

Nokia jumps as NSN, phone demand fears ease

Tarmo Virki, Reuters

Nokia shares jumped on Monday as fears eased over a slump in a phone demand after signs of strong Black Friday sales in the United States, coupled with loss-making Nokia Siemens Networks (NSN) dismissing some expectations it would need to raise more money from its parents.

Initial signs of the sales on Black Friday -- the kick-off of the U.S. holiday shopping season -- were good, boosting gadget makers' stocks across the board, and pushing aside fears the economic downturn would hit the smartphone industry badly.

Shares in Nokia were 4.9 percent higher by 1008 GMT, outperforming a stronger STOXX Europe 600 Technology Index.

Parents Nokia and Siemens have provided capital "for the last time" and expect this investment will provide results, according to a copy of a letter sent from NSN Chief Executive Rajeev Suri to NSN's 74,000 employees, seen by Reuters.

"There has been speculation on the market that Nokia and Siemens would need to pay more," said Pohjola analyst Hannu Rauhala.

NSN has struggled to make a profit since being set up in 2007 and last week it announced plans to axe 17,000 jobs, nearly a quarter of its workforce.

"Our profitability remains far too low, with huge net losses since the start of the company. We continue to burn cash and have consistently generated negative free cash flow," Suri said in the letter seen by Reuters.

"We have too many businesses that have never produced adequate returns and regions that continually deliver losses."

NSN was formed by Finnish cellphone maker Nokia and German conglomerate Siemens in the hope of building enough scale to lead an industry dominated by Swedish company Ericsson and, increasingly, by Chinese entrants.

It has faced aggressive pricing from rivals and an economic downturn that has forced telecoms companies to cut spending.

After the last week's job cut announcement, several analysts said they thought the venture would need to raise more money from its parents to cover the restructuring costs on top of the 1 billion euros (\$1.33 billion) it raised in late September.

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