



## BlackBerry: Buy, Sell, or Hold?

### Description

**Take Stock** is the Motley Fool Canada's **free** investing newsletter. To have future editions delivered directly to you, simply [click here now](#).

Dear Fellow Fools,

Unless you've spent the past week or so huddled in a cave, it's very likely you know there's been some news on the **BlackBerry** (TSX:BB,NASDAQ:BBRY) front.

After speculation began to swirl last Friday, it was confirmed on Monday that the company has put together a Special Committee of five board members to explore "strategic alternatives". These alternatives could include such things as possible joint ventures, strategic partnerships or alliances, or an outright sale of the company.

In addition, it was announced that board member Prem Watsa, CEO and Chairman of **Fairfax Financial**, BlackBerry's largest shareholder, will step down from the board due to a possible conflict of interest.

And that's the BlackBerry news.

### Not so fast ...

In response to these developments, the stock surged by 20% as of last night's close. And, of course, a ton of digital ink has been spilled. (We Fools are guilty of being part of the commentariat — to see our recent posts click [here](#), [here](#), [here](#) and [here](#).)

Needless to say, BlackBerry garners a lot of attention in our fair country and this "news" has left a lot of investors scratching their heads. In this week's Take Stock, we're going to run through a collection of BlackBerry-related scenarios that investors face from here. Consider this a road map of sorts; something to keep in mind as you navigate the round-the-clock media coverage of this saga that is sure to play out in the coming weeks and months.

### For investors thinking of buying BlackBerry

Yesterday, 43.5 million BlackBerry shares exchanged hands on the NASDAQ stock exchange and a further 4.9 million shares were exchanged on the TSX. These figures compare to the 25.6 million and 1.0 million shares, respectively, that are traded on an average day. There's a whole lot of buying and selling going on in this stock.

There are two reasons why someone (or something) might be buying BlackBerry's stock – and neither of them are very well-suited to a traditional buy-and-hold, fundamentals-focused investor.

Given the spike in volume, high-frequency trading operations and day-traders are likely behind a sizeable majority of the activity on both the buy and sell side. They are buying because they think the stock is going to be up some miniscule amount in some minuscule amount of time. Then they sell. It is a game we won't even pretend to understand.

The other reason is that there's a sizeable short interest outstanding against BlackBerry. These shorts have been covering — that is, buying the stock to close out their position. Though there are short sellers that have no doubt made a lot of money on this trade, this probably wasn't the outcome they had envisioned. Many probably figured they'd never have to cover — in their minds, BlackBerry was probably not long for this world.

A reason *not* to buy is much easier for us Fools to relate to as it's more rooted in fundamentals. By announcing that a go-private transaction of some sort could be in the works, the potentially significant upside that was once available in this company is essentially capped. With the possibility of a big gain off the table, for now, the risk/reward relationship is completely altered and totally unattractive for a fundamental, long-term investor.

### **For investors thinking of holding BlackBerry**

The one reason to keep holding BlackBerry's stock is the same as the one reason that you hold on to any stock: You think you're going to make more money from it.

In BlackBerry's case, this implies one of two things. One, you expect that a bid will come through for the company at a level that is higher than the current price. Or two, a bid will not come through, and even though this may cause some short-term pain, over the long-term BlackBerry remains destined for greatness.

We can't really speak to the probabilities of either scenario playing out — we simply don't know what they are. We can, however, make you aware of two tricks your brain might be playing on you to make you continue to hold your stock in the face of this week's developments.

These tricks are known as “anchoring” and the “break-even” effect — I promise, we've all experienced them as they're part of what makes us human.

Both more or less imply that your brain has locked you into a “target” price for BlackBerry. No matter what happens, and no matter what the facts may indicate, there's no way you're going to sell this stock until it reaches that magical price. Even if it means riding it all the way to \$0.

These are very dangerous mental blocks that we humans are born with. If you're holding on, it's important to reflect on what the facts are telling you to do, not what your brain might be forcing you to

do.

### **For investors thinking of selling BlackBerry**

One reason to sell your BlackBerry shares is that, to be blunt, it's over. Similar to our reason not to buy, from a fundamentalist's perspective, the thesis to own BlackBerry is gone. While your expectations may have not been met, and you're disappointed, the facts have changed with this week's news.

Unless the company's results magically improve in the near term, this stock faces two scenarios in the coming months.

One, it disappears into the private world, which may well occur at a price that is higher than today's close and therefore to sell now would mean you left some money on the table. But probably not much higher, and probably not nearly high enough to guard against the scenario that the company comes up dry in its search for "strategic alternatives". Maybe they don't exist? It's happened before.

Should no bid emerge (or joint venture, or partnership, etc.), BlackBerry's stock is likely to decline, probably dramatically — in which case your decision to sell now, as painful as it may seem, will appear brilliant.

### **The Foolish Bottom Line**

Obviously, we Fools don't know your personal circumstances, and so cannot present any personalized guidance. My general opinion, however, is that BlackBerry's stock is, and has been for a long time, just too hard to get right.

A go-private transaction makes a lot of sense strategically for BlackBerry *the company*. It's a marquee name here in Canada and one that many investors are emotionally tied to because of its past. But there are a whole pile of more appealing risk/reward scenarios that are ripe for your hard-earned investment dollars. Let's go find them!

Be sure to follow us on [Twitter](#) and [Facebook](#) for the latest in Foolish investing.

'Til next time ... happy investing and Fool on!

Sincerely,

Iain Butler

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The Motley Fool Canada

*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)
2. TSX:BB (BlackBerry)

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