

# Palm posts larger 1Q loss, but beats Street view

September 17 2009, By BARBARA ORTUTAY , AP Technology Writer

---



FILE - In this May 28, 2009 file photo, the Palm Pre is shown at Palm headquarters in Sunnyvale, Calif. Smart phone maker Palm Inc. on Thursday, Sept. 17, 2009 posted a wider loss for its fiscal first quarter as revenue dropped, but adjusted earnings and sales handily beat Wall Street's expectations. (AP Photo/Paul Sakuma, file)

(AP) -- Smart phone maker Palm Inc. on Thursday posted a wider fiscal first-quarter loss - its ninth in a row.

Adjusted results, however, handily beat Wall Street's forecast as the company shipped more of its new Pre devices than had been expected. But a disappointing second-quarter sales forecast and news of a planned stock offering sent shares lower in after-hours trading.

For the three months ended Aug. 28, Sunnyvale, Calif.-based Palm

posted a loss after paying preferred dividends of \$164.5 million, or \$1.17 per share, compared with a loss of \$41.9 million, or 39 cents per share, in the same period a year earlier.

Excluding one-time items, however, the company posted a much smaller loss of \$13.6 million, or 10 cents per share, in the latest quarter. That easily beat analysts' forecast for a loss of 24 cents per share, according to a Thomson Reuters poll.

Revenue tumbled to \$68 million from \$366.9 million, largely because Palm deferred revenue from products that run its new WebOS operating system - namely the Pre - to later periods. But adjusted sales, which include deferred Pre revenue, totaled \$360.7 million - also beating analysts' \$297.7 million average estimate.

"We're making significant progress with Palm's transformation, and our culture of innovation is stronger than ever. We're launching more great Palm WebOS products with more carriers, and turning our sights toward growth," said Jon Rubinstein, chairman and CEO, in a statement.

Palm, whose business had been struggling amid competition in the smart phone market from BlackBerry maker [Research in Motion](#) Ltd., and Apple Inc.'s [iPhone](#), revamped its product line with the Pre's launch in June. And it is launching a lighter, cheaper handset called the Pixi for the holidays.

The company shipped 823,000 smart phone units during the quarter, well above the 700,000 that CL King & Associates analyst Lawrence Harris estimated that Palm would ship. The company didn't break out how many of those were Pre devices. While the company's shipments are down 30 percent year-over-year, they more than doubled the amount shipped in the previous quarter.

For the current quarter, Palm forecast adjusted revenue in the range of \$240 million and \$270 million, below analysts' estimate of \$344.4 million. However, it also forecast full-year adjusted revenue of \$1.6 billion to \$1.8 billion - which would top analysts' current average estimate of \$1.57 billion.

Kaufman Bros. analyst Shaw Wu called Palm's forecast "a little confusing," since the company expects revenue to decline sequentially even though it is launching a new product and the holidays are coming up.

Wu, who has a "Hold" rating on Palm's shares, also said that Palm's cash burn during the quarter was "somewhat disturbing." The company went through more than \$42 million in cash, ending the quarter with about \$110 million in cash and cash equivalents.

Separately, the company said it plans to offer about 16 million of its shares to shore up its balance sheet. It will use the proceeds for working capital and general corporate purposes. Venture capital firm Elevation Partners, which already owns a stake in Palm, plans to buy \$35 million of Palm's shares in the sale, at the public offering price.

Shares of Palm fell 32 cents, or 2.2 percent, to \$14.12 in after-hours trading. The stock had closed earlier down 22 cents at \$14.44.

*©2009 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.*

Citation: Palm posts larger 1Q loss, but beats Street view (2009, September 17) retrieved 9 April 2024 from <https://phys.org/news/2009-09-palm-larger-1q-loss-street.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.