Motorola posts wider loss

Handset sales plunge again; second quarter seen weak

By Jeffry Bartash, MarketWatch
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WASHINGTON (MarketWatch) -- Motorola Inc. on Thursday posted a wider first-quarter loss after selling fewer wireless phones than expected and incurring costs for layoffs.

The company also predicted a weaker second quarter than Wall Street was forecasting. In recent Thursday trades, Motorola stock fell almost more than 3% to $9.21. The last time the stock languished under $10 was in 2003.

Motorola said in March it would separate its money-losing handset division, a move pushed by wealthy investor Carl Icahn, who owns 6.4% of the company's stock. Yet

Chief Executive Greg Brown reiterated Thursday in a conference call that the splitup won't take place until 2009 - later than Icahn sought.

Schaumburg, Ill.-based Motorola has sustained deep losses in market share since early 2007 and fallen behind market leaders Nokia Corp and Samsung.

Motorola failed to find a successor for its blockbuster Razr series and its current roster of handsets is viewed as lackluster. The vendor has especially struggled to make a dent in Europe.

Analysts say it could take at least until 2009 for Motorola to show significant progress, if any at all. New phones take several years to develop, a problem exacerbated by lack of strong leadership and the ongoing turmoil.

What's more, some of the company's top talent has left and the pending breakup has weakened already-low morale. Some analysts doubt the handset unit can survive on its own.

"When the Razr started to die the handset business began to die with it," said Ed Snyder of Charter Research, a longtime Motorola analyst who recently wrote a report arguing that the handset unit is doomed to extinction.

Another big loss

In the first three months of 2008, meanwhile, Motorola said its loss widened to $194 million, or 9 cents a share, from a year-earlier loss of $181 million, or 8 cents, a share. Sales dropped 21% to $7.45 billion from $9.43 billion.

Excluding one-time costs, Motorola would have lost 5 cents a share. On that basis, analysts were expected the company to lose 7 cents a share on revenue of $7.84 billion, according to the financial-data provider FactSet.

In the current second quarter, Motorola estimated it would lose 2 cents to 4 cents a share from operations, compared with Wall Street's consensus prediction that the company would break even.

Motorola shipped 27.4 million wireless handsets in the first quarter, down from 40.9 million in the prior quarter and from its all-time high of 65.7 million in the 2006 fourth quarter. Wall Street was expecting the company to ship as many as 31 million.

The company's global share has fallen to below 10% from nearly 23% in late 2006.
The handset division posted an operating loss of $418 million, compared with an operating loss of $233 million a year ago. The division lost $1.2 billion in all of 2007.
Mobile sales fell 39% to $3.3 billion from the year-ago quarter. The mobile unit accounted for just 44% of total sales, compared with as much as two-thirds of Motorola's revenue just a few years ago.

The company's two other divisions, however, were quite healthy compared to the sickly handset unit.

Revenue in the company's home and network-mobility division increased 2% to $2.4 billion, although operating profit fell to $153 million from $167 million in the year-ago quarter.

In Motorola's third major segment, called enterprise mobility, revenue grew 5% to $1.8 billion. Operating profit jumped to $250 million from $131 million. ■

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