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UPDATE 4-RIM delays new BlackBerry launch; sales crumble

Fri, Jun 29 2012

- * RIM delays launch of BB10 smartphones to early 2013
- * To slash about 5,000 jobs to cut costs
- * Fiscal Q1 rev falls 43 pct to \$2.8 bln
- * Adj fiscal Q1 loss \$0.37
- * Shares tumble 14 pct after-hours

By [Alastair Sharp](#)

TORONTO, June 28 (Reuters) - Research In Motion Ltd delayed the make-or-break launch of its next-generation BlackBerry phones until next year, in a devastating setback to the once-dominant technology company whose sales are crumbling.

Shares of the company, which also announced a steeper-than-expected quarterly operating loss and deep job cuts on Thursday, plunged 14 percent after it said it would release its revamped BlackBerry 10 devices early in 2013. It conceded the development had "proven to be more time-consuming than anticipated."

The delay in releasing the devices - RIM's last best hope of stemming its eclipse at the hands of Apple Inc's iPhone and phones using Google Inc's Android software - confirmed the worst fears of analysts and investors.

The size of the loss, RIM's first in eight years, and the likelihood that sales will keep sliding into 2013, severely reduce the options for the company if it is to survive.

RIM's announcement that it would slash 5,000 jobs, or 30 percent of its workforce, only reinforced the impression of a company that could be in terminal decline.

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

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

RIM, which virtually invented mobile email, has fallen from a leadership position to an also-ran in smartphones over a few years filled with delayed and uninspiring products, service outages and other embarrassments.

Now the new BlackBerry line will miss both the back-to-school and Christmas shopping periods, while the competition brings out new phones with more bells and whistles.

Apple is widely expected to unveil an iPhone 5 later this year, while a slew of manufacturers using Android are constantly pushing out new gadgets. Microsoft Corp is also planning to update its Windows software for mobile devices.

"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," said Eric Jackson, a hedge fund manager at Ironfire Capital in Toronto.

RIM's board is under mounting pressure to consider unpalatable options such as selling its network business or forming an alliance with Microsoft, sources familiar with the situation told Reuters.

Microsoft CEO Steve Ballmer approached RIM earlier this year looking to strike a partnership similar to the one the software giant has with Nokia Oyj, the sources said. Under that partnership, Nokia will use Microsoft's latest Windows operating system on its smartphones.

In such a scenario, RIM could also look for Microsoft to buy a stake in the company and fund marketing and other expenses, the sources said. However, this option is not attractive to RIM because it would mean the end of the Waterloo, Ontario-based company's technology independence, they said.

Even so, freshman CEO Thorsten Heins gave no indication on a Thursday conference call that he was losing faith in the current tack of cutting costs while waiting for the BlackBerry 10 launch, which is now more than a year overdue. The new devices are now set to land in a slow period when consumers are tapped out after their holiday spending.

"It's akin to launching fireworks underwater," said IDC analyst Kevin Restivo.

JOB CUTS

RIM expects the job cuts to cost \$350 million in the current fiscal year. It has pledged to slash \$1 billion from its operating costs in the year, but now considers that target as a minimum it will pursue, given the additional BlackBerry 10 delay. It said it

had already cut layers of management, streamlined its supply chain and outsourced repair work.

Analyst 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."

RIM's cash position - which has become a focus of concern for analysts as the company dips into the red - increased to \$2.2 billion by the end of the quarter, and it aims to maintain that level this quarter.

The company conceded that may slip as it pays severance to reduce the workforce, but it declined to estimate the cash position going into 2013.

Shares of RIM, which have dropped about 70 percent over the past year, were down 14 percent at \$7.86 in after-hours Nasdaq trading. At that price, the market is valuing the company at \$4.12 billion, a far cry from its once-lofty market capitalization of about \$84 billion.

OPERATING LOSS

RIM had warned it would post an operating loss but did not provide specifics. Excluding special items, the loss came in at \$192 million, or 37 cents a share, for the first quarter ended June 2. Revenue declined 43 percent to \$2.81 billion.

Analysts on average expected a loss of 7 cents a share on revenue of \$3.07 billion, according to an informal Reuters poll.

For the year-earlier quarter, RIM reported a profit of \$695 million, or \$1.33 a share, on sales of \$4.91 billion.

RIM said it expected to post another operating loss in the current quarter, as it ships fewer smartphones. It shipped 7.8 million BlackBerry smartphones in the last quarter, only about half of the more than 14 million of two quarters ago. Until now, it had shipped more than 10 million devices every quarter since late in 2009.

RIM sent out 260,000 of its poor-selling PlayBook tablet computers, which it has discounted sharply after initially pricing them at levels comparable with Apple's iPad.

Apple sold more than 11 million iPads last quarter. RIM said last month it would no longer produce the cheapest model of the PlayBook, which uses the same QNX-based operating system that the company is struggling to integrate into its future phones.

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