



Is BlackBerry Ripe for a Comeback?

Description

BlackBerry ([TSX: BB](#))(NASDAQ: BBRY) missed revenue estimates in six of the last eight quarters, not to mention the heavy cash burn and write-downs it had to live through during those periods, but last quarter, BlackBerry managed to post a GAAP profit.

Could this be the bottom investors have been waiting for? Frankly, taking a position in Blackberry even now is a gamble — here's why.

The competition isn't standing still

Last quarter, **Apple** ([NASDAQ: AAPL](#)) sold 43 million iPhones even after the record breaking 51 million in Q1. Of those 43 million, 66% came from overseas (BlackBerry's bread and butter), showing that Apple is set to gain share in the emerging marketplace. Meanwhile, **Google** has over 1 billion Android devices activated and more than half of the market in the U.S., along with an ever-increasing offering of products within the Android ecosystem. BlackBerry is going to need a blockbuster product to attract consumers to its products.

The menace of another write-down

BlackBerry gets 71% of its revenue outside North America and while it was announced that the Z3 was launched in Indonesia along with eight new markets to follow, a write-down of inventory due to low sales is probable. Considering BlackBerry's recent history with new products coupled with competition from the emerging market phone manufacturers, it is a danger that needs to be taken into account.

A sliver of optimism

Along the cost reduction side of the income statement, BlackBerry seems to be doing well with its strategy. It managed to post a gross margin of 48%, an increment of 5% over last quarter along with reducing adjusted operating expenses by 57% on a year-over-year basis. So while growth is not quite there yet, at least the company is now more aligned on the cost side with its anticipated revenue stream. The sale of its real estate managed to increase cash on the balance sheet to \$3.1 billion, allowing management more freedom to maneuver without the threat of liquidity in the near to mid future.

New markets and executive vote of trust

It was announced last week that BlackBerry signed an accord with **Amazon** ([NASDAQ: AMZN](#)) to open the BlackBerry devices to the Amazon app store, giving its users access to the most popular apps on the market at the moment. Moreover, new CEO John Chen bought 50,000 shares so far in 2014 sending a signal that the top executive is bullish on the company's prospects.

Proceed at your own risk

Whether or not you believe in BlackBerry, opening a position is speculation at this stage. With such high volatility both pre- and post-earnings release in the past years, it might be more prudent to sit this one out until the restructuring is on more sound footing.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)
2. NYSE:BB (BlackBerry)
3. TSX:BB (BlackBerry)

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Date

2025/07/03

Date Created

2014/06/30

Author

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