

Nokia Siemens to Buy Motorola Unit For \$1.2B

W. David Gardner InformationWeek

After several months of failing to break itself up, Motorola finally succeeded Monday as it sold off most of its mobile network infrastructure unit for \$1.2 billion to Nokia Siemens Networks (NSN).

The deal gives Nokia -- the world's leading supplier of mobile handsets -- an invigorated entrance to the U.S. market where it has lagged far behind other handset suppliers.

The acquisition, however, begins with some disconnects. The Motorola unit has been strong in WiMax, but Nokia swore off WiMax some months ago, so much of any possible synergy in the standard has already been lost. Earlier Motorola lost out as a major infrastructure supplier of Verizon Wireless' long-term evolution network. However, Motorola won a major piece of Japan's KDDI LTE operation. LTE is gradually emerging as the world's dominant high-speed wireless network.

NSN declined to pick up Motorola's aging iDEN technology, which is still used in some parts of the world, particularly in Latin America. After failing to sell off its iDEN unit, Motorola retrenched and has been working to upgrade iDEN with Sprint Nextel. Sprint has been challenged for months to move the old Nextel iDEN operation away from public safety networks.

"There is no real good future for iDEN," said Michael Voellinger, executive VP of telecommunications and IT consultancy Telwares. "It's expensive and cumbersome." Previously Motorola had teamed up with Sprint to revive iDEN by upgrading the network and introducing new handsets. Motorola has already written off most of its investment in Nextel's iDEN network.

The acquisition of the Motorola network, however, represents a major victory for financier and major Motorola investor Carl Icahn, who has long sought to break up Motorola arguing that it is worth more in pieces than as a whole. The deal also gives NSN momentum in the wireless infrastructure universe. It tried to purchase Nortel Network's coveted LTE/CDMA unit last year, but failed when Ericsson succeeded in buying the unit. In addition to Ericsson, NSN will be competing with China's Huawei Technologies and Alcatel-Lucent.

The acquisition gives NSN solid business relationships with China Mobile, KDDI, Sprint, Vodafone, and some Verizon Wireless operations.

"This is an exciting acquisition which I believe has significant benefits for customers, employees, and our shareholders," said NSN chief executive Rajeev Suri. "Motorola's current customers will continue to get world-class support for their installed base and a clear path for transitioning to next generation technologies,

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while employees will join an industry leader with global scale and reach."

NSN, based in Nokia's hometown of Helsinki, will take over responsibility for integrating about 7,500 Motorola employees. In recent months, NSN has laid off a few thousand employees as it seeks to streamline the Nokia and Siemens operations which it began integrating in 2006. Siemens decided to vacate much of the business after a series of accounting scandals.

Motorola co-chief executive Greg Brown will lead the remainder of the networking infrastructure operation. The company is still strong in several public safety sectors and a proposed synergy with iDEN could represent a viable new business opportunity.

The acquisition also gives Motorola the opportunity to shore up its Motorola Mobility unit which has been reviving under the leadership of Motorola co-chief executive Sanjay Jha, who has led the unit's drive with new Android mobile phones. In the past, Jha, who had been a top executive at Qualcomm, has indicated he would like to move the mobile phone operation to the west coast. The mobile phone operation also includes Motorola's set-top box unit. The operation is scheduled to be broken off from Motorola next year.

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