

Motorola: More's Wrong Than Icahn Can Fix - Barron's

By Mark Veverka

Summary: Motorola (MOT) holds its annual shareholder meeting on Monday, where activist investor Carl Icahn promises to push for at least one seat on the board. Since announcing a 1.4% stake in January (he now owns 3%), Icahn has become increasingly aggressive in demanding bottom-line improvement from the mobile-phone giant. (After an initial jump, shares are slightly down (1.6%) from pre-Icahn levels.) Charter Equity Research analyst Ed Snyder agrees CEO Ed Zander hasn't succeeded in developing a new cellphone platform to follow up on RAZR's success, and says Zander's days are likely numbered. (Icahn said in an interview that if Zander shows signs of a turnaround within a year, "I'll love him. If he doesn't, believe me, there's no love.") But Snyder says its lack of a new line is precisely the reason Icahn-centric ploys such as cost-cutting and changing suppliers won't be enough; it took Motorola three years (2000-2003) to develop its now famous flip-phones. He says Icahn is one reason shares (currently \$18) aren't down at \$16. The other reason is a rumor Ericsson (ERIC) has made an unsolicited offer to acquire Motorola for \$23/share; Snyder claims at least two major shareholders say Icahn is the source of the rumor. Snyder: "Icahn may not have any better idea on how to fix the phone platform than Zander does."