Motorola confirms new plan to split itself

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Motorola confirmed on Thursday that it plans to reorganize itself into two independent companies by the first quarter of 2011, with its mobile handset unit to be combined with its set-top boxes in order to be spun off into a publicly traded company.

Sanjay Jha, one of Motorola's two co-chief executives, will oversee those two businesses effective immediately. The remaining operations — Motorola's wireless networking business and its enterprise radio systems operations — will be headed by the company's other co-chief executive, Greg Brown.

The two companies will be split through a tax-free stock distribution to Motorola shareholders. The mobile handsets and home business will own the Motorola brand and will license it royalty-free to the enterprise and networking company."We believe this structure provides significant operational and strategic flexibility for both companies, positions them for future success, and enhances long-term shareholder value," David Dorman, Motorola's chairman, said in a statement.

Motorola's announcement confirms reports by The New York Times and others that the company has shifted its thinking on how to split itself up. Motorola executives have been considering ways to differentiate the handset unit from competitors; one possibility was through combining it with its set-top box business, which delivers home networking and digital video services.

"The combination of mobile devices and our home business brings together two highly complementary and innovative organizations," Mr. Jha said in a statement on Thursday. "Together we will be best positioned to lead in the convergence of mobility, media, and the Internet."

The combined unit could fit into the "three screens" lifestyle envisioned by carriers like AT&T and Verizon, where customers would watch content on TV, on their computers and on their mobile phones.

People briefed on the matter previously told DealBook that the company eventually plans to sell its wireless networking division, a unit the company has already deemed as not part of its core business.

Last year, Motorola had begun shopping around its set-top boxes and wireless networking units to buyers. Advisers to the company had already completed the first round of an auction for the combined unit, these people said.

While Motorola previously considered selling or spinning off its mobile handset business, it was forced to postpone those plans amid falling sales. Company executives have been encouraged by the reception of new handsets like the Droid, which has quickly gained a following among Verizon Wireless customers.

The wireless networking business, which focuses on telecommunications products, would then likely be sold off. People briefed on the matter previously told DealBook that said the unit could fetch more than $1 billion as it draws the interest of strategic buyers.Motorola would be left with its profitable enterprise radio systems business, which generated $7 billion of the company's $22 billion in sales in 2009.

Fonte: New York Times, New York, Feb. 11th 2010, Business, online.