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Research In Motion Takes Hits From All Sides

by: Alacra Pulse Check Blog

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by Angus Robertson

As we've noted here before, Canadian analysts have tended to be more positive on Ontario-based Research in Motion (RIMM) than their colleagues elsewhere, but that's changed in a hurry over the last couple of weeks.

Kris Thompson of National Bank Financial cut his outlook for the second time in a week Friday and now has the BlackBerry and Playbook maker at Underperform with a price target of $40.

Last week Thompson said he's "throwing in the towel for now" and can't recommend the stock due to RIM's "poor execution" on new devices. As recently as February, Thompson said "We'd be buying RIM," believing RIM could "steal" 1 million units per quarter from Nokia (NOK) during Nokia's transition to Microsoft's (MSFT) operating system.

"It's really hard to take a long-term view on this stock with all the hurdles ahead," he said in a note to clients on Thursday. "We expect the stock to drift much lower before potentially becoming a buying opportunity."

> The smartphone market is rapidly changing and will present new threats to RIM while we await new handset launches.

RBC Capital's Mike Abramsky had a $150 target on the company in August 2009 and rated it a Top Pick until recently. Last week he cut his target from $90 to $55 and lowered his rating to Sector Perform. "We were wrong, as mis-execution has undermined sentiment recovery," he wrote.

Another Canadian analyst, Michael Urlocker of GMP, downgraded Research in Motion on April 21 saying that PlayBook wasn't ready for primetime and that RIM's shares risked becoming a "value trap" – a stock that looks cheap but isn't because its prospects are diminishing.

AllThingsD's John Paczkowski writes that Charter Equity Research analyst Edward Snyder says that RIM's caught in the same sort of downward spiral that wreaked havok at Nokia and Motorola (MOT) and the only way to escape it is a change in management. Snyder downgraded RIM to Underperform.

Needham & Co analyst Charlie Wolf earlier this week cut his rating to Hold from Buy, arguing the company spent a decade as "a one trick pony, delivering the gold standard in messaging services," but that it's just not enough anymore.

RIM's decision to open its highly secure Enterprise servers to Apple (AAPL) and Android smartphones is a once-unthinkable concession that could save the BlackBerry maker's skin, Reuters reports.

"On the one hand, this sounds like very bad news as RIM acknowledges implicitly that their Enterprise business is under attack," said Sanford Bernstein analyst Pierre Ferragu. "On the other hand, it might be the wiser thing to do in order to defend the service revenues of RIM that are about half their profits."

Gartner's Philip Redman says RIM is smart for supporting other devices on its BES. "If RIM can do for the enterprise what Apple has done for consumers–being a one-stop shop for enterprise devices, applications, content, management–it will be a more successful strategy than only selling smartphone devices, which are under constant pricing pressure and the threat of commoditization."

Susquehanna analyst Jeffrey Fidacaro said RIM's announcements at its Capital Markets day last week did little to ease investors'concerns regarding the company's ability to recover mobile phone market share in the United States, where NPD said it lost 5 percentage points last quarter to Apple's iPhone and Google Android smartphones.

But there is hope for the faithful. There are rumors that Microsoft could buy the company to take on Apple. And RIM co-CEO

Mike Lazaridis said the popular game "Angry Birds" will be available on the PlayBook soon.

Click here for our previous Update on RIM that included several downgrades.

Sources: Alacra Pulse, Barrons TechTraderDaily, WSJ MarketBeat, MarketWatch, Financial Post, eWeek, Telecom Tiger.