

Motorola Mobility could be sold again under Google, analyst says

By: [John Pletz](#) October 31, 2011

(Updated 4 p.m.)

(Crain's) — Motorola Mobility Inc.'s days are numbered as a stand-alone phone maker inside Google Inc., an analyst has said.

Ed Snyder of San Francisco-based Charter Equity Research Inc. said Google, maker of the Android software for smartphones, is more interested in dominating mobile-phone advertising than in making phones. That will stall Motorola's recovery in the phone business. Google can't afford to alienate larger Android partners such as Samsung, LG and HTC by having an in-house phone manufacturer.

"Google bought Motorola for its patents, not for its hardware operations, which wouldn't contribute enough in revenue or profits to offset the risk," Mr. Snyder said in a research note Friday. "We therefore expect Motorola to be spun or sold again in the not-so-distant future."

Motorola and Google declined to comment on the report.

Google announced Aug. 15 that it would buy the Libertyville-based maker of phones and set-top cable boxes for \$12.5 billion in a deal expected to close by early 2012. Shareholders are scheduled to vote Nov. 17 on the sale.

Motorola has just a 3% share of the worldwide market for cell phones, down from 23% just five years ago. But it has 17,000 patents, including several for fundamental cell-phone technology and many cross-licensing agreements with other phone makers that could help Google and makers of Android-based phones defend themselves from lawsuits by Apple Inc. and others for patent infringement.

Many Motorola observers have speculated that Google doesn't want to be in the phone business. But executives from both companies insisted that they intend to continue running Motorola as an independent phone maker led by CEO Sanjay Jha.

Motorola Mobility disclosed last week that it will lay off 800 of its 19,000 workers worldwide, but a spokeswoman said the job cuts were unrelated to the pending Google acquisition. About 185 of the cuts are expected to come from Illinois, where the company employs about 3,000.

The phone unit continues to struggle. Last week it posted a third-quarter loss of \$41 million, despite a 20% gain in revenue to \$2.4 billion on 28% higher unit shipments.

Motorola will remain eligible for \$10 million in annual state tax credits as long as it maintains at least 2,500 jobs here. The company sought tax incentives from the state to keep its headquarters in Illinois earlier this year after it spun off from Motorola Solutions, the Schaumburg-based maker of police radios and bar-code scanning equipment.

“As long as the company meets its job commitment and investment benchmarks we will honor our agreement,” a state spokeswoman said.