

**Eric Savitz** Forbes Staff*Covering the intersection of tech and investing.*

CIO NEXT 1/31/2013 @ 9:35AM | 10,028 views

BlackBerry: Street Likes BB10 Phones, But Stock Hit By Downgrades; 5-Day, 30% Slide

[Comment Now](#)

[BlackBerry](#) shares – [Research In Motion](#) yesterday changes its name to that of its flagship product line – are trading lower for the fifth straight day Thursday, as investors responding with concern following the launch Wednesday of the first phones using the company's much anticipated BlackBerry 10 operating system software.



As you no doubt know by now, the company unveiled two models – the touch-screen Z10 and the keyboard-based Q10. In general the Z10 – the first one to reach the hands of reviewers – generally has been getting good reviews for its design, but there is disappointment on the Street about the delay in getting the phones to market in the U.S. The Z10 won't go on sale until March, and Q10 won't go on sale anywhere until April, and might not hit the U.S. market until later than that.

The arrival of the phones, impressive as they may be, now puts the pressure on a single question: Are the phones good enough to keep the 79 million existing BlackBerry users from leaving the fold, or even to lure Android and iOS devotees to the platform? The answer is that it is certainly too early to be sure, but skepticism is widespread.

- **Charter Equity Research analyst Edward Snyder** this morning cut his rating on the stock **to Market Perform from Buy**. “The mere anticipation of BlackBerry 10's release and favorable preliminary reviews drove the share price to an intra-day high of \$18.32 on January 24th, representing a 22% gain in just eight trading days,” he writes in a research note. “However, the ascent of the stock occurred much faster than we had anticipated, and was fueled by speculation that the new platform could reverse the company's deteriorating financials. After yesterday's debut of BB10 the mood has shifted to skepticism that the new phone can make much headway against iPhone and Galaxy given hurdles in resources and support facing RIM. We believe the upside has been flushed out of the stock near-term, and the market will require quantifiable data for RIMM to see sustained appreciation from here.”
- **S&P Capital IQ analyst James Moorman** yesterday cut his rating on the stock **to Sell from Hold**, though he upped his target price by a buck to

\$13. “We believe the new devices are impressive and increase our valuation for the hardware business,” he writes. “We believe the devices and BB10 operating system will be well received. We are also impressed with the split business and personal modes on the software as well as the auto-correct function. However, we believe the new devices will do more to retain existing BlackBerry subscribers than to lure new subscribers. We also expect RIMM to lose subscribers again in the February quarter.”

- **Credit Suisse analyst Kulbinder Garcha** cut his rating on the stock to **Underperform from Neutral**, with a new target of \$10, down from \$11. Garcha notes that he expects limited traction for the new phones, and fears that the company’s revamped services model will result in margin pressures, significant losses and cash burn.
- **Evercore Partners analyst Mark McKechnie** cut his rating to **Underweight, from Equal Weight**, while keeping at \$8 target price. He expects a “muted” consumer response to the new phones.
- **Canaccord Genuity’s T. Michael Walkley** remains bearish. “While we were impressed with the features of the new OS, we believe RIM has only closed the gap with more mature smartphone OS platforms and offered limited differentiating services or features to win back customers from more mature ecosystems,” he writes. “Further, we believe the carrier pricing of the new Z10 smartphone versus competing high-end smartphones creates a tough environment for strong BB10 sales to turn around BlackBerry’s long term business trends. We reiterate our Sell rating and \$9 price target.”
- **Baird’s William Power** similarly likes the phones, but not the stock. “We came away impressed with many elements of the new OS, and would note that our most recent mobile developer survey revealed improving BlackBerry sentiment among developers,” he writes. “However, we fear overcoming the iOS and Android eco-systems may be too much, particularly when coupled with growing service revenue risks. Maintaining our Underperform rating.”

RIMM – the company on Monday will switch the to stock symbol BBRY – is down \$1.31, or 9.5%, to \$12.47. The stock is now down 30% in five trading days.

Related:

[BlackBerry 10 Launch](#)