

Nokia raises outlook, to give billions back to shareholders (Update)

October 29 2015, byMatti Huuhtanen

Telecom networks company Nokia saw its shares surge on Thursday after it raised its outlook for the year and said it would distribute 4 billion euros (\$4.4 billion) to shareholders, despite a drop in third quarter earnings.

Revenue in the period was down 2 percent on the year to 3.03 billion euros (\$3.34 billion) due to lower demand in North America and Europe. Net profit fell 20 percent to 152 million euros (\$168 million), partly due to shifts in currency values, as well as higher interest and tax expenses.

But operating margins beat market expectations and the company's share price jumped 10 percent to 6.70 euros in late trading in Helsinki.

CEO Rajeev Suri said that although he was not pleased with overall sales, the profitability of the networks sector—which accounts for 95 percent of revenue—allowed Nokia to raise its full-year forecast. Operating margins are expected near the upper end of 8-11 percent, whereas previously it predicted them around the midpoint of that range.

"Our strong profitability is testament to the strength of our operating model. We said earlier in the year that we would redouble our efforts to ensure our cost structure was aligned to market conditions, and the success of those efforts is very clear in our results," he said.

Sami Sarkamies, senior analyst at Nordea Bank said the result was "excellent, with a positive surprise" from the networks unit. "Sales were

as expected and the margins were clearly higher than expected," Sarkamies said.

Lower sales in North America and Europe were partly offset by a 27 percent increase in sales in greater China, both in broadband and global services.

Suri said the small technologies unit, which includes Nokia's substantial licenses portfolio, had "a solid quarter" with 7 percent growth and reiterated the company's commitment to innovative products, including a virtual reality camera that will be able to capture three-dimensional video designed for professional content creators.

The ball-shaped OZO camera, which has eight synchronized shutter sensors and eight integrated microphones for spatial audio, was announced in July and will be launched before year-end, Suri said.

In anticipation of next month's shareholder meeting, which is expected to approve the 15.6 billion euro acquisition of ailing French telecom company Alcatel-Lucent, Nokia said it will pay 4 billion euros to shareholders.

Suri described the acquisition, which will make the Finnish company among the global market leaders in networks, as providing "a very strong long-term value creation opportunity."

He told analysts in a conference call that the deal had received all the necessary regulatory approvals and was expected to close during "the first quarter of next year, ahead of our originally anticipated timetable."

Nokia Corp. has shown signs of improved fortunes since selling off its ailing cellphone unit to Microsoft for 5.4 billion in 2013. In August, it announced the sale of its HERE mapping business—valued at some 2.8

billion euros (\$3.1 billion)—to a consortium of German automakers Audi, BMW and Daimler.

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