



## RIM reports sharp drop in profit

Reuters | 15 Sep 2011 | 06:33 PM ET

Research In Motion reported a sharp drop in quarterly profit on Thursday, hurt by an aging lineup of BlackBerry smartphones that was only refreshed very late in the quarter and tepid sales of its PlayBook tablet computer.

The Waterloo, Ontario-based company's adjusted net profit fell 47 percent to \$419 million, or 80 cents per diluted share, on revenue of \$4.2 billion.

RIM shipped 10.6 million smartphones and 200,000 PlayBook tablet computers in the three months to August 27, sharply below the average estimate of analysts.

COMMENTARY:

TAVIS MCCOURT, ANALYST, MORGAN KEEGAN & CO

"The shipments were below their forecasts even though they got BlackBerry 7 out when they expected to."

"The guidance for shipments in November would imply a down year-over-year shipment number even though you've a full quarter of the new phones.:

Year-over-year is a more meaningful than sequential growth, he said.

"Of course you're going to be shipping up sequentially from Q2 where there were very few product launches,"

McCourt also criticized the third-quarter earnings and revenue guidance. "The revenue is still down year-over-year."

"It's pretty clear the BlackBerry platform is now in decline. They really need QNX to reinvigorate the business."

"If QNX is a bust that's when RIM needs to make strategic decisions as to whether it can go it alone."

"Given where the company is trading there's not a tremendous amount of confidence they'll be able to execute the transition."

McCourt said investors will be anxious to hear the RIM's comments on device activations in the second quarter.

"That's a really key metric. You'd want to see a much higher number for activations than shipments. If its higher things aren't so bad. If its lower they still have channel inventory issues."

PETER MISEK, MANAGING DIRECTOR, JEFFERIES & CO

"I have to tell you, I was stunned that the device number was below their guidance, and I'm pretty astounded they weren't more conservative than their November unit guidance, given that fact."

"I think the shares are reacting to what effectively is a miss on device unit for the August quarter, low-end revenue and EPS and then a guide that isn't matching expectations at the midpoint for the street, but we still think that that guide (for the November quarter) could be aggressive

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BILL KREHER, TECHNOLOGY ANALYST, EDWARD JONES INVESTMENT, ST

LOUIS

"Given management's consistent history of overpromising and under-delivering, we lack faith that the company can successfully hit the guidance that they've set."

"The company was looking for the PlayBook to be a new avenue of growth, and it looks like the numbers were very underwhelming relative to expectations, and I think overall the market needs to re-examine its estimates for the Playbook longer term."

"Right now the street probably needs to look past Blackberry 7 and focus on the QNX-based devices, but I still lack faith in management's ability, and given recent execution issues, we wouldn't be surprised if it is either delayed or pushed through with some functionality omitted."

EDWARD SNYDER, ANALYST CHARTER EQUITY RESEARCH

"This report is another nail in the coffin of management. Even though they guided down for this quarter they still fell short of that."

Regarding the guidance for third quarter phone shipments he said: "If that happens it would be good but so far their track record of being able to predict their own performance has been abysmal."

"They did release a lot of new phones ... but I think investors are going to sit on the sidelines until they see actual results. These results are not good."

"I don't think anybody believes their guidance. Management's credibility is at an all time low."

"We're well past the point these guys should be replaced."

COLIN GILLIS, ANALYST, BGC PARTNERS

"The question is, are they closing the gap with Apple and Android, and even Windows Phone 7? And we don't see that happening, because the real transition for RIM is just beginning, they're going to be moving everything to QNX."

"They've got to focus on their future, which is QNX, and they need to revisit where their market position is going to be, because they're having a tough time competing in the high end, and the low to mid end is going to get very crowded, very soon, with Android and Nokia phones."

STERNE AGEE, ANALYST, SHAW WU, SAN FRANCISCO

"The numbers look bad, but the good news is that they are probably at an inflection point and in the midst of a transition."

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