Brand Doctor

Brand Check-up

Nortel

As of March 5, 2024

Status: Flatlined

Nortel tied its future to the telecom boom, then lost what an infrastructure supplier cannot lose: confidence that its numbers were true and that it would survive.

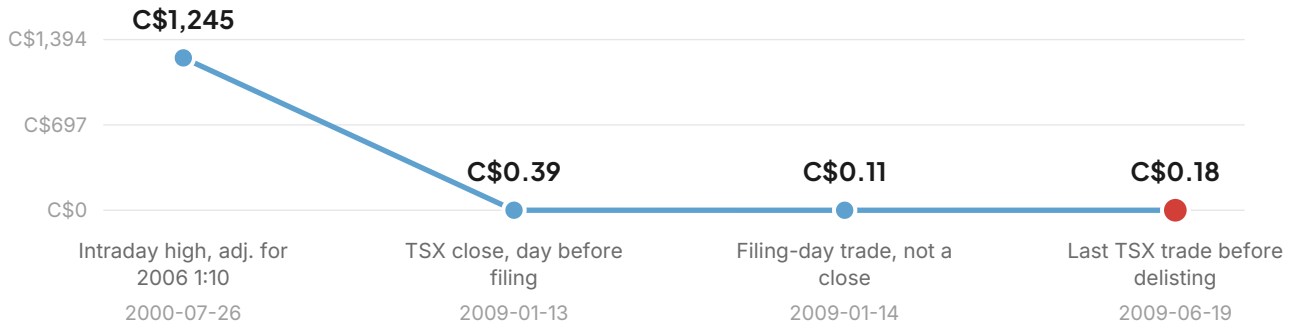
About this check-up

Brand Doctor reviews well-known brands the way we review a client's marketing: symptoms, diagnosis, treatment. This check-up uses public information available on March 5, 2024. It is brand and marketing analysis, not investment advice. Sources are listed at the end.

Vital signs

Share price

CAD, at the dates shown [4, 1, 14, 16, 15, 6, 10]



Last TSX price

C$0.185

Last trade June 19, 2009; delisted June 26, 2009. Nortel had no listed shares on March 5, 2024 [10, 4]

Change from peak

Down more than 99.9%

From C$1,245 (July 26, 2000 intraday high of C$124.50, adjusted for the 2006 one-for-ten consolidation) to C$0.185 [4, 10, 14, 16]

Peak market value

About C$366 billion

At the 2000 peak, as reported by The Globe and Mail; other reports range from more than C$350 billion to C$400 billion. Nortel made up over 35% of the TSE 300 index that year [15, 6, 10, 2]

Last full-year revenue

US$10.421 billion

2008, reported March 2, 2009, with a net loss of US$5.799 billion [7]

Patent sale

US$4.5 billion

More than 6,000 patents and applications sold to Apple, EMC, Ericsson, Microsoft, Research In Motion and Sony, 2011 [12, 11]

Employees

About 94,000 to about 30,300

Peak in 2000 vs. approximately 30,307 regular full-time employees on December 31, 2008, two weeks before the creditor filing [2, 8]

Timeline

1998-06	Announces the US$9.1 billion purchase of Bay Networks; Northern Telecom Ltd. later becomes Nortel Networks Corp. [2]
1999	Plans to spend almost $150 million on advertising, at least three times its 1998 budget, on a campaign built around the Beatles song Come Together. [3]
2000-07-26	Shares hit an intraday high of C$124.50 on Toronto's stock market; Nortel makes up over 35% of the TSE 300 index that year. [1, 2, 16]
2001-02-15	Cuts its 2001 revenue growth forecast from 30 to 35% to 10 to 15%, with the quarter already half over. [2]
2004-04-28	Fires CEO Frank Dunn, CFO Douglas Beatty and controller Michael Gollogly for cause; says 2003 net earnings will fall by about 50%. [5, 4]
2006-02-08	Agrees to pay US$2.473 billion in cash and stock to settle shareholder class-action lawsuits. [1, 2, 4]
2009-01-14	Files for creditor protection under the CCAA in Canada and Chapter 11 in the U.S. [1, 6]
2009-06-26	Delisted from the Toronto Stock Exchange as it moves to sell all of its businesses; the last trade was 18.5 cents on June 19. [4, 9, 10]
2011-07	A consortium of Apple, EMC, Ericsson, Microsoft, Research In Motion and Sony buys more than 6,000 patents and applications for US$4.5 billion. [11, 12]
2017-01-24	Judges in Delaware and Canada approve a plan to pay more than US$7 billion to creditors. [13]

Symptoms

- Revenue growth forecast for 2001 cut from 30 to 35% to 10 to 15% in February 2001
- Shares down from C$124.50 in July 2000 to 67 cents by October 2002
- Results restated back to 2000; CEO, CFO and controller fired for cause in April 2004

- Public reassurance in December 2008 that it was "a viable partner for the long term"
- Workforce down from about 94,000 at the peak to about 30,300 by the end of 2008

Diagnosis

1 Growth tied to one spending cycle

Nortel spent US$19.7 billion on acquisitions in 2000, at the top of the telecom boom. On February 15, 2001, with the quarter half over, it said it would lose $0.04 a share instead of earning $0.16 and cut its 2001 revenue growth forecast from 30 to 35% to 10 to 15%. [2]

2 A brand story that ran ahead of the business

In 1999 Nortel planned to spend almost $150 million on advertising, at least three times its 1998 budget, to change its image from a maker of old-line phone equipment to a supplier for the Internet age. By 2000 it made up over 35% of the TSE 300 index; in February 2001 it cut its revenue growth forecast for the year to 10 to 15%. [3, 2]

3 Broken trust in the numbers

In October 2003 Nortel said it would restate results back to 2000, and in April 2004 it fired its CEO, CFO and controller for cause. It agreed in 2006 to pay US$2.473 billion to settle class actions; the three former executives were acquitted of fraud charges in January 2013. [4, 5, 2]

4 A supplier customers could not plan around

In December 2008, after a news report on debt worries, Nortel defended itself publicly as "a viable partner for the long term." In June 2009, as it moved to sell all of its businesses, one analyst advised customers to review any plans beyond the immediate budget year. [4, 9]

Prognosis

Flatlined. As of March 5, 2024, Nortel does not operate. It sold its businesses after the 2009 filing and its patents for US$4.5 billion in 2011, raising US$7.3 billion from asset sales in total. Nortel said it did not expect common shareholders to receive any value, and in January 2017 judges in Delaware and Canada approved a plan to pay more than US$7 billion to creditors. For other companies, the signs to watch are the ones Nortel showed: revenue tied to one buying cycle, restated results and customers who doubt a supplier will survive.

Treatment

- Spread revenue across customer groups and regions so a fall in one group's spending could not sink guidance in a single quarter.
- Keep advertising claims inside what results could support, and grow the brand budget only as earned results grew.
- Treat accurate reporting as part of the brand, with finance controls strong enough that results never need restating.
- Once survival doubts surfaced in late 2008, publish a specific plan for customer support, spare parts and product continuity.

Lessons for growing companies

Your buyers' budget cycle is your risk

If most of your revenue depends on one group of buyers spending at the same time, a slowdown arrives all at once. Track concentration as closely as growth.

Your numbers are part of your brand

Business buyers read restated results as a signal about every other promise you make. Get finance controls right before you scale the story.

Continuity is a selling point

Buyers of long-life systems want to know you will be around to support them. Answer that early, with evidence such as support terms and financial health.

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About Brand Doctor

Brand Doctor is a marketing strategy consultancy founded by Cliff K. F. Lin. He has spent 17 years in marketing and managed more than $30 million in spend for SaaS, tech and lead-generation companies.

A Brand Check-up applies the method we use with clients to a well-known brand: the symptoms you can see from outside, the root causes behind them, and the treatment we would prescribe. For your own company, we look at six areas (positioning, messaging, customer journey, channel mix, budget and spend, and measurement) and rank what to fix first.

$30M+	135+	8×	17
In marketing spend managed	Campaigns treated	Growth achieved	Years in marketing

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