# RIM posts loss as new CEO begins to clean house

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By Alastair Sharp

TORONTO (Reuters) - Research In Motion posted a net loss and its first slump in BlackBerry shipments for its holiday quarter since 2006, as its new CEO announced the initial steps in a strategic overhaul and would not rule out an eventual sale of the company.

RIM's shares dropped as much as 9 percent on Thursday after the company said it would no longer issue financial forecasts and was reviewing "strategic opportunities" such as partnerships and joint-venture licensing, and other ways to leverage its assets. A handful of senior executives, including former co-CEO and current director Jim Balsillie, will depart.

Chief Executive Thorsten Heins, who took over from Balsillie and co-CEO Mike Lazaridis in January, said he was still focusing on a turnaround of the company, which has been hammered by competition from Apple and Google's Android in recent years.

Even so, if the review pointed in the direction of a possible sale, he said, "We would consider it, but it is not the main direction we are pursuing right now."

"I did my own reality check on where the entire company really is," he said during a conference call with analysts. "It is now very clear to me that substantial change is what RIM needs."

After Heins spoke, RIM's shares settled about 2.4 percent lower, in part because he left open the option of partnerships that analysts said could allow the company to exit some aspects of its business, such as making hardware, while focusing on software and services.

"If you look at this quarter alone ... things are certainly incrementally worse. But on the flip side, he's raised some possibilities of strategy change, which a lot of people think is called for," Avian Securities analyst Matthew Thornton said.

Investors may also have been encouraged by signs that Heins was putting his stamp on the company. RIM said Balsillie, who long served as RIM's public face, was stepping down as a board director a few weeks after he gave up his role as co-CEO.

Dan Dodge, former head of QNX Software, will replace David Yach as RIM's top software architect. RIM bought QNX in 2010 and is counting on the operating system to power its PlayBook tablet and redesigned BlackBerry 10 smartphones that will be launched later this year.

In addition, Jim Rowan also left as chief operating officer and RIM is looking for his replacement. It is still searching for a chief marketing officer to lead its promotional efforts.

BLACKBERRY SHIPMENTS SLUMP

The Waterloo, Ontario-based company shipped 11.1 million BlackBerry smartphones in the fiscal fourth quarter ended March 3, down 21 percent from the third quarter, but slightly ahead of analysts' pessimistic expectations.

It was the first decline in the quarter covering Christmas since 2006 and only the second time RIM has reported the metric dropping for that crucial period.

RIM sold more than 500,000 PlayBooks in the fourth quarter, a number inflated by deep discounts offered to boost sales of the product.

The decline in BlackBerry shipments suggests that RIM, at best, is treading water until it releases its next-generation of BlackBerry smartphones. Most analysts consider that a do-or-die launch for the company as it falls further behind Apple Inc's iPhone and iPad and devices powered by Google's Android.

"PAYING THE PRICE"

The company is now paying the price for failing to heed calls to move quickly to license its operating system and consider other strategies to compete with industry titan Apple, said Peter Misek, managing director of Jefferies & Co.

"It's going to be absolute gong show for the next few quarters," he said. "They're going to scramble around now for the next three to six months, and every poor shareholder that had faith in them is going to be potentially impoverished. I'm so angry as a Canadian - every Canadian investor should be angry."

While analysts generally approved of the more candid tone by Heins compared with that of his predecessors, most questioned if the new CEO would have enough time to pull off his plans.

"RIM has to orchestrate this turnaround within a shrinking window of opportunity. The market will determine how long that window stays open," said CCS Insight analyst John Jackson.

"Ultimately, RIM is taking half measures, baby-stepping their way to a reorganization and they're not moving fast enough," said Ed Snyder, an analyst with Charter Equity Research. "They need a wholesale change in the culture and the management of the company."

GUIDANCE WITHHELD

RIM said its decision to no longer provide specific financial guidance reflected an inability to forecast accurately given the weakness of its U.S. business and competitive pressure in global markets as it increasingly relies on sales of more low-end devices.

RIM, which has historically provided a forecast for BlackBerry shipments, earnings per share and revenue, has faced scathing criticism in the past year for missing its targets. Last year it stopped reporting average selling prices and subscriber additions.

For its fourth quarter, RIM reported a net loss of $125 million, or 24 cents a share, after booking writedowns on its legacy BlackBerry 7 phones and goodwill.

RIM last recorded a loss under generally accepted accounting principles (GAAP) in the fourth quarter of fiscal 2005, when it booked tax expenses and paid to resolve a patent infringement case that had threatened to shut down its U.S. operations.

On an adjusted basis excluding the writedowns, profit in the latest quarter more than halved to $418 million, or 80 cents a share, from $934 million, or $1.78, a year earlier. Revenue slumped to $4.19 billion from $5.56 billion.

Analysts, on average, had expected RIM to earn 81 cents a share on revenue of $4.54 million, according to Thomson Reuters I/B/E/S.

Excluding several major writedowns, RIM had adjusted earnings of $4.20 per share in the full fiscal year, after forecasting a year ago it would earn more than $7.50 a share.

That target was cut several times before RIM abandoned it altogether after a spate of product delays, a global service outage and disappointing shipment numbers.

"They clearly have no fix on when this process will bottom, and until it really does, it's going to be very difficult for a lot of investors to come back in," said Eric Jackson, a hedge fund manager at Ironfire Capital in New York.

Shares of RIM were trading down 2.4 percent at $13.40 after the bell. Soon after the company released its results, the stock fell as much as 9 percent. The shares have fallen 80 percent since February 2011.

(Additional reporting by Susan Taylor, Allison Martell in Toronto, and Sinead Carew in New York; Writing by Cameron French; Editing by Frank McGurty)