

Barron's

Moto's Next Big Kraze?

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MOTOROLA IS SHARPENING its edge. The cellphone maker's shares, up 17% since our bullish cover story last year ("Razor's Edge," July 25, 2005), could soon get another lift as the company rolls out its latest ultra-slim phone.

The KRZR, pronounced crazer, will be similar to the hugely popular RAZR, but narrower and finished in high-gloss blue. Expected within a month or so, it will feature a music player and a muchimproved camera. "The KRZR is going to crush Nokia," asserts Ed Snyder, a principal in Charter Equity Research in San Francisco. He sees Motorola stock (ticker: MOT) headed to 25 from a recent 22.60.

Motorola's report on second-quarter results was certainly encouraging. The company posted handset-unit sales and profit margins that beat expectations and hinted that sales for the current quarter are likely to be stronger than originally projected. Over the past couple of years Motorola has been helped by new CKO Ed Zander, smart divestitures and a good eye for style.

Many investors have been betting that Finland's Nokia (NOK) would halt the Moto juggernaut with its own revamped line of phones. That hasn't happened, though Nokia's phones are definitely improved. As Barron's has argued, there may yet lie room for both makers to thrive. This week's Plugged In column, on page 30, delves into the rivalry's newest frontier: the companies' own retail stores.

Motorola has set the standard for thin, flip-open models that clearly emphasize voice over other features, such as photos and data. And shoppers have shown that they want the real article -not imitations by Samsung and others.

Moto is about to roll out a batch of new thin phones, led by the 3.6-ounce, 0.6-inch-thick KRZR. Investors will be watching the numbers closely. "If KRZR is to be a homerun, Motorola needs to ship more than 10 million units in the September quarter in anticipation of Christmas," says an East Coast hedge-fund manager. "Selling just four million won't cut it."

But he is optimistic and sees the shares headed to the high 20s. With any luck, holiday shoppers will go crazy for KRZR.

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