



June 20, 2014

Citron Introduces:

The Biggest Tech Investment Opportunity of the Year....
Hiding Right Under Wall Street's Nose!

BlackBerry: Please Change Your Name Back to "Research in Motion"!

**Citron Raises Target to \$20...
Our Best Idea in YEARS!**

At Citron, we're known as investigative short sellers, but really that's only one part of who we are. At our core, we are always endeavoring to publish the story that the Street doesn't get...yet. That story may be long or short. And we always consider risks and rewards in any position.

Citron Research introduced this idea in January with a \$15 target on the stock. We were excited about new CEO John Chen and the future of their enterprise software business, as well as their other unrecognized and undervalued properties.

That Has All Changed.

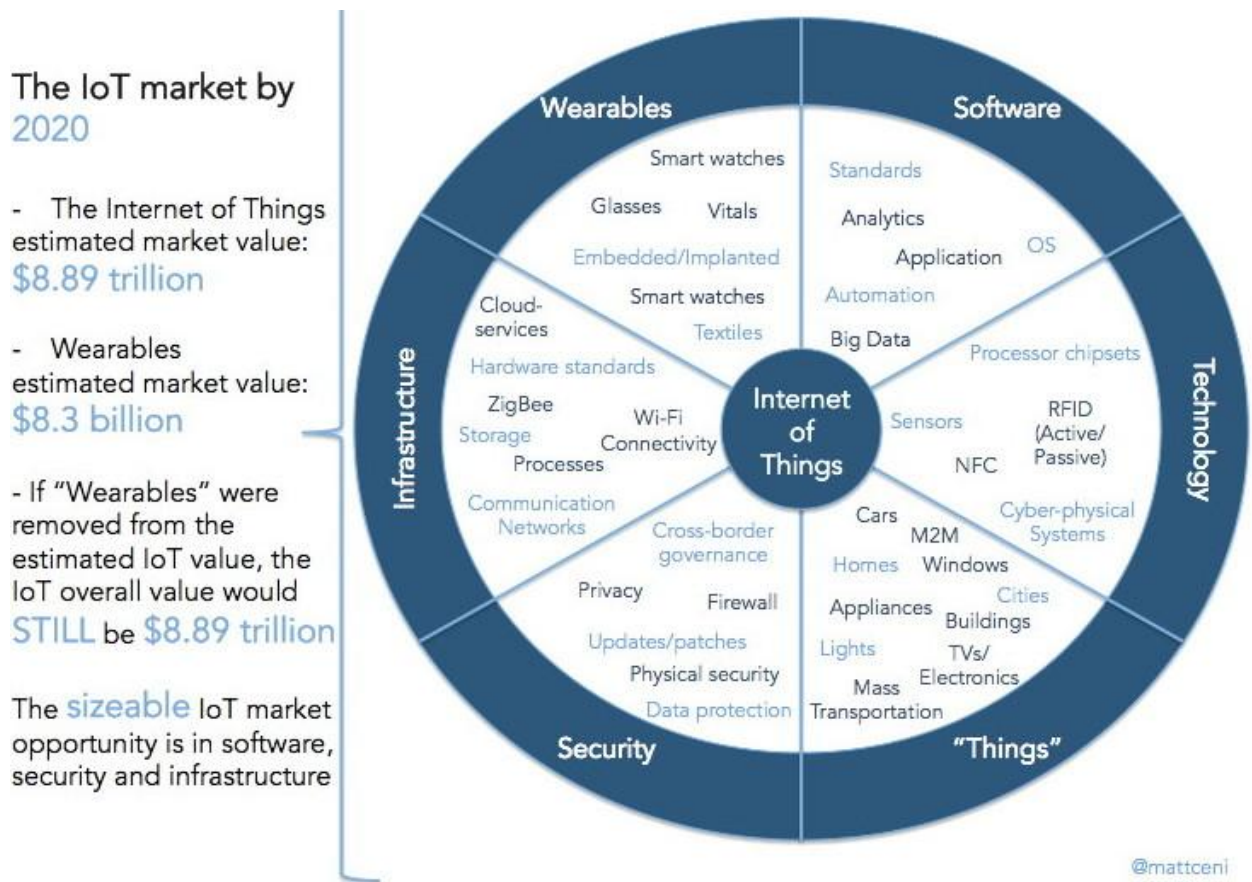
On May 21st of this year, BlackBerry put out what might have been the most meaningful press release of the past few years in technology – and it was roundly ignored by mainstream financial media.

... It is "The Internet of Things" ...

This is not 3D printing, electric cars, or solar energy packaged and promoted for momentum players. This is cloud-computing / Software as a Service/Online Security / Big Data / Healthcare Re-visited / Mobile Payments - combined. This is the future.

<http://press.BlackBerry.com/press/2014/BlackBerry-enables-businesses-to-derive-value-from-the-internet-.html>

This excellent graphic by Matt Ceniceris is but one way of describing it:



<http://www.business2community.com/business-innovation/internet-things-ecosystem-value-greater-sum-things-0829370#!1gq8w>

John Chen is one of the strongest and most credible leaders on Wall Street. In executing his multi-billion dollar turnaround at Sybase, he said exactly what he was going to do and then he did it, selling a company that he rescued from near bankruptcy to SAP for \$5.8 Billion dollars.... and those were 2010 dollars!

Chen is a man of action who has **NEVER** been known for hyperbole or overly promotional behavior. This is what he said about BlackBerry's new corporate focus:

“Billions of connections, generating trillions of transactions and exabytes of data daily, will require platforms that can operate securely on a global scale. No other company is in a better position than BlackBerry to provide the technological building blocks, applications and services needed to enhance productivity, improve real-time decision making and deliver on the vision of the ...

“ Internet of Things ”

-- John Chen, CEO BlackBerry May 21, 2014

And to think not one journalist drew him out on this quote yesterday. Rather they harped on whether new BlackBerry handsets will still have keyboard buttons.

After stopping the bleeding and getting the company on sound financial footing, Chen has clearly declared that the “Internet of Things” is the new strategic focus of the company.

BlackBerry's new strategy positions the company as a key competitor in a rapidly emerging worldwide growth market of immense proportions, one which plays specifically to BlackBerry's strengths. Even BBRY critics would agree that no one is better at delivering large amounts of data on an end-to-end secured platform than BlackBerry. They used to do it by competing in the handset market, but now the connected world is their opportunity. We think this piece in the Canadian press is a highly credible snapshot of where the company is going:

http://www.vancouversun.com/business/technology/BlackBerry+unveils+Project+strategy+aimed+Internet+Things+businesses/9864320/story.html?_federated=1#ixzz356kcsQZx

An Example of a “Thing”, Please

To help us get our heads around the breathtaking efficiency scenarios for major companies, consider just one case study about the “Internet of Things”:

In 2012, Union Pacific railroad reported it was able to reduce bearing-failure derailments by 75%. That reduces their maintenance costs but, more significantly, consider that freight train derailments are more than an expense line item; they can be horrific, and trigger massive liability costs.

How? By installing trackside infrared and microphone sensors which can detect imminent bearing failures as trains pass by them. The railroad went on to state that this was just the beginning. One day soon it anticipates installing mini-sensors (it calls them “motes”) within individual components like railcar wheels, so that each vulnerable part in its system can be monitored for early signs of pending failure in real-time.

<http://www.informationweek.com/it-leadership/union-pacific-delivers-internet-of-things-reality-check/d/d-id/1105644?>

Sensors in everyday objects, not to mention on our own bodies, will uncover efficiencies and deliver smarter functioning to every aspect of our lives.

Citron challenges skeptical readers to spend 5 minutes on this link, and see if you can honestly refute the above conclusion:

http://www.libelium.com/top_50_iot_sensor_applications_ranking/

Ericsson predicts 50 billion connected devices by 2020. This will become the new high frontier of discovering untapped efficiencies in how goods and services are delivered throughout our economy.

We recommend the infographic link below as a “Must Read”. It was developed by SAP (the same people who bought Sybase , the last Chen turnaround).

“There are already 9 BILLION CONNECTED DEVICES today
.... and it is estimated that by 2020 there will be
50 TO 75 BILLION CONNECTED THINGS which will create
\$14.4 TRILLION in TOTAL VALUE at stake between now and 2020.

<http://theiotrevolution.com/iguide/>

Another good article develops the same point here from an independent source:

<http://www.zdnet.com/BlackBerrys-qnx-why-its-so-valuable-to-apple-google-auto-industry-7000027169/>

Who are BlackBerry’s Partners in the “Internet of Things” Space?

Apple	Atmel	ARM Holdings	Intel	AMCC	Broadcom
Google	IBM	Qualcomm	Fujitsu	Oracle	Toshiba
Sybase	STM	Texas Instruments	NVIDIA	MIPS	Xilinx

... just to name a few....among hundreds others.

<http://www.qnx.com/partners/results.html?partnerid=XXX&category=XXX&keyword=>

What the Automotive Market is Telegraphing to “The Internet of Things”

QNX, BlackBerry’s embedded operating system, has been quietly earning credibility and traction for years [in the automotive marketplace](#), gaining penetration in over 200 vehicle models. Here we survey a number of data points about the automotive market which we consider a good predictor of the coming “Internet of Things” wave.

Ford is reportedly ready to ditch Microsoft in favor of BlackBerry's car platform in future upgrades of its in-car Sync system. Ford has had various issues with their MyFord and Sync systems over the last few years, bringing down their quality ratings and causing them to seek other options for their vehicle infotainment systems.

<http://crackberry.com/future-ford-sync-units-be-powered-BlackBerrys-qnx-not-microsoft>

Almost every consumer who owns a smart phone or tablet is familiar with the app experience: you go to an online marketplace, find apps of interest, and download them onto your device. With the HTML5 SDK, the automotive team at QNX is creating an analogous experience for the car.

<http://qnxauto.blogspot.com/2012/10/html5-sdk-for-qnx-car-2-platform-back.html>

There are now more than 30 million automobiles around the world running QNX software.

http://business.financialpost.com/2013/06/05/BlackBerry-qnx-car-platform-system/?_lsa=1b95-e1aa

More than 20 cameras and four laser scanners give the vehicle a 360-degree view of its surroundings. The autonomous prototype was built into a sedan with a rooftop (without changing the vehicle's exterior) to show that the technology can be installed on any car.

The autonomous car was built with two concepts in mind: low cost and full integration. For this reason, it relies on low-cost vision and laser scanner technology and was fully integrated into a vehicle already available on the market. It uses both the QNX Neutrino OS...

http://www.designnews.com/author.asp?doc_id=272897

BlackBerry's Project Ion, and Why You Need to Account for It

Project Ion is BlackBerry's working name for their "Internet of Things" initiative. Announced just last month at a tech conference, it defines itself thusly:

"It will offer the resources necessary to access massive amounts of data from multiple disparate sources and distill it into meaningful, actionable information using open source and third party analytic tools. This deeper insight will empower companies and organizations across a range of industries. These include doctors and caregivers who require real-time diagnosis information to improve patient care, consumer products companies seeking new ways to better understand and engage with their customers, insurers pursuing more accurate risk profile information and manufacturers in need of better logistics and control data."

<http://n4bb.com/BlackBerry-enables-businesses-derive-value-internet-things/>

As stated earlier this could have been **the pre-eminent tech announcement of the year**, but it passed with hardly a ripple on Wall Street.

BlackBerry's Reputation for End-to-End Security Pays Off

Despite BlackBerry's spectacular "Buckner" of the entire cell phone market, nothing has ever challenged its reputation as the world's most secure intranet/extranet platform. The company's DNA is no longer a matter of putting a keyboard on a cell phone. Rather it is in its demonstrated ability to host complex networks of heterogenous mobile devices rendered rationally manageable by an IT department staffed by mere mortals, all within a reliable security envelope.

BlackBerry has never fallen victim to a major security breach, and, in stark contrast to Android, has the respect of most of the world's hackers.

Ironically, being Canadian and possibly beyond the overwhelmingly persuasive powers of the NSA suddenly turns out to be a strategic advantage of stunning implications. This "security neutrality" reputation has already quietly caught the

attention of numerous sovereign entities, and we are sure, numerous multinationals. Domiciled neither in the US nor China, it's yet another powerful point in BlackBerry's favor.

<http://bgr.com/2013/11/29/nsa-spying-allegations-BlackBerry/>

Valuations in the “Internet of Things” Space

The “Internet of Things” space is already showing the signs of a land rush. Citron wants readers to consider how ridiculous a \$3.2 billion enterprise valuation is for a company with such pedigree in the delivery of high volume secure mobile data with grade A management. Needless to say, BlackBerry booked over 900 million in revenue last quarter (dwarfing the 3 companies below combined)

Consider these Acquisitions:

Acquirer	Acquisition	Price	For what?
Google	Nest	\$3.2 Billion	Smart Thermostats
Apple	Beats	\$3 Billion	Headphones, streaming music, and entertainment management
VC valuation	Snapchat	\$3 Billion	For secured messaging on vanishing texts and photos

And this discussion doesn't even include Chen's promised monetization of BBM or the handset business. (Mr. Chen stated he thinks he can monetize BBM for 100 million revenue next year.)

The reality is that Chen has now proved BlackBerry is in it for the long haul, and has \$5 or so per share in hard assets on its balance sheet. Chen's leadership has already reduced the risk of dilution or fire sale to nil.

The risk-reward of a 19% short interest in the stock is just not going to work in the long run. Shorts have to ask themselves the same question as we or any investor: What's the upside, and what's the downside?

The Spectrum of Companies that Could Buy BlackBerry

We note that Mr. Chen isn't dangling his company in front of Wall Street's eyes, but an investor has to consider the potential bid and potential bidders should the acquisition bug shifts into overdrive. What is interesting is that gaining a powerful upper hand in the "Internet of Things" can prompt companies from a number of directions, each with its own agenda to push. Consider how BlackBerry's patent portfolio plays into this land rush.

We think the following companies could all be potential bidders in this new competitive landscape:

Microsoft	Obvious they are in need of a huge restart to become a relevant, tech investment, and they have plenty of cash
SAP	same people who bought Chen's last turnaround company Sybase, and a major herald of "Internet of Things"
GE	already have their hands in manufacturing millions of "things"
Salesforce.com	Because SAP is in the hunt, integration possibilities would be an incalculable competitive advantage
Apple	cash plus obviousness
Google	see Apple
Cisco	Already an advocate for and a major strategic beneficiary of "Internet of Things"
Intel	Ditto plus market expansion into embedded systems
ARM Holdings	See Intel
Oracle	Big data touches everything big in business and government
IBM	See Oracle
Samsung	Because they can
Yahoo	– Lots of cash, and a need to reposition itself as strategically relevant

It has become more difficult to find a company that would **not** want to buy BlackBerry than one who would.



Conclusion

Mr. Chen, we are honored to be investors and having you work for us. We think we understand where you are piloting this ship, and we note the your consistent track record of aligning your words and your actions – the definition of integrity.

We have just one humble suggestion: It is time to change the name of the company. The name “BlackBerry” no longer reflects the strategic direction you have taken for the company. It is a pointer to lost handset marketshare, a debacle of the company’s past.

We suggest “**Research In Motion**” because the company is now capable of fulfilling the original vision as expressed in its original name.

The company is uniquely positioned to gain a powerful market leadership position as a credible competitor for marketshare as platform of the “Internet of Things”.

Cautious Investing to All