

## **AT&T's Next, Mobile Share Plans Change 2Q Revenue Dynamics**

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AT&T Mobility says that customer migration to AT&T Next and Mobile Share Value plans is driving a shift in the company's wireless revenue components that will result in higher equipment revenues but lower service revenues and ARPU.

That shift will result in a lack of service revenue growth in the second quarter, according to a statement from the company.

Mobile Share plans have seen strong adoption and AT&T said that will continue. The company said that 50 percent of the company's postpaid smartphone customer base is on no-device-subsidy Mobile Share Value pricing plan, and expects that to grow to approximately two-thirds by the end of the year.

AT&T's LTE network now covers nearly 290 million people and the carrier Project VIP broadband build is expected to take fiber to more than 400,000 new business customer locations by the end of the second quarter.

AT&T said it expects postpaid subscriber net adds exceeding 800,000, with postpaid churn of .95 percent or lower in the second quarter. Additionally, AT&T said it expects approximately 3.2 million AT&T Next smartphone sales, which have risen throughout the quarter and now are expected to be approximately 50 percent of total sales.

The company expects second-quarter wireless service EBITDA margins to be pressured year over year due to the increased sales activity and strong customer movement to the no-device-subsidy Mobile Share Value plans. Wireless service EBITDA margins are expected to be over 40 percent in each of the three remaining quarters of 2014.

AT&T is scheduled to release its full second-quarter 2014 financial results after market close on July 23, 2014.

Shares of AT&T remained flat in early trading Tuesday at \$35.42 per share.

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