

'Slvr' of Daylight at Motorola

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Motorola's (MOT) lucky number Slvr is coming up big.

The Schaumburg, Ill., wireless giant is set to report first-quarter results after the market closes Tuesday, and some analysts expect blowout sales numbers, thanks in part to the early success of the ultra-thin Slvr phone.

As any tech trend watcher will tell you, Motorola's resurgence over the past two years has been built on its new sleek phone designs, specifically on the demand for its wildly popular Razr phone. The concern, however, is that once Razr dulls on the fashion front, what will keep Motorola's momentum alive?

The answer seems to be about 11 millimeters thin with a glossy dark gray sheen.

Apparently, style-setters like their Slvrs.

Motorola sold about 5 million Slvr phones in the first quarter, according to an estimate by RBC Capital analyst Mark Sue. If those numbers are true, that would more than double the sales performance of Razr's debut quarter nearly two years ago.

Overall handset sales volume for Motorola in the first quarter was expected to be close to 40 million units. But estimates have been climbing lately. Charter Equity Research analyst Ed Snyder puts the number as high as 41 million. And RBC's Sue raised his projection to 44 million.

Fortunately, the continued success of Razr and the stunning debut of Slvr helped hide some of the blemishes in the quarter. Motorola had a brief stumble when some Razrs sold by **Cingular** -- a joint venture of merger partners **AT&T** (T) and **BellSouth** (BLS) -- became prone to disconnecting.

Meanwhile, sales of Pebl, the rounded fashion phone, never took off, and introduction of the so-called RazrBerry Q phone was delayed at **Verizon Wireless** -- a venture co-owned by **Verizon** (VZ) and **Vodafone** (VOD).

Analysts are expecting Motorola to report a first-quarter adjusted profit of 29 cents on sales of \$9.5 billion, according to Reuters Research.

Looking ahead, some analysts say the second half of the year could be the real challenge for Motorola as rivals **Nokia** (NOK), **Samsung** and **Sony Ericsson** -- a joint venture of **Sony** (SNE) and **Ericsson** (ERICY) -- push new designs.

Sony Ericsson, for example, reported a strong profit in the first quarter as sales of its Walkman music phone started to pick up.

At No. 5, Sony Ericsson is a rising player in the highly competitive cell-phone market, say industry watchers. "Razr and Slvr are gorgeous devices, but Sony Ericsson's W600 is a good design and a much better music device," says Ovum analyst Roger Entner.

Motorola's reign as industry design leader has helped it reap fortunes on its home turf, but as with any empire, expansion could meet resistance, say observers.

"Motorola is reaching a saturation level in the U.S.," says Entner. "Now, they have to go overseas to replicate that success. The key will be to see how strong the new devices are in Europe."

To view Street Insight's video preview of Motorola, please click here .

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