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# Nokia: After Q3 Results, More Grim Tidings From The Street

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While [Nokia](#) yesterday reported [better-than-expected results for the third quarter](#), the results did little to improve to Street's dire view of the company's current condition. Q3 results featured some signs of recovery at Nokia Siemens Networks, but very weak smartphone sales remain a huge source of concern. Based on the better performance at NSN, some analysts actually tweaked their estimated valuation upward a bit. But for Nokia to get out of its funk, the company needs to convince some slice of the iPhone and Android buying public to move over to Lumia and Windows Phone 8. So far, there is little evidence that is happening.

Here's a brief roundup of some of the Street commentary on the stock:

- **Bernstein Research analyst Pierre Ferragu:** He maintains his Underperform rating and \$1.56 target price. "In the Smartphone market, characterized by 'winner-take-all' dynamics for ecosystems, we do not see material room for Windows Phone 8," he writes. "Longer term, with a focus exclusively on this operating system and a dying feature phone market, Nokia is unlikely to drive more than 12 cents of earnings in 2015 after painful rounds of restructuring. This remains to us the basis for valuing the stock, as sum of the parts and liquidation approaches lead to very low and uncertain valuation floors."
- **Canaccord Genuity analyst T. Michael Walkley:** He maintains a Hold rating, but inches up his target to \$3, from \$2.80. "Nokia's visibility remains limited for its business units and modeling 2013 is challenging due to the uncertainty of how long Nokia can maintain a profitable Mobile Phones business unit given increased low-end smartphone competition, the uncertainty of whether Windows can become a viable third ecosystem with the Windows 8 launch and whether Nokia can turn Smart Devices into a profitable business segment, and the uncertainty of how sustainable the improved margin trends are for NSN in 2013."
- **Nomura analyst Stuart Jeffrey:** Keeps his Neutral rating. "Windows Phone prospects remain unclear as the latest phones are still to launch. Microsoft is yet to launch the software developer kit and initial launches are likely to be limited in scope to just a few operators and geographies. We see little scope to read much into Q4 results and see a risk that Windows Phone disappoints in [the 2013 first half] if Windows 8 traction remains weak, adoption of which we believe remains key to successful pull-through of Windows Phone 8 demand."

- **Baird analyst William Power:** He remains at Underperform, but ups his target to \$2, from \$1. “The stronger-than-expected NSN performance was a clear bright spot, though we remain concerned with Nokia’s continued smartphone struggles. The cash balance and improved NSN performance provide some downside support, though we expect smartphone concerns, and further anticipated share loss in Q4, to continue to pressure the shares.”
- **BMO Capital analyst Tim Long:** Stays with an Underperform rating and \$2 target. “While NSN was positive, only half of these economics stay with Nokia, which is the same thing that would happen if the business is sold. We believe the Smartphone business is most important to the stock, and we are very skeptical about the success of Lumia products in Q4 and 2013.”
- **Charter Equity Research analyst Edward Snyder:** He keeps his Underperform rating. “While Lumia’s hardware specs are impressive, persuading mobile phone users to adopt a brand new ecosystem will continue to be an uphill battle given the loyalty Android and iOS has established with its user base through its first mover advantages. This isn’t surprising given Nokia’s smartphone development didn’t start in earnest until long after consumer preferences for mobile computing had already been forged. Regarding low-end sales, [the] report reveals market share stabilization, but a smattering of entry-level and mid-tier Android devices flooding the market in Q4 will likely jeopardize any progress near-term... Time is clearly not on Nokia’s side and the odds are increasingly stacked in the favor of Apple and Samsung with competition receding and developers coalescing around platforms with substantial user bases.”

NOK this morning is up 3 cents, at \$2.83.