

Nokia defends strategy to exasperated investors

Tarmo Virki, Reuters

(Reuters) - Nokia's new chairman Risto Siilasmaa defended its turnaround strategy on Thursday before meeting shareholders who are losing patience with the company's efforts to catch up in the smartphone market.

Nokia lost out to Apple Inc and Google Inc in the first wave of smartphone business and is now pinning hopes of a turnaround on Lumia, a new range that uses Microsoft software.

"I am confident that Nokia has the right team, right strategy and now increasingly also the right products on the market to get us through this transition period," Siilasmaa told reporters as he headed into the meeting.

Sales of Nokia's new smartphone range have so far been slow and are yet to compensate for diving sales of previous products.

"It's hard to break through. It's been harder than we expected," Chief Executive Stephen Elop told shareholders.

Nokia also lost its position as the largest volume cellphone maker to Samsung Electronics last quarter.

Investors have seen the value of their Nokia holdings fall 90 percent in less than five years - two-thirds of that since its new chief executive, Elop, unveiled the company's strategy shift to Microsoft in February 2011.

"The situation of Nokia and Nokia Siemens Networks is close to catastrophic," shareholder Pekka Jaakkola told the meeting in Helsinki. "Nokia is fighting against time."

Ratings agencies Fitch and Standard & Poor's both recently cut Nokia's credit rating to "junk" status given its bleak outlook.

Investors said they were willing to give Elop and the company more time, but wanted to see signs of a turnaround soon.

"Something needs to happen this year that brings confidence back," said Tomi Lahti, who said he was holding onto the shares because the company was the country's industrial flagship.

"It's more of a sentimental thing I have, it probably has nothing to do with numbers. I have to believe in it since it is this famous Finnish company," he told Reuters.

Ari Rikkila, head of Finnish software company Efecte, said he bought Nokia shares a

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few months ago in hopes Siilasmaa would help the company recover.

"This year the strategy should be implemented. Next year we should be seeing results," he said.

Shares in Nokia closed 1 percent lower at 2.67 euros on Thursday in Helsinki, the last day investors in the stock have the right to a 0.20 euros per share dividend.

PROMISE OF TABLETS AND MORE

Siilasmaa's predecessor Jorma Ollila also promised a range of new products in an interview published on Thursday, amid growing doubts the company had the right products to compete with rivals such as Apple.

In an interview with the Financial Times, Ollila said the Finnish company would launch a range of tablets and "hybrid" smart mobile devices, but did not say when.

Once hailed as a national hero in Finland for transforming Nokia from a toilet paper to rubber boots conglomerate into the world's No 1 cellphone maker in 1998, Ollila was criticized in recent years for neglecting the emergence of smartphones.

Ollila, who stepped down at the meeting after 27 years with the company, acknowledged Nokia had been too slow at the start of the smartphone revolution, but said the combination of new products and Nokia services would help.

Nokia is widely expected to unveil its first tablet computer later this year when Microsoft's new Windows 8 operating system becomes available.

Analysts said it would be tough for Nokia to make a transition into the tablet market.

However, Gartner analyst Carolina Milanesi said Nokia was not at a disadvantage compared with other vendors in terms of competing with Apple and that it could leverage its relationship with Microsoft.

"They also understand much more than PC vendors do the relationship between smartphones and tablets. Plus they have a better distribution channel outside of the U.S. and Western Europe" than the PC makers, she said.

Ollila said he wished he could have left on a higher note. In a poll published by national broadcaster YLE last week, about 40 percent of analysts following the company rated his 13 years' work as chairman as 'poor' or 'unacceptable'.

"Every chairman wants to leave a blossoming company when he leaves. I would have wanted that also," Ollila said. "I strongly believe Nokia will recover from this difficult situation and moves from shadow to light."

(Additional reporting by Eero Vassinen and Stephen Mangan; Editing by [Robert Birsell](#) [1], Sophie Walker and Helen Massy-Beresford, [Gary Hill](#) [2])

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