

Questions, doubts ahead of BlackBerry report

By [Benjamin Pimentel](#)

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SAN FRANCISCO (MarketWatch) — BlackBerry is set to report results before the market opens on Friday, amid questions and doubts about the mobile technology company's new strategy under Chief Executive John Chen.



Bloomberg

The BlackBerry World logo sits on the screen of a BlackBerry smartphone, produced by BlackBerry Ltd.

The report is expected to be downbeat with analyst eyeing a loss of 56 cents a share on revenue of \$1.11 billion, compared to a profit of 22 cents a share and sales of \$2.7 billion in the year-earlier period, according to FactSet data.

Chen was in the news this week [after he posted a blog](#) about BlackBerry's [BBRY, +0.81%](#) plan to pursue "legal action against a party who stole confidential information about a future BlackBerry product and made that information public."

But leaks were probably the least of BlackBerry's problems.

"We continue to be cautious on BlackBerry as we head into earnings this Friday," J.P. Morgan analyst Rod Hall told clients in a note.

"While management has said that there would be no further write-downs, we note that the company still has the potential to surprise on the downside in a number of ways," he continued. "We expect to hear more about BlackBerry's long term outlook as well as the progress with the Foxconn plan but continue to believe that there is significant execution risk."

BlackBerry in December announced a major partnership with Foxconn, the China-based manufacturing giant, which the company said will "develop and manufacture certain new BlackBerry devices and manage the inventory associated with those devices."

That was seen as part of BlackBerry's shift away from being a maker of commodity devices, and a bid to highlight its strengths in enterprise services. Wall Street cheered the announcement, sparking a stock rally. BlackBerry shares have gained 22% since the beginning of the year.

The new strategy "makes sense, but the task is very tall," Cowen analyst Timothy Arcuri told clients in a December note.

Once a dominant force in the mobile tech market, BlackBerry has pretty much been in limbo, in the wake of a failed attempt to sell itself to major shareholder Fairfax Financial Holdings and a bid to shift its focus to the enterprise software and services market.

MKM Partners analyst Michael Genovese wrote, “We remain highly skeptical of BlackBerry’s ability to navigate a successful turn-around. However, from a short-term trading perspective, investors may react positively to another John Chen-led conference call.”

Charter Equity Research analyst Edward Snyder was also cautious, telling clients in a note, “It’s still too early to call BlackBerry’s turnaround efforts a success.”

“Growth prospects in both handsets and enterprise networking remain several quarters away,” he wrote.

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