

Nortel to slash more jobs after US\$3.4bn loss

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Nortel Networks, the Canadian telecoms equipment maker, yesterday unveiled a US\$3.4bn quarterly loss, job cuts and a salary freeze due to the downturn.

"In light of the economic and market conditions ... Nortel continues to experience significant pressure on its business and the deterioration of its cash and liquidity," the company said.

In September, Nortel issued a profits warning, put one of its fastest growing businesses up for sale and said 2008 revenue would fall 2-4 per cent. Now, two months later, Nortel said the decline would be at the high end of that range.

"I can assure you that the sense of urgency which we had in mid-September has only accelerated these last two months," said Mike Zafirovski, chief executive. "This is a critical time for Nortel."

Mr Zafirovski's comments sent the company's share price down a further 8 cents, or 6.9 per cent, to \$1.09 in early trade. The shares had lost 92 per cent of their value this year before yesterday's announcement.

The third-quarter loss, equivalent to \$6.85 per share, compares with a profit of US\$27m or 5 cents a share in the year ago period. The loss includes a tax adjustment of US\$2.07bn and a US\$1.4bn writedown of goodwill. Revenue fell to US\$2.3bn from US\$2.7bn. Revenues from its core carrier networks business fell 24 per cent to US\$822m.

In an effort to conserve cash, which stood at US\$2.3bn at the end of September, the company announced the loss of another 1,300 jobs, or about 5 per cent of its 30,000 workforce.

The company's workforce has shrunk from a peak of 90,000 in 2000 before the telecoms and internet bubble burst.

Along with the layoffs, the company said it would freeze salary increases, cut back on consultants and review its entire real-estate portfolio. Nortel also said it would suspend dividends on two series of preferred shares issued by its main operating subsidiary. It said although it could pay them, its board has decided that "in this uncertain economic environment it would be prudent to maintain liquidity and preserve cash".

In addition, at least four executives will leave at the end of the year including John Roesse, chief technology officer and Lauren Flaherty, chief marketing officer, as part of a reorganisation of business units. Dietmar Wendt, global services president, and Bill Nelson, a vice-president of global sales, will also leave.

The latest cost-cutting, along with similar moves announced earlier, will lead to annual savings of about US\$400m in 2009.

Nortel has announced plans to sell its Metro Ethernet Networks business, which includes its optical, and carrier Ethernet technology and accounts for about 14 per cent of revenues. However, the financial crisis has meant many would-be buyers are preserving their cash rather than spending it on acquisitions.

Fonte: Financial Times, London, November 11 2008, Companies & Markets, p. 17.