

## **VZW Says iPhone Accounted for 51% of 3Q Smartphone Sales**

Andrew Berg

Verizon's iPhone sales continued to increase in the third quarter. The carrier reported that Apple's iconic device accounted for 51 percent of the smartphones the company added in the quarter. Shammo said Verizon did see iPhone supply constraints that led to a backlog at the end of September. The iPhone accounted for 43 percent of smartphone sales in the second quarter and 46 percent in the same quarter last year. Total iPhone activations for the quarter were 3.89 million.

At the end of the third quarter, smartphones accounted for more than 67 percent of the Verizon Wireless retail postpaid customer phone base, up from 64 percent at the end of second-quarter 2013.

Verizon Wireless managed to add 1.1 million net retail connections, including 927,000 retail postpaid net connections, in the third quarter.

Verizon Wireless brought in \$20.4 billion in third-quarter revenues, up 7.2 percent annually and accounting for 67 percent of Verizon's consolidated revenues. Verizon's consolidated operating revenues in the third-quarter were \$30.3 billion, a 4.4 percent increase compared with third-quarter 2012. Consolidated earnings were up 77 cents per share, which beat analyst expectations of 74 cents per share.

Meanwhile, Verizon Wireless' operating income hit \$6.8 billion, up from \$6.04 billion in the same quarter last year.

Retail postpaid Average Revenue Per Account (ARPA) increased 7.1 percent over third-quarter 2012, to \$155.74 per month. Wireless operating income margin was 33.8 percent, compared with 31.8 percent in the same quarter last year. Segment EBITDA margin on service revenues was 51.1 percent, up 110 basis points over third-quarter 2012.

Through the first three quarters of 2013, segment EBITDA margin on service revenues was 50.4 percent, with Verizon Wireless maintaining margins of 49 percent or higher in five of the past six quarters.

In an earnings call broadcast online, Verizon CFO Fran Shammo said that the company's new Edge upgrade plan hadn't been around long enough to have much of an impact on the quarter's margins.

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

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When asked about the company's VoLTE rollout, Shammo said the Verizon is still on track.

"You'll probably see us have a VoLTE capable handset in the fourth quarter....with a complete rollout sometime in the second half of 2014," Shammo said, adding that the company is taking its time with the VoLTE launch because it has to match or exceed the quality of 3G/CDMA calling, which depends heavily on capacity and densification.

Shammo repeated the call to add capacity and densification to the network, as Verizon Wireless has completed the nationwide rollout of its 4G LTE network, which is now live in over 500 markets, covering roughly 303 million people. Shammo said most of the CapEx devoted wot the

"What you see us doing is being more proactive on in-building coverage, densification and more deploying on more AWS spectrum," Shammo said.

**Source URL (retrieved on 12/13/2013 - 12:54am):**

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