

RIM shares drop as BlackBerry shipments disappoint

Fri Jun 25, 2010 9:53am IST

By Euan Rocha

TORONTO (Reuters) - Research in Motion on Thursday reported subscriber and shipment figures that disappointed investors and rekindled fears that the BlackBerry maker is losing market share to Apple Inc and other rivals.

Shares of RIM tumbled more than 5 percent in after-hour trade even as the company said its quarterly profit rose almost 20 percent. The profit topped expectations, but failed to calm edgy investors, who are concerned by RIM's waning fortunes in its core North American market.

Adding to the concern, a 24 percent jump in revenue fell short of the Wall Street consensus view, due to weaker-than-expected unit shipments and fewer-than-expected subscriber additions. Gross profit margins also receded, suggesting that low-priced models were a growing part of the sales mix.

Overall, the results did little to dispel the perception that competition from the likes of Apple's iPhone and Motorola's Droid is stiffening.

Charter Equity analyst Ed Snyder said investors were hoping to see more phones sold, with stronger profit margins.

"It's a mixed report. It's a little light on revenue and light on units for this quarter," he said. "It's not the strong report everybody had been hoping for. The market is in a bad mood so its a tough time to be giving a mixed bag."

RIM's results came in the same day as the global launch of the iPhone 4, the latest version of Apple's wildly popular touchscreen smartphone. Apple sold 600,000 of the new devices in pre-orders in a single day last week, and analysts expect over 1 million sold in stores on the first day.

"RIM's doing a good job in profitability. They're just not showing as much unit growth as people would have liked," said CIBC analyst Todd Coupland.

"They're still showing 43 percent year-on-year growth. They're still growing but there's concern Android and Apple are nipping at their heels. That's why the stock is off," he said.

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Shares of RIM settled \$2.83 lower at \$55.75 in post-market trade in the United States, even as RIM's board authorized a share repurchase program to buy back up to about 31 million common shares.

NEW PRODUCTS

RIM sought to allay investor fears on its conference call with analysts, promising the launch of two higher-end devices in the current quarter that will likely help boost the average selling price in the quarter.

BlackBerry aficionados and RIM investors are hoping the Waterloo, Ontario-based company will unveil the highly anticipated BlackBerry 9800 in the quarter. The touchscreen device is said to have a full slide-out keyboard, along with a new operating system and revamped Web browser.

Analysts believe the new device, expected to be dubbed the BlackBerry Torch, could revive RIM's sagging fortunes in North America and help it regain some of its lost cache.

"Forecasting the second quarter is challenging given that we are planning two significant product introductions that will likely bridge the end of Q2 and into Q3," said RIM Co-Chief Executive Jim Balsillie.

MIXED QUARTERLY RESULTS

The company posted fiscal first-quarter earnings of \$769 million, or \$1.38 a share, in the three months ending May 29, up from \$643 million, or \$1.12, in the same period last year.

Quarterly revenue rose 24 percent to \$4.24 billion.

Analysts on average had forecast earnings of \$1.34 a share, on revenues of \$4.35 billion.

RIM said shipments topped 11 million and it added 4.9 million new subscribers in the quarter. Both numbers came in at the low end of the company's forecast range, but were short of what analysts had expected.

Cash on hand at the end of the quarter was \$3.27 billion, compared with \$2.87 billion at the end of the prior quarter.

The company expects to ship 11.6 million to 12.1 million devices in the current quarter, while bringing on board between 4.9 million and 5.2 million new subscribers in the period.

The company also forecast fiscal second-quarter earnings of \$1.33 to \$1.40 a share, on revenue of between \$4.4 billion and \$4.6 billion. Analysts were looking for earnings of \$1.31 a share, on revenue of \$4.50 billion, according to Thomson Reuters I/B/E/S.

RIM also forecast gross margins of about 44 percent for the fiscal second-quarter, down from the 45.4 percent level in the prior quarter.

(Additional reporting by Sinead Carew in New York and Dana Ford in Los Angeles;
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