

This Week's Stories

Apple Sells 7.4M iPhones in Best Quarter Ever

October 19, 2009

Apple shipped 7.4 million iPhones in its fiscal fourth quarter, the most it has ever sold, besting the 6.9 million it shipped in the quarter following the launch of the iPhone 3G last year. The iPhone figures helped anchor Apple's most profitable quarter ever.

The company had a net profit of \$1.67 billion, up 47 percent from the \$1.14 billion profit it had in the year-ago quarter. The smartphone and computer maker also booked \$9.87 billion in revenue, up 25 percent from \$7.9 billion in the year-ago quarter. Apple's gross margin was 36.6 percent, up from 34.7 percent in the same period last year.

Investors roared their approval of the results--which surpassed analyst expectations--sending Apple's stock up more than 7 percent in after-hours trading to around \$200 per share.

Apple's iPhone shipments include its 3G device, launched last year and currently available from AT&T Mobility for \$99, and the new 3GS device, introduced July 19 and available starting at \$199. Apple said it sold over 1 million units of the iPhone 3GS, which added video and MMS capabilities, in its first weekend of availability.

Further, Apple executives indicated that the company struggled to meet demand throughout the quarter, implying the company could have sold more iPhones than it reported, had it been able to satiate consumers' smartphone appetite. "I would have liked to have had more, honestly, because we were still short in some countries at quarter end. As I indicated, it was early October before we were able to get supply and demand balanced in some countries," said Apple executive Timothy Cook in the company's conference call with analysts, according to a transcript from *Seeking Alpha*.

And research firms appear to be backing up that claim. According to market research outfit iSuppli, the iPhone is "dramatically outperforming" the overall smartphone market. The firm said worldwide smartphone unit shipments are set to rise by 11.6 percent this year over the previous year, while shipments of Apple's iPhones are set to soar by 37 percent during the same period.

Apple CEO Steve Jobs sounded a confident tone in the company's earnings release: "We've got a very strong lineup for the holiday season and some really great new products in the pipeline for 2010."

Analysts had only kind words for Apple, despite the company's forecast of earnings for the December quarter of about \$1.70 a share, below analyst expectations (Apple

warned that new products would have lower margins than their predecessors). "It's a pretty impressive quarter given that consumers are still trying to figure out whether they want to spend again," Gene Munster, a securities analyst at Piper Jaffray, told the *New York Times*. Analyst Julien Blin of JBB Research said Apple was scoring smartphone share at the expense of heavyweights like Nokia, which just a few days ago reported sluggish earnings and falling smartphone market share.

Industry watchers pointed to a number of elements likely to add momentum to Apple's iPhone push, including the company's recently announced deal to sell the iPhone in China (the world's largest wireless market), a move away from exclusivity deal with carriers (actions that essentially expand the company's potential sales base), and growth in the enterprise sector.

Finally, Apple execs had some choice words for competitors scrambling to cash in on smartphones such as Pre maker Palm, BlackBerry maker Research In Motion, Windows Mobile vendor Microsoft and Google via its Android platform. "Frankly I think that people are really just trying to catch up with the first iPhone that was announced two years ago, and we've long since moved beyond that," Cook boasted.

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AT&T Profit Dips but Wireless Results Strong

October 23, 2009

AT&T Inc. is evolving from a land-line company that also sells wireless service to a wireless company that also sells land-line service.

The Dallas-based telecommunications company released its third-quarter results Thursday morning, and the growth of wireless revenue and the decline of land-line revenue continued their recent trends.

As that transition happens, AT&T is also trying to reassure analysts and customers that its wireless network is up to the task.

AT&T said revenue in its wireless segment grew by more than \$1 billion, or 8.2 percent, to \$13.65 billion from last year.

Much of that growth is the accelerating success of the iPhone. AT&T said it activated 3.2 million iPhone accounts, its largest quarterly increase ever.

That explosion in wireless revenue basically matched the slump in land-line revenue, which fell by more than \$1 billion, or 7.1 percent, to \$16.3 billion.

Within the land-line division, revenue was down from \$31.3 billion a year ago.

Net income totaled \$3.19 billion, or 54 cents per share, down from \$3.23 billion, or 55 cents per share a year ago.

Still, the revenue number matched what analysts had been expecting, and the profit number beat expectations of 50 cents per share.

The company also said it added a net of 2 million wireless subscribers in the quarter, better than the 1.5 million analysts had expected.

"We're going through a significant transformation in the business," Rick Lindner, AT&T's chief financial officer, said in a conference call.

In some ways, that transformation has already happened.

Wireless generates most of AT&T's profit, while the land-line division is still where most of the revenue comes from. That revenue is shrinking rapidly as people switch to phone service from cable companies or give up on land lines entirely.

But as AT&T makes the switch, some users are complaining that the company's cellular network is straining to keep up.

AT&T has begun making its case, emphasizing that it is installing thousands of new cell towers every year, boosting signal strength inside buildings, rolling out a faster version of its 3G network later this year and upgrading to an even-speedier 4G network in 2011.

"For those markets [where] the network is performing well, we're making them even better," said Ralph de la Vega, president and chief executive of AT&T mobility and consumer markets. "For those markets where our performance is not to our standards, we're giving them the resources to improve."

One of the biggest complaints from AT&T wireless users – particularly iPhone users in New York and San Francisco, but also to a lesser extent in Dallas – has been what seems to be a growing number of dropped calls.

In response, AT&T revealed for the first time in years its dropped call rate, saying fewer than two percent of calls on its 3G network were dropped in the third quarter, a 12 percent improvement over the third quarter of 2008.

Much of the surge on AT&T's network has been thanks to Apple Inc.'s iPhone.

AT&T is the exclusive carrier of the iPhone in the U.S., and speculation over when other carriers might be allowed to sell it and what such a change might mean to AT&T's bottom line is a popular pastime in the geek community.

But de la Vega said AT&T is in good shape, even if it has to eventually share the iPhone with a competitor such as Verizon Wireless.

"We have a legacy for continuing to have a great portfolio of products," he said. "We know that's going to continue after the iPhone is no longer exclusive to us."

<http://www.dallasnews.com>

Motorola Droid Specs Leak Ahead of Verizon Event

October 23, 2009

In what is either an internal foul-up at Motorola or a clever marketing ploy, the full specs for the Motorola Droid device, Verizon Wireless' highly anticipated Android phone, were leaked, briefly onto Motorola's website. The leak comes days ahead of an invitation-only event where Verizon presumably will unveil the Droid.

Some new details about the smartphone emerged from the leaked specs. On a promotional website, Verizon touted some of the features of the phone, including "5 megapixels," "Android 2.0," "video," "multitasking" and "notification panel."

According to the specs, the Droid will have a CDMA EV-DO Rev. A connection, a 3.7-inch WVGA display, a 550 MHz processor, Bluetooth, 802.11b/g WiFi and a pre-installed 16GB microSD card. The phone also will have GPS, a micro USB connection, and the phone's 5-megapixel camera will have 4x digital zoom, auto-focus and dual-LED flash.

Meanwhile, Verizon has sent invitations to a Droid-themed event on Oct. 28, in which the operator plans to unleash the "must-have device of the year." Verizon's clear message: the ball's in your court, iPhone.

<http://www.fiercewireless.com>

Product & Service News

After New Ads, Doubts Grow About a Verizon iPhone

October 19, 2009

Over the weekend, there was lots of online buzz about the Verizon Wireless ads, which ran during playoff baseball, touting "Droid," an upcoming phone from Motorola that will run Google's Android operating system.

The ad pulled no punches, directly attacking the presumptive shortcomings of Apple's iPhone. "iDon't have a real keyboard, iDon't run simultaneous apps, iDon't take night shots," the ad begins, appropriating the style of Apple's own commercials. "Everything iDon't...Droid Does."

This isn't the first grenade Verizon has chucked recently in Apple's direction. An ad highlighting the weaknesses of the iPhone on AT&T's 3G network ran earlier this month, according to the blog Apple Insider.

This nasty name-calling does not bode well for the prospects of the iPhone joining Verizon in 2010, talks for which were said to have begun earlier this year.

Steve Jobs, Apple's chief, has a notoriously long memory, and Ivan Seidenberg, chief executive of Verizon, must know this. So it seems the companies are settling in to their status as long-term rivals.

<http://bits.blogs.nytimes.com>

AT&T Teams Up With Barnes & Noble on Android ereader

October 20, 2009

AT&T has found its nook in the ereader market.



AT&T provides service for Barnes & Noble's ereader.

The company will provide 3G wireless service for Barnes & Noble's new ereader, the Nook, details of which leaked online ahead of its official press unveiling Tuesday afternoon in New York. It is the fourth ereader AT&T has said it will provide wireless connectivity for, joining the likes of Amazon.com's Kindle (the international edition), Sony's Daily Edition device and Plastic Logic's forthcoming ereader.

The Nook is being hyped as a Kindle killer, and certainly does pack an impressive feature set. It has HSPA connectivity and WiFi, runs on Google's Android platform, has an E Ink display and a 3.5-inch color touchscreen LCD display. Both the 3G and WiFi will be free in Barnes & Noble stores. Additionally, the Nook has an MP3 player, 3.5 mm headset jack, 2 GB of internal memory and a microSD slot capable of holding 16 GB cards.

However, perhaps the most impressive feature of the Nook is that users can share ebooks for free via Barnes & Noble software. The software will allow users to lend to and from any iPhone, iPod touch, BlackBerry, PC or Mac, as well as from one Nook to another. The Nook will cost \$259, the same as the price of U.S. version of the Kindle, which runs on Sprint Nextel's network. Barnes & Noble will begin pre-orders Tuesday night, and the Nook will begin shipping at the end of November.

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Mergers & Acquisitions

Sprint to Buy iPCS for \$831M

October 19, 2009

Sprint Nextel is acquiring its affiliate iPCS for \$831 million in a deal that will settle all litigation between the two companies. The two have been squabbling for years over territorial exclusivity rights, arguments that spanned CDMA, iDEN and mobile WiMAX offerings. Sprint said the acquisition includes assuming \$405 million of net debt, and will result in synergies of \$30 million per year. Through the deal, Sprint will add more than 700,000 direct customers and 270,000 wholesale customers to its customer base of 49 million people.

As of June, iPCS' spectrum licenses covered around 15.1 million people, and its network covered 12.6 million people.

The deal is the latest in a long string of purchases for Sprint, which kicked things off in a big way in 2005 with the purchase of Nextel for around \$35 billion. Since then the carrier has snapped up a range of its affiliates including US Unwired (for \$1.3 billion in 2005), Alamosa Holdings (for \$3.4 billion in cash in 2005), Nextel Partners (for \$6.5 billion in 2005), UbiquiTel (for \$1.3 billion in 2006) and other, smaller companies and affiliates. The latest?

Sprint announced in July a plan to buy Virgin Mobile USA for \$483 million.

Under the terms of its proposed iPCS acquisition, Sprint will acquire all of iPCS' outstanding common shares for \$24 per share, which represents a 34 percent premium of iPCS' closing price of \$17.88 on Oct. 16. The deal is subject to regulatory approval and is expected to close either in the fourth quarter or early 2010.

Stock for iPCS was up a whopping 33 percent on the news, to around \$23.83 per share. Sprint's stock meanwhile remained relatively unchanged at around \$3.47 per share.

The acquisition marks a potential end to years of vicious litigation between Sprint and iPCS. Indeed, the transaction, if confirmed, may allow Sprint to retain the iDEN operations in parts of Illinois, Iowa, Michigan and Nebraska it was ordered to divest. In early February, the Circuit Court of Cook County, Ill., ruled that Sprint had violated agreements with iPCS by operating its iDEN networks in territory in which iPCS had affiliate exclusivity rights. The court ordered Sprint stop owning, operating and managing the offending portion of the Nextel network by Jan. 25, 2010. Now, Sprint said it will now no longer be divesting the operations.

Sprint spokesman Scott Sloat told *FierceWireless* that while settling the litigation was a factor in the deal, the acquisition also will bring Sprint synergies and improve its free cash flow in 2010.

"While it certainly was a consideration, the transaction also is a good move financially and strategically," he said. "Sprint Nextel will be acquiring a growing CDMA wireless business that fills in a piece of our existing national wireless network."

Sloat also said that Sprint continues to "value our relationship with the remaining PCS affiliates that provide service under the Sprint brand."

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Industry News

Ranking the World's Global Wireless Operators

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Top 20 mobile network operators worldwide by total revenue

| Rank | MNO | Total Revenue (In USD Billion) |
|------|------------------------|--------------------------------|
| 1 | China Mobile | 57.5 |
| 2 | AT&T The US | 49.3 |
| 3 | Verizon The US | 49.3 |
| 4 | NTT DOCOMO Japan | 43.9 |
| 5 | Sprint The US | 30.4 |
| 6 | KDDI Japan | 27.2 |
| 7 | T-Mobile The US | 22.0 |
| 8 | Orange France | 15.8 |
| 9 | SoftBank Japan | 15.2 |
| 10 | Movistar Spain | 14.2 |
| 11 | Telecom Italia | 14.1 |
| 12 | SFR France | 13.6 |
| 13 | Telcel Mexico | 12.3 |
| 14 | T-Mobile Germany | 11.4 |
| 15 | Vodafone Germany | 10.9 |
| 16 | SK Telecom South Korea | 10.8 |
| 17 | O2 The UK | 10.4 |
| 18 | Vodafone Spain | 10.3 |
| 19 | Vodafone The UK | 10.0 |
| 20 | China Unicom | 10.0 |

According to Portio, total revenues have two components: service revenues and equipment (or handset) revenues. Mobile service revenue is further divided into two segments: voice services and data services. In emerging markets, operators generally focus on voice services, whereas in developed markets the focus is on complementing voice services with a range of value added voice and data services.

Caveats: Total revenue helps visualize the scale of an operator's operations, but it fails to indicate how successful an operator has been in growing its revenue opportunity. It also fails to take into consideration the state of GDP growth of the country--higher GDP growth provides more chances for an operator to grow its revenues. Market conditions, such as mobile penetration, also need to be considered to evaluate an operator's performance in the market, as emerging markets generally yield low revenue per user compared with developed markets.

Thus, comparing operators on the basis of total revenues generated might not be the most effective way of evaluating the operators' efforts at increasing their revenues. For more charts and information on this, click on the website below.

<http://www.fiercewireless.com>

Emerging Technology

Toshiba Dynario fuel-cell: the battery revolution begins October 29th

October 19, 2009

We can hardly believe it but the day has finally arrived: Toshiba just launched the first Dynario fuel-cell for portable consumer electronics. That's right, the long promised and highly anticipated direct methane fuel-cell (DMFC) with dedicated fuel cartridge for on-the-go refueling will go on sale October 29th in Japan for ¥29,800 (about \$328) plus another ¥3,150 (about \$34) for a set of five, 50ml fuel cartridges. Dynario takes about 20 seconds to fill its 14ml fuel tank with an injection of a concentrated methanol solution at which point it's ready to charge USB-connected devices. Dynario's hybrid structure uses a lithium-ion battery to store enough electricity to charge two typical cellphones, according to Tosh. The first run consists of only 3,000 units after which Toshiba will gauge consumer reaction before extending the launch outside of Japan. Boy oh boy, a new age in portability has begun.



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