

Motorola posts 3Q sales jump, first since 2006

October 28 2010, By PETER SVENSSON , AP Technology Writer



The packaging for a Droid, made by Motorola, is seen in a store in Portland, Maine, on Wednesday, Oct. 27, 2010. Motorola said Thursday, Oct. 28, sales rose in the latest quarter compared to a year ago, the first such rise since 2006, when its Razer phone was still popular. (AP Photo/Pat Wellenbach)

(AP) -- Motorola Inc. on Thursday posted its first year-over-year quarterly sales rise since 2006, when its Razer phone was still cutting-edge technology.

The company's phone division reported an [operating profit](#) for the first time in three years. It hadn't expected that to happen until next quarter.

The division is pulling out of a deep dive by betting on smart phones like the Droid X.

Revenue rose 6 percent to \$5.8 billion in the July to September period.

The Schaumburg, Ill., company reported [net income](#) of \$109 million, or 5 cents per share. That's up from \$12 million, or 1 cent per share, a year ago. Excluding items, [Motorola](#) would have earned 16 cents per share. Analysts expected 11 cents per share.

However, nearly all the profits came from the soon-to-be sold network equipment division, which supplies cell phone companies. Without it, net income would have been only \$7 million, or less than 1 cent per share.

Motorola shares rose 52 cents, or 6.4 percent, to \$8.61 in morning trading.

In July, Motorola agreed to sell the network equipment division for \$1.2 billion to Nokia Siemens Networks, a Finnish-German joint venture. That deal is expected to close late this year.

Early next year, the iconic U.S. electronics brand will split into two companies. The cell phone and cable box business will be called Motorola Mobility. Police radios, bar-code scanners and other products for corporate and government customers will be under Motorola Solutions.

The split has been driven by a desire to present two simple stories to investors rather than one complex one. It was announced in 2008, but was soon delayed with phone sales collapsing. The successful turnaround now sets the division up for a life of its own.

The phone division shipped 9.1 million units in the most recent quarter, of which 3.8 million were smart phones. Both figures were an increase from the second quarter, halting a multiyear sales slide.

However, Motorola finds itself in a very different place compared to when the slide started. In 2006, it was the second-largest phone maker in the world. Now, it's not even in the top five. It's the third-largest phone maker in North America, after Apple Inc. and Research In Motion Ltd., the maker of the BlackBerry.

Motorola said it expects fourth-quarter earnings of 14 cents to 16 cents per share, excluding the network division. Analysts were on average expecting 15 cents per share, including the network division. Considering the networks division added 4 cents per share in the third quarter, Motorola's forecast is higher than Wall Street's.

Looking further ahead, analysts are concerned about recent press reports, unconfirmed by the companies, that Verizon Wireless will get to sell Apple's iPhone in the first quarter. Verizon has been a key supporter of Google Inc.'s Android software, on which Motorola's new [smart phones](#) are based, and has positioned the "Droid" line of phones from Motorola and HTC Corp. as its alternatives to the iPhone.

On a conference call after the earnings release, Sanjay Jha, the head of the phone business, sought to reassure analysts.

"We expect to continue a very meaningful relationship with Verizon. We think the Droid franchise is economically very valuable for Verizon and they will continue to invest," Jha said.

Jha wouldn't say how much of its smart phone sales go to Verizon.

Motorola executives also talked about producing a tablet computer. That

would set up another field of competition with Apple, which launched its iPad this year.

Motorola's tablet would be different in that it would be able to get a cable-TV feed from the company's set-top boxes, making it a small-screen complement to the TV set, executives said. Motorola's cable-box unit will go with the phone unit when the company splits up.

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