



## Why Are BlackBerry Shares Surging?

### Description

On Friday morning, **BlackBerry** ([TSX: BB](#))(Nasdaq: BBRY) CEO John Chen got a chance to give an update on his turnaround plan as the company reported earnings for the fourth quarter of 2013.

By most standards, it was a poor quarter. At \$976 million, revenue was down 64% compared to the fourth quarter of 2012, and missed analyst estimates of \$1.1 billion. The company also reported a loss of \$423 million for the quarter.

For the full year, BlackBerry's revenue decreased nearly 40% from 2012 levels, and the company lost \$5.87 billion.

But the news was not nearly as bad as expected. Excluding one-time items, the loss from continuing operations was only \$42 million, or eight cents per share. Analysts were expecting a loss of 55 cents per share. Mr. Chen also said that cost-cutting initiatives were ahead of schedule, and that the company is targeting break-even by the end of 2015. Until then, BlackBerry has \$2.7 billion in cash and investments. A recent announcement that it would sell 3 million square feet of land will give that cash balance a boost.

In early trading on Friday morning, the shares are up nearly 6%.

### Reduced expectations

[Much like Lululemon](#) yesterday, BlackBerry's latest earnings update was a major beneficiary of lowered expectations. A good example surrounds the company's inventory write-downs. For example, in the second quarter of last year, BlackBerry recorded an impairment charge of \$934 million, primarily due to the Z10 phone. Then came an impairment of \$1.6 billion in the third quarter, again from writing down BlackBerry 10 phone inventory.

But when John Chen announced a partnership with Foxconn, he said it would put an end to these severe write-downs. And while it is too early to judge that partnership on its merits, BlackBerry recorded an inventory recovery of \$149 million in the fourth quarter (in other words, reversing previous write-downs).

### **Foolish bottom ine**

The earnings results have sustained BlackBerry's very strong momentum in the new year; the company's shares have risen by 33% so far in 2014. To borrow Mr. Chen's line, BlackBerry seems to be in "execution mode", and investors are clearly more hopeful than they have been in months.

But the quarter also served as a reminder of how long the road will be to recovery. Investors who aren't prepared to take some significant risk should avoid this stock like the plague.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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

### **Category**

1. Investing

### **Date**

2025/08/23

### **Date Created**

2014/03/28

### **Author**

bensinclair

default watermark

default watermark