

Motorola forecasts loss; shares plunge

(Reuters) - Motorola Inc ([MOT.N](#)) forecast a loss for the current quarter due to heavy spending to bring more smartphones to the market, disappointing investors who had expected the cellphone maker to post a profit.

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The news drove Motorola shares down 9.5 percent, overshadowing the company's report of stronger-than-expected smartphone sales in the fourth quarter, when it started selling phones based on Google Inc's ([GOOG.O](#)) Android software.

Motorola forecast a first-quarter loss of 1 cent to 3 cents per share, compared with the analysts' average estimate of a 3-cent profit, according to Thomson Reuters I/B/E/S.

Co-Chief Executive Sanjay Jha attributed the forecast to lower smartphone sales volumes due to typical seasonal trends in the first quarter, combined with heavy expenses to launch new smartphones.

"We are just at the beginning stages of our transition to a smartphone company, and we have a lot of work ahead of us," Jha told analysts on a conference call.

Motorola said its mobile devices unit would post a profit in the fourth quarter of 2010, after years of losses as a failure to produce hit phones caused the company to cede market share to rivals such as Nokia ([NOK1V.HE](#)) and Apple ([AAPL.O](#)).

Nokia reported fourth-quarter sales and profits that beat expectations, sending its shares up 14 percent on Thursday.

Motorola, which is betting the future of its handset business on Android, will sell fewer smartphones in the current quarter than in the fourth quarter, Jha said. He forecast shipments of 11 million to 14 million smartphones this year and said the devices would bring in more than 50 percent of its handset unit revenue.

The company sold 12 million phones in the fourth quarter of 2009, compared with the average forecast of 14.8 million from analysts polled by Reuters. Its sales of 2 million smartphones were above expectations, however.

Morgan Keegan analyst Tavis McCourt said Motorola had handily beat his forecast for sales of 1.3 million smartphones, but noted that its other units underperformed slightly.

"It was a mixed quarter," McCourt said. "Smartphones, which are most important, had a very good quarter."

Motorola posted a fourth-quarter profit of \$142 million, or 6 cents per share, compared with a loss of \$3.66 billion, or \$1.61 per share, a year earlier, when it took big noncash charges.

Excluding special items, earnings per share were 9 cents, compared with analysts' expectations of 8 cents, according to Thomson Reuters I/B/E/S.

Charter Equity Research analyst Ed Snyder said investors were disappointed that strong smartphone sales did not translate to a better quarterly report or outlook.

"The disappointment was that with all those extra phones it wasn't that much more profitable," Snyder said, adding that investors would have liked a profit for mobile devices before the fourth quarter.

"They're probably being conservative," he said, "but investors were looking for a little more optimism, given how well the Android phones sold."

Revenue fell about 20 percent to \$5.7 billion. After taking into account a \$200 million deferral of revenue related to smartphone sales, this was almost in line with the analysts' average forecast of \$5.94 billion.

Last year Motorola canceled a lot of phones as Jha made a bold bet that Android would be the key to turning around the company.

Motorola said sales in its mobile devices unit were \$1.8 billion, down 22 percent from a year earlier, but up slightly from \$1.7 billion in the third quarter.

Shares of Motorola were down 70 cents, or 9.5 percent, at \$6.70 in morning New York Stock Exchange trading.

(Reporting by Sinead Carew; Editing by [Derek Caney](#) and Lisa Von Ahn)