Nokia losses pile up as sales plunge (Update 3)

18 October 2012, by Matti Huuhtanen

(AP)—Nokia Corp. reported Thursday that its third quarter net loss widened further to €969 million ($1.27 billion) with a 19 percent plunge in revenue, as it struggles against the dominance of Samsung and the iPhone in the tough smartphone market.

Net sales dropped to €7.2 billion ($9.45 billion), and Nokia gave a grim outlook for the rest of the year as it prepares for this fall's launch of Microsoft Corp.'s new phone software, Windows Phone 8.

The Finnish firm said sales of its flagship Lumia phones—its first Windows-based devices launched a year ago—dropped to 2.9 million units from 4 million in the previous quarter. It acknowledged it expects no quick gains from the new Windows launch, warning that the current three-month period would be "challenging ... with a lower-than-normal benefit from seasonality in volumes."

Nokia also failed to say when and where the new Lumia 920 and 820 will be launched, except that it will be in "selective" markets during the current quarter.

Investors, some of which had been expecting a bigger drop in sales, pushed Nokia's share price up more than 10 percent during the day, but the gains did not last. The shares closed at €2.22 ($2.91)—up only 1 percent— on the Helsinki Stock Exchange.

In 2011, the third-quarter net loss was of €68 million on revenues of €8.9 billion. While this year's loss was deeper than analysts' forecast for a €610 million shortfall, sales beat expectations of €6.99 billion.

Analyst Hannu Rauhala from Pohjola bank in Helsinki said Nokia's performance had been a mild surprise.

"The worst fears are over ... and Nokia's network operations were clearly better than expected," he said.

The company said its feature phones had shown strong sales on the previous quarter and Nokia Siemens Networks—its former lossmaking joint venture with Germany's Siemens AG—had seen 3 percent revenue growth in the period with an operating profit of €182 million.

But the slide in Nokia's smartphone sector continued in the third quarter when revenue dropped more than 50 percent year-on-year to €976 million, with volumes plunging more than 60 percent to 6.3 million. In the second quarter Nokia sold 10 million smartphones.

Strategy Analytics said it expects Samsung to sell 55 million smartphones in the third quarter and Apple to ship 27 million.

Overall, Nokia sold 83 million mobile devices in the quarter, down slightly from the previous quarter but a plunge of 22 percent from a year earlier, when it had unit sales of more than 106 million. Analysts said they expect Samsung to top 98 million devices in the third quarter.

Neil Mawston from London-based Strategy Analytics said it was too early to bury Nokia as it comes through the transition period.

"If Microsoft and Nokia are not back on a strong upward path by April alarms bells will start ringing," Mawston said.

CEO Stephen Elop conceded that the third quarter was "difficult" as Nokia still suffers in the shift from the Symbian and Meego platforms on its devices to Microsoft's Windows software.

"Q3 represented a tough transitional quarter for our smart devices business as we introduced consumers for the innovation ahead with the new line of Lumia products," Elop said.

Nokia, formerly the world's top cellphone maker, had hoped to stem the decline in smartphones through the partnership with Microsoft Corp. but North America—the frontline of the smartphone market—continued to be a disappointment for its net sales and volumes further dropped by more than 50 percent in the region in the quarter.

Not only has it lost out in the fierce top-end race, it is now also losing ground to Asian makers in lower-end devices and phones using Google's popular Android platform.

Samsung overtook Nokia as the world's No. 1 cellphone maker in the first quarter, selling 86.6 million cellphones against Nokia's 83 million. Nokia had led the field for 14 years with global market share peaking at 40 percent in 2008.

Nokia has announced more than 10,000 layoffs this year in an attempt to reduce operating expenses by €1 billion by 2013, and has said that it will continue with more cutbacks to make the company profitable again.

The company, based in Espoo, near Helsinki, employs 105,300—down 23 percent from a year ago.

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