Sprint loss widens as Nextel shutdown looms, but monthly fees improve; stock leaps

Peter Svensson, Technology Writer, Associated Press

Sprint Nextel Corp., the country's third-largest wireless carrier, on Thursday reported a wider loss for the second quarter as wrote down the value of its moribund Nextel network.

However, Sprint was successful in convincing smartphone subscribers to pay up for "unlimited data" service, and its service revenue zoomed, beating estimates.

Sprint's volatile stock jumped 68 cents, or 20.2 percent, to close at $4.05 Thursday. It was the highest level in nearly a year.

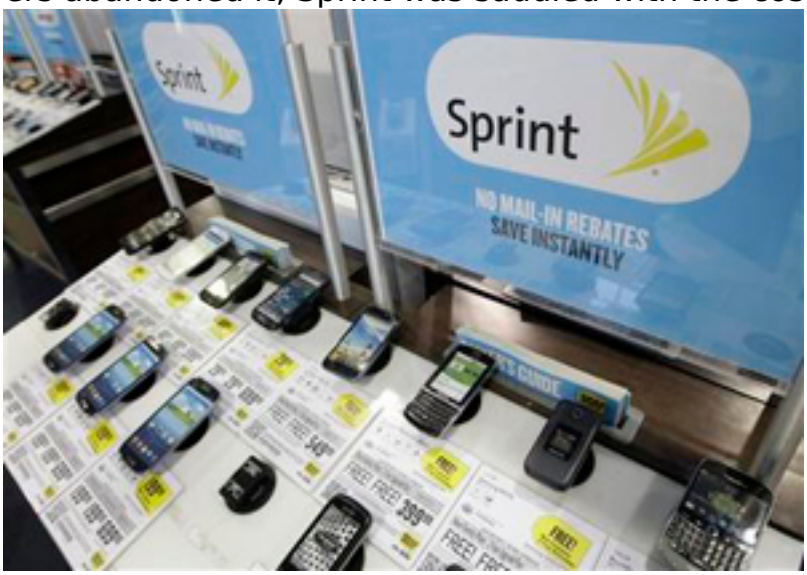
In the April to June period, Sprint's net loss was $1.37 billion, or 46 cents per share. In the same quarter last year, the loss was $847 million, or 28 cents per share.

Analysts polled by FactSet were on average expecting a loss of 41 cents per share.

It was the nineteenth straight quarter of losses for Sprint, which is struggling to compete with AT&T and Verizon Wireless. Still, Sprint raised its forecast for adjusted operating earnings for the year by 18 percent. The measure excludes interest expenses and writing down asset values.

Revenue at the Overland Park, Kan., company was $8.84 billion, up 6 percent from a year ago. Analysts were expecting $8.72 billion.

Sprint's goal is to complete the shutdown of Nextel in the middle of next year. It bought the network in 2005, a deal that proved disastrous. Nextel's strength is its walkie-talkie-like push-to-talk capability, but it's not built for smartphones or data service. Even as subscribers abandoned it, Sprint was saddled with the cost of maintaining the network.



CEO Dan Hesse said Thursday that Sprint is ahead of schedule in deactivating Nextel antennas. It's putting the space freed up on the airwaves to use for faster data service.

Customers on contract-based Sprint plans paid an average of $63.38 per month in the quarter, a record high and nearly as much as AT&T customers are paying, even though AT&T has had the iPhone, which attracts high-paying customers, for longer.

IPhones proved surprisingly popular at Sprint. It activated 1.5 million of the phones in the quarter, the same number as in the first quarter. AT&T and Verizon saw a drop in iPhone activations from the first quarter to the second, as the excitement around the latest model, the iPhone 4S, cooled. Sprint is the only one of the four national wireless carriers that still offers unlimited data service, and Hesse said that was a major reason Sprint keeps pulling in iPhone subscribers. However, Sprint offers relatively slow data speeds.

Hesse said that Sprint focused its marketing resources in the quarter on getting departing Nextel subscribers to move over to Sprint instead of to Verizon, which has been getting most of them. That gave results: 60 percent of those leaving Nextel switched to Sprint.

However, excluding these Nextel conversions, Sprint recruited practically no new customers to its contract-based plans, the worst result in years. Contract-based plans are the most lucrative, and the additions figure is closely watched.

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Christopher King, an analyst with Stifel Nicolaus, said he saw "troubling signs" in the poor subscriber recruitment compared with AT&T and Verizon.

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