

Motorola's shares surge with unexpected profit (Update)

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FILE - In this Sept. 10, 2009 file photo, Sanjay Jha, co-CEO of Motorola and CEO of Motorola Mobile Devices, speaks at a mobile Internet conference in San Francisco. Motorola Inc. reported an unexpected quarterly profit Thursday, Oct. 29, 2009, as operating losses in its struggling mobile phone division narrowed. (AP Photo/Paul Sakuma, file)

(AP) -- The turnaround effort long sought at Motorola Inc. finally could be on track.

The maker of communications equipment reported an unexpected quarterly profit Thursday as losses in its mobile phone division narrowed. The company also forecast stronger-than-anticipated earnings for last three months of the year, sending its shares up 11 percent.

Though sales continued to fall, the results marked Motorola's second

straight quarterly profit after heavy losses and shrinking market share in the cell phone business. Aggressive cost cutting, including 8,000 layoffs this year, have helped bolster earnings.

Co-CEO Sanjay Jha, hired last year from Qualcomm Inc. to help reverse Motorola's slide, is banking on new phones that run by Google Inc.'s Android operating system. Two of the phones - including a device called the Droid introduced Wednesday by Verizon Wireless - will be available as the holiday shopping season arrives.

Coinciding with the release, Motorola offered an upbeat forecast for the holiday quarter. It expects adjusted earnings of 7 cents to 9 cents per share, while analysts polled by Thomson Reuters had been expecting 6 cents.

In the three-month period that ended Oct. 3, Motorola earned \$12 million, or a penny per share. That compares with a loss of \$397 million, or 18 cents per share, in the same quarter a year ago.

Excluding unusual items, Motorola says its earnings came to 2 cents per share. Analysts had expected a break-even quarter, according to a Thomson Reuters poll.

Investors sent Motorola's shares up 91 cents to \$8.87 in midday trading.

But Motorola still has plenty of work ahead.

Jha has been moving to cut unprofitable product lines. He has refocused the company on trying to tap the quickly expanding market for mobile gadgets that offer advanced features such as e-mail and Web browsing.

With the Droid and another phone called the Cliq, offered by T-Mobile, Jha has followed through on his pledge to get two "smart" phones to

market by the holidays. But it remains to be seen how they can stand up to Apple's hugely popular iPhone and other devices.

Jha said he expects an uptick in mobile revenue over the last three months of the year and into 2010, when the mobile phone division should begin to break even. Sales of more profitable smart phones should drive the improvement, even as Motorola's overall volume of shipments is likely to decline.

Jha added in an interview that he plans to launch more than 20 new smart phones in 2010, most of them running Android.

Motorola has been planning for months to split the cell phone business into a separate company from the other units, which make police radios, gear for cable TV providers and other equipment. The recession delayed those plans, and the company is waiting for the economy to stabilize and sales to pick up before it goes ahead with the spinoff.

For now, sales are still suffering. Revenue fell 27 percent to \$5.4 billion in the most recent quarter from \$7.5 billion a year ago. Analysts were looking for revenue of \$5.5 billion. The company shipped 13.6 million phones in the third quarter, compared with 14.8 million in the second.

Motorola also said it has named Edward Fitzpatrick, the company's acting chief financial officer since February, as permanent CFO. Fitzpatrick, 43, has been with the company since 2000.

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