

Motorola suffers 4Q loss as Google sale looms

The Associated Press

Motorola Mobility sank to a fourth-quarter loss while trying to close its proposed \$12.5 billion sale to Google. The setback, announced Thursday, came amid fierce competition in the markets for smartphones and tablet computers.

The disappointing results mirrored preliminary numbers that Motorola Mobility Holdings Inc. released three weeks ago.

At this point, Motorola's performance is probably a bigger concern to Google's shareholders than Motorola's because of the deal the two companies reached last summer. Google has agreed to pay \$40 per share for Motorola's vast patent portfolio, as well as its devices. The acquisition still needs regulatory approval in the U.S., Europe, China, Russia and several other countries.

Google Inc. is counting on Motorola's more than 17,000 patents to help insulate its Android software for mobile devices against lawsuits alleging that the system stole innovations owned by other companies, including tech heavyweights such as Apple Inc., Microsoft Corp. and Oracle Corp.

But Google also plans to keep churning out devices under the Motorola brand, raising potential hardware headaches for a company that has concentrated on Internet search and other online services until now.

Some analysts are already worried Motorola Mobility will become a financial millstone that could drag down Google's earnings growth. If that happens, Google's stock price would likely suffer.

Motorola Mobility already relies on Google's Android software for a tablet computer and many of its phones. But so do many other phone makers, something that Google says won't change even after it takes control of Motorola. Google CEO Larry Page says the company intends to operate Motorola Mobility as a separate business.

Apple's iPhone and iPad appeared to pose bigger challenges to Motorola Mobility in its most recent quarter, when Apple sold 37 million iPhones and shipped 15.4 million iPads, and its earnings soared to \$13 billion.

Meanwhile, Motorola Mobility sold a total of 10.5 million mobile devices, including 5.3 million smartphones. The company's mobile device division posted an operating loss of \$70 million for the fourth quarter, swinging from an operating profit of \$72 million in the same period in 2010.

The result: Motorola Mobility lost \$80 million, or 27 cents per share, during the final three months of last year. That contrasted with earnings of \$80 million at the same

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time in 2010. The company didn't break down its 2010 earnings by share because that period began before Motorola Mobility spun off from Motorola Inc.

If not for certain items unrelated to its ongoing business, Motorola Mobility said it would have earned 20 cents per share in its most recent quarter. That's below the average estimate of 26 cents per share among analysts polled by FactSet. Before the company released its preliminary results earlier this month, analysts were expecting 42 cents per share.

Revenue totaled \$3.4 billion, unchanged from the previous year. Before the company advised investors of the fourth-quarter letdown, analysts projected revenue of \$3.9 billion for the period.

Google also could use Motorola Mobility's cable TV boxes as vehicles for delivering more of its Internet services and advertising to living rooms across the U.S. Fourth-quarter revenue in Motorola Mobility's home division fell 11 percent from the previous year to \$897 million on lower sales set-top boxes. The division's operating profit edged up 6 percent to \$57 million.

The results didn't sway Motorola Mobility's stock that much because Google's \$40-per-share offer is still on the table. Motorola Mobility's shares edged up 7 cents to \$38.74 in extended trading, after rising 7 cents during regular trading as well. Google shares added 90 cents to \$569 after hours.

Motorola Mobility said Thursday that it is hoping to close the Google deal "as expeditiously as possible," but it didn't provide a specific timetable. If the acquisition doesn't go through, Google will have to pay a \$2.5 billion breakup fee.

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