

Fitch Downgrades Nokia, Outlook 'Negative'

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Following Nokia's troubling Q1 [earnings](#) [1] last week, where the company reported a \$1.9 billion loss on \$9 billion in total revenue, Fitch Ratings today announced a downgrade of Nokia's Long-term Issuer Default Rating (IDR) and senior unsecured rating to 'BB+' from 'BBB-'.

Fitch said Outlook on the long-term IDR is Negative.

The firm said that the deterioration in the company's core Devices and Services division in Q1, together with the company guidance of -3 percent non-IFRS operating margins or below for the division for Q2 led to the downgrade.

"The launch of the new Lumia phone with AT&T, and the potential launch of new Nokia products later in the year, could be positive for Nokia's credit profile," Fitch stated in a release, while also noting that numerous negative potential factors - declines in Nokia's low-end smartphone and feature phone business, further losses at NSN, or partial success from the Lumia line - could delay or fully impede a recovery.

Fitch stressed Nokia will need to demonstrate substantial improvements in Q3 and Q2 of 2012 to avoid further downgrades. Specifically, the company believes that Nokia needs to stabilize revenues and be capable of generating low-single digit non-IFRS operating profit margins and positive pre-dividend free cash flow.

Given the challenges facing the company, "Fitch is currently not convinced that Nokia can attain this over the course of 18 months."

Earlier this month, Moody's ratings agency [downgraded](#) [2] Nokia's debt grade to near junk status, citing a sharp decline in first-quarter cell phone sales that led to a 35 percent fall in revenue.

The agency lowered Nokia's long-term credit rating by one notch to Baa3 - just a step above non-investment grade - following Nokia's profit warning, which had caused the company's shares to plunge by more than 20 percent.

Shares of Nokia were down just over 2 percent to \$3.57 in early trading.

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