The Plight of BlackBerry in 5 Charts

Description

The end is in sight. On Monday, **BlackBerry** (TSX: BB, NASDAQ: BBRY) announced that it has agreed to sell itself to a consortium of investors, led by its largest shareholders and Chief Executive of **Fairfax Financial Holdings** (TSX: FFH) Prem Watsa, who have signalled their intention to take the once invincible smartphone company private. Under the terms of the agreement, BlackBerry shareholders will receive US$9 in cash per share valuing the transaction at US$4.7 billion.

If the deal is finalized, it will mark the end of BlackBerry as a public company. A depressing prospect and a sad day in the history of Canadian business. But let's take a step back and review how the company ended up in this position what the future might hold for the firm.

The long decline

After years as the number one player in the smartphone industry, BlackBerry conceded its lead to **Apple's** iOS and **Google's** Android. Earlier this year BlackBerry has lost its podium position in the industry, falling to fourth place behind **Microsoft's** Windows phone.

Blackberry market share recent

Image not found or type unknown

Source: ComScore

This happened for two reasons. First, BlackBerry's management was behind in spotting the consumer adoption of smartphones. Its application ecosystem, web browsing, and multimedia experience quickly fell behind rival handsets. Second, BlackBerry lost its core enterprise customer. As businesses embraced the Bring-Your-Own-Device trend, employees increasingly chose to bring their Android and iOS handsets into the workplace.

To compound BlackBerry's woes, the company missed the most important consumer technology trend of the past three years: tablets. According to IDC, tablet sales grew 78% in 2012 and the research firm projects sales will surpass desktop and portable PCs by 2014. But due to the same problems that plagued its handset business, development delays and a poor application ecosystem caused the company's Playbook tablet to be a total flop.

Blackberrry tablets

Image not found or type unknown

Source: Company financials

No comeback in the cards

To reverse its fortunes, BlackBerry put all its chips on the new BB10 operating system. But the bet didn't payoff. Last quarter the company shipped only 2.7 million BB10 devices falling well short of Wall Street's conservative estimates. It's becoming apparent that the top-end of the handset market where BlackBerry used to dominate is becoming saturated.

blackberry handset shipments

Image not found or type unknown

Source: Company financials

Increasingly, smartphone sales are being driven by low and mid-priced handsets especially in emerging markets. BlackBerry released the Q5 in response to this trend but it's unclear if the company can compete against inexpensive **Nokia** Asha and Android phones.

Because of a poor BB10 launch, BlackBerry's once lucrative subscriber business is in freefall. Over the past nine months, the company lost over eight million subscribers – over half of which dropped the service in the last quarter alone.

Blackberry subscriber gains

Image not found or type unknown

Source: Company financials

These losses suggest that its once loyal user base is fleeing. Customers are eagerly dropping their BlackBerry handsets the second they get out of the two and three year contracts. This eliminated a big peg in the bull thesis that BlackBerry could survive as a niche player with a dedicated fan base.

All of this added up to crippling losses for the smartphone maker. According to the company's preliminary report released last Friday, BlackBerry is expected to post a $1.80 to $1.90 per share quarterly loss this week.

Blackberry eps

Image not found or type unknown

Source: Company financials

What does the future hold?

So is this piece an obituary? It could be. But the company may yet emerge from the ashes. BlackBerry can emerge as a niche supplier of highly-secured phones to enterprise customers and governments.

The upside of going private is that BlackBerry enterprise customers can now be confident that the company has some financial backing and no longer have to worry about the platform going away – at least not immediately.

As discussed earlier, the firm has several valuable assets including its messaging service, mobile device management business, and QNX operating system. Prem Watsa and his consortium of investors will now face the task of trying to turn the company around out of the Bay Street limelight. Or, be left with no other option than to sell off these assets piece-by-piece to the highest bidder.

Foolish bottom line

For shareholders, a takeover probably represents the best possible outcome. At $4.7 billion, the buyout offer roughly reflects the value of the cash, patents, and other assets on the company's books, less the expected cash burn from the BB10 rollout.

It was difficult to see how BlackBerry could engineer any kind of turnaround as a public company. Time to pull the sheet and put this open spectacle to rest.

Fool contributor Robert Baillieul doesn't own shares in any companies mentioned. David Gardner owns shares of Apple and Google. Tom Gardner owns shares of Google. The Motley Fool owns shares of Apple, Google, and Microsoft.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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