Google completes Motorola Mobility acquisition

The Associated Press

Google Inc. on Tuesday completed its $12.5 billion acquisition of phone maker Motorola Mobility Holdings Inc. and said it has appointed a Google executive as the new CEO of the business.

Dennis Woodside, previously president of Google's Americas region, is Motorola's new CEO. Departing CEO Sanjay Jha will help to ensure a smooth transition, Google said.

It is Google's largest acquisition ever, and pushes it deeper into cellphones. Google is already a formidable force in mobile computing thanks to its Android software, the chief challenger to Apple Inc. and its iPhones.

At the same time, the acquisition is largely a defensive one. Google needs Motorola's trove of 17,000 cellphone patents to defend Android phones against lawsuits by Apple, which accuses them of copying iPhone features.

Google and Motorola announced the deal last summer, expecting it would close late last year or early this year.

But approval from Chinese regulators was slow in coming. On Saturday, China approved the deal, on condition that Google Inc.'s Android software would remain free for other phone makers for at least five years. Regulators in the U.S. and Europe had cleared the deal three months ago.

The acquisition will also test Google's ability to keep its business partners, shareholders and employees happy as it moves beyond Internet search and other services built on software to begin manufacturing a wide range of equipment for the first time.

Google has been reassuring its Android partners that Motorola's devices won't get souped-up versions of the software or receive other preferential treatment.

Although it initially was drawn to Motorola Mobility for its patents, Google has been signaling recently that it has been drawing up more ambitious plans for Motorola Mobility. Besides producing smartphones and tablet computers, Motorola Mobility also makes cable-TV boxes that could provide Google with a springboard for delivering more of its services, including advertising, to living rooms. However, cable companies control the market for set-top boxes, and they may not like the intrusion into their realm.

Macquarie Securities analyst Benjamin Schachter believes Google is particularly interested in developing a snazzier tablet computer powered by its Android software to compete against Apple's hot-selling iPad and Amazon.com Inc.'s Kindle Fire.

The company also will likely have to do some hand-holding with investors who have already been fretting about Motorola Mobility's troubles eroding Google's hefty profit margins.

As its line of smartphones has waned in popularity, Motorola Mobility has suffered losses totaling $1.7 billion during the past three years. Google has earned a total of $25 billion over the same stretch. The contrasting fortunes of the two companies is one reason why CEO Larry Page has decided to operate Motorola Mobility separately so it will be easier for investors to track how the different lines of business are faring.

Turning around Motorola Mobility also will require layoffs, a painful process that belies Google's carefully cultivated image as a cuddly employer. Google laid off about 300 people after it paid $3.2 billion to acquire online advertising service DoubleClick Inc. in 2008, up until the biggest deal in the company's history. The cutbacks represented about one-quarter of the workforce that Google inherited from DoubleClick. If Google imposes a similar reduction on Motorola Mobility's 20,500-employee payroll, it would translate into about 5,000 layoffs.

Taking on so many new employees also raises the risk of culture clashes with the 33,000 people already working at Google.

Motorola Mobility is one half of the old Motorola Inc. It split at the beginning of last year. The other half, Motorola Solutions Inc., is still independent. It sells police radios, barcode scanners and other products aimed at government and corporate customers.

Google shares fell $5.69 to $608.41 in morning trading Tuesday. They are still near their 52-week high of $670.25 per share set in early January.

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