"We really weren't 100 percent out there with distribution until mid-March," he said.

The true test, he said, will be when Apple launches its next phone, which will put Verizon on "an equal footing" with AT&T, he said. This confirms speculation that the next iPhone launch will be simultaneous for Verizon and AT&T subscribers. Apple has previously launched new iPhone models once a year in late June or early July, but analysts believe the next model might be delayed a few months.

Shammo said Verizon is still basing its forecasts on the sale of 11 million iPhones this year.

Shammo also said the next Verizon iPhone will be a "global" device, implying that it would work on overseas "GSM" networks, just like AT&T's version. This also confirms speculation. Shammo's comment may have been inadvertent, given the secrecy that surrounds Apple devices. In a later interview, he said he didn't want to comment further on Apple's plans.

AT&T said Wednesday it had added 3.6 million iPhones to its network in the first quarter, helped by the \$49 price on the older iPhone 3GS, which Verizon does not sell. Verizon had less time to sell the phone, but

the two carriers activated nearly the same number of iPhones every day - about 40,000.

The difference appears to be that while AT&T was selling iPhones to people who were already subscribers, the phone drew new customers to Verizon. AT&T added a net of just new 62,000 subscribers under contract in the first quarter, a record low.

However, there was no sign that AT&T's iPhone subscribers were defecting to Verizon for the sake of its more reliable network. Since most subscribers are tied up by two-year contracts, it may take some time for the full effects of Verizon's iPhone to show up in AT&T's numbers, but AT&T's Chief Financial Officer, Rick Lindner, said he was confident [subscribers](#) won't start bolting later this year.

Verizon said its net income climbed to \$1.44 billion, or 51 cents per share, in the three months ended March 31, up from \$443 million, or 16 cents per share, a year ago, when results were weighed down by a charge for costs associated with the health care reform package.

Analysts polled by FactSet were on average expecting earnings of 50 cents per share.

Verizon's revenue edged up 0.3 percent to \$26.99 billion from \$26.91 billion a year ago and slightly exceeded analysts' average estimate of \$26.87 billion.

Though the iPhone is a highly coveted device both for consumers and carriers, it doesn't lead to an immediate bonanza. Verizon's operating income was flat with the year before, as growing revenue from the wireless business was offset by increasing costs due to sales of heavily subsidized smartphones like the iPhone.

New York-based Verizon Communications owns 55 percent of [Verizon Wireless](#), so only that portion of the wireless profits flow to its bottom line. The remaining 45 percent is owned by Vodafone Group PLC of Britain.

On the wireline side of Verizon, margins are tiny in a shrinking business, but the company managed to cut costs faster than revenue slid in the first quarter.

Verizon's introduction of the iPhone helped Apple sell a record 18.65 million iPhones in the quarter, as it reported Wednesday.

Verizon reported strong sales of another groundbreaking new phone in the quarter: the HTC Thunderbolt. It's the first phone to use Verizon's ultra-fast new LTE data network. LTE, or Long-Term Evolution, is what the industry considers a "4G," or fourth-generation data network, but the 4G term has been borrowed by AT&T and T-Mobile USA, who are applying the term to 3G networks with upgraded speeds.

Shammo said others are putting "lipstick on 3 to make it a 4, but this is truly a 4G device with the speeds of 4G."

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