

MARKET WATCH

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RIM shares fall as investors worry about results, outlook

Disappointing shipments could indicate competitive pressure, analysts say

By [Dan Gallagher](#), MarketWatch

SAN FRANCISCO (MarketWatch) -- Research In Motion Ltd. saw its shares fall Thursday after the wireless device maker reported disappointing revenue and unit shipments for the fourth fiscal quarter.

Despite a strong jump in earnings for the period, RIM (NASDAQ:RIMM) shipped fewer units of its popular BlackBerry smartphone than many analysts had expected. The company blamed the miss on inventory adjustments at wireless carriers and a higher mix of lower-priced devices being sold during the quarter.

Analysts said high expectations were also a factor, illustrated by the fact that the stock had run up nearly 18% since the last earnings report.

By the closing bell Thursday, shares of RIM slipped by more than 7% to \$68.48.

"We view RIM's [fourth quarter] miss as evidence that the structural competitive issues are starting to weigh on its growth prospects," Simona Jankowski of Goldman Sachs wrote in a note to clients Thursday morning.

Goldman downgraded RIM to a sell rating following the report. Jankowski said the magnitude of the slowdown in the company's U.S. business points to more than just inventory issues at certain carriers. Specifically, the company could be losing share to competing devices.

Digits: iPad, Walt Mossberg Expands on His Review

The iPad won't go on-sale for two more days but the Digits set features one on the set -- along with WSJ's Walt Mossberg. He tells Stacey Delo why he thinks the iPad is a "game changer" for portable computing and addresses some key issues not mentioned in his review.

"We think RIM's products will increasingly lose differentiation as the focus shifts from email, where RIM leads all competitors, to applications, where RIM lags both the iPhone and Android," Jankowski wrote.

Net earnings jumped 37% for the quarter, coming in just slightly under expectations. Gross margins were above forecasts. Because the company sold a higher number of lower-priced smartphones such as the BlackBerry Curve in international markets, the company's average selling price, or ASP, fell slightly during the quarter.

Revenue jumped 18% to \$4.08 billion, though analysts were expecting \$4.3 billion, according to FactSet Research. [See full story on RIM's results.](#)

Sales still strong

Not all analysts were bearish on the company following the results.

Ittai Kidron of Oppenheimer maintained an outperform rating on the stock. He admitted that the slowdown in North America was worrying, but said strength in the international market will provide a strong base while the company improves its devices.

"RIM's sales miss raises growth concerns, particularly in North America with competition intensifying," he wrote in a report. "But, we're pleased with its international traction and believe RIM can generate a replacement cycle [in the second half of fiscal 2011] fueled by new product launches stabilizing ASPs and defending market share in North America."

Tim Long of BMO Capital Markets said the company's continued strong subscriber growth -- 4.9 million net new additions in the fourth quarter -- is a strong sign for the company's future business.

"We view net adds as the most meaningful indicator of how RIM is doing," Long wrote. "Adding over 5M per quarter now grows the base for ARPU [average revenue per user], sets up for a strong replacement market, and makes offerings like BlackBerry Messenger even more powerful."

Still, others are concerned. Recent reports that Verizon -- one of RIM's largest customers -- may get the iPhone has some worried that BlackBerry sales will suffer against the popular Apple (NASDAQ:AAPL) device.

"We simply don't want to be owners of RIM shares when Verizon gets the iPhone," wrote Jim Suva of Citigroup, who believes it will happen late this year or early next.

Ed Snyder of Charter Equity said RIM is relatively weak in 3G and touch-screen devices that are becoming the most popular category in the smartphone market, which may make it hard for the company to maintain share.

"The more detail we get on other handset OEM's plans for this space, the more we worry about incumbents like RIM, especially given its heavy dependence on the dated Curve form factor," Snyder wrote.

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