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RIM results, outlook stun investors even after warning

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By [Alastair Sharp](#)

(Reuters) - Research In Motion reported a steep drop in quarterly profit on limp sales of its smartphones and tablets, and offered investors little hope of a turnaround anytime soon, sending its shares tumbling.

RIM, which launched a string of refreshed BlackBerry phones in recent weeks, painted a dismal picture for its current quarter and said it now expects to reach only the lower end of an already reduced full-year outlook in a quarterly financial report issued late Thursday.

"This report is another nail in the coffin of management," said Edward Snyder, an analyst at Charter Equity Research. "Even though they guided down for this quarter, they still fell short of that."

The flagging performance by the one-time smartphone leader shows how far BlackBerry, once a byword for corporate communication, has fallen out of favor with both consumers and investors as Apple's iPhone and devices running Google's Android software take oversized bites out of the booming market, especially in the United States.

"It's pretty clear the BlackBerry platform is now in decline, said analyst Tavis McCourt at Morgan Keegan. "They really need QNX to reinvigorate the business."

RIM is hitting the labs to get the QNX software powering its PlayBook tablet onto its next generation of smartphones, possibly as soon as early 2012.

The limp numbers pile pressure on senior executives, who have been cajoled to step aside by investors and analysts worried about repeated failures to execute on strategy.

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

RIM shipped just 10.6 million smartphones in the second quarter, as carriers struggled to sell year-old devices with limited processing power compared to newer rival products.

"I was stunned that the device number was below their guidance," said Peter Misek from Jefferies & Co.

Perhaps more ominously, RIM shipped only 200,000 PlayBook tablet computers, which went on sale globally in June after weathering some scathing reviews at a North American launch in April.

Analysts had expected RIM to ship almost 12 million phones and 600,000 tablets. RIM's own outlook was for BlackBerry shipments of between 11 million and 12.5 million.

Highlighting a widening gap, Apple sold more 20 million iPhones and more than 9 million iPads last quarter after virtually creating the tablet market last year.

CEO PROMISES

RIM's co-CEOs Mike Lazaridis and Jim Balsillie took turns explaining RIM's performance on a conference call after the results for a second straight quarter. Balsillie had previously taken the call on his own.

"We understand that the past few quarters have been challenging and we are confident that we are on track to return to growth in Q3 and beyond," said Lazaradis, who founded the company in 1985.

Acknowledging disappointing PlayBook shipments, Balsillie promised a software upgrade he dubbed PlayBook 2.0 and hinted it would be available by the time RIM hosts its developer conference in October.

Investors and analysts have largely lost patience though, and Balsillie and Lazaridis have a tough path back.

"Given management's consistent history of over-promising and under-delivering, we lack faith that the company can successfully hit the guidance that they've set," said technology analyst Bill Kreher at Edward Jones Investment.

He said he wouldn't be surprised if QNX-based phones are either delayed or pushed out to market with some functionality omitted.

BLACKBERRY REBOUND EXPECTED

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.

Analysts had on average expected RIM to earn 88 cents a share on revenue of \$4.47 billion, according to Thomson Reuters I/B/E/S.



The company, which issued a profit warning in June, earned \$1.46 a share on sales of \$4.62 billion in the year-earlier period.

RIM expects profit and BlackBerry shipments to rebound in the current quarter as upgraded, touchscreen versions of its Bold, Torch and Curve smartphones, plus a Torch-branded touchscreen-only device, start selling in volume across the world. But its outlook did not go beyond what analysts had anticipated.

RIM's Nasdaq-listed shares fell as much as 18 percent to \$24.20 in after-hours trade following the results.

RIM expects to earn between \$1.20 and \$1.40 a share on sales between \$5.3 billion and \$5.6 billion in the three months to late November.

RIM said it had more than 70 million subscribers and sell-through was 13.7 million, meaning it was able to clear some excess inventory that had been lying unsold in carrier stores.

(Reporting by Alastair Sharp in Toronto, additional reporting by Euan Rocha, Allison Martell and [Pav Jordan](#) in Toronto and [Sinead Carew](#) in New York; editing by Peter Galloway, [Janet Guttsman](#) and [Bob Burgdorfer](#))

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