

RIM draws tepid reaction with CEO shift

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SAN FRANCISCO (MarketWatch) — Research In Motion Ltd. drew a tepid reaction from Wall Street on Monday as analysts questioned the company's surprise appointment of an insider to the CEO post.

Shares of RIM [RIMM](#) (RIM) fell more than 8% on Monday to close at \$15.56.

"The changes appear more cosmetic than substantive," wrote Charlie Wolf of Needham & Co. in a note to clients Monday morning.

The stock has crashed from a high above the \$70 mark to its current range in the mid-teens over the last 12 months, as sales of its flagship BlackBerry smartphone have slipped, causing the company to repeatedly miss its earnings forecasts and thereby draw calls from investors for its two co-CEOs to step down from management. [Read "Research In Motion co-CEOs finally let go."](#)

The company announced such a move late Sunday. Mike Lazaridis and Jim Balsillie have stepped down from their management roles at the company, with Chief Operating Officer Thorsten Heins, a former Siemens executive who joined RIM in 2007, to take the CEO reins.

Lazaridis and Balsillie also stepped down from their unusual roles as co-chairmen, though they will both remain on the board of directors. Lazaridis will retain the vice-chairman role and head up a new "innovation committee" on the board.

Meet RIM's New chief executive

(4:52)

Jim Balsillie and Mike Lazaridis, Research In Motion's co-chief executives, turned over the top job late Sunday to a little-known company insider, Will Connors reports on Markets Hub. (AP Photo)

"The board unanimously believed that Thorsten possesses the capabilities, the organizational skills and he has the passion and vision to effectively assume the reigns from Mike and Jim," Barbara Stymiest, who has been named as the "independent board chair" for the company, said on a conference call Monday morning.

During the call, Heins pledged that the company will improve on its product execution as well as its marketing in North America, where the company's BlackBerry smartphone family has come under brutal competition from the iPhone from Apple Inc. [AAPL, -0.64%](#) and phones using the Android operating system from Google Inc. [GOOG, -0.40%](#)

"We need to be more consumer driven, as that's where the growth is coming from," Heins said on the call. He added that the company is still seeking a new chief marketing officer.

Aside from that, no other major changes were announced. Heins said he plans to continue on RIM's product

roadmap, which includes the launch of the new BlackBerry 10 operating system later this year, and new devices for that platform. He also said he does not intend to split up the company's hardware and network backbone businesses, saying that RIM "is not a device company," but rather an "integrated solutions company."

The early reaction from analysts was mixed. Brian Modoff of Deutsche Bank upgraded the stock from sell to hold, and lifted his price target to \$18 from \$10, saying he believes that "division at the top has paralyzed" the company.



Reuters

RIM has seen sales of its flagship BlackBerry smartphones stall in the face of competition.

"While we think the company's near-term financials remain under pressure, we are raising the rating until we can better evaluate the new CEO role," Modoff wrote in a note to clients.

Others analysts were more tepid. Ed Snyder of Charter Equity said the change "seems like more window-dressing than a real reorganization." He maintained his sell call on the shares.

"COO Thorsten Heins took direction from Balsillie and Lazaridis when they were co-CEOs, and as the newly appointed CEO he'll still be under their review as Board members," Snyder wrote in a note to clients. "No company gives board seats to the management team that got it into the mess to begin with."

Pierre Ferragu of Bernstein Research said RIM's stock could see some positive reaction to the change, but that "we see a risk that an insider was chosen to take the role could generate some disappointment." He said the news was unlikely to change his "stay away view" of the stock.

"We also worry that initial statements of the new management team seem to fully support the company's current strategy, which is unlikely to fully reassure investors," Ferragu wrote.

J.P. Morgan analyst Rod Hall had a slightly more positive take, saying the changes "addresses investor concerns" about the company's corporate governance structure. He rates RIM shares as neutral.

"We see the appointment of an insider CEO as positive for RIM given the substantial execution challenges we believe the company faces in 2012," he wrote.

New RIM CEO addresses employees

(7:31)

BlackBerry-maker Research in Motion Ltd. said late Sunday its two co-chief executives and co-chairmen stepped down, and the board promoted one of RIM's chief operating officers, Thorsten Heins, to take the top job. In this video, Mr. Heins shares his message to employees.

But the move also makes it less likely that the company will be acquired, or spin-off its network support operations into a separate business. Unlike other handset makers, RIM also operates a backbone network to help carriers deliver its BlackBerry messaging services, which generates a recurring revenue stream for the company beyond device sales.

“While Mr. Heins also said RIM might license BlackBerry 10 to other device makers, which was already known, we do not think his appointment is an indication that the company is more likely to be acquired,” wrote Michael Genovese of MKM Partners in a report. He rates the stock as neutral.

Jim Suva of Citigroup wrote that RIM's shares have been outperforming the market in recent weeks, “underpinned by hopes for an external CEO hire with an increased emphasis on breakup and software licensing revenue potential both of which are not on the agenda of the new CEO.” He maintained a sell call on the shares.

“We now expect the stock to give up these gains as neither of these catalysts realize near term,” he wrote.

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