



## Is IBM's Decline Good News for BlackBerry Ltd.?

### Description

On Monday of last week, **International Business Machines Corp.** ([NYSE: IBM](#)) reported earnings for the third quarter of 2014. And the numbers were not pretty. Revenue declined in each of its operating segments, 4% overall. Operating income declined 12%.

Shares of **BlackBerry Ltd.** ([TSX: BB](#))(Nasdaq: BBR Y) jumped nearly 9% that day. Part of this was due to rumours the company would be bought. But there was also at least some belief that IBM's poor showing was good news for BlackBerry. Was that indeed the case?

### IBM's alliance with Apple was very threatening

Back in July, for one day at least, the newspapers were a lot nicer to IBM. The company had just partnered with **Apple** to produce business-focused applications on iPhones and iPads. The first of these apps are set to go live in November. Forbes magazine even asked if this was the "Death Knell" for BlackBerry.

There were reasons to be worried. Apple and IBM are two behemoths — in the past year alone they've had combined sales of over \$275 billion. They also have very powerful brands, both far stronger than BlackBerry's name. And neither of these two companies is accustomed to losing. Surely, they would do whatever it takes to win.

### ... but IBM may not be as powerful as we think

That being said, IBM's most recent numbers offer a solemn reminder that the company is struggling. CEO Ginni Rometty even noted that there was "a marked slowdown in September in client buying behaviour" and that "we are disappointed by our performance."

The company's problems are numerous. The growth of IT spending has slowed considerably. The strong American dollar hasn't helped. Cloud computing is disrupting the company's mainframe business. And along the way, IBM's revenue has slowly been shrinking — for example last year revenue shrunk by nearly 5%.

For many years IBM has grown earnings per share mainly by buying back stock. In fact, since 2000, the company has spent over \$100 billion on buybacks. But sooner or later IBM will have to overcome the problems described above.

### **So what does this mean for BlackBerry?**

IBM's issues are likely good news for BlackBerry and its shareholders. At the very least, it's a reminder that the company is vulnerable, and that its partnership with Apple isn't the "death knell" for anyone. Furthermore, the company's various issues, such as the decline of mainframe computing, may take up a lot of IBM's resources, allowing BlackBerry to compete more effectively.

### **So should you buy BlackBerry**

BlackBerry's recovery is going very well, and CEO John Chen seems to have the company on the right track. This is of course much more important than any of IBM's woes. But we're still in the early innings, so there's plenty of upside left for the shares. Yesterday only served as a reminder.

There are other stocks you should consider for your portfolio, and five are detailed in the free report below.

#### **CATEGORY**

1. Investing
2. Tech Stocks

#### **TICKERS GLOBAL**

1. NYSE:BB (BlackBerry)
2. NYSE:IBM (International Business Machines Corporation)
3. TSX:BB (BlackBerry)

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1. Investing
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