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# BlackBerry maker beats estimates with strong sales growth, forecast [BC-CPT-BLACKBERRY:MK]

(Marketwatch Via Acquire Media NewsEdge) SAN FRANCISCO _ Shares of Research In Motion Ltd. jumped Friday morning as investors cheered the company's third fiscal quarter results and forecast _ both of which soundly beat Wall Street's estimates.

By late afternoon, Research In Motion shares were up more than 10 percent to $70.20. The stock had sold off more than 20 percent since the last quarterly report, but remains up by 75 percent since the start of the year.

"While we remain concerned about competitive offerings, RIM has proven it has carved out a profitable niche in the mid-term," wrote Brian Modoff of Deutsche Bank, who upgraded the stock to a hold rating following the results late Thursday.

The results for the November quarter buoyed investors, who had begun to worry growing competition in the smartphone market was hurting the company's profits.

Earnings for the quarter surged 59 percent from the same period last year, surpassing Wall Street's estimates. Revenue grew by 41 percent as both smartphone shipments and subscriber growth also managed to beat previous forecasts. Read full story on RIM's results.

Its fourth-quarter forecast also exceeded analysts' predictions, as RIM said it expects earnings of $1.23 to $1.31 on revenue of $4.2 billion to $4.4 billion. On average, analysts were expecting earnings of $1.12 a share on revenue of $4.1 billion, according to estimates compiled by FactSet Research.

"The quarterly results indicate that BlackBerry was largely immune from the great sucking sound represented by the arrival of Android phones," wrote Charlie Wold of Needham & Co. in a note to clients.

The BlackBerry remains one of the strongest product lines in the fast-growing smartphone business, but RIM is coming under more pressure from competitors. The iPhone from Apple Inc. and new devices from Motorola Inc., HTC and Samsung feature the Android operating system developed by Google Inc. that is gaining ground in the market.

The Motorola Droid launched in November with Verizon Wireless _ one of RIM's largest customers. Analysts had been worried the carrier's heavy promotion of the device would hurt sales of BlackBerry handsets.

But during a conference call Thursday, RIM Chief Executive Jim Balsillie said the carrier is still a strong supporter of the company's products, including the newly launched touch-screen BlackBerry Storm 2.

"We have very special and distinct strategies with Verizon. We think it creates a lot of opportunity, and the space is expanding," Balsillie said. "We think the alignment with them is clear. The reality of it is there is a lot of turbulence in the ecosystem right now." Some still believe RIM will not remain immune to new competition. Much of the company's revenue growth from the quarter came from its international markets, where it faces less intense competition.

"International growth of 38 percent quarter-over-quarter was tremendous in the quarter, but we don't think the current model is sustainable," wrote Jim Suva of Citigroup.

Several analysts keyed in on improvements in the company's profit margins. Rod Hall of J.P. Morgan noted RIM's guided for an 80-basis-point increase in fourth-quarter gross margin to 43.5 percent, despite flat average selling prices, or ASPs.

"We believe that this underscores RIMM's confidence that they can extract strong margins from lower ASP consumer products," Hall wrote, maintaining a neutral rating on the stock.

Ed Snyder of Charter Equity cautioned the company's growing reliance on consumers and international markets could spell trouble for margins in the long term.

"Guidance for continued strong growth in units and an improving gross margin indicate that RIM is thus far untroubled by any issues it may be having with Verizon, but we believe that the company still has a difficult period ahead as it reaches further down the value chain to fuel its growth," Snyder wrote.

Vivek Arya of Bank of America said investors continue to undervalue RIM's strong offerings regarding messaging services, with too much focus on the iPhone's media-centric capabilities. He noted that RIM maintains a "unique service promoted aggressively" by more than 500 carriers across the globe.

"We believe consensus fundamentally under-appreciates RIM's 'messaging as a killer-app' differentiator for smartphone adoption," Arya wrote.