



For BlackBerry Ltd., it's All About Security

Description

When it comes to **BlackBerry Ltd.** ([TSX:BB](#))(NASDAQ:BBRY), there is only one way I can see the company completing its turnaround and, once again, becoming a juggernaut in its space: it needs to change its space and rebrand itself as a security software and consultant provider. As venture capitalist Marc Andreessen said once, "Software is eating the world."

Fortunately, the company has been making many correct moves in its quest to become this sort of company. If it can continue to have success doing this, I expect the next few years to be very successful for the company.

But the first thing BlackBerry will have to decide is what to do with its hardware business. While we're waiting on the fourth-quarter results, we can analyze how the hardware business has done over the past few quarters. In the second quarter it sold 800,000 devices with an average selling price of \$240 per device. In the third quarter it only sold 700,000 devices, but it increased its average selling price to \$315.

The reality for its hardware business is that it's not doing all that well. It's not doing awful, but it's not like other phone companies. CEO John Chen has said that if the company doesn't sell five million handsets, it will need to get out of the business.

We'll need to wait for fourth-quarter results, but unless the Android phones really start to sell, it might be time to retire the hardware division. If, on the other hand, the Android phones do well, this can play into the rebranding of BlackBerry.

It's about security

If we look at the initiatives that BlackBerry has been focusing on, they're about becoming a bigger software provider and patent licensor. And its acquisitions have all lined up with this specific goal.

Consider that BlackBerry acquired AtHoc, which is a crisis-management product. And then consider that it bought Good Technology, a mobile-security provider. Both of these acquisitions are about creating secure networks to allow for rapid communication.

But then it goes a step further. BlackBerry announced that it was looking to expand into a new market and acquired **Encription Ltd.** based out of the U.K. This is a cyber-security consultancy, which is exactly the kind of business that BlackBerry should be working with.

By applying its brand as a security company to the Encription consultancy, BlackBerry will likely see many new clients join. Right now the cyber-security business is worth approximately \$16.5 billion a year. Over the next three years, that will likely grow to \$23 billion.

What all of this means is that when it comes down to BlackBerry creating a strong company again, the focus needs to be on security. It can create a secure Android phone, it can sell secure software, and it can offer security consulting. But when you look at all three, one thing remains clear: BlackBerry is a security company, which will be in hot demand over the next few years.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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Date

2025/08/24

Date Created

2016/02/29

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