The One Number That Matters to BlackBerry from the Microsoft/Nokia Deal

Description

0.35.

This is the price/revenue figure that Bloomberg reported **Microsoft** (NASDAQ:MSFT) is paying to buyout **Nokia's** (NYSE:NOK) handset unit and license its patent portfolio.

Handset unit? Patent portfolio? Both of these items sound very familiar to those of us following the **BlackBerry** (TSX:BB, NASDAQ:BBRY) story.

Not only does Microsoft buying Nokia potentially take a buyer off the table as BlackBerry continues to shop itself. It also potentially draws a line in the sand as to what price a buyer might be willing to pay.

For those of you hanging on to BlackBerry shares hoping for it to pop if/when a buyer is found, this number is not a favourable one.

With total revenues over the past 12 months of $11.3 billion, and a current market capitalization of $5.7 billion, BlackBerry currently trades at a price/revenue multiple of 0.50. BlackBerry shares would have to be trading right around $7.50 to carry a multiple of 0.35. That's about 30% lower than where they currently sit.

The Foolish Bottom Line

Though BlackBerry's shares are seemingly up on the day because of this MSFT/NOK news, it's not entirely clear why this is so. One less buyer and a valuation precedent that is lower than where the company currently trades doesn't seem like positive news to this Fool.

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Fool contributor Iain Butler doesn't own shares of any companies mentioned. The Motley Fool owns shares of Microsoft.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)

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