

Verizon Reports Strong 1Q, Looks to Maintain Record Margins

Andrew Berg

Verizon today reported a strong first quarter that was once again driven by wireless, with 677,000 retail postpaid net additions, up 35 percent annually.

Margins were especially impressive. The company reported 32.9 percent operating income margin and 50.4 percent segment EBITDA margin on service revenues (non-GAAP), both record highs.

In an earnings call, Verizon CFO Fran Shammo reiterated earlier comments that those margins could be maintained. He noted the company's extended upgrade cycle, which was recently lengthened from 20 to 24 months, as one way of maintaining those margins throughout the year. Traditionally margins fall in the fourth quarter, when many consumers upgrade their devices over the holidays.

"On the 49 to 50 percent margins...when I [forecast] like that, I understand exactly what's on our plate and strategy in the coming year," Shammo said.

Verizon Wireless now reports more than 98.9 million total retail connections, and 93.2 million total retail postpaid connections.

Verizon Wireless' LTE network continues to be its crown jewel. The company reported the service is now available to 287 million people in 491 markets across the U.S. Fully 54 percent of total data traffic now runs over LTE.

Verizon reported selling 4 million iPhones during the quarter, with approximately half of those being the iPhone 5. Overall, Verizon activated 7.2 million smartphones. At the end of the first quarter, smartphones accounted for more than 61 percent of the Verizon Wireless retail postpaid customer phone base, up from 58 percent at the end of fourth-quarter 2012.

Returning to the topic of margins, Shammo said that declining device prices would also help. To that end, he said that the company would be releasing its first smartphones without a CDMA chip in 2014.

Total revenues for wireless were \$19.5 billion, up 6.8 percent annually. Service revenues in the quarter totaled \$16.7 billion, up 8.6 percent year over year. Retail service revenues also grew 8.6 percent year over year, to \$16.2 billion.

Verizon Reports Strong 1Q, Looks to Maintain Record Margins

Published on Wireless Week (<http://www.wirelessweek.com>)

Retail postpaid ARPA (average revenue per account) increased 6.9 percent annually to \$150.27 per month. The company attributed the increase to customers adding more devices to their Share Everything plans.

Roger Entner, lead analyst and founder of Recon Analytics, said in comments that Verizon is “firing on all cylinders.”

“In an increasingly saturated market, the company is accelerating subscriber, revenue and profit growth. The ShareEverything plan is being received enthusiastically by consumers. FiOS continues to make inroads in the internet and video markets taking away share from the cable companies,” Enter said.

Shares of Verizon were up 3.49 percent to \$51.27 in early morning trading.

Source URL (retrieved on 06/12/2013 - 8:08am):

<http://www.wirelessweek.com/news/2013/04/verizon-reports-strong-1q-looks-maintain-record-margins>