

Nokia in Q3 net loss as sales continue plunge (Update)

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In this Monday, Feb. 25, 2013 file photo, Stephen Elop, chief executive officer of Nokia, speaks during a conference at the Mobile World Congress, the world's largest mobile phone trade show, in Barcelona, Spain. Nokia reports quarterly earnings on Tuesday, Oct, 29, 2013. (AP Photo/Manu Fernandez, File)

Nokia reported Tuesday a third-quarter loss as sales at the handsets unit it is selling to Microsoft continued to plunge. But the company gave a positive outlook on continuing operations, including the networks unit, causing the share price to surge.

Third-quarter net loss of 91 million euros (\$125 million) compared with a net loss of 969 million euros a year earlier, while revenue fell more than 20 percent to 5.6 billion euros.

But the struggling company said its network operations saw net profit grow 33 percent and was expected to have a positive operating margin of up to 12 percent in the last quarter, with "solid net sales growth on a sequential basis."

Nokia's share price closed up 7 percent higher at 5.34 euros in Helsinki.

The Finnish company sold 8.8 million smartphones in the period—all Lumia products—up 40 percent from a year earlier. In the third quarter last year it sold 6.3 million smartphones of which less than 3 million were Lumias. Demand rose strongly in the U.S., traditionally one of its tougher markets.

But that was not enough to keep Nokia Corp. from giving a negative outlook for the devices and services unit it has agreed to sell to Microsoft Corp. for \$7.2 billion, which will be shown as discontinued operations in the fourth quarter.

The company was more upbeat about its remaining operations: Nokia Solutions and Networks, or NSN; HERE mapping services and the Advanced Technologies unit.

CFO Timo Ihamuotila said it will be in better shape without the devices and services unit, which saw net sales fall by 19 percent in the quarter to 2.9 billion euros, selling only 64.6 million devices, down from 83 million a year earlier.

"Nokia's earnings profile and financial position are expected to strengthen significantly," Ihamuotila told analysts during a conference

call, saying the company will invest in growth in both mapping and location services.

Although Nokia retained its no.2 position in mobile phone sales overall with a 15.5 percent global share, that was mainly thanks to its line of older, non-smartphones that still sell in some emerging markets.

In smartphones, Nokia did not fare well.

At less than 9 million units, its sales lag well behind Samsung's 88 million and Apple's 33.8 million. Even South Korean LG, with 12.7 million units, and China's Lenovo, which sold 11 million, surged past the former world No. 1 that once commanded a global smartphone market share of 50 percent.

Neil Mawston from Strategy Analytics near London said Nokia's remaining operations looked promising.

The networks figures were "reasonably good" and would be a short term boost for the company, he said, while the HERE mapping services—commanding more than 80 percent market share in the automobile trade—could be a longer lasting boon.

"HERE has some decent prospects, and we see it as being the long term profit driver," Mawston said. "Nokia has a huge market share in maps worldwide and maps are core to a lot of the automotive and shopping experiences out there worldwide."

Mawston said he was also "relatively optimistic" about Nokia's Lumia range.

"All the arrows are pointing in the right direction," he said. "Nokia-Lumia still has a long way to go but at least they are headed in the right

direction after going in the wrong direction for so long."

Nokia board chairman and interim CEO Risto Siilasmaa described the third quarter as "the most transformative" in the company's history.

The company repeated its target to save 3 billion euros in operating costs by the end of 2013. Nokia employed 87,000 people at the end of the period, down from more than 105,000 a year earlier.

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