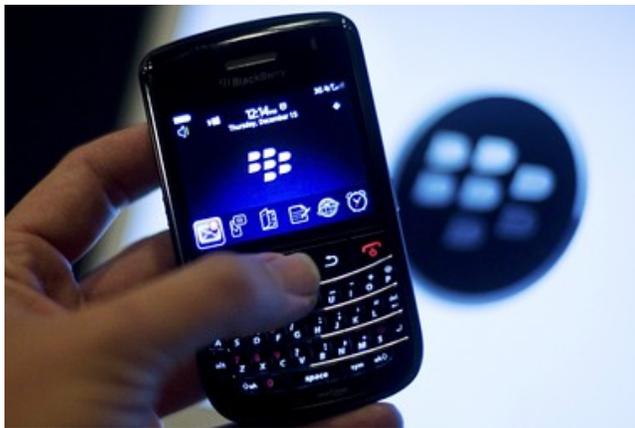


BlackBerry maker's cash under scope

By [Dan Gallagher](#)

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SAN FRANCISCO (MarketWatch) — When Research In Motion Ltd. reports its quarterly results on Thursday afternoon, Wall Street will be paying close attention to the direction of company's cash base.



Reuters

RIM added about 2 million BlackBerry subscribers in the August quarter, but analysts are concerned about the company's cash.

That's because the maker of the BlackBerry family of smartphones is waging a two-front battle, in trying to both push out an entirely new mobile operating system and family of handsets, as well as complete a massive restructuring that includes thousands of layoffs. Those costly activities may weigh on the company's cash base at a crucial time, as it tries to revive its struggling business.

Research In Motion [US:RIMM](#) [CA:RIM](#) will report results for its second fiscal quarter on Thursday, after the closing bell.

Analysts are currently expecting a net loss of 47 cents per share for the quarter, which would be the third straight period of losses for a company that earned 63 cents a share in the

same period last year. Revenue is expected to slide 40% to \$2.49 billion, according to consensus estimates from FactSet.

An early pioneer in the smartphone business, the BlackBerry has come under withering attack from the popular iPhone from Apple Inc. [AAPL, -0.64%](#) as well as devices from Samsung [005930, -0.49%](#) [SSNLF, -4.00%](#) using the Android mobile operating system from Google [GOOG, -0.40%](#)

Analysts will be watching smartphone shipments and average selling prices closely. The company let one key operating metric out early. At a developers conference on Tuesday, CEO Thorsten Heins said RIM's total subscriber base was now 80 million — up 2 million from the May quarter.

The number came as a surprise for many who had been expecting a subscriber loss for the period, which did not include any significant handset releases as RIM rushes to finish its new BlackBerry 10 mobile platform. [Read: RIM adds subscribers, shows off new OS](#)

That sparked RIM's stock price, which hit a record low prior to the event and has been trading at nearly half its book value since early July, according to FactSet. RIM's shares have jumped 11% over the last two trading sessions. The stock closed Wednesday up 6% at \$7.

"It's got to be emerging markets growth," said Shaw Wu of Sterne Agee, speculating as to the reason for the surprise growth in subscribers. "But at the same time, how many subs they add may not matter if they are losing lots of

money.”

Heins did not offer details on where the subscriber growth, though the company may offer more color on the matter in its conference call. Wu and other analysts believe the company may have offered deep price cuts to spur new subscribers.

“An uptick in subscriber growth likely points to deep price incentives to stave off competition,” wrote Ed Snyder of Charter Equity in a note Wednesday, adding that such a strategy presents “detrimental effects to profits and a limited shelf-life.”

Apple vs. Google in smartphone war

(3:52)

Google's popular mapping application likely won't migrate to Apple's iPhone 5 anytime soon, the Internet search giant's executive chairman, Eric Schmidt, said Tuesday.

Simona Jankowski of Goldman Sachs wrote that the increased subscriber base “reflects lower churn in anticipation of previously announced/expected competitive smartphones, as well as more aggressive pricing and expansion in emerging markets.”

Cash will be a key issue in the report. RIM reported total cash and equivalents of \$2.2 billion as of June 2. Many analysts worry that RIM's burn rate will accelerate through the rest of this year, as it completes the development of its new platform and handsets, and begins to market them. Restructuring is costly as well, as RIM has committed to total layoffs of 5,000 workers by the end of the current fiscal year.

Jim Suva of Citigroup sees the company's base of cash and equivalents falling by 22% by the end of 2013. In a report last week, he wrote that RIM “could run out of cash and need to raise capital within two years implying that as time rolls forward, if we are correct, the value of RIM continues to go lower.”

In the company's most recent earnings call on June 28, CFO Brian Bidulka said cash flow “is obviously a priority” for the company. Noting that RIM still has an untapped credit facility, “we think it's sufficient in the near term to support our business,” Bidulka said. A spokesman for RIM said he could not comment on the cash position, citing quiet-period rules ahead of the report, but said the company will give an update on the matter in Thursday's call.

The company may also give an update on its strategic review. Many analysts believe RIM's only hope is to sell its business, or its portfolio of patents, or license out its messaging platform to other handset makers.



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