Motorola's Losses Continue

PETER SVENSSON, AP Technology Writer

NEW YORK (AP) - Motorola Inc. defeated low expectations Thursday, posting a smaller first-quarter loss than Wall Street had expected and regaining its position as the world's fourth-largest maker of cell phones. Investors were largely unimpressed, and analysts pointed to deterioration in the Motorola units that have been propping up the dismally performing cell phone operations. "There's no turnaround yet. This is basically treading water more efficiently than they have in the past," said analyst Ed Snyder at Charter Equity Research.

The Schaumburg, Ill.-based company reported a loss of $231 million, or 13 cents per share, for the first three months of the year. That's wider than the loss of $194 million, or 9 cents per share, for the same quarter last year. The loss for the latest quarter included charges of 5 cents per share. Excluding that, Motorola's loss from continuing operations was 8 cents per share. On average, analysts expected a loss of 11 cents per share, excluding items, according to Thomson Reuters.

Motorola's sales were $5.4 billion, down 28 percent from a year ago. Analysts were expecting sales of $5.6 billion. Motorola shares fell 17 cents, or 2.9 percent, to $5.79 in morning trading. The stock had been on a tear since early March, rising 71 percent. Motorola sold 14.7 million handsets in the quarter. That's just over half of what it sold a year ago, but it beat Sony Ericsson's sales in a difficult quarter. Nokia Corp., LG Electronics Inc. and Samsung Electronics Co. still sell more phones.

The company said it was helped by demand for prepaid service in the U.S. Sprint Nextel Corp. launched a $50 unlimited-calling prepaid plan in January under its Boost brand, for which Motorola is the sole phone supplier. Motorola also said it increased its annual savings target by $200 million to $1.7 billion, most of which is coming from expense cuts in the cell phone division. That division has already been the target of big cuts, and it reduced its operating loss for the quarter to $509 million from $595 million in the fourth quarter.

The head of the handset division, Sanjay Jha, said the company was still on track for a fourth-quarter launch of new "smart" phones, a category in which Motorola hasn't been competitive. The phones will use Google Inc.'s Android software. Snyder, the analyst, said Jha's plan is "spot-on," but the fourth quarter is far away and losses are mounting, so it's questionable whether the company can really accomplish a turnaround. Jha said Motorola remains committed to spinning off the cell phone unit into a standalone company, but does not know when that will happen.

Sales at Motorola's non-cell phone units were also down, although both were profitable. Home and Networks Mobility, which makes wireless network and cable system equipment, saw sales drop 16 percent. During the quarter, it was passed over for contracts to build out Long Term Evolution, or LTE, a next-generation wireless network technology. Co-Chief Executive Greg Brown said the company will stay in the LTE game and hopes to get a contract award later this year.

At Enterprise Mobility, which makes police radios, bar code scanners and other equipment for government and corporate customers, sales were down 11 percent.

Dave Novosel, who analyzes bond issues for Gimme Credit, said the sales drops in the two units were worrisome, coming on top of the handset's units problems. Motorola went through $900 million in cash and investments this quarter, and has roughly $5.8 billion remaining. "You're not looking at a cash crunch at this point, but it does not bode well to see this kind of cash drain on an ongoing basis," Novosel said.

For the current quarter, Motorola expects a loss from continuing operations of 3 cents to 5 cents per share, excluding charges for cost-cutting initiatives. Analysts had been expecting a loss of 5 cents per share.

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