

Nokia lowers profit outlook, shares nosedive

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A Feb. 8, 2012 photo from files showing the Nokia offices in Salo, Finland. Tomi Marjuaho repaired mobile phones for 10 years in the town of Salo in southern Finland, where Nokia, the world's top cell phone-maker, set up its wireless operations in the 1980s. He took a severance package in 2010, as Nokia started hitting hard times, and has not found work since. "I was the breadwinner in the family, and now it's difficult making ends meet," the 39-year-old said, at the local metal workers union club which is used by the town's unemployed as a meeting place. "It's the same story for so many people I know from Nokia days." Salo _ along with other Finnish towns inextricably linked to Nokia _ is facing an uncertain future as Finland's most famous corporation shifts its mobile phone assembly to Asia. (AP Photo/Lehtikuva, Jussi Nukari, File) FINLAND OUT

(AP) -- Nokia Corp. saw its share price plummet 14 percent on Wednesday after it warned that heavy competition will hit its first-quarter earnings, especially in developing markets, and that it expected no improvement in the second quarter.

The world's largest cell phone maker said multiple factors had hurt sales, particularly in the fast-growing markets of India, the Middle East and Africa and China.

The Finnish company has increasingly been losing out to competitors in the lucrative top-end smartphone sector, against Apple Inc.'s [iPhone](#) and brands using [Google Inc.](#)'s popular Android software, including Samsung. But it's also been squeezed in the low-end by Asian manufacturers making cheaper phones, such as China's [ZTE](#).

Nokia said operating margins in the first quarter were "approximately negative 3 percent." Previously, it had expected them "around break-even, ranging either above or below by approximately 2 percentage points."

It said it sold 71 million mobile phones in the quarter - down from 108 million in 2011 - with [net sales](#) of (EURO)2.3 billion (\$3 billion), while smartphone sales halved to 12 million units from a year earlier.

The profit warning was coupled by other bad news from the cell phone maker, which acknowledged a data connection problem with the Lumia 900 just two days after a high-profile launch in [Times Square](#) in New York and elsewhere in the United States.

Nokia said it would compensate American Lumia 900 users with \$100 in credit at AT&T because of the software problem, as well as providing an updated Lumia 900.

Wednesday's news spooked investors, who sent Nokia's [share price](#) down more than 14 percent to close at (EURO)3.27 (\$4.29) on the Helsinki Stock Exchange.

CEO Stephen Elop described the performance as "disappointing" for the

company that had pinned hopes on posing a new challenge against chief rivals with new Windows-based Lumia smartphones, first launched in Europe in November and later in the United States and China.

"Our devices and services business continues to be in the midst of transition," Elop said. "Within our smart devices business unit, we have established early momentum with Lumia, and we are increasing our investments in Lumia to achieve market success."

In the first quarter 2012, Nokia said it sold more than 2 million Lumia phones at an average price of (EURO)220. On Wednesday it unveiled a new version of the Lumia 610 which will give customers near field communication technology, or NFC, allowing users make payments at adapted sales tills and exchange data with handsets with similar technology.

Elop also told analysts that Nokia would launch new products in the second quarter, take "tactical pricing actions in the near term" and would speed cost-cutting measures and "pursue significant structural actions if and when necessary."

Earlier this year, Nokia announced 4,000 job cuts - on top of 10,000 last year - and said it will stop assembling cell phones in Europe by 2013 as it shifts production to Asia, where the majority of component suppliers are based, to cut costs and help it reach markets faster.

Nokia has been the leading handset maker since 1998 but after reaching its global goal of 40 percent market share in 2008 it has gradually lost ground, falling to below 30 percent market share last year.

In a major strategy shift, it began a partnership with Microsoft Corp. last year, launching its first phone with the Windows operating system in October, aimed at clawing back lost ground. But analysts said it would

take several quarters before the company's success could be measured.

Hannu Rauhala from OP-Pohjola bank in Helsinki said Nokia had lost market share quicker than expected - especially in China, its largest market - and that Windows-based phones had not managed to compensate for the loss.

"The [market share](#) shifted from Nokia to cheap Android phones in China," Rauhala said. "The interest will be increasingly turning to the second half of the year when we'll see Windows tablets and new generation Windows phones ... and if they are competitive and able to challenge Samsung and Apple."

Nokia is due to report [first-quarter](#) earnings results on April 19.

The Espoo-based company, near Helsinki, employs some 130,000 people, down from more than 132,000 a year ago.

More information: <http://www.nokia.com>

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