BBC NEWS

Phone firm Motorola cuts targets

Mobile phone company Motorola surprised markets by saying it would post a loss in the first three months of this year and that lowered its revenue targets.

It blamed poor handset sales and a tough pricing environment, adding that earnings for the whole of 2007 would be much lower than first forecast.

The firm, which has been under pressure for a number of quarters, said its chief financial officer was leaving.

Motorola added it would also speed up a share buy-back plan to bolster prices.

"They're losing a ton of money in phones," said Edward Snyder, an analyst at Charter Equity Research.

"They need to release a set of new phones designed for lower prices, they need to design lower priced phones that are designed to be profitable at a much lower price. And that's going to take about a year and half," he said.

Motorola's shares dropped by almost 6% in electronic after-hours trading in New York, signalling that they will open lower when markets reopen on Thursday.

'More time'

Motorola said it now expected to make a loss of between 7 cents and 9 cents in the first three months of this year.

It cut the revenue target to between $9.2bn and $9.3bn, down from the earlier target of between $10.4bn to $10.6bn.

"Performance in our mobile devices business continues to be unacceptable and we are committed to restoring its profitability," said Motorola chief executive Ed Zander.

"Returning the business to acceptable performance will take more time and greater effort," he said.

The company already has announced job cuts and other measures to trim costs.

David Devonshire, 61, will retire as chief financial officer from 1 April and be replaced by Thomas Meredith, 56.

Motorola also said that it would boost its share repurchase plan to $7.5bn.

The move comes after billionaire shareholder activist Carl Ichan called on the company to use all of its $11.3bn available cash holdings in the buy-back.

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