



3 Moves That Could Transform BlackBerry

Description

Financially, **BlackBerry** ([TSX: BB](#))(NASDAQ: BBRY) is still on shaky grounds. Cash burn (how fast the company is burning cash and when will it run out) is the biggest issue, and the stock is still a speculative one.

The cash balance at the end of the first quarter of 2014 stands at \$2.7 billion, but with operating losses and capital expenditures of well over \$1 billion per year (and some analysts say it's actually much higher), we can see where this is heading, unless something drastic happens. And this is exactly what CEO John Chen is attempting to pull off.

Exiting the consumer smartphone market

BlackBerry is ready and willing to back away from the consumer handset market. Presumably, exiting the "smartphone wars" would result in time and money being better spent. In the last quarter, the company shipped 2 million handsets. This is a far cry from the 10 million shipments that BlackBerry needs in order to make a profit on the business.

The smartphone market is very competitive. **Apple** has the greatest market share, at just over 40%, followed by Samsung, at just under 30%. The fickle and highly competitive consumer market has not been good to BlackBerry, and so the company has shifted focus to niche markets.

The markets that BlackBerry is focusing on play to its strengths of heightened security and reliability, and are perfect matches for the company.

Focus on the healthcare industry

BlackBerry recently announced that it has acquired a stake in NantHealth, which runs a cancer-focused cloud-based platform for healthcare providers. The companies will work on a new BlackBerry device designed for the medical community, where mobile devices can be securely linked to other equipment.

This technology is sorely needed in the healthcare industry, as it can improve patient care and outcomes. BlackBerry is working to lock in first mover advantage in this area. The potential is certainly

large, and makes this direction a very promising one.

Focus on car-to-car communication

On to the automotive industry, which is also an industry that can benefit greatly from an increased technological presence. This is a market that is estimated to grow at a CAGR of over 30% for the next five years, and to reach over \$130 billion. Recently, we have learned that the U.S. government is preparing to put forth a proposal to make vehicle-to-vehicle communications systems mandatory in new cars.

QNX Software Systems, which Blackberry acquired in 2010, is hard at work to create technology that will improve the safety of vehicles and even traffic congestion. The end goal is to build an autonomous car. In the meantime, there are many features that are already incorporated into cars, such as blind spot detection, self-parking and collision avoidance systems. Also, the EU is supporting safety regulations and it is expected that by 2015, all new cars will be required to have M2M technology that allows the car to automatically notify the nearest emergency centre when the driver has been in a crash.

Another Canadian company that is pursuing this market is **Sierra Wireless** ([TSX: SW](#))([NASDAQ: SWIR](#)), which is now focused solely on the M2M business. Last year, the company acquired the assets of AnyDATA's Machine to Machine (M2M) embedded module and modem business for \$5.9 billion.

Sierra already had an industry leading market share in the total M2M market (which serves many industries, including the automotive, healthcare and energy industries) before the deal, and this just improves its position. Sierra's customers in the automotive industry include Chrysler, Peugeot, and Renault. While Sierra reported a net loss in the last 12 months, its balance sheet is strong, with little debt, and the company generates positive cash flow.

Foolish bottom line

Blackberry's new strategic direction under its new CEO is definitely interesting and promising. The problem is that the company is fighting time, attempting to turn profitable before it runs out of money.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:SWIR (Sierra Wireless)
2. NYSE:BB (BlackBerry)
3. TSX:BB (BlackBerry)
4. TSX:SW (Sierra Wireless)

Category

1. Investing

Date

2025/08/27

Date Created

2014/04/17

Author

karenjennifer

default watermark

default watermark