Pandemic hurts AT&T in 3rd quarter, wireless unit stable

October 22 2020, by Tali Arbel

This file photo combo shows the AT&T logo on the side of a corporate office in Springfield, Ill., left, and a DirecTV satellite dish atop a home in Los Angeles. AT&T is launching a new internet-delivered TV service Monday as it struggles with a shrinking DirecTV satellite business. The new service, AT&T TV, will have the same channels offered on DirecTV, but it'll come over the internet rather than a satellite dish. AT&T has been testing the service in about a dozen markets and is now making it available to anyone. (AP Photo/File)

The pandemic continued to hit AT&T through the third quarter as closed theaters, wary U.S. moviegoers and the Hollywood shutdown hurt its WarnerMedia movie and TV business.

The Dallas company's largest division, wireless, was stable. It added 131,000 prepaid phone customers and 645,000 postpaid phone customers, those who pay a regular monthly bill. Analysts on Thursday saw the key postpaid phone figure was a strong result.

But customers continued to drop their DirecTV service as TV watching shifts online. AT&T is reportedly interested in selling the division it bought for $49 billion in 2015, because it's been bleeding customers for years. It lost 590,000 "premium" video customers, which includes DirecTV, in the latest quarter, and also dropped 37,000 customers of its streaming service, AT&T TV Now.

WarnerMedia had lower TV licensing and production revenues because of the halt in production of TV shows and movies, and the movie business suffered from closed theaters and delays of new movies. Its revenue fell 10%, to $7.51 billion. The new HBO Max streaming service had 8.6 million activations. There are 28.7 million customers who could use HBO Max—those who get HBO from their cable company can switch to the newer HBO Max service—but the big gap between the two numbers suggest that many remain unaware or uninterested.

Overall net income fell 24% to $2.82 billion, or 39 cents per share. Adjusted earnings were 76 cents per share, a penny shy of Wall Street expectations, according to Zacks Investment Research.

Revenue fell 5% to $42.34 billion, topping Wall Street projections for $41.56 billion. The pandemic cost AT&T about $2.5 billion in revenue.

AT&T shares rose $1.73, or 6.5%, to $28.44 Thursday, which Goldman Sachs analyst Brett Feldman attributed to improved subscriber trends. Shares are down around 30% this year.