

Cheaper wireless plans cut into AT&T 2Q profit

July 23 2014, by Peter Svensson



This Wednesday, May 14, 2014 photo shows the company logo at an AT&T store in Dedham, Mass. AT&T reports quarterly financial results on Wednesday, July 23, 2014. (AP Photo/Steven Senne)

(AP)—AT&T Inc. on Wednesday posted lower net income for the latest quarter due to cheaper cellphone plans it introduced as a response to aggressive pricing from smaller competitor T-Mobile US.

AT&T said half of its wireless subscribers have already moved to "Mobile Share Value" plans, introduced in February. It's also adding subscribers to its Next plans, which carry lower monthly fees because

customers pay full price for their phones.

On a conference call with analysts, executives defended the new Next and Mobile Share Value plans, saying they boosted the number of new customers to the highest level in five years.

"We are very pleased with what we're seeing from our wireless repositioning, and we're confident in our strategy," said John Stephens, AT&T's chief financial officer.

Investors took the news mostly in stride. AT&T shares fell 51 cents to \$35.37 in extended trading after the release of the results.

The Dallas company said it earned \$3.55 billion, or 68 cents per share. That was down from \$3.82 billion, or 71 cents per share, in the same quarter last year.

Excluding some one-time items, AT&T's earnings were 62 cents per share in the latest quarter, a penny shy of the average estimate of analyst polled by FactSet.

Revenue was \$32.58 billion, up 1.6 percent from a year ago. Analysts polled by FactSet were expecting \$32.24 billion in revenue.

AT&T, the second-largest cellphone company, is dueling with No. 4 T-Mobile US, which has shaken up the industry with innovative pricing plans. T-Mobile has been raking in new subscribers in the last year, but it hasn't yet revealed its results for the second quarter. It reports next week.

AT&T gained a net 1,026,000 customers on its contract-based "postpaid" wireless plans. The last time it posted a quarterly gain of more than a million customers for those plans was in 2009, when it was still the exclusive U.S. carrier of the iPhone.

Most of the net customer gain came from better retention of existing customers rather than recruitment of new ones. AT&T had its lowest-ever "churn" rate in the quarter, a measure of how many customers cancel service.

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