Nokia shareholders to vote on mobile sale to Microsoft

November 19 2013, by Raine Tiessalo

Nokia's shareholders were set Tuesday to vote on a historic decision to sell the Finnish company's mobile business to Microsoft, as the once-proud Nordic brand struggled to regain its edge.

The American software giant has agreed to pay 5.44 billion euros ($7.35 billion) for the assets, a deal which Nokia shareholders are overwhelmingly expected to support during an extraordinary meeting in Helsinki which begins at 1200 GMT.

"To the shareholders of Nokia, it's a good price because the company was suffering losses on the mobile activities, and Nokia had become too small in this area to have any hope of ever bouncing back," said Eric Beaudet, a Paris-based analyst at Natixis bank.

The markets agree, and the share price of Nokia has risen 102 percent, to 5.97 euros ($8.07), since the September announcement of the sale.

Pierre Ferragu, an analyst a New York brokerage firm Sanford Bernstein, estimated Nokia's mobile unit could be valued at minus five billion dollars, meaning it would actually make sense to pay someone for agreeing to take it over.

"It's an excellent deal. It's hard to imagine a better price for a division experiencing structural losses," he said.

The sale of the assets, which include the Lumia smartphone trademark and technology, must take place in early 2014.

Nokia, the world leader in mobile phones before ceding this spot to South Korea's Samsung in 2012, will become a telecom equipment maker without a consumer product arm.

This will mark the disappearance of a brand that has experienced a dramatic decline since the advent of Apple's iPhone in 2007.

"Nokia has good products, but it's not enough. Their problem is the fixed costs are too high," said Beaudet.

"You need 10 percent of the global smartphone market to be profitable. They have less than half."

Nokia is now number eight on the smartphone market, according to telecom consultancy Gartner.

In the more general market for mobile phones, it is number two with a 13.8 percent global market share in the third quarter, far behind Samsung with 25.7 percent but ahead of Apple with 6.7 percent.

Tuesday is the last opportunity for shareholders to discuss the string of failures that brought the Finnish group to its knees.

It's a long story, as detailed in former CEO Jorma Ollila's autobiography, which was published in October.

According to Olilla, Nokia was positioned well on the smartphone market at the time of the technology's infancy in 2004 and 2005, but when it took off in 2007-2008, the company's products were not up to par.

In 2011, a general manager headhunted from Microsoft, Stephen Elop, chose to partner with the American group, embracing its Windows operating system.

The move did not pay off. Nokia's profits fell precipitously under Elop, who resigned on the same day in September that the sale to Microsoft was announced.

"There will certainly be some noise (at the shareholder meeting Tuesday) from those who are dissatisfied with Elop's strategy," said Ferragu. "But they won't be the majority."

The majority will likely be attracted to the prospect of once again returning to profits, after losing 1.2 billion euros ($1.6 billion) in 2011, 3.1 billion in 2012 and 590 million in the first nine months of 2013.

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