Nokia share price plummets as it lowers outlook

May 31 2011, by Aira-Katariina Vehaskari

A Nokia N97 phone. Nokia, the world's top mobile phone maker, has downgraded its second quarter outlook, saying sales would be far lower than expected and that it can no longer provide a full-year forecast.

The world's top mobile phone maker Nokia on Tuesday downgraded its second quarter outlook, saying sales would be far lower than expected and that it could no longer give a full-year forecast.

"Nokia now expects Devices and Services net sales to be substantially below its previously expected range of 6.1 billion to 6.6 billion euros ($8.6-9.5 billion dollars) for the second quarter 2011," the company said in a statement, citing lower than expected selling prices and volumes.

After issuing the warning, Nokia saw its stock price plunge 17.5 percent to close at 4.75 euros a share on a Helsinki stock exchange down just 0.80 percent. Shares in mobile phone giant are at their lowest level since 1998.

Like investors, analysts were clearly disappointed by the news.

"It's surprising, and I don't expect any miracles to happen in the second half of the year. Profits will be very weak," FIM bank analyst Michael Schroeder told AFP, adding that the announcement confounded market forecasts which were largely in line with the company's.

Nokia said its forecast of a flat sales growth in the second and third quarters followed by a seasonal fourth-quarter upswing was "no longer valid," adding it would only give short-term quarterly guidance in its interim reports "when circumstances allow it to do so."

Although it remains the world leader, Nokia has in recent years seen a dramatic drop in its global market share amid heightened competition in the high-end smartphone market.

In February, the company announced a strategic shake-up, including phasing out use of its smartphone platform Symbian in favour of a tie-in with the Microsoft Phone platform, and warned the transition would cause turbulence.

"We've known that Symbian's competitiveness is weak, and would cause a loss of market share, but this steep a nosedive is surprising and worrying," said Schroeder, adding that it was significant that Nokia "doesn't dare" predict what the effect will be on the second half of the year.

Nokia chief executive Stephen Elop meanwhile told a conference call the sales forecast revision was prompted by heightened competition in

China and Europe.

"There is definite pricing pressure going on. We are understandably under pressure as to what's the right pricing point (for our Symbian phones)," he said.

Schroeder said that Nokia had landed itself in a pickle because it was phasing out Symbian phones much faster than it would be able to bring new products to the market.

That means Nokia's 2011 profit will largely depend on the pricetag it puts on its phones.

"By lowering prices they can support market share, but then it weakens profit. Or they can max out the price point but then it affects market share," he said.

Elop said the focus now was on bringing out the first Nokia Windows mobile phones in the fourth quarter.

"There's work still ahead, there's bugs and everything you would expect in this point in the development cycle,... but we're feeling good about the progress," he said.

Nokia's first quarter net profit fell 1.4 percent to 344 million euros ($503 million), while it said its market share fell to 29 percent from 33 percent in the first quarter of 2010, and compared with 40 percent in the first half of 2008.

On Tuesday Elop acknowledged that the company worried "a great deal" about market share, but said this was the time to make "aggressive changes" to streamline the production channel and get new phones from development to shop shelves faster.