



Why BlackBerry Shares Bounced Today

Description

Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.

What: Shares of embattled smartphone company **BlackBerry** ([TSX: BB](#)) surged 16% today after Bay Street applauded its strategic direction.

So what: BlackBerry posted a whopping Q3 loss of \$4.4 billion on a revenue plunge of 56%, but new Chairman and interim CEO John Chen's [plan to move away](#) from handset sales towards software and services is fueling some turnaround hope among investors. In fact, Chen struck a five-year strategic deal with Chinese OEM Foxconn to design several low-cost devices, a particularly sharp move that capitalizes on BlackBerry's still-significant presence in emerging markets.

Now what: In Q4, management expects to maintain its recently bolstered cash position while continuing to cut operating expenses. "With the operational and organizational changes we have announced, BlackBerry has established a clear roadmap that will allow it to target a return to improved financial performance in the coming year," [said](#) Chen. "While our Enterprise Services, Messaging and QNX Embedded businesses are already well-positioned to compete in their markets, the most immediate challenge for the Company is how to transition the Devices operations to a more profitable business model." So while Chen's plan looks good on paper, I'd wait for more evidence that it's actually gaining traction before betting too big on it.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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