



BlackBerry Ltd.: 3 Moves CEO John Chen Needs to Make Today

Description

BlackBerry Ltd. ([TSX:BB](#))(NASDAQ:BBRY) will always have a special place in the hearts of many Canadian investors.

They remember the good days when an upstart company from Waterloo was the leader in an exciting new market, throwing its weight around against much larger worldwide competitors. Canadians were proud of what founders Mike Lazardis and Jim Balsille had accomplished.

Even though the company has suffered an embarrassing fall from grace since those glory years, this pride has remained strong. Thousands of retail investors—myself included—still hold a few shares in the company, confident that management can return the company not to past glory, but just to something that's better than what it is today.

While positive moves have been made, the company's share price remains frustratingly stagnant. Shares are down more than 12% in the last year as frustrated investors bemoan the glacial pace of the company's turnaround plan.

BlackBerry shares need a catalyst—that much is obvious. The frustrating part for investors is that management could easily create that catalyst by making a few smart moves today, actions that would almost certainly increase the share price in the process.

Here are three moves I'd recommend CEO John Chen and other members of the senior management team make today.

Get out of the device business

Alas, it isn't 2006 anymore. BlackBerry needs to admit that customers just aren't clamouring for its phones any longer.

The amount of time and money spent trying to reinvigorate the struggling division has been astounding. First the company spent billions on its BB10 operating system. Then it spent billions more designing a number of new models to run BB10. Finally, when that didn't work, it released the Priv, an

Android-powered device with full access to that company's apps. After brisk opening sales, it's become obvious the Priv isn't the saviour either.

The answer is so obvious, but BlackBerry's management refuses to accept it: the company needs to get out of the device business.

Chen seems to recognize this, at least publicly. But he continues to move the deadline further back. A few months ago Chen told the media if device sales didn't pick up by September, the company would pull the plug. But at the company's annual meeting a little over a week ago, he gave the company a year to turn around the struggling handset business.

License the BlackBerry name

Just because BlackBerry itself can't profitably make phones doesn't mean another company can't do it.

Not only would a royalty per sale be instantly accretive to the bottom line, but it would also ensure folks who love their physical keyboards would still be able to get one. And a larger device manufacturer would have more clout dealing with the big wireless carriers.

This move would also leave BlackBerry free to monetize its massive patent collection. Since the company is in the device business currently, it can't sue a competitor for violating a patent because a competitor will just sue it back in response.

If BlackBerry wasn't in the device business, it would be free to finally start to monetize its patents.

Institute a dividend

This one is a little more against conventional wisdom, so let me explain myself.

BlackBerry has become a trading stock. Volumes are huge as traders get in and out, content to make a profit of a few pennies.

If the company instituted a dividend, it would encourage more investors to buy and hold shares. But mostly, it would give impatient long-term shareholders a reason to continue to hold their shares. Even a small dividend is nice to receive.

A dividend of just \$0.10 per share annually would cost the company approximately \$53 million. That's small potatoes for a company with a cash hoard of US\$2.2 billion. And remember, BlackBerry did post positive free cash flow in its last fiscal year.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)

Category

1. Investing
2. Tech Stocks

Tags

1. Editor's Choice

Date

2025/07/07

Date Created

2016/07/04

Author

nelsonpsmith

default watermark

default watermark