

## What's going on with Alcatel-Lucent?

February 10, 2012 Alcatel-Lucent presented a very exciting Q4 balance beating analyst expectations by far. As a reaction in Paris Stock Exchange Alcatel opened at 1,78 € which was an almost unbelievable 18,6% up from February 9 close at 1,50 €.

Mr Verwaayen in the weeks to follow made very strong statements such as Alcatel-Lucent "*no longer being on a financial cliff*".

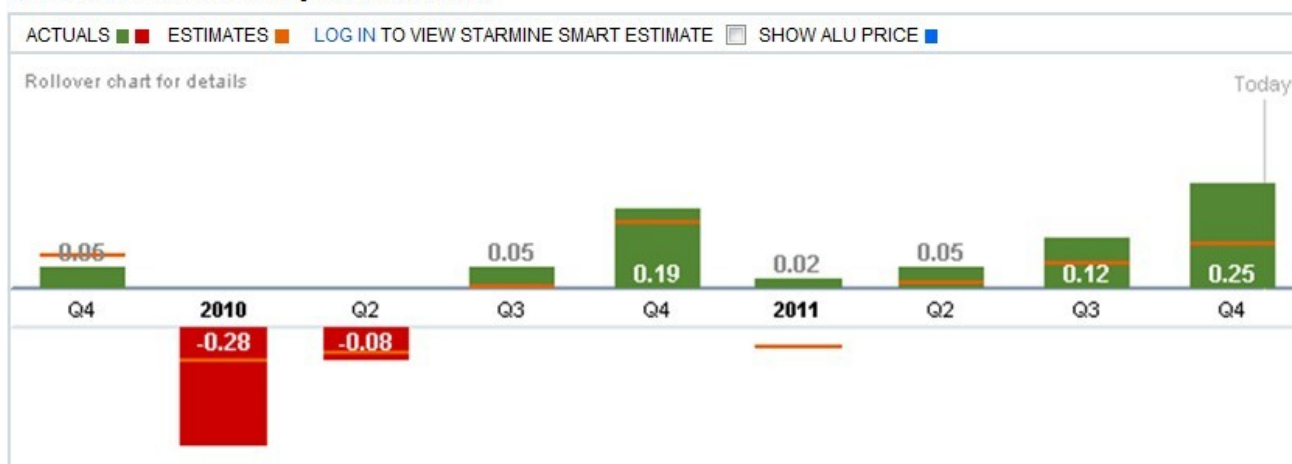
With EV / Sales < 0,2 and EV / EBITDA < 2,5 Alcatel has an unprecedented low valuation to peers such as Cisco, Ciena or Juniper Networks.

Thus one may wonder how this company, having reported its by far best operational year in a very long time, can trade at just 30% of where it stood a year ago.

Alcatel in fact now six consecutive quarters clearly beat consensus estimates, indicating strong operational improvement (fig 1), however last 12 months pps went down from \$ 6.00 to \$ 1.85, Nasdaq being roughly flat.

One might think some very big addresses have taken complete control of pps-direction here.

### Actuals vs. Estimates by Fiscal Quarter



### Continued vehement selling pressure

Since Alcatel on February 10 presented such upbeat numbers, it seems to have won thousands and thousands of new shareholders.

But nevertheless, shortly after that Alcatel once again (as was also the case in almost all of 2011) faced tremendous selling pressure.

Last 4 weeks alone ALU shed 24% of its market value, peers however trading roughly flat (fig 2).

Making the most operational improvement of the peer group, losing however the most value and the way it is treated by some analysts is curious.



*I Can't believe it (Yahoo board April 20)*

*No warning on bad earnings, only 6 days away from reporting. You would think it would had a nice run up into earnings... There are strong buy ratings, and buys ratings and this is doing nothing but go down every single day.. The market goes up, ALU goes down. The market goes down ALU goes down... Its becoming a joke...*

Possibility A: Selling on inside information?

The facts leaves the conclusion that sellers on this stock in some peculiar way feel exceptionally safe here.

In cases like these one may hope that the selling pressure doesn't arrive from inside information on very poor results to come. That would be one possible explanation.

At first this would mean however that such convincing negative inside information was in some way or another obtained almost immediately after ALU and its CEO made very bullish statements until late February.

Secondly it would also prove that those bullish statements were pure lies and in fact targeted robbery of particularly new shareholders who bought on this basis massively bought long into the share and/or into options. Such shareholders would imho have very good reason to proceed against Alcatel.

Possibility B : Execution of a targeted stock killing scheme?

A second explanation is a pure stock killing scheme going forward, regardless of operational progress end regardless of a exceptional low valuation in peer group comparison.

A company as Alcatel-Lucent after some troublesome years seeming to proceed a successful turnaround, still however being extremely low value in peer group comparison, seems to have become a exceptional attractive takeover target. Furthermore is has in LightRadio and OTC state the art new technology tremendous assets as patent portfolio, balanced losses.

In contradiction it could for just those reasons being targeted for stock killing in order to to put through a takeover at dirt cheap levels.

But in order to be able to kill a share having such strong prerequisites and therefore (recently) attracting

more and more new buyers, one must have available unlimited amounts of shares to dump pps further and further down.

Being a stock that had been (for good fundamental reasons) being very much beaten down in the years 2007-2010, however on reasonably normal volumes, from then at suddenly arrived unprecedented trading volumes and pps went strongly up tot about 4,50 euro which seemed at the time reasonably fair valuation, at the time also on average targeted by analysts.

During 2011 at sudden some analysts became extremely aggressive against Alcatel-Lucent.

Citigroup which had a target of EUR 5,00 until October 2011 within just two months in a fast sequence of downgrades brought it down to EUR 0,90 and targeted value of Alcatel-Lucent down from about 11 billion Euro to about 2 billion Euro, notwithstanding Q3 EPS came out better than consensus.

Extremely peculiar.

And having had 2011 by far its best operational year since 2006 pps now at EUR 1,40!

It seems to support the thesis that all new buying continuously faces even more aggressive selling pressure, first in Paris and then typically gapping down in New York and after that even further sold off in New York.

Figure 3 shows part of a table counting and adding volumes on both exchanges from February 10 going forward.

Alcatel-Lucent									
Trades shares Paris + New York Feb 09 – Apr 20 2012						freefloat 1,62E+09	cum.	d. AVG	
day nr.	date	Paris	New York	#	cumulative	€ (P)	(%ff)	(%ff)	
50	20. apr. 2012	32.890.000	12.519.000	45.409.000	2.906.909.000	1,415	-2,3%	180,0%	3,6%
49	19. apr. 2012	29.860.000	17.036.000	46.896.000	2.861.500.000	1,448	-1,0%	177,2%	3,6%
48	18. apr. 2012	28.782.000	20.753.000	49.535.000	2.814.604.000	1,462	-3,7%	174,3%	3,6%
47	17. apr. 2012	31.162.000	11.981.000	43.143.000	2.765.069.000	1,518	3,3%	171,2%	3,6%
46	16. apr. 2012	32.845.000	18.752.000	51.597.000	2.721.926.000	1,470	-2,6%	168,5%	3,7%
45	13. apr. 2012	28.359.000	17.048.000	45.407.000	2.670.329.000	1,509	-4,2%	165,3%	3,7%
44	12. apr. 2012	31.737.000	15.209.000	46.946.000	2.624.922.000	1,575	1,4%	162,5%	3,7%
43	11. apr. 2012	42.126.000	22.998.000	65.124.000	2.577.976.000	1,553	1,5%	159,6%	3,7%
42	10. apr. 2012	36.211.000	41.078.000	77.289.000	2.512.852.000	1,530	-6,5%	155,6%	3,7%
41	9. apr. 2012	0	15.079.000	15.079.000	2.435.563.000	1,637	0,0%	150,8%	3,7%

In Paris 1,66 billion shares have been traded. And New York added another 1,245 billion trades shares. So in just 10 weeks a staggering 2,906 billion Alcatel shares have been traded.

The numbers are especially impressive if compared to share capital of 2,25 billion and freefloat of about 1,62 billion, since it means that 50 consecutive days on average **3,6%** of free float was traded (or if you will dumped) for a grand total of **180%** (!) of freefloat.

Despite the strong buying activity some sellers seem tho have an unlimited number of shares to dump, so the question raises what the origin is of these tremendous amounts of sold shares?

Naked short selling scheme?

In the past there have been some good articles on illegal naked short selling practices.

Alcatel has for example at Seeking Alpha had by far most e-mail subscriptions of all American ADRs and recently probably added thousands of new shareholders, nevertheless clearly big buying volumes are day by day countered with even more fierce selling pressure.

The unprecedented numbers of sold shares de facto could have its origin in (illegal) stock printing.. just for the purpose of dumping down pps further and further. Theoretically share printing or naked stock selling can drive pps down to any targeted level. An obvious final goal for such a scheme could be a targeted dirt cheap takeover.

Over a final takeover bid all dumped shares can comfortably be recollectd and the potential gains from such a scheme are hard to imagine.

One must bear in mind that in such a process also big value in in long options, turbos, sprinters will be brought back to zero and on the other side derivatives on the short side can safely be driven to big value.

Alcatel has ideal prerequisites for an lucrative short scheme

- enormous free float of 1,6 billion shares creates both big potential as will make it difficult to unlock illegal shorting activity.
- very low valuation combined with very bullish on operational progress attracts for obvious reasons many buyers into new long positions.

Therefore ALU is excellently suited to generate billions of dollars through an illegal stock killing scheme.

In the end one may probably be able to takeover this 20 billion sales company for free.

And obviously, the more the share price is knocked down, the bigger the profits will be.

Arriving at conclusions it seems that there is very good reason for SEC procedures.

Germany April 23, 2012