

BlackBerry Ltd deal may rest in hands of largest shareholder Prem Watsa

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TORONTO — BlackBerry Ltd is expected to draw preliminary interest from technology companies, buyout firms and Canadian pension funds, but its fate may ultimately rest in the hands of its largest shareholder, Prem Watsa's Fairfax Financial Holdings Ltd .

[np_storybar title="BlackBerry sought buyers for close to a year without success" link="http://business.financialpost.com/2013/08/13/blackberry-sought-buyers-for-close-to-a-year-without-success/?__lsa=8b29-87f2"%5DIn recent months, as BlackBerry sales and subscriber numbers deteriorated, bankers quietly contacted possible bidders and found little interest, sources said. [Read more](#)

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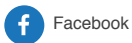
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Any serious bidder would likely be hoping to get Watsa, the Fairfax founder and chairman who is often called Canada's answer to billionaire U.S. investor Warren Buffett, on their side, because he could join in on a private equity deal or at the very least be the bellwether for broader investment sentiment.

"I would imagine that if Fairfax says they are against a particular deal, that would carry a lot of weight, beyond just the 10% that they control," said Richard Steinberg, who heads Fasken Martineau's securities and mergers & acquisitions group in Toronto.

Although it remains too early to tell determined buyers from window-shoppers, sources familiar with the situation said some of the world's largest private equity firms, including Bain Capital LLC, KKR & Co LP and Carlyle Group LP, are expected to look at BlackBerry when the company launches a sale process.

Leo De Bever, the chief executive of Alberta Investment Management Corp, said he expected some of the largest Canadian pension funds, including his own, to look at any potential deals for the company.

Analysts said firms ranging from established mobile phone players like Apple Inc and Samsung Electronics Co to technology giants like Amazon.com Inc, Facebook Inc, Cisco Systems Inc, Hewlett-Packard Co and IBM Corp, may also be drawn to the beleaguered smartphone maker's assets such as patents or its network or instant messaging platforms.

Watsa stepped down from the BlackBerry board on Monday, citing a potential conflict of interest, as the company said it was exploring the sale of itself and other options.

Jefferies analysts have suggested that Fairfax could team up with Canadian pension funds and banks to take BlackBerry private, possibly for \$15 per share.

Watsa hasn't said how much he would want for his stake in BlackBerry. But one guidepost would be \$17 per share, the average price Fairfax has disclosed it has paid to build its 9.9% stake in the Canadian company over the last three years. BlackBerry shares closed up 1.4% at \$10.93 in New York on Tuesday.

Fairfax and BlackBerry declined to comment. Representatives of the other companies and private equity firms either declined to comment or did not respond to requests for comment.

The emergence of Watsa as the central figure in the drama unfolding around BlackBerry underscores how quickly the situation has spiralled out of the company's control.

BlackBerry has seen its market value nosedive to around \$5.7 billion from more than \$80 billion at its peak in 2008, as its latest BlackBerry 10 devices

struggle to challenge an onslaught from the iPhone and devices running Google Inc's Android operating system.

Fairfax, which has a market value of about \$9 billion, became the company's largest shareholder just last year, topping Mike Lazaridis, BlackBerry's co-founder and former co-chief executive, who has a 5.7% stake. BlackBerry's other former co-chief executive Jim Balsillie disclosed in February he had sold his remaining shares in the company.

To be sure, Fairfax is only the largest among a plethora of BlackBerry shareholders, two-thirds of which will be asked to approve any deal.

The average cost of Watsa's stake in BlackBerry is also low by historical standards, which means it is not a very high bar to clear for a technology company sitting on a massive pile of cash. BlackBerry shares traded at \$148 in 2008. They have traded below \$20 only in the last two years.

Any deal for BlackBerry remains far from certain. Private equity and other suitors have circled the company for more than two years and have come up empty so far. A foreign buyer would also need approval from Canadian authorities.

Still, other BlackBerry shareholders may take cues from Watsa's moves.

"I don't think (Watsa) is going to look at the various bidders and make qualitative choices. He's going to be making quantitative choices (based on who pays top dollar)," said Ross Healy, a portfolio manager with MacNicol & Associates, whose clients own BlackBerry shares.

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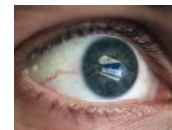
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