

In turnaround effort, Motorola to lift wraps on new phones

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SAN FRANCISCO (MarketWatch) -- After laboring for nearly three years on a turnaround plan, Motorola Inc. is about to offer a glimpse into whether the handset maker's new strategy can pay dividends down the road.

In recent years, the company has seen its wireless business decimated in the face of brutal competition and few compelling handsets since the 2004 launch of its popular Razr series on the market.

On Thursday, Motorola [MSI, -1.18%](#) plans to showcase new devices built on the Android operating system developed by Google Inc. [GOOG, -0.40%](#)

The new phones are expected to be the first in a line of devices designed to help the company regain some of its luster in the wireless market -- particularly by launching an attack on the fast-growing smartphone sector now dominated by the likes of the iPhone by Apple Inc. [AAPL, -0.64%](#) and the BlackBerry by Research In Motion Ltd. [RIMM](#)

"The bar is so low that all it has to do is show competent phones with break-even margins for investors to anticipate big improvements in the financials over the next two quarters," Ed Snyder of Charter Equity Research wrote in a research report issued ahead of the company's product unveiling.

Motorola will unveil details about its new devices during the Mobilize conference in San Francisco, sponsored by GigaOM, a tech blog. Co-Chief Executive Sanjay Jha is scheduled to speak at the event and he is expected to announce the new models.

Shares of Motorola have surged over the last six months, jumping from \$3 in early March to \$8.09 on Wednesday.

Motorola is still a relatively large player in the mobile phone market, but has a very small presence in smartphones. Its share of the overall wireless handset market fell to 5.6% in the second quarter vs. 10% a year ago, according to Gartner Inc. The company doesn't even register in the Gartner rankings for the smartphone market, as devices such as the Moto-Q have failed to generate much traction against rivals.

Little is known about the devices the company plans to introduce on Thursday, other than the fact that they will run on the Android platform. The Web search giant developed the operating system to compete against iPhones and BlackBerrys. Android also has to go up against a new operating system developed by Palm called webOS.

Analyst Tal Liani of Bank of America Securities says that Motorola will likely try to keep the market's expectations in check. The new devices probably will be designed for T-Mobile rather than the larger carriers, AT&T and Verizon, though he expects a deal for some Verizon devices before the end of the year.

"Nevertheless, we believe the new devices will be able to demonstrate Motorola's hardware, software and Android integration capabilities, with the company also likely shedding some light on its future product and software plans," Liani wrote in a note to clients last week.

Maynard Um of UBS says the key for Motorola is to demonstrate its product portfolio's differentiation vs. the competition.

Thursday's event, he said, "will be an important first step in gauging whether the company is headed in the right direction and how it may change the competitive landscape."



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