

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

Leap Wireless International, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Romeo Reyes - Jefferies & Co.

Romeo Reyes - Jefferies & Co.

In terms of basically the churn was affected, I think you mentioned, by reacts and deacts. Can you please review that a little bit? I think, Al, you talked about ARPU also being affected a little bit by reacts and deacts, so can you please maybe just give us a sense of [inaudible] and on churn.

And then secondly just, Doug, I think in the slide you mentioned that broadband drivers are going to be about 100,000 by year end '08. Is that the right number?

Albin F. Moschner

Let me just again talk about the churn perspective. As I mentioned, we did see a very good result in churn, actually seeing a 40 basis point improvement in our existing business. But we did have higher volatility, and it came in two forms. We saw higher gross deactivations, and the way churn is calculated is we start out with the gross deactivations in the quarter and the net benefit against those gross deactivations are reactivations. People come back that had been on our service before, and they come back in several different ways. And fortunately we saw the reactivation side of this greater than expected, generally offsetting the greater gross deactivations.

Unfortunately, both of those have a dampening effect on ARPU. Clearly, as we have great deactivations, we don't collect revenue from those customers that leave the service, and in a reactivation sense, that service revenue is further delayed in later periods and not in the months that - we don't get full credit for that revenue in the months that the reactivation occurs. And so, with the volatility that we saw primarily at the end of the quarter, it tended to reduce ARPU to some degree.

Romeo Reyes - Jefferies & Co.

Would you mind going through the difference between deact and disconnect?

S. Doug Hutcheson

There's no difference. A deact and a gross disconnect are the same thing. So churn is reported, as we've always said, there's no difference in how we report churn. Churn is reported net of deacts and reactivations of the same customer.

Romeo, as far as the broadband, our guidance is we expect approximately 100,000 broadband customers by the end of this year based on our current trends, so I think what you heard was correct. And we'll have launched that up to about 60 million covered POPs.

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.