Motorola to officially split into 2 companies

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(AP) -- Motorola Inc.'s formal split into two companies on Tuesday will mark the final step in the years-long breakup of a consumer electronics industry pioneer.

Motorola began selling car radios in the 1930s and expanded into TVs in the '40s and cell phones in the '80s. The company has become increasingly diverse, and the breakup that began in 2008 is motivated by the desire to present two simple businesses to investors rather than one complicated one.

Motorola is splitting its consumer-oriented side, which makes cell phone and cable set-top boxes, from the professional business of selling police radios and barcode scanners to government agencies and large companies. The new companies will be called Motorola Mobility and Motorola Solutions.

The two companies will begin trading on the New York Stock Exchange Tuesday, allowing new investors to buy shares.

Motorola shareholders of record on Dec. 21 will receive one share of Mobility for every eight shares of Motorola Inc. they already held. Motorola Inc. shares will then go through a 1-for-7 reverse split and become Motorola Solutions shares.

Existing investors have already been trading stock in the newly formed companies on a "when issued" basis for almost a month. The "when issued" trades will not be settled until Tuesday when the split becomes official.

During Monday afternoon trading, shares of Mobility jumped $1.15, or 4 percent, to $30.20 while Solutions fell 25 cents to $37.80.

Motorola's professional business has become the crown jewel of Motorola's portfolio, while its cell phone business is just emerging from a long slump. The divisions that will become Motorola Mobility had $2.9 billion in sales in the most recent quarter, compared with $1.9 billion for the Motorola Solutions segments. However, the $321 million in operating earnings at Solutions was much stronger than the $3 million that Mobility made.

The company's cell phone division once enjoyed strong sales thanks to the Razr, a slim, clamshell-style feature phone that debuted in 2004 and became a best-seller. As recently as 2007, cell phones accounted for two-thirds of the company's revenue.

But Motorola couldn't repeat the Razr's success as consumers began flocking toward smartphones such as Apple Inc.'s iPhone. Motorola's manufacturing process also yielded smaller profits than competitors', and so when cell phones sales began dwindling, its losses loomed that much larger.

In 2008, under pressure from activist investor Carl Icahn, Motorola set the breakup in motion, hiring Sanjay Jha, the chief operating officer of mobile chipmaker Qualcomm Inc., to strengthen its declining cell phone business.

The breakup was originally slated for 2009, but Motorola postponed it due to the economic downturn. In November, the company announced a definitive date for the long-planned split.

The company's cell phone business has since rebounded. In October Motorola said the division was profitable for the first time in three years, due in large part to its focus on smart phones such as the Droid that run Google Inc.'s Android software, which competes with the iPhone.

Solutions will continue to be based in Schaumburg, Ill., while Mobility will take up a temporary home in nearby Libertyville, Ill. Motorola officials have said that it may later move its headquarters team to San Diego, the San Francisco area or Austin, Texas.