



RBC Capital Markets

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Sector: Telecom & Networking Equipment

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BlackBerry Limited

Ovum validates BlackBerry's EMM leadership, acknowledges a competitive market

Impact:
 Neutral.

First impression

- **Conference call with Ovum.** We hosted a call on Wednesday, October 25 with Adam Holtby, an Analyst at Ovum. The call focused on Ovum's view of the Enterprise Mobility Management (EMM) market, including the market opportunity for EMM, BlackBerry's differentiation and competitive advantages, and trends among competitors. Key takeaways include:
- **EMM spending to rise 22% compounded to \$9.5B in 2021.** Ovum expects the EMM market to rise from \$4B in 2016 to \$9.5B in 2021, which represents 22% compounded per annum growth. Demand for EMM is shifting away from basic Mobile Device Management (MDM) to mobile content management and mobile application development. Additionally, Unified Endpoint Management (UEM) brings together traditional PC management and mobile device management into a single platform and is a catalyst for future demand.
- **Basic Mobile Device Management (MDM) has commoditized.** Ovum acknowledged that Mobile Device Management (MDM) functionality has commoditized, as multiple vendors offer similar features. For example, Ovum indicated that there is limited differentiation among leading EMM solutions. However, Ovum believes that the market is still early and evolving; the value proposition of the broader end-to-end functionality of EMM and UEM remains high.
- **BlackBerry is among the leading vendors.** In its comprehensive evaluation of 220+ features of EMM platforms, Ovum ranks BlackBerry as one of the leading EMM vendors. Among the vendors, Ovum receives the most client inquiries for VMware (AirWatch), MobileIron, IBM and BlackBerry. BlackBerry is regaining interest with customers, now that it has a more capable multi-OS offering following the release of its UEM solution in January 2017 and the Good Technology acquisition in 2015. BlackBerry's biggest challenge is marketing, in that client awareness for its multi-OS capabilities still remains low.
- **Cybersecurity reputation differentiates BlackBerry.** BlackBerry's biggest differentiator, particularly with regulated customers, is the company's cybersecurity reputation. Ovum indicated that BlackBerry has the broadest security features of the EMM vendors it reviewed, along with the highest number of government certifications. Cybersecurity features heavily in BlackBerry's marketing and product focus. For example, BlackBerry recently announced new cybersecurity consulting services to help companies manage GDPR (general data protection regulations) in Europe.
- **Replay available** until Nov. 1. Replay #: (416) 626-4100 or (800) 558-5253; Passcode: 21859566.

Sector Perform

NYSE: BB; TSX: BB

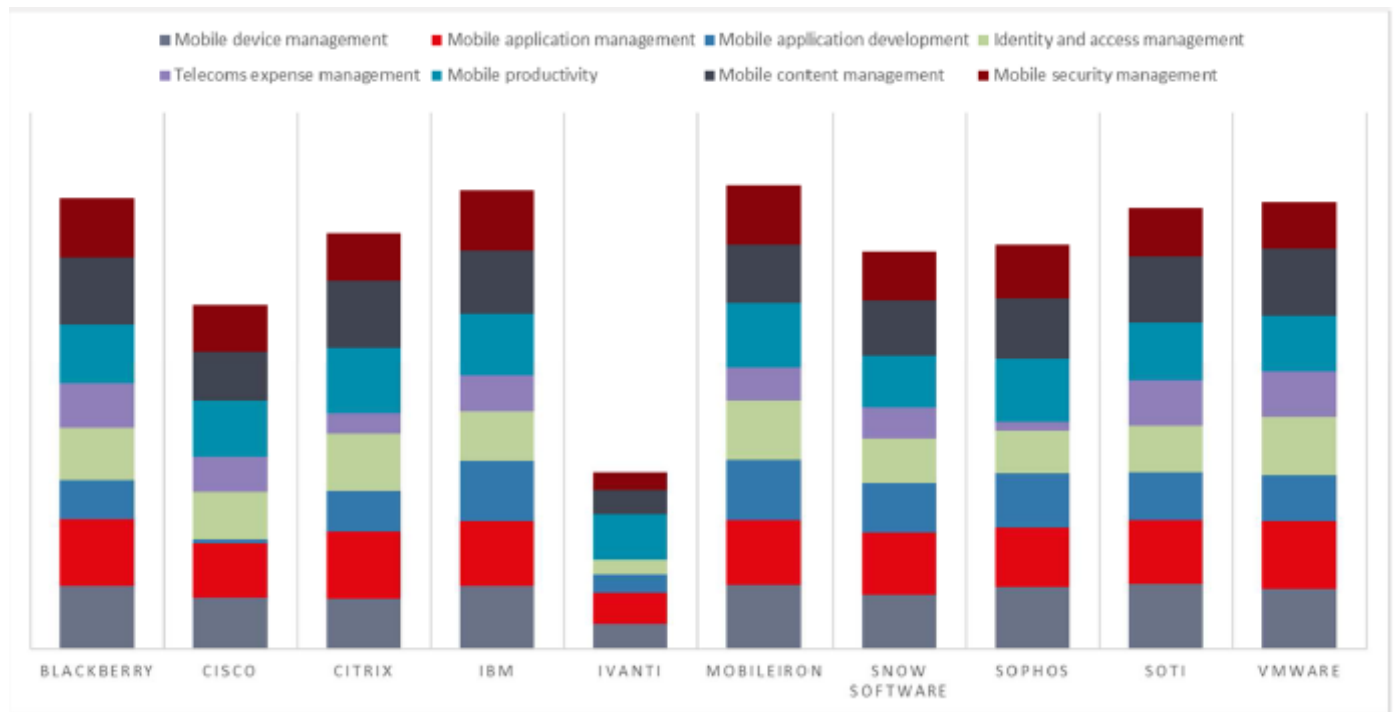
Price: USD 11.02

All values in USD unless otherwise noted.



Ovum validates BlackBerry's EMM leadership, acknowledges a competitive market

Exhibit 1: Ovum's Decision Matrix - Differentiation among leading EMM solutions is limited



Source: Ovum EMM Decision Matrix, 2017/18



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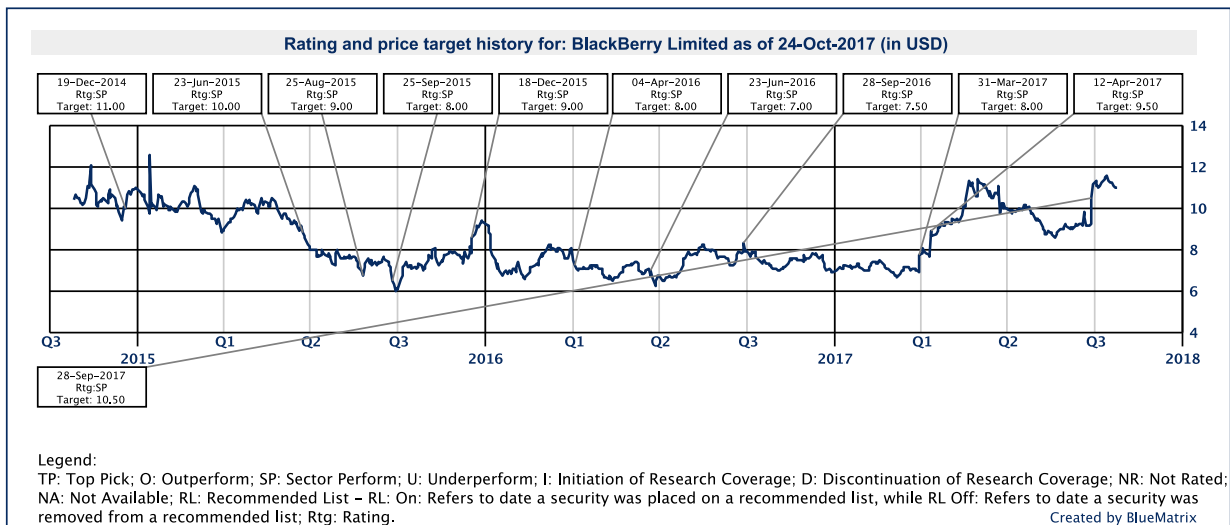
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As of 30-Sep-2017				
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			Count	Percent
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BlackBerry Limited

Valuation

Our target valuation for BlackBerry's "company total" software is based on 3.5x CY19E EV/S, which compares to enterprise security software peers at 3.1x. The premium, in our view, is justified given stronger FTM software growth (17% vs. peers at 4%). Our \$10.50 price target supports a Sector Perform rating.

Risks to rating and price target

Risks to our price target and rating include: a general pullback in technology valuations; slower-than-expected uptake of the BB10 platform; market acceptance of its new products; faster-than-expected declines in ARPU, margins and ASPs; opex spending may be higher than expected; new product launches may be later than expected; and BlackBerry may not monetize new services and software.

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