

Sweden's Ericsson says Q4 profits dropped

January 25 2012, By LOUISE NORDSTROM , Associated Press

(AP) -- LM Ericsson, the world-leading wireless equipment maker in terms of market share, on Wednesday shocked the market by posting a much worse-than-expected fourth-quarterly result, mainly blaming operators for turning cautious due to the global financial turmoil.

Shares in the company took a severe beating in the opening minutes of the Stockholm stock exchange, tumbling 13 percent to 8.95 kronor (\$1.33).

The company, headquartered in Stockholm in Sweden, said profits in the final quarter of 2011 fell by more than two-thirds compared with a year earlier, reaching only 1.15 billion kronor (\$170 million) from a previous 4.32 billion kronor. Aside from the woes on the [financial markets](#), it also said operator investment spending had slowed down due to a period of high investment in capacity as well as caution linked to political unrest in some countries.

Although sales were more or less flat in the October-December period, rising by 1 percent to 63.67 billion kronor, the tighter budgets for operators led to a severe squeeze of its gross margin, which fell to 30.2 percent from a previous 34.7 percent.

Losses in its [Sony Ericsson](#) joint venture also hurt the results, it said. Ericsson last year sold its share in Sony Ericsson to Sony, but the deal is being finalized in this quarter.

For the full year 2011, however, a 12 percent rise in sales led to a [net](#)

[profit](#) of 12.19 billion kronor, also up 12 percent from the full year in 2010, the company said.

Greger Johansson, an analyst with research firm Redeye said the results fell way below expectations, describing them as "very weak," especially pointing to the disappointing sales figures in Ericsson's core unit, Networks.

"It's pretty much weaker on all areas," he said.

Ericsson CEO Hans Vestberg said that although his company expects operators "to continue to be cautious with spending, reflecting factors such as macro economic and political uncertainty" in the short term, "the industry fundamentals for longer-term positive development remain solid."

"With our global scale and presence, as well as technology and services leadership, we are well positioned to continue to drive and lead the industry development," he said.

Ericsson is the world leader in rolling out and upgrading mobile network infrastructure. Its biggest competitors are China's Huawei and Finnish-German joint venture Nokia Siemens.

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