

BlackBerry tops 4Q profit forecasts

March 27 2015, by Rob Gillies

BlackBerry posted a surprise profit in the fourth quarter, but saw a sharp drop-off in revenue as the once-iconic smartphone company said it reached the halfway mark of its turnaround effort.

The Canadian company earned \$28 million, or 5 cents per share. Earnings, adjusted for non-recurring gains, came to 4 cents per share.

Wall Street expected a loss of 3 cents per share, according to a survey by Zacks Investment Research. The company had a loss last year of \$148 million, or 28 cents a share.

But the company had revenue of only \$660 million, a 33 percent drop compared with \$976 million a year earlier. Wall Street was looking for \$833.1 million this quarter.

BlackBerry is trying to turn its business around by reducing expenses while it attempts to transform itself into an enterprise software company. In the fourth quarter, it slashed expenses 61 percent to \$424 million.

It was the second consecutive quarter that the company put up a surprise profit and shares rose more than three percent in early trading Friday morning. Chief executive John Chen said they are halfway through their two-year turnaround effort and said they will now focus on stabilizing revenue and achieving sustainable profitability sometime this year. Chen said the morale of the once-high flying company has improved.

"The company needs to financially be stable. I don't know of any way to

improve the morale of a company, the people, if the company's not doing well," Chen said on a conference call with analysts. "I would say today the morale of the company's a lot better than a year ago. It probably still needs to be a lot better than today."

Chen noted that BlackBerry has \$3.27 billion in cash and investments.

BGC analyst Colin Gillis said BlackBerry has successfully stopped the bleeding by preserving cash and getting expenses in line ahead of schedule. "The fact John Chen was able to do this despite a pretty sharp drop in revenue is impressive," Gillis said. Gillis said BlackBerry will now have to start building software revenue.

"It's on to phase two which is let's become an enterprise software company," Gillis said. "2016 is truly the transition year."

For the year, the company reported that its loss narrowed to \$304 million, or 58 cents per share. Revenue was reported as \$3.34 billion compared \$6.8 billion the year before and \$11.1 billion in 2013.

BlackBerry Ltd. now holds a small fraction of the U.S. smartphone market after commanding a nearly 50 percent share as recently as 2009. The BlackBerry, pioneered in 1999, changed the culture by allowing on-the-go business people to access wireless email. But Apple showed that phones can handle much more than email and phone calls. BlackBerry launched a phone in December with traditional keyboard called the Classic. It sold 1.7 million phones in the quarter and said 42 percent of its revenue was in hardware. "That's just going to be a bridge before they become a software company," Gillis said.

BlackBerry now puts more emphasis on its mobile device management business, a collection of software that allows IT departments to manage different devices connected to their corporate networks. Chen has also

emphasized BlackBerry's popular BlackBerry Messenger application that is now also available on Apple and Android devices. And he is trying to highlight Blackberry's embedded QNX software systems, which are used in-vehicle infotainment systems and industrial machines.

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