



2 Catalysts That Could Lift BlackBerry Shares

Description

It's bad at **BlackBerry** (TSX: BB, NASDAQ: BBRY). Last week, the company announced in its preliminary earnings report a \$950 million inventory write-off, 4,500 layoffs, and \$1 billion in losses. If you didn't realize it already, BlackBerry's BB10 operating system and its future as a hardware company is dead.

Now investors are scavenging through the wreckage looking to salvage spare parts. Patents are the obvious place to look which could be worth between \$2 billion to \$4 billion to technology rivals like **Apple**, **Microsoft**, and **Google**. But the troubled smartphone maker has two other assets which could surprise investors when the company reports earnings on Friday.

BlackBerry Messenger

BlackBerry was scheduled to release its proprietary messaging system BlackBerry Messenger, or BBM, for the iPhone and Android devices over the weekend. Giving away the popular app for free eliminates a big feature for the company's handsets. However, the move expands the audience of the application, potentially creating a new social network on par with Twitter or Skype.

Of course, tech junkies already know that the BBM launch was delayed after a leaked version of the messaging app was leaked. But there was one piece of encouraging news. According to BlackBerry, more than 1.1 million active users signed-up for the service within the first eight hours before the official Android app was even launched.

Some analysts are excited about BBM's prospects. **Bank of Nova Scotia** analyst Gus Papageorgiou thinks BBM could be worth \$3.6 billion. He argues that BlackBerry could easily grow its user base to 250 million active users and through advertisements gross \$300 million in revenue next year.

Some of these assumptions aren't that far fetched. BBM already has 66 million active users but there's incredible demand for the popular service on other platforms. In June, a fake BBM application appeared in the Google Play Store and garnered 100,000 downloads within 36 hours. That's with no announcement or advertisements.

However, Papageorgiou's revenue projections are a little harder to believe. As Fool.com technology analyst Andrew Tonner [pointed out last week](#), mobile messaging supported by advertisements is still a new and unproven business model. Mobile messaging app Pinger released its average revenue per user, or ARPU, metrics earlier this month and these came in at \$0.65 – half of what Papageorgiou assumed. I'm skeptical that BlackBerry could monetize its user base twice as effectively as rivals.

Regardless, by Friday we should know how many downloads BBM racked up. That will be a big indication if the application has a future as an independent mobile messaging system.

Mobile Device Management

There wasn't much good news in BlackBerry's preliminary earnings release. But I did manage to find one positive quote, 'Company sees increased penetration of BlackBerry Enterprise Service 10, or BES 10, with more than 25,000 commercial and test services installed to date, up from 19,000 in July, 2013.'

The company has always offered businesses the service of managing their networks of BlackBerry phones. But in response to the growing Bring-Your-Own-Device trend taking over companies, BlackBerry has responded by providing a new service that allows enterprises to manage all of their devices – including Windows, iOS, and Android – under one system. BlackBerry could also be well positioned in this space by exploiting its reputation for security as a key differentiator from competitors.

But if MDM represents the future of BlackBerry, it will be a much smaller company. [According to a report from Gartner](#), mobile device management, or MDM, is only a \$500 million industry. BlackBerry would need to corner the entire space and expand it by a factor of eight just to replace its current service revenue.

This doesn't even consider profitability. MDM is a cut-throat business with a long list of big and small competitors like **SAP**, **IBM**, Boxtone, MobileIron, AirWatch, Soti, and Fixmo.

Foolish bottom line

With so much negativity baked into the upcoming quarter already, any good news could send BlackBerry shares higher on Friday. If management can demonstrate to shareholders that they have some kind of future outside of handsets, maybe shares will catch a bid. Any updates regarding the status of buyout negotiations – though unlikely – would be especially encouraging.

Longer term, BlackBerry's prognosis is dire. If no buyer emerges, the company's future rests on a couple of long shot projects. Management should probably get their affairs in order.

Investing doesn't have to be as hard as BlackBerry makes it out to be. For a smoother ride to riches, [click here now](#) and download our special **FREE** report "**3 U.S. Companies That Every Canadian Should Own**".

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CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)

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Date

2025/07/07

Date Created

2013/09/23

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