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Motorola Says It Will Post a Loss as Sales Fall Short

By [MATT RICHTEL](#)

The management of [Motorola](#), the ailing mobile phone maker, has promised to turn the company around. Instead, Motorola's troubles worsened yesterday when it announced that sales would fall considerably short of earlier projections and forecast a quarterly loss.

The news touched off renewed calls from some investors for the ouster of Motorola's chief executive, Edward J. Zander, and predictions from at least one industry analyst that Mr. Zander's tenure could be coming to a close.

In a statement issued after the close of the stock market, Motorola said it expected its second-quarter sales to be \$8.6 billion to \$8.7 billion, far short of the \$9.4 billion it projected earlier.

The company, blaming slower-than-expected handset sales in Asia and Europe, also said it expected to post a quarterly loss of 2 cents to 4 cents a share. On average, analysts had expected the company to report a profit of 2 cents a share. Motorola will report second-quarter results next week.

Some industry analysts and investors said they were not surprised by the shortfall but were disappointed by its magnitude.

"It's very big," said Edward Snyder, a telecommunications industry analyst with Charter Equity Research. "The Street was already bearish, but Motorola has fallen below expectations."

The disappointing earnings projection further hurts confidence in Mr. Zander, Mr. Snyder said.

"It's concrete evidence that whatever he was doing to turn the company around is not working. In fact, things are getting worse, not better."

Jennifer Erickson, a spokeswoman for Motorola, said the company under Mr. Zander was continuing to pursue its turnaround strategy.

"The senior leadership team is continuing to work to restore the profitability and performance we expect from mobile devices," Ms. Erickson said.

Motorola enjoyed a brief golden era after it introduced the Razr, its clamshell phone, in 2004. It sold more than 100 million of them, and for a while they were synonymous with stylish mobile technology.

But Motorola failed to freshen its product line or capitalize on its brand-name success, and resorted to continually cutting the Razr's price to keep sales going.

"They had a huge advantage with the Razr, but they didn't capitalize," Mr. Snyder said.

Mr. Zander has said Motorola's struggles reflect a handful of factors, including a strategy of building market share by selling relatively inexpensive phones, instead of putting more emphasis on developing new high-end, highly profitable models.

He has also said that the company has fallen behind in the race to develop phones able to deliver high-speed data, particularly in the European market.

Investors gave Motorola's stock a slight bump before the news. Shares ended regular trading at \$17.95, up 33 cents, but fell 30 cents in after-hours trading.

Motorola estimated that during the second quarter, it shipped 35 million to 36 million phones. Industry analysts had projected it would sell 38 million to 40 million.

Motorola said it expected its mobile device division to have a larger operating loss in the second quarter than it did in the first quarter, but did not offer specific numbers. It also said that it no longer believed that the division would turn a profit for the full year.

The company also announced that it had named a president for the mobile device business. The new president, Stuart C. Reed, had been executive vice president of Motorola's integrated supply chain business. He fills a post that has been vacant.

The promotion of Mr. Reed was a lone bright spot in Motorola's announcement, said Eric Jackson, president of Jackson Leadership Systems, a leadership and governance consulting firm.

Mr. Jackson has been leading an effort by a group of shareholders to oust Mr. Zander and overhaul the board. Mr. Jackson said he expected that the disappointing news about earnings would prompt more investors to join the cause, particularly those that were persuaded at Motorola's annual meeting this year to give Mr. Zander more time.

"These results will definitely cause them to get on the warpath again," Mr. Jackson said.

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