



BlackBerry Ltd. Finally Has a Long-Term Solution to the Hardware Issue

Description

The one problem that has been plaguing **BlackBerry Ltd.** ([TSX:BB](#))(NASDAQ:BBRY) for over the past six years has been the hardware the company has been releasing.

Overpriced, underpowered, and awkward are terms frequently used to describe the array of devices that have been released over the past few years. Devices have ranged from an oddly shaped square phone with just three rows of keys to a renewed, almost obsessive focus on building physical keyboard devices for a market that overwhelmingly wants touchscreens.

In September, BlackBerry CEO John Chen noted that BlackBerry was “no longer just about the smartphone, but the smart in the phone.” That quote was made at a time when BlackBerry announced an end to building its own hardware. The agreement announced this week puts that quote into perspective.

The BlackBerry brand is now licensed to hardware manufacturers

The agreement is between BlackBerry and TCL Communications—the Chinese phone maker that was behind the two most recent BlackBerry devices, the DTEK50 and DTEK60. Under the terms of that agreement, TCL will assume the role of designing, manufacturing, selling, and supporting future devices bearing the BlackBerry name.

The scope of the agreement allows TCL to sell devices in all countries, apart from Bangladesh, India, Indonesia, Nepal, and Sri Lanka. A similar agreement with Indonesia’s BB Merah Putih was signed earlier in the year, granting access to the Indonesian market. Another deal with an Indian vendor is likely to emerge in that market next.

What does this mean for BlackBerry?

TCL is the fourth-largest manufacturer in North America, and as such will be able to appropriately manufacture devices at a far more cost-effective pace than BlackBerry ever could; this addresses the primary “overpriced” concern that has plagued past BlackBerry devices.

Critics of the deal may be quick to point out that TCL had previously attempted to revive Palm's brand by purchasing it and its patent portfolio earlier in the year. That being said, nothing has yet to emerge from that transaction, whereas the deal with BlackBerry has already resulted in two devices that have been subject to favourable reviews.

BlackBerry's odd form-factor design will likely come to an end as a result of this agreement; it'll likely be replaced with a series of gradual improvements to a more conservative design, similar to what major competitors have done. This not only addresses the design issues of the past, but it also lays out a path of continual improvements and upgrades for consumers.

Perhaps one of the biggest advantages of this agreement is that BlackBerry no longer needs to worry about the hardware itself and can focus on improving things on the software side, which has taken on a more important role over the past year.

In the most recent quarter, software and services revenue accounted for US\$156 million, whereas the hardware division brought in just US\$105 million.

Does any of this make BlackBerry a great investment? Not likely; at least, not yet. The agreement does let BlackBerry offload a sizeable division of the company that just was not producing, and those savings could be reinvested into areas of the company that are performing—such as software and services.

If anything, this deal will raise eyebrows and turn attention to BlackBerry, but the real test will come over the next two quarters as sales figures of the DTEK50, DTEK60, and the yet to be released keyboard device, appropriately dubbed DTEK70, are revealed.

Until then, it's best to wait on the sidelines or focus on other investments.

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

2025/07/29

Date Created

2016/12/16

Author

dafxentiou

default watermark

default watermark