



3 Reasons Why Lenovo Will Never Gain Control of BlackBerry Ltd.

Description

On Monday, shares of **BlackBerry Ltd.** ([TSX: BB](#))(Nasdaq: BBRY) surged 8.7% after a report that it could be bought out by Chinese giant Lenovo. According to anonymous sources, Lenovo would start the bidding at \$15 per share, hoping to win the company for around \$18 per share. Needless to say, these numbers are very exciting — BlackBerry stock currently trades at just over \$11.

But there are reasons to be skeptical. Very skeptical. Below, we look at three of them.

1. The Canadian government will never allow it

This is easily the biggest hurdle. More importantly, it's surely too big an obstacle to overcome.

In order for the merger to succeed, the Canadian government must determine that the takeover is a "net benefit" to Canada. It's difficult to see how that can happen. BlackBerry competes in some very sensitive industries, ones that are critical to the security of governments and big corporations. And BlackBerry is known as the leader in security capabilities. For the company to fall into Chinese hands would be extremely risky. Just this past Wednesday, the United States FBI gave fresh warnings about state-sponsored hackers in China.

Critically, the Canadian government has blocked a Lenovo takeover before. Back in November, when the company was looking to sell itself, the Canadian government warned BlackBerry not to bother with Lenovo; "such a transaction would not fly", as said by *The Globe and Mail*. The company ended up getting recapitalized and remained independent.

2. The American government will have issues, too

Needless to say, the American government would have a big problem with BlackBerry falling into Chinese hands. And if the American government has a problem, then BlackBerry has a problem. To illustrate, BlackBerry accounts for 80% of devices issued by the U.S. Department of Defence to its employees.

Back in 2011, BlackBerry backed out of a licensing venture with Chinese investors, simply because it

did not want to alienate customers like the DOD. Lenovo surely knows that any takeover would come with an even larger backlash.

Other customers will have issues

Unlike the Canadian government, BlackBerry's customers have no power to block a merger with Lenovo. That being said, Lenovo surely knows that customers would likely be upset, for the same reason as the U.S. government would be. BlackBerry prides itself on top-notch security capabilities, and this is what's most important to its customers too. So Lenovo would surely have to worry about an exodus of customers, should it gain control of the Canadian smartphone maker.

That being said, there are reasons to believe in BlackBerry. But takeover rumours are not one of them. It looks like the company will have to boost its shares the old-fashioned way: by winning back its customers, choosing the right strategy, and returning to profitability.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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