

Motorola to post loss, cut 4,000 jobs

Wireless-phone sales fall even sharper than expected

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WASHINGTON (MarketWatch) -- The blows keep coming at Motorola Corp.

The technology giant said Wednesday it will cut an additional 4,000 jobs and report a fourth-quarter loss amid shrinking demand for its wireless phones.

With handset sales in a freefall, Motorola has to further slash spending to prevent losses from overwhelming its two other core segments, home entertainment and public safety. Yet continued cuts in the wireless unit make it even harder to turn that business around, especially in global recession.

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— Ed Snyder, Charter Equity Research

"The company's tailspin is so dramatic it is hard to see how it can remain a global mass-market brand," analyst Tero Kuittinen of Global Crown Capital said.

Kuittinen thinks Schaumburg, Ill.-based Motorola could eventually pull out of Asia and perhaps Europe to focus on the Americas, where the brand name is strongest.

In trading Thursday, Motorola's shares slipped 0.7% to \$4.0.

After Wednesday's close of trading, the Motorola warned of lower-than-expected revenue for the fourth quarter, citing weak sales of wireless phones in the slowing economy.

The company also expects to report a net loss of 7 cents to 8 cents a share for the final three months of 2008. Wall Street had been expecting earnings of 2 cents a share, according to the average of estimates compiled by FactSet Research.

Revenue for the December quarter is expected to come in between \$7 billion and \$7.2 billion. Analysts' consensus was for \$7.5 billion, according to FactSet.

During the fourth quarter, the company shipped about 19 million wireless devices - well short of Wall Street forecasts.

Sales were "adversely impacted by continued weakness in consumer demand and customer inventory reductions," Motorola noted.

On a positive note, Motorola said its Enterprise Mobility Solutions and Home and Networks Mobility units "continued to perform very well in a challenging environment."

The company said it ended 2008 with a total cash position of about \$7.4 billion. It had reported \$7.6 billion at the end of September.

"Motorola's big headcount reduction was expected given the freefall it is experiencing in handset sales," said Ed Snyder of Charter Equity Research. "We believe it inevitable that Motorola will consume cash on an operating basis and that only through steep cuts will this be corrected."

More layoffs

Motorola has seen its flagship wireless-device business come under attack by a combination of the economic slowdown as well as blistering competition from rivals. Overall sales of cell phones have been slowing while smart-phone devices such as the BlackBerry and iPhone take away market share.

By contrast, Motorola has lacked a must-have product since the introduction of the popular RAZR five years ago.

As a result, the company has been working to restructure its mobile business. It recruited Sanjay Jha from Qualcomm Inc. to lead the business as co-CEO with an eye to eventually spinning off the division.

But such a move will wait until the business is repaired - if it happens at all. Some analysts wonder if the company might simply have to close the business, especially since none of its competitors have shown much interest in acquiring the division.

Even if the business survives, the latest downsizing is unlikely to be the last. "We suspect this may not be the last of the cuts," said analyst Mark McKechnie of American Technology Research.

Just last quarter, Motorola laid off about 3,000 workers. The latest round of 4,000 reductions -- some 3,000 of which will come out of the mobile-device business - would lower its total workforce to under 55,000.

Such actions "will allow us to further reduce our cost structure and position us for improved financial performance in 2009," Jha said in the statement, adding that the layoffs and other measures will help the company save about \$1.2 billion this year.

The company's "making good progress in developing important new smart phones for 2009 and are pleased with the positive response from our customers to these new devices," Jha added.

No other details were given about the new products. ■

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