

Motorola Recharges Its Battery

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Motorola's (MOT) turnaround effort still may need work, but favorable trends in the wireless industry are nudging the tech titan in the right direction.

Ever since Motorola's Razr started losing its edge two years ago, the company has been the dullard of the mobile-phone sector. In the past year and a half, the Schaumburg, Ill., wireless giant has piled up a string of sales shortfalls, losing market share to rivals as its handset business plunged deep into red ink.

But despite Motorola's blunders, the worldwide demand for phones is soaring to ever-higher levels. More than 1 billion new mobile phones will be sold this year. And even though it has slipped behind **Samsung** to become the No. 3 player, Motorola's operational tailspin has started to show signs that it has leveled off, say analysts.

"They have stabilized," says Charter Equities Research analyst Ed Snyder, who rates the stock neutral. Motorola is "not in a free fall like the first two quarters."

Staff cuts, product eliminations and heavy excavation of its inventory pile have given analysts the impression that Motorola has repaired its business enough to roll again with the wireless growth trend.

Citing the industry's strong fundamentals -- high demand, reasonable supply -- JPMorgan analyst Ehud Gelblum raised his handset-shipment targets for Motorola this year. Gelblum predicts the company will move 37 million phones in the third quarter, up from his prior target of 36 million, and he raised his fourth-quarter target to 43 million from 40 million.

"Our forecasts, including our handset estimate, reflect continued momentum in the handset market overall and flat to improving handset unit shipments for Motorola," Gelblum says in a research note Wednesday.

If Motorola can engineer a recovery, it will do so without a blockbuster phone. The Razr's success -- 100 million sold -- helped mask Motorola's underlying flaws for a couple years. In its wake, the company has had to shake up its operation amid the buzz from big entries into the field like **Apple's** (AAPL) iPhone and **Research In Motion's** (RIMM) sleek consumer-targeted phones.

Aside from the introduction of a vastly improved Razr2 and Rizr, a slide-open music phone, Motorola has no superior entry in the all-important holiday buying season. But even a lackluster lineup can look like a winner in this market, say analysts.

And, of course, what's good for Motorola is great for No. 1 **Nokia** (NOK).

The Finnish phone giant is on its way to capturing 40% of the world's mobile-phone market with a balance of strong sales in developing markets and huge demand for new advanced phones in Europe.

"Handset market volumes look very good and price competition has been non-existent," says Sanford Bernstein analyst Paul Sagawa. "Both Nokia and Motorola should post upside in the third quarter."

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