

## RIM sales, cash expected to sink further

By [Dan Gallagher](#)

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SAN FRANCISCO (MarketWatch) — Research In Motion Ltd. is expected to post another sharp decline in sales and its second straight net loss during its next quarterly report on Thursday, as investor sentiment sours further on the BlackBerry maker.



Reuters

*Research in Motion CEO Thorsten Heins shows a prototype of a BlackBerry 10 smartphone at a developers conference earlier this year.*

Besides what are expected to be dismal numbers, the smartphone maker faces the tougher challenge of readying its new operating system and handsets for commercial launch sometime this fall, while it grapples with slowing subscriber growth that threatens to eat away at its lucrative stream of network revenues that provide the cash necessary to offset growing losses in its device business.

“Look, we know it’s bad — the only question is how bad,” said Matthew Thornton of Avian Securities.

Research In Motion [RIMM](#) (RIM) will report results for its first fiscal quarter ended June 2 on Thursday afternoon. Wall Street currently expects a net loss of a penny per share on revenue of \$3.1 billion for the quarter, according to data from

Thomson Reuters, compared to earnings of \$1.33 per share on revenue of \$4.9 billion for the same period last year.

Investor sentiment on the smartphone maker has sunk this year. RIM’s shares hit a fresh five-year low on Tuesday, closing down 1.5% at \$8.96, and down 45% over the last 12 months.

The company’s BlackBerry smartphone business has eroded rapidly over the last 12 months, as customers have flocked to competing devices such as Apple Inc.’s [AAPL](#), [-0.64%](#) iPhone and handsets using Google Inc.’s [GOOG](#), [-0.40%](#) Android operating system.

“The ongoing competitive environment is impacting our business in the form of lower volumes and highly competitive pricing dynamics in the marketplace, and we expect our first-quarter results to reflect this, and likely result in an operating loss for the quarter,” Chief Executive Officer Thorsten Heins said in a statement from the company on May 29.

RIM no longer gives specific quarterly forecasts, and Wall Street’s current estimates on some key metrics have a fairly wide range. Predictions for smartphone unit shipments for the quarter currently range between 7 million and 9.4 million.

Part of the challenge facing the company is maintaining its user base as it prepares its next-generation BlackBerry 10

operating system for launch. Some analysts believe the company is taking sharp cuts in the prices of its current handsets in order to maintain sales and keep the subscriber base from further erosion.

“Without a high-end smartphone or mobile platform to defend against iPhone and Android devices, operating results are likely to continue deteriorating as the company slashes ASPs [average selling prices] to spur unit volume,” wrote Ed Snyder of Charter Equity Research in a note Tuesday.

#### **RIM's BlackBerry10 'patchwork'**

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Most of the BlackBerry 10's critical features are a patchwork of hardware and software obtained quietly through about a dozen acquisitions and multiple licensing deals over the past two years. Will Connors reports on digits.

Subscribers are also a key issue, as the number of BlackBerry subscribers drives the revenue RIM is able to get from wireless carriers on a monthly basis to use its backbone messaging network.

In its statement, RIM said its global subscriber base “continued to grow this quarter to approximately 78 million,” implying growth of less than 1 million subscribers from the previous period.

“We believe the subscriber base is poised to start declining, and the recurring revenue will likely follow,” Tim Long of BMO Capital wrote in a note last week. “Service revenues have offered some level of support for the stock, and a decline will be negatively perceived.”

It remains to be seen whether RIM will give any additional color on the planned launch of the BB10 platform and handsets. Thornton of Avian Securities believes that investors will perceive any launch later than early October as a disappointment, given that the devices will likely face intense competition from the next iPhone, as well as Android products.

“The real focus will likely be around any changes in strategy or incremental cost cuts,” Thornton said.

RIM is currently undergoing a cost-reduction program and has hired advisers to explore strategic options.



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