

Nokia in Q3 loss, sales drop amid networks downturn

October 27 2016, by Matti Huuhtanen

Mobile networks operator Nokia continued to be hit by a downturn in the industry, reporting a loss in the third quarter and a 12-percent drop in sales that saw the company's share price plunge more than 7 percent.

As it struggles against tough competition, the Finland-based company on Thursday reported a net loss of 125 million euros (\$136 million), down from a profit a year earlier, on sales of 5.9 billion euros.

Last year's third-quarter result showed a Nokia stand-alone profit of 152 million euros on sales of 3 billion euros. The two results are not comparable as the 2016 results include the 15.6 billion-euro acquisition of the French networks provider Alcatel-Lucent completed this year.

Nokia shares closed down 7.6 percent at 4.32 euros in Helsinki.

Neil Mawston from Strategy Analytics near London said that Nokia continued to be hurt by competition.

"They're still struggling, still facing headwinds from China and elsewhere," Mawston said. "In terms of revenue they're still under pressure and falling. The 4G market globally for networks is not as strong as it once was and competition from Chinese rivals like Huawei continues to be fierce."

Other network providers are feeling the crunch, with Sweden's Ericsson—among the top three with Nokia and Huawei—reporting a loss

\$26 million in the third quarter from a profit a year earlier.

Nokia, which sold its troubled handset division to Microsoft in 2014 in a 5.4 billion euro deal and its mapping unit last year to a consortium of German carmakers for 2.8 billion euros, has focused on networks, accounting for some 90 percent of sales.

Its small technologies division, which controls a lucrative portfolio of patents, more than doubled sales in the period, to 353 million euros, mainly due to a licensing agreement with Samsung.

CEO Rajeev Suri was upbeat on the result and gave a guardedly optimistic outlook.

"We were able to deliver these solid results despite market conditions that are softer than expected, particularly in mobile infrastructure," Suri said. "As we look forward, we expect those conditions to stabilize somewhat in 2017, with the primary addressable market in which Nokia competes likely to decline in the low single digits for that year."

He said that full-year operating margins were expected to grow by 7-9 percent and that Nokia was on track to complete a cost savings program of 1.2 billion euros in 2018.

Nokia also said that CFO Timo Ihamuotila, who was a Nokia employee for 15 years, will be resigning to join ABB in Switzerland at the end of the year but will remain as an adviser to the company until Feb. 28.

Suri said that during his seven years as the top financial executive, Ihamuotila was instrumental in the purchase of Siemens when Nokia amalgamated German company, the sale of the handset division and its mapping services, as well as the acquisition of Alcatel-Lucent.

He will be replaced on Jan. 1 by Kristian Pullola, a corporate controller who joined the company in 1999.

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