

These movements, which began in the USA five or six years ago, seem to be major economic growth drivers, but are at an early stage in Europe, where there is therefore the potential for growth.

**Strengths and weaknesses**

The two groups' development on a stand-alone basis and market trends are summarised in the SWOT analysis below. This analysis forms the basis for assessing the risks to be factored into the two groups' subsequent valuations.

**Table 9  
SWOT analysis of the two companies**

| Alcatel-Lucent (stand-alone)                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>Strengths</u>                                                                                                                                               | <u>Weaknesses</u>                                                                                                                                                                                                                                                                                                                                 |
| Significant market share in most markets in which Alcatel-Lucent operates.                                                                                     | The client base is fairly concentrated: in 2014, the group's top ten clients accounted for 54% of its revenue, and its top three clients accounted for 35%. The group is highly exposed to the US market.                                                                                                                                         |
| Large presence in the USA.                                                                                                                                     | Despite commercial successes (China, USA), Alcatel-Lucent has not been able to gain wide acceptance for its 4G networks in Europe and the rest of Asia. In mobile networks, where it lacks critical mass, the group has suffered from its lack of a large 3G installed base and its insufficiently competitive offering in the single RAN market. |
| Global leader in fixed-line broadband access.                                                                                                                  | Direct competition with Huawei in several segments is keeping prices under pressure.                                                                                                                                                                                                                                                              |
| Fairly strong position in China (market share of around one third in segments open to foreign competition).                                                    | Gross debt is still relatively high, as are gross liabilities relating to pensions and other staff benefits.                                                                                                                                                                                                                                      |
| Business refocused on strong, diversified positions via the Shift plan.                                                                                        |                                                                                                                                                                                                                                                                                                                                                   |
| Frequent awards for innovation (e.g. Bell Labs).                                                                                                               |                                                                                                                                                                                                                                                                                                                                                   |
| <u>Opportunities</u>                                                                                                                                           | <u>Threats</u>                                                                                                                                                                                                                                                                                                                                    |
| Broader client segments: Cloud Service Providers, very large corporations (banks etc.), governments and companies with specific requirements (transport etc.). | High technological risk.                                                                                                                                                                                                                                                                                                                          |
| Telecom network/IT convergence and fixed/mobile convergence underpinning demand for hardware and network software platforms.                                   | Lacks critical mass in mobile networks, especially since investments in 5G networks will lead to large financing requirements.                                                                                                                                                                                                                    |
| Acquisition opportunities in certain core networking segments; increasing market share, better coverage of R&D costs, positions in emerging technologies.      | Risks relating to the investment cycles of operator clients and sensitivity to their margins (which are falling).                                                                                                                                                                                                                                 |
| Development in the high-growth markets of platforms and network applications.                                                                                  | Dependence on telecom operators and risk that a top-10 customer may not renew its contracts.                                                                                                                                                                                                                                                      |
| Large patent portfolio and monetisation potential, (it currently generates less revenue than Nokia's).                                                         | Adverse currency movements, particularly concerning the dollar.                                                                                                                                                                                                                                                                                   |
|                                                                                                                                                                | Emergence of new competitors.                                                                                                                                                                                                                                                                                                                     |