

Verizon still digesting Yahoo hack; 3Q profit falls

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This Monday, July 25, 2016, photo shows signage in a Verizon store in North Andover, Mass. Verizon reports financial results Thursday, Oct. 20, 2016. (AP Photo/Elise Amendola)

Verizon said its profit fell in its most recent quarter as it added fewer subscribers for its traditional cellphone business. It also said it's still evaluating how the hack at Yahoo affects its \$4.8 billion deal for the company.

Verizon wants Yahoo because it wants to build an online advertising arm that could rival Google and Facebook. But a massive hack of at least 500 million users' email accounts has raised questions about whether Verizon will ask for a discount or other changes.

Verizon on Thursday said it expects the Yahoo deal to build its digital media business, but CFO Fran Shammo said on a call with analysts that the company has to assume the breach "will have a material impact" on Yahoo, echoing comments from Verizon's general counsel last week. Shammo said evaluating what that means for its deal is going to be a "long process" and Verizon hasn't reached a final conclusion.

In its largest division, selling internet service to millions of wireless customers, Verizon is dealing with increasing competition. It added 442,000 subscribers that pay each month, the more lucrative kind of wireless customer. That's down 66 percent from a year ago. The company said its phone business was hurt by rivals introducing new unlimited plans, the recall of the fire-prone Samsung Galaxy Note 7 and a backlog for the iPhone 7 that came out in September.

And "churn," a measure of how many are canceling their service, rose, which Verizon said was mostly due to tablet-customer defections.

The New York company also said that it was rebounding in its home internet and cable business, which had been hit by a strike of almost 40,000 employees earlier in the year. It added 90,000 home internet customers for its Fios service, down 6 percent from a year ago, and 36,000 cable customers, down 20 percent from a year ago.

Overall, Verizon reported net income of \$3.62 billion, 89 cents per share, in the three months ending Sept. 30, compared with \$4 billion, or 99 cents per share, in the same quarter a year ago.

Earnings, adjusted for non-recurring costs and severance costs, were \$1.01 per share, topping Wall Street expectations. The average estimate of 14 analysts surveyed by Zacks Investment Research was for earnings of 99 cents per share.

Revenue fell nearly 7 percent to \$30.94 billion in the period, which missed expectations. Seven analysts surveyed by Zacks expected \$31.14 billion.

Shares of Verizon Communications Inc. fell \$1.38, or 2.7 percent, to \$49 in midday trading Thursday. Its shares are up 8 percent over the past year.

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