



BlackBerry Ltd.: Is a Revival Within Reach?

Description

BlackBerry Ltd. ([TSX:BB](#))([NYSE:BB](#)) Chief Executive Officer John Chen signed a new contract worth at least \$128 million to remain on the job for at least five years. But does this hefty compensation package indicate good days ahead for shareholders who have lost their shirts during this company's fall from grace?

Chen's new pay package includes 10 million restricted stock grants — valued at \$128 million as of March 14 close — that will vest through November 2023, the Waterloo, Ontario-based company said in a statement.

Half of this will be paid out if share-price goals of \$16 to \$20 are reached. Chen will also receive a performance-based cash award if the stock hits \$30. The value of the cash grant will be disclosed in the company's proxy circular in May, according to the statement.

"The BlackBerry Board of Directors has tremendous confidence in John Chen," the statement said. "John engineered a successful turnaround and has the company re-positioned to apply its strengths and assets to the Enterprise of Things, an emerging category with massive potential," said Prem Watsa, lead Director and Chair of the compensation committee of the BlackBerry board.

Keeping Chen in the driver's seat makes a lot of sense given that BlackBerry has found a new way to survive after the failure of its smartphone business. Since taking over in 2013, Chen has shed its hardware manufacturing business, returned the company to financial stability, and made strategic investments in cybersecurity and embedded software that are delivering revenue and growth.

BlackBerry's 4% jump in today's trading suggests that after seeing some high-profile departures from the C-Suite last year, investors like Chen.

Future prospects

I think BlackBerry's goal of cashing in on its growing investment on network security is a winning strategy. Rebranded as a cybersecurity software and services company dedicated to securing the LoT, BlackBerry has won several high-profile deals last year.

In January, Chinese internet search firm **Baidu Inc. (ADR)** ([NASDAQ:BIDU](#)) announced its intention to work with BlackBerry to develop self-driving vehicle technology. Baidu will run its smartphone integration software for connected cars and its AI system on BlackBerry's QNX Platform. The QNX operating system, which powers automobile infotainment systems, won 10 automotive supplier contracts in the last quarter of 2017.

Another aspect of BlackBerry's strategy includes pursuing patent claims against global firms benefiting from technology that the company claims it invented years ago.

BlackBerry's latest lawsuit is against social media giant **Facebook Inc.** The suit claims that Facebook built its messaging apps on the technology invented by BlackBerry years ago.

The bottom line

BlackBerry could be a good contrarian bet after the company's shift in focus and some success on securing new customers for its security software business. However, I think only patient and long-term investors should buy this stock, as its path to recovery probably won't be without some nasty surprises.

CATEGORY

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Date

2025/08/26

Date Created

2018/03/16

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