Motorola Shares Up as It Mulls Cell Phone Split-Off

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Shares of Motorola rose 10 percent Friday after the company said it was considering splitting off its mobile phone division, the company's biggest unit.

Its shares -- already down as about 55 percent since mid October 2006 -- were up $1.18 at $12.71 after some analysts raised price targets for the company and Citigroup upgraded its rating of the stock to 'buy' from 'hold' after the news.

"We view this as a sign management is committed to shareholder value," said Bank of America analyst Tim Long who said he raised his price target for the stock to $15 from $12 in a research note.

Bear Stearns analyst Philip Cusick estimated the mobile unit's current valuation at about $6 billion and said this could double if it keeps its market share at about 10 percent.

The world's third-largest mobile phone maker, which has been losing market share to market leader Nokia and Samsung Electronics, said late Thursday it was looking at a "structural and strategic realignment" to help it recapture market share and enhance shareholder value.

Motorola said last month it expected a challenging year and withdrew a promise to return the phone unit to profit in 2008.

Citigroup said in a research note that it recommended investors buy the stock, saying Motorola's move would "serve as a meaningful catalyst to its shares" leading investors to "look past the drag from the underperforming handset business."

The latest decision, which follows pressure from activist investor Carl Icahn for the company to break up, led some analysts to fear market share losses in coming months.

"Poor results in the phone business in the March period will likely be followed by predictions for a worse performance in (the second quarter) as today's announcement saps what's left of employee morale," Charter Equity Research analyst Ed Snyder said.