

Sprint down after testy meeting with analysts

October 8 2011, By PETER SVENSSON , AP Technology Writer

(AP) -- The struggling wireless carrier Sprint Nextel Corp. said Friday that it will need to raise more money to build a higher-speed data network even as it must spend more to subsidize sales of the new iPhone to its customers.

Sprint's stock fell 20 percent. Shares of [Clearwire Corp.](#) fell 32 percent after [Sprint](#) disclosed details of its new network, known as [4G](#), for fourth-generation.

Sprint said it will stop selling phones and other devices compatible with Clearwire's current network at the end of next year, after it switches on its own 4G network. Sprint is Clearwire's largest customer and majority owner, but doesn't control it. Phones labeled "Sprint 4G" use Clearwire's network today.

Sprint's stock rose as much as 13 percent on that news, but reversed those gains after Sprint disclosed the need to raise more money for the new network and failed to offer [earnings guidance](#) that incorporates the effect of the [iPhone](#).

At an event for [investors](#) and analysts in New York on Friday, [CEO](#) Dan Hesse said that the iPhone would over time "be one of our most profitable devices" but did not elaborate.

Sprint, which is based in Overland Park, Kan., started taking pre-orders for the iPhone 4S on Friday and hopes that the phone will help the company recruit and keep customers in competition with AT&T Inc. and

Verizon Wireless. Those two larger carriers had been able to lure people with the iPhone, which Sprint didn't have until now.

But Sprint will pay Apple Inc. dearly for the privilege of selling the phone. An iPhone that Sprint sells for \$200 with a two-year contract costs \$600 or so wholesale from Apple. Like other carriers, Sprint has to count on making up the difference over time through service fees. Analysts were looking for some clarity on Sprint's math here, and were frustrated.

After rising as high as \$3.39, Sprint's stock fell 60 cents to close at \$2.41. Clearwire's [stock](#) fell 66 cents to \$1.39. Earlier in the day, the shares revisited an all-time low of \$1.32 hit in August.

Analysts were perplexed that Sprint isn't including Clearwire in its network revamp project. Sprint's president of network operations, Steve Elfman, said that the company is already building its own 4G network and will inaugurate it next summer. By the end of 2012, it will cover as many people as Clearwire's network does today, and a year later, it will be far larger.

Sprint is using a 4G technology known as LTE, for Long-Term Evolution. Rivals AT&T Inc. and Verizon Wireless are using the same technology. Clearwire, on the other hand, uses an earlier technology called WiMax. That means today's "Sprint 4G" devices will need to be replaced to use the new LTE network.

Clearwire, which is based in Kirkland, Wash., has said that it plans to build an LTE network in parallel with WiMax, and Sprint's Hesse left the door open to having Sprint buy access to that network after 2012. However, Clearwire's finances are weak, and it would need additional funding to build out LTE.

"I don't think anything fundamentally changed for us after today," Clearwire CEO Erik Prusch said in an interview. "Sprint is still dependent on us for their network."

Sprint, like other carriers, need additional spectrum to keep up with the long-term growth in wireless data use, and Clearwire has that spectrum, he said.

In a testy exchange with Sprint executives, a member of the audience at the investor meeting questioned why Sprint would risk forcing Clearwire to seek bankruptcy protection when it owns 54 percent of the company, and could lose its share of Clearwire's spectrum in a bankruptcy case.

Sprint executives didn't directly address that possibility, but Hesse noted that no bankruptcy case involving a wireless company has resulted in a disruption of service.

Sprint's network revamp will help the company support its iPhone users with wireless data, Sprint executives said. However, today's iPhones can use neither Clearwire's 4G network nor Sprint's coming one.

The radio spectrum that Sprint is using for 4G is being freed up by the shutdown of the Nextel [network](#), a process that's set to be completed by the end of next year.

Sprint bought Nextel in 2005, an acquisition that soon turned disastrous. Nextel subscribers started leaving, and Sprint was saddled with the cost of running two incompatible networks. That has contributed to the company's constant quarterly financial losses since 2007.

"Overall, Sprint appears to be doing the best it can to chart a course forward, but it is starting out significantly hamstrung by decisions made in the past," Ovum analyst Jan Dawson said.

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