



## Is T-Mobile US Inc. Ditching BlackBerry Ltd.?

### Description

After a touted launching at **T-Mobile US Inc.** ([NASDAQ:TMUS](#)) this January, the **BlackBerry Ltd.** ([TSX:BB](#))(NASDAQ:BBRY) Priv has already disappeared from T-Mobile's online store. Not only has the Priv been taken off the list of available phones, but the BlackBerry brand itself has been removed from the master manufacturer list. According to company officials, T-Mobile is "not currently" selling the Priv online.

Are major carriers like T-Mobile starting to drop BlackBerry from their offerings?

### Not alone

In addition to T-Mobile, **AT&T Inc.** ([NYSE:T](#)) also recently announced issues with its BlackBerry sales. According to *CNET*, an "executive at carrier partner AT&T admits the Priv phone is 'really struggling' and suffers a disappointing rate of returns." According to BlackBerry, the company sold 600,000 phones last quarter, well below expectations for 850,000 units. The results also fell below the 700,000 units it sold the quarter before.

The company doesn't break out Priv sales separately, but unit sales are likely disappointing. According to CEO John Chen, the company would need to sell about three million Privs for an average price of about \$300 to break even on that product alone. That target is becoming increasingly unreachable.

### The end of hardware

The withdrawal and lack of enthusiasm among major wireless carriers could signal the end of BlackBerry's hardware segment. In January, the company predicted that it will launch one or two additional devices this year that run Android software.

However, Chen is also on record saying that if its hardware business fails to turn a profit this year, it could be sold or wound down. "I will let the math and the market tell me that," he said. Thus far, he has shrugged off past failures, instead believing that BlackBerry phones could eventually stage a resurgence in popularity. "Hopefully, I'm not naive," he added.

Because nearly all of BlackBerry's latest smartphones have been disappointments and are expensive to continue developing, winding down its hardware segment is becoming an inevitability. Last quarter over 65% of BlackBerry's research and development expenses were related to hardware.

### What's next?

If BlackBerry hopes to survive, software will need to be its future.

Even if BlackBerry gets *nothing* in return for its hardware segment, the company would still have \$2.4 billion in cash, or \$4.56 per share. That's over half of its market cap. Without the cash drag of hardware, it would be free to direct huge amounts of capital to strengthen its software initiatives.

For example, its software segment (which helps manage and secure enterprise mobile networks) is already gaining traction. Last quarter it brought in revenues of \$153 million, up 106% over the previous quarter. Not only are these sales higher margin than hardware, but 70% of it was recurring, meaning BlackBerry can count on these sales next quarter as well.

If you're a current or prospective investor, I wouldn't be too dismayed at the continued failure of BlackBerry's latest phones; it looks like most of the downside has already been priced in. Just keep in mind that the long-term outlook for the company hinges on its ability to transform its business almost completely.

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2. Tech Stocks

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2. NYSE:BB (BlackBerry)
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### Date

2025/08/25

### Date Created

2016/06/14

**Author**  
rvanzo

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