

iPhone bills boost Verizon 1Q revenue growth

April 19 2012, By PETER SVENSSON , AP Technology Writer



(AP) -- Holiday sales of the iPhone 4S started to boost revenue at Verizon Communications Inc. in the latest quarter, as subscribers settled in to paying their new monthly bills.

That meant that wireless service revenues grew at their fastest pace in three years at [Verizon](#) Wireless. The country's largest [cellphone](#) company started selling the [iPhone](#) 4 a bit more than a year ago, but sales got a big boost when the 4S model was released in October.

iPhone sales don't boost the results of a cellphone company immediately, because the companies subsidize them by hundreds of dollars to be able to sell the phone for \$99 or \$199. They then count on making the money back in service fees over a two-year contract.

At Verizon Wireless, the iPhone effect was clear in Thursday's first-quarter report: the average monthly bill for subscribers on contract-based plans was \$55.43, up 3.6 percent from a year ago. A few years ago, monthly fees were stagnant at Verizon.

However, the high price of the iPhone means phone companies are struggling to make it pay - most of the profit from the iPhone is flowing to [Apple](#) Inc., not the phone companies. Verizon Wireless recently introduced a \$30 "upgrade fee" for existing customers trading up to a new phone.

Verizon Wireless gained 501,000 new subscribers under contract-based plans in the quarter, slightly above analyst expectations. It's a closely watched figure because contract-based plans are the most lucrative. Verizon is expected to lead the industry this quarter, attracting twice as many new customers as chief rival AT&T Inc., which reports on Tuesday.

Verizon's overall net income was \$1.69 billion, or 59 cents per share, in the first three months of 2012, beating the average forecast of analysts by a penny per share. It was up from \$1.44 billion, or 51 cents per share, a year ago.

Revenue rose 4.6 percent to \$28.2 billion from \$27 billion a year ago, matching expectations.

Verizon shares rose 39 cents, or 1 percent, to \$38.05 in morning trading. That is near the upper end of their 52-week range of \$32.28 to \$40.48

per share.

New York-based [Verizon Communications](#) owns 55 percent of [Verizon Wireless](#), and the corresponding share of the wireless earnings flow to Verizon's bottom line. The rest goes to joint venture partner Vodafone Group PLC, a British phone company.

On the landline side, revenue continued to decline slowly as customers continue to cancel their phone and DSL lines. Verizon's cable-like FiOS service continued to attract customers, and Chief Financial Officer Fran Shammo said the company would stop selling DSL Internet service in areas where FiOS is available. DSL is slightly cheaper than FiOS Internet service, but much slower.

With the latest report, Verizon stopped reporting how many wireless devices connect to its network through resellers. Instead, it reported only the number of Verizon-branded devices: 93 million.

Three months ago, the number of devices connecting through resellers like Straight Talk, a cellphone service sold at Wal-Mart stores, was 16.5 million.

Companies often stop reporting operational statistics when the trends turn negative. In the latest quarter, Verizon lost a record 490,000 reseller devices. AT&T is a close second in terms of total devices on its network, and Verizon's change in reporting could mean that it will be hard to figure out when AT&T overtakes Verizon as the largest cellphone company in the U.S.

Verizon would not say why it had changed its reporting policy.

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