

Nokia Is Finnish for Toast

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NEW YORK, (TheStreet) -- Wall Street gave **Nokia** (NOK) a big thumb down for its **Microsoft** (MSFT) reboot strategy.

"Nokia is first and foremost and always will be a Finnish company," CEO Stephen Elop said Friday, during the Microsoft Windows announcement.

Investors, however, were worried that Nokia is a finished company, sunk by its switch to an unpopular Microsoft mobile software and the painful possibility that it could be two years before the first phone arrives.



Stephen Elop

Nokia's shares, which fell 8% Thursday, fell another 13% Friday. In fact, in the two days since Nokia opted for Microsoft over the more favored Google Android system, Nokia has lost \$8.7 billion in market value.

The crucial mistake for Nokia, even if Microsoft Windows Phone 7 is viable, is that its new strategy only puts it further toward the back of the pack in the operating system race.

The smartphone market, like colas and telcos, has boiled down to a two-player split. It's either **Apple** (AAPL) or Google. Nokia with Microsoft represents, at best, the fourth player behind **Research In Motion** (RIMM).

Elop explained why Microsoft seemed the better choice. Joining Android, said Elop, "felt like giving up rather than fighting back."

Some analysts have seen enough.

Charter Equity Research analyst Ed Snyder wasn't optimistic about the near-term prospects for Nokia and downgraded the stock to sell Friday.

"The strategy has appeal on paper and lots of potential," Snyder wrote. "But Microsoft and Nokia are lousy with potential, what they lack is execution."

Morgan Stanley analysts weighed in concluding in a research note Friday that it will be a rough road for the stock. "A slow restructuring process for Nokia, no major management change and two years of transition will push the shares down, we expect," Morgan Stanley wrote.

Gleacher analyst Mark McKechnie called the Microsoft move better than Nokia sticking with its in-house strategy. But he cautioned that the transition could put Nokia in the red.

"Nokia will need to move quickly to ramp Windows Phone 7 products successfully lest its handset division return to losses and negative cash flow," McKechnie wrote Friday.

--Written by Scott Moritz in New York.

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