

Walkman's Sweet Music

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The music phone has the wireless industry humming Wall Street's fast-growth tune.

Sony Ericsson blew by analysts' projections Wednesday, saying it sold 19.8 million phones in the third quarter. That's more than 2 million above most estimates. Strong demand for models like the Walkman music phone helped boost Sony Ericsson's sales and profits in the third quarter.

The joint venture of **Sony** ([SNE](#)) and **Ericsson** ([ERIC](#)) posted third-quarter net income of \$374 million, nearly three times the year-ago level. Sales rose 42% from a year ago to \$3.65 billion.

The strong performance also confirmed to some observers that music is the latest driver of cell-phone sales growth momentum.

"Music will have a disproportionately large impact on phone sales," says Charter Equity Research analyst Ed Snyder, who predicted two years ago that music phones would be a big hit.

"Sony Ericsson is sufficiently far ahead in music phones that serious competition isn't likely to appear until **Motorola's** ([MOT](#)) KRZR ships in large volumes, probably not until early 2007," Snyder writes in a note Wednesday.

But once Motorola gets its music act together, warns Snyder, look out **Nokia** ([NOK](#)).

"We see nothing competitive from Nokia or **Samsung** in the near-term, leaving the field to the Walkman phones," he writes. A successful music phone "will enable Motorola to further narrow the market share gap with Nokia."

Sony Ericsson is the first of the mobile phone makers to report third-quarter results, so not all the numbers are in. But it seems possible that the company gained enough marketshare to leapfrog **LG** and take the No. 4 spot in the industry.

There were 780 million cell phones sold last year, and this year's total could hit 1 billion, as new markets open and more compelling handsets are introduced.

Ericsson shares rose \$2.16 to \$37.72, Nokia was up 38 cents to \$20.20, and Motorola fell a nickel to \$25.17 in midday trading Wednesday.

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