



What Investors Need to Know About BlackBerry Ltd.'s New DTEK60

Description

After at least a year of rampant speculation, **BlackBerry Ltd.** ([TSX:BB](#))(NASDAQ:BBRY) CEO John Chen finally made it official when the company reported earnings in September: BlackBerry will no longer be developing phones. The company has chosen to focus on a rapidly expanding software business.

Investors cheered the news, sending shares up as much as 5%—higher than \$11 per share on the TSX. That turned out to be a very temporary high; shares have spent almost all of October slumping. BlackBerry is trading at \$9.79 as I write this.

And yet the company announced the latest BlackBerry model, the DTEK60 smartphone. What gives? Didn't it just announce it was getting out of the hardware business?

Let's take a closer look at the DTEK60 and what it means for investors.

Externally designed

Essentially, the DTEK60 is just a higher-end version of the DTEK50, which was released a few months ago. It has a bigger screen, a fingerprint sensor, a better camera, and longer battery life than its predecessor. It also has a much higher retail price. The DTEK50 retails for \$429. The DTEK60 costs \$650.

BlackBerry will distribute the phone, but it was designed and built by TCL Corp, a Chinese company. BlackBerry did have some input into the design, and it will be equipped with BlackBerry security features, but that's all the influence the company had over the final product. It even runs Android rather than BlackBerry's own operating system.

According to COO Marty Beard, the DTEK60 will be the last phone BlackBerry distributes, but there's plenty of speculation the company is planning to release one last BlackBerry-designed phone, this one with a physical keyboard.

The new strategy

BlackBerry's strategy going forward will be simple. It will license the BlackBerry name to companies making smartphones in markets where the brand is still relevant. These companies will design, manufacture, and distribute these phones, leaving BlackBerry to do nothing but sit back and collect a royalty. BlackBerry will also provide security for the devices and include its own unique version of the Android operating system.

The company announced the first such agreement last month: a partnership with BB Merah Putih, an Indonesian telecom. BB Merah Putih will source, distribute, and promote BlackBerry devices in its home market, and it has the support of PT Tiphone Mobile Indonesia Tbk, one of the country's wireless leaders.

BlackBerry is also in negotiations with telecoms in India and China about similar deals. And, according to Chen, the company will retain the right to sell these phones here at home, which could provide a bit of a boost to the bottom line.

This is a nice solution. The company will still make a little money on each phone sold, and it's now free to focus on the rapidly growing software division.

The bottom line

Many investors expected a very abrupt end to BlackBerry's device business, which just isn't happening. Think of it more as the beginning of the end.

Still, it's a smart strategy, and investors should really start seeing the benefits in the upcoming months. BlackBerry's hardware business isn't profitable; software is. Any move that focuses on the latter is smart. It might just take a little longer than investors anticipate.

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