



BlackBerry Heating Up: What Does Going Private Mean for Long-Term Investors?

Description

Last week, it was made known that a go-private transaction for **BlackBerry** (TSX:BB, NASDAQ:BBRY) may be in the works. [A move that makes perfect sense](#) from a strategic angle to this Fool.

This morning we've learned that a special committee within BlackBerry has been formed to *"explore strategic alternatives to enhance value and increase scale in order to accelerate BlackBerry 10 deployment. These alternatives could include, among others, possible joint ventures, strategic partnerships or alliances, a sale of the Company or other possible transactions."*

Along with this bit, it was also announced that Prem Watsa, Chairman and CEO of **Fairfax Financial** ([TSX:FFH](#)), the company's largest shareholder, will step down from the Board due to the potential conflict of interest this implies.

Now that Watsa is off the board, he becomes just like every other BlackBerry shareholder out there. This begs the question, what does a private BlackBerry mean for current shareholders.

The lowdown

BlackBerry's stock means many things to many people. And while a go-private transaction makes perfect sense from a strategic perspective for the company, it may not be the best outcome for many of the company's shareholders at this time.

If a bid were to come in tomorrow for BlackBerry that the board deemed acceptable, it would essentially signify the end of the line for current BlackBerry investors. If you're under water on your investment, as so many are, including Watsa, you will lose the chance of ever recouping that loss as you will be forced to take whatever the buyout price might be.

In Watsa's case, his average cost is said to be around \$17. He believes in BlackBerry's long-term prospects and feels that at some point it will be worth \$40 per share. However, if a buyer comes in with a bid of \$12/share (completely hypothetical), and this bid is successful, not only will Watsa realize a capital loss as his shares are acquired away from him at a price below his cost base, but also, the potential for significant future appreciation disappears.

One of the motivations for acquiring BlackBerry's stock in recent times has been to play the possible rebound that this company may have over the long-term. A go-private transaction essentially renders this thesis null and void.

Foolish Final Thoughts

It's early days and we're likely to hear a lot about this story in the weeks to come. You can bet that BlackBerry's shares are going to behave even more wildly than normal as different opinions surface. You can also bet that we haven't heard the last from Watsa.

One of the most interesting dynamics set to play out is the highly intriguing game of corporate governance that this situation involves. Boards of directors are meant to be in place to ensure that current shareholders maximize the value of their shares when these situations arise. Should a bid come through, and the board approves it, it will essentially say to shareholders that this is the best we think you're going to do on your investment. A very different message than current company rhetoric implies. Stay tuned!

Not all Canadian companies are as volatile as BlackBerry. For a profile of some of the best this country has to offer [click here now](#) and download our **FREE** report "**5 Stocks to Replace Your Canadian Index Fund**". One of the 5 just got taken out a huge premium. [Click here now](#) to learn about the other 4, at no charge!

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Fool contributor Iain Butler does not own shares in any of the companies mentioned at this time. The Motley Fool does not own shares in any of the companies mentioned at this time.

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1. Investing

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
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Date

2025/09/26

Date Created

2013/08/12

Author

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