



## Blackberry Surges After Facebook Buys WhatsApp

### Description

The number was so big that it looked like a typo. On February 19, **Facebook** (Nasdaq:FB) announced it would buy over-the-top messaging app-maker WhatsApp for \$19 billion. That works out to over \$40 per registered user, and more impressively, \$350 million per employee.

Back in December, **Blackberry** ([TSX:BB](#))(Nasdaq:BBRY) CEO John Chen identified Blackberry Messenger (BBM) as a key piece of the company's plans going forward. BBM remains very popular, as evidenced by the overwhelming response when it became available on non-Blackberry devices. But since the business unit is still non-revenue-generating, it is difficult for analysts and investors to place a value on BBM. Facebook's announcement showed that messaging services, even free ones, can have a lot of value.

Blackberry's enterprise value is only \$3.2 billion, meaning that Facebook paid about six times more for WhatsApp than the entire value of Blackberry's assets. So it's not surprising that Blackberry shares surged over 4% the day after Facebook's announcement. But two questions remain. First of all, why didn't Facebook save itself over \$10 billion by taking out Blackberry instead? Second, does Facebook's purchase imply a much bigger value for BBM than originally thought?

The first question is fairly straightforward. Blackberry would be a poor fit with Facebook, which is why there has never been any real speculation that such a merger would take place. Blackberry still has a very tattered brand, as well as other businesses that are unfamiliar to Facebook. Blackberry also is going after a much different market than Facebook. Finally, Blackberry is still burning cash, and either a turnaround or divestitures would pose a major distraction for Facebook.

The second question, concerning BBM's implied value, is much more difficult to answer. But there are some key differences between WhatsApp and Blackberry. First of all, Facebook's \$19 billion purchase price for WhatsApp only makes sense in the context of the social network's 1.2 billion registered users. Secondly, WhatsApp's user base is more than five times as large as Blackberry's, and growing more quickly too. Finally, Facebook may very well have overpaid.

## **Foolish bottom line**

There is certainly value in BBM, and Facebook's announcement implied that this value may be unappreciated. But there are too many important differences between WhatsApp and BBM for this event to be more meaningful. If Blackberry's investors want to get as rich as WhatsApp's employees, they'll need a lot more patience.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. NASDAQ:META (Meta Platforms Inc.)
2. NYSE:BB (BlackBerry)
3. TSX:BB (BlackBerry)

## **Category**

1. Investing

## **Date**

2025/08/20

## **Date Created**

2014/02/21

## **Author**

bensinclair

default watermark

default watermark