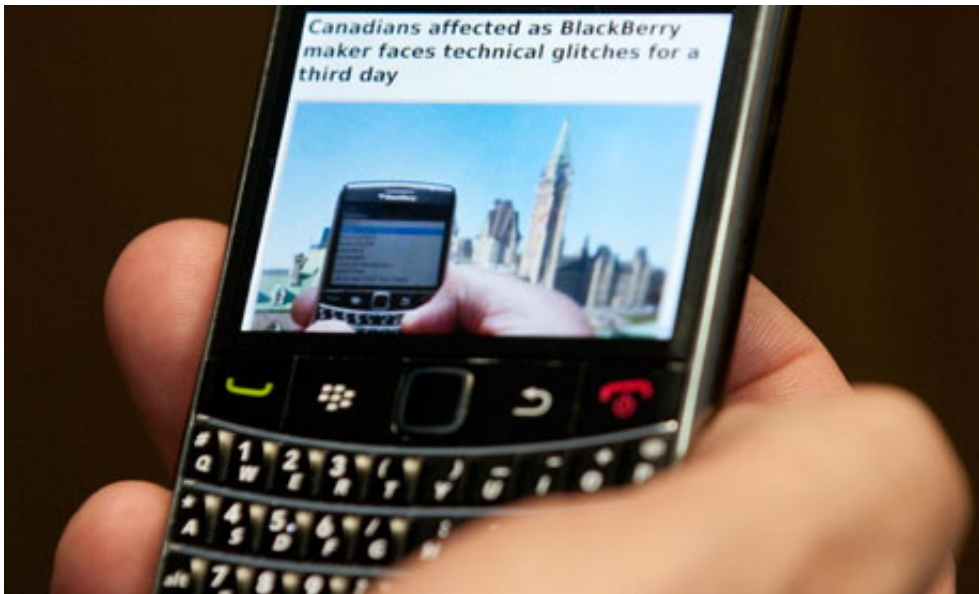


Does RIM's BlackBerry have a future? What the analysts say about its results

'Like watching a puppy die', says one analyst, as smartphone maker delays new software and sees handset sales plummet

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A BlackBerry user in Canada. Is the device now an endangered species? Photograph: Adrian Wyld/AP

Research in Motion, the Canadian company behind the BlackBerry handsets and PlayBook tablet, announced financial results which were well below analysts' expectations. Excluding impairment charges, the latest loss was 37 cents per share, when analysts polled by FactSet had expecting a loss of 3 cents.

Revenue fell 43% year on year to \$2.8bn, well below analyst expectations of \$3.1bn. RIM said it shipped just 7.8m BlackBerry smartphones in the quarter, down 41% from 13.2m a year earlier.

And the company said it would delay its next-generation BlackBerry 10 software until the first calendar quarter of 2013, while cutting up to 5,000 jobs.

Analysts were universally pessimistic about the future of the company, whose stock has fallen to \$9.13 – valuing it at less than \$5bn – compared with \$144 in June 2008, and a \$32 high in the past 12 months.

Matthew Thornton of Avian Securities in Boston said: "It's like watching a puppy die. It's terrible."

Edward Snyder, managing director of Charter Equity Research in San Francisco, commented: "Wow, what a disaster." He said RIM is now in "a handset death spiral" and that "From a numbers point of view, it could hardly be worse, and it's going to deteriorate from here."

Colin Gillis of BGC Financial said a BlackBerry 10 delay is far worse than he had expected. He said the worst quarters are still in front of RIM and management is not reducing expenses fast enough to compensate for the revenue decline. He expects this to be the last quarter that RIM will see subscriber growth and said he would not be surprised if the company announces more layoffs by the end of the year. "When a technology gets old, it's not a slow fade. It's a sharp cliff," Gillis said. "There is very little market for old technology."

Eric Jackson, a hedge fund manager at Ironfire Capital in Toronto, said: "There's really no guarantee that once they come out on the other side of BlackBerry 10 that it's going to be something that people will want."

Shaw Wu of Sterne Agee in San Francisco said RIM would now have to be very careful. "Layoffs are not free – there's a use of cash with that. They have to be very careful with their cash balance. It's a matter of survival now."

Michael Walkley, an analyst with Canaccord, called the BlackBerry 10 delay dire and problematic in a rapidly changing technology sector. "The biggest disappointment is the delay of the BlackBerry 10," he said. "It's extremely challenging for them to turn around the business when their new smartphone is launching that late."

Ehud Gelblum, an analyst with Morgan Stanley, said: "I don't know if they can turn it around."

IDC analyst Kevin Restivo said launching the BlackBerry 10 software in the quarter after Christmas, when consumer spending would be tapped out, was "akin to launching fireworks underwater".

Francisco Jeronimo, smartphones analyst at IDC, said on Twitter: "RIM is like [Finland's] Nokia two years ago – fighting for an old operating system and announcing

new versions with poor execution. At least Nokia did a proper restart. RIM faces strong challenges in [calendar] 3Q & 4Q. No BB10, [Samsung Galaxy] GS3 a huge success, new iPhone coming out, new Windows Phone 8 devices. Tough! Nokia is struggling to sell the new devices, RIM is struggling to launch them!" He noted too that "58% of RIM shipments were under \$400 in 1Q12. BB10 is late and targets high-end. So, next 12 months will be very tough. Do they have enough cash? RIM has a huge mid-tier presence & new BB10 will 1st target high-end only. I'm afraid the tough quarters will be a lot more than expected."

Carolina Milanesi, Gartner smartphone analyst, tweeted: "Unless RIM could deliver in 3q it was left with having to pick between the noise of q4 with iPhone5 & WP8 or leaving it to q1. Either hurts."



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