

# BlackBerry scraps search for buyer, ousts CEO

OTTAWA CANADA: BlackBerry abandoned hopes of finding a buyer, and instead pegged its future on a US\$1bn cash infusion as it shook up top management and named a new chief executive.



Thorsten Heins steps down after running the company for less than two years.  
Image: BlackBerry

The Waterloo, Ontario-based company's announcement comes two and a half months after its largest shareholder Fairfax Financial Holdings Inc. offered to buy the rest of the business and de-list it.

Fairfax will invest US\$1bn in a private placement and Fairfax boss Prem Watsa will become lead director of BlackBerry.

According to a statement released by BlackBerry the company's chief executive Thorsten Heins will step down after only 22 months on the job and will be replaced on an interim basis by longtime technology executive John Chen.

"The announcement represents a significant vote of confidence in BlackBerry and its future by this group of pre-eminent, long-term investors," said Barbara Stymiest, chairman of BlackBerry.

BlackBerry announced in August that it was looking for a buyer after yet another dismal year.

## No real offers

Social network Facebook, Chinese computer manufacturer Lenovo and investment firm Cerberus backed by two BlackBerry founders as well as chip maker Qualcomm have all looked into the possibility of buying the company but no firm offers have been received.

Chen, a former head of the software firm Sybase, said he looked forward to steering BlackBerry through its turnaround and business model transformation but insisted this would take time.

"BlackBerry is an iconic brand with enormous potential -- but it's going to take time, discipline and tough decisions to reclaim our success," he said.

The son of poor Hong Kong refugees, Chen attended elite American universities and reportedly foresaw the growth in mobile communications in the late 1990s. He positioned struggling database company Sybase as a leader selling business services in that market.

After turning Sybase around, he oversaw its sale to SAP AG for US\$5.8bn and joined SAP until his retirement earlier this year.

## **Too far behind**

Analysts have said that BlackBerry has fallen so far behind its competitors that its only hope is a breakup, which could salvage its software and services operations.

"While the US\$1bn investment certainly helps, it's like putting a Band-Aid on a knife wound; by itself, it's not going to stop the bleeding," said Anthony Sabino, a business professor at St. John's University in New York.

"Sadly, the more likely prospect is BlackBerry will be broken up into its constituent parts, and its more valuable assets, such as its patents and technologies. These are likely to be sold off piecemeal," Sabino said.

Others analysts sounded a more optimistic note, saying the cash injection gives BlackBerry time and a higher valuation if another company was interested in buying the business. They said there was some hope that Chen might be able to effect change as he has a strong track record as a turnaround specialist.

"The new management brought in to right the ship will have both a mandate to do so (with a proven track record) as well as more breathing room (with the increased cash reserve)," said analyst Jack Gold of J. Gold Associates.

"I'd expect to see some significant redirection at BlackBerry over the next year as the new management takes hold and new business priorities and directions emerge," he said.

BlackBerry helped create a culture of mobile users glued to smartphones, but lost its lustre as many users have since moved to iPhones or devices that use Google's Android software.

In January, BlackBerry unveiled a new platform as it sought to regain lost momentum but its most recent numbers suggest this has been a spectacular failure.

BlackBerry still has about 70m subscribers worldwide, but most of these are using older handsets, with the newer devices on the BlackBerry 10 platform failing to gain much traction.

In September, the company announced that it was laying off 4,500 staff -- or one third of its global workforce -- after losing US\$965m in its last quarter as sales plummeted.

Source: AFP via I-Net Bridge