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Instant View: RIM enlists JPMorgan, RBC in review, warns of loss

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(Reuters) - Blackberry-maker Research in Motion, which has steadily ceded market share to Apple Inc and Google Inc in the hotly contested global smartphone arena, has hired JP Morgan and RBC Capital Markets to help review its struggling business.

The company, which some analysts say may try to put itself up for sale, expects to post an operating loss in the current quarter.

Commentary:

ED SNYDER, ANALYST, CHARTER EQUITY RESEARCH

"RIM is on the downward slope and its going to get steeper. The new management is rightly evaluating all the alternatives to try to stave off what will inevitably be greater losses.

"I don't think anybody's going to buy them so much as split up the company. Jim Balsillie left because he was proposing splitting the company into hardware and software.

"You're not going to sell RIM whole. The most valuable part of RIM today is the server business. The hardware business is a mess and probably going to get worse.

"The biggest problem RIM faces is that it's a very illiquid market in suitors for its phone business. There's very few companies that could exploit RIM's (hardware) assets to make a go of it. Those who can are already beating the pants off RIM.

"On the services side, you could see Microsoft picking that up, or Apple or even Samsung. Anybody who wants a stronger base in the enterprise."

DANIEL ERNST, ANALYST, HUDSON SQUARE RESEARCH

"The layoffs are not new. The most interesting thing that came out of that press release is that they are going to have a loss in some operations. That's certainly below our expectations and below the Street.

"In the broader scheme of things it's not a surprise. RIM is stuck between a rock and a hard place right now. On the high end they're getting crushed by Apple. At the low end they are getting crushed by Android. In overseas markets where you can get a \$100 Android phone, it does Web browsing, email and apps. It may not be a great phone but it does all these modern things we're used to.

"RIM doesn't have a product at the high end and doesn't have a product at the bottom end. Meanwhile their core corporate customers have been slowly churning out to Apple. They have a lot of work cut for them.

"RIM's core issue is their product. It doesn't matter how much they cut costs or how many bankers they hire if it doesn't have a product to sell. "

SCOTT SUTHERLAND, ANALYST, WEDBUSH SECURITIES

"They need to take a long hard look at themselves. As long as they stick with this integrated strategy, they'll always be playing catch-up but never get to where Apple and others are. At the end of the day, being an integrated business will go the way of Palm. They really need to rethink how to become part of a bigger ecosystem.

"They have a lot of tangible assets, they have their patent portfolio, they have the enterprise mobility platform and they have the device business. In their integration of all that they're so far behind, I just think sticking to that, maybe you have a long slow death. By separating those units, I think you can get some value off the different pieces.

"Nokia has shown how to do it right. They're going to take a lot of pain over at Nokia, but they've made the tough decision to become part of a larger ecosystem."

JOHN JACKSON, ANALYST, CCS INSIGHT

"By engaging the bankers, you just have that elevated possibility of strategic action. Nothing strategic happens until you hire the bankers.

"RIM has assets that might be valuable to various parties broken up, they might be valuable collectively. I think there are quite a number of plausible scenarios out there, not the least of which is still an organic recovery. I don't think it's a foregone conclusion that they can't restructure effectively.

"It is clear that the investment community has lost patience with RIM and that is going to weigh on their ability to recover organically.

"There is zero surprise in the matter that RIM is guiding toward on operating loss this quarter, and that they're going to continue to have a tough time - no real surprises there.

"The collective assets that comprise BB10 are formidable and I think the market overlooks that.



"The market has perhaps been a little bit myopic in not appreciating the extent to which those assets look like the future."

EHUD GELBLUM, ANALYST, MORGAN STANLEY

"Bankers do a lot more than buy and sell, certainly finding a buyer is one the things they do, but in this case it would be an option of last resort.

The bankers "are there to help them restructure, from outsourcing pieces of it, selling divisions etcetera so that the cost structure will come down.

"They will be a much, much smaller company. They have to bring down the cost structure in a hurry so they don't get to the point that they go bankrupt until they have a new product. Is there a pot of gold at the end of the rainbow? The odds are definitely against them.

"They could have the best product but the way the market has developed - set up for Android and iOS and maybe Microsoft - it's really hard to see it would be receptive for a fourth."

MICHAEL JAMES, SENIOR TRADER, WEDBUSH MORGAN, LOS ANGELES

"Clearly a big disappointment. I can't say it's going to take people completely by surprise from a trader standpoint, but the magnitude of the miss: they didn't quantify it, they just said it's going to be an operating loss. And the consensus estimate for the quarter is 41 cents, so you know it's going to be at least 42 cents below estimates.

"I don't think it's a surprise that guidance is being lowered, but I think the magnitude of the disappointment below estimates is definitely a negative surprise.

"They did say that they hired JP Morgan and RBC to evaluate options, so that might be a potential saving grace for the stock. I don't think any options are off the table, whether it be licensing their proprietary software or putting the company completely up for sale.

"It is further validation that the iPhone and Android are continuing to dominate the smartphone space, and you are seeing the clear losers being RIM and Nokia."

ALEX GAUNA, ANALYST, JMP

"We were all anticipating this anyway. But there isn't a lot of detail around it. How deep is the loss?

"They're clearly moving in the wrong direction right now, so I found it a little frustrating that there wasn't more detail. It wasn't as helpful as it could have been.

"If they're really trying to repair their relationship with Wall Street and investors, this was not all that helpful."

COLIN GILLIS, ANALYST, BGC PARTNERS

"Everyone talks about the transition, but in order to have a transition, you need to have something to transition to.

"We're not even at the point where this is a transition, this is just a downward slope right now.

"They're talking about (Blackberry) 10, but 10 is going to be in the back half of the year... That's also part of it."

MARK MCKECHNIE, ANALYST, THINKEQUITY LLC

"Clearly its a special situation stock. It's having trouble competing with Android and Apple for the No.3 place.

"We're looking at this as a salvage, value type situation. The valuable assets in RIM are cash on the balance sheet, the recurring enterprise software revenue, and their patents.

"When I talk about RIM's valuation I talk about \$10 per share for the value of their patents."

(Reporting By Ed Krudy, Sinead Carew and Nicola Leske in New York, Noel Randewich and Malathi Nayak in San Francisco, and Julie Gordon in Toronto)

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