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Motorola Reports a Profit, but Phone Sales Still Lag

By [LAURA M. HOLSON](#)

Lagging mobile phone sales continue to plague [Motorola](#), once a mobile leader, as it readies a plan to spin off the cellphone operations into a separate company next year.

Motorola announced better-than-expected earnings for the second quarter on Thursday, but analysts continue to question whether the company has the wherewithal to turn itself into a premier brand again given increasing competition in the mobile phone market.

“It certainly was an improvement over the last quarter,” said Edward Snyder, a principal at Charter Equity Research in San Francisco. But, he said, Motorola’s new phones “are going to have to be really great.”

Motorola plans to introduce 34 phones in the second half of the year, some of them smartphones, and many of them with touch screens and messaging capabilities. (The company has already introduced 16 phones this year.)

Motorola shipped 28.1 million handsets in the quarter, enough to maintain its market share, the company said. Last quarter, the company shipped 27.4 million handsets. The market leader [Nokia](#), by contrast, ships more than million a day.

Motorola, a maker of mobile phone and other telecommunications equipment based in Schaumburg, Ill., reported a profit of \$4 million, in contrast to a loss of \$28 million in the period a year earlier. Revenue of \$8.08 billion for the quarter was 7.4 percent below the \$8.73 billion reported in the period last year.

Sales in the home and networks division, which makes cable modems and digital video recorders, were a bright spot, up 7 percent. In the mobile devices division, sales fell 22 percent, to \$3.3 billion. That division reported an operating loss of \$346 million, compared with a loss of \$332 million a year ago.

Despite that, Gregory Brown, Motorola’s chief executive, said the mobile phone division showed improvements, particularly related to increased sales of the Moto W755 mobile music phone sold by [Verizon](#) Wireless. Motorola too, he said, was successful in cutting costs to improve profit margins.

Still, he conceded, “clearly there is more work to be done.”

After a review of its businesses this year, Motorola said it would split itself into two separate publicly traded companies and spin off its unprofitable mobile phone unit to investors. But that process has proved complicated.

Mr. Brown said the company has made progress untangling the divisions, but their analysis is not complete because there are several issues — particularly related to patents and taxes — which have yet to be figured

out. Before it would be done, he said, Motorola needed to make sure there was more predictability in the business.

Mr. Snyder, the analyst, questioned whether it was wise to spin off the unit given the continuing losses. "It's going to cost a lot of money to be its own separate company," he said.

Motorola has been unsuccessful in finding a new chief executive to run the mobile phone business. Mr. Brown said he hoped the spinoff would be complete by the third quarter of next year. For, his part, Mr. Brown said, "This is a great opportunity to get greater clarity and improve our overall cost structure."

Shares of Motorola rose 96 cents, or 12.5 percent, Thursday to close at \$8.64.

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