

BlackBerry Limited (NYSE: BB)

Closing price: \$10.14 (as of 7/19/2017)

Basis for Recommendation:

BlackBerry Limited is a mobile-native security software and services company dedicated to securing the Enterprise of Things. Based in Waterloo, Ontario, the company was founded in 1984 and operates in North America, Europe, Asia, the Middle East, Latin America and Africa. BlackBerry products and services are widely recognized for productivity and security, and the Company believes that it delivers the most secure end-to-end mobile enterprise solutions in the market. With these core strengths, the Company's broad portfolio of products and services is focused on serving enterprise customers, particularly in regulated industries. BlackBerry has been executing a strategy to leverage its strengths in mobility management and security to focus its business on software and services that secure, manage and connect the Enterprise of Things. The company defines the Enterprise of Things as the network of devices, computers, sensors, equipment and other connected endpoints within the enterprise that communicate with each other to enable smart product development, distribution, marketing and sales.¹ The company's patent portfolio consists of 44,000 patents worldwide.² BlackBerry Limited is being recommended to the client on the basis that it may generate returns above the benchmark (S&P 500 Index) over a longer-term time horizon (10+ years).

Supporting Documentation for Recommendation:

Since 2013, BlackBerry's board of directors has undergone significant corporate change upon the arrival of Chief Executive Officer, John Chen. Prior to BlackBerry's arrival, John Chen had successfully returned then-struggling technology company Sybase

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https://ca.blackberry.com/content/dam/bbCompany/Desktop/Global/PDF/Investors/Documents/2015/Q4_Fiscal_2015/Q417_Financial_Statements.pdf

² <http://patentvue.com/2017/02/27/blackberry-may-have-a-brighter-future-monetizing-patents-than-as-a-software-developer/>

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(\$9/share upon Chen's arrival)³ to profitability until selling Sybase to SAP AG at a premium (\$65/share).⁴ Under Chen's direction, Sybase became the leading provider of enterprise mobility and mobile commerce solutions, achieving 55 consecutive quarters of profitability.⁵ At its core, Chen's strategy in restoring shareholder value for Sybase was furthered by strategically pivoting Sybase to avoid competing directly with dominant enterprise software players Oracle and Microsoft which allowed Sybase to drive further into niche parts of the database market.⁶

The firm believes John Chen's core strategy in restoring shareholder value for BlackBerry is like the strategic actions taken at Sybase. In 2016, BlackBerry announced it would stop building phones and begin outsourcing their hardware development. This would allow the company to focus on the "internet of things," Chen said, to take their software beyond phones and into every day devices like washers and dryers.⁷ BlackBerry's key strategy of shifting focus from hardware to software was further solidified as the Company has introduced BlackBerry Radar, an end-to-end, Internet of Things-based system that monitors the location of trailers and containers and delivers timely, actionable data to transportation managers via a secure, online portal.^{8 9} In addition to Radar, BlackBerry has been making efforts to monetize QNX software in verticals such as the automotive, medical, & entertainment industries.^{10 11} Other strategic acquisitions have been made in efforts to potentially produce and boost

³ <https://www.forbes.com/sites/parmyolson/2013/11/05/new-ceo-blackberrys-turnaround-could-take-a-year-and-a-half/#3c59a051ae7d>

⁴ <http://www.reuters.com/article/us-sybase-idUSTRE64B5OT20100513>

⁵ <https://www.crunchbase.com/person/john-chen-5#/entity>

⁶ <https://www.forbes.com/sites/parmyolson/2013/11/05/new-ceo-blackberrys-turnaround-could-take-a-year-and-a-half/#3c59a051ae7d>

⁷ <http://www.cbsnews.com/news/blackberry-ceo-john-chen-software-beyond-hardware/>

⁸ <http://blogs.blackberry.com/2016/03/iot-enabled-blackberry-radar-will-empower-truck-companies-to-cut-theft-boost-profits/>

⁹ <http://fortune.com/2016/09/23/blackberry-radar/>

¹⁰ <http://blogs.blackberry.com/2016/10/blackberry-inks-agreement-with-ford-to-accelerate-cars-of-the-future/>

¹¹ <http://www.qnx.com/company/35ways/>

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software-related revenue for the Company.^{12 13} BlackBerry's most recent Q1 2018 earnings resulted in total revenue of \$244 million, with total company Software and Services revenue representing 69% of total revenue, (\$169 million).¹⁴ The firm believes that BlackBerry's management is committed to restoring shareholder value by using similar overall strategies found useful in restoring shareholder value at the Chief Executive Officer's previous position with Sybase. To that end, the recommendation may act as a suitable investment given the client's risk tolerance, time horizon, and expectations.

For more information regarding this Recommendation, please contact:

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¹² <http://www.reuters.com/article/us-blackberry-services-idUSKCN0VX0Y3>

¹³ <https://www.bloomberg.com/news/articles/2016-12-08/blackberry-rebrands-security-software-after-acquisition-splurge>

¹⁴ <https://seekingalpha.com/article/4083580-blackberrys-bbry-ceo-john-chen-q1-2018-results-earnings-call-transcript>

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