

# Ericsson sells its Sony Ericsson stake to Sony

October 27 2011, By MALIN RISING , Associated Press

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LM Ericsson and Sony Corp. announced Thursday they will go separate ways as Ericsson sells its 50 percent stake in mobile phone maker Sony Ericsson to Sony for euro1.05 billion (\$1.46 billion).

Sony Ericsson will become a wholly owned subsidiary of Sony and integrated into Sony's platform of network-connected consumer electronics products, the Japanese company and Swedish wireless equipment firm said.

The transaction gives Sony an opportunity to integrate smartphones with consumer electronics devices, such as tablets, televisions and personal computers, the companies said.

The move was widely anticipated by analysts, who have argued Sony Ericsson could become more competitive in the tough smartphone market under sole Sony ownership.

Shares in Ericsson rose by 5.1 percent to 70.1 kroner (\$10.7) in early Stockholm trading, while Sony stock climbed 5.4 percent to 1.65 yen (\$21.7) before closing in Tokyo.

"I believe this improves the outlook for Sony Ericsson, because Sony can take full responsibility for the company and use the unique things that they have," said Greger Johansson, an analyst with research firm Redeye. "The opportunity to integrate the phones with their other products improves."

Johansson said the smartphone market is "extremely tough" and Sony Ericsson's competitors are also developing quickly.

He said the price Ericsson received wasn't great, but it will be a relief for the Swedish company to be able to focus on its core wireless equipment business and offload the mobile phone maker that has taken up a lot of management time.

"Sony Ericsson has no strategic value for Ericsson anymore," added Helena Nordman-Knutson, an analyst with Ohman Fondkommission in Stockholm.

Ericsson and Sony combined their unprofitable handset ventures into the joint venture Sony Ericsson in 2001 and enjoyed some early successes with its Walkman and Cyber-shot phones.

In recent years it has suffered from the competitive climate in the smartphone market and earlier this month it posted a break-even third quarter result.

The company adopted Google's Android operating system for its smartphones in 2008, and has said it now controls about 11 percent of the Android-based smartphone market. Its Android-based Xperia smartphones account for more than 80 percent of its sales.

Thursday's deal will provide Sony with an intellectual property cross-licensing agreement, covering all products and services of Sony as well as ownership of five essential patent families relating to wireless handset technology.

"We can more rapidly and more widely offer consumers smartphones, laptops, tablets and televisions that seamlessly connect with one another and open up new worlds of online entertainment," Sony CEO, Sir

Howard Stringer said, adding this includes Sony's PlayStation Network and its online provider of music, games and video, Sony Entertainment Network.

Stringer called the deal "the last piece of the puzzle" for Sony's portfolio of entertainment products, including movies, television and music and said it's no coincidence the deal was announced in the same month as the launch of the Sony Entertainment network.

He acknowledged the agreement was partly motivated by the tough competition in smart phone market.

"While we do have catching up to do, we have a lot of things to add to this phone," Stringer said. "The television or whatever that we can make for this phone and other Sony devices is the beginning of something I think is quite magical."

Stringer said the brand name of the mobile phones would probably change in the future but will remain as Sony Ericsson in the short-term. He added the acquisition will afford Sony operational efficiencies in engineering, network development and marketing.

The transaction is subject to customary closing conditions, including regulatory approvals, but has been approved by appropriate decision-making bodies of both companies.

Ericsson said the shift in the mobile market, from simple mobile phones to smartphones that include access to internet services and content, means the synergies for the company in having both a telecoms services portfolio and a handset operation have decreased.

"Ten years ago when we formed the joint venture, thereby combining Sony's consumer products knowledge with Ericsson's telecommunication

technology expertise, it was a perfect match to drive the development of feature phones. Today we take an equally logical step as Sony acquires our stake in Sony Ericsson and makes it a part of its broad range of consumer devices," said Ericsson CEO Hans Vestberg.

Ericsson said it will now focus on the global wireless market as a whole and how wireless connectivity can benefit people, business and society beyond just phones.

Ericsson and Sony will also set up a wireless connectivity initiative aimed at driving and developing the market's adoption of connectivity across multiple platforms, they said.

The agreement is expected to close in January 2012.

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Citation: Ericsson sells its Sony Ericsson stake to Sony (2011, October 27) retrieved 20 April 2024 from <https://phys.org/news/2011-10-ericsson-sony-stake.html>

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