

No-No For Nortel

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It's hard to believe that Nortel Networks could get any worse.

On Friday, the telecom equipment maker's shares sank 14.7%, or \$1.12, to close at \$6.52, after it announced a wider second-quarter loss. It also warned of a tough economic environment, higher competition and lower spending by certain customers.

The company's CDMA wireless technology risks are expected to go up. CDMA is one of several widely used mobile communications technologies for networks that offer cellphone service.

Nortel said orders fell to \$2.2 billion in the quarter from \$2.7 billion a year earlier, mostly because of a weaker CDMA market in North America and lower orders from the company's joint-venture with South Korea's LG Electronics.

In a research note, RBC Capital Markets analyst Mark Sue wrote that Nortel's report of lower orders and deferred revenue from the first quarter may indicate third-quarter revenue below Wall Street's view, according to the Associated Press.

"Nortel's revamped management team is doing a commendable job given the macro challenges and the limited internal resources," Sue wrote.

Edward Snyder, principal analyst at Charter Equity Research, said it could be 2009 before CDMA spending recovers, as major U.S. carriers such as Sprint and Verizon are clamping down on spending.

"It's going to get worse," Snyder said. "Sprint's not going to up what they're spending as the U.S. economy slows."

Canada-based Nortel's sales were flat at \$2.6 billion, but its earnings sunk to \$113.0 million, or 23 cents per share, from \$37.0 million, or 7 cents per share.