

RIM posts big loss but not as bad as expected

September 27 2012, by Rob Gillies



In a 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. BlackBerry-maker Research In Motion posted another large loss in the second quarter but not as bad as analysts expected. Shares surged nearly 18 percent in after-hours trading. The Canadian company reported Thursday, Sept. 27, 2012, that it lost \$235 million, or 45 cents a share, in its fiscal second quarter, which ended Sept 1. That compares with a profit of \$419 million, or 80 cents per share, a year ago. (AP Photo/The Canadian Press, Aaron Vincent Elkaim)

BlackBerry-maker Research In Motion posted another large quarterly loss on Thursday, but the hemorrhaging was not as bad expected.

The Canadian company is still losing market share in North America, where it struggles to compete with Apple's iPhone and phones that run

Google's Android software. But it has stepped up sales in developing markets and actually increased its subscriber base and cash position.

RIM's stock surged more than 20 percent in after-market trading on the news.

The company reported Thursday that it lost \$235 million, or 45 cents a share, in its fiscal second quarter, which ended Sept 1. That compares with a profit of \$419 million, or 80 cents per share, a year ago.

RIM reported revenue of \$2.9 billion.

Analysts polled by FactSet expected a loss of 47 cents on revenue of \$2.49 billion.

RIM said it shipped 7.4 million BlackBerry smartphones in the quarter, down from 10.6 million in the same period last year. Some analysts predicted RIM would ship only 6.4 million devices as the company prepares to launch much-delayed new BlackBerrys that have been deemed critical to its survival.

RIM pioneered the smartphone in 1999 but North American consumers have been abandoning BlackBerrys for flashier, touchscreen phones in recent years. RIM is banking its future on its much-delayed BlackBerry 10 platform, which is meant to offer the multimedia, Internet browsing and apps experience that users now demand.

Chief Executive Thorsten Heins said on a conference call with analysts that BlackBerry 10 is still on track to be released in the first quarter of 2013—several months after the release of Apple's iPhone 5, which came out earlier this month. Heins said competitors have released strong products recently but vowed BlackBerry 10 "will advance the operating system environment to a whole new level."

Heins replaced co-CEOs Jim Balsillie and Mike Lazaridis in January after the company lost tens of billions in market value. He surprised many this week when he said at a conference for mobile applications developers that RIM has 80 million subscribers, up from 78 million in early June. Many analysts had expected RIM to start losing subscribers in the second quarter.



In this Tuesday, Sept. 25, 2012, file photo, Thorsten Heins, President and CEO of Research in Motion, speaks during a demonstration of the new BlackBerry 10 at the BlackBerry Jam Americas conference in San Jose, Calif. BlackBerry-maker Research In Motion posted another large loss in the second quarter but not as bad as analysts expected. Shares surged nearly 18 percent in after-hours trading. The Canadian company reported Thursday, Sept. 27, 2012, that it lost \$235 million, or 45 cents a share, in its fiscal second quarter, which ended Sept 1. That compares with a profit of \$419 million, or 80 cents per share, a year ago. (AP Photo/Eric Risberg)

The results show that RIM is making progress as it transitions to its next

generation of BlackBerry smartphones and completes its cost reduction plan, Heins said.

Jefferies analyst Peter Misek said RIM did a great job in the quarter, considering the challenges it faced. He noted, however, that doesn't account for much because its new smartphones are not out yet.

"They are driving sales in emerging markets and we think they will continue to lose subscribers in developed markets," Misek said. "It doesn't tell you anything about the long-term success of the platform or the company."

RIM's sales outside the United States, United Kingdom and Canada were about 58 percent of total revenue, said Brian Bidulka, the company's chief financial officer. He noted sales were strong in Indonesia, South Africa and Venezuela, but declined in the U.S.

Sales in the U.S. represented 22 percent of revenue, down from 25 percent in the first quarter and 27 percent in the second quarter last year. Bidulka said RIM's business will continue to be challenged until the new BlackBerrys are launched.

Research firm IDC says BlackBerry's U.S. market share has plummeted from 45.8 percent in 2008 to 2.7 percent in 2012.

RIM has been laying off thousands of workers to offset the losses.

Heins noted RIM's cash position stood at \$2.3 billion at Sept. 1, up from \$2.2 billion at the end of the previous quarter. The company is very focused on maintaining a strong financial position as it transitions to the new platform, he said.

Colin Gillis, an analyst with BGC Financial, said RIM's ability to grow

the subscriber base while not hurting its cash position is encouraging.

"It does give them more time. The talk of bankruptcy has probably dissipated right now," Gillis said. "These are all the right moves, but does it change that their position is still bleak?"

RIM's stock rose \$1.46 cents to \$8.60 in extended U.S. trading Thursday. It had ended the regular trading session up 14 cents at \$7.14. RIM's struggles have wiped out some \$80 billion in shareholder wealth since 2008, a drop of over 90 percent.

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