

Nokia turnaround since handset unit sale continues (Update)

October 23 2014, by Matti Huuhtanen

Nokia is showing signs that it has turned around its fortunes following the sale of its ailing cellphone unit to Microsoft.

The slimmed-down Finnish company said Thursday that it made a third-quarter net profit of 747 million euros (\$950 million) of the year, compared with a 91 million-euro loss in the same period last year.

The result beat expectations and Nokia Corp. stock closed up more than 3.5 percent at 6.74 euros in Helsinki. The profit came despite a 1.2 billion-euro impairment charge following revaluing the Here mapping and locations services.

CEO Rajeev Suri said he was pleased to note strong growth in Nokia's three remaining operations—networks, mapping and software. Revenue in the third quarter grew 13 percent to 3.3 billion euros, from 2.9 billion a year earlier.

Suri said he was particularly satisfied by the performance of the key networks sector, which recorded near-record profits. He added that the division, which accounts for 90 percent of Nokia's total sales, is expected to record a full-year operating margin of 11 percent, up from the earlier estimate of 5 to 10 percent.

Neil Mawston from Strategy Analytics near London said Nokia had clearly benefited from ridding itself of the handset unit that had been unable to meet the challenges posed by Apple's iPhone and Samsung, as

well as cheaper Chinese competitors.

"Profits were up fairly strongly. Now that they've shaken off the phone side of things, Nokia is able to operate more freely and is doing better," Mawston said. "The mobile broadband operations are giving them a lift up and they should be doing well."

Mawston cautioned that the networks market is "highly cyclical" and that Nokia needs to continue to control costs.

The company said annual expenditures for continuing operations were expected to be 250 million euros this year, up from an earlier estimate of 200 million euros. Also, it said investments in technologies and patent licensing "will take time to come to fruition."

Suri, who joined Nokia in 1995, took over as CEO in May after the completion of the \$7.2 billion sale of the handset and services unit to Microsoft.

Before the sale, Nokia's handsets had continued to slide, with sales of 47 million devices compared to Samsung's 113 million in the first quarter, the last period the Finnish company recorded cellphone sales. Those figures included the former market leader's low-end handsets as well as the unpopular Lumia smartphones, which carried Nokia's name—widely expected to be dropped soon by Microsoft.

Suri said the company would continue to develop its mapping and locations services, providing Here maps, which has a near 80 percent global market share, for phones using the Android operating system, as well as previously providing Samsung users with Nokia maps.

On Thursday, Nokia appointed Sean Fernback as president of the mapping and location services division. He joined the company from

TomTom in 2014.

Nokia employed more than 59,000 people in the quarter—up 6 percent on a year earlier.

© 2014 The Associated Press. All rights reserved.

Citation: Nokia turnaround since handset unit sale continues (Update) (2014, October 23)
retrieved 19 May 2024 from <https://phys.org/news/2014-10-nokia-turnaround-handset-sale.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.