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Muscle Time for Motorola

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Cell-phone bulls will get a chance to see if their expectations have climbed too high this week as **Motorola (MOT)** and **Nokia (NOK)** deliver earnings reports.

If projections are right and the business outlook is bright, Wall Street will be reaching for places to pinch itself after Motorola posts its third-quarter numbers later Tuesday. And, at least according to the script, the wireless growth party is likely to continue when No. 1 handset maker Nokia opens its books Thursday.

At least once a month a player in the sector or an analyst who follows the industry has raised 2005 sales estimates, as global demand for mobile phones shows no signs of letup.

This is all thanks to sales of new third-generation, or 3G, phones in Europe and Asia, along with cheap handsets now available in developing regions like south Asia and Latin America. Combined, the handset market is headed for another record year.

Last week, **Samsung** raised its estimate for total global shipments despite a call for no sequential growth in the current quarter. Observers took this as yet another sign that Motorola and Nokia were on track for a strong performance.

Motorola will test these assumptions after the market closes Tuesday. Analysts are expecting the Schaumburg, Ill., wireless tech titan to come up big. Not only is the company enjoying the continued success of its popular Razr phone, there are some bottom line benefits in store from the company's latest round of cost cuts.

Motorola is expected to post a 28-cent per-share profit on \$9.1 billion in sales in the third quarter ended Sept. 30, according to analysts surveyed by Thomson First Call. On the fourth quarter, analysts are looking for net income of 33 cents a share on sales of \$10.2 billion. That would mark an impressive 14% sequential increase.

But beyond the top and bottom line numbers, investors will be looking at numbers like average sales price per phone and units shipped.

The concern is that entering the cheap phone market may chip away at Motorola's average selling price, or ASP. Any ASP gain will be seen by analysts as a big accomplishment in the quarter.

If the average price of Motorola's phones holds or surges above \$140, it will be a solid sign that higher-priced phones are offsetting the impact of cheap phones, says Charter Equity Research analyst Ed Snyder, who has a buy rating on the stock. Similarly, should Motorola's mobile phone shipments exceed 42 million units in the third quarter, the bulls will be pleased, says Snyder.

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