

Sell Presentation

RESEARCH IN MOTION



WESTERN INVESTMENT CLUB



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INVESTMENT THESIS

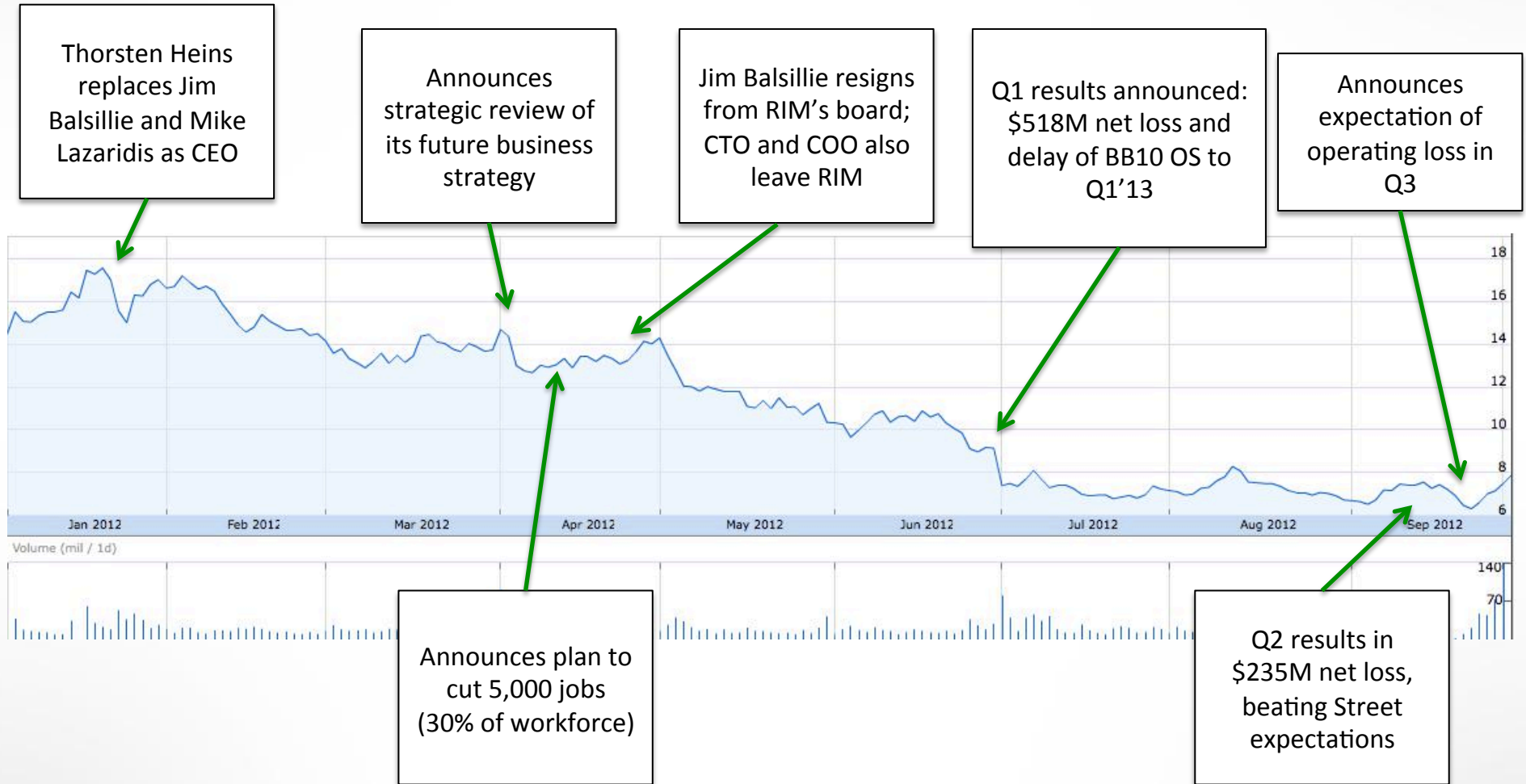
As of September 2008

- Strong economic moat in the enterprise market
- Has successfully entered consumer/prosumer market and is experiencing explosive growth
- RIM provides the best push email service, and has maintained product differentiation despite increased competition
- Only has captured 1% of the world phone market and 10.5% of the world smart phone market
- International demand outside of North America represents enormous growth potential

- **Does the Investment Thesis still hold true today?**

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TRADING HISTORY



Research in Motion SEGMENTS

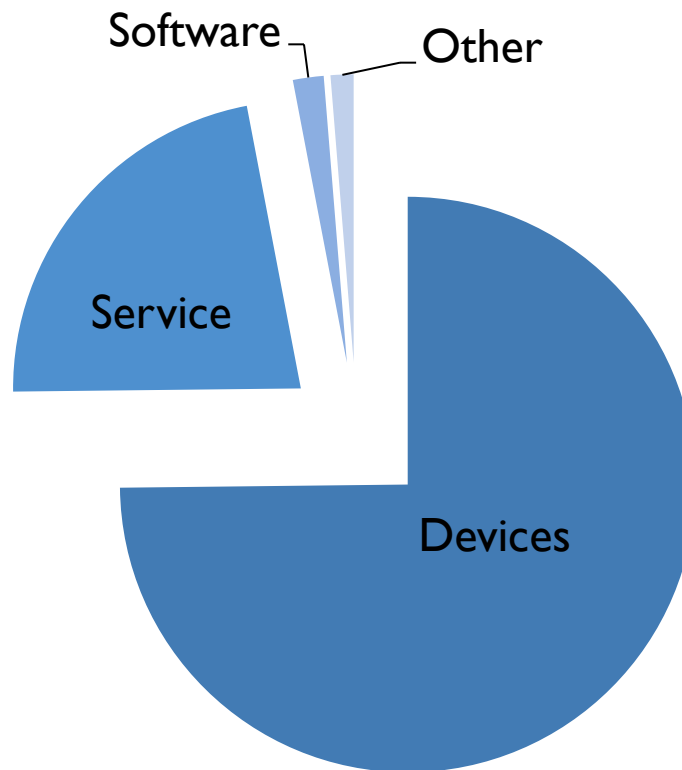
SOFTWARE (2%)

Licensed Software

Blackberry Mobile Voice
System

OTHER (1%)

Open Standards-Based
Development Program



SERVICES (22%)

Technical Support Services

Non-Warranty Repairs

DEVICES (75%)

Smartphones
Bold, Torch, Curve

Tablets
Blackberry Playbook

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INDUSTRY

- **There are 117 Million Smartphones in the US**
 - Top 3 Operating Systems:
 - Google Android – 52.6% (up 2.7%)
 - Apple – 34.3% (up 2.4%)
 - RIM – 8.3% (down 3%)
- **Fundamental Shifts in the Industry**
 - Moving away from technological innovations to “Smartphone Wars”
 - Increase in patent litigation amongst major players
 - Consumer demand continues to grow in emerging markets



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CONSUMER

- **Personal Users (Retail market)**
 - Tends to be primary mobile for personal use
 - Value multiple functions beyond traditional voice/text:
 - Web Browsers
 - News/Apps
 - Social Media, list goes on....
- **Business Users (Enterprise Market)**
 - Traditionally valued security of device and compatibility with work servers
 - Trend away from enterprise-issued device, towards “BYOD”
 - Integration between personal and work-related use of smartphone



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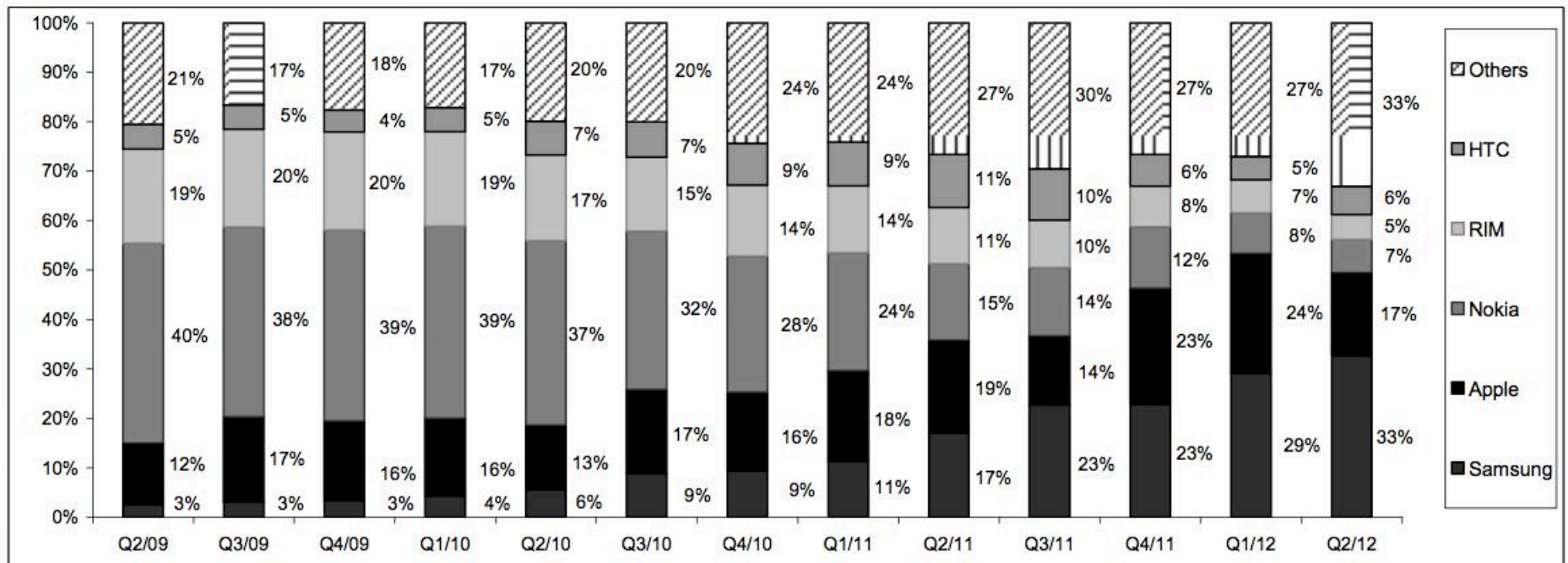
CONSUMER

- **What does the future consumer market look like in this space?**
 - Open-source systems (e.g. Androids) allows for greater sharing of apps, social gaming
 - Increased cross-platform integration (e.g. Tablet → PC → Smartphone)
 - Massive demand in Emerging Markets like India, China, and Latin America
 - Estimated 1 Billion Smartphones by 2016 Globally
 - Highest Penetration of Smartphones by Country → UAE (62%)
 - **Disadvantage for RIM? Misalignment with their competitive advantage (i.e. encryption)?**
 - Political Barriers to Entry
- **2012 Gazelle Survey of Smartphone Users**
 - “iPhone and iPad Users are **Optimistic, Calm, and also Social**”
 - “Android Users are **Generally Optimistic and Active**”
 - “Blackberry Users are **Pessimistic and Uneasy about the Future**”
 - *“33% of Blackberry users believe if something can go wrong for them, it will”*

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COMPETITION

Global Smartphone Market



- RIM's market share has decreased from 19% (Q2/09) to 5% (Q2/12) → 2nd to 5th in the Global rankings
 - Δ of (14)% or a 74% decline in two years!
- **What are RIM's growth prospects moving forward? Can it eat up market share despite Samsung / Apple?**
 - Is the answer Blackberry 10?

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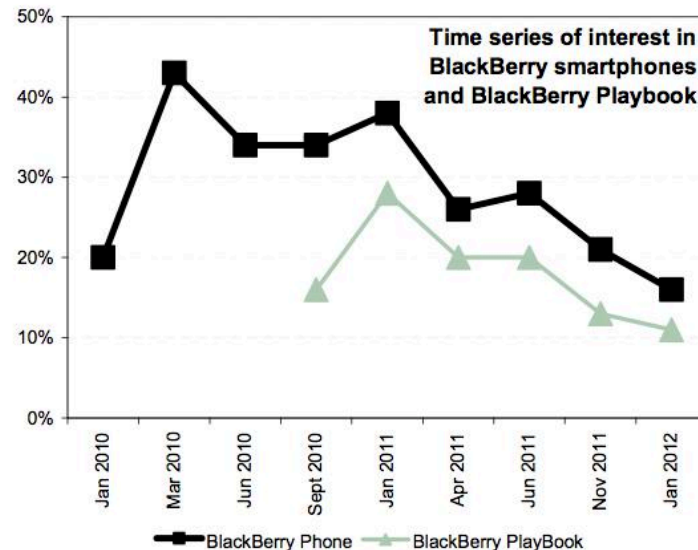
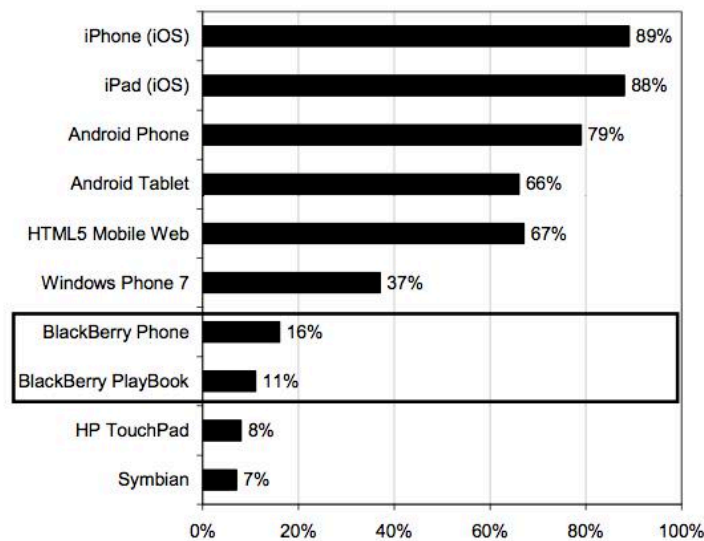
BLACKBERRY 10

- **How much does Blackberry 10 mean for RIM?**
 - The critical point in the company's lifecycle – will it save the company?
 - Recent investor movement have been strongly linked to the development of Blackberry 10
 - Expectations are at their lowest for the other segments of the business (already priced in?)
- **What needs to improve for consumers to be happy with Blackberry 10?**
 - Pillar of differentiation: multitasking ability (switching profiles from personal to business)
 - Especially important for the Enterprise segment of RIM (i.e. business users)
 - Central point for applications and content transactions (i.e. a user-friendly, inclusive App World)
 - Major developers (e.g. Netflix, Skype, Instagram) have not publically expressed interest
 - Rapidly deteriorating consumer traction will need a strong ecosystem of apps to revive itself

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DEVELOPER INTEREST

- **Blackberry needs a sustainable, thriving ecosystem of applications for its Blackberry 10 platform**
- **Appcelerator / IDC Q1 2012 Mobile Developer Report results:**
 - Blackberry is one of the least attractive platforms for large developers
 - Even with the launch of Blackberry 10 scheduled for January 2013, interest has been declining
 - \$10,000 Guarantee program due Fall 2012
 - If App gets approved by RIM and it achieves at least \$1,000 in sales, RIM will guarantee \$10,000



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LIQUIDATION VALUE

- Liquidation Value: “The total worth of a company’s physical assets if it were to go out of business”

Year	2012A	2013E	2014E	Sensitivity on % Received (2012)	
				% Received	Upside Potential
TBV/Share	\$12.42	\$12.21	\$11.83	60%	(3%)
				65%	5%
% Received	80%	80%	80%	70%	13%
				75%	21%
LV/Share	\$9.94	\$9.77	\$9.46	80%	29%
				85%	37%
Upside Potential	29%	27%	23%		

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POTENTIAL BUYERS

Company	Mkt. Cap. (\$bn)	Net Cash (\$bn)	Likelihood?	Rationale
	537.9	97.6	LOW	<ul style="list-style-type: none"> • Internal idea generation important • Large acquisitions are historically uncharacteristic
	276.0	55.4	LOW	<ul style="list-style-type: none"> • Nokia acquisition (hardware segment) • Synergies are few (ahead of RIM on Enterprise Systems)
	195.6	42.3	LOW	<ul style="list-style-type: none"> • Motorola acquisition (hardware segment) • Reverse on the hardware learning curve?
	108.5	30.9	LOW	<ul style="list-style-type: none"> • Exited the consumer segment (focus on networks) • Smartphone industry unattractive for newcomers
SAMSUNG	146.7	21.6	LOW	<ul style="list-style-type: none"> • Interest in expanding outside of Android • Internal development of the BadaOS makes this unlikely

- Note: RIM's Enterprise Value is ~\$5.0bn
- RIM is not an attractive target for financial sponsors
- High variability and volatility makes upside from liquidation very risky
- Can we deploy this capital more effectively in an alternative investment?

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RECOMMENDATION

SELL 50 Shares of RIM @ \$8.07