

Sprint posts smallest quarterly loss in 4 years

October 26 2011, By PETER SVENSSON , AP Technology Writer



A Samsung Galaxy Tab tablet is displayed at the Sprint store in Stoneham, Mass., Tuesday, Oct. 25, 2011. Sprint is reporting its smallest quarterly loss in four years, as it's continuing a turnaround and getting better at keeping and attracting customers. (AP Photo/Charles Krupa)

(AP) -- Sprint Nextel Corp. on Wednesday reported its smallest quarterly loss in four years, as it continued a turnaround and kept getting better at keeping and attracting customers.

The country's No. 3 wireless carrier added a net 1.3 million subscribers in the July to September period, the best result since 2006. Sprint continued to lose subscribers from its lucrative contract-based plans, but at a relatively low rate: 44,000 in the quarter.

Sprint's total customer count, 53.4 million, is now back at where it was in 2007, before the exodus of Nextel customers turned into a torrent.

The Overland Park, Kan.-based company has made steady gains in the last year and a half. Unfortunately for the company, most of the new customers are low-paying ones. They buy service from Sprint's low-cost [Virgin Mobile](#), Boost Mobile or Assurance Wireless brands, or from non-Sprint brands that use the company's network.

The latest subscriber results don't include the effect of the [iPhone](#), which Sprint started selling Oct. 14. The phone is expected to further improve the carrier's ability to keep customers, but at a high price. Apple charges about \$600 for a phone that Sprint sells for \$200.

[Chief Financial Officer](#) Joe Euteneuer said each iPhone will cost the company about \$200 more than another [smartphone](#). All the same, the company expects its four-year purchasing agreement with Apple to add \$7 billion to \$8 billion to its own bottom line.

CEO Dan Hesse compared getting the iPhone to signing a star baseball player to the "Sprint team."

"He has an expensive contract, but he's worth every penny," said Hesse, who often draws on sports analogies.

The problem for Sprint is that the cost of selling the iPhone comes up front, while the benefits, like higher service fees and lower service costs, accrue over time. Sprint doesn't expect the iPhone to be a [moneymaker](#) until 2014.

The added cost of the iPhone comes as Sprint is also starting to revamp its network for higher speeds. That adds up to financing needs of \$5 billion to \$7 billion in the next few years, Euteneuer said.

Euteneuer said the terms of the deal with Apple are confidential, but said there's a minimum commitment to buy \$15 billion in iPhones over

four years. That works out to about 25 million phones, a figure in line with a report in The Wall Street Journal early this month that the company had committed to buying 30 million iPhones over four years.

Sprint on Wednesday said it had raised the limit on its credit line by \$150 million and amended the terms so that an increase in the total amount of phone discounts doesn't affect its creditworthiness. It said it had \$1 billion undrawn on the line.

Sprint's net loss was \$301 million, or 10 cents per share, for the third quarter. That's down from \$911 million, or 28 cents per share, a year ago. It was the best performance by Sprint since it reported a profit of \$64 million in the third quarter of 2007.

Revenue rose 2.2 percent to \$8.3 billion.

Analysts polled by FactSet expected a loss of 22 cents per share on \$8.4 billion in revenue.

Its shares slipped 6 cents, or 2.2 percent, to \$2.64 in premarket trading after rising earlier.

Hesse also said the company has started discussions with Clearwire Corp. on how to make Sprint phones compatible with Clearwire's planned new wireless data network, and a discussions on commercial arrangements are ongoing. That sent Clearwire shares up 41 cents, or 25 percent, to \$2.05 in pre-market trading.

Sprint owns 54 percent of Clearwire and uses its current data network for "Sprint 4G" service. But it doesn't control Clearwire's board, and the relationship between the two management teams has been cool.

Earlier this month, Sprint said it would stop selling phones compatible

with Clearwire's current data network at the end of next year, with no mention of plans to use the planned "LTE" or "Long-Term Evolution" network. That sent Clearwire shares plunging.

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