



BlackBerry Is Rotting

Description

Perhaps **BlackBerry** (TSX:BB,NASDAQ:BBRY) thought they could minimize the damage by springing a bit of news on the market late in the day Friday. If so, they thought wrong.

When news of the massive job cuts and pre-release of quarterly results hit, 20% of BlackBerry's value was immediately erased. Maybe for good this time.

The details have by now been widely dispersed. Along with the job cuts, BlackBerry announced that it's writing down \$960 million worth of inventory, and will record an operating loss of as much as \$995 million for its fiscal 2nd quarter. Sales in the quarter were \$1.6 billion, which is slightly more than half of the \$3.03 billion that analysts expected. Only 5.9 million BlackBerry devices were sold during the quarter, which is potentially as many iPhones as **Apple** is going to sell this weekend.

Perhaps worst of all, the company has begun to bleed cash. BlackBerry's cash pile looks to have shrunk from \$3.0 billion to \$2.6 billion. The fact that it had been adding to this cash pile as recently as last quarter is further proof that a drastic shift has occurred.

Silver lining?

Don't get me wrong. This is bad. Real bad. But, there are a heck of a lot of companies that would be happy to have sold 5.9 million units of anything while raking in \$1.6 billion in sales, in a quarter no less. The problem is, BlackBerry is built to sell much more, hence the need for the layoffs. After these layoffs, 7,000 employees will remain, which still sounds like a lot to this Fool. The company's footprint needs to shrink.

If management can somehow ring fence the business as it stands, and then shrink the company to a more appropriate size, perhaps it has a fighting chance of survival. With \$2.6 billion in the bank and a cash bleed of \$400 million, at this rate, management has about 6 more quarters like this to figure out how to pull this rightsizing effort off.

Foolish Takeaway

Investing doesn't have to be as hard as BlackBerry makes it out to be. For a smoother ride to riches, [click here now](#) and download our special **FREE** report "**3 U.S. Companies That Every Canadian Should Own**".

*The Motley Fool's purpose is to help the world invest, better. [Click here now](#) for your free subscription to **Take Stock**, The Motley Fool Canada's free investing newsletter. Packed with stock ideas and investing advice, it is essential reading for anyone looking to build and grow their wealth in the years ahead.*

[Follow us on Twitter](#) and [Facebook](#) for the latest in Foolish investing.

Fool contributor Iain Butler doesn't own shares in any companies mentioned. David Gardner owns shares of Apple. The Motley Fool owns shares of Apple.

CATEGORY

1. Investing

TICKERS GLOBAL

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

Category

1. Investing

Date

2025/09/25

Date Created

2013/09/21

Author

tmfohcanada

default watermark

default watermark