

Icahn: Motorola Should Fix Problems Before Buyback

April 15 2007

Billionaire investor Carl Icahn sent a letter to Motorola Inc. shareholders calling for the No.2 mobile phone maker to fix its operational problems, saying that took precedence to a share buyback.

The activist shareholder, who seeks a seat on Motorola's board, had previously only urged the company to increase its share repurchase program to boost shareholder value.

But he now says other matters take precedence.

"Until our operational problems are corrected, buy-backs and other transactions that might have looked appropriate earlier need to take a back seat," Icahn said in the letter dated April 12 that was disclosed in a filing with the U.S. Securities and Exchange Commission on Friday.

Icahn and his affiliates own over 68 million Motorola shares, or a roughly 2.9 percent stake. He urged shareholders to vote him on to the board at a May 7 annual meeting in Chicago.

His letter came after Motorola warned in late March that it would post a first-quarter loss and gave a 2007 outlook that was much worse than expected due to weak mobile phone sales.

Motorola - which has lost about a third of its market value, or \$22 billion, in the last five months due disappointing results - pledged to accelerate and expand its share buyback program, but that failed to

appease Icahn.

He criticized the board for being "passive and reactive" and said it should push executives to fix problems that have led to a sharp fall in phone prices as the company tried to hold on to market share amid stiff competition in emerging markets and against industry leader Nokia.

"In my view, an engaged Board of Directors should have been able to help Motorola avoid the missteps that currently plague its business, or at least to have identified and addressed those problems earlier," Icahn's letter said.

Motorola has urged shareholders not to vote for Icahn.

A Motorola spokesman said on Friday the company "is keenly aware of its duties to its shareholders and they are actively engaged," and that it is committed to "returning significant value" to shareholders.

Icahn has agitated for change at many companies and is also seeking board seats at WCI Communities Inc. and Temple-Inland Inc. He said that, if elected to the board, he would devote his attention to Motorola.

"I expect to commit the time to Motorola that is commensurate with my large investment and the responsibility that this new position brings with it," he said in the letter. "Therefore, if I am elected I will reduce my membership on the boards of public companies to less than six."

Motorola shares edged up 3 cents to \$17.55 in Friday trading on the New York Stock Exchange.

In late January, Icahn said he had taken a stake in Motorola and would seek a board seat to try to pressure the company into using some of its \$11.3 billion in cash to buy back its shares.

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