Electronics giant Philips posts Q4 loss of $211M

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Royal Philips Electronics NV, the Dutch electronics manufacturer, posted a fourth-quarter loss on Monday as it wrote down overpriced inventory at its lighting arm, customers postponed purchases of its medical imaging machines, and it suffered new losses at its television business.

Chief executive Frans van Houten, who has overseen a trio of profit warnings since taking the company's top job in April and watched as Philips' share price decline by more than a third, said prospects for the first half of 2012 remain clouded due to "uncertainty in the global economy, and Europe in particular."

The net loss for the October to December period was euro160 million ($211 million), compared with profit of euro465 million in the same period a year ago. Revenues rose 3.3 percent to euro6.79 billion.

The impact of Europe's financial crisis was evident as sales fell by 6 percent, compared to a 4 percent rise in North America and 10 percent growth in developing markets. Each accounts for about a third of Philips' total.

"Our fourth-quarter results were impacted by weak European sales, postponement in deliveries of existing orders in our health care sector, and inventory correction actions...in our lighting business," said Van Houten in a statement.

The company's most recent warning, earlier this month, took some of the sting out of Monday's loss, but analysts were still critical. Philips said it has completed just a third of a euro2 billion share buyback program running from July 2011 to July 2012, and pushed its completion date back a year. Philips now has net debt of euro700 million, compared to net cash of euro1.2 billion at the end of 2010, after accounting for buybacks, dividends and acquisitions.

"The decision to slow down the pace of the share buyback is not a sign of confidence," said analyst Victor Bareno of SNS Securities in a note on the earnings. He rates Philips' stock a Hold.

Shares fell 2.9 percent to euro15.13 in early Amsterdam trading.

Philips' lighting arm, seen as its growth engine, increased sales by 7 percent and the company said cutting edge LED lights now account for 18 percent of the total. However, the company had to write down the value of inventory, as customers have not been willing to pay as much for energy-saving bulbs as Philips expected. Operating profit fell 79 percent to euro41 million, also in part due to costs of re-branding recently acquired businesses.

Although Philips said it would cut 4,500 jobs, mostly at its lighting division, after weak third quarter earnings, it said Monday its work force has actually grown by around 600 jobs, mostly in the U.S., due to acquisitions. It employed around 122,800 at year-end.

Philips' television business posted a euro272 million loss, worsening from a loss of euro38 million in the same period of 2010. Philips has an agreement to sell a 70 percent stake in the business to Hong-Kong based TPV Technology Ltd., under which TPV will make and distribute Philips-branded TVs in most of the world; it already has a similar deal with Funai for the U.S. market. Philips has been trying to ditch the lossmaking business for more than a year.

Apart from the television subsidiary, Philips' consumer appliances division, which makes shavers, toothbrushes and coffee machines, posted sales growth of 3 percent and a 12 percent fall in operating earnings.

Health care equipment sales rose 3 percent to euro2.72 billion, but operating profit fell 22 percent in an area that Philips competes with larger rivals Siemens AG and General Electric Co. Philips said it was investing extra money in its sales department, as well as research and development.

At a press conference, Van Houten rejected the suggestion that Philips should split itself into separate consumer product, medical and lighting arms, saying they benefit from the Philips brand despite serving separate markets.