2 Reasons to Avoid BlackBerry Ltd, and 1 Stock to Buy Instead

Description

So far, it seems that new **BlackBerry Ltd** (TSX: BB)(NASDAQ: BBRY) CEO John Chen has the right priorities. He's emphasizing the company's strengths, monetizing assets such as real estate, and trying to bring back positive cash flow. He is a big reason why so many people are betting on the company.

That said, there are also plenty of reasons to stay away from BlackBerry's shares. Below I present two of them, as well as one stock you may want to consider instead.

Reasons to avoid BlackBerry

1. A tough fight

Anyone who has lost money has learned a very valuable lesson: When a company has to constantly innovate just to keep its existing customers, things can go wrong very quickly. More specifically, BlackBerry lost nearly all of its market share when rivals came out with better products.

That is a problem the company still faces today. For example, you'll hear Mr. Chen speak often of BlackBerry's leadership in security. To be fair, the company still does this better than its rivals. However, who doesn't think that **Apple Inc.** and **Google Inc** are determined to close that gap, and that they have the financial resources to do so?

You're much better off finding companies that have a sustainable competitive advantage. That way, you don't have to worry so much about competitors stealing market share. As for BlackBerry, it's in for the fight of its life.

2. The short term

Unfortunately, BlackBerry is still bleeding cash, and this can have some severe consequences.

For one, it means that it will have difficulty focusing on the long term. For example, let's say the nextbig technological breakthrough would take five years to develop. Apple and Google can plow rightahead, but BlackBerry cannot justify such an investment.

Secondly, there will be challenges with talent management. To illustrate, let's say that you're a top programmer. Would you rather work for BlackBerry or for Google? Likewise, if you already work for BlackBerry, there may be better opportunities available, ones that offer more certainty.

To be fair to BlackBerry, it seems to be doing a great job dealing with these issues. However, these are some of the problems that any turnaround can run into, and they are difficult for investors to see — until it's too late.

A stock to buy instead: Thomson Reuters Corporation

Thomson Reuters Corporation (TSX: TRI)(NYSE: TRI) sells information services, mostly to legal and financial professionals. The company has had some stumbles, but also has some very attractive characteristics.

For one, it makes revenue mostly off of subscriptions, and these subscriptions have high renewal rates because they are generally a pain to switch away from. Secondly, while competition is fierce at times — no one wants to compete with Bloomberg — it is not over the top.

Despite Thomson's slip-ups, it hasn't lost significant market share the way that BlackBerry has. Also, with a 3.5% dividend yield, Thomson gives you a nice steady income stream too, something still in the distant horizon for BlackBerry Ltd.

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