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## **Ericsson: Not Likely To Rescue Motorola; Tepid Response To Analyst Meeting; Where's The Cash Flow?**

Posted by Eric Savitz

Ericsson ([ERIC](#)) shares are lower today following a tepidly received meeting yesterday with analysts in Stockholm.

**Paul Sagawa, an analyst at Bernstein Research**, said the company failed to answer the key question: “when will we see compelling margin and cash flow improvement.”

Demonstrating that struggling telecom equipment companies all think alike, Sagawa notes that Nortel ([NT](#)) also met with analysts yesterday, and likewise failed to address its own big question: “how the company will be able to grow the business substantially and build leadership in its targeted growth areas while simultaneously taking on aggressive cost-cutting measures.”

**Inder Singh, an analyst at Prudential** likewise came away dissatisfied with Ericsson's update on cash flow, and cautioned that “the concerns could understandably remain unless Ericsson delivers stronger cash flow” in the second quarter.

Meanwhile, Singh says Ericsson indicated that it doesn't expect to do any major acquisitions in the near future, and is working to integrate its recent acquisitions of Tandberg, Redback and Entrisphere. That takes the wind out of rumors that the company might make a play for Motorola ([MOT](#)). That idea, which has spread into [some obscure corners of the blogosphere](#), actually started with a brief item in my colleague [Mark Veverka's column](#) in last weekend's print edition of Barron's. Mark wrote that, according to analyst **Ed Snyder of Charter Equity Research**, there were rumors that Ericsson had offered to buy Motorola for \$23 a share. Mark wrote that Snyder said he had heard the story from two large MOT shareholders, who supposedly heard it from Carl Icarhn. Anyway, it looks like it isn't happening.

Or maybe something else is happening: [one blogger theorizes](#) that Motorola will be the acquiror, not the acquiree, and go after Nortel.

I don't really think either is likely. But who knows?

Today, Ericsson is down \$1.05 at \$37.07; Nortel is down 86 cents at \$24.11; Motorola is up 11 cents at \$18.01.