

## **Motorola scraps dividend after \$3.6bn loss**

*Paul Taylor*

Motorola, the struggling US mobile phone maker, on Tuesday forecast a larger than expected loss in the current quarter, suspended its quarterly dividend and announced the departure of its chief financial officer after reporting a \$3.58bn fourth quarter loss.

Greg Brown, chief executive, said the dividend suspension would save \$350m this year and, coupled with the latest round of job cuts announced last month, would contribute to cost-cutting measures designed to save \$1.5bn in 2009.

The company named Edward Fitzpatrick, senior vice-president and corporate controller, as acting chief financial officer, while it searches for a replacement for Paul Liska.

Mr Brown told analysts the decision to replace Mr Liska, after less than a year as chief financial officer, reflected the changed market environment and Motorola's decision to postpone the planned spin-off of its mobile phone unit.

Nevertheless, Mr Brown said both he and Sanja Jha, his co-chief executive who is in charge of the mobile phone business, remained "totally committed" to the eventual divestiture of the unit.

Motorola in October delayed plans to split off its phone unit, citing the global economic downturn. Mr Brown had proposed the separation about six months earlier, bowing to pressure from Carl Icahn, the Wall Street investor, who built up a sizeable stake in the company.

Motorola shipped about 19.2m handsets in the fourth quarter, less than half the 40.9m in the year-ago period, and its market share slipped to about 6.5 per cent ranking it the fifth largest global mobile phone maker.

The company forecast a loss of between 10 cents and 12 cents a share in the first quarter, excluding some costs, mainly reflecting Motorola's weakness in the global handset business and its shrinking market share.

The fourth-quarter net loss, equivalent to \$1.57 a share, compared with a profit of \$100m, or 4 cents a share, a year earlier. Nearly all of the loss stemmed from a various one-time costs.

Excluding charges for items such as goodwill amortisation, Motorola's loss would have been 1 cent per share, in line with earlier forecasts.

Sales fell by 26 per cent to \$7.1bn as declining mobile phone sales offset relative strength in the home and networks division. The unit, which sells set-top boxes and wireless network gear, reported an operating profit of \$257m on revenue that fell 5 per cent to \$2.6bn while the enterprise mobility unit, which serves corporate customers, posted an operating profit of \$466m on revenue that increased by 4 per cent to \$2.2bn.

In contrast, however, Motorola's mobile phone shipments continued to fall reflecting its weak product portfolio coupled with the global downturn in mobile phone sale. However, Mr Jha said efforts to cut costs and revamp the product portfolio were "ahead of schedule."

Mr Jha, who joined Motorola six months ago from Qualcomm, said Motorola would in future focus on selling fewer, but higher value smartphones and other devices based on Google's Android operating system and Microsoft's Windows Mobile 7 when it is launched next year.

He declined to forecast when the mobile phone division would break even, but said he was confident the company would emerge as a low-cost manufacturer based on its current initiatives.

Motorola announced plans to cut about 4,000 jobs, with more than three-quarters of the reductions coming from the mobile-devices unit.

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