



3 Reasons Blackberry Won't Be Acquired

Description

Investors in **Blackberry** ([TSX:BB](#))(NASDAQ:BBRY) have been on a wild ride over the past 52 weeks.

It all started back in January 2013, when the company released the acclaimed Z10, its first smartphone without a physical keyboard. Then CEO Thorsten Heins positioned the phone as a direct competitor to **Apple's** ([NASDAQ:AAPL](#)) iPhone. Sales of the Z10 ended up disappointing investors, as did sales of the Q10, Blackberry's other new model, this one with a physical keyboard.

As the company struggled over the summer, the board put the company up for sale. By the end of the process, virtually every tech company of consequence was rumored to have at least taken a look at Blackberry, but only one bidder emerged, and that was board member Prem Watsa of **Fairfax Financial** ([TSX:FFH](#)). Fairfax bid \$9.00 a share for the shares of Blackberry it didn't already own. Unfortunately for Blackberry investors, Watsa couldn't drum up enough institutional support for his deal, so it ultimately collapsed.

New CEO John Chen has essentially taken the company off the selling block, focusing on making operational changes. And it seems to be working, as shares are up considerably since he took over. Investors should hope for these positive operational changes to continue, because Blackberry isn't about to be taken over anytime soon. Here are three reasons why.

1. The Canadian government

In 2010, Australian mining giant **BHP Billiton** ([NYSE: BHP](#)) launched a \$40 billion hostile takeover bid for **Potash Corp.** (TSX:POT)(NYSE:POT). Thanks to immense political pressure by Saskatchewan Premier Brad Wall, the Canadian government nixed the deal, saying the proposed deal would not benefit the country.

In October, Egyptian investors and **Manitoba Telecom** (TSX:MBT) agreed to a \$520 million deal to buy Manitoba Telecom's beleaguered Allstream mobile division. A few weeks after that deal was announced, the federal government said no to that deal as well, even though that same government is [actively trying to encourage competition in the wireless market](#).

One of the things Blackberry is most known for is the security of its devices and its network. Many world and business leaders use a Blackberry phone for just that reason. The federal government is going to be very careful with any foreign takeover attempt of the company, even one coming from a friendly country. It has turned down these types of deals before.

2. The Canadian jewel factor

Remember when Blackberry hit \$140/share? Most Canadian investors do, as the company's success was a source of pride for the entire nation. It showed everyone that Canada could produce a first-rate high-tech company. This is a great source of pride to Canadians, especially those who live close to Blackberry's home turf.

This same pride is squarely behind the company turning things around. Canadians want Blackberry to lift itself out of the ashes, and to return to its former glory. Very few people want to see Blackberry get gobbled up by a foreign company during its darkest hour. That's not a storybook ending.

3. Nobody is a good fit

And finally, we have the most important reason no company is going to take out Blackberry — it's just not a good fit for anybody.

While Blackberry still has a solid balance sheet and some interesting pieces, the fact remains that it's still a struggling handset maker. It takes deep pockets to compete with the dominance of Apple and Samsung, and most tech companies choose not to bother.

There are very few companies with the patience and the cash hoard to even try and crack the armor of Apple and **Samsung**. **Microsoft** ([NASDAQ:MSFT](#)) is the only obvious fit that comes to mind, but it has its hands full with its recent acquisition of **Nokia**. ([NYSE:NOK](#)) No other company is a good fit. Why would a tech company get into a part of the market that's outside of its area of expertise, all while going against two huge competitors? It just doesn't make any sense.

Foolish bottom line

If you're interested in buying shares in Blackberry, there's certainly a case to be made that there's value in some of the parts. New CEO John Chen is doing some good things, the balance sheet is stable, and Blackberry still sells a lot of handsets in the developing world. Just don't buy shares looking for a takeover, because it's unlikely.

CATEGORY

1. Investing

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1. NASDAQ:AAPL (Apple Inc.)
2. NASDAQ:MSFT (Microsoft Corporation)
3. NYSE:BB (BlackBerry)
4. TSX:BB (BlackBerry)
5. TSX:FFH (Fairfax Financial Holdings Limited)

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