

## **Bid for Wireless Assets Means Big Changes for Nortel Customers**

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Nokia Siemens Networks has bid for part of Nortel's wireless division. The deal should add value for CDMA and LTE carrier customers. But other Nortel customers must prepare for further sale announcements in coming weeks.

## NEWS ANALYSIS

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### Event

On 19 June 2009, Nortel announced the planned sale of its wireless division to Nokia Siemens Networks for \$650 million. If the sale is successful, Nortel's assets in code division multiple access (CDMA) and Long-Term Evolution (LTE) wireless access technologies will transfer to Nokia Siemens Networks. The deal does not include Nortel's Global System for Mobile Communications (GSM) technologies or the 3G Universal Mobile Telecommunications System (UMTS) softswitch core. Nortel's intellectual property related to the Mobility Management Entity (MME) of LTE will be licensed on a limited basis to Hitachi, which is system integrator on the MME deployment at KDDI.

Nortel also announced that it is in advanced discussions to sell off other divisions, and that it is moving to delist its stock, with the goal of canceling it. The Toronto Stock Exchange has already suspended trading. If Nortel stock is delisted, any remaining parts of the business will be owned by creditors, not shareholders.

### Analysis

This announcement marks the first major step in Nortel's efforts to emerge from creditor protection by selling off business units and restructuring. Gartner expects the deal to be completed — although other bidders have 45 days to put in higher offers, in accordance with the terms of Nortel's creditor protection.

Carriers including Verizon Wireless, Telus, Bell Mobility and Videotron have chosen Nokia Siemens Networks for recent contracts in the areas of LTE and IP Multimedia Subsystem, High-Speed Packet Access (HSPA) and High-Speed Packet Access Evolution (HSPA+). Nortel engineers have expertise in these areas and can add to Nokia Siemens Networks' expertise in GSM, W-CDMA and WiMAX. This combined knowledge will help support carrier network transformation initiatives, particularly by ensuring seamless handoffs between LTE and CDMA. We expect support for Nortel's flagship wireless products to be safe with Nokia Siemens Networks and for contracts to be honored.

The sale to Nokia Siemens Networks will generate \$650 million, a significant addition to Nortel's \$2.7 billion in cash. The money may be used for continuing operations or to pay down debt. Nortel's remaining assets include LG-Nortel, enterprise solutions, carrier voice switching, metro Ethernet and optical solutions, and its remaining wireless technologies in GSM and 3G UMTS core switching. Customers in these Nortel product areas must wait for the next set of announcements, as they have since Nortel entered creditor protection in January 2009.

## RECOMMENDATIONS

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### Current and potential Nortel customers:

- Remain cautious in your technology selections. If you include Nortel solutions in your bidding process, factor in additional risk. For example, use a shorter depreciation cycle for Nortel solutions than for other vendors you're evaluating.
- Prepare contingency plans for migration to other vendors. Acquiring vendors, such as Nokia Siemens Networks, may have plans for Nortel technology that are incompatible with your own strategy.

## RECOMMENDED READING

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- "Create a Backup Plan for Continued Support of Nortel Environments" — Contingency planning will minimize disruption for Nortel customers. **By Christine Tenneson**
- "Vendor Rating: Nortel" — We give Nortel's financial viability a rating of "caution," and highlight the need for decisive transformation. **By Akshay Sharma and others**

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