

# RIM posts big Q1 loss, to cut 5,000 jobs (Update)

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In this Thursday June 21, 2012, file photo, Tim Neil, Research In Motion Ltd.'s Canadian Operating Director of Operations, Platforms and Tools, speaks about the BlackBerry 10 architecture during the RIM BlackBerry 10 Jam World Tour in Toronto. Struggling BlackBerry maker Research in Motion Ltd. revealed Thursday, June 28, 2012, that its business is crumbling faster than thought. The Canadian company posted worse results for its latest quarter than analysts had expected. It's cutting 5,000 jobs and delaying the launch of its new phone operating system, BlackBerry 10, on which it's pinning its hope for a comeback (AP Photo/The Canadian Press, Aaron Vincent Elkaim)

(AP) — Struggling BlackBerry maker Research in Motion Ltd. revealed Thursday that its business is crumbling faster than thought.

The Canadian company posted worse results for its latest quarter than analysts had expected. It's cutting 5,000 jobs and delaying the launch of

its new phone operating system, BlackBerry 10, until after the holiday shopping season.

After several delays, the first phone with BlackBerry 10 was expected later this year. It will be delayed even longer, to the first quarter of next year, RIM CEO Thorsten Heins said.

The delay comes just as North Americans are abandoning BlackBerrys for iPhones and Android phones. Analysts have long said the new BlackBerrys will come out too late to reverse RIM's fortunes. RIM was pinning its hope on the new BlackBerry 10 system, which is meant to offer the multimedia, Internet browsing and apps experience that customers now demand.

The jobs cuts are part of a previously announced initiative to cut \$1 billion in annual costs this year. They represent about 30 percent of RIM's workforce, which is currently at 16,500.

"It is necessary to change the scale and refocus the company," Heins said on a conference call with analysts.

"I fully understand the impact a workforce reduction of this size has on our employees and the communities in which we operate. I assure you that we wouldn't move forward with a change of this size if we didn't think it was critical for our future."

RIM shares plunged \$1.66, or 18 percent, to \$7.47 in extended trading, after the release of the results. If they hold that level into regular trading Friday, they will set a new nine-year low.

Heins acknowledged that he delivered "a lot of tough news."

"This was a challenging quarter for the company on many fronts," he

said. "And I am not satisfied with the financial performance we are reporting today."

Heins said releasing BlackBerry 10 simply wasn't realistic this year. He said RIM's top priority was a successful launch of the new BlackBerrys.

"I will not deliver a product to the market that is not ready to meet the needs of our customers," he said. "There will be no compromise on this issue."

He said the company will release fewer models than in the past. He also said RIM will launch a BlackBerry 10 model with a physical keyboard close to the launch of the touchscreen model. RIM earlier said it would come out with a touchscreen model first, but it didn't say when it would make one with a physical keyboard, a feature that many people stay with BlackBerrys for.

RIM has hired a team of bankers to help it weigh its options as it loses market share and its business erodes. Heins said they continue to study those options, but he declined to share those options and said the board would have to approve any changes.

"They range from RIM executing on its plan stand alone to whatever other model you could think about. However, this is not the time to share any detail," he said.

RIM lost \$518 million, or 99 cents a share, in its fiscal first quarter, which ended June 2. This compares with a profit of \$695 million, or \$1.33 per share, a year ago.

RIM said it shipped just 7.8 million BlackBerry smartphones in the quarter, down 41 percent from 13.2 million a year earlier.

Excluding impairment charges, the latest loss was 37 cents per share. Analysts polled by FactSet were expecting a loss of 3 cents.

Revenue fell 43 percent to \$2.8 billion, well below analyst expectations at \$3.1 billion.

"When a technology gets old, it's not a slow fade. It's a sharp cliff," said Colin Gillis, an analyst with BGC Financial.

"There is very little market for old technology."

Michael Walkley, an analyst with Canaccord, called the BlackBerry 10 delay a dire sign.

"The biggest disappointment is the delay of the BlackBerry 10," he said. "It's extremely challenging for them to turn around the business when their new smartphone is launching that late."

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