MarketWatch

Telecom Stocks

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RIM loses more support; AT&T adds HP Veer

Two more brokers downgrade BlackBerry maker, blaming management

By Dan Gallagher, MarketWatch

SAN FRANCISCO (MarketWatch) — Shares of Research In Motion Ltd. slipped further on Wednesday after two more brokers downgraded the stock, citing concerns about the company's outlook in the brutally competitive smartphone market.

RIMM **26.79**, -0.14, -0.52%

The recent broker action follows several other similar moves that took place last Friday, after the company lowered its guidance for the May quarter. Read full report on RIM warning.

By early afternoon, RIM shares were down 1.8% at $47.37. The stock has shed more than 16% since the warning last week.

Research In Motion (NASDAQ:RIMM) has been losing share in the North American market to the iPhone and Android platforms, and sales of its aging line of BlackBerry smartphones are starting to slow in foreign markets as well, as the company works to update its platform.

In their downgrades on Wednesday, both analysts questioned the quality of RIM's management and its ability to lead the company through its challenges.

"Unfortunately, RIM's skills as a hardware manufacturer have been more than offset by it ineptness in software development, the focus of competition today," wrote Charlie Wolf of Needham & Co. in a report Wednesday afternoon.

A giant pivot in mobile payments

The biggest U.S. wireless carriers are scaling back a joint venture for mobile payments that they originally hoped would compete with Visa Inc. and MasterCard Inc., reaffirming the traditional credit card companies' clout in the nascent market for mobile transactions.

Wolf downgraded the stock to a hold rating from buy, calling its recent warning "the canary in the coal mine" on the company's strategy of offsetting losses in North America with growth from emerging markets.

"The blame must be laid at the feet of the company's co-CEO's who in their actions and words, appear to have no clue on how to mount a successful response," Wolf wrote.

Ed Snyder of Charter Equity also cut his rating on RIM, to underperform from market perform.

In a note to clients, Snyder said that RIM's handset business "is not hemorrhaging cash or even posting losses," giving the company time to correct its problems.

"Unfortunately, profits and cash flow are also the biggest impediment to solving its problems, given they rob management of the urgency for change, and the board's motivation to change management," Snyder wrote.

Five analysts had downgraded RIM immediately following last week's warning. More than two-thirds of the brokers covering the stock now rate the shares as sell or neutral. Read full report on Wall Street's dim view of RIM.

In other handset news on Wednesday, AT&T (NYSE:T) announced that it will begin selling the Veer, a new 4G handset from Hewlett-Packard (NYSE:HPQ) that was developed out of the Palm business the company acquired last year.

H-P debuted the Veer at a press event in February, along with a new version of the Palm Pre and the TouchPad, a tablet built on the company's webOS mobile operating system.

AT&T said it will begin selling the Veer on May 15 for $99 with a two-year contract.