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RIM cuts Q1 forecasts, stock slumps

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By [Alastair Sharp](#)

TORONTO (Reuters) - Research In Motion stunned investors with a steep downward revision of its current quarter forecasts on Thursday, sending its stock spinning lower even as it promised a turnaround from a line-up of new BlackBerry smartphones it will unveil next week.

The new touchscreen phones, featuring an upgrade to RIM's existing operating system and improved hardware, are crucial weapons in the BlackBerry maker's scrappy fight against leaders Apple and Google in a fiercely competitive smartphone market.

"The interest is global, the products are truly fantastic," RIM's co-chief executive, Jim Balsillie, told analysts on a conference call. "I would have liked to have them sooner."

Investors weren't waiting until the BlackBerry World conference in Florida next week, clipping more than \$6, or 11.2 percent, off the stock in after-hours trade.

"This is the beginning of the slide," said Edward Snyder from Charter Equity Research. "It's going to be like air coming out of a balloon slowly."

The Canadian company is facing a difficult transition as it launches its first tablet computer, the PlayBook, with a completely overhauled operating system it expects will run its new phones from early next year.

While reviewers, customers and analysts appear impressed with the operating system, QNX, focus is on how quickly it can be ported and what the competitive landscape will look like by then.

Google gives its Android software to handset makers, who in turn seek to set themselves apart with high-end hardware. Apple redefined smartphones with its iPhone and created the tablet computer market with its iPad. RIM launched its tablet, the PlayBook, to lukewarm reviews last week.

RIM also faces a challenge from behind, as Microsoft pays handsomely to win over developers and has tied up a deal that will see its software on phones from Nokia, the world's largest handset maker by volume.

MAINTAINS FULL-YEAR OPTIMISM

In an unusual warning just a month after RIM reported quarterly earnings and disappointed investors with a weak short-term outlook, the company said it expects earnings of \$1.30 to \$1.37 a share for the current quarter, which ends in late May, down from the \$1.47 to \$1.55 it forecast in late March.

Before RIM's March forecast, analysts had on average expected the company to earn \$1.65 a share for the current quarter.

But RIM maintained its robust forecast for full-year earnings of \$7.50 per share, piling on the pressure for it to perform in the second half of the year.

POWERFUL PHONES PROMISED

RIM, which has failed to match the power or prestige of competing Apple and Android-based devices in recent years, is widely expected to power up its new touch-focused devices.

"Increasingly RIM is being relegated to the low end, quasi-smartphone. Without a flagship touchscreen, high-end smartphone they are going to continue to lose traction," Snyder said.

RIM's Balsillie promised to deliver in Orlando next week.

The company may unveil a new Bold -- its workhorse phone -- to add a touchscreen to RIM's trademark keyboard, a beefed-up Torch and a touchscreen-only device to erase memories of RIM's first take on the style, the Storm, which failed to resonate.

All are expected to have double the processing power of the first Torch, which launched last August, and more than the latest iPhone.

"I'm sure RIM understands that there are serious gaps in their portfolio," said CCS Insight analyst John Jackson. "And I'm sure that the transition to QNX -- the OS that runs the new PlayBook tablet -- is one in a series of measures put in place to address this."

RIM said shipments this quarter will likely be at the low end of the 13.5 million to 14.5 million forecast the company gave in



March, and that revenue would miss the range of \$5.2 billion to \$5.6 billion that it had forecast in March.

Balsillie said the aged BlackBerry portfolio and delays in launching new products had hit particularly hard in the United States -- a key market -- and Latin America, where RIM has grown steadily in recent quarters.

"It's not great news but in this transition period there are a lot of numbers that are moving around and I don't think we can view it as that incremental," said Wunderlich Securities analyst Matthew Robison. "Transitions are always a challenge."

RIM said it has not experienced significant supply disruptions from the Japan earthquake and shipments of its PlayBook tablet are on track.

(Additional reporting by [Poornima Gupta](#) in San Francisco and [Tarmo Virki](#) in Helsinki; Editing by [Janet Guttman](#), Peter Galloway and Steve Orlofsky)

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