

## **S&P downgrades Nokia further into junk status**

MATTI HUUHTANEN - Associated Press - Associated Press

Rating agency Standard and Poor's on Wednesday downgraded Nokia Corp.'s long-term corporate credit rating further into junk status amid concerns over the cellphone company's deteriorating profitability.

While cutting its rating on Nokia by two notches to BB-, S&P warned there could be further downgrades as it slapped a negative outlook on the company. For S&P, anything below BBB- is considered junk status, or not investment grade. That means S&P thinks Nokia is a speculative investment and will likely make it more expensive for the company to raise money in capital markets.

S&P also lowered the rating for the group's unsecured debt - also to a BB- from a previous BB+ rating, saying that Nokia's second-quarter results and guidance had been lower than expected.

"The negative outlook reflects the possibility of another downgrade if Nokia fails to stabilize its margins and significantly cut its cash losses," the agency said. "We now assume that Nokia's smartphone operations will post lower revenues than we previously anticipated over the coming quarters."

Last month, Nokia reported a 19 percent drop in sales and a quadrupling of net loss to a record €1.4 billion (\$1.8 billion) for the second quarter. Nokia CEO Stephen Elop also said the third quarter would "remain difficult" as the phase-out of Symbian-based phones continues in favor of the Windows operating system that Nokia adopted after joining forces with Microsoft Corp. last year.

The ailing Finnish firm has been fighting fierce competition from Apple Inc.'s iPhone and other makers using Google Inc.'s popular Android software, including Samsung Electronics Co. and HTC of Taiwan. It is also being squeezed in the low-end by Asian manufacturers making cheaper phones, such as China's ZTE.

Nokia CFO Timo Ihamuotila said the impact of S&P's decision on Nokia was "limited."

"As we continue our transition, we are applying a strong focus on cash conservation while simultaneously reducing our operating costs and making our operating model stronger and more agile," Ihamuotila said.

It was S&P's second Nokia downgrade since April. Moody's has downgraded Nokia three times since April and Fitch dropped Nokia to junk status four months ago.

Nokia was the world's leading mobile phone maker for more than a decade but was overtaken by Samsung in the first quarter, according to research firm Gartner.

## **S&P downgrades Nokia further into junk status**

Published on Electronic Component News (<http://www.ecnmag.com>)

---

Nokia has said that it expected a difficult transition period from Symbian and Meego platforms to the Windows operating system.

Last month, it reported that the decline of Symbian phones dragged down sales in all regions except for North America, where the decline was "more than offset" by sales of the Windows-based Lumia devices. Nokia said it sold 4 million Lumia phones worldwide in the quarter - double the amount in the first quarter.

Nokia's global market share has steadily shrunk from the peak of 40 percent in 2008 to 29 percent in 2011 and is expected to dwindle further this year. Its shares have fallen to their lowest level since the 1990's, plunging below €2 in mid-June.

On top of previous job cuts Nokia said in June that it will slash 10,000 jobs and close down research and development facilities in Germany and Canada, as well as its main manufacturing plant in Salo, Finland. Nokia aims to save €1.6 billion through these measures by the end of next year.

In June, Espoo-based Nokia employed 113,000 people, down 18 percent on a year earlier.

Despite the latest downgrade, Nokia's share price closed up more than 3 percent at €2.08 (\$2.55) on the Helsinki Stock Exchange.

**Source URL (retrieved on 04/28/2015 - 10:22am):**

<http://www.ecnmag.com/news/2012/08/s-p-downgrades-nokia-further-junk-status>