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# Motorola product delays, tablet price to hurt third quarter

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By [Sinead Carew](#)

NEW YORK (Reuters) - Motorola Mobility warned that its third-quarter profit would miss expectations due to a long delay of a key smartphone launch and a tablet computer price cut, sending its shares down 4 percent.

Chief Executive Sanjay Jha said Motorola's Bionic, a high-speed device for Verizon Wireless, would be delayed until September, which was later than analysts had expected for the device whose launch had already been delayed to the summer from its original target for a second quarter launch.

The delay, which also involves a Motorola tablet computer, will put Motorola under ever more pressure to compete with Apple Inc, which is expected to launch a new iPhone this fall at Verizon Wireless.

"It would have been nice if Motorola had a clear window prior to the release of the new iPhone," said CL King analyst Lawrence Harris.

Motorola had announced the product on January 5 at the consumer electronics show.

"It's highly unusual to have a product delayed this long. They really had to go back to the drawing board in this," said Harris, who noted that many people on Wall Street had hoped for an August launch of the phone.

A high-speed version of Motorola's Xoom tablet, also announced in January, will also be delayed until September, Motorola said. It had also originally slated that product launch for the second quarter.

Gross profit margins will also be worse than expected this quarter, because Motorola was forced to cut the price of its first version of Xoom to compete with rivals such as Apple Inc's iPad and Samsung Electronics's Galaxy Tab.

## DELAYS AND PRICE CUT

Motorola cut the price of Xoom to \$499 from \$799 at Verizon Wireless on July 25 to compete with iPad and tablets like Galaxy as consumers weren't willing to pay a premium for the Motorola device, which like Galaxy is based on Android software from Google Inc. It launched Xoom at Verizon on February 24.

The company gave a third-quarter earnings target ranging from break-even to 10 cents per share, excluding unusual items, compared with analyst expectations for 24 cents a share, according to Thomson Reuters I/B/E/S.

"It's all lining up to be a weak quarter that's going to ripple though to the end of the year," said Charter Equity Research analyst Ed Snyder.

Motorola's full year forecast for 2011 of 48 cents to 60 cents per share missed Wall Street expectations for 71 cents per share.

Jha said he had misjudged pricing in the highly competitive tablet market but vowed that Motorola's profit would be back on track in the fourth quarter, when he promised to introduce more competitive products.

"We now recognize where the price points are," Jha told Reuters. "For the fourth quarter we'll launch very good, new tablets and we'll have a good quarter."

By year end, Jha promised that Motorola would have five devices based on Long Term Evolution (LTE) -- the high-speed technology both Verizon Wireless and AT&T Inc are using.

This will include at least one more LTE handset besides the Bionic and two more tablets besides the LTE version of Xoom, Jha said.

For the second quarter, it reported a loss of \$56 million, or 19 cents per share, compared with a profit of \$80 million, or 27 cents per share, a year earlier.

Excluding unusual items Motorola earned 9 cents per share in the quarter, ahead of analyst expectations for 6 cents a share according to Thomson Reuters I/B/E/S.

Revenue rose to \$3.3 billion, beating the average analyst estimate of \$3.12 billion, according to Thomson Reuters I/B/E/S.

Motorola said on Thursday it shipped 4.4 million smartphones in the quarter, in line with expectations from six analysts contacted by Reuters. It has also sold 440,000 tablet computers, ahead of analyst expectations for about 366,000.



The company tweaked its full year sales estimate for Android tablets and smartphones to a range of 21 million to 23 million from 20 million to 23 million.

Verizon Wireless is a venture of Verizon Communications and Vodafone Group Plc.

Motorola shares fell to \$22.01 in after-hours trading, down 3.9 percent for their \$22.91 close on the New York Stock Exchange.

(Reporting by Sinead Carew; Editing by [Robert MacMillan](#), [Andre Grenon](#), [Tim Dobbyn](#), Phil Berlowitz)

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