

Motorola posts profit, strong sales; stock jumps

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In this file photo made Jan. 9, 2010, the Motorola logo is seen at the company's exhibit at the Consumer Electronics Show in Las Vegas. Motorola said Thursday, April 29, 2010, it posted an unexpected profit in the first quarter, as sales of its new phones outdid its own forecasts. (AP Photo/Paul Sakuma, file)

(AP) -- Motorola Inc. posted an unexpected profit in the first quarter, as sales of its new phones outdid its own forecasts. It also gave an outlook that was brighter than Wall Street was predicting, and its shares jumped in premarket trading.

However, it has lost its position as the largest U.S. maker of phones to Apple Inc. Motorola sold a total of 8.5 million phones in the quarter, while Apple sold 8.8 million iPhones. Four years ago, when the Razzr was still popular, Motorola sold 46.1 million phones in the first quarter.

The Schaumburg, Ill., company has been trying to turn around that long slide in phone sales by focusing on new smart phones, including the Droid. That strategy is bearing fruit, but too slowly to compensate for the drop in overall phone sales. Motorola sold 2.3 million smart phones in the first three months of the year. It had said it expected to sell less than 2 million.

A year ago, Motorola sold 14.7 million phones in the fourth quarter. The drop in phone revenue in the latest quarter was just 9 percent - less steep than the drop in overall unit sales would suggest. Motorola can charge much more for the new smart phones than for run-of-the-mill phones.

Sanjay Jha, the head of the phone business, said on a conference call he expects smart phone sales to be up this quarter, while overall phone sales will continue to decline. Motorola is now the world's eighth-largest maker of phones, down from fifth-largest in the fourth quarter.

As a whole, Motorola earned \$69 million, or 3 cents per share in the quarter. In the same quarter a year ago, it lost \$231 million, or 13 cents per share.

Motorola had said it expected to post a loss of 1 cent to 3 cents per share for the quarter.

Revenue fell 6.1 percent to \$5.04 billion. Analysts polled by Thomson Reuters were expecting \$5.1 billion in revenue.

Motorola shares rose 44 cents, or 6.4 percent, to \$7.36 in pre-market trading.

For the current quarter, Motorola said it expects to earn 7 cents to 9 cents per share. Analysts had been projecting earnings of 3 cents per share.

However, the phone business still won't be profitable for Motorola until the fourth quarter, Jha said.

Motorola's star division was Enterprise Mobility, which makes police radios, bar code scanners and other equipment for big clients. Its sales were \$1.7 billion, up 6 percent compared to a year ago. Profit more than doubled.

Sales of cable set-top boxes and wireless network equipment were down, but profits were up thanks to cost-cutting.

Motorola is planning to split off its cell phone and set top box business into a separate company led by Jha early next year, leaving Enterprise Mobility and Networks under Greg Brown, who is currently co-CEO.

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