

## RIM's 2Q profit falls on charges, outlook weak

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In this photo made Tuesday, Sept. 22, 2009, a user demonstrates the e-mail function on a BlackBerry Bold in Palo Alto, Calif. BlackBerry maker Research In Motion Ltd. releases second-quarter financial results after the closing bell Thursday, Sept. 24. (AP Photo/Paul Sakuma)

(AP) -- BlackBerry maker Research In Motion Ltd. reported a drop in fiscal second-quarter profit Thursday because of charges for a patent settlement and said revenue for the current quarter will fall below Wall Street's expectations.

Shares plunged more than 11 percent in extended trading Thursday.

Waterloo, Ontario-based RIM earned \$475.6 million, or 83 cents per share, for the June-August period, down 4 percent from \$495.5 million, or 86 cents per share, in the same period a year earlier.

Adjusted earnings totaled \$1.03 per share, excluding a charge for a patent settlement payment to mobile e-mail provider Visto Corp., which claimed RIM was using its technology without a license. That topped analysts' average estimate of \$1 per share, according to a Thomson Reuters poll.

Revenue rose 37 percent to \$3.53 billion from \$2.58 billion but fell shy of the \$3.63 billion in sales that analysts had expected. RIM said it added only 3.8 million new subscribers, the low end of its forecast.

RIM also said revenue for the current quarter is expected to be in the range of \$3.6 billion to \$3.85 billion - short of the \$3.95 billion analysts have forecast.

RIM Co-CEO Jim Balsillie said on a conference call with analysts that RIM expects to ship between 9.2 million and 9.9 million new phones in the current quarter as the Canadian company introduces new models. The company is expected to introduce new models of the BlackBerry Storm and Bold this quarter.

Balsillie said possible delays could affect third-quarter expectations but won't affect the long-term trend of a rapidly growing sector in which RIM has a leadership position. Delays in the release of new BlackBerrys last fall affected earnings but the subsequent quarter surprised on the upside.

After enjoying success in the corporate market for years, RIM has been targeting the consumer market, where the BlackBerry faces intense competition from other smart phones like Apple Inc.'s iPhone and Palm

Inc.'s new Pre. Balsillie said more than 80 percent of new subscribers are consumers.

"The wise person I believe sees this as a rapidly expanding market where the benefit of establishing and holding a lead position will accrue many, many years of benefit," Balsillie said.

RIM has said its market share of the U.S. smart phone market had grown to 55 percent by mid-June, from 40 percent about six months earlier. The company didn't update the figure on Thursday.

Nick Agostino, an analyst with Research Capital, said the guidance and results raise questions about whether other smart phones have been cutting into RIM's business but said the results are not that disappointing.

"It wasn't a blow out quarter," Agostino said.

RIM shares dropped \$9.26, or 11.15 percent, to \$73.80 in after-hours trading. Before the release of results, shares closed regular trading down \$2.71, or 3.2 percent, at \$83.06. The stock climbed more than 20 percent in the weeks leading up to the earnings.

"Clearly the third-quarter revenue was lighter than rising expectations so as a result the stock is off," Genuity Capital Markets analyst Deepak Chopra said.

Chopra said consumers aren't replacing phones as often, so carriers aren't rebuilding inventory. Balsillie said Thursday that its carrier partners were expected to maintain low inventory for the time being.

But Chopra noted people are still buying the BlackBerry. RIM said subscriber account additions in the third quarter are expected to be in the range of 4 million to 4.3 million - better than Chopra and others

anticipated.

"It looks like they are still winning their share of new smart phone users," Chopra said.

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