Alcatel-Lucent Boss Leaving as Losses Mount

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PARIS (AP) — Alcatel-Lucent CEO Ben Verwaayen is leaving the loss-making French-U.S. telecommunications gear maker after a failed four-year bid to turn the business around.

Verwaayen said in a statement Thursday that it was "clear to me that now is an appropriate moment" for Alcatel-Lucent to seek new leadership. Investors cheered the news, with shares jumping 7.7 percent in early trading to €1.40.

The Dutchman's surprise departure comes as Alcatel-Lucent reported losing €1.37 billion ($1.85 billion) last year, compared with a €1.1 billion gain a year earlier.

No details on Verwaayen's replacement were provided. He has agreed to stay on as caretaker until a successor can be found. Alcatel-Lucent said it will look at candidates both internally and from outside the company.

Verwaayen joined Alcatel-Lucent in 2008 after the ouster of the previous management led by American Patricia Russo. Russo and her French counterpart Serge Tchuruk had masterminded the $11.6 billion merger of Lucent of the U.S. and Alcatel of France. The combined company has racked up many billions of euros in losses since its creation in 2006, something Verwaayen has spent four years trying to reverse.

Alcatel-Lucent supplies telecom operators and corporations the technology for building global communications networks. It has suffered from repeated rounds of costly layoffs and restructuring, as well as intense competition from the likes of Ericsson of Sweden, China's Huawei and Nokia Siemens Networks, a Finnish-German joint venture.

The Franco-American company is in the middle of a €1.25 billion restructuring program aimed at cutting 5,500 jobs, ending unprofitable contracts and leaving or reorganizing operations in poor markets.

Verwaayen said Thursday the company has "seen progress" on the plan announced last July, and pointed to growth in its order book as a sign of customer confidence.

Alcatel-Lucent had aimed to raise its profitabilty from the 3.9 percent adjusted operating margin achieved in 2011, but abandoned that target halfway through the year. It finished 2012 with an adjusted operating margin of only 2.9 percent.

Last year's earnings were hit by a further €1.4 billion charge as Alcatel-Lucent continued to account for the falling value of past acquisitions and its own fixed assets.

Verwaayen was lauded on arrival in October 2008 after for transforming BT Group from a troubled, loss-making phone operator into a profitable and aggressive leader in broadband Internet access. But Alcatel-Lucent proved to be a tougher challenge than expected. Sales slid 5.7 percent last year to €14.4 billion and the group continued to burn cash, recording a seventh-consecutive year of negative cash flow.

Whoever steps in to replace Verwaayen will have to uncover a fresh path to profitability, after seven years of restructuring failed to achieve goals set out at the company's creation.
The Alcatel-Lucent tie-up was designed to boost margins through cost and research and development savings, while improving the joint company's pricing power with telecom operators, its largest customers.

The combination was seen as creating the critical mass needed to compete with the likes of China's Huawei Technologies Co. and Ericsson AB of Sweden.

But intense competition in the telecoms industry has meant many of the savings have been used on discounts passed to customers, and analysts said Alcatel-Lucent has not coped as well as some of its competitors.

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