

AT&T posts 4Q loss on charges; revenue increases

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In this Jan. 23, 2012 photo, the AT&T globe logo hangs on an AT&T Wireless store in Hanover, Mass. AT&T Inc. reported a fourth-quarter loss Thursday, Jan. 26, 2012, as results were weighed down by hefty charges. But strong smartphone sales led to the best-ever quarter in activations. (AP Photo/Stephan Savoia)

(AP) -- AT&T Inc. is still the home of the iPhone. It activated 7.6 million of them in the latest quarter, accounting for one out of every five iPhones sold globally.

And AT&T remains heavily dependent on the iPhone to gain and keep customers, despite a vow by CEO Randall Stephenson a year ago to "very aggressively" market competing smartphones in 2011. That vow

came in the wake AT&T's loss of the exclusive right to sell the iPhone in the U.S.

The iPhone accounted for 81 percent of the smartphones AT&T activated in the fourth quarter of 2011, up from 69 percent just before Stephenson made his vow.

The figures are somewhat skewed because the fourth quarter of 2011 saw the launch of a new iPhone model, the iPhone 4S, whereas the fourth quarter of 2010 didn't. Looking at annual sales instead, there's a small decline in the iPhone's percentage of AT&T smartphones from 2010 to 2011, from 72 percent to 69 percent.

The Dallas company has also retained its position as the premier U.S. iPhone carrier, beating Verizon Wireless' 4.3 million iPhone activations handily.

AT&T's iPhone dependency comes at a heavy cost, since the phone is more expensive than many other smartphones, and AT&T needs to subsidize each iPhone with hundreds of dollars to put it in customers hands for as little as \$1.

That, together with massive charges for adjustments in the value of the company's pension plans, the breakup of the deal to buy T-Mobile USA and a writedown of the value of its phone-directory business, forced AT&T to post a massive loss on Thursday of \$6.68 billion, or \$1.12 per share, for the fourth quarter.

It was the first quarterly loss for AT&T in three years. An adjustment of pension-plan obligations was also the main culprit behind the previous loss, in the fourth quarter of 2008.

Excluding charges, net income was 42 cents per share in the latest

quarter, a penny shy of Wall Street expectations, according to a poll by FactSet.

The loss compares with net income of \$1.09 billion, or 18 cents per share, in the same period a year earlier.

Revenue rose 3.6 percent to \$32.5 billion, helped by the smartphone sales. Analysts were expecting revenue of \$31.99 billion, on average.

In premarket trading Thursday, shares of AT&T Inc. fell 71 cents, or 2.3 percent, to \$29.53.

In a welcome move for investors, AT&T is shifting the cash it had hoped to buy T-Mobile with into stock buybacks, saying it will deploy \$9 billion into a program that will start immediately.

Most of the iPhone activations were upgrades for people who were already AT&T subscribers. The carrier gained a net 717,000 subscribers on contract plans in the quarter. That was the best result all year, but didn't match Verizon's 1.2 million. AT&T has been lagging Verizon in this important measure for more than a year.

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