

Ericsson shares plummet after it warns on profit and outlook

October 12 2016

Mobile networks company Ericsson saw its share price plummet by almost a fifth on Wednesday after saying that its third quarter earnings this year will be "significantly lower" than expectations and it predicts no improvement anytime soon.

The Swedish company said its sales fell 14 percent in the period compared to a year earlier due to weaker demand for broadband networks.

Ericsson CEO Jan Frykhammar says "current trends are expected to continue short-term." He said that the Stockholm-based company "will continue to drive the ongoing cost program and implement further reductions in cost of sales to meet the lower sales volumes."

After the announcement, Ericsson shares were down nearly 17 percent to 51.40 kronor in early Stockholm trading.

Last week, Ericsson announced 3,000 job cuts in Sweden, or nearly 20 percent of its local workforce, and said it will downsize operations at several plants as part of its global plan to cut costs by 9 billion kronor (\$1 billion) in 2017.

"The negative industry trends have further accelerated affecting primarily Segment Networks. Continued progress in our cost reduction programs did not offset the lower sales and gross margin," Frykhammar said.

© 2016 The Associated Press. All rights reserved.

Citation: Ericsson shares plummet after it warns on profit and outlook (2016, October 12)
retrieved 25 April 2024 from

<https://phys.org/news/2016-10-ericsson-profit-due-weak-broadband.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.