Apple, Samsung Race Makes It Tougher For RIM

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MONTREAL — Research In Motion's international sales are slowing and the BlackBerry maker doesn't have new smartphones for the competitive North American market, say analysts who are keeping expectations low for the company's quarterly earnings.

"It's really come down to a two-horse smartphone race," William Blair & Co. analyst Anil Doradla said Monday. "It's really Samsung and Apple."

RIM (TSX:RIM) releases its fourth-quarter earnings on Thursday with new CEO Thorsten Heins delivering the results, his first set of quarterly earnings as the chief executive of the Waterloo, Ont., company. Heins took over from co-CEOs Jim Balsillie and Mike Lazaridis in late January.

The Canadian tech company isn't expected to release its BlackBerry 10 smartphones — the next-generation of BlackBerry smartphones with a new operating system based on the system in PlayBook tablet computer — until later this year.

"There's no new products," Doradla said from Chicago. "The current products that are out in the market, we don't see any traction."

A recent report said RIM had been ousted from the top spot in the Canadian smartphone market by Apple's iPhone. The report said RIM shipped slightly more than two million BlackBerrys last year in Canada, compared with 2.85 million units for Apple.

Doradla said BlackBerrys now are an "after thought" in North American consumers' minds, adding he doesn't believe retail staff are pushing BlackBerrys, which is critical for sales.

"It's that 10-minute interaction that really decides it for people and it's not there."

International sales, a growth driver for RIM in recent years, are being challenged by Samsung smartphones that can be bought by consumers overseas for $100 with an iPhone-type experience, Doradla said.

In China, India and Indonesia, a BlackBerry smartphone is more expensive, he said.

UBS analyst Phillip Huang said he expects another tough quarter for RIM. He estimates that RIM will have shipped 11.5 million smartphones and 375,000 PlayBook tablets in the fourth quarter. RIM has sold the PlayBook at discounts to reduce inventory.

"We continue to expect a tough transition over the next couple of quarters for RIM and remain on the sidelines," Huang said in a research note.

Analysts' estimates compiled by Thomson Reuters put revenue at $4.79 billion for the fourth quarter and earnings per share of 91 cents.

That compares to fourth-quarter earnings of $1.78 per diluted share and revenue totalling US$5.56 billion during the quarter a year earlier.

New York-based Jeffries analyst Peter Misek said sales of RIM's less expensive BlackBerrys have suffered "across geographies" except for Asia.

"We believe RIM's low-end handset sales trends have continued to deteriorate in North America, Latin America and Europe," Misek said in a research note.

"In particular, sales in Europe decreased significantly towards the end of the quarter. We believe this is very negative as sales outside of the U.S. had typically been more resilient. Our checks indicate that sales in Asia seem to be okay."

The more expensive BlackBerrys continue to face competition from the iPhone and smartphones with Google's Android operating system, Misek said.

"We believe higher-end handsets are doing poorly outside of enterprise sales with continued iPhone 4S and Android momentum (especially Samsung) causing issues."

Doradla said new CEO Heins is still an unproven quantity.

"There is nothing that leads me to believe he is going to turn this company around or vice versa. What he is inheriting is a tough position to be in."

Shares in Research In Motion were up 33 cents, or 2.4 per cent, to $14 in afternoon trading Monday on the Toronto Stock Exchange.

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