



Blackberry's Q10 Finally Ready For U.S. Launch

Description

A little over a month ago, **BlackBerry** ([TSX:BB](#)) launched its flagship QWERTY phone, the Q10, in the U.K. The Q10 has of course since launched in Canada and a variety of countries in continental Europe and Asia as well. However, the new phone has not yet launched in the U.S., which is one of BlackBerry's top two markets (along with the U.K.).

That's about to change, as **Verizon** and **T-Mobile** are putting the Q10 on sale next week. Even though the Q10 will have a minimal impact on the overall smartphone landscape, it could still be a game-changer for BlackBerry. A passionate minority of smartphone users demand a physical keyboard, particularly for email/messaging use. With the Q10, BlackBerry will regain its position as the dominant vendor for QWERTY smartphones.

Q10 momentum picks up

In the past month, BlackBerry followers have not been able to agree on the initial sales performance of the Q10 smartphone. Analysts at **Deutsche Bank** think the Q10 is selling fairly well in Canada but underperforming in the U.K.

However, analysts at other Wall Street firms believe that U.K. demand for Q10 is at least as strong as Canadian demand. Furthermore, Deutsche Bank used a dubious methodology for assessing U.K. demand for the Q10 by calling some carriers (including one that had not started selling the phone!) and not others.

While analysts can't seem to agree, there is reason to believe that total BB10 sales (i.e., the Q10 plus the all-touch Z10 smartphone) will beat current expectations for 3 million to 4 million.

First, we know from last quarter that BlackBerry shipped approximately 1 million Z10 smartphones in the month after its launch.

Second, there is very strong evidence that the Q10 has experienced a stronger launch than Z10. In fact, in the first two weeks after its launch in France, the Q10 was apparently the best-selling smartphone at SFR, a major French mobile provider.

The Q10's strong initial sales pace is not very surprising, since there was tremendous pent-up demand from long-time BlackBerry (and QWERTY keyboard fans) for it. By contrast, the Z10 is aimed more at first-time smartphone buyers and current **Apple** or Android users. As a result, demand will probably build more slowly, if at all, for that product.

Since the Q10 was launched in the U.K. and Canada with roughly a month left in the quarter (similar to the timing of the Z10 launch last quarter), it's probably safe to say that BlackBerry shipped well over 1 million units. If Q10 shipments totaled just 2 million last quarter, and Z10 shipments remained flat or slightly below the February run-rate, BlackBerry will have shipped 4.5 million to 5 million BB10 smartphones in the quarter, above most analysts' expectations.

In addition, at least one analyst thinks that BlackBerry has raised its BB10 build plans several times, and is now building more than 2 million devices per month. If that's true, then 5 million BB10 sales per quarter could be a conservative estimate. This is further supported by a recent report from Digitimes stating that BlackBerry has [increased its procurement of smartphone components](#) because of higher-than-expected demand.

So what?

There are a few big takeaways. First, analysts who rely entirely on calling stores to gauge demand for BlackBerry products won't get reliable results. BlackBerry's strength in the corporate world means that many sales go outside normal retail channels, compared with Apple or **Samsung**, which are primarily consumer brands.

Second, sales of Apple and Samsung smartphones are of a different order of magnitude than BlackBerry. If BlackBerry can ramp up to selling 5 million Q10 smartphones per quarter, which I think is feasible, it will blow away Wall Street's expectations. However, the Q10 would still appear to be an "unpopular" phone at that sales pace, compared with Apple's iPhone 5 or Samsung's Galaxy S4.

The Foolish Bottom Line

Those that have bet against BlackBerry, [and there are many given the sizeable outstanding short position](#), are betting that this company isn't going to exist for much longer. Given the relatively low bar that BlackBerry needs to clear for its new products to top expectations, this seems like a bet that has the odds stacked against it.

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The original version of this post, authored by Adam Levine-Weinberg, first appeared on Fool.com.

Fool contributor Adam Levine-Weinberg owns shares of Apple and Blackberry and is long Jan 2014 \$13 calls on Blackberry. The Motley Fool owns shares of Apple.

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TICKERS GLOBAL

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