

Some see Waterloo for troubled BlackBerry maker

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The firm, which is headquartered in the ironically named city of Waterloo, Ontario, appears on shaky ground.

Not only did RIM report a widening loss of \$518 million and steep slump in sales, but it also said it would cut 5,000 jobs, nearly one-third of its staff, and delay its important BlackBerry 10 platform until early

2013.

The BB10 had been RIM's effort -- a last-ditch bid, according to some analysts -- to regain traction after losing ground to Apple and smartphone makers using the [Google](#) Android platform.

RIM shares tumbled 19 percent to close Friday at \$7.39, their lowest level since 2003, and down more than 90 percent from their 2008 highs.

Societe Generale analysts Andy Perkins and Peter Knox called Thursday's RIM results "massively disappointing."

They said in a research note that the BlackBerry's "aging handset portfolio is struggling to stay relevant" and that the company is now losing money on its phone for the first time.

They rate RIM shares a "sell," and say the only things that might help a turnaround might be "RIM switching to the Microsoft [Windows operating system](#) for its new products" or a bid for the "valuable" patents and other intellectual property.

A survey by the research firm IDC showed smartphones powered by Google's Android software accounted for 59 percent of the [global market](#) in the first quarter of 2012, with 23 percent for Apple's iPhones.

That left just 6.4 percent for BlackBerry, compared with 13.6 percent a year ago.

In the US market, only around five percent of smartphone buyers opted for BlackBerry in early 2012, according to a recent Nielsen survey.

"RIM's prospects appear to be turning from bad to worse," said Tal Liani, a [research analyst](#) at [Bank of America](#)/Merrill Lynch, in a note

Friday.

"In our view, the risk of total value destruction over the next few years is possible as at this point we cannot see the light at the end of the tunnel."

Michael Walkley and the investment firm Canaccord Genuity said he does not believe the BB10 will be able to turn around RIM's fortunes, especially with a new [iPhone](#) and other devices expected to hit the market later this year.

Walkley said RIM, which announced earlier this year a "strategic review," will likely be sold to salvage any value for stockholders.

"We do not believe BB10 devices will turn around its struggling business," he said.

He said the company could be worth \$8 a share based on a "sum-of-the-parts analysis."

RIM's market value based on its recent share price is just \$3.8 billion. But it has cash holdings of \$2.25 billion, 78 million subscribers and a rich array of patents and other assets.

But Daniel Ernst at Hudson Square Research urges investors to stay away, saying there may be little to salvage.

"While the company's global network and technology could represent strategic value, we do not believe that business could be well separated from devices," he said in a note to clients.

Morgan Stanley analyst Ehud Gelblum said the next few quarters will be even worse for RIM because of "rapidly deteriorating fundamentals" and a management team which fails to recognize this.

"While all the key indicators continue to decline, management appears to be taking a 'damn the torpedoes, full speed ahead' approach to running the business," he said.

"We fear that the company could be driving 100 mph straight into a brick wall. We also worry that no company can operate normally, let alone develop, launch and market a brand new, company-wide and globally impacting platform while laying off nearly one-third of its workforce -- it's just physically impossible from both a worker morale and a manpower talent point of view."

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