

Ericsson rings up huge losses in 2017

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Swedish telecoms giant Ericsson rings up huge losses in 2017

Swedish telecoms giant Ericsson said Wednesday that it rang up huge losses last year as network competition, restructuring costs and investment in lightning-fast 5G technology pushed it deeply into the red.

The news sent Ericsson's share price tumbling nearly nine percent on the Stockholm stock exchange in early trading, in a flat market.

Ericsson said in a statement it booked net loss of 35.1 billion kronor (3.6 billion euros, \$4.4 billion) in 2017, compared with profit of 1.9 billion kronor the year before.

The group also booked an underlying or operating loss of 38.1 billion kronor last year after profit of 6.3 billion kronor in 2016, while revenues dropped by 10 percent to 201.3 billion kronor, the statement said.

"The focus during 2017 has been on reshaping overall strategy and on improving company structure and performance," explained chief executive Borje Ekholm.

"2017 was also the year when 5G went from vision to real business opportunities while we at the same time had good traction for our 4G portfolio," he continued.

"We are fully committed to our plans and our targets and expect to see tangible results of our turnaround in 2018."

Below target

In the fourth quarter alone, Ericsson's net loss widened to 18.9 billion kronor from a loss of 1.6 billion kronor a year earlier, while sales slumped by 12 percent to 57.2 billion kronor.

"The fourth quarter was in line with our overall expectation, with gradual improving performance in networks and continued significant losses in digital services. The result is however far below our long-term ambition," CEO Ekholm said.

Earlier this month, Ericsson had announced that writedowns of 14.2 billion kronor would be booked in the fourth quarter, originating mainly from goodwill from investments made a decade ago.

Investors fled after the earnings report was published.

"When I look at the order book there's not a lot of meat on the bone in there... I'm surprised the (share price) fall is so steep, but it's an automated-traded share," Jonas Olavi of Alfred Berg investment bank told financial daily Dagens Industri online.

"Ericsson needs to turn over every rock in the search for new sources of income," Mikael Tornwall, telecoms expert for daily Svenska Dagbladet, said.

Ericsson said it had reduced the number of its employees and external workforce by 10,000 during the fourth quarter, part of its restructuring plan aimed at cost savings of 10 billion kronor by mid-2018.

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