



BlackBerry Ltd.: Why These Quarterly Earnings Matter

Description

BlackBerry Ltd. ([TSX:BB](#))(NASDAQ:BBRY) is expected to report earnings on Wednesday, September 28. This could be the most important earnings announcement in recent memory for the company as we approach CEO John Chen's own deadline for deciding whether or not the company would exit the device business.

Let's take a closer look at what investors can expect.

Forecast

According to analysts surveyed by **Thomson Reuters**, BlackBerry is expected to post a small loss of about a nickel per share. This compares favourably to the company's last quarter, when it posted a loss of \$0.13 per share, but is worse than last year's results when it essentially broke even.

The company's revenue woes are likely to continue with the same analysts reporting that the top line is expected to keep falling. Consensus estimates are that BlackBerry will post revenue of US\$394 million for the quarter, which compares to revenue of US\$400 million in the previous quarter and US\$490 million in the same quarter last year.

At least one analyst thinks the future might be getting better. RBC Capital Markets analyst Paul Treiber thinks BlackBerry may raise its full-year outlook because of cost savings from refinancing its convertible debentures and a recent licencing deal that will help grow software revenues. RBC Capital Markets estimates the refinancing alone will boost the bottom line by \$0.11 per share annually.

What about devices?

John Chen has told investors several times that if the device business doesn't turn to profitability, the company will pull the plug on the division. Our own Ryan Vanzo thinks [such a move could very well be coming](#), citing evidence such as a massive sale on BlackBerry's website on accessories. This sale happens to end today—just one day before earnings are expected to be released.

Investors have to give BlackBerry credit; the company continues to work hard at hardware. It released

two new handsets in the past year, the Priv and the DTEK50, devices that both run the Android operating system. Sales of the Priv were somewhat lacklustre, and reports are mixed about the DTEK50.

But there's also evidence BlackBerry expects to continue making handsets. The company accidentally leaked plans for its DTEK model on its website before quickly deleting the evidence. Whether that was a mistake or a subtle hint to investors isn't known, but it is unlikely the company would be designing a new phone if it planned to exit the market completely.

Software

TD Securities is bullish on BlackBerry's software business, expecting the company's acquisitions of Good Technology and Ad Hoc to more than double software revenue versus year-ago results. Additionally, the same analyst expects software to be the biggest source of revenue for the company, repeating the result delivered last quarter.

Investors will also be anxious for an update on its new, recently implemented Radar software, as well as the company's newly announced IP licensing and royalty program.

Overall

Ultimately, investor reaction to BlackBerry's earnings could come down to one thing—the company's stance on the device business. Many observers think the company would be far better off if it exited the business altogether.

An announcement that it plans to stop trying to sell devices could pop the stock higher. Conversely, the status quo could send shares reeling on otherwise solid results. This decision is what investors are waiting for. Everything else could just be noise.

CATEGORY

1. Investing
2. Tech Stocks

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