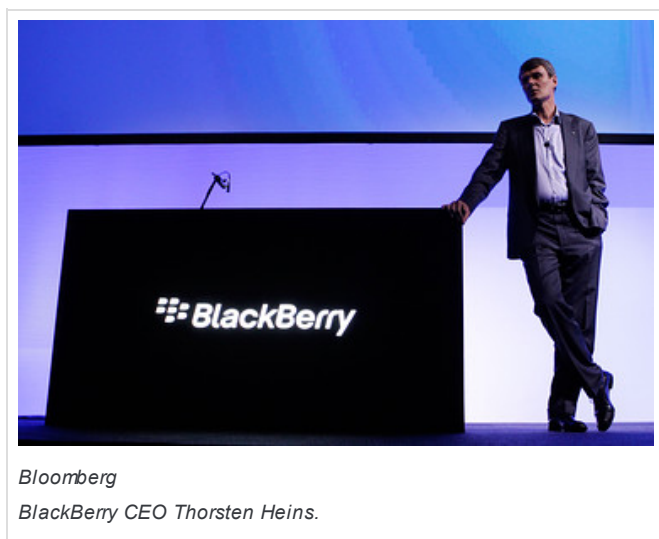


## BlackBerry crushed on warning, big layoffs

By [Dan Gallagher](#)

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SAN FRANCISCO (MarketWatch) — BlackBerry Ltd. warned on Friday that revenues for its recently ended second fiscal quarter will come in way below expectations as sales of its latest smartphones have plunged — causing the stock to get crushed in late afternoon trades.



BlackBerry [BBRY, +0.60%](#) [BB, +0.09%](#) shares slid more than 17% to \$8.72 by the closing bell, after a halt on the stock was lifted.

The news clouds the outlook for the once-powerful smartphone pioneer, which has been struggling against rivals such as Apple [AAPL, -0.64%](#) and Samsung [005930, -0.49%](#) in the fast-changing market. BlackBerry has taken the two-pronged approach this year of making a high-stakes bet on an entirely new operating system called BlackBerry 10 — while at the same time shopping itself around to potential partners and buyers.

The company said Friday that its special board committee “continues to evaluate strategic alternatives” for the business, but no buyers have yet emerged.

In the meantime, sales of its latest smartphones appear to have stalled significantly, especially under competition from new Galaxy devices from Samsung and Apple — which [put two new models in stores on Friday](#), including the iPhone 5S, some versions of which already appear to have sold out.

In an afternoon statement, BlackBerry said it expects to report revenue of about \$1.6 billion for the quarter, compared to \$3.04 billion that was expected by analysts, according to consensus estimates from FactSet. It also expects a GAAP net operating loss in the range of \$950 million to \$995 million for the quarter.

BlackBerry said it is recognizing revenue from about 3.7 million smartphones shipped for the quarter ended Aug. 31. About 5.9 million smartphones were sold through to end customers during the quarter, which the company said “included shipments made prior to the second quarter and which reduced the company’s inventory in channel.”

### BlackBerry to take nearly \$1B charge

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BlackBerry expects to report a hefty operating loss of nearly \$1 billion in its fiscal second quarter due to an inventory buildup of unsold smartphones, and will lay off 4,500 employees. Steven Russolillo reports on the News Hub.

The company added that most of the shipments recognized for the recent period are of its older BlackBerry 7 family.

That bodes poorly for the BlackBerry 10 platform, which was launched in February with the new Z10 smartphone. The company plans to take a pre-tax charge in the range of \$930 million to \$960 million in the quarter against inventory and supply commitments “which is primarily attributable to BlackBerry Z10 devices.”

The slumping sales of the new models have forced the company to take several drastic steps, including the layoffs of about 4,500 workers that was reported earlier this week, but not confirmed by the company until now. The cuts are part of a plan to reduce its operating expenses by 50% by the end of the 2015 fiscal year.

“The company is following in the footsteps of so many before it that have tried to overcome the nearly insurmountable odds of reestablishing a channel and brand that’s fallen out of favor with consumers,” wrote Ed Snyder of Charter Equity, who downgraded BlackBerry to an underperform rating on Friday morning before the company announced its news.

“Initially, struggling handset OEMS maintain high levels of investment to keep product development and carrier relationships intact, but unless new phones become a hit with consumers these outlays quickly become liabilities,” he added.

BlackBerry also said it will cut planned future device portfolio from six handsets to four, which will include two high-end devices and two entry-level products. This is part of a plan to focus on the enterprise and “prosumer” market.

“We are implementing the difficult, but necessary operational changes announced today to address our position in a maturing and more competitive industry, and to drive the company toward profitability,” CEO Thorsten Heins said in a statement.

Snyder predicted that BlackBerry “will slip further into the Handset Death Spiral until it’s eventually purchased at a deep discount or ceases operations. No handset OEM has ever recovered from this level of decline and it doesn’t appear that Blackberry will be the first.”

BlackBerry will report full results for the period on Friday, Sept. 27.



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