

Lenovo Third-Largest Smartphone Vendor with \$3B Motorola Buy

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Google Wednesday announced that Lenovo has agreed to acquire Motorola's handset division for \$2.91 billion, a fraction of the \$12.4 billion Google paid for the business back in 2011.

According to a press release the purchase price includes \$1.41 billion paid at close, comprised of \$660 million in cash and \$750 million in Lenovo ordinary shares. The remaining \$1.5 billion will be paid in the form of a three-year promissory note.

Over the past few years, Google has reduced the size of the Motorola business through job cuts and cost-cutting measure. Still, the Internet giant has been unable to make a profit off Motorola. In third quarter 2013 earnings, Motorola saw revenues of \$1.18 billion, or 8 percent of consolidated revenues in quarter, compared to \$1.78 billion, or 13 percent of consolidated revenues in the same quarter of 2012.

The purchase will give Lenovo a smartphone offering in addition to the PCs and tablets it manufactures, making it one of the only other OEMs besides Apple that makes all three device types. It also gives Lenovo a solid entry point to the North American market.

As part of the agreement, Google will maintain ownership of the vast majority of the Motorola Mobility patent portfolio, including current patent applications and invention disclosures. That shouldn't come as a surprise, as many [people surmised](#)

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[1] Motorola's patent portfolio was the [reason](#) [2] Google bought the ailing handset maker in the first place.

Google said Lenovo will receive a license to the portfolio of patents and other intellectual property. Additionally Lenovo will receive over 2,000 patent assets, as well as the Motorola Mobility brand and trademark portfolio.

Google CEO Larry Page said in a statement that Lenovo has the expertise and track record to scale Motorola Mobility into a major player within the Android ecosystem.

"This move will enable Google to devote our energy to driving innovation across the Android ecosystem, for the benefit of smartphone users everywhere," Page said.

According to the latest numbers from Strategy Analytics, the purchase will make Lenovo the third-largest smartphone vendor in the world, capturing a combined 6 percent share of global smartphone shipments in 2013. That's behind Samsung at 32 percent and Apple, which snagged 15 percent of the market.

In comment, Neil Mawston, executive director of devices for Strategy Analytics, said the buy is a good move for Lenovo, offering the Chinese vendor access to the valuable US smartphone market and the fast-growing Latin America region. This complements its existing global PC business.

"Lenovo now has extra scale in smartphones and a seat near the top table," Mawston said. "However, whether Lenovo can turn around the long-struggling Motorola business, and what happens to the Motorola brand long-term, remain key questions that will need to be answered in the coming months."

Shares of Google were up over \$36 or 3 percent to \$1,143 in early trading.

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