

# BlackBerry revenue falls below a \$1 billion (Update)

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The struggling smartphone maker BlackBerry made a loss of \$423 million in the fourth quarter of its 2014 fiscal year, with revenues plummeting

BlackBerry reported a steep drop in profit and revenue Friday as it transitions from a smartphone company to a software business under its new chief executive. Shares rose five percent in morning trading as CEO John Chen cut expenses quicker than expected.

The Canadian company lost \$423 million, or 80 cents per share. Adjusted for one-time items, however, the company lost 8 cents per share, much better than the losses of 56 cents per share that Wall Street had expected, according to a poll by FactSet.

Revenue fell to \$976 million, the first time the company has seen revenue fall below \$1 billion since late 2007, and short of the \$1.1 billion analysts had projected. BlackBerry reported revenue of \$2.7 billion in the same quarter last year.

It is the second quarterly results under Chen, who is deemphasizing the hardware business after last year's launch of the BlackBerry 10 failed to spark a turnaround. The BlackBerry has been hammered by competition from the iPhone as well as Android-based rivals.

"The guy is on the move fast," said Colin Gillis, an analyst at BGC Partners. "He can control expenses but you can't magically make revenue happen."

Chen, who is credited with turning around Sybase, a data company that was sold to SAP in 2010, is putting more emphasis on BlackBerry's mobile device management business, a collection of software that allows IT departments to manage different devices connected to their corporate networks. He is also emphasizing BlackBerry's popular BlackBerry Messenger application that is now also available on Apple and Android devices. And he is trying to highlight BlackBerry's embedded QNX software systems, which are used in-vehicle infotainment systems and industrial machines.

"I see this as a good turnaround plan," Chen said on a conference call with analysts. "Knock on wood I'm hoping that it will also slow down the erosion."

BlackBerry announced last December that it's entering into a five-year partnership with Foxconn, the Taiwanese company that assembles products in vast factories in China. Foxconn, known for its manufacturing contract work on Apple's iPhones and iPads, will jointly design and manufacture most BlackBerry devices and manage inventory of the devices in an agreement that will offload much of BlackBerry's manufacturing costs. Chen has said he'll be happy to break even or make a small profit on the device business.

The revenue breakdown for the quarter included about 37 percent from hardware, 56 percent for services and seven percent for software and other revenue.

In another sign of just how unpopular BlackBerry's new phones are Chen said he'll restart production its older model 7 models, which are more popular than the new phones. The company said it sold 3.4 smartphones in the quarter—2.3 million of which were the older 7 models. He said customers are asking for old BlackBerrys.

BlackBerry had \$2.7 billion in cash and investments—down from \$3.2 billion in the last quarter.

Shares rose 31 cents to \$9.36 in morning trading.

The BlackBerry, pioneered in 1999, changed the culture by allowing on-the-go business people to access wireless email. The company formerly known as RIM was once Canada's most valuable company with a market value of \$83 billion in June 2008, but the stock has plummeted since, from over \$140 share. The company now has a market value of about \$4.9 billion.

Its decline is evoking memories of Nortel, another Canadian tech giant, which ended up declaring bankruptcy in 2009.

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